

**Global Trends and the Implications of the
11 September Attacks**

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Good morning. Thank you very much for the introduction and the opportunity to speak with this distinguished group today. It has been a number of years since I last visited Carlisle, but I have fond memories of professional exchanges here.

I particularly look forward to the question and answer period and to hearing your views, as you come from a great variety of backgrounds.

Your differing perspectives are critical to the success of the overall program here at Carlisle.

A note I received from the staff invited me to present my views “on the nature of our world as we begin the 21st century” and on the “threats and opportunities confronting US national interests in the near, medium and long term.” Happily for me, this task is not quite as impossible as it might seem.

This is because the National Intelligence Council, which I now chair, roughly a year ago published an unclassified paper entitled “Global Trends 2015: A Dialogue About the Future with Non-government Experts.” I will be drawing heavily on that work as I speak this morning about some of the key trends that will shape the international landscape over the next several years.

My aim will not be to predict the future, which is surely a perilous undertaking. Rather, I would like to focus on some of the key trends, or drivers, that will shape the world we will be dealing with over the coming 15 years. To a substantial degree, they form the parameters within which our policymakers and warfighters -- and our allies -- must operate in protecting and advancing our interests.

The drivers we identified as being especially important in the years are the following:

- economics, including energy availability;
- demographics;
- natural resources and the environment;
- science and technology;
- national governance; and
- the nature of future conflicts.

I will say a few words about each. I will also offer some reflections about how the events of 11 September have affected these trends. Finally, I would like to focus in a little more detail on a few countries or regions of special interest.

Looking at what our report said about the first driver, the global economy, a lot has changed in the past year. Our assessment projected that the global economy, though susceptible to volatility and cyclical downturns, was well positioned to achieve a sustained period of dynamism.

We assessed that global economic growth, in the period extending to 2015, would return to the high levels reached in the 1960s and early 1970s. This economic dynamism, we wrote, would be strongest among so-called “emerging markets”—especially in the two Asian giants, China and India. But it would be broadly based worldwide, including in both industrialized and many developing countries.

We also noted that even under a best-case scenario, the rising tide of the global economy would not lift all boats, and that this disparity would have security implications. The economies of most states in Sub-Saharan Africa and the Middle East, and some in Latin America, will continue to suffer. Moreover, a large segment of the Eurasian landmass extending from Central Asia

through the Caucasus to parts of southeastern Europe faces dim economic prospects.

The early months of 2001 saw broad-based economic deterioration -- year-on-year global growth rates were at a very low level. The attacks on 9/11, however, introduced a dramatic new element, and it appeared that a deep global recession might develop. The attacks ensured that the world's three largest economies--the US, Japanese, and German—would be in recession together.

I believe it was Franklin Roosevelt who said that when your neighbor loses his job, it is a recession; when you lose your job, it is a depression. So far, we are in a recession. But sustained low demand in the Western economies and Japan is taking a heavy toll in those countries and on a substantial number of emerging market countries whose economies rely heavily on exports to the West.

- Even when recovery comes, we will see for some time the impact of the "terrorism tax"--in the form of higher transport costs, greater insurance premiums, a wariness of investing in emerging markets, the costs of information security, and the like.

We projected in our *Global Trends* study that meeting the increase in demand for energy would pose neither a major supply challenge nor lead to substantial price increases in real terms. We

noted that Asia would drive the expansion in energy demand, replacing North America as the leading energy consumption region and accounting for more than half of the world's total increase in demand.

- China, and to a lesser extent India, will see especially dramatic increases in energy consumption.
- By 2015, only one-tenth of Persian Gulf oil will be directed to Western markets; three-quarters will go to Asia.

In the wake of 9/11, we expect that global energy markets will remain unstable for some time. Prior to the attacks, OPEC had demonstrated a remarkable capability to maintain relatively high prices even in the context of the global slowdown. Since 9/11, despite risks of a supply disruption, energy prices have fallen considerably and OPEC is under pressure from Russia and other eager producers that make it difficult to sustain price levels. Low energy prices are countering the recessionary influences in global markets.

