Statement for the Record

Worldwide Threat Assessment
of the
US Intelligence Community

Senate Armed Services Committee

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February 9, 2016

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INTRODUCTION

Chairman McCain, Vice Chairman Reed, Members of the Committee, thank you for the invitation to offer the United States Intelligence Community's 2016 assessment of threats to US national security. My statement reflects the collective insights of the Intelligence Community's extraordinary men and women, whom I am privileged and honored to lead. We in the Intelligence Community are committed every day to provide the nuanced, multidisciplinary intelligence that policymakers, warfighters, and domestic law enforcement personnel need to protect American lives and America's interests anywhere in the world.

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

Information available as of February 3, 2016 was used in the preparation of this assessment.

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Strategic Outlook

The consequences of innovation and increased reliance on information technology in the next few years on both our society's way of life in general and how we in the Intelligence Community specifically perform our mission will probably be far greater in scope and impact than ever. Devices, designed and fielded with minimal security requirements and testing, and an ever-increasing complexity of networks could lead to widespread vulnerabilities in civilian infrastructures and US Government systems. These developments will pose challenges to our cyber defenses and operational tradecraft but also create new opportunities for our own intelligence collectors.

Internet of Things (IoT). "Smart" devices incorporated into the electric grid, vehicles—including autonomous vehicles—and household appliances are improving efficiency, energy conservation, and convenience. However, security industry analysts have demonstrated that many of these new systems can threaten data privacy, data integrity, or continuity of services. In the future, intelligence services might use the IoT for identification, surveillance, monitoring, location tracking, and targeting for recruitment, or to gain access to networks or user credentials.

Artificial Intelligence (AI). AI ranges from "Narrow AI" systems, which seek to execute specialized tasks, such as speech recognition, to "General AI" systems—perhaps still decades away—which aim to replicate many aspects of human cognition. Implications of broader AI deployment include increased vulnerability to cyberattack, difficulty in ascertaining attribution, facilitation of advances in foreign weapon and intelligence systems, the risk of accidents and related liability issues, and unemployment. Although the United States leads AI research globally, foreign state research in AI is growing.

The increased reliance on AI for autonomous decisionmaking is creating new vulnerabilities to cyberattacks and influence operations. As we have already seen, false data and unanticipated algorithm behaviors have caused significant fluctuations in the stock market because of the reliance on automated trading of financial instruments. Efficiency and performance benefits can be derived from increased reliance on AI systems in both civilian industries and national security, as well as potential gains to cybersecurity from automated computer network defense. However, AI systems are susceptible to a range of disruptive and deceptive tactics that might be difficult to anticipate or quickly understand. Efforts to mislead or compromise automated systems might create or enable further opportunities to disrupt or damage critical infrastructure or national security networks.

Foreign Data Science. This field is becoming increasingly mature. Foreign countries are openly purchasing access to published US research through aggregated publication indices, and they are collecting social media and patent data to develop their own indices.

Augmented Reality (AR) and Virtual Reality (VR). AR and VR systems with three-dimensional imagery and audio, user-friendly software, and low price points are already on the market; their adoption will probably accelerate in 2016. AR provides users with additional communications scenarios (e.g. by using virtual avatars) as well as acquisition of new data (e.g. from facial recognition) overlaid onto reality. VR gives users experiences in man-made environments wholly separate from reality.

Protecting Information Resources

Integrity. Future cyber operations will almost certainly include an increased emphasis on changing or manipulating data to compromise its integrity (i.e., accuracy and reliability) to affect decisionmaking, reduce trust in systems, or cause adverse physical effects. Broader adoption of IoT devices and AI—in settings such as public utilities and health care—will only exacerbate these potential effects. Russian cyber actors, who post disinformation on commercial websites, might seek to alter online media as a means to influence public discourse and create confusion. Chinese military doctrine outlines the use of cyber deception operations to conceal intentions, modify stored data, transmit false data, manipulate the flow of information, or influence public sentiments—all to induce errors and miscalculation in decisionmaking.

Infrastructure. Countries are becoming increasingly aware of both their own weaknesses and the asymmetric offensive opportunities presented by systemic and persistent vulnerabilities in key infrastructure sectors including health care, energy, finance, telecommunications, transportation, and water. For example, the US health care sector is rapidly evolving in ways never before imagined, and the cross-networking of personal data devices, electronic health records, medical devices, and hospital networks might play unanticipated roles in patient outcomes. Such risks are only heightened by large-scale theft of health care data and the internationalization of critical US supply chains and service infrastructure.

A major US network equipment manufacturer acknowledged last December that someone repeatedly gained access to its network to change source code in order to make its products' default encryption breakable. The intruders also introduced a default password to enable undetected access to some target networks worldwide.

Interoperability. Most governments are exploring ways to exert sovereign control over information accessible to and used by their citizens and are placing additional legal requirements on companies as they seek to balance security, privacy, and economic concerns. We assess that many countries will implement new laws and technologies to censor information, decrease online anonymity, and localize data within their national borders. Although these regulations will restrict freedoms online and increase the operating costs for US companies abroad, they will probably not introduce obstacles that threaten the functionality of the Internet.

Identity. Advances in the capabilities of many countries to exploit large data sets almost certainly increase the intelligence value of collecting bulk data and have probably contributed to increased targeting of personally identifiable information. Commercial vendors, who aggregate the bulk of digitized information about persons, will increasingly collect, analyze, and sell it to both foreign and domestic customers. We assess that countries are exploiting personal data to inform a variety of counterintelligence operations.

Accountability. Information security professionals will continue to make progress in attributing cyber operations and tying events to previously identified infrastructure or tools that might enable rapid attribution in some cases. However, improving offensive tradecraft, the use of proxies, and the creation of cover organizations will hinder timely, high-confidence attribution of responsibility for state-sponsored cyber operations.

Restraint. Many actors remain undeterred from conducting reconnaissance, espionage, and even attacks in cyberspace because of the relatively low costs of entry, the perceived payoff, and the lack of significant consequences. Moscow and Beijing, among others, view offensive cyber capabilities as an important geostrategic tool and will almost certainly continue developing them while simultaneously discussing normative frameworks to restrict such use. Diplomatic efforts in the past three years have created the foundation for establishing limits on cyber operations, and the norms articulated in a 2015 report of the UN Group of Governmental Experts suggest that countries are more likely to commit to limitations on what cyber operations can target than to support bans on the development of offensive capabilities or on specific means of cyber intervention. For example, in 2015, following a US-Chinese bilateral agreement, G-20 leaders agreed that that no country should conduct or sponsor cyber espionage for the purpose of commercial gain.

Leading Threat Actors

Russia. Russia is assuming a more assertive cyber posture based on its willingness to target critical infrastructure systems and conduct espionage operations even when detected and under increased public scrutiny. Russian cyber operations are likely to target US interests to support several strategic objectives: intelligence gathering to support Russian decisionmaking in the Ukraine and Syrian crises, influence operations to support military and political objectives, and continuing preparation of the cyber environment for future contingencies.

China. China continues to have success in cyber espionage against the US Government, our allies, and US companies. Beijing also selectively uses cyberattacks against targets it believes threaten Chinese domestic stability or regime legitimacy. We will monitor compliance with China's September 2015 commitment to refrain from conducting or knowingly supporting cyber-enabled theft of intellectual property with the intent of providing competitive advantage to companies or commercial sectors. Private-sector security experts have identified limited ongoing cyber activity from China but have not verified state sponsorship or the use of exfiltrated data for commercial gain.

Iran. Iran used cyber espionage, propaganda, and attacks in 2015 to support its security priorities, influence events, and counter threats—including against US allies in the region.

North Korea. North Korea probably remains capable and willing to launch disruptive or destructive cyberattacks to support its political objectives. South Korean officials have concluded that North Korea was probably responsible for the compromise and disclosure of data from a South Korean nuclear plant.

Nonstate Actors. Terrorists continue to use the Internet to organize, recruit, spread propaganda, collect intelligence, raise funds, and coordinate operations. In a new tactic, ISIL actors targeted and released sensitive information about US military personnel in 2015 in an effort to spur "lone-wolf" attacks. Criminals develop and use sophisticated cyber tools for a variety of purposes such as theft, extortion, and

facilitation of other criminal activities such as drug trafficking. "Ransomware" designed to block user access to their own data, sometimes by encrypting it, is becoming a particularly effective and popular tool for extortion for which few options for recovery are available. Criminal tools and malware are increasingly being discovered on state and local government networks.

TERRORISM

The United States and its allies are facing a challenging threat environment in 2016. Sunni violent extremism has been on an upward trajectory since the late 1970s and has more groups, members, and safe havens than at any other point in history. At the same time, Shia violent extremists will probably deepen sectarian tensions in response to real and perceived threats from Sunni violent extremists and to advance Iranian influence.

