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1NC- (1/2)

Japan’s economy is picking up, but it’s very fragile.

White 5/24 (Stanley, journalist for Reuters, [http://in.reuters.com/article/idINTKU10603520100524] AD: 6/22/10)JM

TOKYO, May 24 (Reuters) - Japan's economy is picking up steadily but Europe's debt crisis, wild swings in financial markets and deflation pose risks to its outlook, the government said on Monday. In its monthly report for May, the government kept its assessment of the economy unchanged for the third straight month as capital expenditure bottoms out on increases in exports and output. But it added a phrase to the May report warning about Europe and financial markets, as the region's debt crisis sparked fears of sovereign risk and caused global stock markets to tumble. "Attention should be paid to potential risks to Japan's economy such as a possible slowdown in overseas economies, particularly in Europe, fluctuations in financial markets and the influence of deflation," the report said. Japan's economy grew 1.2 percent in the first quarter, the biggest expansion in three quarters, on robust exports to Asia, although analysts expect growth to slow as consumption begins to lose support from government stimulus measures.

Japan being a protectorate of the US is empirically critical to growth – a change from squo threatens economic success

Carpenter 95 (Ted Galen, Director of Foreign Policy Studies @ CATO inst., CATO Inst. Policy Analysis no. 244, http://www.cato.org/pubs/pas/pa-244.html) JG

Japan's reaction to U.S. military paternalism has been one of increasing ambivalence. Although essentially imposed by an occupying power, the Peace Constitution became--and largely remains--popular with the Japanese people. Part of that popularity is explained by widespread public revulsion at the militarism of the 1930s and 1940s, which brought catastrophe to Japan. The aversion to war, assiduously cultivated by U.S. political and military leaders during the late 1940s and early 1950s, is still shared by a significant percentage of the Japanese public. Relying on the United States for its defense enabled Japan to replace the imperialist and militarist values that had dominated Japanese society in the years before World War II with values that emphasized pacifism, democracy, and economic success. U.S. statesmen sought to create a new Japan that was dedicated to peaceful commercial pursuits, and they succeeded beyond their expectations.Eschewing a large military role has also served more tangible Japanese interests. Willingness to be a protectorate of the United States throughout the Cold War was an economic bonanza for Tokyo. Japan was able to concentrate on its recovery from World War II and, later, to build one of the most modern and dynamic economies in the world instead of spending its resources on armed forces. The U.S. defense subsidy since the conclusion of the security treaty in 1951 has saved Japanese taxpayers more than $900 billion (1995 dollars). That figure may, in fact, be conservative. There are some economies of scale in having the United States, which has a large military infrastructure for missions around the world, provide protection for Japan. If Tokyo had had to build the forces necessary to fully replace that protection, it would probably have cost considerably more than the annual price tag of the U.S. shield. From the standpoint of minimizing military expenditures, being a U.S. dependent has been very good indeed for Japan. The Yoshida DoctrineTokyo's approach to world affairs has adhered closely to the principles of the Yoshida Doctrine, initiated in the 1950s by Prime Minister Shigeru Yoshida. Crucial components of the doctrine included subordination of Japan's international ambitions and position to the goal of national economic growth, heavy reliance on the U.S. security guarantee, maintenance of a modest self-defense capability to assist U.S. forces if Japan itself came under attack, and use of nonmilitary tools of influence to promote Tokyo's foreign policy objectives.(18) Although Japan has become somewhat more assertive in stating and advancing its interests as its economic power has grown, the basic features of the Yoshida Doctrine remain intact.

Despite the aversion to militarism and the significant fiscal and economic benefits of being a U.S. protectorate, Japanese political elites have grown increasingly restless about their country's dependence. Tokyo has sought to enjoy the benefits and status of a great power in a variety of nonmilitary ways. Its preferred strategy, consistent with the goals and preferences of the Yoshida Doctrine, has been to cultivate influence through an expanding economic presence in East Asian countries and elsewhere in the world. That component of Japanese policy accelerated markedly during the 1980s and early 1990s. A related tool of influence has been a sizable foreign aid budget, the principal manifestation of Japan's "checkbook diplomacy."(19) Tokyo has also become more involved in the activities of the United Nations. Indeed, after an agonizing debate, the Diet voted in June 1992 to authorize Japanese participation in UN peacekeeping missions--although with severe restrictions, including a strict limit on the number of personnel and an outright ban on involvement in combat operations.

1NC- (2/2)

Japanese econ decline collapses the US econ- forced further into debt, security revenue gone

Auslin 9 [Michael Resident Scholar at American Enterprise Institute, February 17, Wall Street Journal http://online.wsj.com/article/SB123483257056995903.html]

Recently, many economists and scholars in the U.S. have been looking backward to Japan's banking disaster of the 1990s, hoping to learn lessons for America's current crisis. Instead, they should be looking ahead to what might occur if Japan goes into a full-fledged depression. [The Opinion Journal Widget](http://www.widgetbox.com/widget/opinion-journal?newBlidget=true&__fsk=1491914529) [Download Opinion Journal's widget and link to the most important editorials and op-eds of the day from your blog or Web page.](http://www.widgetbox.com/widget/opinion-journal?newBlidget=true&__fsk=1491914529) If Japan's economy collapses, supply chains across the globe will be affected and numerous economies will face severe disruptions, most notably China's. China is currently Japan's largest import provider, and the Japanese slowdown is creating tremendous pressure on Chinese factories. Just last week, the Chinese government announced that 20 million rural migrants had lost their jobs. Closer to home, Japan may also start running out of surplus cash, which it has used to purchase U.S. securities for years. For the first time in a generation, Tokyo is running trade deficits -- five months in a row so far. The political and social fallout from a Japanese depression also would be devastating. In the face of economic instability, other Asian nations may feel forced to turn to more centralized -- even authoritarian -- control to try to limit the damage. Free-trade agreements may be rolled back and political freedom curtailed. Social stability in emerging, middle-class societies will be severely tested, and newly democratized states may find it impossible to maintain power. Progress toward a more open, integrated Asia is at risk, with the potential for increased political tension in the world's most heavily armed region. This is the backdrop upon which the U.S. government is set to expand the national debt by a trillion dollars or more. Without massive debt purchases by Japan and China, the U.S. may not be able to finance the cost of the stimulus package, creating a trapdoor under the U.S. economy.

US economic collapse causes nuclear war

Cook 7 [Richard C., Writer, consultant, and retired federal analyst in U.S. Treasury Dept.; “It’s Official: The Crash of the U.S. Economy has begun,” Global Research, June 14. Accessed: <http://www.globalresearch.ca/index/php?context=va&aid=5964>]

Times of economic crisis produce international tension and politicians tend to go to war rather than face the economic music . The classic example is the worldwide depression of the 1930s leading to World War II. Conditions in the coming years could be as bad as they were then. We could have a really big war if the U.S. decides once and for all to haul off and let China, or whomever, have it in the chops. If they don't want our dollars or our debt any more, how about a few nukes?

UQ – Econ Up

Japan’s economy is on track now but it’s on the brink of a Greece-like meltdown.

AP 6/11 (Associated Press, American News Agency, [http://www.edgenewyork.com/index.php?ch=business\_finance&sc=finance&sc2=&sc3=&id=106827] AD: 6/22/10)JM

Japan could face a financial mess like the one that has crippled Greece if it does not deal urgently with its swelling national debt, the new prime minister warned Friday. While Japan is on firmer financial footing than Greece because most of its debt is held domestically, Prime Minister Naoto Kan’s blunt talk appeared designed to push forward his agenda, which may involve raising taxes. Speaking in his first address to Parliament after taking office Tuesday, Kan said Japan cannot continue to let government debt swell while state finances are under pressure from an aging and declining population. "It is difficult to sustain a policy that relies too heavily on issuing debt. As we have seen with the financial confusion in the European community stemming from Greece, our finances could collapse if trust in national bonds is lost and growing national debt is left alone," he said. Japan, the world’s second-largest economy, has the largest public debt among industrialized nations at 218.6 percent of its gross domestic product in 2009, according to the International Monetary Fund. Kan, who became Japan’s sixth prime minister in four years after a short stint as finance minister, promised his government would work closely with the Bank of Japan to avoid an increase in deflation and would focus on developing a "strong and comprehensive" policy. Kan has said he will also consider raising taxes, an issue he said previous governments had been too timid to face. A social progressive and a fiscal hawk, Kan said he would announce further details of his economic growth plan later this month. But he said he aims to have the economy grow by more than 2 percent annually by fiscal 2020. After amassing a vast public debt and overspending to the tune of 13.6 percent of gross domestic product in 2009, Greece was saved from defaulting on its loans by the first installment of a €110 billion ($131 billion) rescue package from the International Monetary Fund and the 15 other nations that share the euro currency. Analysts said Kan’s warning comparison with the recent development in Greece is an overstatement, since the Japanese investors who hold the majority of the government’s debt are seen as long-term stakeholders who are less likely to bolt for other, more lucrative markets overseas.

Japan’s PM agrees – Japan is on the brink of collapse

Evening Standard 6/11 (Evening Standard, London daily newspaper, [http://findarticles.com/p/news-articles/evening-standard-london-uk/mi\_8010/is\_20100611/japanese-economy-brink/ai\_n54017227/] AD: 6/22/10)JM

JAPAN'S new prime minister has warned that the country is at "risk of collapse" from its huge public debt, which is twice its GDP. Naoto Kan said: "Our public finances have become the worst of any developed country." He added that full reform of the tax system was needed to avert a Greece-style crisis. In the past he has advocated increasing Japan's sales tax.

UQ – GDP

Japan’s economy is solid – GDP growth proves

Kajimoto and Ishiguro 5/20 (Tetsushi, journalist for Reuters, and Rie, journalist for Reuters, [<http://www.reuters.com/article/idUSTRE64J06820100520>] AD: 6/21/10)JM

(Reuters) - Japan's economy grew 1.2 percent in the first quarter, the biggest expansion in three quarters, on stimulus-driven consumption and solid exports to Asia, but market turmoil from the European debt crisis clouded the outlook. The expansion in gross domestic product (GDP) translates into an annualized increase of 4.9 percent, smaller than a median market forecast of 5.4 percent but above the 3.2 percent growth in the United States. The upbeat data will be some relief to the Bank of Japan, which is considering drawing up a new loan scheme to encourage banks to lend more to industries with growth potential in what it describes as a long-term approach to beat deflation. "The figures clearly indicate that the Japanese economy is recovering on the back of the expansion in exports, mainly to Asia," said Azusa Kato, an economist at BNP Paribas. "As long as the Asian economy holds steady, some decline in exports to Europe won't hurt very much, though it would be a different story if those problems started causing turmoil in financial markets and a plunge in European and U.S. stocks."

