

TRUMP V CLINTON : THE FINAL COUNTDOWN

The latest ABC national poll of likely voters has Trump at 38% and Clinton at 50% so the discussion over the eventual outcome of this upcoming election may almost be moot, but of course until the fat lady sings (no pun intended) nothing can be 100% certain.

As we have discussed before, Donald Trump and Hillary Clinton are probably the most disliked candidates in US electoral history, however while bearing this in mind and setting aside his basic character flaws, it's also worth considering what Trump's economic proposals could mean for the US and consequently the rest of the world. Unfortunately his campaign has until now been more about how bad the Clintons are and how great he is, rather than focusing on the real issues, but let's take a look at some of the key "Trumpenomics":

1. Re-introduce trade tariffs especially on countries such as China and Mexico for "stealing" US jobs.
2. "Big" tax cuts.
3. Cut regulation including the removal of Dodd-Frank.
4. Sharply reduce immigration and "build a wall."

The first proposal may be popular especially amongst those communities that have historically relied heavily on lower-skilled manufacturing jobs, however the reality is that even without China demand for factory workers was always going to decline because of the ongoing advances in technology. Robotics and computerization have made many factory floors almost human-free and this situation is already having an effect in other sectors too. Trade barriers are not going to help recreate the golden years of 1950s America either, implementing high tariffs (Trump suggests some as high as 45%) would just trigger a global trade war as other countries responded, and would in effect result in a massive increase in the cost of living for the average American. It's worth too looking back at the last time the US attempted a major hike of import tariffs, namely the 'Smoot-Hawley' Act which was one of the prime reasons the great depression of the 1930s lasted so long. Free trade is not the enemy here, the World Bank recently estimated that over 1 billion people globally were lifted out of poverty over the past 30 years thanks to this policy. Another study by the 'Peterson Institute for International Economics' considered all of Trump's proposals on trade (including by the way a withdrawal from NAFTA) and concluded that these would likely result in the loss of up to 4 million US jobs, and that if President Trump went one step further and withdrew from the WTO (something he has threatened to do) then the picture looks even worse.

Tax-cuts meanwhile can indeed be beneficial, however this depends how and in what areas they are implemented. Both candidates tax proposals were examined by the "Tax Policy Institute" in Washington DC, their conclusions revealed some interesting facts: Despite Trump's claim that he stands for the "average Joe" his tax plan would see the top 0.10% of earners receive a tax cut of around US\$1.1 mio per family, while conversely under Clinton the ultra -rich would face an average tax increase of US\$800,000. Trump's tax policies would also negatively affect single parents and those families with a large number of children, whose taxes would rise due to the removal of certain deductions. Meanwhile according to the nonpartisan "Committee for a Responsible National Budget" Trump's proposals would increase the country's national debt by US\$5.5 trillion over the next 10 years compared to Clinton's more "debt neutral" US\$200 bio.

De-regulation is another subject whose success depends on what regulations are amended or lifted. Removing red tape on small-businesses and easing some of the over complicated and unnecessary restrictions on banks would clearly be a good thing, but Trump's suggestions go far wider and include; the complete repeal of the

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affordable care and Dodd Frank acts, opening up federal land to oil and gas exploration and removing the current laws protecting waterways and wetlands from industrial development. The two last points would seriously raise the risk of an environmental catastrophe, while Dodd Frank was specifically implemented to avoid another financial crisis. Admittedly Dodd Frank does need some tinkering, but at the same time it has since its inception created more transparency and halted many bad practices, (such as those uncovered in the mortgage market), as well as improving financial risk management overall.

Finally on the subject of immigration, some of his suggestions make sense, such as the introduction of a biometric entry-exit visa tracking system, however the few good ideas his team has put forward are drowned out by his more controversial plans including the construction of a wall along the Mexican border and getting the Mexicans to pay for it. Firstly the US-Mexican border is over 2,000 miles long so it would cost an extortionate amount of money to build and maintain such a wall, and secondly the Mexican government has already made it clear that there was no way their country would pay for such nonsense, in any case we all know a wall will still not stop determined migrants. Aside from this Trump wants to implement an immediate “pause” in all legal immigration and claims that immigrants take jobs away from Americans and drain the economy. However according to a study undertaken by the Cato Institute in 2012 immigrants actually boost economic productivity, and do not have any significant negative impact on net job growth for US born workers. (One of the possible reasons given for this is that immigrants and native born Americans gravitate towards different types of employment.) Meanwhile the Kauffman Foundation says that between 2006 and 2012 more than 40% of the start-up firms in Silicon valley had at least one foreign born founder. Other pertinent facts to bear in mind are; that immigrants only account for around 13% of the country’s overall population but are more than twice as likely to start a business than their US born counterpart, and when it comes to job creation a survey conducted in 2010 showed that immigrant-run firms employed 1 in 10 American workers.

Considering the above and combining it with growing concerns over Trump’s clear lack of Presidential “temperament” (for lack of a better word,) and his basically zero political or diplomatic experience, there really is only one choice come November 8th even if it probably means “more of the same.”

Good Luck America!

Fact of the day: *According to the Wall Street Journal not one CEO of the current Fortune 100 companies in the US has donated to Donald Trump’s campaign.*

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