The Islamic State of Iraq and the Levant (ISIL) has become the preeminent terrorist threat because of its self-described caliphate in Syria and Iraq, its branches and emerging branches in other countries, and its increasing ability to direct and inspire attacks against a wide range of targets around the world. ISIL's narrative supports jihadist recruiting, attracts others to travel to Iraq and Syria, draws individuals and groups to declare allegiance to ISIL, and justifies attacks across the globe. The ISIL-directed November 2015 attacks in Paris and ISIL-Sinai's claim of responsibility for the late October downing of a Russian airliner in the Sinai underscore these dynamics.

Al-Qa'ida's affiliates have proven resilient and are positioned to make gains in 2016, despite counterterrorism pressure that has largely degraded the network's leadership in Afghanistan and Pakistan. They will continue to pose a threat to local, regional, and even possibly global interests as demonstrated by the January 2015 attack on French satirical newspaper *Charlie Hebdo* by individuals linked to al-Qa'ida in the Arabian Peninsula (AQAP). Other Sunni terrorist groups retain the ability to attract recruits and resources.

The United States will almost certainly remain at least a rhetorically important enemy for most violent extremists in part due to past and ongoing US military, political, and economic engagement overseas. Sunni violent extremists will probably continually plot against US interests overseas. A smaller number will attempt to overcome the logistical challenges associated with conducting attacks on the US homeland. The July 2015 attack against military facilities in Chattanooga and December 2015 attack in San Bernardino demonstrate the threat that homegrown violent extremists (HVEs) also pose to the homeland. In 2014, the FBI arrested approximately one dozen US-based ISIL supporters. In 2015, that number increased to approximately five dozen arrests. These individuals were arrested for a variety of reasons, predominantly for attempting to provide material support to ISIL.

US-based HVEs will probably continue to pose the most significant Sunni terrorist threat to the US homeland in 2016. The perceived success of attacks by HVEs in Europe and North America, such as those in Chattanooga and San Bernardino, might motivate others to replicate opportunistic attacks with little or no warning, diminishing our ability to detect terrorist operational planning and readiness. ISIL involvement in homeland attack activity will probably continue to involve those who draw inspiration from

the group's highly sophisticated media without direct guidance from ISIL leadership and individuals in the United States or abroad who receive direct guidance and specific direction from ISIL members or leaders.

ISIL's global appeal continues to inspire individuals in countries outside Iraq and Syria to travel to join the group. More than 36,500 foreign fighters—including at least 6,600 from Western countries—have traveled to Syria from more than100 countries since the conflict began in 2012. Foreign fighters who have trained in Iraq and Syria might potentially leverage skills and experience to plan and execute attacks in the West. Involvement of returned foreign fighters in terrorist plotting increases the effectiveness and lethality of terrorist attacks, according to academic studies. A prominent example is the November 2015 attacks in Paris in which the plotters included European foreign fighters returning from Syria.

ISIL's branches continue to build a strong global network that aims to advance the group's goals and often works to exacerbate existing sectarian tensions in their localities. Some of these branches will also plan to strike at Western targets, such as the downing of a Russian airliner in October by ISIL's self-proclaimed province in Egypt. In Libya, the group is entrenched in Surt and along the coastal areas, has varying degrees of presence across the country, and is well positioned to expand territory under its control in 2016. ISIL will seek to influence previously established groups, such as Boko Haram in Nigeria, to emphasize the group's ISIL identity and fulfill its religious obligations to the ISIL "caliphate."

Other terrorists and insurgent groups will continue to exploit weak governance, insecurity, and economic and political fragility in an effort to expand their areas of influence and provide safe havens for violent extremists, particularly in conflict zones. Sunni violent extremist groups are increasingly joining or initiating insurgencies to advance their local and transnational objectives. Many of these groups are increasingly capable of conducting effective insurgent campaigns, given their membership growth and accumulation of large financial and materiel caches. This trend increasingly blurs the lines between insurgent and terrorist groups as both aid local fighters, leverage safe havens, and pursue attacks against US and other Western interests.

No single paradigm explains how terrorists become involved in insurgencies. Some groups like ISIL in Syria and al-Qa'ida in the Islamic Maghreb (AQIM) in Mali have worked with local militants to incite insurgencies. Others, like Boko Haram, are the sole instigators and represent the primary threat to their respective homeland's security. Still others, including al-Shabaab, are the primary beneficiaries of an insurgency started by others. Finally, other groups, such as core al-Qa'ida, have taken advantage of the relative safe haven in areas controlled by insurgent groups to build capabilities and alliances without taking on a primary leadership role in the local conflict.

Although al-Qa'ida's presence in Afghanistan and Pakistan has been significantly degraded, it aspires to attack the US and its allies. In Yemen, the proven capability of AQAP to advance external plots during periods of instability suggests that leadership losses and challenges from the Iranian-backed Huthi insurgency will not deter its efforts to strike the West. Amid this conflict, AQAP has made territorial gains in Yemen including the seizure of military bases in the country's largest province. Al-Qa'ida nodes in Syria, Pakistan, Afghanistan, and Turkey are also dedicating resources to planning attacks. Al-Shabaab, al-Qaida's affiliate in East Africa, continues its violent insurgency in southern and central Somalia despite losses of territory and influence and conflict among senior leaders.

Iran—the foremost state sponsor of terrorism—continues to exert its influence in regional crises in the Middle East through the Islamic Revolutionary Guard Corps—Qods Force (IRGC-QF), its terrorist partner Lebanese Hizballah, and proxy groups. It also provides military and economic aid to its allies in the region. Iran and Hizballah remain a continuing terrorist threat to US interests and partners worldwide.

Terrorists will almost certainly continue to benefit in 2016 from a new generation of recruits proficient in information technology, social media, and online research. Some terrorists will look to use these technologies to increase the speed of their communications, the availability of their propaganda, and ability to collaborate with new partners. They will easily take advantage of widely available, free encryption technology, mobile-messaging applications, the dark web, and virtual environments to pursue their objectives.

Long-term economic, political, and social problems, as well as technological changes, will contribute to the terrorist threat worldwide. A record-setting 60 million internally displaced persons (IDPs) and refugees as of 2014—one half of whom are children, according to the United Nations—will stress the capacity of host nations already dealing with problems relating to assimilation and possibly make displaced populations targets for recruitment by violent extremists. Among Sunni violent extremist groups, ISIL is probably most proficient at harnessing social media to disseminate propaganda and solicit recruits among a broad audience. It is likely to continue these activities in 2016 by using videos, photos, and other propaganda glorifying life under ISIL rule and promoting the group's military successes. In addition, violent extremist supporters will probably continue to publicize their use of encrypted messaging applications on social media to let aspiring violent extremists know that secure avenues are available by which they can communicate.

The acute and enduring nature of demographic, economic, political, social, and technological factors contribute to the motivation of individuals and groups and their participation in violent extremist activities. These factors ensure that terrorism will remain one of several primary national security challenges for the United States in 2016.

WEAPONS OF MASS DESTRUCTION AND PROLIFERATION

Nation-state efforts to develop or acquire weapons of mass destruction (WMD), their delivery systems, or their underlying technologies constitute a major threat to the security of the United States, its deployed troops, and allies. Use of chemical weapons in Syria by both state and nonstate actors demonstrates that the threat of WMD is real. Biological and chemical materials and technologies, almost always dual use, move easily in the globalized economy, as do personnel with the scientific expertise to design and use them. The latest discoveries in the life sciences also diffuse rapidly around the globe.

North Korea Developing WMD-Applicable Capabilities

North Korea's nuclear weapons and missile programs will continue to pose a serious threat to US interests and to the security environment in East Asia in 2016. North Korea's export of ballistic missiles and associated materials to several countries, including Iran and Syria, and its assistance to Syria's

construction of a nuclear reactor, destroyed in 2007, illustrate its willingness to proliferate dangerous technologies.

We judge that North Korea conducted a nuclear test on 6 January 2016 that it claimed was a successful test of a "hydrogen bomb." Although we are continuing to evaluate this event, the low yield of the test is not consistent with a successful test of a thermonuclear device. In 2013, following North Korea's third nuclear test, Pyongyang announced its intention to "refurbish and restart" its nuclear facilities, to include the uranium enrichment facility at Yongbyon and its graphite-moderated plutonium production reactor, which was shut down in 2007. We assess that North Korea has followed through on its announcement by expanding its Yongbyon enrichment facility and restarting the plutonium production reactor. We further assess that North Korea has been operating the reactor long enough so that it could begin to recover plutonium from the reactor's spent fuel within a matter of weeks to months.

North Korea has also expanded the size and sophistication of its ballistic missile forces—from close-range ballistic missiles to intercontinental ballistic missiles (ICBMs)—and continues to conduct test launches. In May 2015, North Korea claimed that it successfully tested a ballistic missile from a submarine. Pyongyang is also committed to developing a long-range, nuclear-armed missile that is capable of posing a direct threat to the United States; it has publicly displayed its KN08 road-mobile ICBM on multiple occasions. We assess that North Korea has already taken initial steps toward fielding this system, although the system has not been flight-tested.

Although North Korea issues official statements that include its justification for building nuclear weapons and threats to use them as a defensive or retaliatory measure, we do not know the details of Pyongyang's nuclear doctrine or employment concepts. We have long assessed that Pyongyang's nuclear capabilities are intended for deterrence, international prestige, and coercive diplomacy.