UQ – General

Japan’s economy is strong now – exports, GDP, and consumer demand all make it the world’s second largest economy.

AP 6/10 (The Associated Press, American news agency, [<http://www.moneynews.com/Economy/AS-Japan-Economy/2010/06/10/id/361581>] AD: 6/21/10)JM

Japan's economy, the world's second biggest, expanded at faster pace than originally estimated in the first quarter as consumers spent more amid signs of a broadening recovery. Gross domestic product expanded at an annualized pace of 5 percent in the January-March quarter, revised up from 4.9 percent in a preliminary report last month, the government said Thursday. The upward change surprised economists — who had forecast a downward revision — and underscores that recovery in Japan's economy has been gaining momentum. Underpinning its growth are exports of cars, consumer electronics and other goods to a surging Asia and China, which is poised to overtake Japan's economy in size sometime this year. The robust overseas demand is leading to higher production, investment and profits at Japanese companies. Masamichi Adachi, senior economist at JPMorgan Securities Japan, described the country's growth since the worst of the recession early last year as "impressively solid." The annualized figure corresponds to quarterly growth of 1.2 percent, which is unchanged from initial estimates. The updated calculations by the Cabinet Office revealed stronger consumer demand and higher spending on housing, combined with a milder decline in government investment. Corporate capital expenditures grew a less-than-expected 0.6 percent instead of 1 percent. GDP represents the total value of a nation's goods and services.

Japan’s economy is strong and reporting growth.

Ujikane 5/26 (Keiko, journalist for Bloomberg Businessweek, [<http://www.businessweek.com/news/2010-05-26/japan-exports-rise-more-than-estimated-40-4-on-asia-update2-.html>] AD: 6/21/10)JM

May 27 (Bloomberg) -- Japan’s exports rose more than economists estimated in April, the first sign that the nation’s trade-led expansion extended into the second quarter. Shipments abroad advanced 40.4 percent from a year earlier, the fifth straight increase, compared with 43.5 percent in March, the Finance Ministry said today in Tokyo. The median estimate of 17 economists surveyed by Bloomberg was for a 38.3 percent gain.Growing demand in China and developing Asia is bolstering business for companies from Canon Inc. to Komatsu Ltd., prompting them to forecast higher earnings. While those sales fuel the nation’s expansion, a deepening sovereign-debt crisis in Europe is also destabilizing stock and currency markets and may cloud Japan’s growth prospects in coming months. “So far, the recovery’s been driven by exports, and we’re likely to see a continuation of that” this quarter, said Noriaki Matsuoka, an economist at Daiwa Asset Management Co. in Tokyo. “Some kind of moderation is unavoidable, but we’ll continue to see growth.” Last month’s gain was fueled by demand for cars, auto parts and electronic equipment. Asia and the U.S. led the increase, while growth in shipments to Europe slowed, signaling the region’s debt crisis may already be damping demand. Europe’s woes caused the yen to touch its highest level against the euro in eight years this week, threatening the competitiveness of Japanese exporters. The yen has gained about 14 percent versus the euro this month and 4 percent per dollar.

UQ – General

Japan’s economy has recovered and is reporting fast growth rates.

Reuters 6/10 (Reuters, international news organization, [<http://www.stuff.co.nz/business/world/3798053/Japans-economy-grows>] AD: 6/21/10)JM

Japan's economy grew a revised 1.2 percent in January-March from the previous quarter, better than expected and providing a small boost for the country's new government tasked with reining in huge public debt. But the gross domestic product data also showed a broad measure of prices - the GDP deflator - fell a record 2.8 percent from a year earlier, in a sign that deflation remains entrenched in the world's No.2 economy. Analysts also say growth is likely to slow later this year as gains in consumer spending could moderate due to a lacklustre jobs market, while the impact of government stimulus spending is also expected to wear off. Europe's debt crisis also casts doubt on the outlook for Japan's exports to that region. "The strong economic growth in the first quarter can be explained almost entirely by the effect of government stimulus measures and strong exports," said Junko Nishioka, chief economist at RBS Securities Japan. "We expect economic growth to slow later this fiscal year as the stimulus effect tapers off." Other data showed Japanese wholesale prices rose 0.4 percent in May from a year earlier for the first time in 1- years mostly due to energy price hikes. But analysts say weak domestic demand means that wholesale price inflation is unlikely to spill over to consumer prices. Prime Minister Naoto Kan, who was sworn in on Tuesday, has said his cabinet will strengthen the economy, improve the welfare system and rein in public debt that is about twice the size of the economy. The government is likely to announce this month a growth strategy to boost investment in promising areas such as healthcare. But Kan's cabinet could struggle to balance the need for fiscal spending with its pledge to fix the country's tattered finances. Japan's first quarter growth rate matched the preliminary reading but surprised economists who had expected a downward revision and who had produced a median forecast of a 1.0 percent expansion. The result translates into annualised growth of 5.0 percent, slightly above the initial reading of 4.9 percent and more than the median forecast for 4.2 percent annualised growth. Japan's growth rate was the second fastest among major developed economies, after Canada's 6.1 percent annualised growth in the same quarter, the Cabinet Office said. It compared with 3.0 percent expansion in the United States and 0.8 percent growth in the euro zone economy of 16 countries in the same period. Capital expenditure rose 0.6 percent in the first quarter, revised down from a preliminary 1.0 percent increase but bigger than the market forecast of a revised 0.2 percent gain. The downward revision to capital spending was offset in part by consumer spending and housing investments, both of which were revised up by 0.1 percentage point for gains of 0.4 percent. Government officials were cautious about the strength of the economy, saying they need to carefully analyse capital spending. "Personal consumption showed brighter signs and housing investments were revised up, so the economy is entering a recovery phase," said Keisuke Tsumura, a parliamentary secretary of the Cabinet Office. "But we need to analyse more micro-economic data before judging if a sustained recovery is taking hold," he said. Japan pulled out of recession in April-June last year, helped by firm exports to Asia and firmness in consumption due to the government's stimulus measures, which included subsidies for energy-efficient cars and consumer electronics. The subsidies are scheduled to expire by the end of this year. Japanese companies have ramped up factory output due to overseas demand, but have been reluctant to invest in new plant and equipment on doubts about the strength of domestic demand.

UQ - General

Skyrocketing demand for Japanese products reflects the strength of their economy.

The Daily Telegraph 5/27 (The Daily Telegraph, international broadsheet newspaper, [<http://www.telegraph.co.uk/finance/financetopics/financialcrisis/7770054/Japans-exports-surge-for-fifth-month.html>] AD: 6/21/10)JM

Booming demand for new cars, high tech products and factory parts have combined with a stimulus-driven domestic picture, helping Japan's biggest companies return to profit and boost capital spending. Japan's trade surplus jumped to 742.3bn yen (£5.7bn) in April, up more than 14-fold from 48.99bn yen logged a year earlier, the finance ministry said. Exports surged 40.4pc, the fifth straight month of growth and meeting analysts expectations, as vehicle exports more than doubled while auto parts exports rose 61.7pc, driven by demand from China and the United States. The data indicated Japan was off to a strong start in the second quarter after gross domestic product grew by an annualised 4.9pc in the January-March period and 1.2pc on-quarter, the fastest in nearly a year. "The data reflected the current strength of the economy," said Hiroshi Watanabe, economist at Daiwa Institute of Research. In particular the auto sector, a major driver of the Japanese economy, has continued to lead the recovery as it stages a rebound after a period of heavy post-crisis restructuring, Watanabe said. Global auto sales plunged in 2009 in part as banks, particularly in the United States, hesitated to issue loans for consumers to purchase vehicles at the height of the global financial crisis, crushing demand. "The auto industry is one of pillars of the Japanese economy. (Its recovery) could affect corporate capital investment and employment conditions," Watanabe said. Robust Chinese and Asian demand for cars and precision equipment continued to accelerate, data showed. China-bound exports jumped 41.4pc to 1.15 trillion yen, with auto shipments surging 126.3pc. Shipments of scientific and optical instruments increased 88pc.

UQ – Deflation

Japan’s deflation is a sign of its efficiency and productivity – not it’s instability.

Fingleton 6/8 (Eamonn, Irish journalist and author, [<http://opcofamerica.org/blogs/eamonn-fingleton/setting-record-straight-japanese-economy>] AD: 6/21/10)JM

There has been deflation but it has not been a disaster. All but forgotten these days, there is more than one kind of deflation. The true precedent for Japan’s current price pattern is not the 1930s, but rather the 1880s and 1890s -- decades when the U.S. went from a rural backwater to the world’s most successful economy. The trend was driven by a huge productivity leap in the steel industry. A resulting 90 percent cut in steel prices rippled through other industries and precipitated widespread cuts in consumer prices. Japan’s falling prices are similarly driven by a huge leap in manufacturing productivity, particularly in the fundamental materials, components, and capital equipment driving the digital revolution. In key categories – silicon wafers, laser diodes, and so-called LCD steppers, for instance -- Japan is so efficient that it has become the world’s dominant or even sole supplier.

Deflation makes for fast economic growth.

Schiff 5/3 (Peter, author, businessman, *How an Economy Grows and Why It Crashes*, p. 59)JM

“There is no greater propaganda victory in economics today than the complete vilification of deflation (and the relative acceptance of inflation). As far as economists and politicians are concerned, deflation, which is defined as the overall decline of prices over time, is the economic equivalent of the bubonic plague. As the slightest whiff of deflation, governments will typically enact policies to push prices back up. “But what’s wrong with falling prices? Habituated as we have become to steadily rising prices, it would shock just about everyone to know that prices in the United States fell steadily for almost 150 years…from the late 1700s all the way to 1913! But during that time we experienced some of the fastest economic growth in the history of the planet. This was made possible for the precise reasons described in this chapter: increased efficiency. When combined with a stable supply of money (as existed in the United States until the establishment of the Federal Reserve), efficiency will push prices down. “The vastly increased productivity of the industrial revolution made it possible for working-class people to afford all kinds of goods, like upholstered furniture, tailored clothing, plumbing, and wheeled transportation, that were previously available to the rich. Deflation meant that $100 saved in 1850 could buy many more goods and services in 1880. Why is this not a good thing?”

UQ – Index

The tertiary index is up – that’s a leading indicator of the Japanese economy.

