STATEMENT FOR THE RECORD

WORLDWIDE THREAT ASSESSMENT
OF THE US INTELLIGENCE COMMUNITY

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Senate Select Committee on Intelligence

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January 29, 2019

INTRODUCTION

Chairman Burr, Vice Chairman Warner, Members of the Committee, thank you for the invitation to offer the United States Intelligence Community's 2019 assessment of threats to US national security. My statement reflects the collective insights of the Intelligence Community's extraordinary women and men, whom I am privileged and honored to lead. We in the Intelligence Community are committed every day to providing the nuanced, independent, and unvarnished 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 17 January 2019 was used in the preparation of this assessment.

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FOREWORD

Threats to US national security will expand and diversify in the coming year, driven in part by China and Russia as they respectively compete more intensely with the United States and its traditional allies and partners. This competition cuts across all domains, involves a race for technological and military superiority, and is increasingly about values. Russia and China seek to shape the international system and regional security dynamics and exert influence over the politics and economies of states in all regions of the world and especially in their respective backyards.

- China and Russia are more aligned than at any point since the mid-1950s, and the relationship is likely to strengthen in the coming year as some of their interests and threat perceptions converge, particularly regarding perceived US unilateralism and interventionism and Western promotion of democratic values and human rights.

- As China and Russia seek to expand their global influence, they are eroding once well-established security norms and increasing the risk of regional conflicts, particularly in the Middle East and East Asia.

- At the same time, some US allies and partners are seeking greater independence from Washington in response to their perceptions of changing US policies on security and trade and are becoming more open to new bilateral and multilateral partnerships.

The post-World War II international system is coming under increasing strain amid continuing cyber and WMD proliferation threats, competition in space, and regional conflicts. Among the disturbing trends are hostile states and actors' intensifying online efforts to influence and interfere with elections here and abroad and their use of chemical weapons. Terrorism too will continue to be a top threat to US and partner interests worldwide, particularly in Sub-Saharan Africa, the Middle East, South Asia, and Southeast Asia. The development and application of new technologies will introduce both risks and opportunities, and the US economy will be challenged by slower global economic growth and growing threats to US economic competitiveness.

- Migration is likely to continue to fuel social and interstate tensions globally, while drugs and transnational organized crime take a toll on US public health and safety. Political turbulence is rising in many regions as governance erodes and states confront growing public health and environmental threats.

- Issues as diverse as Iran's adversarial behavior, deepening turbulence in Afghanistan, and the rise of nationalism in Europe all will stoke tensions.

GLOBAL THREATS

CYBER

Our adversaries and strategic competitors will increasingly use cyber capabilities—including cyber espionage, attack, and influence—to seek political, economic, and military advantage over the United States and its allies and partners. China, Russia, Iran, and North Korea increasingly use cyber operations to threaten both minds and machines in an expanding number of ways—to steal information, to influence our citizens, or to disrupt critical infrastructure.

At present, China and Russia pose the greatest espionage and cyber attack threats, but we anticipate that all our adversaries and strategic competitors will increasingly build and integrate cyber espionage, attack, and influence capabilities into their efforts to influence US policies and advance their own national security interests. In the last decade, our adversaries and strategic competitors have developed and experimented with a growing capability to shape and alter the information and systems on which we rely. For years, they have conducted cyber espionage to collect intelligence and targeted our critical infrastructure to hold it at risk. They are now becoming more adept at using social media to alter how we think, behave, and decide. As we connect and integrate billions of new digital devices into our lives and business processes, adversaries and strategic competitors almost certainly will gain greater insight into and access to our protected information.

China

China presents a persistent cyber espionage threat and a growing attack threat to our core military and critical infrastructure systems. China remains the most active strategic competitor responsible for cyber espionage against the US Government, corporations, and allies. It is improving its cyber attack capabilities and altering information online, shaping Chinese views and potentially the views of US citizens—an issue we discuss in greater detail in the Online Influence Operations and Election Interference section of this report.

- Beijing will authorize cyber espionage against key US technology sectors when doing so addresses a significant national security or economic goal not achievable through other means. We are also concerned about the potential for Chinese intelligence and security services to use Chinese information technology firms as routine and systemic espionage platforms against the United States and allies.

- China has the ability to launch cyber attacks that cause localized, temporary disruptive effects on critical infrastructure—such as disruption of a natural gas pipeline for days to weeks—in the United States.

Russia

We assess that Russia poses a cyber espionage, influence, and attack threat to the United States and our allies. Moscow continues to be a highly capable and effective adversary, integrating cyber espionage, attack, and influence operations to achieve its political and military objectives. Moscow is now staging cyber attack assets to allow it to disrupt or damage US civilian and military infrastructure during a crisis and poses a significant cyber influence threat—an issue discussed in the Online Influence Operations and Election Interference section of this report.

- Russian intelligence and security services will continue targeting US information systems, as well as the networks of our NATO and Five Eyes partners, for technical information, military plans, and insight into our governments' policies.

- Russia has the ability to execute cyber attacks in the United States that generate localized, temporary disruptive effects on critical infrastructure—such as disrupting an electrical distribution network for at least a few hours—similar to those demonstrated in Ukraine in 2015 and 2016. Moscow is mapping our critical infrastructure with the long-term goal of being able to cause substantial damage.

Iran

Iran continues to present a cyber espionage and attack threat. Iran uses increasingly sophisticated cyber techniques to conduct espionage; it is also attempting to deploy cyber attack capabilities that would enable attacks against critical infrastructure in the United States and allied countries. Tehran also uses social media platforms to target US and allied audiences, an issue discussed in the Online Influence Operations and Election Interference section of this report.

- Iranian cyber actors are targeting US Government officials, government organizations, and companies to gain intelligence and position themselves for future cyber operations.

- Iran has been preparing for cyber attacks against the United States and our allies. It is capable of causing localized, temporary disruptive effects—such as disrupting a large company's corporate networks for days to weeks—similar to its data deletion attacks against dozens of Saudi governmental and private-sector networks in late 2016 and early 2017.

North Korea

North Korea poses a significant cyber threat to financial institutions, remains a cyber espionage threat, and retains the ability to conduct disruptive cyber attacks. North Korea continues to use cyber capabilities to steal from financial institutions to generate revenue. Pyongyang's cybercrime operations include attempts to steal more than $1.1 billion from financial institutions across the world—including a successful cyber heist of an estimated $81 million from the New York Federal Reserve account of Bangladesh's central bank.

Nonstate and Unattributed Actors

Foreign cyber criminals will continue to conduct for-profit, cyber-enabled theft and extortion against US networks. We anticipate that financially motivated cyber criminals very likely will expand their targets in the United States in the next few years. Their actions could increasingly disrupt US critical infrastructure in the health care, financial, government, and emergency service sectors, based on the patterns of activities against these sectors in the last few years.

Terrorists could obtain and disclose compromising or personally identifiable information through cyber operations, and they may use such disclosures to coerce, extort, or to inspire and enable physical attacks against their victims. Terrorist groups could cause some disruptive effects—defacing websites or executing denial-of-service attacks against poorly protected networks—with little to no warning.

The growing availability and use of publicly and commercially available cyber tools is increasing the overall volume of unattributed cyber activity around the world. The use of these tools increases the risk of misattributions and misdirected responses by both governments and the private sector.

ONLINE INFLUENCE OPERATIONS AND ELECTION INTERFERENCE

Our adversaries and strategic competitors probably already are looking to the 2020 US elections as an opportunity to advance their interests. More broadly, US adversaries and strategic competitors almost certainly will use online influence operations to try to weaken democratic institutions, undermine US alliances and partnerships, and shape policy outcomes in the United States and elsewhere. We expect our adversaries and strategic competitors to refine their capabilities and add new tactics as they learn from each other's experiences, suggesting the threat landscape could look very different in 2020 and future elections.

- Russia's social media efforts will continue to focus on aggravating social and racial tensions, undermining trust in authorities, and criticizing perceived anti-Russia politicians. Moscow may employ additional influence toolkits—such as spreading disinformation, conducting hack-and-leak operations, or manipulating data—in a more targeted fashion to influence US policy, actions, and elections.

- Beijing already controls the information environment inside China, and it is expanding its ability to shape information and discourse relating to China abroad, especially on issues that Beijing views as core to party legitimacy, such as Taiwan, Tibet, and human rights. China will continue to use legal, political, and economic levers—such as the lure of Chinese markets —to shape the information environment. It is also capable of using cyber attacks against systems in the United States to censor or suppress viewpoints it deems politically sensitive.

- Iran, which has used social media campaigns to target audiences in both the United States and allied nations with messages aligned with Iranian interests, will continue to use online influence operations to try to advance its interests.

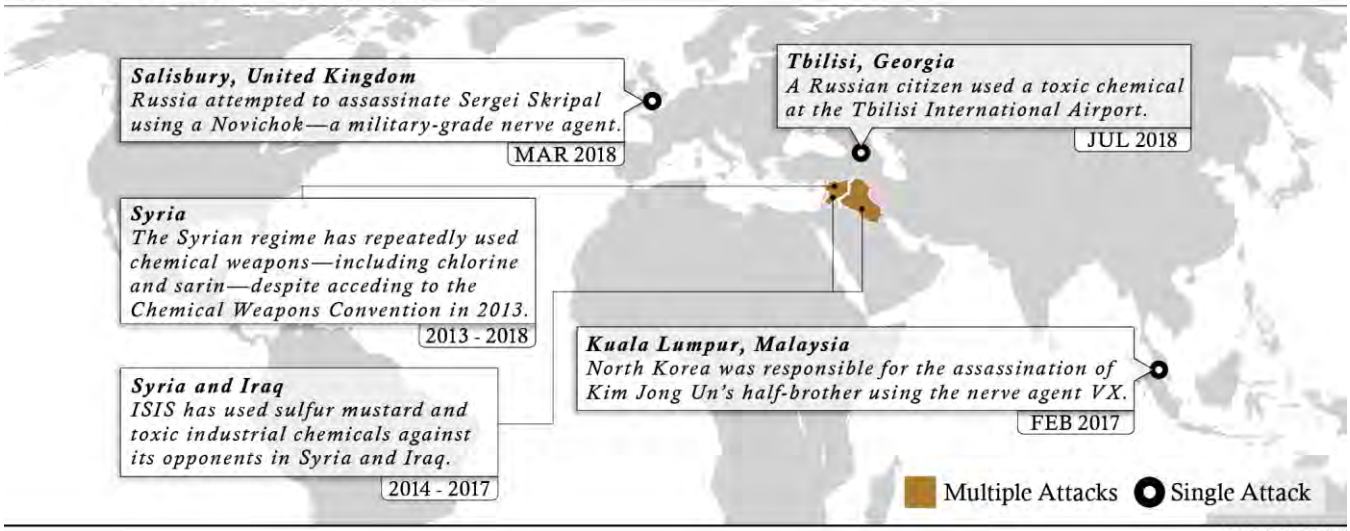
- Adversaries and strategic competitors probably will attempt to use deep fakes or similar machine-learning technologies to create convincing—but false—image, audio, and video files to augment influence campaigns directed against the United States and our allies and partners.

Adversaries and strategic competitors also may seek to use cyber means to directly manipulate or disrupt election systems—such as by tampering with voter registration or disrupting the vote tallying process—either to alter data or to call into question our voting process. Russia in 2016 and unidentified actors as recently as 2018 have already conducted cyber activity that has targeted US election infrastructure, but we do not have any intelligence reporting to indicate any compromise of our nation's election infrastructure that would have prevented voting, changed vote counts, or disrupted the ability to tally votes.

WEAPONS OF MASS DESTRUCTION AND PROLIFERATION

We expect the overall threat from weapons of mass destruction (WMD) to continue to grow during 2019, and we note in particular the threat posed by chemical warfare (CW) following the most significant and sustained use of chemical weapons in decades. This trend erodes international norms against CW programs and shifts the cost-benefit analysis such that more actors might consider developing or using chemical weapons.

Chemical Attacks Since 2013



We assess that North Korea, Russia, Syria, and ISIS have used chemical weapons on the battlefield or in assassination operations during the past two years. These attacks have included traditional CW agents, toxic industrial chemicals, and the first known use of a Novichok nerve agent.