China Modernizing Nuclear Forces

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

Russian Cruise Missile Violates the INF Treaty

Russia has developed a ground-launched cruise missile that the United States has declared is in violation of the Intermediate-Range Nuclear Forces (INF) Treaty. Russia has denied it is violating the INF Treaty. In 2013, a senior Russian administration official stated publicly that the world had changed since the INF Treaty was signed 1987 and noted that Russia was "developing appropriate weapons systems" in light of the proliferation of intermediate- and shorter-range ballistic missile technologies around the world, and Russian officials have made statements in the past regarding the unfairness of a Treaty that prohibits

Russia, but not some of its neighbors, from developing and processing ground-launched missiles with ranges between 500 to 5,500 kilometers.

Chemical Weapons in Syria and Iraq

We assess that Syria has not declared all the elements of its chemical weapons program to the Chemical Weapons Convention (CWC). Despite the creation of a specialized team and months of work by the Organization for the Prohibition of Chemical Weapons (OPCW) to address gaps and inconsistencies in Syria's declaration, numerous issues remain unresolved. Moreover, we continue to judge that the Syrian regime has used chemicals as a means of warfare since accession to the CWC in 2013. The OPCW Fact-Finding Mission has concluded that chlorine had been used on Syrian opposition forces in multiple incidents in 2014 and 2015. Helicopters—which only the Syrian regime possesses—were used in several of these attacks.

We assess that nonstate actors in the region are also using chemicals as a means of warfare. The OPCW investigation into an alleged ISIL attack in Syria in August led it to conclude that at least two people were exposed to sulfur mustard. We continue to track numerous allegations of ISIL's use of chemicals in attacks in Iraq and Syria, suggesting that attacks might be widespread.

Iran Adhering to Deal To Preserve Capabilities and Gain Sanctions Relief

Iran probably views the Joint Comprehensive Plan of Action (JCPOA) as a means to remove sanctions while preserving some of its nuclear capabilities, as well as the option to eventually expand its nuclear infrastructure. We continue to assess that Iran's overarching strategic goals of enhancing its security, prestige, and regional influence have led it to pursue capabilities to meet its nuclear energy and technology goals and give it the ability to build missile-deliverable nuclear weapons, if it chooses to do so. Its pursuit of these goals will dictate its level of adherence to the JCPOA over time. We do not know whether Iran will eventually decide to build nuclear weapons.

We also continue to assess that Iran does not face any insurmountable technical barriers to producing a nuclear weapon, making Iran's political will the central issue. Iran's implementation of the JCPOA, however, has extended the amount of time Iran would need to produce fissile material for a nuclear weapon from a few months to about a year. The JCPOA has also enhanced the transparency of Iran's nuclear activities, mainly through improved access by the International Atomic Energy Agency (IAEA) and investigative authorities under the Additional Protocol to its Comprehensive Safeguard Agreement.

As a result, the international community is well postured to quickly detect changes to Iran's declared nuclear facilities designed to shorten the time Iran would need to produce fissile material. Further, the JCPOA provides tools for the IAEA to investigate possible breaches of prohibitions on specific R&D activities that could contribute to the development of a nuclear weapon.

We judge that Tehran would choose ballistic missiles as its preferred method of delivering nuclear weapons, if it builds them. Iran's ballistic missiles are inherently capable of delivering WMD, and Tehran already has the largest inventory of ballistic missiles in the Middle East. Iran's progress on space launch vehicles—along with its desire to deter the United States and its allies—provides Tehran with the means and motivation to develop longer-range missiles, including ICBMs.

Genome Editing

Research in genome editing conducted by countries with different regulatory or ethical standards than those of Western countries probably increases the risk of the creation of potentially harmful biological agents or products. Given the broad distribution, low cost, and accelerated pace of development of this dual-use technology, its deliberate or unintentional misuse might lead to far-reaching economic and national security implications. Advances in genome editing in 2015 have compelled groups of high-profile US and European biologists to question unregulated editing of the human germline (cells that are relevant for reproduction), which might create inheritable genetic changes. Nevertheless, researchers will probably continue to encounter challenges to achieve the desired outcome of their genome modifications, in part because of the technical limitations that are inherent in available genome editing systems.

SPACE AND COUNTERSPACE

Space

Global Trends. Changes in the space sector will evolve more quickly in the next few years as innovation becomes more ubiquitous, driven primarily by increased availability of technology and growing private company investment. The number of space actors is proliferating, with 80 countries participating in space activities and more expected in the next few years. New entrants from the private space sector—leveraging lowering costs in aerospace technology and innovations in other technology sectors, such as big data analytics, social media, automation, and additive manufacturing—will increase global access to space-enabled applications, such as imaging, maritime automatic identification system (AIS), weather, Internet, and communications.

Military and Intelligence. Foreign governments will expand their use of space services—to include reconnaissance, communications, and position, navigation, and timing (PNT)—for military and intelligence purposes, beginning to rival the advantages space-enabled services provide the United States. Russia and China continue to improve the capabilities of their military and intelligence satellites and grow more sophisticated in their operations. Russian military officials publicly tout their use of imaging and electronic-reconnaissance satellites to support military operations in Syria—revealing some of their sophisticated military uses of space services.

Counterspace

Threats to our use of military, civil, and commercial space systems will increase in the next few years as Russia and China progress in developing counterspace weapon systems to deny, degrade, or disrupt US space systems. Foreign military leaders understand the unique advantages that space-based systems provide to the United States. Russia senior leadership probably views countering the US space advantage as a critical component of warfighting. Its 2014 Military Doctrine highlights at least three space-enabled capabilities—"global strike," the "intention to station weapons in space," and "strategic non-nuclear precision weapons"—as main external military threats to the Russian Federation. Russia and China are also employing more sophisticated satellite operations and are probably testing dual-use technologies in space that could be applied to counterspace missions.

Deny and Disrupt. We already face a global threat from electronic warfare systems capable of jamming satellite communications systems and global navigation space systems. We assess that this technology will continue to proliferate to new actors and that our more advanced adversaries will continue to develop more sophisticated systems in the next few years. Russian defense officials acknowledge that they have deployed radar-imagery jammers and are developing laser weapons designed to blind US intelligence and ballistic missile defense satellites.

Destroy. Russia and China continue to pursue weapons systems capable of destroying satellites on orbit, placing US satellites at greater risk in the next few years. China has probably made progress on the antisatellite missile system that it tested in July 2014. The Russian Duma officially recommended in 2013 that Russia resume research and development of an airborne antisatellite missile to "be able to intercept absolutely everything that flies from space."

COUNTERINTELLIGENCE

The United States will continue to face a complex foreign intelligence threat environment in 2016. We assess that the leading state intelligence threats to US interests will continue to be Russia and China, based on their capabilities, intent, and broad operational scope. Other states in South Asia, the Near East, East Asia, and Latin America will pose local and regional intelligence threats to US interests. For example, Iranian and Cuban intelligence and security services continue to view the United States as a primary threat.

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

Insiders who disclose sensitive US Government information without authorization will remain a significant threat in 2016. The sophistication and availability of information technology that can be used for nefarious purposes exacerbate this threat both in terms of speed and scope of impact.

Nonstate entities, including international terrorist groups and transnational organized crime organizations, will continue to employ and potentially improve their intelligence capabilities, which include human, cyber, and technical means. Like state intelligence services, these nonstate entities recruit human sources and conduct physical and technical surveillance to facilitate their activities and avoid detection and capture.

TRANSNATIONAL ORGANIZED CRIME

Some US Drug Threats Are Growing

Transnational drug trafficking poses a strong and in many cases growing threat to the United States at home and to US security interests abroad. Supplies of some foreign-produced drugs in the United States are rising, and some criminals who market them are growing more sophisticated.

- Mexican drug traffickers, capitalizing on the strong US demand for heroin, have increased heroin production significantly since 2007. US border seizures nearly doubled between 2010 and 2014. Some Mexican trafficking groups—which collectively supply most of the heroin consumed in the United States—have mastered production of the white heroin preferred in eastern US cities and have been boosting overall drug potency by adding fentanyl. Fentanyl, which is 30 to 50 times more potent than heroin, is sometimes used as an adulterant and mixed with lower-grade heroin to increase its effects or mixed with diluents and sold as "synthetic heroin" with or without the buyers' knowledge.

- Mexican traffickers have probably increased their production of the stimulant methamphetamine for the US market. US border seizures of the drug rose by nearly half between 2013 and 2014.

- Traffickers in the Andean countries have increased their manufacture of cocaine. Producers in Colombia—from which most US cocaine originates—increased output by nearly a third in 2014 over the prior year. Cocaine output will probably rise again in 2016 as previously planted coca crops fully mature.

- US availability of some new psychoactive substances—so-called "designer drugs" typically produced in Asia—has been increasing; UN scientists have identified more than 500 unique substances.

Transnational Organized Crime Groups Target Vulnerable States

Transnational organized crime groups will pose a persistent and at times sophisticated threat to the wealth, health, and security of people around the globe. Criminal groups' untaxed and unregulated enterprises drain state resources, crowd out legitimate commerce, increase official corruption, and impede economic competitiveness and fair trade. On occasion, transnational organized crime groups threaten countries' security, spur increases in social violence, or otherwise reduce governability.