EC Pulse 6/16 (EC Pulse, online website dedicated to economics research, [<http://www.ecpulse.com/en/topstory/2010/06/16/japan-tertiary-rebounded-demand-services/>] AD: 6/21/10)JM

A report today showed that the tertiary industry index rose as the Japanese demand for services increased the most since three months, adding signs to the nation's economic recovery that spread to households, especially during the rebound of exports. The Japanese economy issued tertiary industry index which inclined to 2.1% in April, compared with a previous revised -2.7% from -3% during March, while the actual reading came under analysts' expectations that referred to 2.5%. Furthermore, the tertiary index represents 63% of the Japanese economy. Thus rebounded tertiary which is supported by widened exports is prompting consumers to spend more as they became more confident about the nation's outlook. From another side employers spending increased for the second month in April as they had to work extra hours in order to keep up with growing demand. Moreover, governmental stimulus measures are likely to be paused in order to slowdown the consumer spending during the upcoming months to evade deflation risks that might hinder the nation's growth, but this progress should be supported by the pickup in employment and income in order to offset that. Stimulus programs which were offered by the Japanese government to people in order to buy energy-efficient electronics are scheduled to expire this year starting from this month. Democratic Party of Japan led the government to offer a monthly allowance for Japanese families with 13,000 yen ($142) per child. However, spending on durable goods helped overall spending as it gained 4.6%. The Japanese economy expanded 1.2% in the first quarter of the year after growing 1.0% in the previous three months. The GDP grew an annual 4.9% as exports continued to increase along with higher demand especially from China, that main overseas market for Japan's exports.

UQ - Stocks

Japanese economic recovery is here – stock averages are up.

Xinhau 6/10 (Xinhau News Agency, press agency in the PRC, [<http://english.peopledaily.com.cn/90001/90778/90859/7021216.html>] AD: 6/21/10)JM

The 225-issue Nikkei Stock Average gained 103.52 points, or 1. 10 percent, from Wednesday to 9,542.65, and the broader Topix index of all First Section issues on the Tokyo Stock Exchange advanced 6.42 points, or 0.75 percent, to close at 856.79. Analysts in Tokyo said that investor sentiment was buoyed by data from China showing that exports had risen 48.5 percent in May and imports by 48.3 percent from a year earlier, providing hope that the global economic recovery was still on track and that China's booming economy was resilient to the fallout from Europe's debt crisis. ''The Chinese data did not show that the (Chinese) economy has been affected by the (debt) problems facing Europe for now,'' said Yumi Nishimura, deputy general manager at Daiwa Securities Capital Markets Co. "The euro fell sharply (against the yen) recently but its slide has slowed, so concerns over the euro also retreated,'' Nishimura added. Brokers said that China's continued growth was a positive sign for investors as some faith in the global economic recovery had been restored and that foreign investors, who have taken flight form risky assets like stocks recently, were selling for liquidity, not as a reflection on Japanese markets as a whole. "The global economy doesn't appear to be in such a bad shape, except for problems with Europe's finances," said Kenichi Hirano, operating officer at Tachibana Securities."Foreign investors that have been selling Japanese stocks want to sell because they're worried about liquidity, not because they have reviewed their stance on Japan. They'll need to see European problems calm down." Additionally government data released just before the markets opened Thursday showed that Japan's real gross domestic product ( GDP) increased an annualized 5.0 percent in the January-March period, marking the fourth straight quarter of gain, as an increased demand for Japanese exports, particularly from emerging markets, has led to an increase in corporate capital expenditure to meet with increased demand and domestically consumers are being less thrifty, the Cabinet Office report showed.

Stocks are up – proves investors believe in Japanese resiliency.

Kondo 4/30 (Masaki, journalist for Bloomberg Business Week, [<http://www.businessweek.com/news/2010-04-30/japan-s-stocks-rebound-from-biggest-drop-in-12-weeks-on-profit.html>] AD: 6/21/10)JM

April 30 (Bloomberg) -- Japanese stocks rose, rebounding from their biggest slump in 12 weeks, as earnings boosted speculation the world’s economy will sustain its recovery. Mitsubishi Estate Co. rallied 5.4 percent as it projected more than a fivefold increase in earnings. NEC Corp., the nation’s largest maker of personal computers, climbed 2.3 percent after posting higher-than-forecast net income. Oki Electric Industry Co. jumped 7.7 percent after turning to a profit because of cost cuts. Canon Inc., a camera maker that gets 28 percent of its sales from the Americas, gained 1.9 percent after a weaker yen boosted its earnings prospects. “The global economy is picking up and corporate earnings are improving,” said Kiyoshi Ishigane, a strategist in Tokyo at Mitsubishi UFJ Asset Management Co., which oversees about $64 billion. “Investors aren’t very, very bullish but cautiously believe the market will remain resilient.” The Nikkei 225 Stock Average rose 1.2 percent to close at 11,057.40 in Tokyo. The broader Topix index advanced 1 percent to 987.04, with almost three times as many shares rising as declining. On April 28, both gauges plunged the most since February. Markets were closed yesterday for a national holiday.

UQ – Industrial Production

Japan’s industrial production is growing rapidly.

RTTNews 6/14 (RTTNews, internet news aggregator, [<http://www.rttnews.com/Content/AllEconomicNews.aspx?Node=B2&Id=1332460>] AD: 6/21/10)JM

(RTTNews) - Japan's industrial production recorded a monthly growth of 1.3% in April, slightly larger than the 1.2% increase seen in March, a final report published by the Ministry of Economy, Trade and Industry showed Monday. The ministry confirmed the initial growth figure for April issued on May 30. On an annual basis, production surged 25.9%. Growth in shipments was revised down to 1.4% from 1.6%. Meanwhile, increase in inventory was upwardly revised to 0.6% from 0.3%. Inventory ratio stood at 1.2% compared to the initial estimate of 0.6%. Seasonally adjusted capacity utilization in April remained flat after rising 0.6% in March. On an unadjusted basis, capacity utilization plunged 10.5% from the previous month and grew 31.6% annually.

Industrial production is key to the economy.

Irwin 6/16 (Neil, reporter for the Washington Post, [<http://voices.washingtonpost.com/economy-watch/2010/06/steep_rise_in_industrial_produ.html>] AD: 6/21/10)JM

The nation’s industrial sector boosted production in dramatic fashion in May, as a steep rise in activity in the nation’s factories continued to lift the broader economy. The 1.2 percent increase in industrial production, which the Federal Reserve reported Wednesday, was stronger than expected and the best reading on that indicator since August 2009. The gain drove capacity utilization in the nation’s industrial sector to 74.7 percent, the highest level since October 2008, when the recession was worsening. The industrial sector has been a driver of the economic recovery that began last summer, reflecting both steadily rising consumer demand for goods and inventory levels that had grown so lean during the recession that they needed to be rebuilt. The strong new data offers some reason for confidence that the economic recovery remains underway after disappointing May data on private sector job creation and retail sales.

UQ – Recession Over

The recession in Japan is over thanks to solid exports.

AP 6/7 (Associated Press, American news agency, [<http://www.breitbart.com/article.php?id=D9G6AVU81&show_article=1>] AD: 6/21/10)JM

Japan's economy has been recovering since April 2009 on the back of solid exports and effects of stimulus steps after bottoming out the previous month, ending a recession that lasted for about 17 months since November 2007, the government said Monday. A panel of economists and experts for the Cabinet Office determined that the failure in September 2008 of Lehman Brothers Holdings Inc. and the resultant financial crisis accelerated considerably the pace of the latest recession, further damaging the already battered exports and production. Hiroshi Yoshikawa, professor of economics at the University of Tokyo who leads the panel, said at a press conference after the meeting that the most characteristic aspect of the latest recession was that the pace of contraction was "extremely steep." But exports primarily for Asia began recovering along with production of electronics and transport products, including vehicles, in the spring of 2009, while consumption has also shown signs of a pickup aided by the government's stimulus efforts, according to the panel. The panel said, however, that capital expenditure and labor conditions have been experiencing a much slower pace of improvement. The panel determined that the length of the latest recession is almost an average for the past 13 economic cycles, which comes in at 16 months. The previous recession continued 14 months from December 2000 to January 2002. The economy then started expanding in February 2002 and hit the peak in October 2007, which means the expansion lasted for the longest 69 months in the postwar period.

UQ- Investment

Japanese econ on the brink- yen staying afloat because of international investment

Milner 9 [Brian, December 2, The Globe and Mail, Lexis ] KLS

Japan's previous battle with the demon of deflation began in the mid-1990s and lasted until 2006. "Japan is in deep difficulty," said investment banker Ken Courtis, founding partner of Themes Investment Management in Hong Kong and an expert on the Japanese economy. Faced with such critical problems as a shrinking population and labour force, fierce competition in its key export markets and an overvalued currency, "additional quantitative easing can and will do little," Mr. Courtis said. The continued strength of yen in the face of such domestic Japanese woes leaves some observers puzzled. But one explanation is that large Japanese institutions have been selling foreign assets to raise cash to meet the rapidly growing pension demands of an aging population. These large pools of capital, including the huge Japanese Postal Savings funds, have sizable holdings of Japanese government bonds they have been asked not to sell. Indeed, they face demands to buy more, as the government seeks to cover additional stimulus spending being announced this week. So they have been shedding foreign bond holdings instead.

Link- General

**Troops are the oil to the hinges of Japanese econ, with the US econ benefitting as well**

**Carpenter 95** (Ted Galen, Director of Foreign Policy Studies @ CATO inst., CATO Inst. Policy Analysis no. 244, http://www.cato.org/pubs/pas/pa-244.html)

Although it is true that Japan's host-nation support is substantial, the subtle implication that the U.S. alliance with Japan is nearly cost free to America is misleading on several counts. First, the popular Japanese contention that the financial support now amounts to more than 70 percent of the cost of the forces stationed in Japan is inaccurate. That percentage does not include the salaries of the military personnel--the largest single expense.(7) Including salaries in the calculation reduces Japan's support to barely 50 percent. Second, there is less to the $5 billion in host-nation contributions than it might appear. The figure includes such expenses as local labor and utility costs of maintaining U.S. forces and funds for the construction of new facilities--approximately a $1 billion item by itself. Tokyo also funds the leases for land used by those forces and incurs what the Pentagon describes as "indirect costs," including "waived land use fees, foregone taxes, tolls, customs, and payments to local communities affected by United States bases."(8) Some of the items are expenses the U.S. government would otherwise clearly have to bear. But the "indirect costs" category is largely a matter of shifting revenues from the government in Tokyo to local governments, not a real financial offset that would benefit American taxpayers. True, Japan may be incurring opportunity costs because the land occupied by U.S. bases could be used for other purposes, which would generate taxes, land-use fees, and other forms of revenues. But that opportunity cost must be measured against other factors. Those include the economic benefits to the Japanese economy from the money spent by American troops when off base and the huge financial gain to Japan arising from not having to fund a larger military establishment of its own. Including the opportunity costs as part of the host-nation support without considering the multifaceted financial benefits of the U.S. presence is inherently misleading. Third, Tokyo hardly volunteered to increase its support payments out of a spirit of alliance solidarity, much less altruism. The Japanese agreed to the increase in January 1991 only with great reluctance following a series of caustic congressional hearings and reports on the "burden-sharing" issue. For example, a report issued by a special House burden-sharing panel chaired by Rep. Patricia Schroeder (D- Colo.) suggested that trade sanctions be imposed on Japanese exports to the United States if Japan did not agree to pay more for the U.S. troop presence, and an increasingly angry Congress seemed receptive to that proposal.(9)

