



Financial Crisis Report

Written and Edited by David M. Miyoshi

Advancing in a Time of Crisis

Words of Wisdom: “Never let a good crisis go to waste”

Rahm Emanuel

Inside this issue:

1. Cover-up of the Las Vegas Shooting?
2. If North Korea Nuked LA
3. Monsanto, Creator of Conveniences or Curses?
4. Japan vs China

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.

Cover-up of the Las Vegas Shooting?

What happens in Vegas stays in Vegas.

On October 1, 2017 the worst shooting in U.S. history occurred in Las Vegas. The police stopped the attack in seeming heroic fashion.

The basic narrative is that Stephen Paddock of Mesquite Nevada checked into room 135 on the 32nd floor of the Mandalay Bay Hotel. Over a period of 5 days he brings more than 10 suitcases to the two-room suite. On the last day of the Route 91 Harvest Festival concert held on a 15-acre concrete lot across the street from the hotel, with 22,000 people in attendance, Paddock breaks two windows and using semi-automatic rifles along with “bump stocks” to facilitate firing of the guns fires down at the concert crowd killing 58 and injuring more than 500 people. After Paddock begins firing on the crowd, he is interrupted by Jesus Campos a hotel security guard. Paddock shoots through the door presumably hitting Campos in the leg. Campos calls for back up. The police manage to breach Paddocks room 72 minutes after the shooting begins finding Paddock dead. Despite the heroic actions of many, the investigation and reporting that followed by the police, the FBI and the mainstream media seemed canned and contrived. It sounded like the tired classic narrative of a crazed person who goes on a shooting rampage. Evidence in the form of analyzed videos and sound recordings indicate there were more than one shooter. However, the police, FBI and the mainstream media continue to insist that Paddock was the only shooter.

Not being satisfied by these reports, I conducted some investigation and discovered some interesting variants in alternative media sources in print and on the internet. Of course, we should not treat any variant news as undisputed fact but only consider it along with other supportive evidence.

With that proviso, here is what I found:

Interestingly, the FBI offered little information on the investigation.

At the first news conference, the Clark County Sheriff Joe Lombardo asked the reporters to be patient because there are certain matters that cannot be disclosed at the time. For some reason he appeared very nervous and agitated. Aaron Rouse the FBI special agent in charge of the Las Vegas office appeared bothered by the questions asked of him.

On Oct 9, 2017 Julian Assange of *Wikileaks* issued a statement that it is well documented and not a secret that terrorist plots are (still) relatively rare and because of that oftentimes terrorist incidents are purposely created as a business model by the FBI to justify the FBI’s existence. To accomplish this the FBI would find a mentally deranged individual and supply him with guns or other forms of weapons and encourage him to plot an attack and then step in at the last moment to thwart it and gain the credit for preventing a crime.

Commentator Alex Jones reports that there is a major cover-up of the shooting that is frustrating state and federal-level investigators who are being road blocked by deep state insiders.

Paddock had been radicalized, either for real or as part of a cover as he had the hallmarks of an intelligence agency cutout.



Cover-up of the Las Vegas Shooting?

Paddock has been taking Valium, a medication used to calm a person, creating speculation that he had a mental disorder.

Paddock worked for a major aerospace company which had connections with Skunkworks – and he held an instrument rated pilot license.

Several videos reveal the sounds of multiple weapons firing at the same time while the media insists there is only one shooter.

Paddock was spending millions of dollars a year as an “apartment complex manager” while traveling the world and was a frequent guest at casinos – and, interestingly, casinos are one of the few legal places where someone can still launder money. One exchanges money for chips, no questions asked, and even if one loses 20% or 30% from gambling, the casino gives you the rest of your money back when you turn in your chips.

Evidence suggests that Paddock was a gun runner for an intelligence agency, which would explain all the guns and the other aforementioned oddities surrounding the shooting. Even his radicalization would still fit into that narrative – remember, former CIA Director John Brennan was rumored to have converted to Wahhabism.

Sheriff Lombardo neither confirmed or denied that Paddock was a government agent.

When the shooting starts, the spotlights are suddenly turned on illuminating the crowd (during the concert the crowd is in darkness).

The security guard Jesus Campos checks a ringing door alarm and apparently disrupts Paddock, causing him to shoot through his door and allegedly hitting Campos in the leg. Campos reports to his superiors he has been shot and gives them his location. However, there is no indication his superiors call the police. Later Campos inexplicably flees from arranged interviews with five major TV networks. Records show he enters Mexico two days after the shooting. He later resurfaces on the Ellen Degeneres show (which is sponsored by MGM International, the owner of the Mandalay Bay Hotel) and is subjected to a very soft ball interview by Degeneres. She states that because Campos has been traumatized by the shooting, this will be the only interview he will undergo.

When Paddock broke the windows to his room, no alarms go off.

It takes the police 72 minutes from the time the shooting begins to breach the hotel room (although the shooting had only gone on for around 10 minutes)

Antifa materials are found in Paddock’s room.

