

**The National Security Implications
of Global Demographic Change
by
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I am pleased to be with you in Denver this evening to discuss the implications of global demographic change for US national security interests. You have chosen a topic of great salience. Trends such as aging populations, youth bulges, and migration are reshaping the world in profound and diverse ways.

In commenting on these developments, I'll draw from a report published by the National Intelligence Council, which I chair, entitled *Global Trends 2015*, as well as a CIA report entitled, *Long-Term Global Demographic Trends*.

Overall Population Trends

First, the big picture. In the last 15 years, the rate of global population growth has fallen by more than 40 percent.¹ Nevertheless, because of the built-in momentum of growing populations, 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 this increase will be found in developing countries, mostly in urban areas.

- India, for example, will grow from about 1 billion people to more than 1.2 billion by 2015; Pakistan will swell from 140 million now to about 186 million—increasing the challenges to stability and governance in this already tense region.**
- Other countries—including some in Africa with high rates of AIDS—will experience reduced population growth or even declining populations. In the absence of dramatic increases in birthrates or immigration, by 2015, total populations will decline in Russia, as well as**

¹ The rate of global population growth has dropped from more than 2 percent per year in the mid-1980s to 1.2 percent currently.

in Japan, Italy, Spain and other advanced industrial countries.

- **The decline in populations in Slavic countries of the former Soviet Union will be particularly acute. Russia's population, for example, may drop from its current 145 million to as low as 130 to 135 million.**

By 2015, for the first time in human history, more than half of the world's population will be urban dwellers. The number of people living in mega-cities—those containing more than 10 million inhabitants—will double to more than 400 million. These mega-cities will include Mexico City, Sao Paulo, Buenos Aires, Lagos, Cairo, Karachi, Calcutta, Jakarta, Beijing, and Tokyo: all but the last in the developing world.

Historically, the rise of cities has been associated with rising national power. But the dynamics are likely to become more complex over the next several years. In those countries marked by good governance, access to capital markets, and attractiveness to foreign investment, urbanization will continue to boost national power. But it will be a major challenge for many other countries.

India and China—both undergoing large-scale urbanization—will be interesting to watch. Both nations have experienced rapid economic growth in recent years and aspire to play greater roles on the world stage. The capacities of their governments to provide basic services to their citizens will be tested as more and more people move to cities, both large and small.

The Aging World

Meanwhile, as you know, the world is getting older at an unprecedented rate. In 2000, about 420 million people, or about 7 percent of the world's population, were age 65 or older. By 2050, that number will be nearly 1.5 billion people, or about 16 percent of the world's population.

The industrialized world will face the most immediate impact of the aging transition, with Europe and Japan experiencing larger disruptions than the United States.

- By next year Italy is likely to have nearly 19 percent elderly (about the same share of elderly as Florida has today). Japan, Germany, Spain, France, and Britain are**

poised to follow suit in the next few years. Canada and the United States will pass that mark in about 20 years.

As populations age and assuming that fertility rates continue to decline, our major allies can expect considerably tighter labor markets. The size of working-age populations—defined as those people age 15 to 64—will contract:

- In Japan, this group will decline by over 37 percent by 2050, according to US Census projections. Italy's working-age population will decline by almost 40 percent during the same period.**

The ratio of taxpaying workers to nonworking citizens in the developed world will decrease. Today, that ratio is about four to one in most industrialized nations and dropping, already straining the budgets of some countries.

In Europe, people are living longer while average retirement ages have been dropping by about a year per decade. Accustomed to a generous social safety net, Europeans are reluctant to change their generous pension systems and health-care benefits, which have grown dramatically.

In the absence of major policy shifts, within two decades much of the industrialized world could find itself with increased debt or higher taxes, which could lead to slower economic growth worldwide.

- Japan is the main concern. Its debt has climbed steadily over the past decade and is now officially equal to 12 percent of the world's GDP. A continuation of this trend could lead to a prolonged recession in East Asia and weaken growth in the United States and Europe.**

Some advanced developing countries, such as South Korea, Brazil, Argentina, and other emerging market countries, also will experience significant upward shifts in the ages of their populations. For a time, this shift will increase the size of their work forces. If economic and political reforms are implemented concurrently, substantial economic growth is likely. Such countries are about 30 years away from facing the demographic/budgetary pressures that developed countries are currently facing, but they are likely to be even less financially prepared to deal with them.

China is a particularly striking example. In the coming years, China's working-age population will be shrinking in proportion to retirees. In 2001 China had 88 million people age 65 or older. By 2025, China's population will include over 200 million people in this age group.

- China will experience the aging transition at a much lower average income than European countries and probably will not have robust health care and pension systems as its population ages.**

To alleviate the fiscal pressure associated with the aging challenge, countries might employ various policy options, such as raising retirement ages or trimming benefits, encouraging greater participation of women in the workforce, increasing immigration, promoting offshore investment, and implementing pro-natalist policies.

But no single policy initiative is likely to be sufficient to alleviate the pressures caused by aging populations, and improvements are likely to be uneven among countries.

The Youth Bulge

A number of developing countries are facing a different challenge: a "youth bulge," or a disproportionate concentration of population in the 15-to-29 year-old age group.

