

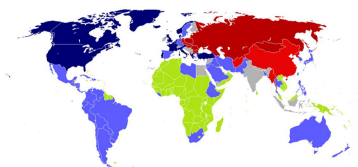
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A world without China?

The new politics of a dual world, and of blocks, has accelerated and is crystallizing faster than I thought. Soon, I suspect, we will have to choose between a world with China, or without China. Most likely, the latter will predominate, and this will have strong (negative) implications for Chinese assets, whose authorities, with their recent actions, are awkwardly heading towards international isolation.

Let me share with you a series of events that, having gone unnoticed by ordinary mortals, represent an authentic explosion in the very foundations of world order as we have known it since the fall of the Iron Curtain.

Sanctions & the Hong Kong Bill

The WSJ reported this week that President Trump signed into law a bipartisan bill (Hong Kong Sanctions Bill) that requires sanctions on Chinese officials who crack down on the rights of Hong Kong residents to free speech and peaceful assembly, as well as the banks that do business with those officials. Trump also signed an executive order that ends preferential US treatment for Hong Kong, a blow to its status as an international financial center and putting it on equal footing to mainland China. What matters here is the bipartisan-in-nature agreement, which suggests that both Republicans and also Democrats have said "enough" to China's expansionist policy in the region. The National Security Council spokesman, John Ulliyot, suggested that "the US President Donald Trump has not ruled out additional sanctions", in addition to those contained in the law, on top Chinese officials to punish China for its handling of Hong Kong".

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Potential diplomatic clash

In parallel, (according to the NY Times), the presidential proclamation about bans on travel to the US by members of the Chinese Communist Party and their families, could also authorize the US government to revoke the visas of party members and their families who are already in the country, leading to their expulsion. A move that would almost certainly prompt retaliation against Americans seeking to enter or remain in China. A move that will exacerbate tensions.

Imminent geo-political clash

In an unusually direct challenge to Beijing, the US has also declared its formal opposition to a swath of Chinese claims in the South China Sea. Washington had previously said it sees Beijing's expansive sovereignty claims over most of the South China Sea as unlawful, but with this last step, the US is now officially rejecting specific Chinese claims for the first time.

Imminent business-economic clash

Trump administration plans to soon scrap a 2013 agreement between US and Chinese auditing authorities, a move that could foreshadow a broader crackdown on US-listed Chinese firms under fire for sidestepping American disclosure rules. US watchdog has long complained of China's failure to grant requests for access to

information, and the lack of transparency has prompted administration officials to lay the groundwork to exit the deal soon.

A de-facto end of the Trade-Deal

President Trump told CBS News that he's "not interested" in engaging in a second round of trade negotiations with China, following the Phase One trade deal reached in January. Trump argued that they had made a great deal and China shortly after "hit us with the plague," referring to the coronavirus pandemic. Also said he has "no plans to speak to" China President Xi Jinping

The new era increasingly resembles the period that spanned the decades from the 1950s to the 1980s

I don't know where exactly we are in the geopolitical process, but it seems that we are definitely entering a new era of political and economic blocs. One that increasingly resembles the era that spanned the decades from the 1950s to the 1980s. I dare to say that (and this is a personal opinion) as in the previous case, and due to the ideological nature of the current enmity, this time around we will also have a free block and a "not so free" block facing each other. Investors should take this into account when defining the strategic-structural positioning of portfolios.

Of course, it will be a pleasure to help you.

Best