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The World in the Year 2000

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by
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Mr. Moderator, Mr. President, ladies and gentlemen:

It is a bold, if not foolhardy enterprise to speculate about the future. Like the two presidential candidates, I sought familial support. My wife Ruth remarked that I must be certifiably insane to take on this assignment in an election year. And my son Tim observed, after I told him what I am about to tell you, that I was a two-by-forecaster.

But nothing I learned in forty years of service discourages me from sharing with you what I hope is both a careful, and well informed consideration of broad, long range trends. I am quite convinced that the national security of the United States rests today on foundations built in the years just after World War II by planners of the caliber of George Marshall and George Kennan, looking ahead at the somber prospects of hard-won peace jeopardized by the Iron Curtain. The course of the Ship of State has remained remarkably constant through the past eight presidencies, a strategic continuity which is a tribute to American long-range planners of the post-war era.

The perspective of the future provided to the White House by the recent bipartisan Commission on Integrated Long-Term Strategy was timed to inform not President Reagan and officials of his Administration, but the next President of the United States, his Cabinet officers, and his National Security Council members. I have drawn liberally from various documents of that Commission. In general, I am convinced that much of what I am about to offer will turn out to be essentially right; I am equally certain that some of it will be quite wrong. But American businessmen and thoughtful American citizens, no less than statesmen and soldiers, are forearmed if forewarned. Business strategy can not be cogently framed absent an economic, social, and political context. Such a context I hope to offer you.

The world at the turn of the century will be different from that of today in important respects. We face a period of fundamental change. Prompting these changes will be both broad, long evident, virtually certain economic, demographic, social, and technological propensities, and other possible, but less anticipatable, shocks and discontinuities. Let's start with what seems most predictable: that the center of wealth in the world is shifting from the Atlantic Community to the Pacific Basin. The combined economies of

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~~Since~~ '87-'88
Since Jan '88

Sov GNP

per GNP, Deficit
Double us

Gorb Reforms

Popular -
600 disturbances, 1/2 ethnic
Major nationalist demos in 9/15 Sov Reps
Fall 1% growth in 87 from 4% in '86
About 2-3% in 88 Needs 8%
in '89 & '90 to meet targets

Soviet deficit under Gorbachev 70% GNP
(~~Fed~~ US + State Dept's ^{per year} 3 1/2% GNP) in 86

Per Gorbachev socialist economic system like
Pruning on R side → Dry on L
Rents housing @ 1928
~~Basic~~ Meat 1962
Bread 1954 - Subsidy cheaper bread than wheat

Productivity: consumer goods, housing, prices
Pronouncement - implementation gap growing
Gap w/ Japan, US growing

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East Asia --the total gross national products of China, Taiwan, Japan, and South Korea -- will probably be greater than that of the United States, if not by 2000, then soon thereafter. In that year, China will threaten to surpass the Soviet Union in product, and China and Japan will be producing wealth at a rate twice that of the U.S.S.R. The richest people in the world in terms of per capita wealth will be Japanese. And the fastest growing economy in the world will be that of mainland China, with a gross product about the same as Japan's, although still significantly below that of the United States. In the aggregate, the nations of Western Europe will remain a major economic power, continuing to outperform substantially East Europe as a whole. But the European Community -- in whatever state of cohesion it may then be -- will have to compete against new economic dynamism from India, Brazil, Turkey, and possibly Mexico, as well as that of the front-runners of East Asia. India's gross national product will be approaching that of France, and Brazil's that of the United Kingdom.

Comparing individual nations, the Soviet Union, today the third most vigorous economy in the world, will have dropped decisively to fourth place. The lineup today is U.S., Japan, U.S.S.R. In the first decade of the next century, the progression is likely to be U.S., China, Japan, U.S.S.R., West Germany. Studies for the Commission suggest that China and Japan will each be out-producing the Germans by a factor of 2, and the Soviets by a factor of 1.3. The U.S. will remain the economic top performer, with a gross product more than twice that of China or Japan, and nearly two and one-half times that of the U.S.S.R.