The only video of Paddock shows him in 2011 when he slipped and fell at the Las Vegas Cosmopolitan Hotel and after that he is suddenly in a room with security agents just waiting around together (this lack of video is strange when Las Vegas hotels video everything).

The Las Vegas Sheriff has said they may have overlooked a source that could have “radicalized” Paddock.

Paddock has gone back and forth between the Philippines and the Mideast.

There is no proof or video showing Paddock ever registered at the Mandalay Bay Hotel.

Tannerite explosives found in Paddock’s car may have been used in a previous New York City bombing.

There is some doubt whether Paddock committed suicide.

The Las Vegas Sheriff said Paddock may not have acted alone.

The concert crowd was largely Trump supporters.

There was a gunman shooting at the same time at or near the Bellagio Hotel in which there is video showing disconcerted people in the lobby.

Former Trump campaigner James Brower says there is video of Paddock pledging allegiance to ISIS.

The direction of shooting from the Mandalay Bay Hotel to the concert is the direction to pray to Allah.

The direction of shooting from the Blackstone Chicago Hotel to the Lalapalooza concert (planned by Paddock but did not happen) is the direction to pray to Allah.

The direction of shooting from the Ogden Hotel to the concert (Planned by Paddock but did not happen) is the direction to pray to Allah.

Several survivors of the shooting have mysteriously died since the shooting. Dennis and Lorraine Carver of Murrieta California die in





Cover-up of the Las Vegas Shooting?

their Mercedes when it suddenly crashes and bursts into flames near their home.

Survivor Kimberley Suchomel, 28 who describes her experience in detail on Facebook passes away at her Apple Valley California home of “natural causes”.

A young man who helps Paddock carry some cases into the hotel is mysteriously shot and killed in front of a church.

NOW, WHY WOULD PADDOCK (AND/OR HIS ACCOMPLICES) COMMIT THIS HEINOUS ACT?

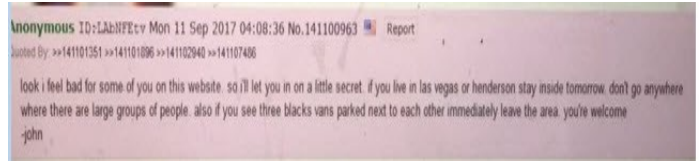
The possibility of a government cover up

One scenario would be that the FBI, believing that Paddock (who may have been a government agent) was mentally deranged, began a while ago supplying him with guns and money to create the image of a successful yet unsocial accountant and real estate investor who was mentally unstable who finally cracks under the strain and tries to kill many people. Perhaps, due to lax observation, the FBI loses control and Paddock goes on a rampage that the FBI is unable to stop. This could explain why the FBI agent at the initial public interview was reluctant to go into any detail that was at variance to the standard narrative of a single shooter Paddock who went on a rampage without any apparent motive to kill as many people as possible. It is strange that the FBI assembled the smart phones of the Highway 91 Harvest Concert workers and when the phones are returned the workers discover they have been wiped clean. Aaron Rouse the FBI special agent may be one of the few persons who actually knows why the shooting occurred but appears quite reluctant to reveal any special information at this time. It’s almost as if he is ashamed.

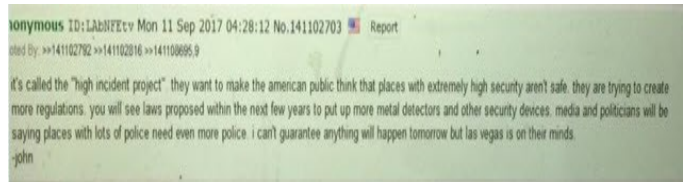
The possibility of a private cover up

The possibility of a private cover up could be possible evidenced by a video published by *Truth Stream Media (TSM)*. They ask the key question who benefits from this act (Cui Bono)?

The day before the shooting on the website called “If Anything Happens Tomorrow, False Flag Level Alpha Anonymous” there was a message that was posted one second before midnight of 9/11 by a person called John. The message states “look I feel bad for some of you on this website so I’ll let you in on a little secret if you live in las vegas or henderson stay inside tomorrow don’t go anywhere where there are large groups of people also if you see three black vans parked next to each other immediately leave the area you’re welcome – john” (see image of message below)



Some people asked what John meant and he replies in the same website “it’s called the “high incident project” they want to make the American public think that places with extremely high security aren’t safe, they are trying to create more regulations you will see laws proposed within the next few years to put up more metal detectors and other security devices media and politicians will be saying places with lots of police need even more police I can’t guarantee anything will happen tomorrow but las vegas is on their minds – john” (see image of message below) If this posting was written weeks before the shooting, then Paddock was not the only one in the world who knew what was going to happen. This is indicative of some form of collusion taking place. Given that it took Paddock years to acquire the guns that he used, along with his retiring nature, we must wonder about the possibility of mind control (ala “*The Manchurian Candidate*”).



The rationale for the shooting given by *Truth Stream Media* is very logical. Basically, they are saying if you take one of the most highly secured cities in the world (Las Vegas) and have this kind of carnage happen there, then the logical political move would be to pass laws that would require security machines to be emplaced into all hotels.