- Profit-minded criminals generally do not seek the reins of political power but rather to suborn, co-opt, or bully government officials in order to create environments in which criminal enterprise can thrive.

- Foreign-based transnational criminals are increasingly using online information systems to breach sovereign borders virtually, without the need to send criminal operatives abroad to advance illicit businesses.

- Organized crime and rebel groups in Africa and elsewhere are likely to increase their involvement in wildlife trafficking to fund political activities, enhance political influence, and purchase weapons. Illicit trade in wildlife, timber, and marine resources endangers the environment, threatens good

governance and border security in fragile regions, and destabilizes communities whose economic well-being depends on wildlife for biodiversity and ecotourism. Increased demand for ivory and rhino horn in East Asia has triggered unprecedented increases in poaching in Sub-Saharan Africa.

Human trafficking exploits and abused individuals and challenges international security. Human traffickers leverage corrupt officials, porous borders, and lax enforcement to orchestrate their illicit trade. This exploitation of human lives for profit continues to occur in every country in the world—undermining the rule of law and corroding legitimate institutions of government and commerce. Trafficking in persons has become a lucrative source of revenue for transnational organized crime groups and terrorist organizations and is estimated to produce tens of billions of dollars annually. For example, terrorist or armed groups—such as ISIL, the Lord's Resistance Army, and Boko Haram—engage in kidnapping for the purpose of sexual slavery, sexual exploitation, and forced labor. These activities might also contribute to the funding and sustainment of such groups.

We assess that the ongoing global migration crises—a post-WWII record 60 million refugees and internally displaced persons—will fuel an increase in the global volume of human trafficking victims as men, women, and children undertake risky migration ventures and fall prey to sex trafficking, forced labor, debt bondage and other trafficking crimes. This continuing rise in global displacement and dangerous migration, both forced and opportunistic movements within countries and across national borders, will probably allow criminal groups and terrorist organizations to exploit vulnerable populations.

ECONOMICS AND NATURAL RESOURCES

Global economic growth will probably remain subdued, in part because of the deceleration of China's economy. During 2015, preliminary figures indicate that worldwide GDP growth slipped to 3.1 percent, down from 3.4 percent the previous year, although advanced economies as a group enjoyed their strongest GDP growth since 2010 at nearly 2 percent. However, developing economies, which were already dealing with broad and sharp commodity-price declines that began in 2014, saw the first net capital outflows to developed countries since the late 1980s.

GDP growth for these economies was 4 percent in 2015, the lowest since 2009. The International Monetary Fund (IMF) is forecasting a slight growth upturn in 2016 but downgraded its forecast in January for both developed and developing economies. Adverse shocks such as financial instability in emerging markets, a steeper-than-expected slowdown in China's growth, or renewed uncertainty about Greece's economic situation, might prevent the predicted gradual increase in global growth.

Macroeconomic Stability

Continued solid performance by the United States and the resumption of growth for many European states, even as the region continues to wrestle with the Greek debt crisis, will probably help boost growth rates for developed economies. However, increasing signs of a sustained deceleration of Chinese economic growth—particularly in sectors that are the most raw-material intensive—contributed to a continued decline in energy and commodity prices worldwide in 2015. Emerging markets and developing countries' difficulties were compounded by the declines in foreign investment inflows and increases in

resident capital outflows. The prospect of higher growth and interest rates in the United States is spurring net capital outflows from these countries, estimated to be more than $700 billion in 2015, compared to an average yearly inflow of more than $400 billion from 2009 to 2014. The global slowdown in trade is also contributing to a more difficult economic environment for many developing economies and might worsen if efforts to advance trade liberalization through the World Trade Organization (WTO) and regional trade deals stall.

Energy and Commodities

Weak energy and commodity prices have been particularly hard on key exporters in Latin America; Argentina and Brazil experienced negative growth and their weakened currencies contributed to domestic inflation. A steeply declining economy in Venezuela—the result of the oil-price decline and years of poor economic policy and profligate government spending—will leave Caracas struggling to avoid default in 2016. Similarly, in Africa, declining oil revenues and past mismanagement have contributed to Angolan and Nigerian fiscal problems, currency strains, and deteriorating external balances. Falling prices have also forced commodity-dependent exporters, such as Ghana, Liberia, and Zambia, to make sharp budget cuts to contain deficits. Persian Gulf oil exporters, which generally have more substantial financial reserves, have nonetheless seen a sharp increase in budget deficits.

Declining energy prices and substantial increases in North American production have also discouraged initiatives to develop new resources and expand existing projects—including in Brazil, Canada, Iraq, and Saudi Arabia. They typically take years to complete, potentially setting the stage for shortfalls in coming years when demand recovers.

Arctic

Diminishing sea ice is creating increased economic opportunities in the region and simultaneously raising Arctic nations' concerns about safety and the environment. Harsh weather and longer-term economic stakes have encouraged cooperation among the countries bordering the Arctic. As polar ice recedes and resource extraction technology improves, however, economic and security concerns will raise the risk of increased competition between Arctic and non-Arctic nations over access to sea routes and resources. Sustained low oil prices would reduce the attractiveness of potential Arctic energy resources. Russia will almost certainly continue to bolster its military presence along its northern coastline to improve its perimeter defense and control over its exclusive economic zone (EEZ). It will also almost certainly continue to seek international support for its extended continental shelf claim and its right to manage ship traffic within its EEZ. Moscow might become more willing to disavow established international processes or organizations concerning Arctic governance and act unilaterally to protect these interests if Russian-Western relations deteriorate further.

HUMAN SECURITY

Environmental Risks and Climate Change

Extreme weather, climate change, environmental degradation, related rising demand for food and water, poor policy responses, and inadequate critical infrastructure will probably exacerbate—and potentially

spark—political instability, adverse health conditions, and humanitarian crises in 2016. Several of these developments, especially those in the Middle East, suggest that environmental degradation might become a more common source for interstate tensions. We assess that almost all of the 194 countries that adopted the global climate agreement at the UN climate conference in Paris in December 2015 view it as an ambitious and long-lasting framework.

- The UN World Meteorological Organization (WMO) report attributes extreme weather events in the tropics and sub-tropical zones in 2015 to both climate change and an exceptionally strong El Niño that will probably persist through spring 2016. An increase in extreme weather events is likely to occur throughout this period, based on WMO reporting. Human activities, such as the generation of greenhouse gas emissions and land use, have contributed to extreme weather events including more frequent and severe tropical cyclones, heavy rainfall, droughts, and heat waves, according to a November 2015 academic report with contributions from scientists at the National Oceanic and Atmospheric Administration (NOAA). Scientists have more robust evidence to identify the influence of human activity on temperature extremes than on precipitation extremes.

- The Paris climate change agreement establishes a political expectation for the first time that all countries will address climate change. The response to the deal has been largely positive among government officials and nongovernmental groups, probably because the agreement acknowledges the need for universal action to combat climate change along with the development needs of lower-income countries. However, an independent team of climate analysts and the Executive Secretary of the UN climate forum have stated that countries' existing national plans to address climate change will only limit temperature rise to 2.7 degrees Celsius by 2100.

Health

Infectious diseases and vulnerabilities in the global supply chain for medical countermeasures will continue to pose a danger to US national security in 2016.   Land-use changes will increase animal-to-human interactions and globalization will raise the potential for rapid cross-regional spread of disease, while the international community remains ill prepared to collectively coordinate and respond to disease threats. Influenza viruses, coronaviruses such as the one causing Middle Eastern Respiratory Syndrome (MERS), and hemorrhagic fever viruses such as Ebola are examples of infectious disease agents that are passed from animals to humans and can quickly pose regional or global threats. Zika virus, an emerging infectious disease threat first detected in the Western Hemisphere in 2014, is projected to cause up to 4 million cases in 2016; it will probably spread to virtually every country in the hemisphere. Although the virus is predominantly a mild illness, and no vaccine or treatment is available, the Zika virus might be linked to devastating birth defects in children whose mothers were infected during pregnancy. Many developed and developing nations remain unable to implement coordinated plans of action to prevent infectious disease outbreaks, strengthen global disease surveillance and response, rapidly share information, develop diagnostic tools and countermeasures, or maintain the safe transit of personnel and materials.

- Human encroachment into animal habitats, including clearing land for farm use and urbanization, is recognized as a contributing factor in the emergence of new infectious diseases. The populations of Asia and Africa are urbanizing and growing faster than those of any other region, according to the

UN. Emerging diseases against which humans have no preexisting immunity or effective therapies pose significant risks of becoming pandemics.

Atrocities and Instability

Risks of atrocities, large-scale violence, and regime-threatening instability will remain elevated in 2016. A vicious cycle of conflict resulting from weak governance, the rise of violent non-state actors, insufficient international capacity to respond to these complex challenges, and an increase in global migration all contribute to global security risks. Weak global growth, particularly resulting from the cascading effect of slower Chinese growth that will hurt commodity exporters, will also exacerbate risk.