The threat from biological weapons has also become more diverse as BW agents can be employed in a variety of ways and their development is made easier by dual-use technologies.

North Korea

Pyongyang has not conducted any nuclear-capable missile or nuclear tests in more than a year, has declared its support for the denuclearization of the Korean Peninsula, and has reversibly dismantled portions of its WMD infrastructure. However, North Korea retains its WMD capabilities, and the IC continues to assess that it is unlikely to give up all of its WMD stockpiles, delivery systems, and production capabilities. North Korean leaders view nuclear arms as critical to regime survival. For more explanation of the North Korea-WMD issue, see the Regional Threats section of this report.

- In his 2019 New Year's address, Kim Jong Un pledged North Korea would "go toward" complete denuclearization and promised not to make, test, use, or proliferate nuclear weapons. However, he conditioned progress on US "practical actions." The regime tied the idea of denuclearization in the past to changes in diplomatic ties, economic sanctions, and military activities.

- We continue to observe activity inconsistent with full denuclearization. In addition, North Korea has for years underscored its commitment to nuclear arms, including through an order in 2018 to mass-produce weapons and an earlier law—and constitutional change—affirming the country's nuclear status.

North Korea Dismantles Portions of Its Nuclear Test Site

North Korea invited foreign press representatives to witness its explosive destruction of portions of its nuclear test site on 24 May 2018.

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Russia

We assess that Russia will remain the most capable WMD adversary through 2019 and beyond, developing new strategic and nonstrategic weapons systems.

- Russian President Vladimir Putin used his annual address in March 2018 to publicly acknowledge several of these weapons programs, including a new ICBM designed to penetrate US missile defense systems; an intercontinental-range, hypersonic glide vehicle; a maneuverable, air-launched missile to strike regional targets; a long-range, nuclear-powered cruise missile; and a nuclear-powered, transoceanic underwater vehicle.

- Russia has also developed and fielded a ground-launched cruise missile (GLCM) that the United States has determined violates the Intermediate-Range Nuclear Forces (INF) Treaty.

- Moscow probably believes that the new GLCM provides sufficient military advantages to make it worth the risk of political repercussions from a violation.

China

We assess that China will continue to expand and diversify its WMD capabilities.

- China continues its multiyear effort to modernize its nuclear missile forces, including deploying sea-based weapons, improving its road-mobile and silo-based weapons, and testing hypersonic glide vehicles. These new capabilities are intended to ensure the viability of China's strategic deterrent by providing a second-strike capability and a way to overcome missile defenses. The Chinese have also publicized their intent to form a nuclear triad by developing a nuclear-capable, next-generation bomber.

Iran

We continue to assess that Iran is not currently undertaking the key nuclear weapons-development activities we judge necessary to produce a nuclear device. However, Iranian officials have publicly threatened to reverse some of Iran's Joint Comprehensive Plan of Action (JCPOA) commitments—and resume nuclear activities that the JCPOA limits—if Iran does not gain the tangible trade and investment benefits it expected from the deal.

- In June 2018, Iranian officials started preparations, allowable under the JCPOA, to expand their capability to manufacture advanced centrifuges.
- Also in June 2018, the Atomic Energy Organization of Iran (AEOI) announced its intent to resume producing natural uranium hexafluoride (UF_6) and prepare the necessary infrastructure to expand its enrichment capacity within the limits of the JCPOA.
- Iran continues to work with other JCPOA participants—China, the European Union, France, Germany, Russia, and the United Kingdom—to find ways to salvage economic benefits from it. Iran's continued implementation of the JCPOA has extended the amount of time Iran would need to produce enough fissile material for a nuclear weapon from a few months to about one year.

Iran's ballistic missile programs, which include the largest inventory of ballistic missiles in the region, continue to pose a threat to countries across the Middle East. Iran's work on a space launch vehicle (SLV)—including on its Simorgh—shortens the timeline to an ICBM because SLVs and ICBMs use similar technologies.

The United States determined in 2018 that Iran is in noncompliance with its obligations under the Chemical Weapons Convention (CWC), and we remain concerned that Iran is developing agents intended to incapacitate for offensive purposes and did not declare all of its traditional CW agent capabilities when it ratified the CWC.

South Asia

The continued growth and development of Pakistan and India's nuclear weapons programs increase the risk of a nuclear security incident in South Asia, and the new types of nuclear weapons will introduce new risks for escalation dynamics and security in the region. Pakistan continues to develop new types of nuclear weapons, including short-range tactical weapons, sea-based cruise missiles, air-launched cruise missiles, and longer range ballistic missiles. India this year conducted its first deployment of a nuclear-powered submarine armed with nuclear missiles.

TERRORISM

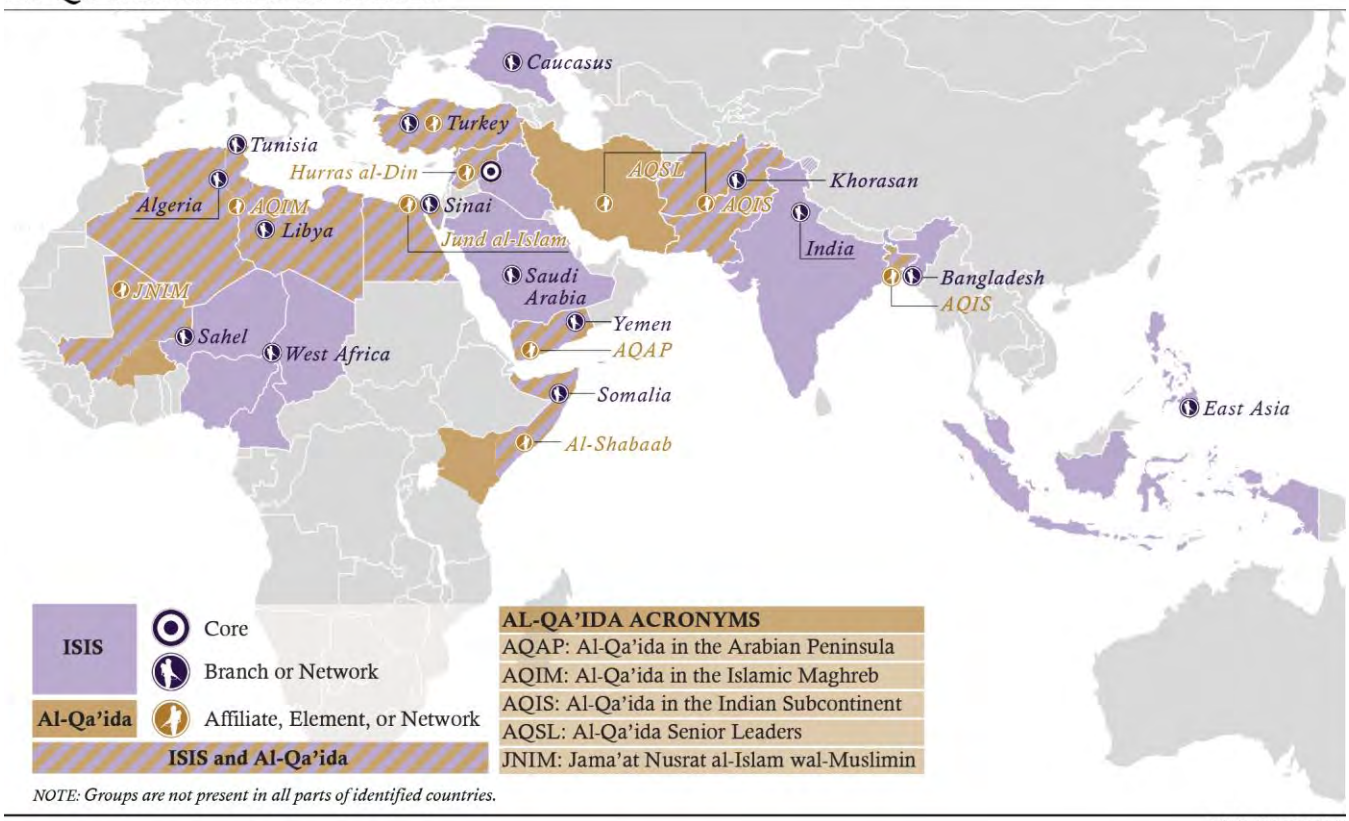
Sunni Violent Extremists

Global jihadists in dozens of groups and countries threaten local and regional US interests, despite having experienced some significant setbacks in recent years, and some of these groups will remain intent on striking the US homeland. Prominent jihadist ideologues and media platforms continue to call for and justify efforts to attack the US homeland.

- Global jihadist groups in parts of Africa and Asia in the last year have expanded their abilities to strike local US interests, stoke insurgencies, and foster like-minded networks in neighboring countries.

- The conflicts in Iraq and Syria have generated a large pool of battle-hardened fighters with the skills to conduct attacks and bolster terrorist groups' capabilities.

Al-Qa'ida and ISIS as of 2018



NOTE: Groups are not present in all parts of identified countries.

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ISIS

ISIS still commands thousands of fighters in Iraq and Syria, and it maintains eight branches, more than a dozen networks, and thousands of dispersed supporters around the world, despite significant leadership and territorial losses. The group will exploit any reduction in CT pressure to strengthen its clandestine presence and accelerate rebuilding key capabilities, such as media production and external operations. ISIS very likely will continue to pursue external attacks from Iraq and Syria against regional and Western adversaries, including the United States.

- ISIS is perpetrating attacks in Iraq and Syria to undermine stabilization efforts and retaliate against its enemies, exploiting sectarian tensions in both countries. ISIS probably realizes that controlling new territory is not sustainable in the near term. We assess that ISIS will seek to exploit Sunni grievances, societal instability, and stretched security forces to regain territory in Iraq and Syria in the long term.

Al-Qa‘ida

Al-Qa‘ida senior leaders are strengthening the network's global command structure and continuing to encourage attacks against the West, including the United States, although most al-Qa‘ida affiliates' attacks to date have been small scale and limited to their regional areas. We expect that al-Qa‘ida's global network will remain a CT challenge for the United States and its allies during the next year.

- Al-Qa‘ida media continues to call for attacks against the United States, including in statements from regional al-Qa‘ida leaders, reflecting the network's enduring efforts to pursue or inspire attacks in the West.

- All al-Qa‘ida affiliates are involved in insurgencies and maintain safe havens, resources, and the intent to strike local and regional US interests in Africa, the Middle East, and South Asia.

- Al-Qa‘ida affiliates in East and North Africa, the Sahel, and Yemen remain the largest and most capable terrorist groups in their regions. All have maintained a high pace of operations during the past year, despite setbacks in Yemen, and some have expanded their areas of influence. Al-Qa‘ida elements in Syria, meanwhile, continue to undermine efforts to resolve that conflict, while the network's affiliate in South Asia provides support to the Taliban.

Homegrown Violent Extremists

Homegrown violent extremists (HVEs) are likely to present the most acute Sunni terrorist threat to the United States, and HVE activity almost certainly will have societal effects disproportionate to the casualties and damage it causes.

- The United States' well-integrated Muslim population, fragmented HVE population, and high level of vigilance will ensure the United States remains a generally inhospitable operating environment for HVEs compared to many other Western countries. The isolated nature of self-radicalizing individuals, however, poses a continual challenge to law enforcement to identify them before they engage in violence. The frequency of attacks most likely will be very low compared to most other forms of criminal violence in the US, as long as US CT and law enforcement efforts remain constant.

- Despite territorial losses in Iraq and Syria, ISIS's past actions and propaganda probably will inspire future HVE attacks, similar to the enduring influence of deceased al-Qa‘ida ideologues, especially if ISIS can retain its prominence among global jihadist movements and continue to promote its violent message via social and mainstream media.

Shia Actors

Iran

Iran almost certainly will continue to develop and maintain terrorist capabilities as an option to deter or retaliate against its perceived adversaries.

- In mid-2018, Belgium and Germany foiled a probable Iranian Ministry of Intelligence and Security (MOIS) plot to set off an explosive device at an Iranian opposition group gathering in Paris—an event that included prominent European and US attendees.

Lebanese Hizballah

During the next year, Hizballah most likely will continue to develop its terrorist capabilities, which the group views as a valuable tool and one it can maintain with plausible deniability.

