



# Financial Crisis Report

Written and Edited by David M. Miyoshi

## Advancing in a Time of Crisis

Words of Wisdom: “If Man could have Half his Wishes, he would double his Troubles” Benjamin Franklin

Inside this issue:

1. What U.S. Wants from Japan
2. Differences between Left and Right
3. Lack of Japanese Sex Good for U.S. Real Estate
4. History Repeats

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.

### What does the U.S. want from Japan

**O**n February 11, President Trump met at his Maralaga mansion with Japan Prime Minister

Shinzo Abe. An iconic photo of the event shows Trump having a prolonged handshake with Abe, to the consternation of Abe. But what did that handshake symbolize? Was it that the U.S. would protect Japan against foreign aggression totally and completely? Or was the message that this protection was more like a partnership of sorts with each side assuming its respective burden?

To ferret out the answer lets go back a week.

In early February newly installed Secretary of Defense James Mattis wrapped up his first international trip. According to a Defense Department press release about his visit to South

Korea and Japan, Mattis’s purpose was to “listen to the concerns of South Korean and Japanese leaders.” The two countries are crucial US allies in Asia, and both face serious threats in their near abroad.

Discussing security threats, however, wasn’t the primary purpose of Mattis’s visit. The purpose was to reassure both countries that the administration of President Donald Trump will not abandon the US alliance structure in the Pacific. This was timely reassurance.

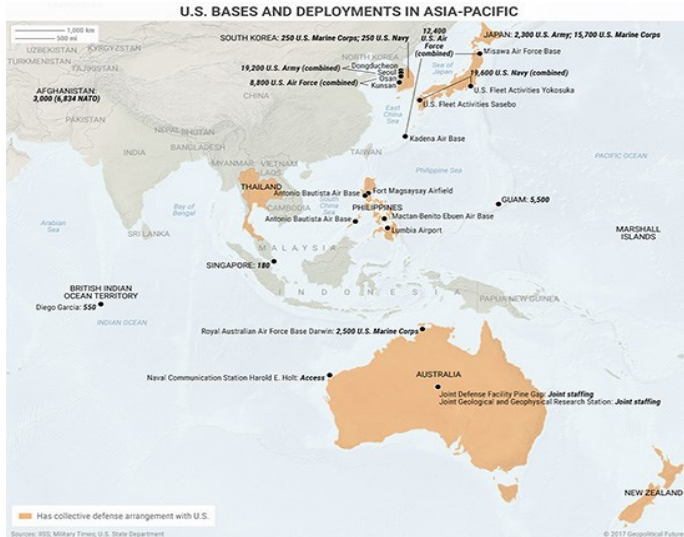
So what is the exact U.S. military and investment positions in the Asia-Pacific region?

For insight into this issue we turn to an article by George Friedman and Jacob L. Shapiro of *Mauldin Economics* entitled “The US Is Not Abandoning Asia”.

### US Military Commitments in Asia-Pacific

## What does the U.S. want from Japan

The United States used containment as its



primary strategy in blocking the Soviet Union. Looking at the map above, we can see that the US is following a similar strategy with China. US military assets stationed in Asia-Pacific countries have two purposes. First, they ensure US naval power projection in the Pacific Ocean. Second, and by extension, they help contain Chinese ambitions.

Besides Guam (which is US territory), the US has no sovereign soil in the Western Pacific Ocean. The US must therefore have good relationships with strategically located countries in the Pacific where it can base ships and soldiers. Japan, South Korea, and Australia are the most important US allies in the region, but the US also maintains varying degrees of cooperation with countries like the Philippines, Thailand, and Singapore.

The Philippines is a key part of this strategy. But it is also being courted by China. Geopolitical Futures is bearish on China's long-term (even medium-term)

future. Currently, however, China is the second-largest economy in the world. It is pouring money into its military development and trying to attract cooperation from other countries. The Philippines is the prettiest girl at the dance right now—Manila has Washington, Beijing, Tokyo, and others chasing it around with promises of investment and protection in return for security guarantees.

The Mutual Defense Treaty between the US and Philippines remains in place, but the two sides only recently agreed on which Philippine bases the US can use. The US still hasn't been given permission to return to the much-coveted naval base at Subic Bay. The Philippine president is also full of anti-US rhetoric these days.

The US wants naval control of the oceans. It has a strong navy, but a navy by itself isn't enough. Containing China is another major part of its Pacific strategy. Even if China could be contained by means other than US power, the US would still want Pacific partners to help project its naval power.