- Regional spillover will probably spread. For example, the long-term impact of civil war in Syria is reinforcing sectarian differences in Iraq, and the flight of Syrians to Turkey, Jordan, and Lebanon, and then onward to Europe is sowing regional tensions and straining national governments.

- As of 2015, the central governments of seven states are unable to project authority and provide goods and services throughout at least 50 percent of their respective territory; this number is the largest at any point in the past 60 years.

- The risk of waning support for universal human rights norms is increasing as authoritarian regimes push back against human rights in practice and in principle.

Global Displacement

Europe will almost certainly continue to face record levels of arriving refugees and other migrants in 2016 unless the drivers causing this historic movement toward the continent change significantly in 2016, which we judge is unlikely. Migration and displacement will also probably be an issue within Asia and Africa as well as the Americas. In total, about 60 million people are displaced worldwide, according to the UN High Commissioner for Refugees (UNHCR). These 60 million consist of approximately 20 million refugees, 38 million internally displaced persons (IDPs), and approximately 2 million stateless persons, also according to UNHCR statistics.

- Wars, weak border controls, and relatively easy and affordable access to routes and information are driving this historic increase in mobility and displacement.

The growing scope and scale of human displacement will probably continue to strain the response capacity of the international community and drive a record level of humanitarian requests. At the same time, host and transit countries will struggle to develop effective responses and, in some cases, manage domestic fears of terrorists exploiting migrant flows after the Paris attacks in November 2015.

- In 2015, the UN received less than half of its requested funding for global assistance, suggesting that the UN's 2016 request is also likely to be underfunded.

REGIONAL THREATS

Emerging trends suggest that geopolitical competition among the major powers is increasing in ways that challenge international norms and institutions. Russia, in particular, but also China seek greater influence over their respective neighboring regions and want the United States to refrain from actions they perceive as interfering with their interests—which will perpetuate the ongoing geopolitical and security competition around the peripheries of Russia and China, to include the major sea lanes. They will almost certainly eschew direct military conflict with the United States in favor of contests at lower levels of competition—to include the use of diplomatic and economic coercion, propaganda, cyber intrusions, proxies, and other indirect applications of military power—that intentionally blur the distinction between peace and wartime operations.

Although major power competition is increasing, the geopolitical environment continues to offer opportunities for US cooperation. In addition, despite the prospect for increased competition, the major powers, including Russia and China, will have incentives to continue to cooperate with the United States on issues of shared interest that cannot be solved unilaterally. A future international environment defined by a mix of competition and cooperation among major powers, however, will probably encourage ad-hoc approaches to global challenges that undermine existing international institutions.

EAST ASIA

China

China will continue to pursue an active foreign policy—especially within the Asia Pacific—highlighted by a firm stance on competing territorial claims in the East and South China Seas, relations with Taiwan, and its pursuit of economic engagement across East Asia. Regional tension will continue as China pursues construction at its expanded outposts in the South China Sea and because competing claimants might pursue actions that others perceive as infringing on their sovereignty. Despite the meeting between China's and Taiwan's Presidents in November 2015, Chinese leaders will deal with a new president from a different party in Taiwan following elections in January. China will also pursue efforts aimed at fulfilling its "One Belt, One Road" initiative to expand China's economic role and outreach across Asia.

China will continue to incrementally increase its global presence. Mileposts have included symbolic and substantive developments, such as the IMF's decision in November 2016 to incorporate the renminbi into its Special Drawing Rights currency basket and China's opening of the Asian Infrastructure Investment Bank in early 2016. China will increasingly be a factor in global responses to emerging problems, as illustrated by China's participation in UN peacekeeping operations, WHO's Ebola response, and infrastructure construction in Africa and Pakistan.

Amid new economic challenges, Chinese leaders are pursuing an ambitious agenda of economic, legal, and military reforms aimed at bolstering the country's long-term economic growth potential, improving

government efficiency and accountability, and strengthening the control of the Communist Party. The scope and scale of the reform agenda—coupled with an ongoing anti-corruption campaign—might increase the potential for internal friction within China's ruling Communist Party. Additionally, China's leaders, who have declared slower economic growth to be the "new normal," will nonetheless face pressure to stabilize growth at levels that still support strong job creation.

Southeast Asia

Regional integration via the Association of Southeast Asian Nations (ASEAN) made gains in 2015 with the establishment of the ASEAN Community. However, ASEAN cohesion on economic and security issues will continue to face challenges stemming from differing development levels among ASEAN members and their varying threat perceptions of China's regional ambitions and assertiveness in the South China Sea.

Democracy in many Southeast Asian nations remains fragile. Elites—rather than the populace—retain a significant level of control and often shape governance reforms to benefit their individual interests rather than to promote democratic values. Corruption and cronyism continue to be rampant in the region, and the rising threat of ISIL might provide some governments with a new rationale to not only address the terrorist threat but also curb opposition movements, like some leaders in the region did in the post 9/11 environment. The new National League for Democracy-led government in Burma is poised to continue the country's democratic transition process, but given its lack of governing experience, the learning curve will be steep. The Burmese constitution also ensures that the military will retain a significant level of power in the government, hampering the NLD to put its own stamp on the ongoing peace process. In Thailand, the military-led regime is positioned to remain in power through 2017.

North Korea

Since taking the helm of North Korea in December 2011, Kim Jong Un has further solidified his position as the unitary leader and final decision authority through purges, executions, and leadership shuffles. Kim and the regime have publicly emphasized—and codified—North Korea's focus on advancing its nuclear weapons program, developing the country's troubled economy, and improving the livelihood of the North Korean people, while maintaining the tenets of a command economy. Despite efforts at diplomatic outreach, Kim continues to challenge the international community with provocative and threatening behavior in pursuit of his goals, as prominently demonstrated in the November 2014 cyberattack on Sony, the August 2015 inter-Korean confrontation spurred by the North's placement of landmines that injured two South Korean soldiers, and the fourth nuclear test in January 2016.

RUSSIA AND EURASIA

Russia

Moscow's more assertive foreign policy approach, evident in Ukraine and Syria, will have far-reaching effects on Russia's domestic politics, economic development, and military modernization efforts.

President Vladimir Putin has sustained his popular approval at or near record highs for nearly two years after illegally annexing Crimea. Nevertheless, the Kremlin's fears of mass demonstration remain high, and the government will continue to rely on repressive tactics to defuse what it sees as potential catalysts for protests in Russia. The Kremlin's fear of instability and its efforts to contain it will probably be especially acute before the September 2016 Duma election.

The Russian economy will continue to shrink as a result of longstanding structural problems—made worse by low energy prices and economic sanctions—and entered into recession in 2015. A consensus forecast projects that GDP will contract by 3.8 percent in 2015 and will probably decline between 2-3 percent in 2016 if oil prices remain around $40 per barrel or only 0.6 percent if oil returns to $50 per barrel. Real wages declined throughout most of 2015 and the poverty rate and inflation have also worsened.

We assess that Putin will continue to try to use the Syrian conflict and calls for cooperation against ISIL to promote Russia's Great Power status and end its international isolation. Moscow's growing concern about ISIL and other extremists has led to direct intervention on the side of Bashar al-Asad's regime and efforts to achieve a political resolution to the Syrian conflict on Russia's terms. Since the terrorist attacks in Paris and over the Sinai, Russia has redoubled its calls for a broader anti-terrorism coalition. Meanwhile, growing Turkish-Russian tensions since Turkey's shootdown of a Russian jet in November 2015 raise the specter of miscalculation and escalation.

Despite Russia's economic slowdown, the Kremlin remains intent on pursuing an assertive foreign policy in 2016. Russia's willingness to covertly use military and paramilitary forces in a neighboring state continues to cause anxieties in states along Russia's periphery, to include NATO allies. Levels of violence in eastern Ukraine have decreased, but Moscow's objectives in Ukraine—maintaining long-term influence over Kyiv and frustrating Ukraine's attempts to integrate into Western institutions—will probably remain unchanged in 2016.

Since the crisis began in Ukraine in 2014, Moscow has redoubled its efforts to reinforce its influence in Eurasia. Events in Ukraine raised Moscow's perceived stakes for increasing its presence in the region to prevent future regime change in the former Soviet republics and for accelerating a shift to a mulitpolar world in which Russia is the uncontested regional hegemon in Eurasia. Moscow will therefore continue to push for greater regional integration, raising pressure on neighboring states to follow the example of Armenia, Belarus, Kazakhstan, and Kyrgyzstan and join the Moscow-led Eurasian Economic Union.

Moscow's military foray into Syria marks its first use of significant expeditionary combat power outside the post-Soviet space in decades. Its intervention underscores both the ongoing and substantial improvements in Russian military capabilities and the Kremlin's confidence in using them as a tool to advance foreign policy goals. Despite its economic difficulties, Moscow remains committed to modernizing its military.

Russia continues to take information warfare to a new level, working to fan anti-US and anti-Western sentiment both within Russia and globally. Moscow will continue to publish false and misleading information in an effort to discredit the West, confuse or distort events that threaten Russia's image, undercut consensus on Russia, and defend Russia's role as a responsible and indispensable global power.