Link- Sustainability

Reduced defense commitments have no long term economic benefit – greater burden sharing hurts the economies of both Japan and the US

Ward et. al. 95 (Michael, Head of Poli Sci Dept. @ Univ of Washington, International Studies Quarterly Vol. 39 No. 1, March 1995 pp. 27-50) JPG

The long-standing contention that Japan has been able to grow at the expense

of the United States, owing to the latter's military expenses in pursuit of global and regional security, is a sticky proposition. Reduced U.S. defense commitments would appear to lead toward a reduction of the negative volume effects and at the same time reduce the positive spinoff effects on the economy. Other things being equal, this will tend to help the U.S. economy in the short run, but without creating real, long-term benefits. AsJapan continues to expand its foreign policy operations around the globe, it may face larger defense commitments at the same time U.S. commitments are being scaled back. This study provides no evidence that higher military spending is likely to be deleterious to the Japanese economy. Taken in combination, this suggests that from an economic perspective, greater burden sharing of defense costs may actually be beneficial to both Japan and the United States. Domestically, each economy would appear to derive some benefits from such a development. Internationally, one might also- hope for a greater synergism between these countries as both become stronger economically. While it is true that the growth trajectory of U.S. GDP is largely constant when viewed from the historical perspective of the past century, it is also true that until the early 1980s, Japanese post-World War II economic growth was well beyond its own historical norm. As it returns toward that norm (i.e., the so-called slow growth of the 1990s), greater involvement in international affairs seems likely to lead to increased security expenditures. Japan has historically used military spending to pursue a variety of national goals-excluding demand management. It seems likely that this will continue. It is important to note that Japan's defense industry has been growing twice as fast as the rest of its manufacturing sector (Choucri et al., 1992:300) and that its military expenditures are the third or fourth highest in the world, with manpower costs consuming only about 40 percent of that total (Chinworth, 1992:189). In addition to Japan's growing military expenditures, it is important to recognize that Asia is currently experiencing a military buildup, unrivaled anywhere else on the globe. Not only has the volume of imported armaments grown in size, but the "sophistication" of the weapons systems has also been augmented. Countries in North, South, and East Asia are importing more armaments. At the same time, they are indigenously producing more weapons. According to Klare (1993:139), over the period 1985-1991, Singapore, Malaysia, Thailand, the Philippines, Taiwan, China, South Korea, North Korea, and Japan all exhibited double-digit growth in military expenditures. The slowest of these growth rates are between 12 and 15 percent. Military spending in Singapore, the Philippines, and China grew more than 30 percent over this period. It seems likely that such growth in the Asian region is likely to present some interesting dilemmas forJapanese defense planners and defense firms. Whether this is likely to lead to ajapan that is re-militarized seems somewhat beside the point. However, these trends will continue to reestablishJapan as a growing and prominent military power in Asia as it adopts a force structure with greater ability to project military power. Although it is too soon to declare the start of another arms race in Asia, there is considerable recent evidence of substan- tial and widespread increases in military spending, in contrast to the general decline witnessed in most other regions. Those in the U.S. who wish a greater "burden sharing" with Japan (and others) for strategic as well as economic reasons may, however, not find that the hoped-for drag on the Japanese economy will be a consequence. Indeed, our analyses suggest that increased military spending by Japan will not necessarily have deleterious effects, and may in fact be helpful to the Japanese economy. Beyond the implied slowing of the Japanese economy, increased Asian military spending does hold the potential to catalyze a relatively peaceful pacific security regime into one in which old rivalries as well as new ones become more salient.

Link- Manufacturing

**Host nation support is irrelevant in terms of economics – US presence allows Japan to focus on production and manufacturing**

**Carpenter 95** (Ted Galen, Director of Foreign Policy Studies @ CATO inst., CATO Inst. Policy Analysis no. 244, http://www.cato.org/pubs/pas/pa-244.html)

Finally, even if one concedes that Japan's host-nation support is significant, that reimbursement represents only a small fraction of the overall cost of America's East Asian security commitments, which primarily benefit Japan and South Korea. To measure the total cost, it is necessary to consider not only the expense of the forces stationed in those two countries but also that of the air, ground, and naval units that exist to reinforce the forward-deployed forces if trouble breaks out in the region.(10) Measured in that way, the cost of Washington's East Asian obligations is nearly $40 billion a year.

The extent of Japanese free riding is even more apparent when one examines the defense budgets of the two countries. The U.S. military budget is nearly six times Japan's. It costs each American more than $1,000 a year to support the military, whereas it costs each Japanese less than $360 a year. Yet America's population is barely twice that of Japan, and its economy is only 30 percent larger. The differential is not a new problem. Former investment banker Ernest Oppenheimer noted,From 1981 through 1994, the U.S. spent $3.5 trillion on defense, or $14,000 per capita. In the same interval, Japan devoted about $2,500 [per capita] to this task. The $11,500 per capita difference constituted a $1.4 trillion financial advantage to 120 million Japanese. These funds represented a form of free financing, which was channeled into the creation of superior products and state-of-the-art manufacturing facilities.(11) One might legitimately quarrel with Oppenheimer's assertion that the entire differential in military spending represented a U.S. subsidy to Japan. There were other free riders in Washington's network of alliances during those years, most notably the NATO allies and South Korea, so it is hardly fair to contend that the entire benefit went to Japan. Furthermore, Tokyo was under no obligation to duplicate the bloated military budgets that the United States adopted during the 1980s. The United States' having done something foolish does not mean that Japan should have done so as well.Nevertheless, Oppenheimer's larger point is valid. The United States has spent (and continues to spend) far more on the military than has Japan, and at least part of that differential constitutes a lucrative financial subsidy to the Japanese economy. Any justifications there may have been for Americans' tolerating such a gap in military spending during the early decades of the Cold War, when both countries faced a potentially lethal threat to their mutual security interests and Japan lacked the economic strength to build a credible defense force of its own, are no longer relevant. A continuing huge disparity between the military efforts of the world's two leading economic powers is difficult to justify in the post-Cold War era, given Japan's considerable economic and financial resources; America's chronic fiscal woes; and the existence of lesser, regional security problems rather than a global menace. The financial cost to American taxpayers of Japan's free riding is not the most troublesome consequence of Washington's East Asian policy, however. Even more disquieting are the risks the United States continues to incur because of its role as the guarantor of East Asia's security and stability--risks that would normally be borne primarily by Japan and other regional powers.

Link – Security Guarantee

American presence key to the economy – No host country military spending is needed and the security guarantees generated foster critical investor confidence.

Kane and Jones 5 (Tim, Senior Fellow in Research and Policy at the Kauffman Foundation and a Ph.D in Econ from UC San Diego, and Garett, Prof of Econ, George Mason U, [http://www.heritage.org/Research/Reports/2005/04/The-Impact-of-US-Troop-Deployments-on-Economic-Growth] AD: 6/22/10)JM

Our hypothesis is that international deployments of U.S. military personnel exert a positive causal effect on the growth rates of host countries. Japan and Germany experienced miraculous economic expansions in the decades following World War II. In both cases, a U.S. military occupation coexisted with a massive U.S. effort to reconstruct the politi cal and economic systems of these countries. However, most cases of large U.S. engagements cannot be characterized as "occupations." That is true of the majority of deployments, but also includes the cases of Japan and Germany a decade after World War II ended, when occupations had been replaced by mutually supportive Cold War alliances. Regardless of the strategic rationale for various deployments, the question is, what causal mechanisms run from U.S. troops to better eco nomic performance? One potential mechanism is the role of the U.S. military as a security umbrella for host nations, which one might think of as a free, guaranteed risk reducer for investors and other economic decision makers. In addition, it is possible that data on U.S. troops-a number that can be precisely measured and reported for each year- may simply be a reliable proxy for good economic and political institutions. Finally, U.S. troop deployments may be an especially effective mechanism for spreading these good economic and political institutions. Security is one of the most likely mechanisms through which American soldiers enhance the growth poten tial of an economy. In other words, rational actors are more likely to defer con sumption in favor of invest ment when the probability of payoff rises, which is a proba bility that is closely tied to the peace and security of area. One could think of this as the "security umbrella" effect. The security guarantee of U.S. troops is a pow erful signal to foreign investors, perhaps even a deciding factor for firms choosing where to locate new factories. American-guaranteed security would therefore spur higher levels of both domes tic and foreign direct investment and would lower the risk premium in interest rates. Finally, the presence of American security forces allows a host nation to lower its own defense expenditures, which can result in sizeable savings. This allows the country to use more of its own resources for physical and human capital accumulation.

This isn’t just rhetoric – surveying 94 countries, regression analysis proves U.S military presence is key to the economy of a host country.

Kane and Jones 5 (Tim, Senior Fellow in Research and Policy at the Kauffman Foundation and a Ph.D in Econ from UC San Diego, and Garett, Prof of Econ, George Mason U, [http://www.heritage.org/Research/Reports/2005/04/The-Impact-of-US-Troop-Deployments-on-Economic-Growth] AD: 6/22/10)JM

Table 1 indicates that the presence of American troops is positively correlated with both GDP growth rates and GDP levels. Countries with high U.S. troop presence during the 1950-2000 period enjoyed GDP per capita levels in 2000 that were nearly double the world average, while the 50 countries with the fewest U.S. troops had income levels that were roughly half the world average. Likewise, countries with the most U.S. troops grew nearly twice as fast as the world average, while countries hosting the fewest troops grew at only two-thirds the world average over four decades. To give a sense of the magnitudes involved, we note that the top 10 countries hosted 22.2 million U.S. troops from 1950-2000. In contrast, the sec ond set of 10 countries hosted about one-twenti eth of that amount: a total of 1.3 million troops during the same period. We define "troop" as one soldier for one year. We divide the sample of 94 countries into quin tiles, sort by deployment size over the half-century, and discover that the troop level and growth vari ables appear to have the same clear positive rela tionship, as shown in Chart 1. The top quintile has an average 3.05 percent growth rate and 24,239 troops per year; the second quintile has a slightly lower growth rate and U.S. troop level (2.20 per cent and 205 troops); the third quintile is lower in both categories (2.05 percent and 35 troops); the fourth quintile is lower still (1.12 percent and nine troops); and the fifth quintile is the lowest in both (0.84 percent and two troops).