John goes on to say “if their plan is successful state of Nevada will pass a law in the future making all casinos have mandatory metal detectors and backscatter machines soon after a federal law will be passed to put these machines in universities, high schools, federal buildings, you name it osi systems and chertoff are the main producers of these machines sometime around 2020 chertoff and osi will merge into a single company after they merge the owners will sell off all their stock and make billions in profit mr chertoff has been in contact with sheldon adelson mr adelson will become a huge sponsor of these machines and he will be the first to put them in his casinos when the law passes this is my last message for now don’t expect me to return anytime soon – john”



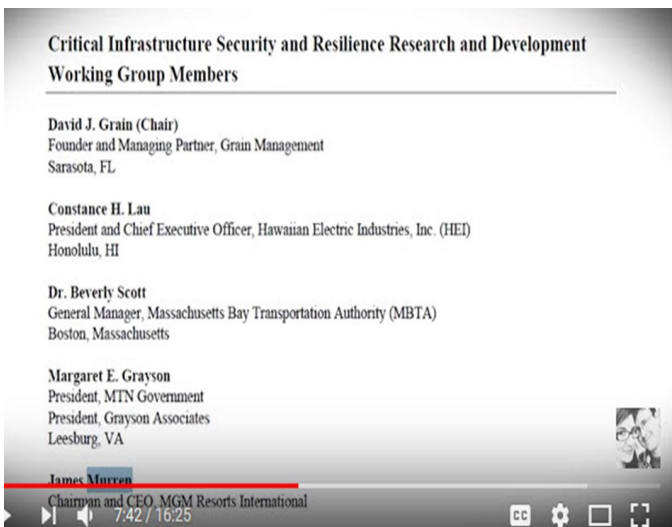
If North Korea nuked LA

Anonymous ID: LABHFEZv Mon 11 Sep 2017 04:55:53 No.141104921 Report

if their plan is successful state of nevada will pass a law in the future making all casinos have mandatory metal detectors and backscatter machines. soon after a federal law will be passed to put these machines in universities, high schools, federal buildings, you name it. osi systems and chertoff are the main producers of these machines. sometime around 2020 chertoff and osi will merge into a single company. after they merge the owners will sell off all their stock and make billions in profit. mr chertoff has been in contact with sheldon adelson. mr adelson will become a huge sponsor of these machines and he will be the first to put them in his casinos when the law passes. this is my last message for now. don't expect me to return anytime soon

-john

If you will recall back when the underwear bomber occurred, Chertoff who had been Department of Homeland Security secretary from 2005 to 2009 was running the Chertoff Group a private security agency and when the underwear bomber happened Chertoff gave dozens of media interviews touting the need for the federal government to buy more full-body scanners for airports. It then came out that one of his main clients was OSI. OSI owns RapiScan the maker of the body scan machines. By the way OSI is run by Deepack Chopra, a large Democratic supporter who was significant enough a person to accompany president Obama to India to promote trade between India and the U.S. On top of that James Murren, the CEO of MGM International, the owner of the Mandalay Bay Hotel also just happens to be a sitting member of the National Infrastructure Advisory Council and member of the Critical Infrastructure Security and Resilience Research and Development Working Group that writes reports to advise on how to get regulations passed to put in security technology infrastructure such as...well body scanning machines. These reports cover such things as how to make such machines affordable for shareholders who invest in casinos and how to make such technology acceptable by the companies.



Now president Trump knows all these people and happens to also own his own hotel and casino on the other side of the strip. You remember the GOP debates which was sponsored by Mr. Adelson who asked the candidates what they would do about National Security and of the candidates, you will remember that Trump was the most forceful about what he would do about security.



After the Las Vegas shooting incident, you will notice that the news, while covering the usual gun control discussions, seemed to concentrate more on how hotels needed to advance their security measures.

U.S.

Las Vegas Massacre Raises Questions About Hotel Security

October 2, 2017 - 3:28 PM ET

ISABEL DOBRIN TANYA BALLARD BROWN



So, to answer the question why did the shooting happen we first should ask who benefits (Cui Bono)?

If you notice that Nevada begins to pass new regulations requiring body scan machines in hotels and casinos, then you should begin questioning who is involved?

There are many "coincidences" that happen in life for a reason. This is not to say that the specific persons mentioned in this analysis either directly or indirectly knew about or caused the shooting. But it does outline a method we use to arrive at a conclusion as to why it happened. At Harvard Business School our cases almost always involved individuals acting in a way to either benefit themselves or those they favor or to harm those they do not.

And so the beat goes on*

D. Miyoshi



If North Korea nuked LA

*Because of the evil and tragic nature of this criminal act, no financial or investment advice or comment will be made concerning it.

If North Korea nuked LA

I have lived most of my life in Los Angeles and have come to really appreciate all that it offers. Although it doesn't offer the cosmopolitan ambiance of New York, the stately grandeur of London, the panache of Paris, or the exoticism of Tokyo, it's very comfortable and its home. And with Hollywood nearby, it may be the most influential cradle of American culture on the planet.