Beneath all the noise is the simple fact that the US maintains an impressive military presence in the Pacific. Mattis will remind US allies how important they are to US interests and that US intentions can be measured in commitments, not headlines.

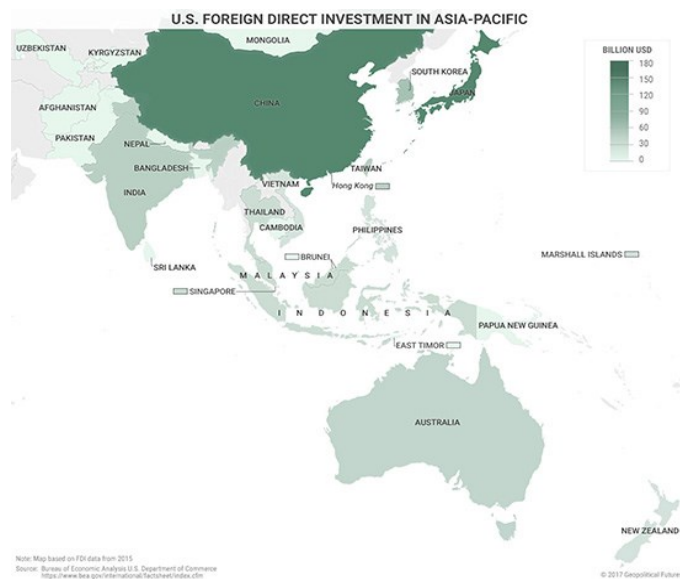
### US FDI in Asia-Pacific

In addition to its military strategy, the US is employing



## What does the U.S. want from Japan

an economic strategy. It wants countries to see the economic benefits of cooperating with the US. The United States is the largest economy in the world. It has used this economic power very effectively in the past.



The first thing to note from the map above is that the largest destination for US foreign direct investment (FDI) in the Asia-Pacific region is not an American ally... but China. China's economy is in the midst of a huge transition. The US-Chinese economic relationship is important to both sides, but particularly for China. The US is China's largest export market. This happened in part because US companies could profit by moving production to China. Now, Beijing needs to move up the value chain by attracting foreign investment and technology (of which the US is a major source). If China seriously challenges the US, it risks these economic benefits.

The next five largest beneficiaries of US FDI in the region are crucial American allies and partners. Ja-

pan, South Korea, and Australia are at the top of the list. Singapore, located on the strategically important Strait of Malacca, is next. The military containment strategy displayed by the first map focuses mainly on blocking Chinese access to the Pacific. In contrast, this map of US FDI distribution shows a strategy not of containment but of widespread US economic influence across Asia-Pacific.

It should also be noted that some US FDI is directed to small countries, such as the Marshall Islands. The amount of FDI is lower because these are smaller economies, but the investments are arguably more important for the economic development of those countries. Being a US ally, or even a US partner, means access to US investment. The price of being a US ally can be high, but it also comes with key benefits.

### Mattis's Trip

These two maps are snapshots of US power. They are also snapshots of US needs. The US imperative is to maintain its dominance of the world's oceans. Ships need ports. Planes need bases. For these basic necessities, the US must have good relationships with strategically located countries in the Pacific. These countries, in turn, rely on the US for protection and for preservation of the status quo.

The Trump administration wants more from its allies... not less. Mattis's job will be to communicate the reliability of US security guarantees, and also to remind these countries that the relationships exist because of shared interests. The US asking more of

## The Basic Differences Between Left and Right

these countries does not mean US presence will decrease. It means admitting US presence will not solve all their problems.

So it appears the message to Abe was the U.S. will come to Japan's aid as a partner but not a patron. Therefore, Japan is expected to assume its share of the burden of defending itself against North Korea and China. Trump refused to join the TPP but maybe he thought it meant the Trans Pacific Patrons.

D. Miyoshi

## The Basic Differences Between Left and Right

This past election made it glaringly clear how people's values can be very different and made us wonder why people don't understand what we are saying. It's as if their basic worldview is totally different. Well, that may be the very case. Whether it's by nature or nurture (or a combination of both) their outlooks just developed different from ours and ours from theirs.



Here is a straightforward guide that appeared in *Townhall.com* and *Dennisprager.com* that delineates the differences between left and right on the various issues in our society. One thing I would like to clarify is that being a liberal is not the same as being on the left. Basically, liberals love liberty, the left love equality.

I hope this guide sheds some light on the differences between how we think.

