



Financial Crisis Report

Written and Edited by David M. Miyoshi

Advancing in a Time of Crisis

Words of Wisdom: *"If history repeats itself, and the unexpected always happens, how incapable must Man be of learning from experience."* – George Bernard Shaw

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Except for the Great Depression, we are experiencing the most economically unstable period in the history of the modern world. This period will be marked with extreme fluctuations in the stock, commodity and currency markets accompanied by severe and sometimes violent social disruptions. As is typical of such times, many fortunes will be made and lost during this period. After talking with many business owners, executives, professionals and government officials from around the world, the writer believes that for the financially astute investor, this is a time of unprecedented opportunity given the global trade unbalances and distortions in the commodity and currency markets. The *Financial Crisis Report* is a free compilation of the opinions of David Miyoshi as well as of those advisors he himself subscribes to (with appropriate credits given) on how to benefit during this time of crisis. The writer receives no compensation of any kind from any advisors whose articles or ideas may appear in this report. The reader is welcomed to check on all sources of information mentioned herein. Because the opinions and observations of this writer and other advisors are provided herein without charge, the reader is asked to make his/her own judgment on the contents.

The Real Costs of Being Transgender

Since time immemorial, men have wanted to checkout the women’s bathroom. Now, in the U.S. that urge may have received legal sanction. This past month president Obama ordered the installation of “Gender Neutral Restrooms” in the offices that serve the White House (this mandate definitely does not bode well for urinal manufacturers). The president further issued a directive through the Departments of Justice and Education mandating that all public schools must accommodate “gender identity” as a Title IX protected class regarding issues of bathroom, locker room, and facility use or face the loss of federal funding. I suppose to the president, this is an effective use of our tax money. At this time 11 states have joined together in a joint lawsuit to oppose this presidential order.

Further investigation of the president’s bathroom edict reveals even more disturbing facts.

1. No Medical Requirement. According to the president’s edict, "there is no medical diagnosis or treatment requirement that students must meet" to establish him/her as transgender. This means that any boy can announce himself/herself as transgender at any time and the school must comply immediately.

2. Not just bathrooms and locker rooms. Everything is impacted in our schools, far beyond bathrooms and locker rooms. Housing for field trips and overnight sporting events, sports participation, mentoring groups -- anything in which boys and girls are in any way separated or treated uniquely. Add to the list

the radical transformation that will take place in housing on university campuses.

3. 40,000 child-on-child sex crimes in 2014. Child-on-child sex offenses are not rare, by any means. The Bureau of Justice reports that there were more than 40,000 children who were victims of sex offenses by other children in 2014. Obama's policy removes natural protections for our children and opens the floodgates for sexual perversion and child-on-child sex offenses.

I am an attorney but except for the proverbial “political correctness exemption” surreptitiously resorted to by both political parties, I can’t find any concrete authority under the Constitution or Federal law that enables the president to issue such a sweeping dictate that regulates how men and women in the U.S. process their bodily functions. Under this mandate, boys who believe they are girls can now without restraint use the girl’s bathroom. Not to mention boys who “momentarily” believe they are girls can simply and freely use the girl’s bathroom. And if it’s an actual bathroom, apparently they can wash themselves there as well.

Perhaps for more clarity and consistency, when congress passed Title VII of the 1964 Civil Rights Act, forbidding employment discrimination because of race, color, national origin, religion and - SEX (my emphasis added), they should have added “and the transition thereof”,

But this is a financial newsletter, so I will limit my comments to the economic ramifications of this newly born social issue.

So the first obvious economic question is what

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will be the cost to configure all of the public restrooms in the country to unisex facilities? We can only guess that figure but rest assured it will be on the expensive side.

But an even larger question is what will be the actual costs, both economic and psychological, that will be incurred by the great majority of individuals in this country to gratify the egos of a very small minority of individuals (to be more precise, about 0.3% of the total population). Being a member of the remaining 99.7%, I would think - too much.

The Financial Costs

And speaking of too much, on an individual level, let's consider the actual financial costs for an individual to transition from one gender to the other.

To answer this, I cite data that recently appeared on the CNN website compiled by Alyssa Jackson entitled "*The high costs of being transgender*"

Caitlyn Jenner's highly publicized and often celebrated transition from male to female is not typical of what most transgender people experience. Jenner said so recently in her acceptance speech for ESPN's Arthur Ashe Courage Award at the annual ESPY Awards ceremony.

"If you want to call me names, make jokes, doubt my intentions, go ahead. Because the reality is, I can take it," Jenner said. "But for the thousands of kids out there coming to terms with being true to who they are, they shouldn't have to take it."

As part of her transition, Jenner reports having completed a facial feminization surgery, hormone therapy and breast augmentation. But for Jenner she can afford it. Being once the "greatest athlete in the world" I am sure he (before) and she now is able to accumulate a few bucks from time to time along the way.

Many transgender people transition without surgery. Some say they don't want surgery, or are interested in only some of the medical options available. But many cite the cost of the procedures -- potentially more than \$100,000 out of pocket -- and the lack of insurance coverage as a barrier to their transition. Still, they worry about how going without might affect their mental health and safety.

