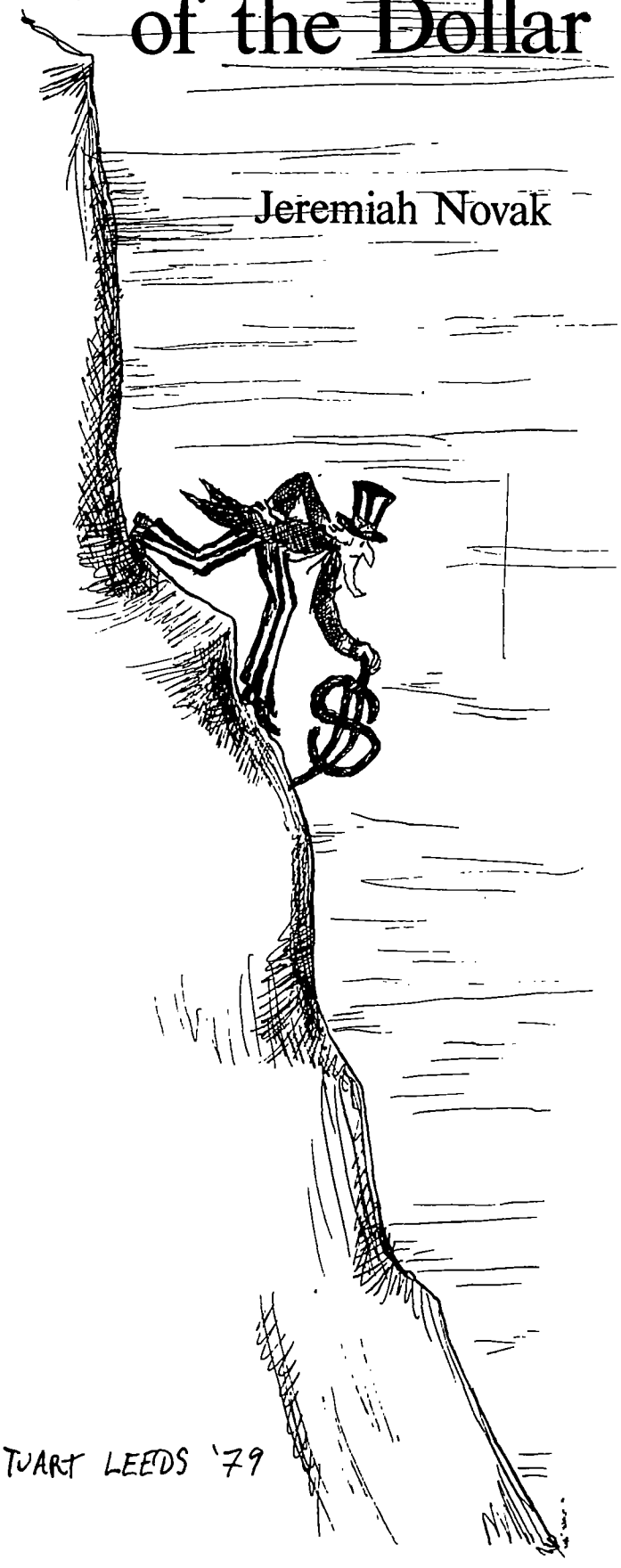
The Geopolities of the Dollar

Jeremiah Novak



A crucial turning point in geopolitical history occurred on November 1, 1978, when President Carter announced a massive borrowing of foreign currencies to save the U.S. dollar. For the first time since World War II the U.S. was forced to borrow from the International Monetary Fund; and for the first time since 1893 the U.S. Treasury will have to issue bonds denominated in foreign monies—in this case Japanese yen, West German marks, and Swiss francs.

What all this means is that the U.S. has acknowledged two things: that the European Economic Community (the EEC) and Japan are now its economic equals; and that America has forfeited the international economic supremacy it enjoyed since 1915.

Even as the president spoke, economists and geopolitical experts in many nations were warning that the free world was separating into three regional monetary blocs: one in Asia, one in Europe, and one in North America. Overnight the new buzz word became "regionalism"—meaning a retreat from the "internationalism" of the postwar era. The decline of the dollar, which had for so long dominated the international economic system, meant the rise of regional currencies and new geopolitical realities.