### Source of Human Rights

Left: government

Right: the Creator

### Human Nature

Left: basically good (Therefore, society is primarily responsible for evil.)

Right: not basically good (Therefore, the individual is primarily responsible for evil.)

### Economic Goal

Left: equality

Right: prosperity

### Primary Role of the State

Left: increase and protect equality

Right: increase and protect liberty

### Government

Left: as large as possible

Right: as small as possible

### Family Ideal

Left: any loving unit of people

Right: a married father and mother, and children

### Guiding Trinity

Left: race, gender and class

Right: liberty, In God We Trust and e pluribus unum

### Good and Evil

Left: relative to individual and/or society

Right: based on universal absolutes

### Humanity's Primary Division(s)

Left: rich and poor; strong and weak

Right: good and evil

### Ideal Primary Identity of an American

Left: world citizen

Right: American citizen



## **The Basic Differences Between Left and Right**

### **How to Make a Good Society**

Left: abolish inequality

Right: develop each citizen's moral character

### **View of America**

Left: profoundly morally flawed; inferior to any number of European countries

Right: greatest force for good among nations in world history

### **Gender**

Left: a social construct

Right: male and female

### **Most Important Trait to Cultivate in a Child**

Left: self-esteem

Right: self-control

### **Worth of the Human Fetus**

Left: determined by the mother

Right: determined by society rooted in Judeo-Christian values

### **Primary Source of Crime**

Left: poverty, racism and other societal flaws

Right: the criminal's malfunctioning conscience

### **Place of God and Religion in America**

Left: secular government and secular society

Right: secular government and religious society

### **American Exceptionalism**

Left: chauvinistic doctrine

Right: historical reality

### **Greatest Threat to the World**

Left: environmental catastrophe (currently global warming)

Right: evil (currently radical Islamist violence)

### **International Ideal**

Left: world governed by the United Nations, and no single country is dominant

Right: world in which America is the single strongest entity

### **Primary Reason for Lack of Peace in Middle East**

Left: Israeli settlements in the West Bank

Right: Palestinian, Arab and Muslim denial of Jewish state's right to exist

### **Purpose of Art**

Left: challenge status quo and bourgeois sensibilities

Right: produce works of beauty and profundity to elevate the individual and society

### **Guns**

Left: ideally universally abolished, except for use by police, the armed forces and registered sportsmen

Right: ideally widely owned by responsible individuals for self-protection and the protection of others

### **Race**

Left: intrinsically significant

Right: intrinsically insignificant

### **Racial, Ethnic and Gender Diversity at Universities**

Left: most important

Right: far less important than ideological diversity

### **Black America's Primary Problem**

Left: racism

Right: lack of fathers

### **Greatest Playwright**

Left: entirely subjective; there is no greatest playwright

Right: Shakespeare

### **War**

Left: not the answer

Right: sometimes the only answer

### **Hate**

Left: wrong, except when directed at the political

Right: wrong, except when directed at evil

### **Cultures**

Left: all equal

Right: some are better than others

### **America's Founding Fathers**

Left: rich white male slave owners

Right: great men who founded the greatest society





## Lack of Japanese Sex is good for U.S. Real Estate

### Purpose of Judges

Left: pursue social justice

Right: pursue justice

### National Borders

Left: a relic of the past

Right: indispensable for national survival

### View of Illegal Immigrants

Left: welcomed guests

Right: illegal immigrants

### Nature

Left: intrinsically valuable

Right: made for man

So maybe now you have a better idea of why you are left or right. However, after all is said and done, I still feel I am right because I am Right.

D. Miyoshi

## Lack of Japanese Sex is good for U.S. Real Estate

**M**y favorite field of law is the practice of real estate acquisition and development. I find it fascinating because every transaction is unique, in its own way. It's like getting to know a different person every time.

Much of my work involves locating and acquiring U.S. real estate for Japanese investors. Lately I have found that the prices of U.S. real estate have been slightly increasing. I looked into this issue and found that according to Bob Bryan of the *Business Insider*, the lack of new infants being born in Japan, its "baby crisis," may be driving up real-estate prices in the U.S.

According to Bryan, here's how this works: Because of the aging of the Japanese population, the country's insurance companies must invest more of their capital to cover the higher payouts that older people need.

With yields on many assets in Japan currently so low, these insurance companies are coming to the U.S. to find investments that make solid returns.

According to Goldman Sachs Asset Management's annual Insurance Investors *Survey*, one of the biggest growth spaces for these companies is private assets in the U.S., including real estate.