Despite the current situation, however, one can still imagine circumstances in which a petroleum supply disruption could occur. In the coming years, terrorist operations or, even more ominously, instability or an anti-Western policy shift in key producing countries, could lead again to skyrocketing prices.

Another key driver of security policy over the next several years will be worldwide demographic change. Developments in this area, including population trends, migration, and global health issues--will not be substantially altered as a result of the terrorist attacks. The world in 2015 will be populated by some 7.2 billion people, up 18 percent from 6.1 billion in the year 2000. More than 95 percent of the increase in world population will be found in developing countries.

- India's population, for example, will grow from about 1 billion to more than 1.2 billion by 2015; Pakistan's will swell from 140 million now to about 200 million--increasing the challenge to governance and therefore to security concerns for both countries and the already tense region.
- Some countries in Africa with high rates of AIDS will experience reduced population growth or even declining populations despite relatively high birthrates. Populations also will decline in Russia, Japan, Italy, and Spain in the absence of dramatic increases in birthrates or immigration.

By 2015 more than half of the world's population will be urban. The number of people living in mega-cities—those containing more than 10 million inhabitants—will double to more than 400 million. Mega-cities outside the US will include Mexico

City, Sao Paulo, Buenos Aires, Lagos, Cairo, Karachi, Mumbai, Calcutta, Dhaka, Jakarta, Beijing, Shanghai, and Tokyo.

- The explosive growth of cities in developing countries will aggravate environmental problems and natural resource scarcities and will test the capacity of governments to meet the needs of their citizens.

Let's look for a moment at the picture in another area-- natural resources and the environment. Food, water, and the environment necessary to sustain the security and economics of regions are critical drivers now and clearly will be well into the future.

For example, world food grain production and stocks in 2015 will be adequate to meet the needs of a growing world population. Advances in agricultural technologies will play a key role. But, despite the overall adequacy of food, serious problems of distribution and availability will remain.

- The number of chronically malnourished people in Sub-Saharan Africa, for example, will increase by more than 20 percent from 2000 to 2015.

The outlook for water in various regions of the world is troubling. By 2015 nearly half the world's population—more than 3 billion people—will live in countries that are “water-stressed”—mostly in Africa, the Middle East, South Asia, and northern China.

- Water shortages occurring in combination with other sources of tension could become a source of conflict, particularly in the Middle East.

Nonetheless, water issues also play an essential role in the resolution of tensions and conflict. We note that there are over 300 treaties relating to international water resource management. Once water regimes are established through treaties, they turn out to be tremendously resilient over time, even in the midst of war.

Turning to the fourth driver, advances in science and technology over the next 15 years will generate dramatic breakthroughs in such fields as agriculture, health, communications, commerce, and warfare.

Rapid diffusion of information technology will be the major building block for international commerce and for empowering nonstate actors of all kinds. By 2015, IT will make major inroads in rural as well as urban areas around the globe, but some countries and populations will fail to achieve significant benefits.

- Among developing countries, India will remain in the forefront in developing information technology, while China will lead in the use of such technology and, increasingly, in its production.

- The Internet market in some countries in Latin America is poised to grow exponentially, stimulating commerce and foreign investment.

On the downside, advances in IT will facilitate much greater interaction among terrorists, narcotraffickers, proliferators, and organized criminals. In a networked world, such groups will have greater access to information, technology, finance, sophisticated denial and deception techniques and each other. Concern among governments about terrorists' use of the Internet--and the continuing threat of future terrorist attacks--could combine to slow Internet growth, access, and connectivity.

As defense-related technologies advance over the coming years, the United States and its allies will make great strides. The dramatic advances in the technical sophistication of our military efforts from Iraq to Kosovo to Afghanistan have been noticed world-wide.

We will also have to be more agile, adaptive, and innovative to counter adversaries armed with weapons designed to give them an asymmetric advantage over US forces. The events of September 11th have already had an impact in scientific and technological directions. Development of sensors and security measures is now a critical priority. Development of vaccines and serums to counter biological weapons has moved to the forefront

of the biosciences. Understanding the spread of disease and infection now takes on an added impetus.

To a substantial degree, the quality of governance in individual countries will be the critical factor that determines whether societies will suffer or benefit from the negative and positive trends I have been discussing. Indeed, IMF and World Bank studies indicate that the quality of governance--not just funding--is the key to achieving political and economic gains.