It is of course possible that Mr. Gorbachev's economic policies will stimulate new productivity in the Soviet Union, and confound these projections. Only the Soviet leaders themselves know how serious are their present difficulties. But were they to accept the most optimistic assumptions about where they are today, and where they are likely to be ten or twenty years hence, they must know that the auguries are for their falling economically and technologically further behind the U.S. and West Europe than they are at present. More ominously from their point of view, they are certain to be overtaken by the Orientals. When Soviet leaders put their ear to the corridors of history, they hear the silken whisper of Chinese slippers, not the clump of western shoes. The ancient fear of the Czars, of Asian nations richer and better armed than all the Russias, is about to materialize.

Demographic factors must add sobriety to Soviet planning, for the majority position within the Soviet Union by the Slavs will be, year by year, less assured. Today Great Russians constitute 52% of the Soviet population. Current low fertility and high death rates among them, however, will reduce that percentage to 42% by the year 2010. Intake of Muslim conscripts for the Red Army will increase annually, so that recent difficulties

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encountered in using Soviet troops in Central Asia are bound to give pause to the generals in the Kremlin.

But the economic front-runners will have problems of their own. In the United States, and in most industrialized countries of the northern hemisphere, declining birthrates and mortality have resulted in an aging of the population that will continue for at least the next five decades. By the turn of the century, the U.S. median age will be close to 40, while in most of the Third World, populations will average less than half that. Most NATO nations and Japan have committed themselves to retirement policies and tax-structures which will result in high retiree-to-worker ratios. Western Europe's proportion of population over age 65 and related welfare spending are already higher than ours. West Germany spends about two-thirds of its welfare funds on pensions and medical insurance, and those funds now consume about one-third of its total economic output. In that country, there are four workers for every retiree, but that ratio is changing rapidly, and will soon be 3:1. In Japan, a similar, but even more rapid transition is underway, with the ratio now 7 workers per retiree, predicted to reach 3:1 by the year 2010. Note that if retirement occurs at earlier ages, which has been the recent trend, these changes will accelerate, so that by 2000, 3:1 will be usual.

Urbanization is another phenomenon driven in part by large youth cohorts in developing countries. When most of us in this room were learning our geography, in the year 1950, the top-10 cities of the world were New York, London, the Rhine-Ruhr, Tokyo, Shanghai, Paris, Buenos Aires, Chicago, Moscow and Calcutta, in that order. In the year 2000, the top-10 list will read Mexico City, Sao Paulo, Tokyo, New York, Shanghai, Bei-jing, Rio de Janeiro, Bombay, Calcutta, and Djakarta. Note that in 1950 the United States was the only top-10 country with two cities listed. In 2000, Brazil, China, and India will each have two cities, and the U.S. and Japan will be the only presently developed countries represented at all.

The same demographic impulses will generate a need for 600 million new jobs within Third World countries between now and the year 2000. But population growth rates there have often outstripped economic growth, and led to stagnation. If so in the future, pressures will then rise for migration from countries with high unemployment to nations with high growth-rates, such as from the Caribbean Basin to the United States, or from the Middle East and North Africa to West Europe. During the period 1980-1985, net immigration represented 28% of total population growth in the United States, the highest such rate in this country since the first decade of the century. Each year from 1977 to 1986, legally and illegally, about 1,000,000 people entered the United States to stay, three times the annual intake from 1925 to 1965. A similar influx has occurred in West Europe. While

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Third World immigrants can furnish much needed labor in wealthy nations at or near full employment, their presence has had a tendency to raise welfare budgets, and to occasion social tensions. More of same appears in prospect for the year 2000.

By the year 2000, the peoples of the northern, developed nations will be preponderantly middle-aged "haves", while those of the Southern Hemisphere will include large numbers of unemployed, juvenile "have-nots" with dim prospects for earning a living. In Latin America today, 38 percent of the population is under age 15. Unemployment there is already at 40 percent and rising. Urbanization is approaching 50 percent, and is expected to reach 75 percent by 2010. Mexico is particularly vulnerable to imbalanced growth. The prospect is for slum-shackled cities swarming with millions of poverty-stricken, idle, disease-vulnerable teenagers, traps from which many could seek to escape by illegal emigration, or by turning to crime, or to political radicalism.

Population growth rates are a function of both fertility and death-rates. Your industry has in the past had a great deal to do with ameliorating both. But there is a new challenge at hand, one which bodes ill for the world of 2000: Acquired Immunological Deficiency Syndrome (AIDS) and its progenitor, Human Immunodeficiency Virus (HIV). As of now, some 75,000 Americans have been diagnosed as being afflicted with AIDS; at least that number have been diagnosed abroad. HIV infection can precede the illness by many years, making it difficult to infer how many people are now infected, or how fast HIV infection is spreading. One estimate has 10 million infected worldwide.