So, when Kim Jong-un boasted that North Korea now has a hydrogen bomb that can be carried by a missile that can reach the West Coast of the U.S., I listened up. It's somewhat ironic that the two nuclear bombs dropped on Hiroshima and Nagasaki were codenamed "Little Boy" and "Fat Man" respectively. I think of Little Boy as a fitting psychological description of Kim while Fat Man is an accurate physical description of him.

I trust that president Trump takes the boasts of the Fat Man seriously (he calls him "rocket man" on occasion). I live near Trump's golf club so I think I should write the president a postcard to remind him the location of this club. Who knows, the 18th hole may be where the Fat Man has placed the cross hairs of his missile.

Anyway, with my attention turned to the almost unthinkable annihilation of what I know as home, I found an article dated August 31, 2017 written by Loren Thompson of Forbes about what a single nuclear warhead could do to Los Angeles. Being a glutton for punishment, I present Ms. Thompson's article here.

The article is entitled "What a Single North Korean Nuclear Warhead Could Do To Los Angeles"

The government of North Korean dictator Kim Jong Un continues to test ballistic missiles capable of delivering nuclear warheads against distant targets. In July, Pyongyang demonstrated its missiles can reach the West Coast of the U.S., and perhaps deeper into the American heartland. In the aftermath of this week's missile launch over Japan, President Trump has again warned of harsh consequences if North Korea does not desist, but as today's Washington Post puts it, "there was no indication Kim was intimidated by the White House reaction."

These rhetorical exchanges have been going on for many years — at least since the North exploded its first nuclear device in 2006. Yet despite abundant evidence of the progress Pyongyang's program is making, there has been almost no public discussion of what a North Korean nuclear attack might mean for a major American city. Perhaps pundits don't think Kim would ever have a reason to launch

such a suicidal attack, or that U.S. missile defenses in Alaska and California could intercept the handful of long-range weapons he controls.

However, there are no guarantees. The main rationale behind North Korea's nuclear program is to deter challenges to the power of the Kim family's hereditary dictatorship. That requires holding at risk targets of great importance to potential attackers, particularly U.S. cities. It is not hard to imagine how this strategy might go awry in a military crisis, given Kim's peculiar combination of arrogance and insecurity. It is also not hard to imagine the under-funded U.S. missile defense system failing to be 100% effective.



One North Korean nuclear weapon could destroy or render permanently uninhabitable all of the buildings in the Los Angeles financial district and adjoining Civic Center.

So perhaps Washington should start thinking in more concrete terms about what it will mean for America when North Korea's unpredictable leader has a missile force and arsenal of warheads capable of destroying major U.S. urban centers, because that day is not far off. Let's consider what a single North Korean warhead delivered against downtown Los Angeles might mean for that city, and for the nation.

Why Los Angeles? Because in the jargon of military planners, it is the most "lucrative" U.S. target within reach of Pyongyang's missiles. With a metropolitan population of over 13 million, L.A. is America's second biggest city, the biggest U.S. manufacturing center west of the Mississippi, and the de facto capital of our popular culture. Its productive output is two dozen times greater than that of all North Korea, making it an engine of growth for the U.S. economy. So L.A. is precisely the sort of target Pyongyang would want to hold at risk.

Monsanto, creator of conveniences or curses?

Assume, if you will, that the U.S. at some time in the future elects to undertake military action against North Korea aimed at removing Kim's regime. Imagine that by the time that fateful decision is made, the North has a dozen nuclear-armed intercontinental ballistic missiles capable of reaching the U.S. West Coast and hitting within a quarter mile of intended targets. Pyongyang might at that point launch some or all of its missiles, and Los Angeles would be high up on the list of likely targets. What would the consequences be?



The red spot on this map marks the approximate location of ground zero in the nuclear detonation described here.

I'll postulate that only one missile manages to penetrate U.S. defenses, and that its payload consists of a single thermonuclear warhead in the 500 kiloton range. 500 kilotons — the equivalent of 500,000 tons of conventional high explosives — was a typical yield for Russian missile warheads built during the closing days of the Cold War, and Pyongyang has undoubtedly secured designs for constructing such weapons. So let's say that one weapon detonates a mile above the obvious aim point, the L.A. Civic Center and financial district in the downtown area.

All of the structures within a half mile radius directly under the point of detonation would be either totally destroyed or rendered permanently unusable. That would include City Hall, the Federal Building, the L.A. County Courthouse, and the police headquarters in and around the Civic Center. It would also include all of the city's tallest commercial buildings in the adjacent financial district and Bunker Hill neighborhood, including such iconic structures as the Wilshire Grand, U.S. Bank Tower and Aon Center. All gone within a few minutes.

But that is just the zone of total destruction, stretching out to a radius where "overpressures" generated by the nuclear fireball's shock wave reach 25 pounds per square inch or greater. That's 25 psi above the ambient sea-level pressure of 14.7 pounds. According to the most authoritative source on the topic, damage from overpressure begins at only a half-pound above ambient levels, so there would be a much greater area of heavy (but not total) damage stretching out three miles from ground zero.