Ukraine, Belarus, and Moldova

The implementation timeline for the Minsk agreements has been extended through 2016, although opposition from **Ukraine**, Russia, and the separatists on key remaining Minsk obligations might make progress slow and difficult in 2016. Sustained violence along the Line of Contact delineating the separatist-held areas will probably continue to complicate a political settlement, and the potential for escalation remains.

Ukraine has made progress in its reform efforts and its moves to bolster ties to Western institutions. Ukraine will continue to face serious challenges, however, including sustaining progress on key reforms and passing constitutional amendments—required under the Minsk agreements to devolve political power and fiscal authority to the regions.

Belarus continues its geopolitical balancing act, attempting to curry favor with the West without antagonizing Russia. President Lukashenko released several high-profile political prisoners in August 2015 and secured reelection to a fifth term in October 2015 without cracking down on the opposition as he has in previous elections. These developments prompted the EU and the United States to implement temporary sanctions relief, providing a boost to a Belarusian economy.

Moldova faces a turbulent year in 2016. Popular discontent over government corruption and misrule continues to reverberate after a banking scandal sparked large public protests, and political infighting brought down a government coalition of pro-European parties in October 2015. Continued unrest is likely. The breakaway pro-Russian region is also struggling economically and will remain dependent on Russian support.

The Caucasus and Central Asia

Even as **Georgia** progresses with reforms, Georgian politics will almost certainly be volatile as political competition increases. Economic challenges are also likely to become a key political vulnerability for the government before the 2016 elections. Rising frustration among Georgia's elites and the public with the slow pace of Western integration and increasingly effective Russian propaganda raise the prospect that Tbilisi might slow or suspend efforts toward greater Euro-Atlantic integration. Tensions with Russia will remain high, and we assess that Moscow will raise the pressure on Tbilisi to abandon closer EU and NATO ties.

Tensions between **Armenia** and **Azerbaijan** over the separatist region of Nagorno-Karabakh remained high in 2015. Baku's sustained military buildup coupled with declining economic conditions in Azerbaijan are raising the potential that the conflict will escalate in 2016. Azerbaijan's aversion to publicly relinquishing its claim to Nagorno-Karabakh proper and Armenia's reluctance to give up territory it controls will continue to complicate a peaceful resolution.

Central Asian states remain concerned about the rising threat of extremism to the stability of their countries, particularly in light of a reduced Coalition presence in Afghanistan. Russia shares these concerns and is likely to use the threat of instability in Afghanistan to increase its involvement in Central Asian security affairs. However, economic challenges stemming from official mismanagement, low commodity prices, declining trade and remittances associated with Russia's weakening economy, and

ethnic tensions and political repression, are likely to present the most significant instability threat to these countries.

EUROPE

Key Partners

European governments will face continued political, economic, and security challenges deriving from mass migration to Europe, terrorist threats, a more assertive Russia, and slow economic recovery. Differences among national leaders over how best to confront the challenges are eroding support for deeper EU integration and will bolster backing for populist leaders who favor national prerogatives over EU-wide remedial strategies.

The European Commission expects 1.5 million migrants to arrive in Europe in 2016—an influx that is prompting European officials to focus on improving border security, particularly at the Schengen Zone's external borders, and putting the free movement of people within the EU at risk. Several European governments are using military forces in domestic security roles.

The European Commission has warned against drawing a link between terrorists and refugees, but populist and far-right leaders throughout Europe are preying on voters' security fears by highlighting the potential dangers of accepting migrants fleeing war and poverty. Some EU leaders are citing the November 2015 terrorist attacks in Paris to justify erecting fences to stem the flow of people.

European countries will remain active and steadfast allies on the range of national security threats that face both the United States and Europe—from energy and climate change to countering violent extremism and promoting democracy. Although the majority of NATO allies have successfully halted further declines in defense spending, European military modernization efforts will take several years before marked improvement begins to show.

Europe also continues to insist on full implementation of the Minsk agreement to stop violence in Ukraine. However, European governments differ on the proper extent of engagement with Moscow.

Europe's economic growth, which the EU projects will be moderate, could falter if emerging market economies slow further, which would decrease the demand for European exports. The EU continues to struggle to shake off the extended effects of its economic recession, with lingering worries over high unemployment, weak demand, and lagging productivity. Greece also remains a concern for the EU. The agreement between Greece and its creditors is an important step forward for restoring trust among the parties and creating the conditions for a path forward for Greece within the Eurozone. Developing the details of the agreement and its full implementation remain challenges.

The Balkans

Ethnic nationalism and weak institutions in the Balkans remain enduring threats to stability. Twenty years after the end of the Bosnian War and the signing of the Dayton Agreement, Bosnia and Herzegovina

remains culturally and administratively divided, weighed down by a barely functional and inefficient bureaucracy. The country, one of Europe's poorest, has endured negative GDP growth since the 2008 international financial crisis and is reliant on the support of international institutions including the IMF. Youth unemployment, estimated at 60 percent, is the world's highest.

Kosovo has made progress toward full, multiethnic democracy, although tensions between Kosovo Albanians and Kosovo Serbs remain. In Macedonia, an ongoing political crisis and concerns about radicalization among ethnic Albanian Muslims threatens to aggravate already-tense relations between ethnic majority Macedonians and the country's minority Albanians, fifteen years after a violent interethnic conflict between the two groups ended. Social tensions in the region might also be exacerbated if the Western Balkans becomes an unwilling host to significant migrant populations.

Turkey

Turkey remains a partner in countering ISIL and minimizing foreign fighter flows. Ankara will continue to see the Kurdistan Workers' Party (PKK) as its number one security threat and will maintain military and political pressure on the PKK, as well as on the Democratic Union Party (PYD) and its armed affiliate People's Protection Units (YPG), which Turkey equates with the PKK. Turkey is extremely concerned about the increasing influence of the PYD and the YPG along its borders, seeing them as a threat to its territorial security and its efforts to control Kurdish separatism within its borders.

Turkey is concerned about Russia's involvement in the region in support of Asad, the removal of whom Turkey sees as essential to any peace settlement. Turkey is also wary of increased Russian cooperation with the Kurds and greater Russian influence in the region that could counter Turkey's leadership role. The Russian-Iranian partnership and Iran's attempts to expand Shiite influence in the region are also security concerns for Turkey.

The refugee flow puts significant strain on Turkey's economy, which has amounted to $9 billion according to a statement by Turkish President Recep Tayyip Erdogan. Refugees have also created infrastructure and social strains, particularly regarding access to education and employment. Turkey tightened its borders in 2015 and is working to stanch the flow of migrants to Europe and address refugee needs.

MIDDLE EAST AND NORTH AFRICA

Iraq

In Iraq, anti-ISIL forces will probably make incremental battlefield gains through spring 2016. Shia militias and Kurdish forces in northern Iraq have recaptured Bayji and Sinjar, respectively, from the Islamic State of Iraq and the Levant (ISIL). In western Iraq, the Iraqi Security Forces (ISF) have retaken most of the greater Ramadi area from ISIL and will probably clear ISIL fighters from the city's urban core in the coming month.

ISIL's governance of areas it controls is probably faltering as airstrikes take a toll on the group's sources of income, hurting ISIL's ability to provide services, and causing economic opportunities for the population

to dwindle. Even so, the Iraqi Sunni population remains fearful of the Shia-dominated government in Baghdad. This fear has been heightened as Iranian-backed Shia militias play a lead role in retaking Sunni-majority areas, suggesting Iraq's Sunnis will remain willing to endure some deprivation under ISIL rule.

Prime Minister Haydar al-Abadi will probably continue to struggle to advance his reforms—which aim to combat corruption and streamline government—because of resistance from Iraqi elites who view the reforms as threatening to their entrenched political interests. Meanwhile, the drop in oil prices is placing strain on both Baghdad's and Irbil's budgets, constraining their ability to finance counter-ISIL operations and limiting options to address potential economically driven unrest.

Syria

We assess that foreign support will allow Damascus to make gains in some key areas against the opposition and avoid further losses, but it will be unable to fundamentally alter the battlespace. Increased Russian involvement, particularly airstrikes, will probably help the regime regain key terrain in high priority areas in western Syria, such as Aleppo and near the coast, where it suffered losses to the opposition in summer 2015. ISIL is under threat on several fronts in Syria and Iraq from increased Coalition and government operations.

Manpower shortages will continue to undermine the Syrian regime's ability to accomplish strategic battlefield objectives. The regime still lacks the personnel needed to capture and hold key areas and strategically defeat the opposition or ISIL. Damascus increasingly relies on militias, reservists, and foreign supporters—such as Iran and Lebanese Hizballah--to generate manpower, according to press reporting.

The Syrian regime and most of the opposition are participating in UN-mediated talks that started in early February in Geneva. Both sides probably have low expectations for the negotiations, with the opposition calling for ceasefires and humanitarian assistance as a precondition. The negotiations, without a ceasefire agreement, will not alter the battlefield situation.