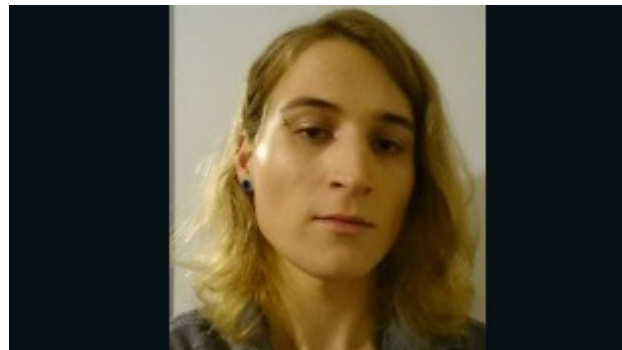
The surgery: What does it cost?

The cost of a transgender person's transition can vary widely, and pricing information is often not available.

Eugene Schrang, a Wisconsin surgeon who specialized in gender reassignment surgeries before retiring in 2007, said most patients paid out of pocket for their surgeries, and it was rare for insurance to cover the procedures. Factors that affect the cost include the number of surgeries people want, where the surgeries take place and what type of insurance they use. They also might incur

additional costs for travel, hospital stays and psychological evaluations.

In Pennsylvania, the Philadelphia Center for Transgender Surgery posts cost estimates for different procedures. Its price list mentions estimates of \$140,450 to transition from male to female, and \$124,400 to transition from female to male. This list, unlike many others, includes potential costs for things such as anesthesia, hospital stay and each of the potential surgeries that someone transitioning from one gender to the other may want or require. These numbers are based on one surgery center though, and will change depending on factors such as insurance, the hospital that is attended or if someone is using a different surgery center altogether.



Jo Avelyn Grey came out as transgender to her family at 11 years old and began to transition medically four years ago, in her early 20s. Some of Grey's medical expenses are covered by her insurance, Kaiser Permanente, including her hormone therapy, a portion of her gender reassignment surgery and preparatory genital electrolysis that has to be done before the surgery.

The insurance does not cover facial electrolysis (beard removal), laser body hair reduction, breast augmentation or facial feminization surgery, all of which Grey considers vital to her survival as a transgender woman.

"No one sees me as physically female, just obviously transgender. This makes me an outcast and puts me at an extremely elevated risk for discrimination and harassment," Grey said. "Just covering hormones and gender reassignment surgery is a half measure that still leaves us exposed to great risks and complications in our everyday lives."

Deborah Espinal, executive director of health plan policy for Kaiser Permanente, said in a statement, "Kaiser Permanente is committed to providing culturally competent care to all of our members and patients. We continue to provide a spectrum of services, in compliance with state mandates, for transgender individuals that includes hormone replacement therapy and behavioral health services throughout all the states that we serve."

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"In some states, mandated services include services such as gender reassignment surgery, and mastectomy with chest reconstruction. Our approach is to evaluate service coverage both in terms of what is required by each state and what these patients need to have available to them in order to properly transition. As with all health care decisions, we encourage our members who are interested in transgender medical services to discuss their health care needs with their Kaiser Permanente physician."

In addition to the surgeries that her insurance does not cover, Grey pays a \$30 copay for genital electrolysis sessions, which she must attend two to three times each week for about a year before her gender reassignment surgery. She estimates that by the end of her transition, she will have paid \$70,000 to \$80,000 out of pocket.

Insurance and surgery

More insurance plans are likely to cover transitional procedures for transgender people than in the past.

In a 2013 survey by Jody Herman, manager of transgender research at the Williams Institute, employers characterized the costs of covering transition-related coverage "negligible" and "minimal" because so few people used those services. The survey included 34 U.S. employers who cover transition-related health care. There are between 100 and 500 genital surgeries every year in the United States as part of gender transition, according to the Encyclopedia of Surgery.

"Overall, we find that transition-related health care benefits have zero or very low costs, have low utilization by employees, and yet can provide benefits for employers and employees alike," Herman writes.

In 2014, the Affordable Care Act, commonly referred to as Obamacare, stated that health insurance providers could no longer discriminate based on gender or health history, though some insurance agencies are finding ways to get around this policy change.

Nicholas Ballou binds his chest each day before leaving his home. It's so tight he often finds it hard to breathe and has gotten lightheaded. Throughout the day, he might touch his chest or adjust the wrap -- a nervous habit. Nothing can be out of place.



Ballou, a transgender male, cannot afford top surgery, which would get rid of his breasts and give him a more male-looking chest. At 23, he has wanted to have this surgery for 10 years, but it's expensive and it's unlikely he'll be able to cover the costs anytime soon.

Ballou said that while this development is a helpful step, it hasn't allowed him to obtain the coverage he needs to get top surgery. He has bound his chest for 10 years and said it's intensely painful to ensure that no one knows he was born a woman. He does not have insurance because he said that the insurance agencies that provide Obamacare in Nevada still mark the surgery as cosmetic. He is currently uninsured while he searches for a company that can adequately fit his needs.