Link – Consumer Demand

U.S military presence pumps billions into Japan’s economy – it’s the main driver of consumer demand.

Tritten 9 (Travis J., reporter for Stars and Stripes w/ a B.A from Ohio State U, March 1, 2010[http://www.stripes.com/news/port-calls-can-offer-valuable-opportunity-for-japanese-economy-1.88688] AD: 6/22/10)JM

SASEBO NAVAL BASE, Japan — A visit by thousands of eager consumers would seem like a blessing for a city suffering hard economic times. The equation is not so simple in Sasebo. Seaman Orvin McLean, 23, and thousands of other sailors visited downtown Sasebo on Friday during a port call by the aircraft carrier USS John C. Stennis. After fingering through the racks at a hip-hop clothing store, McLean bought a hooded sweatshirt and a red T-shirt for thousands of yen. It was just one example of the $1 million in spending the U.S. Navy says a carrier visit contributes each day to the local Japanese economy. Overall, the U.S. military pumps about $4.3 billion into Japan’s economy annually, which includes consumer spending, according to U.S. Forces Japan. It is a significant income for a country that is hemorrhaging jobs and watching its economy sink to its lowest levels in many decades. Still, questions remain in Sasebo — and other host communities — over the economic benefits of the U.S. military in a time of recession. Some Sasebo residents were hopeful the carrier visit can inject much-needed cash into the city, while others remain pessimistic that much will get into local pockets. City Councilman Yosei Matsumoto is one of the optimists. In recent months, Sasebo has seen the bankruptcy of its second-largest industrial company, Tsuji Heavy Industries, and a decline in tourism that caused the closure of a top hotel, Den Haag at the Huis Ten Bosch resort, Matsumoto said. Meanwhile, small businesses, such as restaurants and car dealerships, are suffering. But Matsumoto said the military in Sasebo can bolster business during the recession. The Sasebo bicycle racing stadium was being pinched by the diving economy. So, Matsumoto teamed up with the stadium to promote the weekend race events to USS Stennis sailors. Hundreds of English-language flyers were distributed as the carrier came into port. Matsumoto said he hopes the carrier will help fill stadium seats over the weekend and that sailors will continue to come to the bicycle races after the Stennis leaves port. "I think the U.S. Navy is a big help" to the local economy, Matsumoto said. Masato Shinozaki, a Sasebo peace activist and opponent of the U.S. military in Japan, said very little money is made from consumer spending by the U.S. military. Sailors typically take their money out of the city, spending it during trips to Nagasaki or Fukuoka, which provide more entertainment and nightlife, he said. Even the number of local "gaijin" bars — a main attraction for sailors in the city — has greatly decreased in Sasebo since the Vietnam era, meaning less revenue for the local economy, Shinozaki said. The military’s economic contribution in Sasebo is one of the smallest among bases in Japan, according to figures U.S. Forces Japan provided Friday. Sasebo Naval Base annually contributes about $120 million to the local Japanese economy. That’s more than only Camp Fuji, Japan, which contributes about $20 million, USFJ reported. During just one weekend visit by the USS Stennis, the city will get about $4 million to $5 million, according to U.S. Navy revenue estimates. "It behooves all of us to think of the goodness … from something like an aircraft carrier, whether it’s a port visit here in Sasebo or a permanent basing with the fleet in a community," Rear Adm. James D. Kelly, commander of U.S. Naval Forces Japan, said Thursday. Meanwhile, the U.S. military on Okinawa is by the far the biggest economic contributor. Bases there generate about $2 billion annually, USFJ reported.

Link – Consumer Demand

Without consumer demand, deflation occurs.

Otsuma 9 (Mayumi, reporter for Bloomberg News, June 25, 2009, [http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aDflT6kiR9gs] AD: 6/22/10)JM

June 26 (Bloomberg) -- Japan’s consumer prices fell at a record pace in May, adding to the risk that deflation will become entrenched and hamper a rebound from the nation’s worst postwar recession. Prices excluding fresh food slid 1.1 percent from a year earlier after dropping 0.1 percent in the preceding two months, the statistics bureau said today in Tokyo. It was the sharpest decrease since comparable figures were first compiled in 1971. Bank of Japan Governor Masaaki Shirakawa said last week that price declines will accelerate through the middle of the fiscal year as demand slackens and crude oil continues to trade lower than last year’s record. Retailers including Aeon Co. are cutting prices to attract customers as falling wages and the worsening job outlook damp spending. “Profits fall, then wages come down, then consumers stop shopping,” said Junko Nishioka, chief Japan economist at RBS Securities Japan Ltd. in Tokyo. “And because people aren’t shopping, companies lower prices. That’s the process that we’re starting to see. It isn’t easy to break out of.” The yield on Japan’s 20-year bonds fell half a basis point to 2.08 percent at the 11:05 a.m. break in Tokyo. The Nikkei 225 Stock Average rose 0.2 percent. The decline in prices matched the median estimate of economists surveyed by Bloomberg. Worldwide inflation is easing as energy costs retreat and the worst global recession since the Great Depression forces companies to charge less. Consumer prices failed to rise in the euro area for the first time in at least a decade in May, and in the U.S. they fell 1.3 percent, the most since 1950. Hard Sell “With demand deteriorating, companies are finding it more difficult to sell goods and services and are turning to discounting,” said Azusa Kato, an economist at BNP Paribas in Tokyo. Some 47 percent of 775 Japanese retailers surveyed by the Nikkei newspaper plan to lower prices in the year ending March 2010 to spur sales, up from 9 percent a year earlier. Aeon, Japan’s second-largest retailer, this week started a discount campaign for confectionary, drinks and mayonnaise. Consumers, whose spending accounts for more than half of the economy, may delay purchases if they expect goods to get cheaper. That would erode profits and force companies to cut wages, which have already slid for 11 months. Japan only escaped from a decade of deflation in 2005. Finance Minister Kaoru Yosano said an “extreme” slump in demand and production are causing the drop. “We continue to monitor developments in prices and need to carefully manage the economy to avoid a deflationary spiral,” he said. Jun Saito, chief economist at the Cabinet Office, said in an interview that price declines “will exert a significant amount of downward pressure on the recovery.”

Deflation spells economic catastrophe.

Kumar 9 (G, astrologer, academician & programmer, Nov 30, 2009, [http://www.articlesfactory.com/articles/wisdom/deflation-is-more-dangerous-than-inflation.html] AD: 6/21/10)JM

If deflation is prolonged, then it is very dangerous, more dangerous than inflation. It will engender crisis and recession. More than prices falling, it is the expectation that prices will fall, that is more dangerous. If consumers believe that prices will fall furthur, investment decisions will be delayed. My friend was saying he will not buy a flat of 80 lakhs now, as he will get it for 40 lakhs after two years. Consumer judges that it is a Bear Phase and will not invest and will wait for prices to fall. Let it be Stock Market or Realty, the intelligent will only enter at the end of the Bear Phase and not at the beginning. ! Inflation is the phase where the prices of products and services go up in a bullish curve and Deflation is the phase where the prices of products and services go down in a bearish curve ! The prices of some commodities - particularly foodstuffs - are rising during even the deflationary phase. The Wholesale Price Index is based on 430 commodities. Ordinary people are bothered only about the prices of foodstuffs, rice, sugar, wheat, fish, vegetables etc. The prices of copper, coal, aviation fuel etc, ( which is also included in the 430 commodities ) are something the common man is not bothered about. The common man does not benefit when the price of aviation fuel comes down. But the prices of foodstuffs do not come down and this explains why prices of some commodities are rising during deflation. Now this inexplicability is resolved when everything is based on the CPI, the Consumer Price Index. The Wholesale Price Index on June 06, 2008 was 236.5 and on June 06, 2009 was 232.7 and hence Deflation is 1.61%. Now Consumer Price Index can be followed as it highlights the prices of essential commodities and if we follow the CPI, we have an inflation at 8% ! Inflation was 11% when oil was ruling at 140 dollars per barrel. The inflation of today is merely a statistical aberration. People will delay their buying during Deflation. During inflation, when people thought price of rice was bound to go up, they bought heavy quantities of rice. Now the reverse phenomenon will happen during deflation. The buying of rice, wheat, medicines etc which are essential will be deferred. There will be less demand. The manufacturers will have to slash down output. There will be retrenchment of employees as business becomes slack, unemployment will rise and the whole economy will be affected considerably.

Brink- Japanese Econ on the Edge

Japan is on the brink of a credit rating downgrade which would send its economy into ruin. Any weakening of Japan’s economy sends it over the edge.

Jackson 5/26 (Eric, Ph.D. from the Columbia University Graduate School of Business, [http://www.thestreet.com/story/10765683/2/sounding-the-alarm-about-japan.html] AD: 6/21/10)JM

So what are the catalysts that could spark a crisis in Japan? A failed Japanese bond auction. A sharp drop in tax revenue. A failure to implement tough fiscal and budgetary standards. A sharp contraction in Japanese GDP. A downgrade in sovereign debt by the ratings agencies. Of all these possibilities, the downgrade is likely the spark that will set off this fire. The other risks can all be mitigated to a greater or lesser extent by the Japanese government. The government has shown a remarkable ability to push off the day of reckoning. When there is a downgrade, or even a threatened downgrade, it will be the signal to the capital markets that the time to worry is now. Such an action by the ratings agencies, such as Moody's and Standard & Poor's is not that far-fetched. An announcement from the agencies -- in my opinion - possibly is likely by the end of the summer. Japan will be an enormous risk to the global market system, much more than Greece. Unlike the EU, Japan has no steward. This is a country that must govern itself and not rely on edicts from the Germans who are telling it what to do. This self-governance has enabled Japan to get in much worse financial shape than Greece would have been allowed to. When the day of reckoning comes for Japan, it will be a doozy.

MPX- Econ Growth Good- General (War)

Asian instability leads to war- political tension, alliances, rivalries

Auslin 9 [[Michael, Resident Scholar at American Enterprise Institute, February 6, Weekly Standard http://www.weeklystandard.com/Content/Public/Articles/000/000/016/115jtnqw.asp]

AS THEY DEAL WITH a collapsing world economy, policymakers in Washington and around the globe must not forget that when a depression strikes, war can follow. Nowhere is this truer than in Asia, the most heavily armed region on earth and riven with ancient hatreds and territorial rivalries. Collapsing trade flows can lead to political tension, nationalist outbursts, growing distrust, and ultimately, military miscalculation. The result would be disaster on top of an already dire situation. No one should think that Asia is on the verge of conflict. But it is also important to remember what has helped keep the peace in this region for so long. Phenomenal growth rates in Japan, South Korea, Hong Kong, Singapore, China and elsewhere since the 1960s have naturally turned national attention inward, to development and stability. This has gradually led to increased political confidence, diplomatic initiatives, and in many nations the move toward more democratic systems. America has directly benefited as well, and not merely from years of lower consumer prices, but also from the general conditions of peace in Asia. Yet policymakers need to remember that even during these decades of growth, moments of economic shock, such as the 1973 Oil Crisis, led to instability and bursts of terrorist activity in Japan, while the uneven pace of growth in China has led to tens of thousands of armed clashes in the poor interior of the country.

