

February 18, 1988

Bob:

Here is the draft received from the Office of Global Issues for your speech on future world trends. The OGI draft remarks focus on three trends: 1) the decline in the real value of all commodities; 2) the spread of AIDS; and 3) a decline in the "governability" of certain Third World nations.

My speechwriters are ready to work on this draft, but Diane suggested that you might want to take a look at it first to determine if the trends cited are appropriate for your speech.

Let me know if we can help.

Bill Baker

Attachments:
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TONIGHT I WOULD LIKE TO TALK TO YOU ABOUT THE FUTURE OF THE THIRD WORLD. RECENTLY THERE HAVE BEEN SOME ENCOURAGING DEVELOPMENTS. DEMOCRACY, WHICH ONLY A FEW YEARS AGO SEEMED A DISTANT HOPE IN MANY COUNTRIES, IS NOW FAST BECOMING A REALITY FROM ARGENTINA AND BRAZIL TO THE PHILIPPINES AND SOUTH KOREA. MANY COUNTRIES ARE TAKING A NEW, MORE FAVORABLE LOOK AT CAPITALISM AND THE MARKET SYSTEM, WHILE THE COMMUNIST ECONOMIC MODEL FALLS IN EVER-DEEPER DISREPUTE. IN THE THIRD WORLD AS A WHOLE--THOUGH CERTAINLY NOT IN EVERY COUNTRY--FOOD SUPPLY IS GROWING FASTER THAN POPULATION AND THE MALTHUSIAN SPECTER IS RECEDING. MOREOVER, MOST OF THE THIRD WORLD DEBTORS--AND NOT JUST THE ASIAN NICs--HAVE TURNED THEIR INTERNATIONAL ECONOMIES AROUND AND ARE MAINTAINING TRADE SURPLUSES AND EXPORTING A BROADER RANGE OF PRODUCTS THAN EVER BEFORE.

YET THERE ARE OTHER TRENDS THAT ARE NOT SO ENCOURAGING. IN PARTICULAR, I WOULD LIKE TO DISCUSS THREE TRENDS THAT, TAKEN TOGETHER, HAVE ME WORRIED ABOUT THE FUTURE OF THE LESS DEVELOPED COUNTRIES AND THE FUTURE ^{of} US INTERESTS IN THE THIRD WORLD. THESE TRENDS ARE: THE SECULAR DECLINE IN THE REAL VALUE OF ALMOST ALL COMMODITIES; THE SPREAD OF AIDS IN THE THIRD WORLD; AND, FINALLY, A DECLINE IN THE "GOVERNABILITY" OF MANY, PERHAPS MOST, THIRD WORLD NATIONS.

A FEW MONTHS AGO I READ AN ARTICLE IN THE SCIENTIFIC AMERICAN ENTITLED "BEYOND THE ERA OF MATERIALS." ACCORDING TO THIS ARTICLE BY LARSON, ROSS, AND WILLIAMS, THE INDUSTRIAL COUNTRIES "ARE NOW LEAVING THE ERA OF MATERIALS,

WHICH SPANNED THE TWO CENTURIES FOLLOWING THE ADVENT OF THE INDUSTRIAL REVOLUTION, AND ARE MOVING INTO A NEW ERA IN WHICH THE LEVEL OF MATERIALS WILL NO LONGER BE AN IMPORTANT INDICATOR OF ECONOMIC PROGRESS." THEY GIVE FOUR REASONS FOR THIS: THE SUBSTITUTION OF COMMON FOR RARE MATERIALS; THE INCREASED EFFICIENCY OF MATERIALS USE; THE SATURATION OF MARKETS; AND THE LOW MATERIALS CONTENT OF EVOLVING NEW MARKETS. THEY BELIEVE THAT MARKET SATURATION IS THE MOST IMPORTANT OF THESE REASONS AND ARGUE PERSUASIVELY THAT REPLACEMENT AND MAINTENANCE OF ESTABLISHED NETWORKS OF HOUSING, FACTORIES, ROADS, AND THE LIKE CANNOT PROVIDE THE KIND OF LONG-TERM STIMULUS THAT WAS ONCE PROVIDED BY THEIR INITIAL CREATION.