Ballou said he realized he was transgender when he was 3. He recalls running around his backyard in his underwear, screaming at his mother that he would not put on a dress because he was a boy. He first realized there was a word for who he was at 13, and he began to transition with hormone treatments when he was 16.

Ballou is still struggling to become the person he wants to be. In California, where he grew up, state law says health insurance companies must cover transgender health care. He was on an eight-month waiting list to obtain the surgery finally when he switched jobs and moved to Nevada.

He has had no luck in finding a health insurance that will cover the surgery; all the companies he has called label it as cosmetic.

Affordable Care in Bangkok

It is widely known that the cheapest place to get a gender transition job is Bangkok Thailand (I will skip the jokes about why the city's name is what it is). But the world knows the most inexpensive place to go from guy to gal or vice versa is Bangkok. And the most famous surgeon to do the job is Dr. Preecha Tiewtranon who has performed more than 3,500 sex change operations during the past 30 years (from his photo below, I am assuming he is a guy).



In Bangkok males pay US\$9,000 to \$20,000 or more to become females, and comprise the overwhelming majority of Preecha's patients. That's quite a big discount from the charges prevalent in the U.S.



What Turns People on to Trump

Preecha charges female patients US\$12,000 for a one-inch male organ, which includes deflating the breasts and removing the uterus and ovaries. A longer phallus boosts the total cost to almost US\$20,000 dollars. But anyway you look at it, these prices are a huge discount from those in the U.S.

If you are a woman who wants to become a man, "you have to go through multiple operations. There is no such thing as one stop, like male-to-female," says Preecha. "Male-to-female you can get everything in two weeks, and then you go back home, recuperation for another two weeks, and then you are completely a woman."

Turning a female into a male, however, increases the patient's risk, especially if a woman requests a male organ long enough for penetration. "The silicone could extrude. When you have the extrusion back home (I guess that means not in Bangkok), the cost is so high to go to see the doctor," Preecha says.

The Thai government recently changed the law on transgender operations and now requires Thai patients to wait at least one year before undergoing a sex change. Sex changes are outlawed completely before the age of 18, and for those aged 18 to 20 parental consent must be obtained.

In response to the new law, Preecha says he sends his Thai patients to two psychiatrists, to confirm the individuals qualify. Most of Preecha's patients, however, are men from America, Australia, Europe, China, Japan, South Korea and the Middle East, who want to become women.

But the bottom line is business in Bangkok is booming (no pun intended), especially because Preecha's clinic also alters noses, eyelids, and covers other procedures, including liposuction. In fact, Preecha said he will open another clinic in Hanoi, Vietnam, later this year, and also hopes to expand to Dubai.

The costs of not transitioning

Even as many insurance companies label transition-related surgeries as cosmetic, transgender rights activists argue that the surgeries are necessary and could decrease mental health issues and violence toward transgender people.

Kristen Lovell, a transgender woman in New York, said that the culture has changed from 15 years ago when she was going through her transition. Still, through her work at Sylvia's Place, an emergency shelter in New York, she sees that transgender people continue to face violence and that people who are unable to transition are more likely to feel depressed or attempt suicide.

The National LGBTQ Task Force says that one in four transgender people have experienced violence. The American Psychological Association says that the lack of acceptance for a transgender person creates an inner sense of not belonging as well as discrimination and harassment by society.

"Passability is definitely a privilege," Lovell said. "As you're transitioning, you're prone to have increased lash outs from people because your appearance isn't appealing to them. People al-

ways want to fight what they don't understand. It puts people who are starting to transition in danger."

Passing is defined as one person living in his or her chosen gender without anyone knowing he or she ever lived in a different one, according to the National LGBT Cancer Project. In broad terms, passing can mean different things to different transgender people, but it usually refers to no one being able to tell that an individual is transgender.

Ballou said he lives in constant fear, and he'll continue to bind his chest each day and search for a way to have his medical procedure. He said he may need to move back to California to have it done.

"I haven't stepped out of my house in 10 years without serious binding," he said. "It's constantly on my mind; I'm never not thinking about it. It's really hard. It's just a consistent fear."

From all this, can we surmise that the actual costs to cater to transgenders are only exceeded by the costs of being one?

Maybe it's more cost effective to be what God assigned us to be in the first place.

Perhaps this issue could be made a case study at Harvard Business School.

D. Miyoshi

What Turns People on to Trump

Donald Trump has now received the necessary number of delegates to receive his party's nomination to run for president. While I am a Republican, I admit I am not a Trump supporter and therefore fail to understand why he is so popular among voters. Consequently, I searched for some coherent and cogent arguments to show me why.

Ellie Kesselman, is a statistician and quantitative analyst and I found her arguments to be a concise encapsulation of the general ideas of perhaps why people support Trump for the presidency.