MPX- Econ Growth Good- Democracy Module

**A. Strong Japanese economy is key to global democracy**

**Auslin 9** [Michael Japan studies at the American Enterprise Institute, Wall Street Journal http://online.wsj.com/article/SB10001424052748704875604575281531543506628.html] KLS

More likely is that, no matter who becomes prime minister, Japan's voters will punish the DPJ by turning to the plethora of splinter parties that have emerged in the past several years, many of them breaking off from the formerly powerful LDP. Such an electoral result would insure the instability in Japanese politics and policy paralysis that is all but certain to follow from Mr. Hatoyama's resignation. Political pyrotechnics such as we've witnessed in Japan over the past half-decade are worrying in any democratic country. They are doubly worrying in Asia's oldest democracy and the world's second-largest economy. At a time when China is flexing its political and military muscle, when democracy is besieged in Thailand, when North Korea is lashing out at South Korea, and when the global economic recovery is in danger of stalling out, it is not too melodramatic to say that the world needs a strong Japan. It has the human and material capital to play a leading role in Asia and around the globe, but it will not do so with a political system in constant upheaval. Above all, the people of Japan, who have patiently borne nearly two decades of economic and political stagnation, deserve more from those in whom they have placed their trust and their dreams.

B. Democracy solves environment – accountability, information flow and markets.

Li and Reuveny 7 [Quan Professor of Political Science at Penn State, and Rafael Professor of Public and Environmental Affairs at Indiana University http://cmp.sagepub.com/cgi/content/abstract/24/3/219] KLS

Moving to the view that democracy reduces the level of environmental degradation, one set of considerations focuses on the institutional qualities of democracy. The responsiveness argument is that democracies are more responsive to the environmental needs of the public than are autocracies due to their very nature of taking public interests into account (Kotov and Nikitina, 1995). It is also argued that democracies comply with environmental agreements well, since they respect, and respond to, the rule of law (Weiss and Jacobsen, 1999). The freedom of information channel is offered by Schultz and Crockett (1990) and Payne (1995). They theorize that political rights and greater freedom for information ﬂows help2 to promote the cause of environmental groups, raise public awareness of problems and potential solutions, and encourage environmental legislation to curtail environmental degradation. Democracies also tend to have market economies, which further promotes the ﬂow of information as economic efﬁciency and proﬁts requires full information. Hence, unlike the above argument, this channel expects that proﬁt-maximizing markets will promote environmental quality (Berger, 1994).

C. Democracy solves environment – less war, famines and more responsibility.

Li and Reuveny 7 [Quan Professor of Political Science at Penn State, and Rafael Professor of Public and Environmental Affairs at Indiana University http://cmp.sagepub.com/cgi/content/abstract/24/3/219] KLS

A second set of considerations on the positive role of democracy on environmental quality focuses on the effects of democracy on human life and crisis situations. The famines argument (Sen, 1994) observes that famines tend to promote environmental degradation because they divert attention away from longer-term environmental concerns. Since famines typically do not occur in democracies, argues Sen, environmental quality is expected to be higher in democracies than in autocracies. The human life argument (Gleditsch & Sverdlop, 2003) suggests that since democracies respect human life more than autocracies, they are more responsive to life-threatening environmental degradation. A related argument, the war channel, reasons that to the extent that democracies engage in fewer wars, they should also have a higher level of environmental quality (Gleditsch & Sverdlop, 2003), since war often destroys the environment of the warring parties (Lietzmann & Vest, 1999).

MPX- Econ Growth Good- Japanese ReArm Module (1/2)

A. Japanese economic downturn will lead to rearm

Time Magazine 71 [September 6 http://www.time.com/time/magazine/article/0,9171,943857-2,00.html]

High Emotional Content. The U.S., for its part, wants Japan to become the leading economic—not military—force in Asia. That view matches Tokyo's own ambition to become a purely economic superstate, offensive to no one. But the vision could fade if Japan's economy suffers too severe a setback, or if Tokyo finds the world of international diplomacy so cold that it feels compelled to rearm. Avoiding that possibility depends, most of all, on restoring close and easy communications with Washington. Richard Nixon is aware of the high emotional content in the Japanese decision-making process, and that is doubtless why he quickly announced his plans to meet Emperor Hirohito later this month in Anchorage, Alaska, where the Emperor has scheduled a stop on his first world tour. But it will take more than a few symbolic gestures to convince Tokyo that its cold, new world might not be such a dreadful place after all.

B. Japanese rearm would be rapid and cause India/Pakistan arms races

Business Week 03[ January 3 http://www.businessweek.com/magazine/content/03\_03/b3816027.htm]

No wonder, then, that Tokyo is worried about North Korea's nukes. If Pyongyang were to launch a nuclear warhead, a likely target would be Japan, still despised for its brutal rule on the Korean peninsula in the 20th century's first half. "North Korea now regards Japan as its biggest regional threat and the country most likely to go nuclear in the future," says Takashi Hirose, an expert on Japanese nuclear issues. That has policymakers in Tokyo and beyond considering the once-unthinkable prospect of a nuclear-armed Japan. The U.S. "should remove [its] objections to Japan developing nuclear weapons," said Senator John McCain (R-Ariz.) on Jan. 5. The following day, the Cato Institute, the conservative think tank, recommended that the U.S. reduce its military forces in South Korea and Japan and give both countries a nuclear green light. Even in Japan, some senior politicians have broken a long-standing taboo by discussing the possibility of a nuclear buildup. Yasuo Fukuda, the chief Cabinet Secretary, last June confided to Japanese reporters that "depending on the world situation, circumstances and public opinion could require Japan to possess nuclear weapons." Shinzo Abe, the Deputy Cabinet Secretary, said later that it would be acceptable for Japan to develop small, strategic nuclear weapons. Granted, there are big legal, cultural, and political barriers to a nuclear Japan. The memory of the atomic bombings of Hiroshima and Nagasaki remains burned into the national psyche, and historically some 80% of Japanese are opposed. Furthermore, Japan would have to amend its constitution, which bans nuclear arms. "U.S. policymakers talk about getting Japan to make nuclear weapons, but it will never happen," insists former diplomat Satoshi Morimoto, now a Takushoku University security expert. If Japan could get beyond the hurdles, it likely wouldn't need long to develop a bomb. It has five tons of plutonium stored in the nuclear research center of Tokai-mura, north of Tokyo, and its scientists know how to convert it to weapons-grade material. Hideyuki Ban, director of the nonprofit Citizens' Nuclear Information Center, says Japan could build a nuclear bomb within months. And its civilian rocket and satellite launching system could easily be converted to military use. Japan also has superbly equipped land, sea, and air forces that could deliver medium-range nukes to North Korea. But if Japan decides to build its own nukes, get ready for an Asian arms race. China would likely want to boost its arsenal, which would prompt India to develop more nuclear weapons, which would spur Pakistan to do the same--and on and on into an ever more perilous future.

MPX- Econ Growth Good- Japanese ReArm Module (2/2)

C. Conflicts lead to nuclear lash out, causing extinction

**Fai 01** [GhulamNabi, Executive Director of the Washington-based Kashmiri American Council, July 7, Washington Times **http://www.pakistanlink.com/Letters/2001/July/13/05.html**] KLS