The humanitarian situation in Syria continues to deteriorate. In December 2015 and January 2016, the number of Syrian refugees registered or in the process of registering in the Middle East and North Africa rose by nearly 102,000 from 4.3 million to 4.4 million, according to UN data. The refugees are putting significant strain on countries surrounding Syria as well as on Europe. Turkey hosts more than 2.2 million refugees; Lebanon has about 1.1 million; Jordan has more than 630,000; Iraq has 245,000. Approximately 500,000 have fled to Europe, according to the UN. The more than 4 million refugees and 6.5 million estimated internally displaced persons (IDPs) account for 49 percent of Syria's preconflict population.

- Estimates of fatalities in Syria since the start of the civil war vary, but most observers calculate that at least 250,000 men, women, and children on all sides of the conflict have lost their lives since 2011.

- On 22 December, the UN Security Council unanimously adopted resolution 2258, which renews the UN's authority to utilize cross-border deliveries for humanitarian assistance to Syria through 10

January 2017. Since July 2014, the UN has provided food to 2.4 million people, water and sanitation to 1.3 million people, and medical supplies to 4.1 million people through its cross-border deliveries.

- Separately, the Syrian Government began requiring in mid-November that aid agencies get humanitarian assistance notarized by the Syrian embassies in the country of product origin. This requirement previously applied only to commercial goods and might delay future UN food deliveries within Syria, according to the UN.

Libya

We assess that insecurity and conflict in Libya will persist in 2016, posing a continuing threat to regional stability. The country has been locked in civil war between two rival governments and affiliated armed groups. The 17 December signing of a UN-brokered agreement to form a Government of National Accord (GNA) resulted from a year-long political dialogue that sought to end the ongoing civil war and reconcile Libya's rival governments. However, the GNA will face a number of obstacles in establishing its authority and security across the country. The GNA still faces the difficult task of forming a capable, centralized security force. It will also be challenged to confront terrorist groups such as ISIL, which has exploited the conflict and political instability in the country to expand its presence.

- The rival governments—the internationally recognized Tobruk-based House of Representatives (House) and the Tripoli-based General National Congress (GNC) have participated in UN-brokered peace talks since fall 2014. Reaction to the deal and the proposed GNA has been mixed, and hardliners on both sides have opposed the agreement.

- (U) On 25 January, the House voted to approve the UN-brokered deal with conditions but rejected a controversial article granting the GNA's Presidency Council interim control of the military. The House also rejected the GNA's proposed cabinet and demanded a smaller ministerial slate.

- Libya's economy has deteriorated because of the conflict. Oil exports—the primary source of government revenue—have fallen significantly from the pre-revolution level of 1.6 billion barrels per day. Libya's oil sector also faces continued threats from terrorist groups; ISIL attacked oil production and export facilities in February 2015, September 2015, and January 2016.

Meanwhile, extremists and terrorists have exploited the security vacuum to plan and launch attacks in Libya and throughout the region. The permissive security environment has enabled ISIL to establish one of its most developed branches outside of Syria and Iraq. As of late 2015, ISIL's branch in Libya maintained a presence in Surt, Benghazi, Tripoli, Ajdabiya, and other areas of the country, according to press reports. Members of ISIL in Libya continue to stage attacks throughout the country.

Yemen

The Yemen conflict will probably remain in a strategic stalemate through mid-2016. Negotiations between the Saudi-led coalition and the Huthi-aligned forces remain stalled, but neither side is able to achieve decisive results through military force. Huthi-aligned forces almost certainly remain committed to fighting following battlefield setbacks in the Aden and Marib Governorates in 2015 and probably intend to retake lost territory in those areas.

Nonetheless, regional stakeholders on both sides of Yemen's conflict, including Iran, which continues to back the Huthis, are signaling willingness to participate in peace talks. Even a cease-fire of a few days or weeks would facilitate the entry and distribution of commercial and humanitarian goods inside Yemen, where at least 21 million people—80 percent of the population—require assistance, according to the UN.

AQAP and ISIL's affiliates in Yemen have exploited the conflict and the collapse of government authority to gain new recruits and allies and expand their territorial control. In December, AQAP seized the southern city of Zinjibar, adding to its capture of the coastal city of Mukalla to the east.

Iran

Since January, Tehran met the demands for implementation of the Joint Comprehensive Plan of Action (JCPOA), exchanged detainees, and released 10 US sailors. Despite these developments, the Islamic Republic of Iran presents an enduring threat to US national interests because of its support to regional terrorist and militant groups and the Asad regime, as well as its development of advanced military capabilities. Tehran views itself as leading the "axis of resistance"—which includes the Asad regime and subnational groups aligned with Iran, especially Lebanese Hizballah and Iraqi Shia militants. Their intent is to thwart US, Saudi, and Israeli influence, bolster its allies, and fight ISIL's expansion. Tehran might even use American citizens detained when entering Iranian territories as bargaining pieces to achieve financial or political concessions in line with their strategic intentions.

Iran's involvement in the Syrian, Iraqi, and Yemeni conflicts deepened in 2015. In Syria, Iran more openly acknowledged the deaths of Iranian "martyrs," increased Iranian troop levels, and took more of a frontline role against "terrorists." In Iraq, Iranian combat forces employed rockets, artillery, and drones against ISIL. Iran also supported Huthi rebels in Yemen by attempting to ship lethal aid to the Huthis. Tehran will almost certainly remain active throughout the Persian Gulf and broader Middle East in 2016 to support its regional partners and extend its regional influence. Iranian officials believe that engaging adversaries away from its borders will help prevent instability from spilling into Iran and reduce ISIL's threat to Iran and its regional partners. Iran has also increased cooperation with Russia in the region.

Supreme Leader Khamenei continues to view the United States as a major threat to Iran, and we assess that his views will not change, despite implementation of the JCPOA deal. In October 2015, Khamenei publicly claimed the United States was using the JCPOA to "infiltrate and penetrate" Iran. His statement prompted the Iranian hardliner-dominated security services to crack down on journalists and businessmen with suspected ties to the West. The crackdown was intended by hardliners to demonstrate to President Ruhani and to Washington that a broader opening to the West following JCPOA would not be tolerated. Iran released several US citizens in January 2016 who were being held in Iran; however, it might attempt to use any additional US citizens as bargaining chips for US concessions.

Iran's military and security services are keen to demonstrate that their regional power ambitions have not been altered by the JCPOA deal. One week prior to JCPOA Adoption Day, Iran publicized the launch of its new "long-range" and more accurate ballistic missile called the "Emad." Iran also publicizes development of its domestically produced weapons systems, submarines and surface combatants, artillery, and UAVs to deter potential adversaries and strengthen its regional influence and prestige.

Iran's involvement in the Syrian and Iraqi conflicts has enabled its forces to gain valuable on-the-ground experience in counterinsurgency operations.

Lebanon

Lebanon will continue to struggle with the fallout from the civil war in neighboring Syria and faces a range of interlocking political, security, humanitarian, and economic challenges. The spillover from the Syrian conflict has had negative consequences on almost all aspects of life in Lebanon, from rising sectarianism to major strains on infrastructure and public services, further straining the country's delicate political balance.

- Lebanon's most immediate security threat is from Syrian-based extremists on its northeastern border. The Lebanese army has carried out multiple operations against Nusrah Front and ISIL to secure the border and prevent against the flow of terrorists into the country. Beirut also faces threats from Sunni extremists in the country who are retaliating against Lebanese Hizballah's military involvement in the Syrian civil war.

- The influx of about 1.1 million Sunni Syrian refugees to Lebanon has altered the country's sectarian demographics and is badly straining public services and burdening the economy. The Lebanese economy will probably remain stagnant throughout 2016, as protracted regional instability and political gridlock at home continue to erode the country's competitiveness.

Egypt

Egypt faces a persistent threat of terrorist and militant activity directed primarily at state security forces in both the Sinai Peninsula and in mainland Egypt. The security services have initiated a counterterrorism campaign to disrupt and detain Sinai-based militants; however, terrorist groups still retain the ability to conduct attacks.

- ISIL's branch in Sinai (ISIL-Sinai) has conducted dozens of lethal attacks on military and security personnel, some of which suggest sophisticated and coordinated attack planning, according to press reports.

- ISIL-Sinai claimed responsibility for the downing of a Russian aircraft in the Sinai in October 2015, which, if true, would demonstrate the expanding threat from ISIL and its regional branches.

- The continued threat of terrorism places further strain on Egypt's economy by harming Egypt's tourism industry, a key source of revenue. The country is also grappling with high poverty and unemployment rates.

Tunisia

Tunisia's first post-transitional democratic government since the 2011 Arab Spring revolution is marking its first year in office. Since the revolution, the country has overcome deep political divisions to reach consensus on key political issues, develop a new constitution, and elect a new government, according to

press and academic reports. Despite the government's significant strides in its democratic transition, Tunisia faces challenges in consolidating these achievements.

- Tunisia is confronting a threat from terrorist groups exploiting Libya's permissive environment to plan and launch attacks, as well as from groups operating within Tunisia's borders, according to press reports. The perpetrators of the terrorist attack on the Bardo Museum in Tunis in March 2015 and hotels in Sousse in June—both claimed by ISIL—trained at a terrorist camp in Libya, according to press reports.

