

**With a quick resolution unlikely, trade disputes may become trade blocs**

THE trade dispute between the US and China, which in recent months spurred a series of tariffs and retaliatory tariffs, is unlikely to end soon and has the potential to divide the world into separate trade blocs, according to John Sitalides, principal at boutique geopolitical risk management firm Trilogy Advisors.

Hundreds of billions of dollars' worth of trade between the two countries have been targeted by tariffs in recent months as the US tries to force sweeping changes to China's intellectual property practices, industrial subsidy programmes and tariff structure.

Mr Sitalides told the audience at SHIPPINGInsight 2018 that neither side was likely to give in soon. The US sees now as its last chance to address China's rise to power before being overtaken economically and militarily. China is constrained domestically by a nationalist base of opinion that would never accept the prospect of backing down to US pressure.

"I don't know if these trains can ever meet; the Trump policies and the Xi policies," he said of the two countries' presidents, during a presentation about global risk and geopolitical strategies.

Furthermore, Mr Sitalides sees the beginnings of a global strategy hidden in the text of a recent trade agreement between the US, Mexico and Canada that it can use to limit its allies' trade relations with China.

In the USMCA, the agreement replacing the North American Free Trade Agreement, the US now has the ability to deem a third party a currency manipulator. The agreement also gives the US "defacto veto power" over Mexico or Canada entering into a free-trade agreement with a third party deemed a non-market economy, said Mr Sitalides.

"Entry by any Party into a free trade agreement with a non-market country, shall allow the other Parties to terminate this Agreement on six-month notice," reads the USMCA's article 32.10. Oddly, article 34.6 of the agreement allows parties to withdraw with six months' notice without a reason, as did Nafta's article 2205.

Mr Sitalides said he expected the US to look for similar provisions in trade negotiations with other countries, with the possibility of wielding them against China in the future.

"I believe the US administration will use this strategy in securing the USMCA agreement in efforts to secure new trade agreements with Japan, India and the European Union to form a semi-global bloc of countries and regions that will not be able to enter into free-trade agreements with China at the threat of being kept out of the US market," he said.

Whether such a strategy will work is an open question, Mr Sitalides admitted. He could not say whether the European Union, for example, would choose US markets over the Chinese.