At Bremen last summer Western Europe's political leaders began organizing a new currency bloc to defend their nations' industries from the effects of the rapidly declining dollar. And in the Pacific the outlines of a new yen-based monetary system were beginning to take shape, as Japan too sought to offset the debilitating effects of the dollar's fall from supremacy.

While the economic events themselves are staggering, their political implications are more momentous still. Although President Carter did not address political considerations, many observers foresee a dramatic change in both the Atlantic Alliance and America's Pacific hegemony, radically altered relationships with the Communist world, and an end to the long-enduring special relationship between Great Britain and the United States. That special relationship has been crucial to U.S.-European dialogue and has underpinned American policy in the Atlantic since the days of Theodore Roosevelt.

Although the rise of Western Europe and Japan and the decline of the U.S. dollar have been apparent to Wall Street since 1968, it took another decade for the U.S. Government to recognize officially the changing realities. As Geoffrey Bell, director of Schroeder Wagg of London, said of President Carter's November announcement, "The President acknowledged that the dollar could no longer serve in the same capacity as the only vehicle of world trade. For it is unquestionably true that world investors and central bankers are replacing the dollar as a reserve asset, and are diversifying their holdings of currencies."

Asked about the political implications of the dollar's international decline, Mr. Bell replied: "You cannot have major changes in international finance without political realignments."

It is precisely the nature of these "political realign-

JEREMIAH NOVAK is economic columist for *The Asia Mail.*

ments" that concerns many influential observers of the world economic and political scene. For example, David Calleo, professor of international politics at the Johns Hopkins School of Advanced International Studies, believes that the "world is dividing into three competing semi-autarchic blocs." In the Western hemisphere, he says, the dollar is still the leader. "But," he adds, "in Europe, the new European monetary scheme may lead to a competing bloc. And in the Pacific, Japan's rise has moved the yen into the central position. Each of these economic moves reflects a new geopolitical reality. Currency blocs," he maintains, "imply political blocs."

The "currency blocs" of which Calleo speaks are the most significant development to arise out of the dollar crisis, for they represent a very real threat to the future of the dollar. The greatest danger is presented by a new unified financial system. Created by the EEC and called the European Monetary System, it begins operation this year.

One of those most concerned about the meaning of Western Europe's new financial unity is Democratic Congressman Henry Gonzales of Texas. A member of the House International Relations Committee, Gonzales warned the Carter Administration last August that the formation of a European Monetary System will give rise to separate economic blocs that will pose a serious and direct threat to U.S. economic and political power. Pointing out that President Dwight Eisenhower never publicly referred to the EEC (even though it was formed during his administration and proceeded to erect common tariffs against U.S. manufactured goods and later against U.S. agricultural products), Gonzales cautioned Carter not to make a similar error. The EEC's new monetary union, the congressman said, represents another step in the direction of increasing Western European economic and political clout at the expense of the U.S.

In order to understand the concerns of Calleo and Gonzales and the implications the economic and political changes hold for U.S. policy, it is necessary to examine first the rise of the European Monetary System and the changes being wrought by a truly unified EEC, and then the economic and political realities arising out of Japan's new and far stronger role in Asia.

The creation of a European Monetary System was announced last July at the EEC's Bremen conference. The system will initially consist of a $35 billion common fund contributed by the nine member nations of the Common Market: West Germany, France, England, Ireland, Holland, Denmark, Italy, Belgium, and Luxembourg. The fund is designed to stabilize the currencies of the nine nations, one against the other and against the U.S. dollar.

At present the European currencies float among themselves and individually against the dollar. As a result, the Common Market finds it difficult to regulate internal trade and to achieve any unity against the dollar. By stabilizing currencies, the EEC hopes first to create the basis for internal growth and to have all nine currencies float together against the U.S. dollar.

In addition, in two years the EEC plans to create a common currency called "ECU" (for European Currency Unit), which EEC nations will use both internally and externally. Initially, this currency will exist side-by-side with the currencies of the nine member nations. It is hoped that by 1982 the individual currencies will give way to one common currency, to be used by the nine nations at home and abroad.

What gives the European Monetary System geopolitical importance is its powerful economic base; its aggressiveness in securing regional dominance in Africa; its very structure, which may permit it to compete with the International Monetary Fund; and its power to attract funds from the OPEC nations.

The creation of the European Monetary System completes the major package of programs designed to integrate the economies of the Common Market countries. Since 1957 the EEC has eliminated internal tariffs, raised common external tariffs, integrated investment programs, and adopted a common agricultural program. By adding monetary union, the Common Market nations achieve a single economy, like that of the United States.