- The government inherited high unemployment, particularly among youth, and a high budget deficit according to press reports. The Bardo and Sousse terrorist attacks have disrupted tourism, a critical source of revenues and jobs.

SOUTH ASIA

Afghanistan

The Kabul Government will continue to face persistent hurdles to political stability in 2016, including eroding political cohesion, assertions of authority by local powerbrokers, recurring financial shortfalls, and countrywide, sustained attacks by the Taliban. Political cohesion will remain a challenge for Kabul as the National Unity Government will confront larger and more divisive issues later in 2016, including the implementation of election reforms, long-delayed parliamentary elections, and a potential change by a Loya Jirga that might fundamentally alter Afghanistan's constitutional order. Kabul will be unable to effectively address its dire economic situation or begin to curb its dependence on foreign aid until it first contains the insurgency, which is steadily chipping away at Afghanistan's security. In this environment, international financial aid will remain the most important external determinant of the Kabul government's strength. We assess that fighting in 2016 will be more intense than 2015, continuing a decade-long trend of deteriorating security that will compound these challenges. The fighting will continue to threaten US personnel, our Allies, and international partners—including Afghans—particularly in Kabul and other urban population centers. The Afghan National Security Forces (ANSF), with the help of anti-Taliban powerbrokers and international funding, will probably maintain control of most major population centers. However, the forces will very likely cede control of some rural areas. Without international funding, the ANSF will probably not remain a cohesive or viable force.

The Taliban has largely coalesced and is relatively cohesive under the leadership of new Taliban Senior Leader Mullah Akhtar Mohammad Mansur despite some early opposition. The Taliban's two-week seizure of the provincial capital of Kunduz provided an important boost to Mansur's leadership. The Taliban will continue to test the overstretched ANSF faced with problematic logistics, low morale, and weak leadership.

The Islamic State of Iraq and the Levant (ISIL) announced in January 2015 the formation of its Khorasan branch in South Asia, an amalgamation of primarily disaffected and rebranded former Afghan Taliban and Tehrik-e Taliban Pakistan (TTP) members. Despite quick early growth in 2015, ISIL's Khorasan branch

will probably remain a low-level threat to Afghan stability as well as to US and Western interests in the region in 2016.

Bangladesh

Prime Minister Sheikh Hasina's continuing efforts to undermine the political opposition in Bangladesh will probably provide openings for transnational terrorist groups to expand their presence in the country. Hasina and other government officials have insisted publically that the killings of foreigners are the work of the Bangladesh Nationalist Party and the Bangladesh Jamaat-e Islami political parties and are intended to discredit the government. However, ISIL claimed responsibility for 11 high-profile attacks on foreigners and religious minorities. Other extremists in Bangladesh—including Ansarullah Bangla Team and al-Qa'ida in the Indian Subcontinent (AQIS)—have claimed responsibility for killing at least 11 progressive writers and bloggers in Bangladesh since 2013.

Pakistan and India

Relations between Pakistan and India remain tense despite the resumption of a bilateral dialogue in December. Following a terrorist attack in early January on Pathankot Air Force base in India, which New Delhi blames on a Pakistani-based group, India's engagement with Pakistan will probably hinge in 2016 on Islamabad's willingness to take action against those in Pakistan linked to the attack.

SUB-SAHARAN AFRICA

Central Africa

Prospects for delayed elections in the **Democratic Republic of the Congo**, originally scheduled for 2016, increase the risk of political tensions and perhaps violence. Violence might also break out in the **Republic of Congo** where a controversial October 2015 constitutional referendum paved the way for long-serving President Denis Sassou-Nguesso to run for a new term in 2016 elections. Both governments have resorted to heavy-handed tactics to stifle opposition and subdue or prevent election-related protests.

In **Burundi**, violence related to President Pierre Nkurunziza's controversial reelection in July 2015 will almost certainly continue as a simmering crisis. The conflict might expand and intensify if increased attacks between the government and armed opposition provoke a magnified response from either side or if the security services fracture into divided loyalties.

The **Central African Republic** held peaceful presidential and parliamentary elections in late December, although they were marred by logistical issues. A run-off will probably take place in mid-February between the two top candidates, and we do not know how the armed spoilers and losing candidates will react. The risk of continued ethno-religious clashes between Christians and Muslims throughout the country remains high despite the presence of international peacekeeping forces, which are increasingly targets of violence.

Somalia

The Somali Federal Government's authority will probably remain largely confined to the capital in 2016, and Mogadishu will continue to rely on the African Union Mission in Somalia (AMISOM) as a security guarantor against al-Shabaab as it prepares for elections in 2016.

South Sudan

Implementation of the peace agreement between Juba and opposition elements will be slow as spoilers from both sides seek to stall progress. The return of former opposition members to Juba will almost certainly cause jockeying for positions of power. Localized fighting will continue and probably spread to previously unaffected areas, causing the humanitarian situation to worsen Economic conditions will probably deteriorate further as inflation remains high and prices for staple goods rise, fueling dissatisfaction with the government.

Sudan

President Bashir consolidated power following his reelection in April 2015, but the regime will continue attempts at a national dialogue, which will probably not placate a divided political opposition. The regime will almost certainly confront a range of challenges, including public dissatisfaction over a weakened economy. Divisions among armed opponents will almost certainly inhibit their ability to make significant gains against Khartoum. However, elements of the opposition will continue to wage insurgencies in the Southern Kordofan and Blue Nile states and Darfur. Sudan, listed as a state sponsor of terror since 1993, cut diplomatic ties with Iran in January following an attack on the Saudi Embassy in Tehran. Since 2014, Sudan's relations with Iran have cooled as Khartoum has grown closer to Riyadh.

Nigeria

President Muhammadu Buhari and the Nigerian government will confront a wide range of challenges in 2016, many of which are deeply rooted and have no "quick fixes." His tasks include reviving a struggling economy – Africa's largest – diversifying sources of government revenue beyond oil, reining in corruption, addressing mounting state debts, reforming redundant parastatal organizations, and developing the power, agriculture, and transportation sectors. Nigeria will continue to face internal threats from Boko Haram, which pledged loyalty to the Islamic State in Iraq and the Levant (ISIL) in March 2015. Despite losing territory in 2015, Boko Haram will probably remain a threat to Nigeria throughout 2016 and will continue its terror campaign within the country and in neighboring Cameroon, Niger, and Chad.

LATIN AMERICA AND CARIBBEAN

Central America

Strong family ties to the United States—as well as gang violence, a lack of jobs, and a worsening drought in Central America's northern tier—will sustain high rates of migration to the United States in 2016. Weak institutions, divided legislatures, low levels of tax collection, and high debts will constrain efforts to

improve rule of law, tackle corruption, and alleviate poverty. Homicide rates in the region remain among the highest in the world and spiked in El Salvador to levels not seen since the country's civil war from 1979 to 1992. The people hardest hit by the drought include most of the region's subsistence farmers, who constitute 25 to 40 percent of the population in Guatemala and Honduras. The prolonged drought will probably affect 3.5 million people in the region in 2016.

Cuba

Cuban leaders will remain focused on preserving political control as they prepare for a probable presidential transition in 2018. Economic reforms to reduce the state role in the economy and promote private economic activity will continue at a slow pace, in part because of probable resistance from senior leaders and government officials concerned that rapid changes might provoke popular unrest. Living standards will remain poor. Along with fears among the Cuban population that the United States will repeal the 1966 Cuban Adjustment Act, the statute allowing Cuban nationals to apply to become lawful permanent US residents, these trends sustain the increasing migration of undocumented Cubans. Migration is particularly acute across the US southwest border where 31,000 Cubans crossed in FY2015, a 76-percent increase over the prior year.

Venezuela

The opposition alliance won a much-coveted majority in the December 2015 national assembly elections, setting the stage for a political showdown in 2016 between the legislative and executive branches. The opposition will seek to implement its policy agenda, which might include pursuing a presidential recall referendum. Economic issues will also figure prominently on the domestic agenda for 2016. Caracas will probably encounter fiscal pressures as it seeks to avoid a default on its sovereign debt in 2016; the economy is suffering from a severe recession that the IMF projects will cause it to contract by at least 8 percent in 2016.   Venezuela's government has declined to release complete official figures on macroeconomic indicators, such as inflation and growth.

Brazil

Brazil's investigation into corruption at state-controlled oil company Petrobras will probably continue through 2016. Scores of Petrobras officials, construction firm executives, and politicians have been jailed since the probe was launched in March 2014. Brazil lost its investment-grade rating in December 2015 after the second credit agency in three months downgraded the country's debt to junk status. Further damaging revelations from the probe might prolong political gridlock in Brazil. Meanwhile, preparations are underway in Brazil to address infrastructure, logistics, and security issues involved in hosting the 2016 Summer Olympics in Rio. Organizers are using past Olympics as models, cooperating with foreign governments, and building upon Brazil's experience organizing a large and sustained security posture such as when it hosted the World Cup in 2014.