- Hizballah most likely maintains the capability to execute a range of attack options against US interests worldwide.

Lebanese Hizballah: Select Worldwide Operational Activity, 2012–18

Violent Ethno-supremacist and Ultranationalist Groups

Some violent ethno-supremacist and ultranationalist groups in Europe will employ violent tactics as they seek ways to cooperate against immigration and the perceived Islamization of Europe, posing a potential threat to US and allied interests.

- In the past two years, individuals with ties to violent ethno-supremacist groups in France, Sweden, and the United Kingdom have either carried out attacks on minorities and politicians or had their plots disrupted by authorities.

COUNTERINTELLIGENCE

The United States faces a complex global foreign intelligence threat environment in 2019. Russia and China will continue to be the leading state intelligence threats to US interests, based on their services' capabilities, intent, and broad operational scopes. Other states also pose persistent threats, notably Iran and Cuba. Geopolitical, societal, and technological changes will increase opportunities for foreign

intelligence services and other entities—such as terrorists, criminals, and cyber actors—to collect on US activities and information to the detriment of US interests.

- Penetrating the US national decisionmaking apparatus and the Intelligence Community will remain a key objective for numerous foreign intelligence services and other entities. In addition, targeting of national security information and proprietary technology from US companies and research institutions will remain a sophisticated and persistent threat.

Russia

We expect that Russia's intelligence services will target the United States, seeking to collect intelligence, erode US democracy, undermine US national policies and foreign relationships, and increase Moscow's global position and influence.

China

We assess that China's intelligence services will exploit the openness of American society, especially academia and the scientific community, using a variety of means.

Iran and Cuba

We assess that Iran and Cuba's intelligence services will continue to target the United States, which they see as a primary threat. Iran continues to unjustly detain US citizens and has not been forthcoming about the case of former FBI agent Robert Levinson (USPER).

China's Technology Development Strategy

China takes a multifaceted, long-term, whole-of-government approach to foreign technology acquisition and indigenous technology development.

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Nonstate Actors

We assess that nonstate actors—including hacktivist groups, transnational criminals, and terrorist groups—will attempt to gain access to classified information to support their objectives. They are likely to improve their intelligence capabilities—to include recruiting sources and performing physical and technical surveillance—and they will use human, technical, and cyber means to perform their illicit activities and avoid detection and capture.

EMERGING AND DISRUPTIVE TECHNOLOGIES AND THREATS TO ECONOMIC COMPETITIVENESS

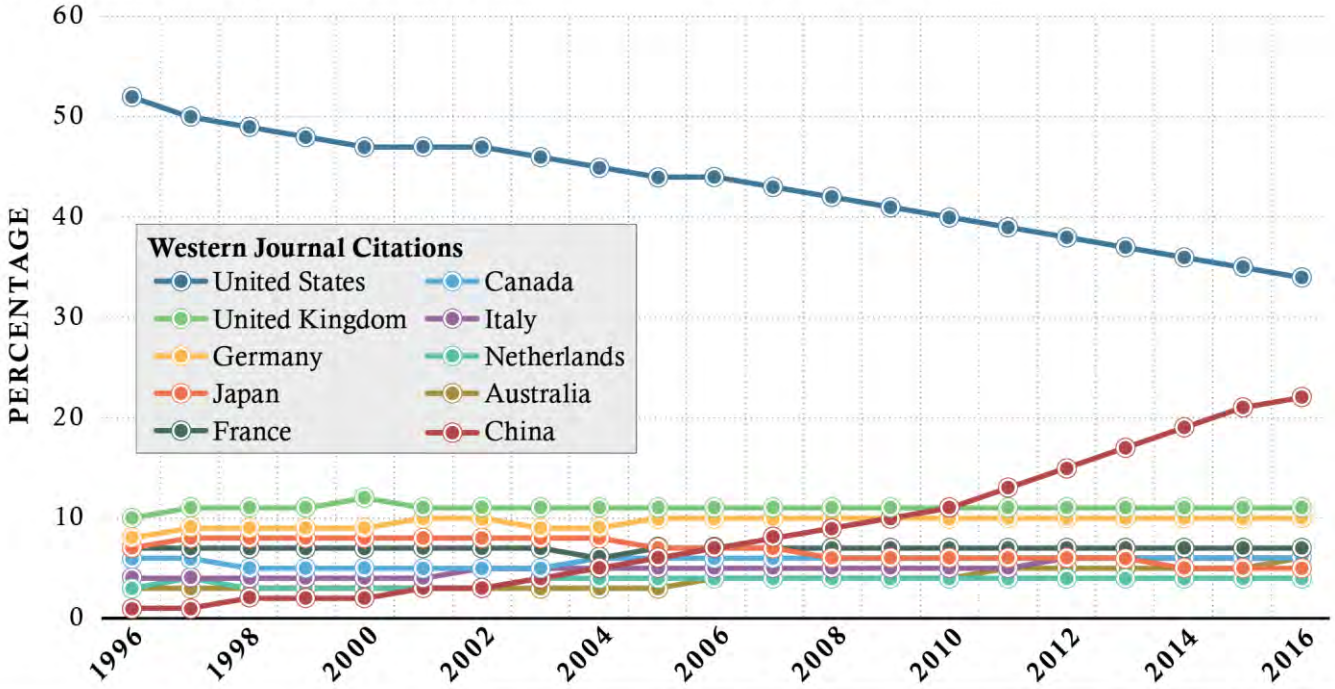
Strategic Outlook

For 2019 and beyond, the innovations that drive military and economic competitiveness will increasingly originate outside the United States, as the overall US lead in science and technology (S&T) shrinks; the capability gap between commercial and military technologies evaporates; and foreign actors increase their efforts to acquire top talent, companies, data, and intellectual property via licit and illicit means. Many foreign leaders, including Chinese President Xi Jinping and Russian President Vladimir Putin, view strong indigenous science and technology capabilities as key to their country's sovereignty, economic outlook, and national power.

Researchers Worldwide Citing More Foreign and Less US Research

During the past two decades, the US lead in S&T fields has been significantly eroded, most predominantly by China, which is well ahead in several areas, according to an analysis of Western journal publications.

However, the United States maintains an overall lead largely because we are at the forefront of the medical sciences, which account for almost a third of S&T publications worldwide.



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Artificial Intelligence and Autonomy

The global race to develop artificial intelligence (AI)—systems that imitate aspects of human cognition—is likely to accelerate the development of highly capable, application-specific AI systems with national security implications. As academia, major companies, and large government programs continue to develop and deploy AI capabilities, AI-enhanced systems are likely to be trusted with increasing levels of autonomy and decisionmaking, presenting the world with a host of economic, military, ethical, and

privacy challenges. Furthermore, interactions between multiple advanced AI systems could lead to unexpected outcomes that increase the risk of economic miscalculation or battlefield surprise.

Information and Communications

Foreign production and adoption of advanced communication technologies, such as fifth-generation (5G) wireless networks, most likely will challenge US competitiveness and data security, while advances in quantum computing foreshadow challenges to current methods of protecting data and transactions. US data will increasingly flow across foreign-produced equipment and foreign-controlled networks, raising the risk of foreign access and denial of service. Foreign deployment of a large-scale quantum computer, even 10 or more years in the future, would put sensitive information encrypted with today's most widely used algorithms at greatly increased risk of decryption.

Biotechnology

Rapid advances in biotechnology, including gene editing, synthetic biology, and neuroscience, are likely to present new economic, military, ethical, and regulatory challenges worldwide as governments struggle to keep pace. These technologies hold great promise for advances in precision medicine, agriculture, and manufacturing, but they also introduce risks, such as the potential for adversaries to develop novel biological warfare agents, threaten food security, and enhance or degrade human performance.

Materials and Manufacturing

A global resurgence in materials science and manufacturing technology is likely to enable advanced states to create materials with novel properties and engineer structures not previously possible, while placing high-end manufacturing capabilities within reach of small groups and individuals. These developments are already supplementing or displacing traditional methods in most areas of manufacturing, from complex rocket-engine components to plastic desktop-printed toys, and they are enabling the development of a new generation of engineered materials that combine different materials in complex geometries to alter the overall material properties.

SPACE AND COUNTERSPACE

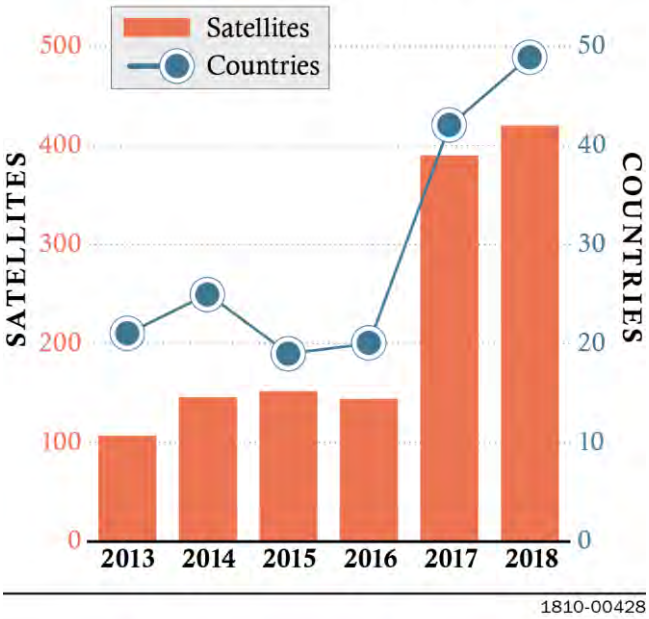
We assess that commercial space services will continue to expand; countries—including US adversaries and strategic competitors—will become more reliant on space services for civil and military needs, and China and Russia will field new counterspace weapons intended to target US and allied space capabilities.

Evolving, Accessible Space Capabilities

We continue to assess that the expansion of the global space industry will further extend space-enabled capabilities and space situational awareness to government, nonstate, and commercial actors in the next several years. All actors will increasingly have access to space-derived information services, such as imagery; weather; communications; and positioning, navigation, and timing (PNT).

- Global access to space services has expanded for civil, commercial, intelligence, and military purposes, in part because of technological innovation, private-sector investment, international partnerships, and demand from emerging markets.

Satellites Launched and Countries Owning the Satellites (2013–18)



Adversary Use of Space

We expect foreign governments will continue efforts to expand their use of space-based reconnaissance, communications, and navigation systems—including by increasing the number of satellites, quality of capabilities, and applications for use. China and Russia are seeking to expand the full spectrum of their space capabilities, as exemplified by China's launch of its highest-resolution imagery satellite, Gaofen-11, in July 2018.

Space Warfare and Counterspace Weapons

We assess that China and Russia are training and equipping their military space forces and fielding new antisatellite (ASAT) weapons to hold US and allied space services at risk, even as they push for international agreements on the nonweaponization of space.

- Both countries recognize the world's growing reliance on space and view the capability to attack space services as a part of their broader efforts to deter an adversary from or defeat one in combat.

- The People's Liberation Army (PLA) has an operational ground-based ASAT missile intended to target low-Earth-orbit satellites, and China probably intends to pursue additional ASAT weapons capable of destroying satellites up to geosynchronous Earth orbit.

- Russia is developing a similar ground-launched ASAT missile system for targeting low-Earth orbit that is likely to be operational within the next several years. It has fielded a ground-based laser weapon, probably intended to blind or damage sensitive space-based optical sensors, such as those used for remote sensing.