That's the distance to which overpressures of 5 psi would extend. The blast wave of displaced air, which can generate winds of hundreds of miles per hour near ground zero, constitutes about 50% of all the energy released by a nuclear explosion within the atmosphere. But then there is the 35% of energy released that is thermal, which would spawn hundreds of fires out to a radius of six miles — roughly from Glendale in the north to Watts in the south, and from West Hollywood to East Los Angeles. Many if not most of the people in this area would be killed or injured.

Unfortunately, those are only the grossest and most visible consequences of a nuclear explosion. There would also be prompt and delayed radiation effects — the latter in the form of "fallout" that could be carried many dozens of miles by prevailing winds — and there would be an electromagnetic pulse capable of disabling delicate electronic devices to a distance of several miles in every direction. Even looking at the fireball from as far away as Burbank or Torrance could be permanently impairing, since it would appear many times brighter than the sun.

There's no good news in this story, but the fact that L.A. is spread out over 500 square miles and consists mainly of low-rise buildings would tend to mitigate damage compared to a detonation over, say, Manhattan. Nonetheless, there would likely be over a million casualties of one type or another, and virtually every critical network — the electric grid, medical services, law enforcement, etc. — would collapse within a few miles of downtown. Organizing first responders with the core of city government gone would be very difficult.

The bottom line here is that a dangerous and unpredictable dictatorship is about to acquire the capacity to visit unprecedented destruction on one (or more) of America's most important urban centers. At the very least, Washington needs to bolster the missile defenses it has constructed to intercept a North Korean attack, and fast. But it also needs to think seriously about offensive military action to defeat the rising danger before fear of nuclear retaliation narrows its options and negates the value of its conventional military forces.

D. Miyoshi

Monsanto, creator of conveniences or curses?

Back in the bronze age, my father would treat me to a tour of a new wonder of the world called Disneyland in Anaheim California. In the "Happiest Place in the World" my favorite "land" was Tomorrowland and one of the memorable attractions in there was the Monsanto House of the Future. The attraction offered a tour of a home of the future set in the year 1986.

Monsanto, creator of conveniences or curses?



Photo courtesy Orange County Archives

The design and engineering of the house was done jointly by Monsanto, Massachusetts Institute of Technology and Walt Disney Imagineering. The house featured household appliances that seemed to effortlessly do their chores including a “microwave oven.” In those years I thought Monsanto was truly a company that crafted dreams.

But fifteen years later, I was instead to discover that the company actually created nightmares, especially for Vietnam Veterans.

You see the company had a big hand in producing Agent Orange — a defoliant chemical used by the United States in the Vietnam War. If one had set foot on Vietnam soil during the Vietnam War (no matter how brief) and contracted prostate cancer, that person would be automatically cleared for treatment by the Department of Veterans Affairs.

Monsanto also sold DDT, PCBs, the controversial dairy cow hormone rBGH and the cancer-linked aspartame sweetener.

Yet scientific perversions abound...

Monsanto is in the headlines again because a key ingredient in its Roundup weed-killer glyphosate is now officially “known to cause cancer.” (really?)

“The listing is the latest legal setback for the seeds and chemicals company, which has faced increasing litigation over glyphosate since the World Health Organization's International Agency for Research on Cancer said that it is ‘probably carcinogenic’ in a controversial ruling in 2015.” — reports the Reuters newswire.

But, despite the seemingly endless negativity, Monsanto shares have outperformed the S&P 500 by a full percentage point this year.

Such is an indication that the market expects further growth.

So, what will Monsanto’s latest Frankenstein look like?

Well, the bloodhounds picked up the scent...

Below are two of the most disturbing products from Monsanto yet.

Monsanto has a wonderful plan for American farmers.

As you know, weeds are some the biggest threats to crops.

Monsanto’s genetically modified seeds already produce crops that are resistant to harsh weather and herbicides.

In fact, 90% of GMO soybean seeds are resistant to at least one form of herbicide, according to the U.S. Department of Agriculture.

The problem is weeds have become resistant to the least toxic of herbicides.

Monsanto’s solution? Create a stronger herbicide to attack the weeds.

The company now offers a new formulation of one of the company’s strongest herbicides available: dicamba-based XtendiMax. This powerful herbicide was approved by the EPA for use in November 2016.

Of course, this required a new strain of soybean seed that resists the stronger herbicide. So the company engineered Xtend soybean seeds that can tolerate dicamba-based weed killers.

Great, right? Not so much...

You see, not all seeds are resistant to XtendiMax.

Less than a year after the XtendiMax launched, farmers began reporting serious damage to their other non-Monsanto crops in nearby fields.

Soon after the reports came in, an Arkansas task force recommended that farmers in the state stop spraying the herbicide next year.

Lawmakers in the state even enacted a ban on dicamba that goes into effect in 2018.

For most companies, that would be the end of the discussion.

But not Monsanto...

The company has already filed an aggressive petition to change the regulation, blaming the farmers for their “misuse” of the chemical.

Yes, you read that right.