When it is realized that this Western European union comprises the largest economy in the world, with a GNP larger than that of the U.S., the overwhelming power of the EEC becomes apparent. Capable of creating its own European army, of building its own weapons of the most sophisticated type, of being technologically equal to the U.S., a united Western Europe is a force to be reckoned with. Even without U.S. military forces, a unified Western Europe represents a potent military reality, as the armed intervention in Zaire in 1977 and 1978 illustrated.

The concept of such a united Europe has been obscured, in large measure, because it lacked a central financial union. In pre-monetary-system Europe, says David Calleo, the U.S. dollar overpowered each nation's currency. In a united Europe the dollar will compete with one powerful unit instead of with individual currencies of varying strengths.

One way an EMS-strengthened Common Market bloc is sure to use its new-found economic clout is to expand greatly its already considerable influence over Africa. According to Ronald Mueller, co-author of *Global Reach*, the influential book on world corporations, the EEC is already doing this. "Europe," says Professor Mueller, "is already expressing its power in Africa by creating an exclusive geopolitical unit."

The beginnings of a Europe-Africa economic bloc emerged in 1975, at a meeting in Lomé, Togo. There the EEC nations promised to give forty-six nations of Africa, the Caribbean, and the Pacific (the so-called ACP nations) preferential tariff access for their manufactured goods, increased financial aid, and a finance fund to support the prices of African resources. In return the EEC nations received preferential access to ACP raw materials, including tin, copper, iron ore, bauxite, cobalt, and manganese. This reciprocal trade pact, called the Lomé Agreement, effectively excluded Asia, Latin America, and North America from African trade preferences. The EEC thus established with Africa a special and important geoeconomic and geopolitical relation-

ship. The 1975 agreement is being up-dated in negotiations that started in Brussels last October.

Europe's special role in African affairs was also highlighted last spring when Belgian and French troops intervened in Zaire to save European investments. "Europe," said a U.S. under secretary of state who asked to remain anonymous, "now sees Africa as its responsibility. Lomé made it an appendage of Europe."

While the EEC nations have already carved out modern-day economic supremacy in Africa, their new economic unity, symbolized by the rise of the EMS, may make a different type of "special economic relationship" tempting to OPEC. The OPEC nations currently sell oil in exchange for dollars, which they must either invest or swap for other currencies. But, as the European Monetary System develops, OPEC may prefer to be paid in "ecus" instead of dollars, for all or part of its oil. This could cause a major decline in the value of the dollar and higher oil prices for the U.S., as the devalued dollar would have to be exchanged against the European unit in order to pay for U.S. oil needs.

Another way the new financial unity of Western Europe threatens to change dramatically current economic realities is the possibility that the EMS may compete with the International Monetary Fund. At present the IMF, with $70 billion in assets, is the sole world institution concerned with international balance of payments finance. The European Monetary System is expected to have initial assets of $35 billion, and to increase this to nearly $60 billion when the ecu is finally created in the early 1980's. This would make the EMS a world financial power capable of challenging the IMF and of strengthening Europe's regional designs in the Middle East and Africa.

What many observers fear is that as the European Monetary System grows stronger, developing countries in Africa and the Middle East may turn to it for financing, instead of to the dollar-based IMF. In return, these countries would agree to the kind of reciprocal trade preferences with Western Europe that now exist under the Lomé Agreement, again excluding countries such as the United States. To gain such political and economic leverage the EEC may be willing to give strategic developing nations more favorable terms than are offered by the IMF. As one British treasury official explains it, "Unless some action is taken to coordinate the policies of the two institutions, there will be a very real question as to whether the IMF will be powerful enough to force the EEC to harmonize its policies."

From the EEC's viewpoint, the growth of regional economic blocs has been made necessary by the collapse of the current world economic system, based exclusively on the U.S. dollar. It is feared that the decline of the dollar, without another currency to take its place, could throw the world into a depression not unlike that of the early 1930's.

Ronald Mueller says: "Europe is looking to regionalism as a means of protecting itself in the event a radical overhaul of the current international monetary system does not materialize." And Geoffrey Bell: "The root cause of regional protectionist programs is the lack of real growth. Protectionism arises when there is unemployment." Today, with 8 million unemployed and severe overcapacity in all industries, Europe has reason to be concerned.