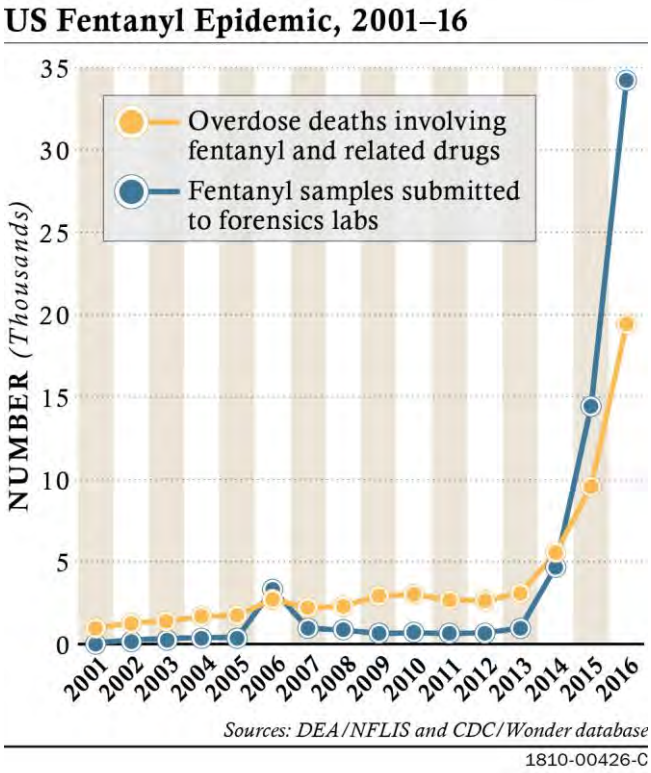
- China's and Russia's proposals for international agreements on the nonweaponization of space do not cover multiple issues connected to the ASAT weapons they are developing and deploying, which has allowed them to pursue space warfare capabilities while maintaining the position that space must remain weapons free.

TRANSNATIONAL ORGANIZED CRIME

Global transnational criminal organizations and networks will threaten US interests and allies by trafficking drugs, exerting malign influence in weak states, threatening critical infrastructure, orchestrating human trafficking, and undermining legitimate economic activity.

Drug Trafficking

The foreign drug threat will pose continued risks to US public health and safety and will present a range of threats to US national security interests in the coming year. Violent Mexican traffickers, such as members of the Sinaloa Cartel and New Generation Jalisco Cartel, remain key to the movement of illicit drugs to the United States, including heroin, methamphetamine, fentanyl, and cannabis from Mexico, as well as cocaine from Colombia. Chinese synthetic drug suppliers dominate US-bound movements of so-called designer drugs, including synthetic marijuana, and probably ship the majority of US fentanyl, when adjusted for purity.



- Approximately 70,000 Americans died from drug overdoses in 2017, a record high and a 10-percent increase from 2016, although the rate of growth probably slowed in early 2018, based on Centers for Disease Control (CDC) data.

- Increased drug fatalities are largely a consequence of surging production of the synthetic opioid fentanyl; in 2017, more than 28,000 Americans died from synthetic opioids other than methadone, including illicitly manufactured fentanyl. The CDC reports synthetic opioid-related deaths rose 846 percent between 2010 and 2017, while DHS reports that US seizures of the drug increased 313 percent from 2016 to 2017.

Other Organized Crime Activities

Transnational criminal organizations and their affiliates are likely to expand their influence over some weak states, collaborate with US adversaries, and possibly threaten critical infrastructure.

- Mexican criminals use bribery, intimidation, and violence to protect their drug trafficking, kidnapping-for-ransom, fuel-theft, gunrunning, extortion, and alien-smuggling enterprises.

- Gangs based in Central America, such as MS-13, continue to direct some criminal activities beyond the region, including in the United States.

Transnational organized crime almost certainly will continue to inflict human suffering, deplete natural resources, degrade fragile ecosystems, drive migration, and drain income from the productive—and taxable—economy.

- Human trafficking generates an estimated $150 billion annually for illicit actors and governments that engage in forced labor, according to the UN's International Labor Organization.

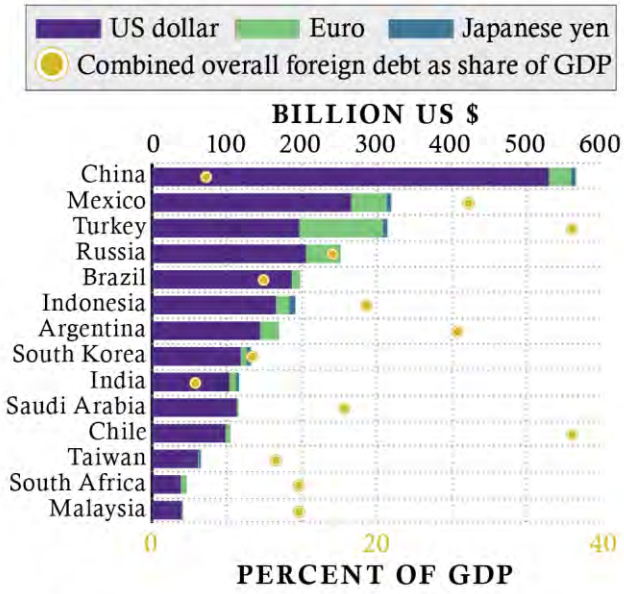
- Wildlife poaching and trafficking; illegal, unregulated, unlicensed fishing; illicit mining; timber pilfering; and drug-crop cultivation harm biodiversity, as well as the security of the food supply, water quality and availability, and animal and human health.

- One think tank study estimates that cybercrime, often facilitated by cryptocurrencies, and intellectual property theft resulted in $600 million in losses in 2017; such crimes threaten privacy, harm economic safety, and sap intellectual capital.

ECONOMICS AND ENERGY

Global growth—projected by the IMF to remain steady in 2019—faces downside risks as global trade tensions persist, many countries contend with high debt levels, and geopolitical tensions continue. Average real growth in advanced economies, operating at close to full capacity, is projected by the IMF to slow in 2019, while emerging markets, key US trading partners, and China's growth face headwinds.

Selected Emerging Market Foreign-Denominated Borrowing



Source: Bank for International Settlements

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Emerging Markets

Uncertainty about global economic growth will challenge emerging markets—such as Argentina, Brazil, China, Mexico, South Africa, and Turkey—and especially those with weak fundamentals, heavy foreign financing, or close trade linkages with advanced economies. Commodity exporters will remain particularly vulnerable to downward pressure on prices from dampened demand.

- Since early 2018, investors have pulled capital out of Brazil, India, Indonesia, and Turkey, among others, exacerbating large currency depreciations in those countries and making it more difficult for them to service their US-dollar-denominated debt during the next year.

- Austerity measures imposed by countries to offset budget deficits could prove to be politically difficult to maintain, leading to risks of destabilizing protests, such as occurred in July 2018, when Haiti attempted to comply with an IMF program by reducing fuel subsidies and set off

nationwide protests that forced the Prime Minister and his cabinet to resign. Argentina has agreed to IMF recommendations for austerity, reducing the risk to investors, and Turkey is pursuing its own austerity measures.

Key US Trading Partners

Among major US trading partners the outlook is mixed, with progress being made on US-Canada-Mexico trade discussions but US-China trade frictions and Brexit posing risks to European growth and US-EU trade.

- Mexico and Canada, whose economic prospects are tied closely to the United States-Mexico-Canada Agreement (USMCA), remain concerned about steel and aluminum tariffs and may delay ratifying the USMCA until those concerns are addressed.

- US-EU trade, valued at $1.2 trillion in 2017, would almost certainly suffer disruptions from a no-deal Brexit, which would further dampen UK—and to a lesser extent EU—economic growth. Uncertainty stemming from London's pending exit from the EU is already hurting UK economic growth and the strength of the pound sterling.

- Financial conditions and economic performance generally remain favorable in both Japan and South Korea. However, both countries' economies are dependent on exports, which puts them at continued risk of downward pressure from China's economic slowdown.

China's Economy

China's economic growth is likely to slow in 2019, and a worse-than-expected slowdown could exacerbate trade and budget pressures in emerging-market countries and key commodity exporters, who rely on Chinese demand.

- Since 2017, Beijing has been largely focused on stemming risks in China's financial system, reducing bank credit growth to the lowest rate in a decade, while trying to bolster growth by cutting taxes, calling on banks to lend to private firms, and requiring local governments to plan measures to sustain employment.

- US-China trade tensions had not significantly affected China's total exports as of late 2018, but firms in China have reported a slowdown in new export orders, suggesting China's export sector will suffer in 2019. Some multinational companies are wary of bilateral tensions and have begun to move production to other countries, especially in Southeast Asia, for lower-value-added goods.

Energy and Commodities

Slower economic growth combined with a rising US dollar could lower demand for energy and other commodities, hurting exporters. However, low global spare capacity or a supply disruption might still put upward pressure on oil prices in the coming year, which would further slow overall global economic growth.

- As of December 2018, the US Energy Information Administration forecast that 2019 oil prices would decline 17 percent and 15 percent for West Texas Intermediate and Brent, respectively. Prices for other key commodities declined in 2018. Food prices decreased 6.4 percent in 2018,

and metals prices decreased 11.7 percent, according to the IMF's primary commodities index, reflecting tariffs, sanctions on the Russian company Rusal, and increasing uncertainty about trade policy.

- Production challenges in some oil-exporting countries—notably Libya, Nigeria, and Venezuela—as well as export losses from Iran, would the limit benefits of increased oil prices to those countries. Saudi Arabia, other Persian Gulf oil exporters, and Russia could enjoy increased revenues, but they might also backtrack on the economic reforms they began during periods of lower oil prices.

- In the past year, strong demand for liquefied natural gas (LNG) in China and India, as well as higher oil prices, kept the spot price for LNG close to its highest level in three years, according to the IMF, despite new supplies from the United States and Australia.

HUMAN SECURITY

The United States will probably have to manage the impact of global human security challenges, such as threats to public health, historic levels of human displacement, assaults on religious freedom, and the negative effects of environmental degradation and climate change.

Global Health

We assess that the United States and the world will remain vulnerable to the next flu pandemic or large-scale outbreak of a contagious disease that could lead to massive rates of death and disability, severely affect the world economy, strain international resources, and increase calls on the United States for support. Although the international community has made tenuous improvements to global health security, these gains may be inadequate to address the challenge of what we anticipate will be more frequent outbreaks of infectious diseases because of rapid unplanned urbanization, prolonged humanitarian crises, human incursion into previously unsettled land, expansion of international travel and trade, and regional climate change.

- The ongoing crisis in Venezuela has reversed gains in controlling infectious diseases, such as diphtheria, malaria, measles, and tuberculosis, increasing the risk that these diseases could spread to neighboring countries, particularly Brazil, Colombia, and Trinidad and Tobago. Similarly, the ongoing Ebola outbreak in the Democratic Republic of the Congo—the country's largest ever—underscores the risks posed by the nexus of infectious disease outbreaks, violent conflict, and high population density, including large numbers of internally displaced person (IDPs).

- In the past two years, progress against malaria has halted after more than 15 years of steady reductions, in part because mosquitos and the pathogen have developed a resistance to insecticides and to antimalarial drugs, respectively, while global funding to combat the disease has plateaued.

- The growing proximity of humans and animals has increased the risk of disease transmission. The number of outbreaks has increased in part because pathogens originally found in animals have spread to human populations.

Displacement Hotspots Increase Risk of Infectious Disease Outbreaks

Countries with high internal and regional displacement due to conflict or political instability are at an increased risk for the spread of infectious diseases such as measles, cholera, diphtheria, and Ebola. Highlighted below are some key displacement hotspots and regions at risk.

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Human Displacement

Global displacement almost certainly will remain near record highs, and host countries are unlikely to see many refugees or internally displaced persons return home, increasing humanitarian needs and the risk of political upheaval, health crises, and recruitment and radicalization by militant groups. The number of people becoming displaced within their own national borders continues to increase, according to the United Nations, placing fiscal and political strain on governments' ability to care for their domestic populations and mitigate local discontent.

Religious Freedom

Violations of religious freedom by governments and nonstate actors—particularly in the Middle East, China, and North Korea—will fuel the growth of violent extremist groups and lead to societal tensions, protests, or political turmoil.

- According to the Pew Research Center's global indexes, the average score for government restrictions on religion rose 39 percent from 2007 to 2016, and the number of states with high or very high government restrictions grew from 40 to 55.

- Since 2017, Chinese authorities have detained hundreds of thousands and possibly millions of Turkic Muslim Uighurs in extrajudicial detainment centers. Beijing has also reached beyond its borders to pursue this campaign, including by pressuring ethnic Uighurs overseas, some of whom are American citizens, to return to China so it can more easily control them. Chinese security services have contacted Uighurs abroad and coerced them to act as informants by threatening to keep Xinjiang-based family members in detention.