The foreign policy of the United States in South Asia should move from the lackadaisical and distant (with India crowned with a unilateral veto power) to aggressive involvement at the vortex. The most dangerous place on the planet is Kashmir, a disputed territory convulsed and illegally occupied for more than 53 years and sandwiched between nuclear-capable India and Pakistan. It has ignited two wars between the estranged South Asian rivals in 1948 and 1965, and a third could trigger nuclear volleys and a nuclear winter threatening the entire globe. The United States would enjoy no sanctuary. This apocalyptic vision is no idiosyncratic view. The Director of Central Intelligence, the Department of Defense, and world experts generally place Kashmir at the peak of their nuclear worries. Both India and Pakistan are racing like thoroughbreds to bolster their nuclear arsenals and advanced delivery vehicles. Their defense budgets are climbing despite widespread misery amongst their populations. Neither country has initialed the Nuclear Non-Proliferation Treaty, the Comprehensive Test Ban Treaty, or indicated an inclination to ratify an impending Fissile Material/Cut-off Convention. The boiling witches brew in Kashmir should propel the United States to assertive facilitation or mediation of Kashmiri negotiations. The impending July 14-16 summit in New Delhi between President Musharraf and Indian Prime Minister A.B. Vajpayee featuring Kashmir on the agenda does not justify complacency. The fatal flaw in bilateral Kashmir diplomacy - which the United States has unreflectively endorsed - is the exclusion of the people whose international law and human rights are at stake and must be satisfied for a viable solution, namely, 13 million Kashmiris and their most representative political arm, the All-Parties Hurriyet Conference (APHC). We, at the Kashmiri American Council are guardedly optimistic. Because both India and Pakistan have agreed to place Kashmir on the agenda. They have ended a long period of negotiating estrangement. This is good for the region of South Asia that is home to one fifth of total human race. We will support any initiative that will bring Pakistan and India into greater harmony and amity. But one point we want to highlight is critical. In the past weather at Tashkent, Simla or Lahore negotiations over Kashmir ultimately ship wrecked because Kashmiris themselves were excluded from the diplomatic process. That is like attempting to solve the Northern Ireland problem without talking directly with Sinn Fein, or attempting to cut the Gordian knot in the East Timor without including the East Timorese. And was not Kosovo’s conflict with then Serb president Milosovic addressed through negotiations that included Kosovar Albanians? In sum it strains credibility to believe serious progress can be made over Kashmir without at some time including genuine Kashmiri leadership - the APHC as full integers in the negotiating equation. Indeed, that preposition seems incontestable after 54 years of bilateralism has been utterly barren of results. Any negotiation over the issue of Kashmir without the participation of the Kashmiri leadership is performing Hamlet without the Prince of Denmark. Kashmiri history is compelling. Kashmir was one of more than 500 princely states during the British raj subject to British paramountcy in defense and foreign affairs. Paramountcy lapsed on August 15, 1947, the same day that partition established India and Pakistan as separate states. Kashmir then acquired nationhood under international law because it had neither acceded to India nor to Pakistan unlike the vast majority of other princely states. At the inception of its birth, Kashmir was ruled by an autocratic and religiously bigoted Hindu Maharaja despite its 80 percent Muslim population. But his regime was then crumbling under the assault of a widespread indigenous insurrection. Outside support was negligible. Religious freedom, democracy, and self-determination were the lodestars of the freedom fighters. Islam in Kashmir has been exceptionally respectful of the three other Kashmir faiths: Hindu, Sikh, and Buddhist. India, however, intrigued with the Maharaja to thwart the Kashmiri popular will. In return for India’s dispatch of muscular military forces on October 27, 1947, to prop up his oppressive rule, the Maharaja purportedly signed an instrument of accession to India. (Meticulous scholarship by Britain’s Alistair Lamb convincingly suggests the document is fraudulent). India’s military fought the Kashmiri resistance to a standstill, which ultimately hardened into a cease-fire line. India remains on one side illegally occupying two-thirds of Kashmir, while Pakistan exerts ascendancy of the other side in Azad Kashmir. The crux of the Kashmir conflict, contrary to prevailing orthodoxy, are the rights of the Kashmiri people who have been subjugated and treated as expendable pons for long years. On August 13, 1948 and January 5, 1949, the United Nations Security Council, at the behest of India, adopted resolutions mandating a self-determination plebiscite conducted by the United Nations to settle Kashmir’s sovereignty. India’s then Prime Minister Jawaharlal Nehru characterized a self-determination solution as the fairest imaginable. But he reneged on India’s commitment, and unilaterally annexed Kashmir in the 1950s. The annexation commands no international recognition, but India has suffered no consequences for its might-makes-right Kashmir gambit. Therefore, the Kashmir issue cannot be regarded as a border dispute between India and Pakistan. Nor is it a fight between Hindus and Muslims. Nor is it a struggle between secularism and theocracy. Nor is it a battle for autonomy. It is about the future, human rights and the right of self-determination of the 13 million people of Kashmir. And they have not conferred on any sovereignty the power to bargain away these priceless possessions. For more than 50 years, India and Pakistan have negotiated sporadically over Kashmir without result. Meanwhile, Indian occupied Kashmir has descended into a human rights inferno vastly worse than anything witnessed in Kosovo, Bosnia, or East Timor. Since 1989, Kashmiri deaths at the hands of the Indian military or its proxies has surged past 65,000, coupled with horrifying incidences of torture, rape, arson, abduction, plunder, custodial disappearances, and savage suppression of political dissent. But the indigenous Kashmiri resistance persists, and largely speaks through the APHC. That umbrella political organization is devoted exclusively to peaceful, non-violent means to achieve the self-determination that United Nations Security Council resolutions and morality have exalted for more than half a century. In sum, the United States should place Kashmir at least on a national security par with Iraq, Iran, North Korea, and the Balkans. It should establish official contacts with the APHC leadership and insist on the inclusion of its leadership in all Kashmir negotiations. The United States should appoint a person of an international standing , like President George H. Bush or President Nelson Mandela, to be a special envoy on Kashmir. The United States should also offer India tangible rewards for acceding to Kashmir self-determination subject to safeguards to prevent Kashmiri freedom from threatening India’s national security interests: support for permanent Indian membership in the Security Council; grandfathered nuclear status under the Nuclear Non-Proliferation Treaty; the ending of sanctions for India’s 1998 nuclear tests; and, closer military ties that would strengthen India’s hand in its border and companion quarrels with China. Only the United States can midwife a Kashmir solution. And the strength of its national security, human rights, and international law interests implicated clearly justify an unstinting effort

DA Turns the Case

Japanese economic collapse precludes extension of credit to world superpowers, means US can’t fund the plan

Investors Chronicle 92 [October 30, Lexis] KLS

Attempting to undermine this view is Christopher Wood, the 34-year-old Far East finance editor of The Economist. The title of his new book, The Bubble Economy, The Japanese economic collapse, gives more than a clue to the thesis. After the failure of economic management, the financial, political and bureaucratic system is in need of a radical overhaul. Now, Wood suggests, there are signs that Japan may fall more in line with Western economic practice. And this would be no bad thing, not least for the 'chronically' under-consuming Japanese themselves. Nevertheless, working off the excesses of recent years will mean pain, and not just for Japan. As Japanese banks, the world's biggest lenders, take their cash back home, who is going to fund Western borrowing? None of this is new. The history of the boom in the second half of the 1980s is well known. So, too, are the warnings of an international credit crunch when the Japanese can no longer fund the rest of us. Even the gloomy prediction that the Nikkei (down from around 40,000, late in 1989, to around 17,000 today) could fall as far as 12,000 has been trumped by economists suggesting that it could hit 5,000.

Japanese Econ key to World

Japanese econ stable- long term resource contracts, steel and shipbuilding

Siang 08 [John Chng Sean, Japanese Economist January 3, http://ezinearticles.com/?China-Follows-The-Japanese-Development-Model?&id=907776]

In the aftermath of WW2, Japan economy was literally destroyed; the natural resources, human resources and the industry were reduced to dust, a few would ever think of building an economic superpower from the debris. However, in 1970s onwards, merely 2 decades after the war, Japan became the world leading superpower in terms of economic, innovation achievements and also globalization. It had helped to generate economic powerhouses in the neighboring countries, and at the same time also enhanced the problem of economic inequality world wide. The Japanese powerhouse was created by the generative sector in the economy, which mainly concentrated on steel and shipbuilding. As the economic is scarce of natural resources and the iron ore and steel are vital for future growth, capturing and dominating the sector provides large impetus for growth, in terms of spill over through forward and backward linkages with other industries. Assisted by Allied Occupation Forces (AOF) at that time, Japan was able to contract for long term supply of natural resources from Canada, Australia, Brazil and Mexico. This long term contracts were signed and intensified when the resources were depleted and replaced by other contracts. The dynamic of this contract with variety of suppliers worldwide, ensure low cost to the buyer, in this case Japan shipbuilders, and other manufacturers. Much raw materials acquired at low cost were transformed to final products such as automobiles, electronic goods and etc which are shipped for export.

Efficiency ensures continued Japanese econ success

Siang 08 [John Chng Sean, Japanese Economist January 3, http://ezinearticles.com/?China-Follows-The-Japanese-Development-Model?&id=907776]

However, sole dependence of low cost raw materials could not be the only factor for the ascent of Japanese economy. It was more to innovation and constant introduction of new ways to process the raw materials. The demand for economic of scale at home and the dis-economic of distance of the raw materials, required manufacturers to improve the production process; just in time, Kereitsu, formation of cartel, using less for more, and etc. These strategies enabled Japanese to constantly innovate new ways to reduce waste and improve production with less and more efficient usage of materials.

Japan is the linchpin to the global economy- world relies on its exports

Siang 08 [John Chng Sean, Japanese Economist January 3, http://ezinearticles.com/?China-Follows-The-Japanese-Development-Model?&id=907776]

Of course the efforts to propel the economy did not end here, the interdependence of state-sector-firm also played a very important role. State, which comprises of important departments such as MITI (Ministry of Trade and Industry) and also MIDAs ( Maritime Industrial Development Areas), helped to consolidate the industry. For example, MITI helped to bring together large variety of industries to create linkages, focus on important sectors and helped to arrange infrastructure. Of course there were consensus and conflicts, but through formation of cartels, subsidies, cheap credit through Kereitsu, the agendas were finally converged to one aim, that is to concentrate on generative sector which can provide large spill overs to other industries. The coordinated efforts through creating generating sector via offering cheap credits, subsidies and protection of important and infant industries, have propelled the economy to world economic powerhouse paralleled with European and North America. The demand of exports from Japan had swarmed the world economy, and also had dwindled the importance and the very survival of many local firms world wide. The most important consequence was that the ascent of the economy had helped to intensify the globalization of raw materials particularly steel. Many countries which supplied to the economy had their economy diversified and put themselves on the world map. Economies in the region, East and Southeast Asia, also benefited from the influx of foreign investments from Japan to reap on the low labor cost and the high standard of infrastructure offered by the regional Governments. Joint ventures and partnerships were formed with other emerging markets at that time, South Korea and Taiwan formed many technology partnerships with the economy. For example, Samsung in 1979 formed alliance with NEC in oven and VCR.

Japanese Econ Not Resilient

Japan economy down for the count- facing structural problems, like an aging population

Thorton 08 [Henry, September 2, The Australlian, Lexis]

SLOWING economies and inflation at uncomfortable levels are worrying central bankers around the world. The Reserve Bank is widely expected to start the easing process today, as it is fairly confident that inflation will be down to its target range by 2010. At the same time, business and household confidence is low, credit growth has slowed and even the job market has shown signs of weakness, but no more (so far as anyone can tell) than the modest slowing allowed for in official forecasts. Asset markets are where the signs of stress are most evident. Equity prices everywhere have fallen a long way. Experts are trying to pick the end of the correction, but there is no agreement about this. Fears of further pain to come cannot easily be banished. Commodity prices have fallen, on some estimates, by around 20 per cent or more. This is a relief to most people, with the substantial fall in the price of oil providing the most obvious good news as its benefits flow on to stressed households and (by reducing petrol price inflation) central bankers. US house prices are still falling. Financial institutions have made massive write-downs, but most people believe there are more to come. The extreme weakness of mortgage providers Fannie Mae spreads the pain of the US housing market around the globe. It may surprise some readers to learn that non-US central banks hold bundles of Freddie's and Fannie's mortgages -- now, by any standard, greatly devalued. ``Too big to fail'' applies without qualification to these financial institutions. In Britain, house prices are weak and the overall economy is suffering from the weakness of ``the city' as it digests the effects falling asset prices. The Japanese economy has remained stubbornly sluggish and its Government has turned to fiscal expansion. An increasingly elderly and declining population is unlikely to respond with excessive enthusiasm. China held its US-based assets while the US dollar was falling and will have welcomed its turnaround in recent times. China benefits from lower commodity prices and has plenty of new projects to maintain its extraordinary expansion.

Japanese econ vulnerable to oil price shocks

Economic Times 08 [July 30 http://economictimes.indiatimes.com/articleshow/3304495.cms?prtpage=1]

The international financial watchdog also said the spike in oil and other commodity prices over the past year could present a risk to Japanese growth. Japan is vulnerable to oil price shocks because it imports all the oil consumed by its voracious economy. Asked how rocketing fuel costs have impacted Japan, Citrin replied:"It's had a big impact." Oil prices streaked to record highs over 147 dollars a barrel earlier this month, but have since moderated to around 122 dollars on international markets. Private economists have voiced increased concern recently about mounting inflationary pressures in Japan which are unsettling consumers. Japan's core inflation rate hit 1.9 per cent in June, the fastest pace since January 1998 when consumer prices rose 2.0 per cent, according to a government report Friday. It was the ninth straight monthly increase in prices.