- Several of the world's most politically unstable or potentially unstable countries will have youth bulges through 2020, including Afghanistan, Pakistan, Colombia, Iraq, and Yemen.**
- Some countries with youth bulges are extremely poor. Many are located in Sub-Saharan Africa and lack the economic resources to support the educational and employment opportunities necessary to effectively integrate youth into society.**

Over the next 20 years, with the exception of Sub-Saharan Africa, the size of youth bulges will decrease in all regions of the world. But the number of youth in many developing countries will remain large.

The inability of states to adequately integrate youth populations is likely to perpetuate the cycle of political

instability, ethnic wars, revolutions, and anti-government activities that already affects many countries. And a large proportion of youth will be living in cities, where opportunities will be limited.

- Large youth populations are likely to be the most disruptive to US interests in Afghanistan, Colombia, Iraq, Mexico, Pakistan, Saudi Arabia, and the West Bank and Gaza —all places where unemployed alienated youth provide fertile ground for radical political movements.**
- Youth, radicalization, and religious extremism can make a volatile cocktail of terrorism directed against the United States and the West.**

Global Migration

Global migration, which is very likely to increase over the next 10 to 20 years, could provide a partial solution to problems associated with both aging and large youth populations. An estimated 140 million people now live outside their countries of birth. Migration of younger workers would offset the retirement of older workers in countries with aging

populations and provide jobs for unemployed youth from developing countries.

- **The EU is projected to need some 1.7 million high-tech workers by 2003, many of whom will have to come from outside the EU.**
- **The labor force in the developing world is expected to almost double from 1.7 billion people in 1998 to 3.1 billion by 2025, according to the OECD.**

Migration also could reduce strains on social systems in both aging and youth bulge countries.

- **Emigration will help to relieve the social and political pressures associated with large populations of unemployed and restless youth.**
- **Hard currency holdings of some developing countries will increase as workers migrating from youth bulge countries send remittances to family and friends at home. Such remittances now provide twice as large a flow of capital to**

developing countries as does foreign aid from major donor governments.

Despite its benefits, global migration will present serious challenges to both sending and receiving countries.

- **Increased immigration to Europe, Asia, and North America will initially strain social services and risk fueling xenophobic political parties and anti-immigrant violence.**

Emigration will drain many developing countries of their already small pools of highly educated elites, making it more difficult to generate higher growth. Countries in Sub-Saharan Africa will be among the hardest hit. The region already has lost some 20,000 professionals annually over the last decade, including a total of some 30,000 Ph.D.s, according to a United Nations report.

- **For example, there are more doctors and nurses from Malawi in the city of Manchester, England than remain in the entire country of Malawi.**

Implications of Demographic Trends for the United States

Let me offer a quick summary of the national security implications of these trends:

First, the governments of many European countries and Japan--struggling to support increasingly elderly populations--will face serious budget challenges.

- European governments, for example, will be pressed to choose between "guns and wheelchairs." Many are likely to reduce military spending below their already low levels.**
- At the same time, in the absence of a shift in migration policies, European militaries, facing budget constraints, also will face growing manpower shortages—raising questions about their future role in peace operations and in NATO military missions.**
- European countries probably will expect the United States to assume a larger share of the burden for humanitarian assistance, international peacekeeping, and military interventions around the world.**

Second, failure by Europe and Japan to manage their demographic challenges will negatively affect the world economy.

- A contraction of the global economy owing to slow growth in the industrialized world could reduce US exports, as well as opportunities in global capital markets and overseas investments.**
- And yet, if Europe and Japan do address their demographic challenges by accepting large-scale immigration, the result could lead to cultural and racial tensions and heightened xenophobic politics that would complicate US relations with these close allies.**

Third, in poor—particularly Muslim—countries, large populations of youth with few educational and employment opportunities will provide fertile ground for radical political movements, internal instability, and international terrorism. There are no quick solutions for significantly improving the economic and social conditions of these young people, and this threat to Western security will persist for some years.

- **On the other hand, the militaries of such countries as Bangladesh, Jordan, Pakistan, and India can draw on these same large youth cohorts to provide critical manpower for international peacekeeping and disaster relief efforts.**

Fourth, should China and India succeed in meeting the twin challenges of increasing economic growth and urbanization, they are likely to emerge as increasingly important players on the world stage as early as 2015.

- **Conversely, if China and India fail to meet these challenges, the risk of internal instability and conflict in both countries will rise.**
- **Either way, there will be an impact on the strategic balance in the broader Asia-Pacific region at a time when Japan may still be preoccupied with domestic problems.**

Fifth, increased migration, travel, and trade are likely to accelerate the transfer of infectious diseases to the United

States, at a time when the number of infections resistant to drugs is rising.

- **Travelers on commercial flights can reach most US cities from any part of the world within 36 hours--less time than the incubation periods of many infectious diseases.**

Conclusion

Finally, let me emphasize that the demographic trends I have highlighted today are by no means inevitable. Nor need they be entirely negative.

The concrete impacts of the trends we have been discussing will depend in large part on the quality of governance in individual countries and regions. Policies matter, and some governments will be far more nimble and far-sighted in dealing with these demographic shifts than others.

Advances in technology are likely in general to benefit both public health and national economies. Technology can help to solve problems of unemployment and disease. But good government will be needed to take advantage of such advances.

The many uncertainties and variables involved provide solid grounds for humility among those of us trying to analyze demographic trends. But they also provide good reasons for civic organizations such as yours to deliberate on these issues and to affect change in our very complex world.

Thank you very much.