Environment and Climate Change

Global environmental and ecological degradation, as well as climate change, are likely to fuel competition for resources, economic distress, and social discontent through 2019 and beyond. Climate hazards such as extreme weather, higher temperatures, droughts, floods, wildfires, storms, sea level rise, soil degradation, and acidifying oceans are intensifying, threatening infrastructure, health, and water and food security. Irreversible damage to ecosystems and habitats will undermine the economic benefits they provide, worsened by air, soil, water, and marine pollution.

- Extreme weather events, many worsened by accelerating sea level rise, will particularly affect urban coastal areas in South Asia, Southeast Asia, and the Western Hemisphere. Damage to communication, energy, and transportation infrastructure could affect low-lying military bases, inflict economic costs, and cause human displacement and loss of life.

- Changes in the frequency and variability of heat waves, droughts, and floods—combined with poor governance practices—are increasing water and food insecurity around the world, increasing the risk of social unrest, migration, and interstate tension in countries such as Egypt, Ethiopia, Iraq, and Jordan.

- Diminishing Arctic sea ice may increase competition—particularly with Russia and China—over access to sea routes and natural resources. Nonetheless, Arctic states have maintained mostly positive cooperation in the region through the Arctic Council and other multilateral mechanisms, a trend we do not expect to change in the near term. Warmer temperatures and diminishing sea ice are reducing the high cost and risks of some commercial activities and are attracting new players to the resource-rich region. In 2018, the minimum sea ice extent in the Arctic was 25 percent below the 30-year average from 1980 to 2010.

REGIONAL THREATS

CHINA AND RUSSIA

China and Russia will present a wide variety of economic, political, counterintelligence, military, and diplomatic challenges to the United States and its allies. We anticipate that they will collaborate to counter US objectives, taking advantage of rising doubts in some places about the liberal democratic model.

Chinese-Russian Relations

China and Russia are expanding cooperation with each other and through international bodies to shape global rules and standards to their benefit and present a counterweight to the United States and other Western countries.

- The two countries have significantly expanded their cooperation, especially in the energy, military, and technology spheres, since 2014.
- China has become the second-largest contributor to the UN peacekeeping budget and the third-largest contributor to the UN regular budget. It is successfully lobbying for its nationals to obtain senior posts in the UN Secretariat and associated organizations, and it is using its influence to press the UN and member states to acquiesce in China's preferences on issues such as human rights and Taiwan.
- Russia is working to consolidate the UN's counterterrorism structures under the UN Under Secretary General for Counterterrorism, who is Russian.
- Both countries probably will use the UN as a platform to emphasize sovereignty narratives that reflect their interests and redirect discussions away from human rights, democracy, and good governance.
- China and Russia also have increased their sway in the International Telecommunication Union through key leadership appointments and financial and technical assistance. They seek to use the organization to gain advantage for their national industries and move toward more state-controlled Internet governance.

EAST ASIA

The United States will see mounting threats in Asia, including a variety of challenges from China and North Korea, and rising authoritarianism in the region.

China

The Chinese Communist Party's Concentration of Power

China is deepening its authoritarian turn under President Xi Jinping, and the resulting hardening of Chinese politics and governance probably will make it more difficult for the leadership to recognize and correct policy errors, including in relations with the United States and our allies and partners.

- President Xi removed one of the few remaining checks on his authority when he eliminated presidential term limits in March 2018, and the Chinese Communist Party has reasserted control over the economy and society, tightened legal and media controls, marginalized independent voices, and intensified repression of Chinese Muslims, Christians, and other religious minorities.

- The Chinese Government also is harnessing technology, including facial recognition, biometrics, and vehicle GPS tracking, to bolster its apparatus of domestic monitoring and control.

- Beijing's increasing restrictions on scholars' and researchers' freedom of movement and communication with US counterparts may increase the prospects for misunderstanding and misinterpretation of US policies.

Expanding Global Reach

We assess that China's leaders will try to extend the country's global economic, political, and military reach while using China's military capabilities and overseas infrastructure and energy investments under the Belt and Road Initiative to diminish US influence. However, Beijing is likely to face political pushback from host governments in many locations, and the overall threat to US and partner interests will depend on the size, locations, and offensive military capabilities of the eventual Chinese presence.

- China has built its first overseas military facility in Djibouti and probably is exploring bases, support facilities, or access agreements in Africa, Europe, Oceania, Southeast Asia, and South Asia.

- In most instances, China has not secured explicit permanent basing rights but is using commercial development and military ties to lay the groundwork for gaining future military access.

- Successful implementation of the Belt and Road Initiative could facilitate PLA access to dozens of additional ports and airports and significantly expand China's penetration of the economies and political systems of participating countries.

The Coming Ideological Battle

Chinese leaders will increasingly seek to assert China's model of authoritarian capitalism as an alternative—and implicitly superior—development path abroad, exacerbating great-power competition that could threaten international support for democracy, human rights, and the rule of law.

- The actions of Xi and his advisers—doubling down on authoritarianism at home and showing they are comfortable with authoritarian regimes abroad—along with China's opaque commercial and development practices, reward compliant foreign leaders and can be corrosive to civil society and the rule of law.

- At the 2018 Central Foreign Affairs Work Conference, Xi stated his desire to lead the reform of the global governance system, driving a period of increased Chinese foreign policy activism and a Chinese worldview that links China's domestic vision to its international vision.

- Beijing has stepped up efforts to reshape the international discourse around human rights, especially within the UN system. Beijing has sought not only to block criticism of its own system but also to erode norms, such as the notion that the international community has a legitimate role in scrutinizing other countries' behavior on human rights (e.g., initiatives to proscribe country-specific resolutions), and to advance narrow definitions of human rights based on economic standards.

South China Sea and Taiwan

We assess that China will continue increasing its maritime presence in the South China Sea and building military and dual-use infrastructure in the Spratly Islands to improve its ability to control access, project power, and undermine US influence in the area. A body of open-source reporting shows that China seeks to achieve effective control over its claimed waters with a whole-of-government strategy, compel Southeast Asian claimants to acquiesce in China's claims—at least tacitly—and bolster Beijing's narrative in the region that the United States is in decline and China's preeminence is inevitable.

- Meanwhile, Beijing almost certainly will continue using pressure and incentives to try to force Taipei to accept the One China framework and ultimately Chinese control, and it will monitor the US reaction as an indicator of US resolve in the region.

- Since 2016, Beijing has persuaded six of Taiwan's 23 diplomatic partners, most recently Burkina Faso and El Salvador, to recognize China instead of Taiwan.

Military Capabilities

The People's Liberation Army (PLA) continues to develop and field advanced weapons and hardware while honing its ability to fight in all military domains. The force is undergoing its most comprehensive restructuring ever to realize China's long-held goal of being able to conduct modern, rapid military operations based on high technology to assert and defend China's regional and growing global interests.

- PLA reforms seek to reinforce the Chinese Communist Party's control of the military, improve the PLA's ability to perform joint operations, increase combat effectiveness, and curb corruption.

- As China's global footprint and international interests have grown, its military modernization program has become more focused on investments and infrastructure to support a range of missions beyond China's periphery, including a growing emphasis on the maritime domains, offensive air operations, and long-distance mobility operations.

North Korea

Nuclear Ambitions

Pyongyang has not conducted any nuclear-capable missile or nuclear tests in more than a year, has declared its support for the denuclearization of the Korean Peninsula, and has reversibly dismantled portions of its WMD infrastructure. However, ***we continue to assess that North Korea is unlikely to give up all of its nuclear weapons and production capabilities, even as it seeks to negotiate partial denuclearization steps to obtain key US and international concessions.*** North Korean leaders view nuclear arms as critical to regime survival, according to official statements and regime-controlled media.

North Korea Conducting Ship-to-Ship Transfers

This image is of the Koti, a Panamanian-flagged vessel seized by South Korea in December 2017 for illicitly transferring refined petroleum to North Korean vessels. North Korea is using ship-to-ship transfers to circumvent UN sanctions that were designed to bring pressure on Pyongyang to give up its nuclear and WMD programs.

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- In his 2019 New Year's address, North Korean President Kim Jong Un pledged that North Korea would "go toward" complete denuclearization and promised not to make, test, use, or proliferate nuclear weapons. However, he conditioned progress on US "practical actions." The regime tied the idea of denuclearization in the past to changes in diplomatic ties, economic sanctions, and military activities.

- In Singapore in June 2018, Kim said he sought the "complete denuclearization of the Korean Peninsula"—a formulation linked to past demands that include an end to US military deployments and exercises involving advanced US capabilities.

- We continue to observe activity inconsistent with full denuclearization. North Korea has underscored its commitment to nuclear arms for years, including through an order to mass-produce weapons in 2018 and an earlier law—and constitutional change—that affirmed the country's nuclear status.

Foreign Engagement

North Korea will continue its efforts to mitigate the effects of the US-led pressure campaign, most notably through diplomatic engagement, counterpressure against the sanctions regime, and direct sanctions evasion.

- Kim Jong Un has sought sanctions relief through a campaign of diplomatic engagement that included his first summits with foreign leaders since taking power in 2011. He met with South Korean President Moon Jae-in three times in 2018, leading to agreements to reconnect roads

and rail lines, establish new military parameters, promote reforestation, and facilitate cultural exchanges.

- Kim has also sought to align the region against the US-led pressure campaign in order to gain incremental sanctions relief, and North Korean statements have repeatedly indicated that some sanctions relief is necessary for additional diplomacy to occur. In his annual New Year's address, Kim linked US sanctions to diplomatic progress and threatened to resume nuclear and missile testing.

Sanctions Evasion

We assess that sanctions continue to pressure the North Korean regime, despite North Korean sanctions evasion efforts. By late 2018, the enforcement of new UN sanctions had led to a precipitous decline in North Korea's monthly export revenue compared with 2017, a change that also reduced imports.

- North Korea generates revenue through overseas labor, cyber-theft operations, and illicit commercial exports of UN Security Council-prohibited goods.

- Throughout 2018, the United States and its allies observed North Korean maritime vessels using at-sea, ship-to-ship transfers of petroleum from third-country tankers to acquire additional refined petroleum as a way to mitigate the effects of UNSC sanctions.

Conventional Military Capabilities

North Korea's conventional capabilities continue to pose a threat to South Korea, Japan, and US forces in the region. As a way to offset adversary military advantages, Kim Jong Un continues to pursue advanced conventional weapon programs and capabilities, including more accurate artillery and ballistic missile strike capabilities and UAVs.

Southeast Asia and the Pacific

We expect democracy and civil liberties in many Southeast Asian countries to remain fragile and China to increase its engagement in the region to build its influence while diminishing the influence of the United States and US allies. Russia may also continue its diplomatic and military cultivation of Southeast Asian partners, and some countries will be receptive to Moscow as a balance against China's push for hegemony.

- In the wake of Washington's withdrawal from the Trans-Pacific Partnership, China is promoting a unified stance with the Association of Southeast Asian Nations (ASEAN) in defense of multilateralism and the WTO reform process, while also fostering a shared perception of US freedom of navigation operations through Chinese-claimed waters in the South China Sea as threats to regional stability.

- China is currying favor with numerous Pacific Island nations through bribery, infrastructure investments, and diplomatic engagement with local leaders while intervening in Burma—including by shielding Burma from UNSC sanctions in response to the humanitarian crisis and alleged ethnic cleansing in Rakhine State.

- Russia, too, has been increasing its diplomatic and military cultivation of Southeast Asian partners, some of which have been receptive to Moscow as a power capable of diluting China's nascent hegemony and helping them diversify their hedging options.

- Cambodia's slide toward autocracy, which culminated in the Cambodian People's Party's retention of power and complete dominance of the national legislature, opens the way for a constitutional amendment that could lead to a Chinese military presence in the country. Thailand's coup-installed regime has promised elections in 2019 but appears set to help ensure that its proxy party retains power by tightly controlling the political space ahead of the vote. Burma's civilian authorities continue to make scant progress toward resolving the crisis in Rakhine State, advancing economic reforms, or ending longstanding insurgencies by ethnic minority groups.