Kesselman says Trump is not a cult of personality. In fact Bernie Sanders instills much of the same sort of devotion in his followers as Trump does in his own. Both are populists. Both have identified some rather obvious problems that affect the majority of Americans, which Washington DC insiders and most of the rest of the wealthy ruling class



What Turns People on to Trump

have been unwilling to acknowledge.

Karl Rove wrote an astute if overly pessimistic summary of the situation entitled *Trump and Sanders, the Disrupter Brothers*. In it Rove likened Trump and Sanders to the populist Roman Gracchus brothers, Tiberius and Gaius.



Gaius Gracchus, Tribune of the People

The New Kingfisher

Donald Trump is running as a GOP candidate, but he reminds Kesselman more of the populist Democrat, Huey "The Kingfisher" Long, a famous governor of Louisiana. Kesselman is completely aware of Donald Trump's shortcomings and business failures. She lived in Manhattan and attended the Wharton School during the 1990s. She agrees that Trump has a checkered past, but unlike the original Kingfisher, none of it was in a position of elected office.

Trump is the only candidate, other than Sanders, that gives voice to the reality that globalization, H1B visas, offshoring jobs and the policy of open borders are devastating the American middle-class. Kesselman completely rejects the argument that more cheap labor from Mexico and Latin America will improve the bleak U.S. employment situation.

She argues that more ruinously bad free trade deals only benefit the very few at a disastrous cost to the many. David Ricardo's economic theory of *comparative advantage* does not apply given the current assumptions.

As long as Trump stays true to what he has said on these key issues, Kesselman doesn't care what skeletons in closets emerge. No other candidates in either party have these stances on domestic economic issues that she perceives to be of greatest importance, so she actually doesn't care what Trump says or did in the past.

Trump and the Rise of the Unprotected

These days in America, it is thought only "regular" people

are capable of seeing the obvious... There are two types of people, the protected and the unprotected. The protected make public policy. The unprotected live in it.

The protected are the accomplished, the secure, the successful — those who have power or access to it. They are protected from much of the roughness of the world. More to the point, they are protected *from the world they have created*... They are figures in government, politics and media. They live in nice neighborhoods, safe ones. Their families function, their kids go to good schools, they've got some money. All of these things tend to isolate them, or provide buffers. Some of them — in Washington it is important officials in the executive branch or on the Hill; in Brussels, significant figures in the European Union — literally have their own security details.

Because they are protected they feel they can do pretty much anything, impose any reality. They're insulated from many of the effects of their own decisions. One issue obviously roiling the U.S. and Western Europe is immigration. It is THE issue of the moment, a real and concrete one but also a symbolic one: It stands for all the distance between governments and their citizens.

This is of course the issue that made Donald Trump.

In truth immigration is only one front in that battle, but it is the most salient... If you are an unprotected American — one with limited resources and negligible access to power — you have absorbed some lessons from the past 20 years' experience of illegal immigration. You know the Democrats won't protect you and the Republicans won't help you. Both parties refused to control the border. The Republicans were afraid of being called illiberal, racist, of losing a demographic for a generation. The Democrats wanted to keep the issue alive to use it as a wedge against the Republicans and to establish themselves as owners of the Hispanic vote.

Many Americans suffered from illegal immigration — its impact on labor markets, financial costs, crime, the sense that the rule of law was collapsing. But the protected did fine — more workers at lower wages.... the unprotected watched and could do nothing. They realized the protected were not looking out for them, and they inferred that they were not looking out for the country, either.

Similarly in Europe, citizens on the ground in member nations came to see the EU apparatus as a racket — an elite that operated in splendid isolation, looking after its own while looking down on the people. Thus, what marks this political moment, in Europe and the U.S., is the rise of the



The Future of Jihad

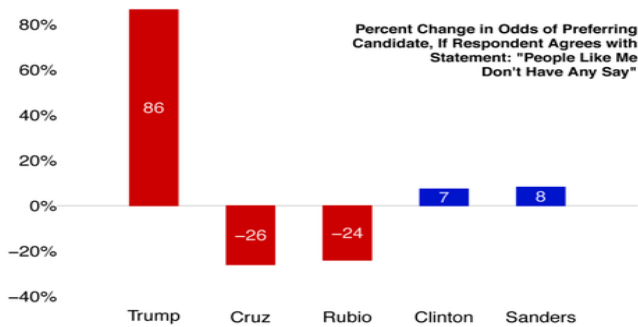
unprotected.

Trump is a flawed vessel for channeling the unprotected's cause as the Gracchi tried to do in Rome, but to many he is the best they have. That is why Kesselman supports Trump in the 2016 U.S. presidential election.

Statistical Proof

The columnist Peggy Noonan observed that Donald Trump is the Republican nominee and is the likely winner of the general election.

To support this observation, there is a statistical model created by Professor Helmut Norpoth of Stoney Brook University in New York. The model is compelling, both emotionally and logically.



It is a statistical model of presidential elections that uses a candidate's performance in their party's primary and patterns in the electoral cycle as predictors of the presidential vote in the general election. According to this model, Donald Trump has a 97 percent chance of defeating Hillary Clinton and a 99 percent chance of defeating Bernie Sanders in the general election... Norpoth's model works for every presidential election since 1912, with the notable exception of the 1960 election (Kennedy vs Nixon).