STUDIES DONE AT THE CIA STRONGLY SUPPORT THIS VIEW-- THOUGH PERHAPS GIVING MORE EMPHASIS TO TECHNOLOGICAL CHANGE AND LESS TO MARKET SATURATION. DESPITE OCCASIONAL UPSWINGS IN THE REAL VALUE OF COMMODITIES, SUCH AS THE RAPID RUNUP IN OIL PRICES DURING THE 1970s, THE TREND OVER THE DECADES HAS BEEN DOWN. OVER TIME, THE PRICES OF EVERYTHING FROM OIL TO URANIUM, FROM COPPER TO BAUXITE, FROM SUGAR TO WHEAT HAVE RISEN LESS RAPIDLY THAN OVERALL INFLATION. I DO NOT BELIEVE THAT THESE TRENDS ARE LIKELY TO BE REVERSED. IF ANYTHING, THEY WILL INTENSIFY.

MINERAL MARKETS HAVE BEEN HIT ESPECIALLY HARD, WITH TECHNOLOGICAL ADVANCES PROVIDING A GROWING ARRAY OF SUBSTITUTES FOR RAW MATERIALS, PARTICULARLY COPPER, IRON, BAUXITE, AND TIN. FOR EXAMPLE, COPPER WIRE IS BEING

REPLACED BY FIBER OPTICS, LINE-OF-SIGHT MICROWAVE SYSTEMS, AND SATELLITE COMMUNICATION NETWORKS. ALTHOUGH THE DEVELOPMENT COSTS OF THESE NEW SYSTEMS HAVE BEEN HIGH, THE ADDITIONAL COST PER COMMUNICATION CHANNEL IS NEGLIGIBLE. SIMILAR TRENDS ARE OCCURRING IN THE IN THE TIN AND IRON MARKETS AS LIGHTER-WEIGHT, LOWER-COST SUBSTITUTES -- SUCH AS HIGH-STRENGTH PAPERS, PLASTICS, AND CERAMICS -- ARE CREATED. IN ADDITION, THE DEMAND FOR TIN AND IRON IS BEING WEAKENED BY NEW MANUFACTURING TECHNOLOGIES THAT REQUIRE LESS TIN PER UNIT OF AREA TIN-PLATED OR LESS IRON PER TON OF MILLED STEEL.

IN MINERALS, TECHNOLOGY HAS MAINLY ACTED TO REDUCE DEMAND; IN AGRICULTURE, IT HAS ACTED TO INCREASE SUPPLY. INDIA HAS GONE FROM A MAJOR IMPORTER OF WHEAT TO A NEW EXPORTER IN JUST A FEW YEARS, WHILE INDONESIA, ONCE THE WORLD'S LARGEST IMPORTER OF RICE, HAS BECOME SELF-SUFFICIENT. IN TRIUMPHS OF TECHNOLOGY OVER ECONOMICS -- AND EVEN OVER COMMON SENSE -- THE EUROPEAN COMMUNITY IS NOW A NET EXPORTER OF SUGAR, AND SAUDI ARABIA HAS A SURPLUS OF WHEAT! USING A VARIETY OF TECHNOLOGIES RANGING FROM GENETIC ENGINEERING TO IMPROVED SOIL MANAGEMENT, THE AGRICULTURAL SUPERPOWERS -- COUNTRIES SUCH AS THE UNITED STATES, CANADA, AUSTRALIA, BRAZIL, AND ARGENTINA -- ARE PRODUCING EVEN GREATER QUANTITIES WHILE THEIR FORMER MARKETS ARE ACHIEVING SELF-SUFFICIENCY. AS PRICES PLUMMET, FARMERS PRODUCE STILL MORE IN AN EFFORT TO MAINTIAN THEIR INCOMES. AND THE DOWNWARD SPIRAL INTENSIFIES.