MIDDLE EAST AND NORTH AFRICA

Political turmoil, economic fragility, and civil and proxy wars are likely to characterize the Middle East and North Africa in the coming year, as the region undergoes a realignment of the balance of regional power, wealth and resource management, and the relationships among governments, nonstate political groups, and wider populations.

Iran

Iran's regional ambitions and improved military capabilities almost certainly will threaten US interests in the coming year, driven by Tehran's perception of increasing US, Saudi, and Israeli hostility, as well as continuing border insecurity, and the influence of hardliners.

Iran's Objectives in Iraq, Syria, and Yemen

We assess that Iran will attempt to translate battlefield gains in Iraq and Syria into long-term political, security, social, and economic influence while continuing to press Saudi Arabia and the UAE by supporting the Huthis in Yemen.

In Iraq, Iran-supported Popular Mobilization Committee-affiliated Shia militias remain the primary threat to US personnel, and we expect that threat to increase as the threat ISIS poses to the militias recedes, Iraqi Government formation concludes, some Iran-backed groups call for the United States to withdraw, and tension between Iran and the United States grows. We continue to watch for signs that the regime might direct its proxies and partners in Iraq to attack US interests.

Iran's efforts to consolidate its influence in Syria and arm Hizballah have prompted Israeli airstrikes as recently as January 2019 against Iranian positions within Syria and underscore our growing concern about the long-term trajectory of Iranian influence in the region and the risk that conflict will escalate.

- Iran's retaliatory missile and UAV strikes on ISIS targets in Syria following the attack on an Iranian military parade in Ahvaz in September were most likely intended to send a message to potential adversaries, showing Tehran's resolve to retaliate when attacked and demonstrating Iran's improving military capabilities and ability to project force.

- Iran continues to pursue permanent military bases and economic deals in Syria and probably wants to maintain a network of Shia foreign fighters there despite Israeli attacks on Iranian

positions in Syria. We assess that Iran seeks to avoid a major armed conflict with Israel. However, Israeli strikes that result in Iranian casualties increase the likelihood of Iranian conventional retaliation against Israel, judging from Syrian-based Iranian forces' firing of rockets into the Golan Heights in May 2018 following an Israeli attack the previous month on Iranians at Tiyas Airbase in Syria.

In Yemen, Iran's support to the Huthis, including supplying ballistic missiles, risks escalating the conflict and poses a serious threat to US partners and interests in the region. Iran continues to provide support that enables Huthi attacks against shipping near the Bab el Mandeb Strait and land-based targets deep inside Saudi Arabia and the UAE, using ballistic missiles and UAVs.

Domestic Politics

Regime hardliners will be more emboldened to challenge rival centrists by undermining their domestic reform efforts and pushing a more confrontational posture toward the United States and its allies. Centrist President Hasan Ruhani has garnered praise from hardliners with his more hostile posture toward Washington but will still struggle to address ongoing popular discontent.

Nationwide protests, mostly focused on economic grievances, have continued to draw attention to the need for major economic reforms and unmet expectations for most Iranians. We expect more unrest in the months ahead, although the protests are likely to remain uncoordinated and lacking central leadership or broad support from major ethnic and political groups. We assess that Tehran is prepared to take more aggressive security measures in response to renewed unrest while preferring to use nonlethal force.

- Ruhani's ability to reform the economy remains limited, given pervasive corruption, a weak banking sector, and a business climate that discourages foreign investment and trade.

Military Modernization and Behavior

Iran will continue to develop military capabilities that threaten US forces and US allies in the region. It also may increase harassment of US and allied warships and merchant vessels in the Persian Gulf, Strait of Hormuz, and Gulf of Oman.

- Iran continues to develop, improve, and field a range of military capabilities that enable it to target US and allied military assets in the region and disrupt traffic through the Strait of Hormuz. These systems include ballistic missiles, unmanned explosive boats, naval mines, submarines and advanced torpedoes, armed and attack UAVs, antiship and land-attack cruise missiles, antiship ballistic missiles, and air defenses. Iran has the largest ballistic missile force in the Middle East and can strike targets as far as 2,000 kilometers from Iran's borders. Russia's delivery of the SA-20c SAM system in 2016 provided Iran with its most advanced long-range air defense system. Iran is also domestically producing medium-range SAM systems and developing a long-range SAM.

- In September 2018, Iran struck Kurdish groups in Iraq and ISIS in Syria with ballistic missiles in response to attacks inside Iran, demonstrating the increasing precision of Iran's missiles, as well as Iran's ability to use UAVs in conjunction with ballistic missiles.

- We assess that unprofessional interactions conducted by the Iranian Islamic Revolutionary Guards Corps (IRGC) Navy against US ships in the Persian Gulf, which have been less frequent during the past year, could resume should Iran seek to project an image of strength in response to US pressure. Most IRGC interactions with US ships are professional, but in recent years the IRGC Navy has challenged US ships in the Persian Gulf and flown UAVs close to US aircraft carriers during flight operations. Moreover, Iranian leaders since July have threatened to close the Strait of Hormuz in response to US sanctions targeting Iranian oil exports.

Saudi Arabia

Saudi Crown Prince Muhammad bin Salman continues to control the key levers of power in Saudi Arabia, but his simultaneous push for economic and social reform creates potential flashpoints for internal opposition. Saudi public support for the royal family appears to remain high, even in the wake of the murder of journalist Jamal Khashoggi. Moreover, we assess that the Saudi Government remains well positioned to stifle small-scale protests and discontent; it has preemptively arrested or forcibly detained clerics, business leaders, and civil society activists who could be nodes for discontent.

The Kingdom will seek to make progress on its Vision 2030 plan of structural reforms, spearheaded by Crown Prince Muhammad bin Salman and aimed at reducing dependence on oil revenues. The plan's initiatives include reducing subsidies, building a robust private sector, and instituting taxes, all of which upend the longstanding social contract. Some of these reforms have aggravated segments of the Saudi public, including government workers religious conservatives.

Iraq

Iraq is facing an increasingly disenchanted public. The underlying political and economic factors that facilitated the rise of ISIS persist, and Iraqi Shia militias' attempts to further entrench their role in the state increase the threat to US personnel.

- The Iraqi Government will confront a high level of societal discontent, institutional weakness, and deep-seated divisions, as well as protests over a lack of services, high unemployment, and political corruption. Baghdad lacks the resources or institutional capacity to address longstanding economic development and basic services challenges, and it faces reconstruction costs in the aftermath of the counter-ISIS campaign, estimated by the World Bank at $88 billion. Iraq's Kurdistan region is still dealing with political discontent over economic and territorial losses to Baghdad last year.

- ISIS remains a terrorist and insurgent threat and will seek to exploit Sunni grievances with Baghdad and societal instability to eventually regain Iraqi territory against Iraqi security forces that are stretched thin.

Iraqi Shia militants conducted several attacks against US diplomatic facilities in Iraq in September and December 2018. Militias—some of which are also part of the Iraqi Government Popular Mobilization Committee—plan to use newfound political power gained through positions in the new government to reduce or remove the US military presence while competing with the Iraqi security forces for state resources.

Syria

As the Syrian regime consolidates control, the country is likely to experience continued violence. We expect the regime to focus on taking control of the remaining rebel-held territory and reestablishing control of eastern Syria, consolidating gains, rebuilding regime-loyal areas, and increasing its diplomatic ties through 2019 while seeking to avoid conflicts with Israel and Turkey. Russia and Iran probably will attempt to further entrench themselves in Syria.

- The regime's momentum, combined with continued support from Russia and Iran, almost certainly has given Syrian President Bashar al-Asad little incentive to make anything more than token concessions to the opposition or to adhere to UN resolutions on constitutional changes that Asad perceives would hurt his regime.

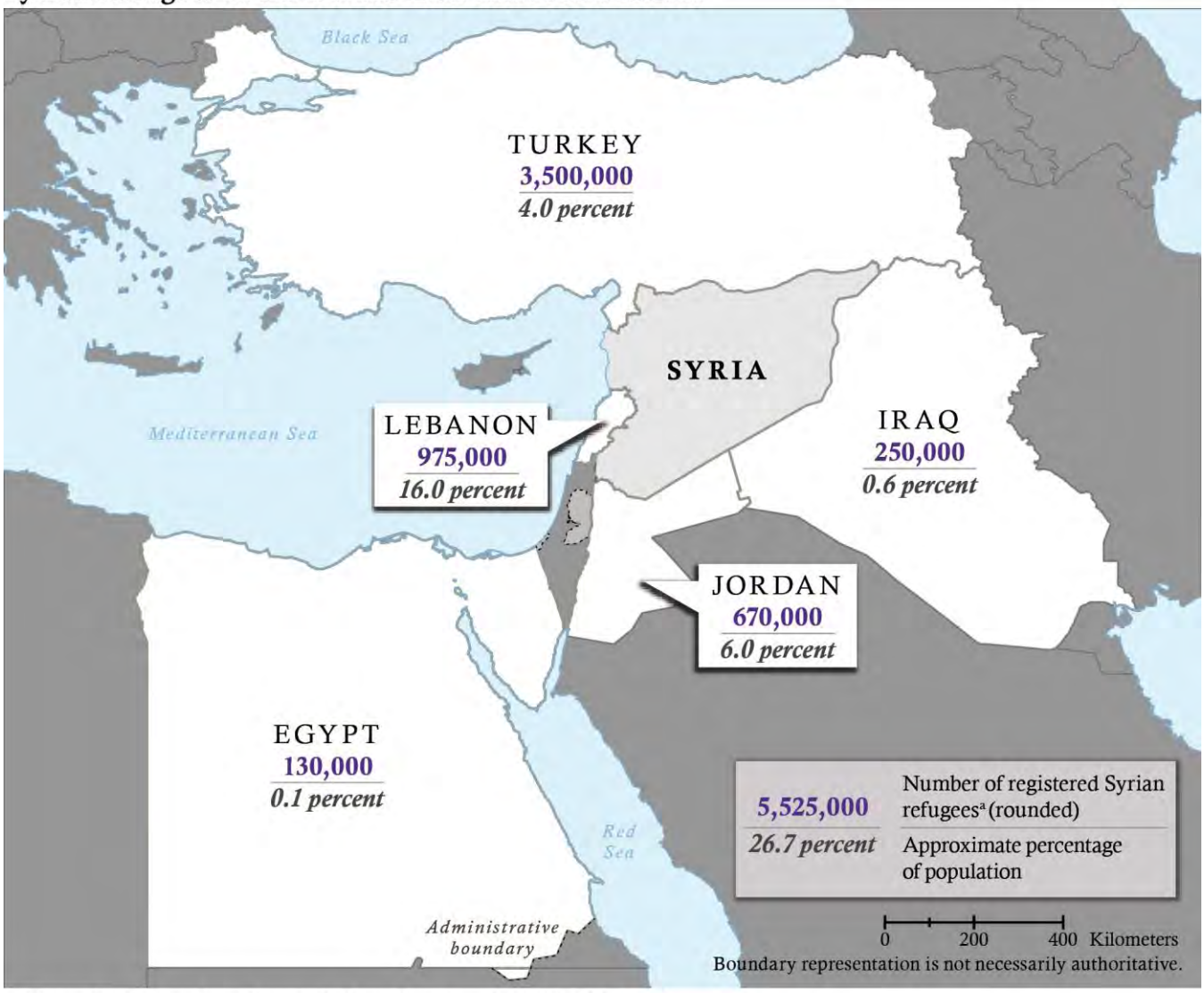
- Opposition groups, which rely on Turkey for continued support, probably are not capable of repelling a regime military operation to retake Idlib Province but may retain enough resources to foment a low-level insurgency in areas the regime recaptures in the coming year.

- The regime probably will focus increasingly on reasserting control over Kurdish-held areas. Damascus probably will seek to exploit any security vacuum and Turkish pressure on the Kurds in order to strike a favorable deal with the Kurds while also seeking to limit Turkey's presence and influence in Syria and reclaim territory in northwestern Syria held by Turkey.

- The regime is unlikely to immediately focus on clearing ISIS from remote areas that do not threaten key military, economic, and transportation infrastructure, judging from previous regime counter-ISIS efforts.