The authority of virtually all governments will be balanced or challenged by a range of nonstate actors--including business firms, nonprofit organizations, communal groups, and criminal networks. Transnational criminal organizations and networks from Russia to Colombia, and many places in between, will expand the scale and scope of their activities. They will corrupt leaders of unstable countries, insinuate themselves into troubled banks and businesses, and cooperate with insurgent political movements to control large geographic areas.

Clearly, establishment and defense of the rule of law is critical to our security.

Let me say a few words about the sixth global trend, the nature of future conflicts. In particular, the NIC's *Global Trends* report highlighted the growing threat from terrorists, noting that states with poor governance, ethnic, cultural, or religious tensions,

weak economies, and porous borders will be prime breeding grounds for terrorism.

The September 11 attacks on the United States, though causing far more casualties than any previous terrorist incident, reflected trends in international terrorism that began several years ago:

- terrorism has become more lethal and transnational;
- the role of state sponsors has declined substantially while "ad hoc" groups have enhanced their capabilities;
- more terrorist groups identify themselves with religions--particularly Islam; and
- the United States has become a prime target.

These trends, rooted in broad political, sociocultural, and economic developments, are not likely to be reversed in the foreseeable future.

The US will remain a prime target of international terrorists, chiefly because of its status as the only superpower, but also because of resentments against US policies and the effects of the worldwide spread of western culture. Terrorists recognize that attacks within the United States have a deep psychological impact on Americans. They will seek to mount operations on US soil--particularly against high-profile and symbolic targets-- to

demonstrate their power. They also will try to attack US embassies, military facilities, and nonofficial targets abroad.

Islamic extremists will continue to pose the greatest threat to US interests. The political, economic, and sociocultural conditions in Muslim countries, and conflicts involving Muslim states that breed violent anti-American extremism -- including the Israeli-Palestinian conflict -- are likely to persist for at least the next several years.

Most terrorists will continue to rely on conventional tactics, primarily bombings and armed attacks. But some terrorist groups have expressed an interest in acquiring chemical, biological, radiological and nuclear weapons. The key point is that terrorists will vary their tactics and operational plans to keep the targets of their attacks off balance.

The overall magnitude and shape of international terrorism will depend in large part on the counterterrorist policies of governments and the persistence and vigor with which they execute those policies.

Beyond the issue of terrorism, the *Global Trends* study assessed that the international community through 2015 will continue to face the potential for inter-state conflict, probably arising from rivalries in Asia and the Middle East. The potential lethality of such conflicts will grow, driven by the availability of

weapons of mass destruction, longer-range missile delivery systems, and other technologies.

The *Global Trends* study also assessed that the frequency of internal conflicts stemming from religious, ethnic, economic or political disputes will remain at current levels or even increase. Such conflicts will spawn internal displacements, refugee flows, and humanitarian emergencies--placing large demands on donor governments and other humanitarian aid providers.

Now that we have noted some of the key drivers of the world situation in 2015, I'd like to talk about how these factors will interact in some selected countries and regions.

In Russia, the government will face the continuing challenge of adjusting everything from its day-to-day operations to its expectations for world leadership to its dramatically reduced resources and circumstances. All of the problems we have just discussed concerning resources, demographics, the environment, governance, and internal conflict are manifested in Russia.

President Putin has made progress in stabilizing the situation over the past year. At the same time, Russia is adapting still to the collapse of the Communist system and the disintegration of an empire that had expanded for many hundreds of years. The enormity of the task of firmly establishing a new political and economic system based on the rule of law cannot be overstated.

The stakes for both Europe and the United States will be high, although neither will have the ability to determine the outcome for Russia in 2015. The quality of Russian governance—and Russia's economic policies--will be the critical factors.

The most beneficial and far-reaching geostrategic effect of the events of September 11 may ultimately prove to be as a catalyst in facilitating the reorientation of Russian foreign and security policy in a direction more compatible with Western interests. Putin's decisions to align Russia with the coalition in the campaign against terrorism, and to make clear that Russia wants to be part of the West, mark a turn away from the policy of "multipolarity" initiated in 1997 that was designed to constrain the United States.