The model indicates that Trump's appeal is not just limited to well-educated white women like Kesselman.

In the final analysis, it appears there are many people like Kesselman who truly believe that Donald "Trumps" Clinton and Sanders. Come November we will see.

D. Miyoshi

THE FUTURE OF JIHAD

As the investigation continues on the downing of Egypt Air flight 804 to determine if the cause was either terrorism or a catastrophic accident or mistake, we cannot help but wonder where will the global Jihad movement take us.

In December 2010, as Americans were looking forward to the long-awaited military withdrawal from Iraq, a fruit seller in Tunisia set himself ablaze in a public market -- and with that, the Arab Spring was born.

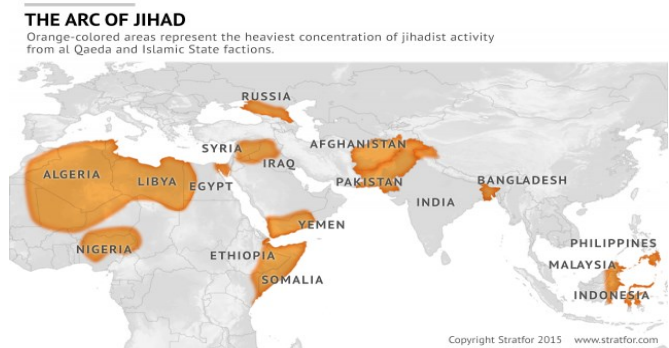
I remember with frightening clarity on January 27, 2011 my wife and I were holed up in the Ramses Tours Hotel next to Tahrir Square Cairo as the Egyptian Revolution rage outside. It was a hairy experience but we survived and so I am able to write this article on *the Future of Jihad*.

Throughout the year 2011, one strongman government after another fell in the Middle East, with chaos and uncertainty about long-term implications taking their place.

But on May 2, 2011 events took yet another turn with word that Osama bin Laden had been killed at his hideout in Abbottabad, Pakistan.

As Scott Stewart of Stratfor, the Global Intelligence service writes, May 2, 2016 marked the five-year anniversary of the U.S. raid in Abbottabad, Pakistan, that resulted in the death of Osama bin Laden. In the wake of that operation, we noted that while bin Laden's death fulfilled a sense of vengeance and closure for the 9/11 attacks, in the big picture, it was going to have little effect on the trajectory of the wider jihadist movement. A man was dead, but the ideology of jihadism was going to continue to pose a threat.

The jihadist movement has progressed closer to bin Laden's vision for the world in the past five years than it had in the almost 10 years between 9/11 and his death. An "arc of jihad" now spreads from West Africa through the Middle East and into Southeast Asia. Reflecting on bin Laden's demise provides a reminder not to lose sight of the forest — the wider jihadist movement — by focusing on the trees — individuals and groups.





The Future of Jihad

The Vision

Bin Laden aspired to a world ruled by a Muslim caliph who would be guided by the principles of Sharia. To get there, he envisioned the establishment of a series of Islamic emirates practicing "true Islam" that eventually would expand into a global caliphate. Until his death, bin Laden maintained that jihadists should focus primarily on attacking what he termed the far enemies — the United States and its "European crusader allies." He believed that until they were driven out of the Muslim world, it would be impossible to establish such emirates because the United States and its allies would overthrow "true Muslim" leaders as they did Mullah Mohammad Omar and the Taliban in Afghanistan. Furthermore, unless the far enemies were stopped, they would continue to support the "apostate" governments, such as those in Saudi Arabia and Pakistan, that did not share bin Laden's interpretation of Islam.

Bin Laden's strategy centered on use of spectacular terrorist attacks to draw the United States into invading the Muslim world. He believed that once the United States invaded, Muslims would be compelled to join a defensive jihad to fight the "crusader armies" in a long war of attrition. Bin Laden believed that this action would lead to the collapse of the U.S. economy and government in much the same way he believed the jihad in Afghanistan had precipitated the collapse of the Soviet Union. In his plan, once the United States and its allies were defeated, local uprisings would be able to overthrow the corrupt governments in the Muslim world, clearing the way for the global caliphate to rise.

Realizing the Vision

Bin Laden and al Qaeda's early attacks against the United States such as the 1993 World Trade Center bombing, the 1998 East Africa embassy bombings and the failed Millennium bombing plot did not provoke the desired U.S. response. But the spectacular 9/11 attacks certainly struck the proper chord, prompting the United States to invade Afghanistan in 2001 and topple the Taliban government. The reaction was fierce and fast, and a large number of al Qaeda and other foreign jihadists fled Afghanistan. Many settled in the friendlier confines of Pakistan's wild Pashtun areas, while some fled to other havens in the region. Abu Musab al-Zarqawi and his followers relocated to northern Iraq, a lawless region that had thrown off the yoke of Saddam Hussein's rule.