BEFORE I LEAVE THE SUBJECT OF THE SECULAR DECLINE IN THE VALUE OF COMMODITIES, I WOULD LIKE TO MENTION ONE OTHER COMMODITY THAT IS FAST LOSING ITS FORMER VALUE -- UNSKILLED LABOR. HERE TOO THE EFFECT OF TECHNOLOGY CAN BE SEEN. THE TIME MAY BE COMING WHEN UNSKILLED LABOR WILL CEASE TO BE A FACTOR OF PRODUCTION, AND LABOR-INTENSIVE ASSEMBLY INDUSTRIES WILL NO LONGER BE ABLE TO COMPETE. ROBOTS MAY SOON BE ABLE TO ASSEMBLE ELECTRONICS AND SEW BASEBALLS MORE CHEAPLY THAN THE LOWEST-PAID ASIANS AND LATIN AMERICANS. AND THE BOUNDARY LINE BETWEEN UNSKILLED, UNUSABLE LABOR AND SKILLED, USABLE LABOR WILL RISE, LEAVING A LARGE PART OF THE LABOR FORCE IN MANY COUNTRIES BELOW THE LINE. MOREOVER, STRATEGIES THAT HAVE BROUGHT RELATIVE PROSPERITY IN MANY ADVANCING THIRD WORLD COUNTRIES WILL HAVE TO BE RETHOUGHT.

THE INITIAL EFFECT OF THE SECULAR DECLINE IN REAL COMMODITY PRICES HAS BEEN THE DIVISION OF THE THIRD WORLD BETWEEN THE NEWLY INDUSTRIALIZED COUNTRIES--THE SO-CALLED NICS -- AND THE COMMODITY-DEPENDENT COUNTRIES. AS THE WORLD ECONOMY BECOMES LESS DEPENDENT ON COMMODITIES, THE COMMODITY-DEPENDENT COUNTRIES TEND TO FALL OUT OF THE WORLD ECONOMY. EVEN DURING THE OCCASIONAL UPTICK IN DEMAND FOR MINERAL X OR CROP Y, IT IS RARELY THE MOST DEPENDENT COUNTRIES THAT PROFIT. BOLIVIA, FOR EXAMPLE, IS BOTH THE COUNTRY MOST DEPENDENT ON TIN EXPORTS AND THE HIGHEST-COST MAJOR TIN PRODUCER, AND GIVEN EXCESS CAPACITY IN LOWER-COST PRODUCERS SUCH AS MALAYSIA, AUSTRALIA, AND BRAZIL, EVEN A

SHARP INCREASE IN TIN DEMAND IS UNLIKELY TO BE REFLECTED IN BOLIVIA'S BALANCE OF TRADE.

ONLY THE NICs, WHOSE EXPORTS ARE IN CONSTANT DEMAND BY THE WORLD ECONOMY, ARE MAKING A SUSTAINED ADVANCE. EUROPE, JAPAN, AND THE UNITED STATES STILL WANT INEXPENSIVE, WELL-MADE CARS AND TEXTILES AND SHIPS AND CONSUMER ELECTRONICS. BUT EVEN THE NICs MAY NOT BE SAFE FOREVER. TO THE EXTENT THAT THEY OWE THEIR SUCCESS TO CHEAP UNSKILLED AND SEMISKILLED LABOR, THEY ARE VULNERABLE TO THE COMING OF THE ERA OF ROBOTICS. AT THIS POINT THE NICs WILL BEGIN TO DISAPPEAR. SOME WILL GRADUATE INTO THE DEVELOPED WORLD AND USE THEIR INCREASINGLY SKILLED AND WELL PAID LABOR FORCES TO COMPETE ON AN EQUAL BASIS WITH THE OTHER INDUSTRIALIZED NATIONS. THE REST WILL FIND THAT THEIR CHEAP LABOR IS ONLY SPASMODIC DEMAND AND WILL FALL BACK INTO THE RANKS OF COMMODITY-DEPENDENT NATIONS.