The European Monetary System is designed, in large part, to insulate the European region from the effects of the dollar's decline. By setting up a zone of currency stability within the EEC, increased investment and higher employment could result if the negative effects of the dollar's decline were neutralized. To maintain such internal stability EEC leaders may have to resort to higher tariffs against U.S. goods and capital controls to prevent speculation against the dollar. David Calleo again: "Currency blocs will inevitably have to rely on increased protectionism in order to be effective."

The creation of regional blocs is central to current EEC thinking. According to Gerardo Pirozoli-Beroli of the EEC's legation in Washington, the Western Europeans believe that before a new world economic system can be constructed without the dollar, it may be necessary to create semi-autarchic regional blocs. Once this is achieved, the argument continues, the three major, or "Trilateral" powers (the U.S., the EEC, and Japan), can then work in concert to forge a new international system, to create unity from chaos.

The key question, however, is whether this Trilateral approach has a chance of succeeding—given the uncertainty about whether the United States is psychologically prepared to sacrifice sole leadership, and the fact that OPEC and the Soviet Union are not included in these plans. Such knowledgeable observers as Bell, Pirozoli-Beroli, and Mueller believe that a "Trilateral" approach cannot solve the world's current economic chaos. In Bell's words: "It is impossible to create a new world order without OPEC and the communist nations. Until these economic and political powers are given their due, Europe will have to consider its own interests first."

Should the world continue to move toward regional blocs that would compete with U.S. currency and erect barriers against U.S. exports, there would be two major political consequences: The Atlantic Alliance would be severely strained, and Europe might draw closer to the Soviet Union and Eastern Europe.

For years the United States had dominated the Atlantic Alliance because, as one European diplomat explains it, "European disunity made it possible for the U.S. to bully the smaller countries. Such Metternichian policies were common in the Kissinger years." However, with the advent of the European Monetary System has come what Ronald Koven of the *Washington Post* calls a new "Franco-German axis." Wielding combined military and economic strength, these two nations have managed to command discipline from fellow EEC members, thereby presenting a united front toward the U.S. "It's like Gaullism on a European scale," says Galleo. The EEC's newly acquired unity and power have dramatically altered both the nature and the operations of the Atlantic Alliance. Not only has the Alliance been transformed into a diarchy, but the once "junior" partners are now asserting themselves in ways that many Ameri-

cans view as "creating problems" within the Alliance. Most of these "problems" are of an economic nature.

One way the newly unified EEC is expressing its economic strength and independence is by supporting development of domestic weapons systems that greatly reduce EEC reliance on U.S. models. No longer will the U.S. be able to force Europe to accept such war technology as the F-16 fighter and the MX tank. At the same time, EEC nations are already competing successfully with American manufacturers in U.S. markets. Good examples are the Concorde and the Airbus, which America's Eastern Airlines recently ordered.

Because such economic developments are already taking a heavy toll on U.S. employment, Congress has begun to retaliate. Maintaining that "Americans are angry at Europe's agricultural tariffs and subsidized exports," Congressman Michael Harrington (D-Mass.) explains why he voted with the congressional majority in 1978 to refuse to extend the president's power to waive duties on goods receiving export subsidies from European governments. This action so angered the Europeans that they threatened to break off the Tokyo Round of trade talks unless the U.S. Congress promised to relent. As of this writing, this controversy remained unsettled, although Carter's chief trade negotiatior, Robert Straus, assured the Europeans in November that the administration would push Congress to reconsider. Such trade conflicts are beginning to undermine the relative harmony that had characterized the Atlantic Alliance for more than three decades.

Another significant strain is in play. At the same time that Western Europe is effectively demonstrating increasing economic independence of the United States, it is also moving inexorably closer to the Communist nations to the East. This development makes good economic sense. To begin with, Western Europe's independence of the U.S. has been nourished by new markets to the east. "Much of EEC trade growth in the 1970's," explains Pirozoli-Beroli, "came from increased sales to Comecon and future sales to China, with which we have reached a trade agreement. For example, the European Community now sells as much to Eastern Europe as it does to the U.S.A. In all, 11 per cent of our exports go to the East, compared to 11.6 per cent to the U.S."

From a European viewpoint, then, it is not surprising that the EEC nations are now looking eastward for major trading partners. Practically speaking, the cold war created artificial barriers that temporarily blocked readily accessible and historical trade routes and markets, and diverted Western European trade to the U.S. and the Third World. Deciding to turn east, the EEC had only to knock at the door.

