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Fareed Zakaria: Trump sells America short

Dear Donald Trump: China, Japan and Mexico are not “killing us”

By Fareed Zakaria, Thursday, September 17, 2015

Donald Trump’s presidential bid is centered on the promise of his personal talents. He says he’s the “most successful person ever to run for the presidency, by far.” (George Washington and Dwight Eisenhower, sit down!) But if there is an idea animating his candidacy, it is that the United States is being badly beaten by its economic competitors. In his speech on foreign policy this week, Trump explained that America is being bested by countries such as China, Japan and Mexico because their leaders are “smarter, more cunning and sharper than our leaders.” “They’re killing us,” he often says.

This is an odd moment to make these charges because the reality is almost entirely the opposite. The United States is more dominant on the global economic landscape than at any point since the heyday of Bill Clinton’s presidency — perhaps even more so.

Last quarter, the U.S. economy grew at a 3.7 percent clip. Annual growth now is almost twice that of Europe and four times that of Japan. Unemployment is at 5.1 percent, the lowest in seven years. The deficit as a percentage of gross domestic product (2.8 percent in 2014) is at its lowest since 2007.

“The U.S. has come out of the 2008 crisis better than all the others,” says Ruchir Sharma, head of global macro investing at Morgan Stanley. “Americans have reduced their debt burden more than the Europeans, while China’s debt has skyrocketed to extremely dangerous levels. If you look outside of China, U.S. growth is actually faster even than the emerging markets. Since the 2008 crisis, U.S. equity markets have outperformed all others — in fact 9 out of the 10 most valuable companies in the world are now American. The dollar is the currency of choice. Global growth is not what it used to be, but in a bad neighborhood, the U.S. has the best house by far.” Sharma points out that for the past four years, the United States’ share of global GDP has increased while Europe’s and Japan’s have moved down.

When I was in Europe last week, businessmen there were concerned with what they saw as a new level of U.S. dominance in everything from technology to entertainment to finance. Consider America’s big banks. They were at the epicenter of the financial crisis and were badly battered by it. Since then, bankers have complained that they’ve faced uncertainty about government policies, overzealous regulators trying to compensate for their laxness before the crisis and the unwieldy burdens of the Dodd-Frank law.

Well, U.S. banks today are more dominant than ever. The Wall Street Journal notes that in the past five years, JPMorgan Chase, Bank of America, Citigroup, Goldman Sachs and Morgan Stanley have increased in value by \$254.6 billion. In the same period, their European competitors, Barclays, Credit Suisse, Deutsche Bank, UBS and Royal Bank of Scotland added just \$9.5 billion. In July, Barclays Chairman John McFarlane was asked if America’s banks were eating European lenders’ lunch. He replied: “They are doing a good job of it.” He added that the U.S. banks “are the only ones that really claim to be global and successful.”

To compare the United States' performance and leadership to Mexico's, Japan's and China's is particularly ill-timed. Trump might be stuck in a 1980s time warp on Japan. When his "The Art of the Deal" was published in 1987, Americans were envious of Japan's brilliant leaders, who were said to be outsmarting the United States at every turn. Since then, Japan has become the poster child for economic stagnation and political paralysis. Prime Minister Shinzo Abe has been unwilling or unable to get his promised reforms enacted, and the country's economy continues to shrink.

Mexico is watching its growth collapse. While its president, Enrique Peña Nieto, is a courageous and intelligent leader who has made some very bold decisions, he has also made some significant missteps. Most important, the country was ill-prepared for plunging oil prices that have battered government revenues and growth.

China has had three decades of supercharged growth and competent government policy. But in the past few years, Beijing went on a borrowing binge, running up its total debt to levels that are unprecedented, according to Sharma. And in the past two months it has made mistakes in managing both its equity markets and currency — mistakes that have cost \$400 billion, the Financial Times reports.

Of course, the United States has problems that are worrying, such as wage stagnation and low labor-force participation. But the important comparison is not to some ideal fantasy of what America might be but to other countries in the real world. And the facts show, Mr. Trump, we're killing *them* .

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