But the stricken American behemoth was not finished. In 2003, the United States invaded Iraq and toppled Saddam, who had absolutely no connection to the 9/11 attacks. This proved a boon to the jihadist cause. While Afghanistan was a relative backwater, Iraq was seen as the heart of the his-

torical Muslim world, and therefore alluring to those wanting to fight a defensive jihad. It also helped that Iraq was wedged between Iran and Syria, two countries hostile to the United States that would aid jihadists in their efforts to bleed the United States and drive its troops out of the region.

Iraq quickly became a jihadist magnet, and as money poured in, the number of foreign fighters traveling there rapidly surpassed the number that were in Afghanistan. This infusion of men and cash (Iraq was already awash with weapons) helped dramatically increase al-Zarqawi's profile. He merged his Jamaat al-Tawhid and Jihad group into al Qaeda, but as we have noted since 2005, the marriage was precarious from the beginning.

Other jihadist groups adopted the al Qaeda ideology and even its brand name, and soon there were franchises in Saudi Arabia, Yemen and Algeria and sympathetic or aligned groups in the Philippines, Indonesia, Somalia and Nigeria. Grassroots cells and lone attackers sprung up across the globe. Some groups conducted noteworthy attacks in places such as Bali, Madrid and London. But mostly, jihadists did not make any appreciable headway and struggled merely to survive. The places where jihadists were able to thrive were mostly wild or ungoverned, such as along the Afghanistan-Pakistan border and in Somalia, the deserts of the Sahel and Yemen, and the Indonesian/Philippine archipelago.

Even though al-Zarqawi's group had proclaimed an "Islamic State in Iraq" a few months after his death in 2006, by 2010 the group had been severely damaged and was in danger of annihilation. But 2011 was about to bring dramatic change. First, the United States was in the middle of a drawdown that would remove all U.S. troops from Iraq by December 2011. Second, events in Tunisia in December 2010 sparked a regional uprising, later called the Arab Spring. The wave of protests that broke across the region would not only result in the overthrows of rulers such as Tunisia's Zine El Abidine Ben Ali, Egypt's Hosni Mubarak, Yemen's Ali Abdullah Saleh and Libya's Moammar Gadhafi, but also led to civil wars in Libya, Syria, Yemen and Mali. Even in countries such as Tunisia and Egypt where the existing order was not overthrown, the uprisings would provide room for jihadist groups to gain a foothold and grow.

But in most places, the Arab Spring itself did not inspire the growing acceptance of jihadist ideology as much as the failure of democratic reform efforts and the government counteractions that threw many into the arms of the jihadists. When nonviolent protests are met with violence, it is hard to keep protesters from responding in kind, and that





War with China

is what happened in Syria, Libya, Yemen and even Iraq, where Shiite authority violently put down Sunni protests. This spiral of violence provided a recruiting bonanza for jihadist groups.

This created a no-win situation for the United States and its allies. They intervened on the side of the crowds in Libya and helped smash Libya's army, plunging the country into anarchy as fighting erupted along regional, tribal, religious and ethnic lines (to this day Hillary is being criticized for this outcome). In Syria, the United States and its allies helped equip and train anti-government forces but did not directly intervene as in Libya. Nevertheless, Syria still fell into the same sort of chaos, and jihadists have benefitted greatly from the resulting civil war. Syria became such a large jihadist prize that a nasty fight erupted over who would control the jihadist movement there, leading the Islamic State (ISIL) to break from al Qaeda and engage it in open combat.

The division would eventually spread globally, with the Islamic State (ISIL) and al Qaeda each competing for primacy — and ideological control of the jihadist movement. In Libya, Somalia and Afghanistan, this struggle has shifted from ideological battles to armed conflict. In many ways this struggle mirrors those waged between Marxist and Maoist ideologues for the leadership of the communist world. It is hard to see an end to the Islamic State-al Qaeda conflict, and we are skeptical of claims that al Qaeda and the Islamic State could eventually patch up their differences and reunite.

The Future

People and governments alike tend to focus on personalities such as bin Laden and self-declared caliph Abu Bakr al-Baghdadi, and groups such as the core of the al Qaeda and the Islamic State organizations. In fact, governments struggle greatly in combatting more amorphous targets, such as movements and ideologies. But there is a danger that by focusing on the trees, one can miss the forest.

Certainly, governments must continue to apply all the tools of counterinsurgency and counterterrorism against these jihadist groups and their leadership, but it is also crucial to recognize that the world simply cannot kill or arrest its way out of this problem. The broader jihadist movement, whether inside the arc of jihad or in other parts of the globe, will continue to pose a threat until the ideology of jihadism is defeated as Marxism and Maoism largely were. The struggle is going to require strong U.S. leadership and cooperation from an array of regional allies and alliances. The question remains, will the U.S. have this leadership?

Despite the internal al Qaeda/Islamic State conflict, overall

the jihadist movement is larger and casts a wider shadow now than it ever has. The number of foreign fighters who have flocked to Syria, Libya and elsewhere in recent years has far surpassed the number of fighters who made similar jihad pilgrimages in past decades.