It’s the farmers’ fault that the Monsanto herbicide killed their non-Monsanto-seeded crops — which were not “designed” to be dicamba-resistant.

To be sure, some of the affected farmers may have been guilty of off-label XtendiMax use.



Japan vs. China

But all of them?

Tough to say, but it's definitely a creepy situation.

The New American Diet

Obesity is a growing problem in the U.S. and worldwide.

And there's no question that modern agricultural and food packaging techniques are perpetuating the trend.

Now Monsanto is developing double-fat algae, which have twice the fat of ordinary algae. Why do this?

Because they are more useful as potential biofuel.

Let's just hope that Monsanto takes the proper precautions to prevent this from getting into the food chain.

Fingers crossed.

Of course, Monsanto can't carry all the blame for being forced to genetically modify our foods.

If humanity had wanted to go on eating organic foods, it should have stopped breeding at about 1800.

That's when the global population hit 1 billion.

At 7-10 billion people — the world population in the 21st century — we need GMOs.

If we get to 15 billion in the 22nd century, we will no doubt be as fat as Monsanto's algae — while eating recycled human waste from plastic pouches. Given humanity's excesses, Monsanto regrettably fulfills a need.

Resistance Is Futile

Monsanto and Wall Street are betting there's nothing to worry about here. And I'll admit, it's the odds-on favorite bet, too.

Consider:

On one of its websites, Monsanto's proclaiming, "Glyphosate is about half as toxic as table salt and more than 10 times less toxic than caffeine."

Meanwhile, Bayer's \$66 billion acquisition of Monsanto remains on track. Shares have traded sideways most of the year at a consistent discount to the \$128 per share offer price, indicating investors fully expect the deal to close.

Doesn't this situation look eerily reminiscent to the tobacco industry.

For years, health risks were debated and discredited and then finally confirmed to be legit. Yet tobacco stocks marched on. They're consistently yielding market-beating returns, almost as if the health concerns didn't matter.

In fact, that's still the case! Look no further than Philip Morris Intl.

(NYSE: PM). Shares are up 30% year to date, versus a 10% rise for the S&P 500 index.

And we probably should not expect anything different from Monsanto. GMOs and Roundup are here to stay. Resistance is futile.

The argument of abandoning them would mean compromising crop yields at a time when population trends desperately require increased yields. One study suggests yields of grain alone would drop 12% if Roundup use were suddenly discontinued.

A shift away from glyphosate would also mean farmers would turn (back) to more toxic chemicals to control weeds. So it's a choice between the lesser of two evils.

In this case, Monsanto and Wall Street stand to win while everyday citizens get to add another risk to daily living. If smoking or smartphones don't give us cancer, our breakfast cereals might.

This is the dark side of capitalism.

The bright side is one can make money investing in Monsanto. An interesting contrast.

D. Miyoshi

Japan vs. China

Many of my clients are Japanese companies in the U.S. and Japan. Although I have assisted some small Chinese companies in the U.S., I do not have any Chinese companies as clients in China. My Japanese clients frequently ask me their macro economic advantage over their Chinese competitors. Thus the 500 pound Gorilla in the room question for me is what is the near term prognosis of how Japan's economy will do verses that of China. I am a corporate lawyer but I am not a geopolitical economist. However, George Friedman and Jacob L. Shapiro of *Mauldin Economics* are geopolitical economists of world renowned status. And they have issued a report on that very question. Therefore, I took the liberty of reproducing their article below. D. Miyoshi

By George Friedman and Jacob L. Shapiro

One of Geopolitical Futures' most controversial forecasts is that





Japan vs. China

by 2040, Japan will rise as East Asia’s leading power. Many readers often ask for an explanation of the logic in this forecast. They understand that GPF is bearish on China. And while some readers may disagree on that point, they usually see that the reasoning is sound and that China will face serious problems in coming years... problems that will strain the Communist Party’s rule.

Japan, however, seems a bridge too far. Its population is less than a tenth of China’s size (and it’s not just aging but shrinking). Japan also has a debt-to-GDP ratio over 229%. So, how is it that Japan will emerge in the next 25 years as East Asia’s most powerful country?

A full answer would require more space than we have in this article. But a good place to start is a broad comparison of the structure of China and Japan’s economies (the second and third largest economies in the world, respectively). This analysis will reveal strengths and weaknesses for both and will aim to bring our forecast into sharper relief.

China’s Economic Weaknesses

The map below divides China into four geographic regions by contribution to China’s national GDP. These regions do not have any official administrative function, but China’s National Bureau of Statistics sometimes uses these divisions to under-



stand how China’s economy is performing at a regional level. It also must be noted that these figures are likely manipulated for

political purposes.

The data are taken from the annual yearbook of China’s National Bureau of Statistics but contain notable discrepancies. For example, the regional figures do not add up to the national figure—adding the regional numbers yields a GDP that is roughly 5% (approximately \$54 billion) greater than China’s reported national figure.