- Damage to the Syrian economy and its infrastructure has reached almost $400 billion, according to UN estimates, and reconstruction could take at least a decade to complete. The effects of the Syrian civil war will continue to be felt by its neighbors, with approximately 5.6 million Syrian refugees registered in neighboring countries as of October 2018. Russia and Iran will try to secure rights to postwar contracts to rebuild Syria's battered infrastructure and industry in exchange for sustained military and economic support.

Syrian Refugees in the Middle East and North Africa



a. The number of refugees for each country is the number registered with the UN. National governments often report higher estimates for the number of Syrian refugees they host.

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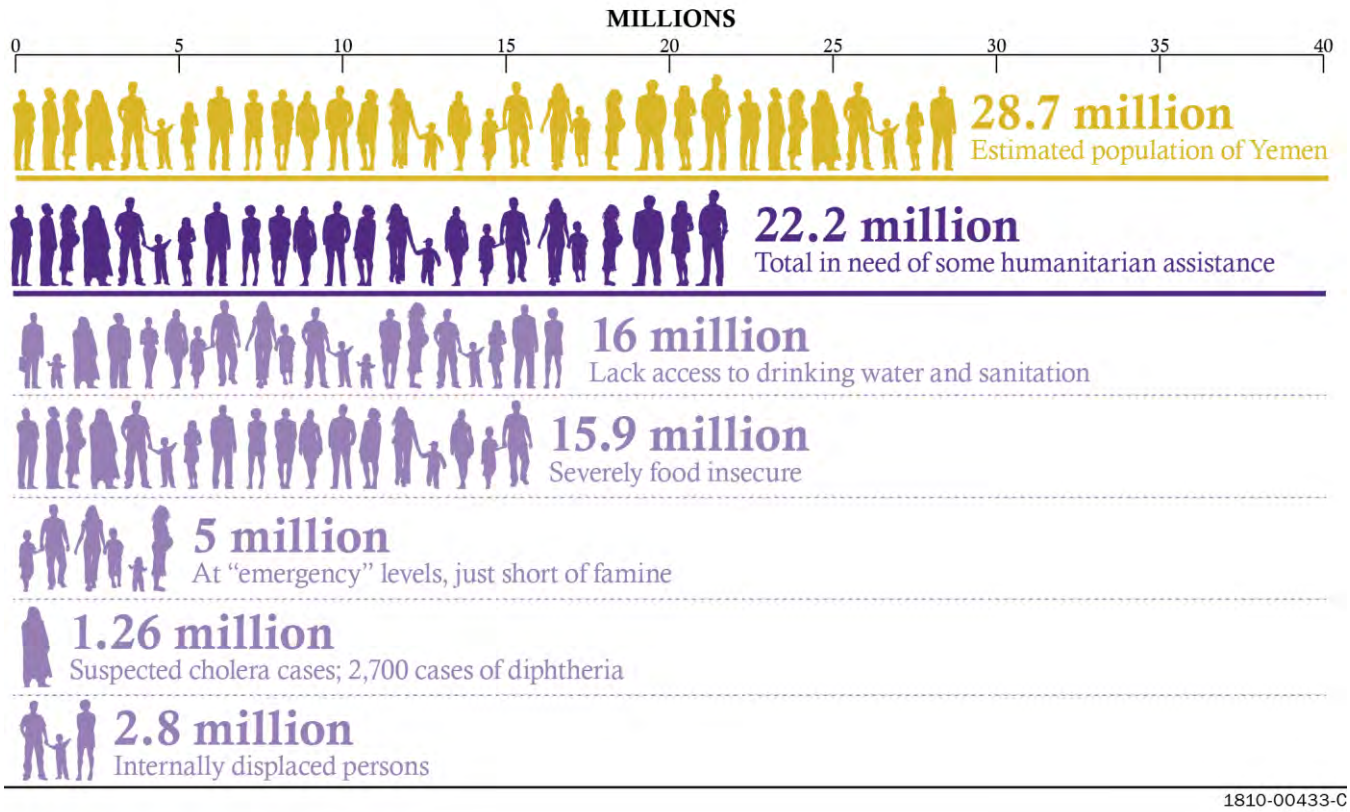
Yemen

The Huthi movement in Yemen and the Saudi-led coalition, which supports the Yemeni Government, remain far apart in negotiating an end to the conflict, and neither side seems prepared for the kind of compromise needed to end the fighting, suggesting the humanitarian crisis will continue. The coalition, buoyed by military gains in the past year, seems fixed on a Huthi withdrawal from Sanaa and significant Huthi disarmament. These terms remain unacceptable to the Huthis, who believe they can use external attacks to threaten Saudi Arabia and the UAE, undercut Saudi and UAE public support for the conflict, and draw international condemnation of the coalition's intervention in Yemen.

- The humanitarian impacts of the conflict in Yemen—including, famine, disease, and internal displacement—will be acute in 2019 and could easily worsen if the coalition cuts key supply lines to Sanaa. The fighting has left more than 22 million people, or approximately 75 percent of the population, in need of assistance, with millions of people at severe risk of famine by the UN definition—numbers that are likely to rise quickly if disruptions to aid access continue.

Yemen Humanitarian Figures as of 3 December 2018



Libya

Libya is poised to remain unstable into 2019, with poor prospects for reconciliation between competing factions and ongoing threats from ISIS-Libya. Militias aligned with Libya's key political factions fight intermittently for influence and control of resources, resulting in a high-risk security environment that threatens both rival governments and Western interests. The UN-backed, Tripoli-based Government of National Accord (GNA) and eastern-based House of Representatives (House) remain unable to agree on key posts and government structure. ISIS-Libya's capabilities have been degraded, but it is still capable of conducting attacks on local and Western targets in Libya and possibly elsewhere in the region.

SOUTH ASIA

The challenges facing South Asian states will grow in 2019 because of Afghanistan's presidential election in mid-July and the Taliban's large-scale attacks, Pakistan's recalcitrance in dealing with militant groups, and Indian elections that risk communal violence.

Afghanistan Stalemate

We assess that neither the Afghan Government nor the Taliban will be able to gain a strategic military advantage in the Afghan war in the coming year if coalition support remains at current levels. Afghan forces generally have secured cities and other government strongholds, but the Taliban has increased large-scale attacks, and Afghan security suffers from a large number of forces being tied down in defensive missions, mobility shortfalls, and a lack of reliable forces to hold recaptured territory.

Pakistan Recalcitrance

Militant groups supported by Pakistan will continue to take advantage of their safe haven in Pakistan to plan and conduct attacks in India and Afghanistan, including against US interests. Islamabad's narrow approach to counterterrorism cooperation—using some groups as policy tools and confronting only the militant groups that directly threaten Pakistan—almost certainly will frustrate US counterterrorism efforts against the Taliban.

Indian Elections and Ethnic Tensions

Parliamentary elections in India increase the possibility of communal violence if Indian Prime Minister Narendra Modi's Bharatiya Janata Party (BJP) stresses Hindu nationalist themes. BJP policies during Modi's first term have deepened communal tensions in some BJP-governed states, and Hindu nationalist state leaders might view a Hindu-nationalist campaign as a signal to incite low-level violence to animate their supporters. Increasing communal clashes could alienate Indian Muslims and allow Islamist terrorist groups in India to expand their influence.

India-Pakistan Tensions

We judge that cross-border terrorism, firing across the Line of Control (LoC), divisive national elections in India, and Islamabad's perception of its position with the United States relative to India will contribute to strained India-Pakistan relations at least through May 2019, the deadline for the Indian election, and probably beyond. Despite limited confidence-building measures—such as both countries recommitting in May 2018 to the 2003 cease-fire along the disputed Kashmir border—continued terrorist attacks and cross-border firing in Kashmir have hardened each country's position and reduced their political will to seek rapprochement. Political maneuvering resulting from the Indian national elections probably will further constrain near-term opportunities for improving ties.

India-China Tensions

We expect relations between India and China to remain tense, despite efforts on both sides to manage tensions since the border standoff in 2017, elevating the risk of unintentional escalation. Chinese President Xi Jinping and Indian Prime Minister Narendra Modi held an informal summit in April 2018 to defuse tension and normalize relations, but they did not address border issues. Misperceptions of military movements or construction might result in tensions escalating into armed conflict.

RUSSIA AND EURASIA

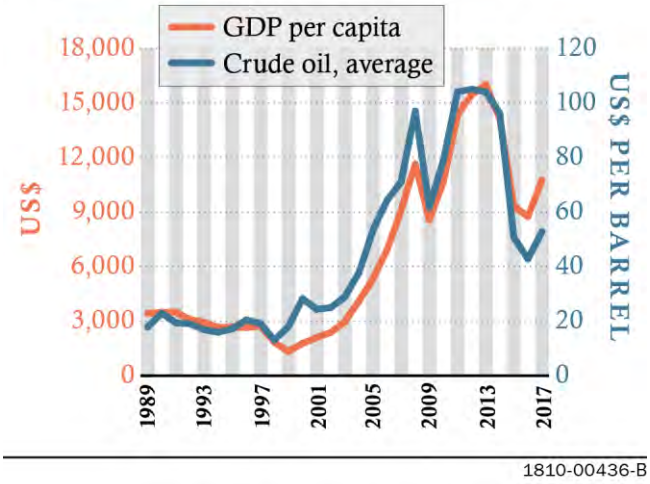
Russian President Vladimir Putin has the tools to navigate challenges to his rule, and he is likely to sustain an assertive, opportunistic foreign policy to advance Russia's interests beyond its borders and contest US influence.

Russia's Domestic Politics

The Russian economy's slow growth and most Russians' disapproval of government officials' performance will foster a more challenging political environment for the Kremlin, although its centralized power structure and the resonance of anti-American themes will buoy Putin, sustaining his push for international stature and challenging US global leadership.

We assess that slow growth and depressed wages are eroding the higher living standards that many Russians once saw as Putin's greatest accomplishment, and corruption is a major issue that Putin cannot attack because his political system rests on it. Following his support for an unpopular pension reform in 2018, Putin's public approval fell to levels not seen since before Russia's illegal annexation of Crimea in 2014. Nevertheless, the Kremlin can rely on its traditional instruments of persuasion to navigate challenges to Putin's control—including the media and the distribution of financial benefits—and it can turn to its security services to impede protests, crack down on the opposition, and intimidate elites.

Russian Economic Performance Highly Dependent on Oil Prices



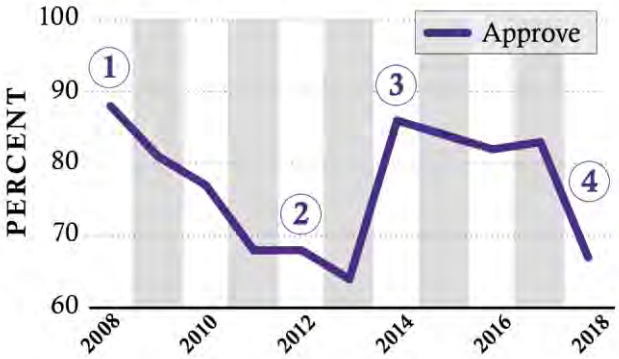
Although we judge that Putin and other elites would like to see cooperation with the United States where US and Russian interests overlap, they view publicly blaming the United States for internal challenges as good politics. Moscow believes it can weather the impact of sanctions, and we expect Putin to remain active on the international stage because the public narrative that he has restored Russia's great-power status remains a pillar of his domestic support.

Global Ambitions

Russia's efforts to expand its global military, commercial, and energy footprint and build partnerships with US allies and adversaries alike are likely to pose increasing challenges. Moscow will continue to emphasize its strategic relationship with Beijing, while also pursuing a higher profile in the Middle East, Southeast Asia, Africa, and Latin America.

We assess that Moscow will continue pursuing a range of objectives to expand its reach, including undermining the US-led liberal international order, dividing Western political and security institutions, demonstrating Russia's ability to shape global issues, and bolstering Putin's domestic legitimacy. Russia seeks to capitalize on perceptions of US retrenchment and power vacuums, which it views the United States is unwilling or unable to fill, by pursuing relatively low-cost options, including influence campaigns, cyber tools, and limited military interventions.