The U.S. Center for Disease Control estimates that within the borders of the United States there are 1 million to 1.5 million people now infected with HIV. Blacks and Hispanics seem disproportionately represented in the infected pool. Illness and death appear invariably to follow infection. While the U.S. Public Health Service has been understandably reluctant to project figures out to the year 2000, extrapolations for the Commission from current data suggest that the cumulative total of AIDS cases will be over 1 million by the turn of the century. AIDS victims die young, and deaths will rise over the next decade from 60,000 per annum in 1990 to 200,000 per annum in 2000. No casualty experience in any war this nation has yet experienced have conditioned us for such dreadful mortality. The annual publication of the World Future Society, just published this month, foresees AIDS having the impact of a World War. All these grim estimates could be invalidated, of course, by possible advances in immunology and pharmacology, for which we can but pray.

But U.S. problems may be much more manageable than the epidemics likely to occur abroad. There is little accurate data to draw upon, but Central Africa is already heavily infected, and countries in the Caribbean (Haiti is one close neighbor of the United States

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already presumed to be widely HIV-infected --10-45% of the population), northern Latin America, and Southeast Asia are experiencing rapid increases in numbers of reported cases of AIDS.

For those here who would like a more extensive technological prognosis of the HIV/AIDS problem, I suggest the October, 1988 issue of SCIENTIFIC AMERICAN, which is devoted entirely to "What Science Knows About AIDS". In it, Lewis Thomas, President Emeritus of the Memorial Sloan-Kettering Cancer Center, identifies three lines of research, two pharmacological in thrust, and one biologic, which he considers most promising. The first is to find "a new class of anti-viral drugs capable of killing of the viruses inside the cells they invade, without killing the cells themselves." But a second success will be needed, for "even if and when an antiviral drug is in hand that really works to control infection in individual cases, the only imaginable way to prevent the continuing spread of HIV will be by means of a vaccine." Third, he also believes that it will be necessary to probe into the biology of immune cells to find out how to preserve or replace them by transplanting normal immune cells, because "even if viricidal drugs are developed, by the time such drugs destroy the virus in some patients, the immune system may already have been wiped out, and the only course open will be to replace it."

Well, with these economic and social factors considered, what political changes are likely. Regrettably, the Commission did not perceive much chance for global peace breaking out. Mikhail Gorbachev's policies of *perestroika* and *glasnost*, coupled with the withdrawal of Soviet armed forces from Afghanistan, have led some Sovietologists to conclude that Soviet strategy may be undergoing significant change. Some estimators believe that Soviet military investments have already leveled off, but others hold that any apparent military slow-down reflects not a different strategy, but a developmental phase before a new thrust with advanced technology toward modernized, possibly streamlined armed forces. Moscow's rhetoric has shifted emphasis from "supporting wars of liberation" to "exploiting intercapitalist contradictions", which apparently means cultivating the newly-industrialized states of the Third World, such as India, Brazil, or Mexico, and Argentina in the expectation that these will find common cause with the U.S.S.R. against the capitalist allies of the Northern Hemisphere.

Soviet admission of policy failures in Afghanistan can be interpreted to mean that the Soviets, like the United States, may have matured enough to accept military withdrawal without military victory. But few experts see any sign that Gorbachev intends to abandon commitments to communist regimes in Cuba, Nicaragua, Angola, or Vietnam. Hence, what appears to be in store for future Presidents of the United States is a more flexible,

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more subtle Soviet foreign policy aimed at creating divisions among the American people, our traditional allies, and the principal Third World nations.

Future security threats to United States interests, however, should not be estimated only, or even primarily, in U.S.-Soviet terms. As there have been in the past, and are today, there will be in the future regional causes for enmity toward the United States, and powerful arms in the hands of prospective Third World foes. As recent events in the Persian Gulf illustrate, advanced weapons turned against Americans might be manufactured by neither the United States nor the U.S.S.R.