Accepting that some of these figures may be inflated or downplayed for various reasons, they still reveal much about China’s economic weaknesses. The coastal Eastern Region accounts for more than half of all economic activity in China. Stated another way, nine of China’s 34 provincial administrative units produce more than half of the country’s total wealth.

The Central and Western regions, in turn, each produce about 20% of China’s economic wealth. But that is somewhat misleading. The Western Region accounts for more than half of China’s total land area. When compared to other regions, it produces less than half the economic activity of the Eastern Region and produces the same amount as the Central Region, which is less than half its size.

The Northeastern Region appears to be an outlier. It accounts for just 8% of China’s GDP. Most of this region’s economic activity is heavy industry and has been under severe pressure as China attempts to increase internal demand and decrease dependence on exports.

In practical terms, this means that China’s biggest economic weakness... and its most potent enemy... is poverty. Regional economic disparities exist in many countries in the world. But in China, they have always been particularly acute, causing massive wealth disparity between China’s coastal provinces and its other regions.

China’s sheer size magnifies this problem. According to the World Bank, in 1981, roughly 1 billion Chinese people lived on less than \$3.10 a day (at 2011 purchasing power parity). The





Japan vs. China

World Bank's latest data (from 2010) show that the number dropped to 360 million that year.

That is an awesome accomplishment—not in the present-day colloquial sense of the word “awesome,” but in the sense that it is worthy of awe and wonder. The problem is that it is also insufficient. China has been growing at a remarkable rate for the past 30 years, but that growth is slowing down, and 360 million people still live in abject poverty. Most of China's economic success is enjoyed by the coast... not the rest of the country.

China is the most populous country in the world and the fourth largest in terms of area. This is a source of great power for China, but it is also a double-edged sword.

On the one hand, it means there are great advantages. China can deploy huge armies. It is buffered from enemies by vast territory or harsh geography on all sides. It can also mobilize human capital like no other country. (India possesses a similar population, but its government is far weaker and less centralized than China's.)

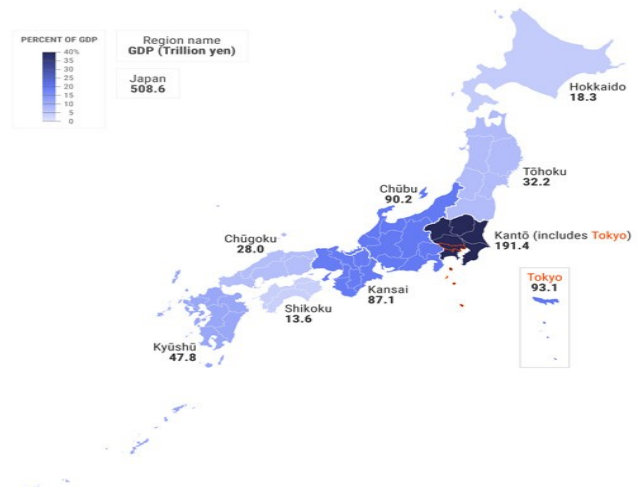
On the other hand, it means that China often spends more on internal security than it does on the much-vaunted People's Liberation Army. It also rules over many regions that are not ethnically Han Chinese and that want greater autonomy (if not independence). And China must maintain a robust capability to guard its borders.

China is a formidable land-based power, but China has never been a global maritime power in its long history. It has always been susceptible to internal revolution and, at times, external conquest.

Size is not always the most important part of power. In this case, distribution of wealth may not be sexy, but it is more important.

Wealth Concentration in Japan

JAPAN'S GROSS DOMESTIC PRODUCT BY REGION, FY 2013



At first glance, this map of Japan would seem to imply a similar level of wealth concentration in certain regions. Like China, Japan is informally divided into regions and sometimes reports data at the regional level. Japan is made up of four main islands: Kyushu, Shikoku, Honshu, and Hokkaido (there are other small islands, but these four mainly compose the Japanese nation-state).

Kyushu, Shikoku, and Hokkaido constitute regions of their own. Honshu, by far the largest and most populous of the Japanese islands, is subdivided into five additional regions. Together, these five Honshu regions account for 87% of the Japanese economy. About 43% of that economic activity comes from the Kanto Region's seven prefectures. Stated another way, seven prefectures of a total of 47 generate 37.6% of Japan's economy.

This map also separates Tokyo prefecture from the others to provide a sense of how much of Japan's GDP comes from its capital city. Tokyo prefecture (by itself) accounts for just over 18% of Japan's total GDP. (For reference, Russia is a significantly imbalanced economy, and Moscow accounts for over 21% of its economy.)

Factoring in the Tokyo greater metropolitan area increases this figure. According to the latest available data from the Organiza-





Japan vs. China

tion for Economic Co-operation and Development (from 2012), Tokyo had the largest GDP of any city in the world at \$1.48 trillion. (Seoul was second with a GDP of less than half of that.) That means that greater Tokyo accounts for almost a third of Japan's total GDP.

The disparity of wealth between China's coast and interior is striking, but arguably it is even more pronounced at first glance when looking at this map of Japan.