The big question, of course, is how Western Europe's growing economic dependence on Eastern Europe will affect politics, particularly the Atlantic Alliance. Although there are no ready answers, one thing seems inevitable: While the new trade ties are not equivalent to "Finlandization," the increase in East-West trade is sure to strengthen Soviet policy leverage. Thus, a Western Europe looking eastward for trade will not be as concerned as the U.S. has been about issues such as human rights and Jewish emigration. But deeper than the trade issue is the Gaullist "Atlantic-to-the-Urals" idea that can only be achieved by reopening the historical trade ties with the East.

The final strain and uncertainty within the Atlantic Alliance concerns what role Great Britain will ultimately play. Although Britain chose to join the EEC some years ago, many of its leaders are today ready to withdraw. They worry about a European Monetary System under the aegis of Franco-German dominance. The "Left Wing Tribune" group of the British Labor party, led by Anthony Wedgwood-Benn, is adamantly opposed to entering "a German-dominated Europe." Many who oppose participation fear that, because the country is financially weak, Britain would be forced to accept not only further austerity, as it fought to maintain its exchange rates in the system, but also a transformation of its economic structure into a "German structure." As a high-level British treasury official said: "We simply don't want to be absorbed into a world dominated by the 'Franco-German axis.'" Voicing regrets that Britian and the U.S. are financially weak at the same time, he noted that since Waterloo in 1815 either the pound sterling or the dollar has dominated world trade. "Now," he continued, "that dominance has been challenged in peacetime by a continental power. Europe may say it seeks equality with the dollar, but it really wants to replace Anglo-American power."

His bitter words lie at the heart of the difficulties that face the Atlantic Alliance. Over the past seventy years Atlanticism has been an Anglo-American concept, never truly accepted by France or the rest of the Continent. "Somehow," said the British official, "Atlanticism based on Europo-American terms will never have the same meaning it did as an Anglo-American concept."

There is little sign that U.S. policymakers have adjusted to the idea of creating an Atlantic Alliance on European terms. Much of the rhetoric is still geared to the Anglo-American concept of Atlanticism—a concept that is now in deep confusion. And worse, should Britain—driven by leftists in the Labor party, nationalists in the Tory party, or both—decide to withdraw from the EEC to preserve its independence, the very concept of Atlanticism would be shattered. British hesitation in joining the EMS and America's sentimental attachments to Britain are being eyed cooly on the Continent, not with the paranoia of de Gaulle, but realistically, as the single greatest threat to the Atlantic Alliance. President Giscard-d'Estaing, on November 14, warned all nations in the EEC not to let themselves be influenced by American blandishments. The warning was aimed at Britain. And at the USA.

Although one may not know it from the Eastern press with its Atlanticist orientation, the U.S. is also part of the Pacific community. Here, as in Europe, the outline of a regional bloc is forming. Here too U.S. protectionist policy, fear of a world slump or of prolonged slow growth, increased trade with Communist countries, and a desire to create a

(Continued on page 35)

(Continued from page 26)
"yen" zone in Asia have contributed to regional thinking. Moreover, Japan is planning to rearm.

The United States is thus facing a newly powerful Japan, which, like Western Europe, can now insist that its ideas be heard. For many Americans, especially those of Atlanticist orientation, adjusting to this new Japan will not be easy. Ironically, much of the impetus for Japan's new economic and military assertiveness is a direct reaction to perceived weaknesses in U.S. power. On the economic front, Japan, like Western Europe, fears not only a continuing decline of the once almighty dollar but a hopeless international economic situation, which former Prime Minister Fukuda recently likened to "the one the world faced before World War II."

According to Ronald Mueller, who is an advisor to the U.N.'s Economic Commission on Asia and the Pacific (ESCAP) and who recently returned from Japan, many knowledgeable Japanese think that the Trilateral powers no longer have the "will" to work together to solve the international economic crisis. "There is a widespread belief," Mueller says, "that if the world economy is not going to get better, then the Japanese will have to act to bolster the Pacific region."

Thanks to such reasoning, Japan is seeking to establish regional hegemony by increasing productive investment in Southeast Asia. This it is doing through a combination of private corporate investment, government aid, and programs to purchase raw materials from the Association of Southeast Asia Nations (ASEAN). Just as Western Europe's natural trading partners lie to the east, the most accessible markets for Japanese goods are to be found in Southeast Asia.