- The current shift could be historic, akin to the post-World War II change in Western Europe when Germany became solidly anchored into the European and North Atlantic communities.

The going will not be easy. Russia will continue to differ considerably from developed liberal democracies and market economies of the West. More important, Russian security elites are skeptical about Putin's new course and will press him on diverging agendas in the anti-terrorist coalition, pre-existing areas of contention between Russia and the US, and the handling of

events in other parts of the world. Putin will be a tough negotiator, but his actions to date suggest he is capable of moving in a fundamentally new strategic direction.

Russian support of US military engagement in Central Asia was a particularly positive, concrete step. It lays the foundation for Russia, the United States, and the Central Asian states to work together to facilitate development of the region. If the current conflict ends with a more-or-less stable Afghanistan, it would make feasible a north-south line of communication running from Karachi northward to Tajikistan, Uzbekistan, Turkmenistan, and Russia. This unprecedented ability for Central Asia to carry on trade on both an east-west and a north-south axis would greatly expand the region's economic and geopolitical horizons.

Let me note, however, that the reorientation of Russian foreign policy does not change Russia's huge infrastructure, economic, and demographic problems, at least in the short term. In the long term, the reorientation might pave the way for much-needed foreign direct investment, but this will require sustained good governance and the rule of law.

In the case of China, I do not foresee that the 9/11 attacks and the consequent international anti-terrorism campaign will result in a fundamental reorientation of that country's security policies. China's major concern will be that it not become a

geopolitical loser. Beijing will worry, specifically, about increasing cooperation between the United States and Russia that may frustrate Chinese efforts to limit US influence in Central Asia and to build a broad anti-missile defense campaign.

- Beijing also is concerned about efforts by India to enhance its regional status through closer cooperation with the United States, and, of course, by the possible ramifications of growing tensions between India and Pakistan.
- What China sees as moves by Japan to unshackle its military will also be of concern to Beijing, which sees itself as the preeminent Asian power.

Estimates of internal developments in China through 2015 are fraught with unknowables. An array of political, social, and economic pressures will increasingly challenge the Chinese Communist Party's legitimacy, and perhaps its survival.

- Structural changes required by China's entry into the WTO and the broader demands of economic globalization and the information revolution will generate new pressures.
- We do not rule out, however, the introduction of enough political reform by 2015 to allow China to adapt to domestic pressure for change and to continue to grow economically.

Two conditions, in the view of many experts, would lead to a major security challenge for the United States and its allies in the

region: a weak, disintegrating China, or an assertive China willing to use its growing economic wealth and military strength to pursue its strategic advantage in the region.

- China has underway ambitious, multi-year programs to acquire technologies, weapons, and enhanced strategic capabilities.

For the immediate future, however, we note that China and its leaders are heavily invested in dealing with that country's accession to the WTO and the leadership transformation that will occur this fall, in all likelihood bringing a so-called "fourth generation" leader to power. For these and other reasons, we may see a period of less tension in China's relations with both Taiwan and the United States.

Regrettably, global trends from demography and natural resources to globalization and governance appear generally negative for the Middle East. Most regimes are change-resistant. Many are buoyed by continuing energy revenues and will not be inclined to make the necessary reforms, including in basic education, to change this unfavorable picture.

- A key driver for the Middle East will be demographic pressures--how to provide jobs, housing, public services, education and subsidies for rapidly growing and increasingly urban populations.

- Linear trend analysis shows little positive change in the region, raising the prospects for social unrest, religious and ideological extremism, and terrorism directed both at the regimes and at their Western supporters.
- Nonlinear developments—such as the sudden rise of a Web-connected opposition, a sharp and sustained economic downturn, or, conversely, the emergence of enlightened leaders committed to good governance—might change outcomes in individual countries.

The concept of a "clash of civilizations" is playing out within many Muslim countries of the Middle East and Asia. Some of the stresses associated with balancing the dynamics of globalization and modernization with the demand for policies that respect local traditions have been made more acute by the formation of the anti-terrorist coalition.