The realization of bin Laden's dreams is nowhere close, but the jihadists' utopian vision of a just and secure society ruled under Sharia remains especially appealing to Muslims who are living under a dictatorship, kleptocracy, or anarchy in the case of Afghanistan after the fall of the Mohammed Najibullah administration. However, this utopianism quickly fades once it meets reality. People who have lived under jihadist rule in Afghanistan, Yemen, Mali, Libya, Somalia and Syria have learned that oppression and corruption do not disappear in a jihadist society — they merely take on a new form. Jihadist polities have consequently proved to be unpopular and short-lived, and the jihadist dream of creating lasting emirates is clearly more delusional than practical.

The modern form of jihadism that bin Laden helped nurture and propagate will eventually be relegated to history's rubbish bin of failed ideologies where it will languish next to Marxism and Maoism. But until that happens, jihadists will continue to kill and destroy, much like the communists who went before them. The death and destruction that jihadists will leave in their wake as the ideology withers will be his true legacy.

Today, the U.S. remains the bulwark of Western civilization and as such, unfortunately it still has much to persevere. As the famed Harvard historian Samuel Huntington wrote of the looming clash between Christianity and Islam in his classic work *A Clash of Civilizations*, the jihadists are looking to Allah for deliverance against their avowed enemies while the West seeks its liberation and ultimate salvation through their singular faith in God.

As we are wont to say in the U.S. 'May God Help Us.'

D. Miyoshi

War with China

In my lifetime, there is one undisputable fact - DURING THE 1950'S THE U.S. RULED THE WORLD (.....and things have gone downhill from there).

I had the privilege of serving in the U.S. Marine Corps



War with China

and when a Marine talks about war, he is usually referring to the kind involving bullets, not money (economic) or goods (trade). That's the type of war I am referring to in the title to this article which is inspired by a recent report written by economic prognosticator Jason Simpkins.

In his report Simpkins writes that the prospect of an actual war-war, a military confrontation, involving the U.S. and China - has gone from hypothetical to very real.

And both sides are to blame for this escalation.

There is no doubt that China's one-party, communist government leans on its rivalry with the United States to solidify public support, distract from domestic issues, and further its global agenda.

It is equally obvious that the U.S. government does the exact same thing. Indeed, the "China bogeyman" is extremely useful to the Pentagon, defense contractors, and hawkish politicians.

The problem is, beneath all the propaganda, there's a legitimate confrontation brewing. And the nexus of that conflict is the South China Sea, where tensions continue to spiral out of control.

In the latest row, in mid-May the U.S. decried an "unsafe" intercept operation two Chinese fighters carried out against an American spy plane.

According to the Pentagon, the reconnaissance aircraft was on a routine patrol flying over the South China Sea. There, it was intercepted by two Chinese J-11 fighters that came within 50 feet of the Navy EP-3E Aries aircraft.

The altercation was reminiscent of an incident in 2014 when a Chinese fighter pilot flew acrobatic maneuvers around a U.S. spy plane, and another more dangerous clash in 2001.

You might remember, 15 years ago, an intercept of a U.S. spy plane by a Chinese fighter jet resulted in a collision that killed the Chinese pilot and forced the American plane to make an emergency landing at a base on Hainan. The 24 U.S. air crew members were held for 11 days until Washington apologized for the incident.

Furthermore, the mid-May dispute came a week after China scrambled fighter jets to pick off the USS William P. Lawrence, a guided-missile destroyer, sailing near a disputed reef in the region. And it was just days before President Barack Obama traveled to Asia for a Group

of Seven summit in Japan, visiting Hiroshima to bur-nish his global peace maker image and later to make his first trip to Vietnam, where to the ire of the Chinese, he announced a lifting of an arms embargo.

Back on April 26, the U.S. Department of Defense released its annual report on China's military to Congress, which Beijing claimed was "full of prejudice against China" and "made unfounded accusations."

Clearly, neither China nor the United States are truly interested in de-escalation. And the relationship between the two countries is only getting worse.

So in a sense, a war with China isn't just inevitable — it's already taking place.

Sea of Tension

The main theater of conflict is the South China Sea.

You see, China has claimed virtually all of the South China Sea as its own, ignoring the claims of its smaller neighbors — Vietnam, the Philippines, Malaysia, and Brunei — and trampling the maritime boundaries established by the UN.



The area is important for three reasons:

- It has resources, including fish, natural gas, oil, and minerals.
- It is a massive shipping corridor, as half the world's seaborne cargo passes through.
- It's a valuable buffer for China's defense.

Recently, China advanced its claim by creating more artificial islands. In just two years, China has expanded these islands by 2,000 acres. It's also outfitting them with harbors, airstrips, military barracks, and even drill-

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ing for oil.

Last year, a U.S. spy plane, the P-8A Poseidon surveillance jet, flew over the Spratly Islands. It filmed early warning radar, military barracks, a lookout tower, and a runway long enough to handle every aircraft in the Chinese military on an expanded Fiery Cross Reef.