In recent months rumors have circulated about a "second" Lomé agreement between Japan and the ASEAN nations—Thailand, Malaysia, Singapore, the Philippines, and Indonesia. Such serious talks have been under way since the UNCTAD conference in Nairobi in May, 1976. According to both ESCAP advisor Mueller and Jackie Chan of Singapore's U.S. Embassy, a Lomé-type agreement "is very much in the works" and "very much alive." It is well known that the new Japanese prime minister, Ohira, is particularly interested in expanding and deepening ties with Southeast Asia and China, and his election was widely praised in ASEAN embassies in Washington.

Although Japan's current efforts are confined to increasing private investment in ASEAN—at a rate that makes American corporate investment seem shy by comparison—most knowledgeable observers believe that a "special relationship" between ASEAN and Japan is very possible. Such a relationship, that could well exclude the U.S., might be particularly attractive if the Japanese believe the world economy is going to remain stagnant.

While Japan is thus wooing her neighbors to the south, she is also making a concerted, and successful, effort to establish major economic ties with the giant to the west, China. Not only does China, with its 900 million people, offer incredible market possibilities, but it has massive, virtually untapped oil supplies. Selig Harrison, in *China and Oil: Asian Conflict Ahead?*" states that by 1990 China will probably pump as much oil as Saudi Arabia did in 1974. In exchange for technological know-how Japan—the third largest energy consumer after the U.S. and the EEC—hopes to buy much of its oil from China. Currently, Japan gets 90 per cent of its oil from the Middle East, oil that must be transported through the Indian Ocean and the Straits of Malacca. Many Japanese fear that the unsettled Indian Ocean (and Persian Gulf since the turmoil began in Iran) could place Japan at the end of an all too vulnerable supply line.

"Internationalism" has in fact been displaced by "regionalism" as the key to understanding a suddenly changed world.

Moreover, Japan feels that since most Middle Eastern oil flows through the coffers of American oil companies, these oil giants, and through them the U.S. Government, are capable of exercising too much leverage over Japan. As an official of the new Japanese National Oil Company (JNOC), explained it, asking that his name not be used, Japan seeks to by-pass the American oil companies. "JNOC," he said, "is the vehicle for this direct purchase." This past spring Japan signed a ten-year $20 billion oil-for-technology deal with China.

The election of prime minister Ohira will mean an even closer relationship with China—as Ohira is known to be far more concerned with Chinese relations than was his predecesor, Fukuda. Ohira won his recent election with the support of former Prime Minister Tanaka, who was responsible for Japan's opening to China in the early 1970's.

While Japan thus seeks to sever, as much as possible, its economic dependence on the United States, by forging regional ties with China and Southeast Asia, it is also taking steps to rearm—in large part because of fears about declining U.S. military might and commitment in the Pacific.

William Overholt of the Hudson Institute says that Japan wants to develop rapidly its own defense capability because the U.S. is withdrawing its forces from the Asian perimeter, and the Soviet fleet already outnumbers the American fleet in the Pacific by two to one. Many Japanese doubt that the U.S has the will or the power to defend them, Overholt continues, especially since President Carter has reduced expenditures on aircraft carriers.

A rearmed Japan, tied to Chinese oil and possibly engaged with ASEAN in a new Asian common market, would be a very different kettle of fish from the "old" Japan of the 1960's. What gives this new upsurge in Japan its special flavor is the renewed emphasis on Japanese national feeling among intellectuals and politicians. "There is no doubt," said Professor Parris Chang of Penn State, who recently returned from Japan, "that there is a new nationalism in Japan—a new sense of identity with Asia." In short, it is clear that a new set of relationships between Japan and China and between

Japan and Southeast Asia are developing. "The roots of the new development," says Overholt, "are to be found in the world economy and the decline of the dollar."

Faced by a resurgent and united Europe and a more powerful Japan, the United States finds itself as the first among equals—with the stress on "equals"—in both the Atlantic and the Pacific. No longer the undisputed political or economic leader of the "free world," the United States has been forced to turn for support of its currency and for loans to Frankfurt, Zurich, and Tokyo. Added to its embarrassment is the fact that these three capitals, plus Riyadh in Saudi Arabia, now hold a third of the U.S. national debt.