THE SECOND TREND I WOULD LIKE TO DISCUSS IS THE SPREAD OF AIDS IN THE THIRD WORLD. AIDS IS DIFFERENT FROM THE GREAT PLAGUES OF THE PAST IN ONE IMPORTANT ASPECT. UNLIKE THE BLACK DEATH THAT RAVAGED EUROPE AND ASIA IN THE FOURTEENTH CENTURY OR THE SMALLPOX THAT DECIMATED AMERICAN INDIAN POPULATIONS AFTER EUROPEAN CONTACT, AIDS TENDS NOT TO STRIKE THE OLD, THE VERY YOUNG, AND THE WEAK. RATHER IT STRIKES THE WORKING POPULATION, WHILE LEAVING THE DEPENDENT POPULATION RELATIVELY UNSCATHED. ALTHOUGH OUR STUDIES ARE LIMITED BY THE LACK OF DATA FROM RURAL AREAS, THEY SUGGEST THAT THE TYPICAL AIDS VICTIM IN SUBSAHARAN AFRICA -- AND

PROBABLY ELSEWHERE IN THE THIRD WORLD -- IS BETWEEN THE AGES OF 15 AND 55, LIVES IN AN URBAN SETTING, HAS AN INCOME AND EDUCATION ABOVE THE NATIONAL AVERAGE, AND IS PROBABLY A BUREAUCRAT, SOLDIER, SKILLED WORKER, OR BUSINESSMAN.

THIS IS THE CADRE THAT NO DEVELOPING COUNTRY CAN AFFORD TO LOSE. WHEN WE CONSIDER THE HAVOC THAT THE BLACK DEATH AND THE BUBONIC PLAGUE WREAKED ON EUROPEAN SOCIAL, POLITICAL, AND ECONOMIC LIFE -- EVEN AS THESE EPIDEMICS DISPROPORTIONATELY SPARED THE MOST PRODUCTIVE GROUPS -- WHAT CAN WE EXPECT OF THIS NEW PLAGUE? WILL WE SEE ECONOMIES COLLAPSE FROM LACK OF MANPOWER? WILL WE SEE GOVERNMENTS FALL APART AS LEADERSHIPS ARE DECIMATED? WILL WE SEE ORDER DISINTEGRATE FROM LACK OF SOLDIERS? WILL WE SEE INTERNATIONAL UNDERSTANDING FALTER AS FOREIGN-EDUCATED ELITES ARE WIPED OUT?

WE DON'T KNOW THE ANSWERS TO THESE QUESTIONS, BUT I AM NOT OPTIMISTIC. UNLIKE THE OTHER GREAT PLAGUES OF HISTORY, AIDS DOES NOT APPEAR TO BE SELF-LIMITING. IMMUNITIES ARE NOT BUILT UP. UNLESS A CURE IS DISCOVERED OR HABITS AND LIFESTYLES CHANGE RADICALLY, A POPULATION ONCE INFECTED WILL STAY INFECTED. THE VIRUS WILL BE PASSED FROM GENERATION TO GENERATION, AND THE DAMAGE TO SOCIETY WILL BE CUMULATIVE.

THIS BRINGS ME TO THE LAST OF MY THREE TRENDS: THE GROWING UNGOVERNABILITY OF MANY AREAS OF THE THIRD WORLD. OBVIOUSLY ANY COUNTRY WHOSE LEADERS, WORKERS, AND SOLDIERS ARE DYING OF AIDS IS WELL ON THE WAY TO BEING UNGOVERNABLE. BUT LONG BEFORE THIS HAPPENS, AIDS MAY HAVE ANOTHER EFFECT.