Japan's Advantage

Appearances, however, can be deceiving. Unlike China, Japan's wealth is spread much more evenly among its population. On the simplest level, this is easier to accomplish with a population of 127.3 million than with a population of 1.3 billion.

It is not strictly about size: The diversity resulting from size is what holds China back. Japan does not have to deal with the type of coastal versus interior diversity that China does. There is, for example, a wide gulf in per capita income at both the rural and urban level in China. A rural household in Shanghai, for example, makes two times less than a rural household in Tibet, while an urban household in Tibet makes less than half of what an urban household in Shanghai does.

The latest per capita GDP data available at the prefectural level in Japan is from 2013, but it paints a different picture. The gulf between the prefectures with the highest and lowest per capita income is stark. Tokyo's GDP per capita is 4.5 million yen (\$40,000), while Okinawa's is 2.1 million yen. But Tokyo is a significant outlier in this regard. In the China example, almost every coastal province could be compared with an interior province and a similar gulf would exist. In Japan, only Tokyo is significantly above the mean per capita income of 3.1 million yen for the entire country, and that is due, in part, to the higher cost of living in the city. There is wealth disparity in Japan to be sure, but the disparity is not on the same scale as that which exists at the provincial level in China.

Japan's greatest challenge has little to do with regional wealth

disparity or poverty. Japan's great weakness is its dependence on imports for food and raw materials. According to Japan's Ministry of Agriculture, Forestry and Fisheries, the country's total food self-sufficiency ratio based on calorie supply was just 39% in 2015. Based on production value, it was just 66%. According to last month's import data released by the same ministry, Japan imported 24.3 million tons of cereals, of which Japan was self-sufficient only in rice. Japan relies almost entirely on imports for staples like wheat, barley, corn, and soy.

Energy is another example of this dependence on imports. One of the main reasons Japan entered World War II was to protect its access to oil. Today, Japan remains reliant on foreign sources of energy. Even before the Fukushima nuclear reactor accident in 2011, Japan relied on foreign sources for close to 80% of its energy supply. Since 2012, that number has risen to almost 91% (according to the US Energy Information Administration). For mineral resources like copper, lead, zinc, and others that are important for an industrialized economy, Japan is also highly dependent on imports.

Some will argue that Japan's bigger problem is demographics. It is true that Japan has a rapidly aging population. But so does China: The number of working-age Chinese has been declining since 2013. Most European countries also face this issue... Germany most prominent among them. Demographics are notoriously hard to predict, as are the effects of demographic changes.

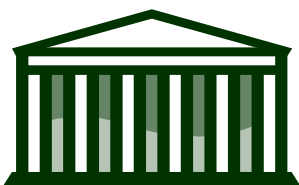
What can be said is this: Japan is one of the top investors in the world in artificial intelligence research, automation, and robotics technology in order to maintain productivity. And while Japanese society is homogenous and relatively unfriendly to outsiders, desperate circumstances could call for desperate measures and necessitate changing policies on immigration. The broader Asia-Pacific region also offers opportunities for Japan to find workers if it needed.

The point here is that Japan is facing a demographic problem, but so is much of the industrialized world. There are tangible





Japan vs. China



Advancing in a Time of Crisis



Financial Crisis Report



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things Japan can do to improve the situation. The same is not true of Japan's lack of natural resources—there is no magic solution to not having enough copper at home.

A Comparison

Japan is the 62nd largest country in terms of area. Countries like Uzbekistan, Yemen, and Botswana are all bigger in size. It is the 11th largest in terms of population—Indonesia, Pakistan, and Bangladesh all have much larger populations than Japan. Neither of these facts disqualify Japan from rising as a regional power. The United Kingdom ruled the world with a small population and a country slightly smaller in area than Japan. Japan's ability to dominate the region, therefore, cannot be ruled out based on size and demographics alone.

Unlike China, Japan has no land-based enemies—it is an island nation. Unlike China, the Japanese government has no concern about its ability to impose its writ throughout the entire country. Nor does it have to contend with a huge gulf in wealth disparity between different parts of the country. Japan has already managed a transition from a high-growth economy to a low-growth economy without revolution.

One man's stagnation is another man's stability. One man's "Lost Decade" is another man's "Stable Decade." Japan's weaknesses have

manifested in the development of a strong navy able to guard maritime supply lines. It has also cultivated a tight alliance with a country that will guard those supply lines, the United States.

To be clear, China is still an immensely powerful country relative to most in the world. In addition, much of GPF's writing remains focused on understanding how economic problems in China are manifesting in political challenges. For now, Japan is less dynamic and important... though it will become more so... and our writing will increase as it does.

For now, what happens in China has a major impact on the global economy, and a great deal is happening. China is also pouring money into developing its military capabilities—especially its navy—to be better prepared to assert Chinese power at a global scale, and these capabilities must be constantly tracked. The problem for China is that it is unclear if the country can pull off the kind of politically stable economic transition that Japan managed when its high-growth "miracle" ended in the early 1990s.

China has many constraints working against it. Japan has many constraints too, but it also has major advantages and imperatives that have led in the past to the development of Japanese power in the Asian Pacific.

End Report



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