"We've seen a lot of Japanese insurers coming into the United States and buying U.S. properties. We think that is going to continue," Mike Siegel, global head of GSAM Insurance, told *Business Insider*.

"In Japan, you have a declining population, which means that over time you have fewer lives to insure," he said. "So these companies, if they want to continue their growth, need to go into another market."

Siegel said that this is also happening for Chinese and Bermudan insurers, albeit for slightly different reasons.

According to the GSAM survey, which included CEOs and chief investment officers of more than 276 firms with total assets over \$7 trillion, real-estate equity is the second-highest growing allocation for insurance investors of any asset class. Fifty-four percent of all insurers said that they are planning to increase or maintain their level of investment in real-estate equity over the coming year.

Demand for U.S. real estate by foreign investors, not just insurers, has been skyrocketing in recent years, and is part of the concern over rapid levels of shelter inflation in places like San Francisco and New York City.

This isn't just Japanese insurers and real estate, however. Many foreign insurance companies across Europe, Asia, and other emerging markets are shifting their money to the U.S. in order to find returns.

According to Siegel, these companies are gobbling up U.S. debt, especially corporate debt, because the returns in their home countries are so low.

These returns are low for two reasons, said Siegel. One reason is low economic growth. To an even high-





### History Repeats

er degree, negative interest-rate policies instituted by central banks in Europe and Japan are also making returns on investments low.

"If you had higher yields in these countries, domestic companies would prefer to invest domestically," said Siegel.

He continued: "But if you're in Japan right now, the 10-year [Japanese government bond] has turned negative. So if you're a Japanese company, there are limited opportunities in the Japanese fixed-income market, so you're going to start to look into the U.S. fixed-income market."

So this search for returns has shifted insurance companies' eyes, along with their \$26 trillion in total assets, to the higher returns in the U.S. Japanese insurers are likely eyeing everything in the U.S. from government bonds to a condo tower down your street.

So for that I am very grateful. Arigato Gozaimasu!

D. Miyoshi

### History Repeats

In his 1996 classic work *The Clash of Civilizations and the Remaking of World Order* Harvard's Samuel Huntington portrays a world where countries of the West clash with the those controlled by the Muslims.

With that book as the backdrop, it appears that the winds of war against Muslims again now blow for President Trump as they once did for President Jefferson.

As a U.S. Marine, I remember studying about the Marines first clash with Muslims in Tripoli.

When Thomas Jefferson saw there was no negotiating with Muslims, he formed what is the now the

Marines (sea going soldiers). These Marines were attached to U. S. Merchant vessels. When the Muslims attacked U.S. merchant vessels, they were repulsed by armed soldiers, but there is more.

The Marines followed the Muslims back to their villages and killed every man, woman, and child in the village. It didn't take long for the Muslims to leave U.S. Merchant vessels alone. English and French merchant vessels started running up our flag when entering the Mediterranean to secure safe travel.

Why the Marine Hymn Contains the Verse "... to the shores of Tripoli." This is very interesting and a must read piece of our history. It points out where we may be heading now with President Trump. Most Americans are unaware of the fact that over two hundred years ago, the United States had declared war on Islam and Thomas Jefferson led the charge!

At the height of the 18th century, Muslim pirates (the "Barbary Pirates") were the terror of the Mediterranean and a large area of the North Atlantic. They attacked every ship in sight and held the crews for exorbitant ransoms. Those taken hostage were subjected to barbaric treatment and wrote heartbreaking letters home, begging their government and family members to pay whatever their Mohammedan captors demanded.

These extortionists of the high seas represented the North African Islamic nations of Tripoli, Tunis, Morocco, and Algiers - collectively referred to as the Barbary Coast - and presented a dangerous and unprovoked threat to the new American Republic .

Before the Revolutionary War, U.S. merchant ships had been under the protection of Great Britain. When the U.S. declared its independence and entered into war, the ships of the United States were





## History Repeats

protected by France. However, once the war was won, America had to protect its own fleets.

Thus, the birth of the U.S. Navy. Beginning in 1784, 17 years before he would become president, Thomas Jefferson became America's Minister to France. That same year, the U.S. Congress sought to appease its Muslim adversaries by following in the footsteps of European nations who paid bribes to the Barbary States rather than engaging them in war.

In July of 1785, Algerian pirates captured American ships, and the Dye of Algiers demanded an unheard-of ransom of \$60,000. It was a plain and simple case of extortion, and Thomas Jefferson was vehemently opposed to any further payments. Instead, he proposed to Congress the formation of a coalition of allied nations who together could force the Islamic states into peace. A disinterested Congress decided to pay the ransom.