Hence, the U.S. argument that China is militarizing the South China Sea.

In response to that claim, China has accused the U.S. of doing the same — and it is.

In March, the U.S. announced it would deploy conventional forces to the Philippines for the first time in decades, utilizing five Filipino military bases.

That's in addition to the sizable presence the U.S. already maintains in the region.

This is what China means when it accuses the U.S. of containment.



The U.S. continues to challenge China's claims by actively patrolling the region with spy planes, bombers, and destroyers.

When the Poseidon made its flight, it blatantly ignored eight warnings from the Chinese military to vacate the area.

And last fall, the USS Lassen, another guided-missile destroyer, went within 12-mile limits of the islands China claims are its sovereign territory. It was shadowed by the Chinese navy the whole way.

The Pentagon said such "freedom-of-navigation" patrols would become more frequent, despite China's uproarious objections.

"If the United States continues with these kinds of dan-

gerous, provocative acts, there could well be a seriously pressing situation between frontline forces from both sides on the sea and in the air, or even a minor incident that sparks war," warned Chinese Navy chief Admiral Wu Shengli.

Communist media mouthpieces are blaring, too.

"If the United States' bottom line is that China is to halt activities, then a US-China war is inevitable in the South China Sea," read a recent editorial in China's *Global Times*. "We do not want a military conflict with the United States, but if it were to come, we have to accept it."

And after the latest incident, the paper suggested:

Beijing ought to carry out anti-harassment operations... should first track US warships. If they, instead of passing by, stop for further actions, it is necessary for us to launch electronic interventions, and even send out warships, lock them by fire-control radar and fly over the US vessels.

Still the U.S. remains defiant.

Vice President Joe Biden even commented on the issue directly during his commencement speech at the U.S. Naval Academy:

In the disputed waters of the South China Sea, the United States does not privilege the claims of one nation over another, but we do unapologetically stand up for the equitable and peaceful resolution of disputes and for the freedom of navigation, and today these principals are being tested by Chinese activities in the South China Sea.

U.S. foreign policy is rebalancing toward the vast potential of the Asia-Pacific region, but we can't succeed if you don't show up. That's why 60% of the United States Naval Forces will be stationed in the Asia-Pacific by 2020.

Arms Race

Now, the South China Sea isn't the only place that China's military is mobilizing.

According to the DoD, China has unveiled sweeping organizational changes to its military. These reforms aim to strengthen the Chinese Communist Party's control over the military and improve its ability to fight in high-intensity regional conflicts at greater distances from the Chinese mainland.

Furthermore, China is seeking to leverage its growing



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Advancing in a Time of Crisis



Financial Crisis Report



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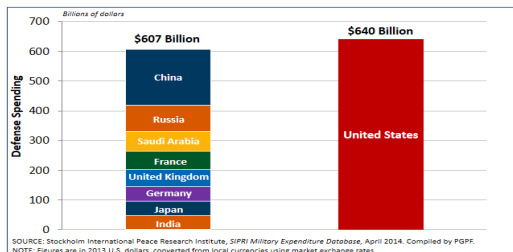
military might to establish regional preeminence and expand its international influence. This is essential to achieving "great power status" and what Chinese President Xi Jinping calls the "China Dream" of national rejuvenation.

As a result, China is boosting military spending and modernizing its forces to counter all military resistance to its objectives, including that of the United States.

China's official military budget grew at an average of 9.8% per year in inflation-adjusted terms from 2006 through 2015.

Its submarine bases on Hainan (where the EP-3E Aries aircraft was recently intercepted) are home to an expanding fleet of nuclear-armed submarines.

The Chinese navy will likely comprise more than 400 ships by 2030. And the country's air force has expanded to 3,010 operational aircraft. That's still roughly only one-fifth the size of the U.S. 13,717 aircraft across the four services (including the U.S. Marine Corps), but is enough to mount a serious defense to the U.S.



Meanwhile, in the U.S., despite what we hear in the conservative press, military spending continues to dwarf that of the developed world. All told, the U.S. spends more than China, Russia, France, the

U.K., Germany, India, and Japan combined. With ongoing conflicts like Libya and Syria in the Middle East, and a re-emergent Russian threat in Europe piling onto the increased threat from China, this is likely to rise further.

For that reason, defense contractors like Lockheed Martin (NYSE: LMT), General Dynamics (NYSE: GD), and Northrop Grumman (NYSE: NOC) remain strong investment candidates (not to mention gold).

As you're no doubt aware, the economies of the United States and China are very much entwined. China holds more than \$1 trillion in U.S. debt. And its manufacturing hubs are crucial suppliers for American merchants.

A war between China and the U.S. would do catastrophic and unpredictable damage to that relationship, and almost certainly drive investors into safe havens such as gold, precious commodities and strategically placed war connected investments such as selected defense contractors and war related material resources.

This may be déjà vu for us Vietnam veterans, but we must once again become focused on what's happening in the Asia/Pacific region.

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