I AM ALREADY SEEING SCATTERED PRESS ACCOUNTS OF RURAL POPULATIONS CUTTING THEMSELVES OFF FROM THE CITIES. AIDS IS KNOWN AS AN URBAN DISEASE, AND SOME RURAL AFRICANS ARE SHUNNING CONTACT WITH THEIR URBAN COMPATRIOTS, BE THEY GOVERNMENT OFFICIALS, SOLDIERS, DOCTORS, OR PRIESTS. SOME RURAL PEOPLE FEAR -- PERHAPS CORRECTLY -- THAT GOVERNMENT AND MISSION CLINICS ARE THEMSELVES SPREADING AIDS THROUGH CONTAMINATED NEEDLES. IT IS NOT DIFFICULT TO ENVISION A SITUATION IN WHICH RURAL POPULATIONS WILL REVERT TO PRIMITIVE SELF-SUFFICIENCY AND LEAVE THE URBAN CENTERS ISOLATED, WITH LITTLE POWER AND LESS FOOD.

BUT AIDS IS FAR FROM BEING THE ONLY FACTOR THAT IS LEADING TO UNGOVERNABILITY IN THE THIRD WORLD. DRUG PRODUCERS HAVE TURNED CERTAIN PARTS OF COLOMBIA, PERU, BOLIVIA, PAKISTAN, THAILAND, AND BURMA INTO "NO-GO" AREAS FOR GOVERNMENT OFFICIALS. INSURGENCY IS HAVING A SIMILAR EFFECT IN BOTH COMMUNIST AND NON-COMMUNIST COUNTRIES. IT IS CLEAR THAT COUNTRIES SUCH AS AFGHANISTAN, ETHIOPIA, SUDAN, MOZAMBIQUE, ZIMBABWE, ANGOLA, SRI LANKA, CAMBODIA, IRAQ, THE PHILIPPINES, EL SALVADOR, AND COLOMBIA HAVE ONLY TENUOUS CONTROL -- IF THAT -- OVER CERTAIN PARTS OF THEIR NATIONAL TERRITORIES.

TRIBALISM AND ETHNIC AND RELIGIOUS DISPUTES ARE UNDERMINING GOVERNABILITY IN CHINA, INDIA, NIGERIA, ISRAEL, LEBANON, AND A HOST OF OTHER THIRD WORLD COUNTRIES. TERRORISM IS HAVING MUCH THE SAME EFFECT IN SOME CITIES THAT INSURGENCY IS HAVING IN RURAL AREAS. BEIRUT, LIMA, BOGOTA,

KARACHI, AND MANILA COME TO MIND. AND THERE ARE OTHER DESTABILIZING FACTORS EVEN WITHIN THE NATIONAL ELITES.

INDEED, COMPARED WITH THE WESTERN DEMOCRACIES AND THE COMMUNIST STATES, MOST COUNTRIES OF THE THIRD WORLD HAVE EXTREMELY WEAK GOVERNMENTS. TYPICALLY THEIR LEADERS, EVEN THEIR MOST BRUTAL DICTATORS, HAVE LITTLE EFFECTIVE POWER. THEIR LEGISLATURES AND JUDICIARIES HAVE EVEN LESS. THE TYPICAL PRESIDENT MUST SPEND MOST OF HIS ENERGY TRYING TO STAY ON TOP OF AN UNEASY COALITION OF INTEREST GROUPS: HE HAS NO TIME TO ADVANCE THE CAUSE OF THE NATION, EVEN IF HE HAS THE WISDOM AND DESIRE TO DO SO. HE MUST BRIBE WITH OPORTUNITIES OR WITH UNAFFORDABLE ARMS NOT ONLY GENERALS, BUT ALSO COLONELS AND EVEN NCOs. RELIGIOUS LEADERS, TRIBAL CHIEFS, STUDENTS, LANDOWNERS, LOCAL CAPITALISTS, UNION BOSSES, THE URBAN MOB, POLICE DEATH SQUADS, THE IMF, MULTINATIONAL CORPORATIONS, THE PRESS, AND REPRESENTATIVES OF FOREIGN POWERS MAY HAVE AN EFFECTIVE VETO OVER PRESIDENTIAL ACTION. AND THESE ARE THE GOVERNMENT'S SUPPORTERS. ENEMIES -- GUERRILLAS IN THE MOUNTAINS, SUBVERSIVES IN THE UNIVERSITY, PERHAPS IDEOLOGICAL OPPONENTS WITHIN THE GOVERNMENT'S OWN PARTY -- WANT NOT ONLY TO BRING DOWN THE RULER, BUT TO DESTROY THE STATE ITSELF.