The emergence to equality of Japan and Europe marks a turning point in geopolitical history. A new three-sided world has come into existence, in which the two sides that were once dependent on the U.S. are now in a position to help a weakened America, not only by taking up the burden of defense, but by lending money and providing new investment. The implications and the reality are staggering. Governor Henry Wallich of the Federal Reserve Board remarked ruefully to this writer in 1977 that the Volkswagen plant in Pennsylvania was the largest single investment made in the U.S. that year. Getting used to dependence on others will not come easily to Americans.

Learning to deal with the EEC without Britain as our chief partner will also be difficult. Because so much of America's emotional investment in Europe has been tied to British ideas, Americans will find it hard to accept the fact that our major Atlantic partner will now be submerged in an EEC dominated by France and Germany. In the long run, this realization may do more to end American attachments to Europe than any other geopolitical change. Indeed should Britain finally decide not to join the EMS and to pull out of the Common Market, the U.S. may be forced to choose between Britain and Europe, a choice that would change the very meaning of Atlanticism.

In light of these changes, three geopolitical scenarios are now being discussed among economists, legislators, and diplomats.

The first and most optimistic one holds that somehow the president's November moves to defend the dollar will be a first step toward uniting the Trilateral powers in an effort to reestablish an international, as opposed to a regional, program for growth. This is the belief of the Carter administration, whose foreign policy is controlled by members of the Trilateral Commission, a powerful think tank formed in 1973 by David Rockefeller and the heads of over a hundred multinational corporations. Mr. Carter, Mr. Mondale, Mr. Brzezinski, Mr. Blumenthal, and Mr. Vance were associated with this Commission before taking office. They believe that the "community of advanced nations," working together as they did at Bonn and other summits, can create a new international economic order (see my *Worldview* piece, March, 1978).

The second scenario has it that the world crisis is so serious that a slump is unavoidable and that economic anarchy will reign. Henry Browne, Paul Erdman, Joyce Kolko of Harvard, and Fred Block of the University of Pennsylvania, all have written scenarios of this sort.

The third scenario, falling between the first two, holds that whether or not there is a slump, for the next twenty-five years "regionalism" and not "internationalism" will be the mode. If a major economic depression occurs, it is believed that regional blocs would be sure to form around regional currencies, and that these blocs would engage in trading practices that may deteriorate into beggar-thy-neighbor economic warfare. If there is no slump, then it is argued that the change in relative relationships among the U.S., Western Europe, and Japan, and the relationships between the EEC and Eastern Europe and between Japan and China, would so alter the geopolitical balance that a new truly international order may not emerge at all before the end of the century.

At best, and without a slump, proponents of the third scenario maintain that the three groupings would be able to form a loose confederation of semi-autarchic blocs, able only to restrain each other from beggar-thy-neighbor policies. Indeed, some of this group argue that stability can only be achieved by recognizing that such regionalization of the world is inevitable.

What is clear from interviews with numerous experts in the field is that the intellectual élites and press discussions in America have been laggard in working out the implications of the resurgent EEC and newly powerful Japan. Says Calleo: "No clear conceptualization of the changes in the world and the U.S. role in this new world has materialized."

Worst of all, no clear U.S. policy has emerged relative to either North America or Latin America. Says Mueller: "It is time to look to a regional economic policy in both North America and South America." As is usual in Washington, the Western hemisphere falls last on the list of priorities.

Despite the trilateralists in the Carter administration, there is also a conceptualization lag about the United States, EEC, and Japan. "The trilateralists," said one Japanese diplomat, "act as if unity between the U.S., Western Europe, and Japan has been achieved. The truth is that disunity and conflicting ideas characterize the three outlooks."

Ironically, one of the chief areas of competition in the future will be in the battle for markets in the Communist bloc. Already the European community is selling ten times more to Eastern Europe and Japan ten times more in China than is the U.S. The United States will enter these markets as a competitor, thus allowing Communist economic planners to play off the three blocs against each other. All this of course portends enormous change in the nature of the cold war.

The major quest, then, is for trilateral harmony, while the major obstacle to that harmony is the nature of the competition between the three blocs and their own appreciations of the world. With or without harmony, there is a growing consensus that three regional blocs with differing degrees of ties to the Communist world represents the reality of the world scene between now and the year 2000. "Regionalism" has, in fact, replaced "internationalism" as the key term in geopolitics.