Putin's Popularity Slides Following Short, Victorious Wars and Reelection



MILESTONES

1. **2008:** End of second term, victory in Georgia war
2. **2012:** Returns to presidency
3. **2014:** Illegally seizes Crimea
4. **2018:** Reelected, enacts pension reforms

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- We assess that Moscow has heightened confidence, based on its success in helping restore the Asad regime's territorial control in Syria, but translating what have largely been military wins into a workable settlement in Syria will be one of Moscow's key challenges in the years ahead.

- Russia seeks to boost its military presence and political influence in the Mediterranean and Red Seas, increase its arms sales, expand information operations in Europe, and mediate conflicts, including engaging in the Middle East Peace Process and Afghanistan reconciliation.

Military Capabilities

Moscow views military force as key to safeguarding its vital interests and supporting its foreign policy; it is becoming more modernized and capable across all military domains and maintains the world's largest operational nuclear stockpile.

- After decades of increased spending to support modernization, Russia's defense budget is decreasing to about 3.8 percent of GDP in 2019, from a peak of about 5.4 percent in 2016. Because of momentum in military acquisitions, we judge that the budget is normalizing to pre-peak spending levels.

- In 2019, we assess that Russia will continue to modernize the entire military but particularly will make progress in its air defense, submarine, and electronic warfare capabilities.

Russia and Its Neighbors

The Kremlin will seek to maintain and, where possible, expand its influence throughout the former Soviet Union countries, which it asserts are within its sphere of influence.

We assess that a major offensive by either Ukraine or Russian proxy forces is operationally feasible but unlikely in 2019, unless one side perceives the other is seriously challenging the status quo. Bilateral tensions will continue to rise in the Black and Azov Seas as each side asserts its sovereignty and naval capabilities. Russia will continue its military, political, and economic destabilization campaign against Ukraine to try to stymie Kyiv's efforts to integrate with the EU and strengthen ties to NATO. Russia's interception of Ukrainian ships in the Kerch Strait and detention of the ships' sailors in November 2018 demonstrates Russia's willingness to limit Ukrainian freedom of navigation in the area and exert political pressure on the country's leadership, particularly in advance of Ukraine's elections this year.

- Ukraine will hold a presidential election in March 2019 and legislative elections in the fall. The large field of presidential candidates, high levels of distrust in political elites, and lack of a clear frontrunner may provide Ukrainian President Petro Poroshenko's rivals, as well as lesser known candidates and political newcomers, an opportunity to appeal to the largely undecided Ukrainian electorate.

- Russia is taking steps to influence these elections, applying a range of tools to exert influence and exploit Kyiv's fragile economy, widespread corruption, cyber vulnerabilities, and public discontent in hopes of ousting Poroshenko and bringing to power a less anti-Russia parliament.

The ruling coalition of Moldova, Ukaraine's neighbor, is focused on maintaining power in the legislative election planned for February 2019 and probably will seek to limit Russian influence and preserve a veneer of commitment to EU integration.

Tension between Armenia and Azerbaijan over the Nagorno-Karabakh region remains a potential source for a large-scale military conflict that might draw in Russia.

Russia will continue pressing Central Asia's leaders to support Russian-led economic and security initiatives and reduce engagement with Washington. At the same time, China probably will continue to expand its outreach to Central Asia, largely to promote economic initiatives because of Beijing's concern that regional instability could undermine China's economic interests and create a permissive environment for extremists. Uzbekistan's political opening under President Shavkat Mirziyoyev will improve prospects for intraregional cooperation, but poor governance and vulnerable economics will raise the risk of radicalization.

EUROPE

The United Kingdom's scheduled exit from the EU on 29 March 2019, European Parliament elections in late May, and the subsequent turnover in EU institutional leadership will limit the ability of EU and

national leaders to contend with increased Russian and Chinese efforts to divide them from one another and from the United States.

- If the United Kingdom's exit from the EU takes place as scheduled, it would remove one of the institution's key voices for strong sanctions policy toward Russia and market liberalism, as well as one of its most capable foreign and security policy actors.
- Russia and China are likely to intensify efforts to build influence in Europe at the expense of US interests, benefiting from the economic fragility of some countries, transatlantic disagreements, and a probable strong showing by anti-establishment parties in the European Parliament elections in late May 2019. Some member states favor a softening of Russian sanctions and probably will resist efforts to tighten investment screening.

Turkey

Turkey's regional ambitions, a distrust of the United States, and the growing authoritarianism of Turkey's leaders are complicating bilateral relations and making Ankara more willing to challenge US regional goals. Turkey will continue to view as existential threats the Kurdistan Workers' Party (PKK), including its People's Protection Units (YPG) militia in Syria, and the movement led by Fethullah Gulen (USPER), a former AKP ally who Turkish leaders claim is responsible for the failed coup of 2016.

Key Events in Europe During 2019

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Balkans

The Western Balkans almost certainly will remain at some risk of low-level violence and possibly open military conflict throughout 2019. Russia will seek to exploit ethnic tensions and high levels of corruption to hinder the ability of countries in this region to move toward the EU and NATO.

AFRICA

Several countries and regions in Sub-Saharan Africa are likely to face significant security, counterterrorism, democratization, economic, and humanitarian challenges. Recent political unrest in countries such as Zimbabwe and Sudan highlight the ongoing challenges facing many governments across the continent. African countries' outreach and cooperation with external actors—such as China and Russia—will increase this year.

The Sahel

Countries in the Sahel—particularly Chad, Burkina Faso, Mali, Mauritania, and Niger—almost certainly will be vulnerable to an increase in terrorist attacks in 2019 as they struggle to contain terrorist groups and improve governance and security. Al-Qa'ida-affiliated Jama'at Nusrat al-Islam wal-Muslimin (JNIM)

and its extremist allies present a growing threat, with attacks increasing during the past year. Implementation of Mali's peace accord—an essential step for extending governance into terrorist safe havens in northern and central Mali—probably will be difficult because remaining steps are politically and financially sensitive.

Nigeria

Nigeria, Africa's most populous country and the largest economy, probably will face a contentious presidential election in February 2019 and sustained attacks from Boko Haram and ISIS-West Africa (ISIS-WA). Abuja is also facing continued violence in the politically sensitive Middle Belt region. .

Sudan and South Sudan

Violence and the humanitarian crisis in South Sudan are likely to persist this year, while Sudan probably wants to improve relations with the United States but will continue reaching out to other partners to boost its economy. In South Sudan, the peace agreement signed between the government and opposition groups in September 2017 faces delays and implementation difficulties. Acute food insecurity and constraints on aid access—resulting from poor infrastructure, seasonal rains, active hostilities, and government- and opposition-imposed impediments—are likely to contribute to an ongoing humanitarian crisis. Meanwhile, Khartoum, despite facing antigovernment protests over its poor economic situation, is committed to pursuing efforts to improve its relationship with the United States and wants to be removed from the US State Sponsors of Terrorism List. Sudan also will strengthen ties to other partners—including Russia and Turkey—in an effort to diversify its partnerships and improve its economic situation.

Horn of Africa

The states of East Africa will confront internal tension and a continuing threat from al-Shabaab, despite improved intergovernmental relations and Ethiopian-Eritrean rapprochement. Elite competition, corruption, and poor coordination among security services in Somalia will hamper efforts to tamp down violence. The African Union Mission in Somalia (AMISOM) is unlikely to engage in aggressive offensive operations against al-Shabaab in advance of the mission's scheduled withdrawal from Somalia by 2021. Ethiopia and Eritrea will struggle to balance political control with demands for reform from domestic constituencies.

Central Africa

Political unrest across Central Africa is likely to persist through 2019, compounding humanitarian challenges and armed conflict. The Democratic Republic of the Congo (DRC) is recovering from its contentious presidential election in December 2018, as well as dealing with an ongoing Ebola outbreak and internal displacement crisis. Meanwhile, violence among armed groups in several regions of the DRC threatens regional and national stability, and violence in eastern DRC impedes efforts to respond to the Ebola outbreak. The Central African Republic (CAR) is struggling to make progress toward a peace agreement between the government and multiple armed groups.

THE WESTERN HEMISPHERE

Flagging economies, migration flows, corruption, narcotics trafficking, and anti-US autocrats will present continuing challenges to US interests, as US adversaries and strategic competitors seek greater influence in the region. The hemisphere will see several presidential elections this year, including in Argentina,

Bolivia, El Salvador, Guatemala, Panama, and Uruguay, providing opportunities for outside candidates to exploit public frustration with stagnant economic growth, high crime, and corruption. China and Russia will pursue efforts to gain economic and security influence in the region.

Mexico

Newly inaugurated Mexican President Andres Manuel Lopez Obrador almost certainly will focus on meeting steep public expectations for improvements on anticorruption and security following his landslide electoral victory in July. He is likely to pursue mostly practical approaches to US cooperation that complement his ambitious domestic agenda. Lopez Obrador has promised to reduce violence, in part by addressing socioeconomic causes, but he has publicly conceded that Mexico's military must keep up its public security role in the near term, despite his initial preference to end it. Lopez Obrador has supported the US-Mexico-Canada Agreement (USMCA) trade deal, probably hoping to reduce trade-related uncertainty, allowing him to focus on his domestic economic agenda. However, Mexico's $1.15 trillion economy remains vulnerable to investor uncertainty that could weaken the export sector and slow economic growth, which was just 2 percent in 2017. Declining oil revenue will limit the Mexican Government's ability to fund Lopez Obrador's ambitious social programs and infrastructure projects.

Central America

We assess that high crime rates and weak job markets will spur additional US-bound migrants from the Northern Triangle—El Salvador, Guatemala, and Honduras—while a political crackdown in Nicaragua dims that country's already bleak economic outlook. Illicit migration northward from the region shows no signs of abating, despite increased messaging by governments to dissuade potential migrants and stepped-up immigration enforcement by Mexico. Many migrants apparently perceive that traveling in caravans on the journey north affords a certain level of security, and the decision to do so appears to result from a combination of individual motivation, encouragement from social media postings, and politically motivated efforts by some individuals and organizations.

- Nicaraguan President Daniel Ortega's refusal to heed calls for negotiation amid his political crackdown, which has left more than 300 people dead and contributed to allegations of human rights abuses, threatens to deepen a recession in one of the region's weakest economies.

Venezuela

Although the regime of Nicolas Maduro will continue to try to maintain power, he is facing persistent opposition. Falling oil production, economic mismanagement, and legal challenges almost certainly will compound the worsening economic pressure on the country. Living standards have collapsed, and hyperinflation and shortages in basic goods have gripped the country. Since 2014, the UN International Organization for Migration estimates that 2-3 million Venezuelans have left the country. Maduro continues to crack down on the political and military opposition after a failed assassination attempt against him in August 2018 and disrupted coup plots in the past 12 months, but the opposition has shown resilience, as indicated by its challenge to Maduro's rule emerging in late January 2019.

Estimated Venezuelan Migrants and Asylum Seekers by Country (2015–18)

Recipient Nations	Venezuelan Migrants
Colombia	1,000,000
Peru	400,000–580,000
Chile	85,000–300,000
Ecuador	250,000
Panama	21,000–88,000
Brazil	76,000
Argentina	70,000
Dominican Republic	20,000–46,000
Trinidad and Tobago	40,000
Mexico	26,000–33,000
Costa Rica	9,000–23,000
Canada	21,000
Aruba	10,000–20,000
Guyana	12,000
Uruguay	8,500
Bolivia	3,000–7,000
Curacao	5,000

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Colombia

Colombian President Ivan Duque faces a fraying peace accord with the former Revolutionary Armed Forces of Colombia (FARC) while he is working to stem violence in Colombia's rural departments, carry out his coca eradication ambitions, and manage growing tensions with Caracas. Duque has ordered increased security operations to curb common crime, threats from Colombia's insurgent and criminal groups, and address coca cultivation and trafficking. Coca cultivation in Colombia was at a record 209,000 hectares in 2017, and crop substitution and eradication programs face coordination challenges and local resistance.

Cuba

Cuban President Miguel Diaz-Canel will adhere to former President Raul Castro's blueprint for institutionalizing one-party rule and socialism in Cuba through constitutional reforms. Diaz-Canel has acknowledged that Raul Castro, who still commands the ruling Communist Party, remains the dominant voice on public policy.