SO, WHERE DOES THIS LEAVE US? THE LONG-TERM FALL IN THE REAL VALUE OF MOST COMMODITIES. INCLUDING UNSKILLED LABOR, IS STEADILY ERODING THE ECONOMIC BASE OF NOT ONLY THE COMMODITY-DEPENDENT NATIONS BUT ALSO THE LESS SECURE NICs. THE SPREAD OF AIDS THREATENS THE SOCIAL BASE OF THE LDCs.

AND THE EROSION OF GOVERABILITY UNDERMINES THEIR POLITICAL BASE. ALL OF THESE TRENDS ARE MORE LIKELY TO ACCELERATE THAN TO SLOW.

CERTAINLY, NOT EVERY LDC WILL SUFFER TO THE SAME EXTENT. SOME OF THE MORE ADVANCED NICs WILL GRADUATE INTO THE RANKS OF THE DEVELOPED NATIONS. IF WORLD AGRICULTURAL TRADE BARRIERS CAN BE LOWERED -- AND I THINK THERE IS A GOOD CHANCE THAT THIS WILL HAPPEN IN THE INTERMEDIATE FUTURE -- A FEW HIGHLY EFFICIENT COMMODITY-DEPENDENT LDCs MAY ALSO PROSPER. WE HAVE SOME INDICATIONS THAT THE ISLAMIC COUNTRIES, FOR CULTURAL REASONS THAT ARE STILL NOT FULLY UNDERSTOOD, MAY BE LESS THREATENED BY AIDS THAN OTHER DEVELOPING COUNTRIES. IN OTHER COUNTRIES, THE ELITE POPULATIONS MOST THREATENED BY AIDS MAY ALSO HAVE THE EDUCATION AND RESISTENCE TO FATALISM THAT COULD LEAD TO LIFE STYLE CHANGES. SOME WELL ESTABLISHED SEMI-AUTHORITARIAN REGIMES LIKE THOSE OF MEXICO, TAIWAN, AND SINGAPORE MAY BE IN A GOOD POSITION TO RESIST THE EROSION OF GOVERABILITY. SOME OF THE NEW LDC DEMOCRACIES MAY ALSO BE ABLE TO RESIST THIS EROSION.

IN THE LESS LUCKY THIRD WORLD COUNTRIES, I FEAR THAT WE WILL SEE A SLOW DISINTEGRATION. RURAL-URBAN MIGRATION MAY SLOW AND PERHAPS EVEN REVERSE ITSELF. STANDARDS OF LIVING MAY DROP, DEATH RATES RISE, AND DEMOGRAPHIC PRESSURES EASE. INSURGENCIES MAY DIE FOR LACK OF MANPOWER. IMPORTS AND EXPORTS -- EXCEPT FOR NARCOTICS -- MAY DRY UP. ROADS, RAILROADS, AND WATERWAYS MAY FALL INTO DISREPAIR AND BE

ABANDONED. THE PRESIDENTIAL SASH MAY BECOME TOO MEANINGLESS TO JUSTIFY EITHER AN ELECTION OR A COUP. CONTACT WITH THE DEVELOPED WORLD MAY BE LIMITED TO TOURISTS, ANTHROPOLOGISTS, AND AID OFFICIALS.