Each year, the mechanisms of war are becoming more destructive, more accurate, more numerous, more transportable, and more available. Differences between the military capabilities of the Northern and Southern Hemispheres are steadily diminishing. Modern military technology is spreading throughout the globe, and high-technology weapons are available for saboteurs, terrorists and guerrillas of any country. Saboteurs were responsible for the terror-mining of the Red Sea approaches to the Suez Canal in 1984, using late-model, multi-fuzed Soviet-manufactured bottom mines. Naval mines, guerrilla launches, and anti-ship guided missiles have threatened oil tankers plying the Persian Gulf. Terrorists drove an extraordinarily powerful and compact fuel-air explosive device against the building housing hundreds of U.S. Marines in Beirut. Guerrillas in Afghanistan and Nicaragua have employed heat-seeking surface-to-air missiles effectively, and subversives in El Salvador have used computer-generated encryption systems. Some radical governments have been willing to employ the most advanced and lethal weapons available to them without hesitation, even poison gas, as in the Iraq-Iran war.

In a development of particular significance for the United States, some Third World perpetrators of political violence have found common cause with the international criminal cartels that smuggle drugs worldwide, so that American citizens who illegally purchase controlled substances, especially cocaine, heroin, and cannabis, now unwittingly fund what has been referred to as paramilitary criminality -- vast, continent-spanning, rich, piratical organizations which cooperate in certain Third world countries with guerrillas, arms-smugglers, terrorists, or other subversives. Because the drug traffickers have created an intercontinental network which lends itself to the purposes of subversives, because drugs cost Americans so much in government expenditures, health problems, crime, and lost productivity, and because terrorists target Americans to influence this nation's security policies, both threats affect U.S. national security. I personally consider credible estimates that the United States spends more on smuggled narcotics than ^{it} does on defense. That waste must not be allowed to continue to the year 2000.

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In the year 2000, we must anticipate a world in which groups hostile to the United States -- governments, and non-governmental political or criminal organizations -- will have access to both weapons of devastating power and reliable means to deliver them. The United States and its traditional allies of the Northern Hemisphere could possibly be attacked, and must certainly expect to be threatened, by diverse nations and groups who, compared with the current set of such foes, will be both more numerous and more dangerous. For example, it is possible that nuclear, chemical, or biological weapons could be in the hands of nations whose recent history has been marred by instability and international ruthlessness -- such as Libya, Iran and Iraq -- increasing their ability to intimidate neighbors, and introducing grave new dangers into regional conflict.

As weapon technology proliferates, so also does the technology that will permit the construction of ballistic missiles and other vehicles for delivering warheads over long distances. By the year 2000, in addition to the countries who now make ballistic missiles of long range, there will be a dozen or more Third World nations manufacturing such weapons. As advanced weapons become more common, there is a distinct possibility that they will come into the hands of radical elements intent on causing harm to the United States, its citizens, or its friends and allies. The implications of such speculations are not pleasant: a world in which trained terrorists and subversives abound, some operating in league with drug cartels, in which irresponsible governments and radical political groups will possess devastating weaponry of great range and striking power.

These trends in the Third World portend for future presidents of the United States problems of national security strategy more diverse, urgent, and potentially destructive than those faced by their predecessors. There will be an increasing propensity for this nation and its citizens to become involved in quarrels for which our history and mores have poorly prepared us. Moreover, presidents in the first decade of the next century may have to deal with these involvements without many of the military bases overseas which have underwritten the strategy of the United States in the Third World for most of the twentieth century.

Strategic challenges to the United States may change, but are unlikely to subside. The Commission on Integrated-Long Term Strategy has pointed out that, in the first decade of the next century, the world will likely be quite different, and probably more dangerous. Rates of change in coming decades will be startling. Either China or Japan could wield significant power in a politico-military sense. These two, India, Brazil, and conceivably other newly-industrialized nations will have the capacity to produce and support substantial arsenals of modern weapons, so that no longer will the United States and the Soviet Union

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be able surely to influence the resolution of regional wars through the control of armaments.