In 1786, Thomas Jefferson and John Adams met with Tripoli's ambassador to Great Britain to ask by what right his nation attacked American ships and enslaved American citizens, and why Muslims held so much hostility towards America, a nation with which they had no previous contacts.

The two future presidents reported that Ambassador Sidi Haji Abdul Rahman Adja had answered that Islam "was founded on the Laws of their Prophet, that it was written in their Quran that all nations who would not acknowledge their authority were sinners, that it was their right and duty to make war upon them wherever they could be found, and to make slaves of all they could take as prisoners, and that every Musselman (Muslim) who should be slain in Battle was sure to go to Paradise."

Despite this stunning admission of premeditated violence on non-Muslim nations, as well as the objec-

tions of many notable American leaders, including George Washington, who warned that caving in was both wrong and would only further embolden the enemy, for the following fifteen years the American government paid the Muslims millions of dollars for the safe passage of American ships or the return of American hostages. The payments in ransom and tribute amounted to over 20 percent of the United States government annual revenues in 1800.

Jefferson was disgusted. Shortly after his being sworn in as the third President of the United States in 1801, the Pasha of Tripoli sent him a note demanding the immediate payment of \$225,000 plus \$25,000 a year for every year forthcoming. That changed everything.

Jefferson let the Pasha know, in no uncertain terms, what he could do with his demand. The Pasha responded by cutting down the flagpole at the American consulate and declared war on the United States. Tunis, Morocco, and Algiers immediately followed suit. Jefferson, until now, had been against America raising a naval force for anything beyond coastal defense, but, having watched his nation be cowed by Islamic thuggery for long enough, decided that it was finally time to meet force with force.

He dispatched a squadron of frigates to the Mediterranean and taught the Muslim nations of the Barbary Coast a lesson he hoped they would never forget. Congress authorized Jefferson to empower U.S. ships to seize all vessels and goods of the Pasha of Tripoli and to "cause to be done all other acts of precaution or hostility as the state of war would justify".

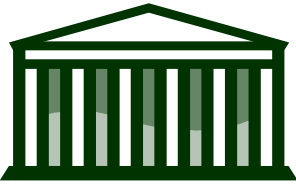
When Algiers and Tunis, who were both accustomed to American cowardice and acquiescence, saw the newly independent United States had both the will and the right to strike back, they quickly abandoned their allegiance to Tripoli. The war with Tripoli lasted





## Financial Crisis Report

### History Repeats



Advancing in a Time of Crisis



### Financial Crisis Report



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for four more years and raged up again in 1815. The bravery of the U.S. Marine Corps in these wars led to the line "...to the shores of Tripoli" in the Marines Hymn, and they would forever be known as "leathernecks" for the leather collars of their uniforms, designed to prevent their heads from being cut off by the Muslim scimitars when boarding enemy ships.

Islam, and what its Barbary followers justified doing in the name of their prophet and their god, disturbed Jefferson quite deeply. America had a tradition of religious tolerance. In fact Jefferson, himself, had co-authored the Virginia Statute for Religious Freedom, but fundamentalist Islam was like no other religion the world had ever seen. A religion based on supremacy, whose holy book not only condoned but mandated violence against unbelievers, was unacceptable to him. His greatest fear was that someday this brand of Islam would return and pose an even greater threat to the United States .

This should concern every American. That Muslims have brought about women-only classes and swimming times at taxpayer-funded universities and public pools; that Christians, Jews, and Hindus have been banned from serving on juries where Muslim defendants are being

judged; Piggy banks and Porky Pig tissue dispensers have been banned from workplaces because they offend Islamist sensibilities; ice cream has been discontinued at certain Burger King locations because the picture on the wrapper looks similar to the Arabic script for Allah; public schools are pulling pork from their menus. But in turn several American companies have placed the Muslim symbol on their products in the name of Allah; on and on and on and on..

It's death by a thousand cuts, or inch-by-inch as some refer to it, and most Americans have no idea that this battle is being waged every day across America. By not fighting back, by allowing groups to obfuscate what is really happening, and not insisting that the Islamists adapt to our own culture, the United States is cutting its own throat with a politically correct knife, and helping to further the Islamists agenda. Sadly, it appears that today America 's leaders would rather be politically correct than victorious!

If you have any doubts about the above information, please Google "Thomas Jefferson vs. the Muslim Pirates."

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