HOW DOES THIS AFFECT US INTERESTS? ON THE IDEOLOGICAL LEVEL, THE NEW TURN TOWARD DEMOCRACY AND CAPITALISM THAT IS TAKING PLACE IN MANY AREAS OF THE THIRD WORLD MAY BE PUT IN JEOPARDY. DEMOCRACY MAY BE SEEN AS INCOMPATIBLE WITH ENFORCING ECONOMIC AUSTERITY OR FIGHTING AN INSURGENCY. THE POTENTIAL OF CAPITALISM TO BETTER LIVES MAY BE OVERWHELMED IN MANY COUNTRIES BY FALLING REAL COMMODITY PRICES. ALTHOUGH COMMUNIST ECONOMIC DOCTRINE IS UNLIKELY TO REGAIN THE GROUND IT IS PRESENTLY LOSING, ANTI-WESTERN RELIGIOUS/POLITICAL MOVEMENTS MAY BECOME MORE COMMON.

ON THE ECONOMIC LEVEL, AS MARKETS IN THE DEVELOPED COUNTRIES BECOME INCREASINGLY SATURATED -- AS THE UNITED STATES, EUROPE, AND JAPAN GET ALL THE CARS AND COMPUTERS AND MOVIES AND TELEPHONES AND MISSILES THAT CAN BE USED -- THESE COUNTRIES MUST SEEK ADDITIONAL MARKETS OR SEE PRODUCTION AND EMPLOYMENT STAGNATE. AS LONG AS THE DEVELOPED COUNTRIES HAVE A CONSTANT NEED FOR THIRD WORLD MARKETS BUT ONLY A SPASMODIC NEED FOR THEIR LABOR AND COMMODITIES, WORLD ECONOMIC GROWTH WILL REMAIN SLOW AND DEVELOPED NATION PROSPERITY WILL REMAIN TENUOUS.

ON THE SECURITY LEVEL, THIRD WORLD COUNTRIES THAT SCORN SOVIET ECONOMICS MAY EMBRACE THE SOVIET POLITICAL SYSTEM AS A MEANS OF WARDING OFF UNGOVERNABILITY WITH WELL-TRIED

POLICE-STATE METHODS. COUNTRIES THAT WOULD NEVER THINK OF IMPORTING A RUSSIAN LATHE OR TRUCK MAY EAGERLY IMPORT EAST GERMAN INTELLIGENCE EXPERTS AND CUBAN PRESIDENTIAL GUARDS. MOREOVER, CERTAIN GOVERNMENTS REACTING TO FEAR OF AIDS CONTAMINATION AND PERHAPS TO SOVIET DISINFORMATION MAY SHUT DOWN US BASES AND RESTRICT US NAVAL VISITS. ON THE OTHER HAND, AS THE WORLD PASSES OUT OF THE ERA OF MATERIALS, BOTH US AND SOVIET INTEREST IN THE THIRD WORLD -- AND IN SEA ROUTES AND GEOGRAPHIC CHOKE POINTS -- MAY DECLINE.

ON THE HUMANITARIAN LEVEL, IT SEEMS INESCAPABLE THAT THE UNITED STATES AND THE REST OF THE DEVELOPED WORLD WILL BE CALLED UPON TO GREATLY INCREASE AID TO MANY AREAS OF THE THIRD WORLD, EVEN AS DEVELOPED ECONOMIES SLOW AND FINANCIAL PROBLEMS INCREASE.

LADIES AND GENTLEMAN, I HAVE GIVEN YOU A VERY SOMBER VIEW OF THE FUTURE OF THE THIRD WORLD. THAT'S PART OF MY JOB. WE IN THE INTELLIGENCE COMMUNITY HAVE THE DUTY TO BE FORWARD LOOKING, TO PROBE FOR HIDDEN DANGERS WHERE OTHERS MIGHT BE CONTENT TO MUDDLE ALONG, TO EXAMINE REASONABLE WORST-CASE SCENARIOS. THE SECURITY OF OUR NATION DEPENDS UPON IT. NOT ALL THE ILLS THAT I HAVE DESCRIBED MAY COME ABOUT -- I HOPE THEY DON'T -- BUT WE MUST BE PREPARED. THE DANGERS ARE REAL.

THANK YOU.