To summarize, we have highlighted for the next President seven related trends likely to affect his Administration's long-range planning:

- **Diffusion of Advanced Military Technology.** Many more politico-military actors could possess advanced weapons, and all forms of conflict within Third World regions, or likely to arise from there--such as terrorism--will be of greater potential danger to any U.S. strategic interests upon which that conflict may impinge.
- **Continued Interdependence.** The raw materials and agricultural produce of the developing world--especially petroleum and other minerals--will remain strategically important to the United States and its northern hemisphere allies for the foreseeable future. North-South trade and investments will remain a mainstay of Third World economies. There is no technology in sight which will alter fundamentally those patterns. Maintaining access to strategic materials and assisting nations close to us politically, economically, and socially, will persist as a strategic goal, and require adroit U.S. use of economic, security, and other assistance.
- **U.S. friends and allies are becoming more influential.** The U.S. strategy of helping others help themselves has been significantly aided in recent years by cooperation from other nations -- e.g., cooperation of the United Kingdom in the Caribbean Basin and Kenya, Italy's aid for Somalia, France's cooperation in Chad and Djibouti, Germany's aid for Turkey, Pakistan's role with the Afghan resistance, Saudi aid for Yemen, and European contributions to freedom of navigation in the Persian Gulf. U.S. leadership should elicit such assistance from our friends and allies for beleaguered, strategically important third parties. In addition, for some Third World friends in need of military assistance, it may be possible to encourage other regional nations, or even more distant allies, to contribute advisors, logistical support, or even--if necessary--combat forces. The Commission has referred to such assistance as "cooperative forces". But U.S. leadership toward "cooperative forces" will require our playing some role in whatever combined programs may be decided upon, and almost certainly we will find essential more flexible Security Assistance.
- **Rising U.S. consumption of illegal drugs from Latin America and Southwest Asia.** Drug abuse has exacted high human and economic costs here in the United States. Trafficking imperils the very survival of democracy in friendly nations, such as Colombia and Panama, heavily involved in production and smuggling of illegal drugs, or the related movements of money. The United States must reduce domestic

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Colombia*

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consumption of illegal drugs, but at the same time, it faces strategic urgency in helping other nations seeking to eliminate illegal drug trafficking at its source.

- **Immigration.** Over the past decade, the United States experienced the greatest wave of immigration in the memory of living Americans. Most recent immigrants were Asian and Central American refugees from conflict within their homeland. Political violence in the Third World spills over, in this sense, into the United States, and it is in our interest to aid in eliminating its causes.

- **Disease.** Human Immunodeficiency Virus (HIV), and the related disease AIDS. HIV in Central Africa threatens to be as severe a scourge as famine. Under such calamitous circumstances, U.S. public health services could provide important assistance. In past crises in developing nations, often only the military establishment has had the cohesion and resilience to maintain civil law and order, and to administer re-building; hence, some U.S. aid might take the form of help from U.S. military medical services.

- **Debt repayment.** The United States is now the world's largest debtor. One implication is that the United States must increase its exports of goods and services, making markets in the Third World important. But markets require economic vitality and growth in the Third World, and these in turn, in country after country, rest on security -- further imperatives for integrated U.S. aid programs to promote both.

The Commission held that the trends I have described dictate a national strategy of building upon our present alliances in Europe and East Asia so that together we can dedicate more attention and more resources to the developing world than has been our wont. But it also held that an integrated, long-term U.S. strategy required a broader agreement among Americans upon our national purposes, and how we should go about achieving them. That consensus depends, I believe, upon our coming to understand better what kind of a world our children are likely to encounter in the year 2000, and pursuing policies over the next four years which will ease their burden.

For many of you, I presume, this has been a somber, even gloomy projection. But my friends, suppose this meeting had taken place in October, 1948, when the Berlin Blockade was in force, and Soviet willingness to use naked force against its World War II allies was fully evident. Or in October, 1958 in the aftermath of Sputnik, and the Soviet's ascendancy in space. Or in October, 1968, with President Johnson about to leave office with the Vietnam dilemma unresolved. Or in October, 1978, with the fall of the Shah of Iran and the collapse of American strategy in the Persian Gulf in clear prospect. My own reading of the present position of this Republic and the world is optimistic. I believe that the message of history which ought to guide the next President's policies is this: where

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there is an American will, there is a way -- a path to a better tomorrow. It is for national long-range planners to map the route, and for that President to lead the nation upon it.

BRAZILIAN PHARMACEUTICAL PROTECTION POLICY

\$40-60 BILLION/YR INTELLECTUAL PROPERTY PIRACY

RETRIBUTION FOR DRUG TRAFFICKING?