Concern has been expressed that these stresses will lead to an increase in anti-American violence, a greater reluctance by area governments to cooperate visibly with the United States, and heightened threats to politically fragile regimes. Fortunately, during the current anti-terrorism campaign most of the fears have not been borne out.

The counterterrorism campaign has introduced several new dimensions into the Arab-Israeli conflict, in the sense that it has

created, at least implicitly, pressures and opportunities for both the Palestinians and the Israelis. The net effect, however, has probably been to leave the dispute in about the same unpromising situation that it was in prior to September 11.

In South Asia, it is clear that the threat of major conflict between India and Pakistan will continue to overshadow all other regional issues. Tensions over Kashmir have risen to a very high level in recent weeks as a result of the December attack on the Indian Parliament building. There are many diplomatic and security issues associated with this long dispute that are virtually intractable. Among the practical problems for the US is the fact that Pakistan and India have incompatible expectations regarding a payoff--in the form of US support for their respective positions in Kashmir--in return for their assistance in dealing with the Taliban and the worldwide campaign against terrorism generally.

Looking at the larger picture over the 15-year time frame, India will remain the unrivaled regional power with a large military and a dynamic and growing economy. Pakistan will not recover easily from decades of political and economic problems, and will remain dependent on international financial assistance.

The widening India-Pakistan gap--destabilizing in its own right--will be accompanied by deep political, economic, and social disparities within both states. For example, although population

growth rates in South Asia will decline, population will grow by nearly 30 percent by 2015, and the percentage of urban dwellers will climb to 40 to 50 percent in 2015, leading to continued deterioration in the overall quality of urban life.

Looking at the situation in North Korea, P'yongyang, because of 9/11, faces a geostrategic environment far different in 2002 than just one year previously. It undoubtedly will be concerned about Russia's cooperation with the United States, Japan's new self-defense role, growing US involvement in Central Asia, and the level of cooperation the Chinese are extending to the United States and the coalition.

P'yongyang retains the option of engaging in provocative or threatening behavior to gain world attention, particularly in regard to its self-imposed missile launch moratorium, due to expire in 2003. The North's internal conditions—a weak economy, fragile agricultural sector, and repressive security controls—should also remind us that its stability is by no means secure.

The interplay of demographics and disease--as well as poor governance--will be the major determinants of the increasing marginalization of Sub-Saharan Africa over the next 15 years. The *Global Trends* study assesses that most African states will miss out on the opportunity for economic growth engendered

elsewhere by globalization and by scientific and technological advances.

Looking at the implications of recent events for Africa, key portions of the region are vulnerable to al-Qaida's campaign because their regimes are weak, unstable, and corrupt, creating breeding grounds for disaffected young men. Somalia, with no functioning central government and with a history of ties to extremist Islamic groups, could serve as a refuge for terrorists on the run and a base from which to launch attacks elsewhere in Africa, especially in the Horn.

The NIC study projects a full agenda for Europe in the period to 2015. This will include putting in place the components of EU integration; taking advantage of globalization; sustaining a strong IT and S&T base to compensate to some degree for stagnating population growth and a shortage of workers; and weaning the Balkans from virulent nationalism.

EU enlargement, institutional reform, and a common foreign, security, and defense policy will play during this period. Having absorbed at least 10 new members, the European Union will have achieved its likely geographic and institutional limits. The aging of European populations and low birthrates will be major challenges to the region's prosperity and cohesion.

With the United States, Europe during this period will also be implementing the expansion of NATO. Our security structures will change more fundamentally than they have in 50 years.

In conclusion, let me stress that the course of the on-going war against terrorism and resulting international perceptions of the United States will play a key role in determining the long term effects of the trends we have discussed today. After 9/11 and the military success in Afghanistan, much of the world sees the United States as a superpower that has become vulnerable but also more powerful.

Continued success--notably in liquidating al-Qa'ida as a functioning entity and preventing repetition of a major terrorist act in the United States and elsewhere--will further strengthen the role of the United States and its allies.

The degree to which positive developments follow from these events, however, will in large part be a function of our success in forging coalitions and anchoring our gains in a widely accepted international framework.

We have covered a lot of territory today, and I appreciate your patience and interest. I look forward to your questions and comments after the break.