Japanese economy poses no risk to international economy- yen crisis proves

Milner 9 [Brian, December 2, The Globe and Mail, Lexis ]

Meanwhile, the government may yet intervene in currency markets in an effort to reverse or at least slow the yen's upward trajectory. The emergency meeting and the new stimulus measures indicate "Japanese fiscal and monetary authorities are watching the yen very closely following its sharp appreciation in recent days," BMO Nesbitt Burns said in a note to clients. "The odds of intervention to weaken the yen have increased." The likelihood of the Japanese woes spilling over to other industrial economies and endangering a fragile global recovery is slim, analysts said. Japan has demographic, financial and other structural problems most other economies do not face, said Benjamin Reitzes, an economist with BMO Nesbitt Burns. "They are a ship adrift without a sail or a rudder," added Mr. Weinberg.

A2 – Burden Sharing

**Comparatively, the US contributes much more to our alliance than does Japan**

**Carpenter 95** (Ted Galen, Director of Foreign Policy Studies @ CATO inst., CATO Inst. Policy Analysis no. 244, http://www.cato.org/pubs/pas/pa-244.html)

It has become all too apparent that Japanese officials are content to let the United States continue bearing disproportionate risks and responsibilities. Japan's anemic military budget is not the only indication of such intent. Equally significant is the configuration of its defense forces. Japan remains the most lightly armed of the major powers in the international system, and noticeably absent from its inventory are bombers, short- or intermediate-range missiles, aircraft carriers, and other weapon systems that would be capable of projecting force outside the immediate vicinity of the Japanese archipelago.(12)But it is the attitude of Japanese policymakers and members of the foreign policy community that most clearly reveals an undiminished intent to free ride on the U.S. security guarantee. During meetings in Tokyo in July 1995, I asked officials of the Foreign Ministry and the Defense Agency what response Japan would expect from the United States to possible breaches of the peace in East Asia. Three hypothetical crises were presented: a war involving China and one or more of its neighbors over ownership of the (apparently oil-rich) Spratly Islands, a military attack by Beijing on Taiwan following a Taiwanese declaration of independence, and a second war on the Korean peninsula. None of those scenarios, the Japanese conceded, was at all far-fetched. The officials, without exception, stated that they would expect the United States to take all necessary measures, including the use of force, to repel the aggression and restore peace to the region. When asked whether Japan would join the U.S. military effort, however, the officials responded quite differently. Again, without exception, they stated that Japan would not participate militarily. One midlevel Defense Agency official thought that his country might be willing to provide logistical support "if other nations in the region requested such help." Several members of both departments also emphasized that Japan would, of course, provide financial contributions to help offset the costs of the U.S. military operation. They repeated, however, that under no circumstances would Japanese planes, ships, or personnel be involved in combat unless Japan itself was attacked.(13)What was so striking about that position was that the scenarios did not include the expectation that Japan would undertake such military burdens in place of the United States; officials were asked only whether Japan would assist the United States militarily. Japanese unwillingness to play even a supporting military role in such regional crises is cause for concern. Whatever the relevance of Korea, Taiwan, or the Spratlys to the economic and security interests of the United States, their importance to Japan ought to be far greater. The Spratlys lie directly astride Japan's oil lifeline to the Persian Gulf as well as routes to several key trading partners in Southeast Asia. Taiwan is a significant arena for Japanese investment as well as a major trading partner, and a move by Beijing against Taiwan would be an even clearer sign than a takeover of the Spratlys that China intended to be the dominant power in East Asia--something that Japan could hardly accept with equanimity. Finally, a North Korean invasion of South Korea would represent a serious military threat quite literally on Japan's doorstep.It is highly unusual for a great power to choose to remain catatonic in the face of such significant security problems in its own region. But Japanese leaders know that they do not have to incur the costs and risks of playing a more active role to protect their country's security interests. The United States has obligingly agreed to incur those costs and risks. Americans have every reason to ask, however, whether it is reasonable for U.S. military personnel to be put in harm's way to deal with problems that are-- or at least ought to be--much more important to Japan than they are to the United States. The prospect of American troops' dying in Korea, the Taiwan Straits, or the South China Sea, while the Japanese merely provide moral and financial support, is not very appealing. Yet that is the very real possibility that U.S. security policy in East Asia has created.

\*\*\*Aff\*\*\*

Non-UQ – General

Japan’s economy is dead and is only still here due to waning international demand.

Fernando 5/28 (Vincent, writer for The Money Game w/ a B.S from Tufts U, [http://www.buzzbox.com/top/default/preview/japan-rocked-by-accelerating-deflation-and-new-unemployment/?id=1597010&topic=japan:may-28] AD: 6/21/10)JM

Japan has been rocked by accelerated deflation and a spike in unemployment. Consumer prices fell 1.5% in April, which was faster than the 1.2% experienced in March. Moreover, the unemployment rate hit 5.1%, the highest level since January according to the Associated Press. Here's the most telling fact of them all -- exports surged 40% in April. Japan's economy is still dead, only kept on life support by surging international demand. Its GDP is comprised of a rotting domestic core kept hidden by a shiny export shell, yet one which is rapidly being eroded thin by other Asian manufacturers moving up the value chain and towards Japan's vaunted position for capital equipment and electronics.

Japan’s economy is bad – it’s on the verge of collapse.

BBC News 6/11 (BBC News, world's largest broadcast news organization, [http://news.bbc.co.uk/2/hi/business/10290933.stm] AD: 6/21/10)JM

Japan is at "risk of collapse" under its huge debt mountain, the country's new prime minister has said. Naoto Kan, in his first major speech since taking over, said Japan needed a financial restructuring to avert a Greece-style crisis. "Our country's outstanding public debt is huge... our public finances have become the worst of any developed country," he said. After years of borrowing, Japan's debt is twice its gross domestic product. ANALYSIS Pessimists have long warned that rising debt and a falling population mean Japan is headed for a point of no return. For 20 years the government has been borrowing to spend, hoping to revive the stagnant economy, amassing the biggest debt-to-GDP ratio in the industrialised world. The Japanese themselves have been buying those bonds at low interest rates. But as Japan ages, the thinking goes, households will save less. The Government will have to look abroad to borrow, and the higher interest rates demanded could tip the world's second biggest economy into the abyss. Now the new Prime Minister Naoto Kan has stepped into the debate in his first policy speech to the Diet, warning Japan could face similar debt problems to Europe.

Japan’s economy is undergoing record contraction

Nakamichi 6/20 (Takashi , reporter for the Washington Post and Dow Jones Newswires, [http://online.wsj.com/article/BT-CO-20100620-705217.html?mod=WSJ\_World\_MIDDLEHeadlinesAsia] AD: 6/21/10)JM

The planned revision underscores how a recovery in the global economy is helping to offset Japan's domestic problems, which include entrenched deflation and stagnant consumer spending. The world's second largest economy contracted 2.0% in the last fiscal year after posting a record 3.7% contraction in the preceding year, according to the Cabinet Office.

Non-UQ – General

No Japanese economic recovery – debt, deflation, and a lack of consumer confidence will stop it.

Tachikawa 5/28 (Tomoyuki, journalist for the Wall Street Journal, [<http://online.wsj.com/article/SB10001424052748704269204575271163917338150.html>] AD: 6/21/10)JM

TOKYO—Japan's economy remained mired in a stubborn deflationary trend last month and consumer spending was still fragile with the job market worsening, government data showed Friday, suggesting the economic outlook is not optimistic despite steady growth in exports. The nation's core consumer price index, which excludes volatile fresh food prices, fell 1.5% from a year earlier in April, compared with a 1.2% slide in March, the Ministry of Internal Affairs and Communications said. One factor in the fall in consumer prices was the elimination of public high school tuition in the month, one of the ruling Democratic Party of Japan's measures to free up cash for consumers to spend elsewhere. But the drop in the core CPI was still the 14th in a row and missed the median forecast for a 1.4% decline forecast by private economists, adding to evidence that the current economic recovery has yet to help boost domestic demand and prevent prices from decreasing further. The jobless rate increased for the second straight month to 5.1% in April from 5.0% a month earlier. Overall household spending slipped 0.7% on year in real terms during the same period with income conditions worsening, posting the first decline in two months, the internal ministry said. Such results indicate that a domestic demand-led economic recovery is far off in Japan as persistent price falls are likely to weigh on corporate profits and prompt firms to cut payrolls, while an expansion in exports to emerging economies such as China continues to support the economy. Some analysts say deflation may worsen as the recent stronger yen could put pressure on Japan's export-oriented economy and reduce the prices of oil, food, metals and other commodities that the country buys from overseas. That might force the Bank of Japan to take additional monetary easing measures, despite its forecast that the core CPI will turn positive next fiscal year. "We cannot be optimistic about the Japanese economy as it's inevitable that it will slow down if the debt problem in Europe keeps rattling the global financial market and causes the yen to rise sharply," said Norinchukin Research Institute chief economist Takeshi Minami. "Under such circumstances, it's unlikely that Japan will get out of deflation in the next fiscal year as the BOJ says."

Non-UQ - General

Japan’s economy is failing.

Jackson 5/26 (Eric, Ph.D. from the Columbia University Graduate School of Business, [<http://www.thestreet.com/story/10765683/2/sounding-the-alarm-about-japan.html>] AD: 6/21/10)JM

But the numbers are very grim when you start to dig into Japan. Rather than the "land of the rising sun," Japan appears to be the "land of the setting sun." Here are some quick facts about Japan to sober you up: Japan's debt-to-gross domestic product ratio is now over 200% and approaching 250%, putting it far ahead of its G8 and developing-country peers. Japan will issue $500 billion in new bond sales in this fiscal year and $600 billion and $650 billion in the next two years, respectively. Its population is aging faster than any other country in the world. Ten years ago, it was estimated there would be less than two workers for every retiree in Japan. The current government numbers suggest the ratio is actually 1.3 workers for every retiree today. Japan's population is expected to shrink by 30% to 90 million from 2007 to 2055. By 2014, all the baby-boomers will have hit the retirement age of 65 and begin drawing down their savings. Japanese debt service as a percentage of its tax revenue is now 60%, up from 32% 10 years ago. As the population shrinks, however, tax revenue will decrease. A rise in interest rates on servicing the debt could also be a major problem for the country. With low interest rates, the Japanese are able to meet their steep debt service obligations. However, when interest rates on the 10-year Japanese bond go above 3.5% (rates are currently at 1.5%), the Japanese government will have major problems.

Non-UQ – Deflation

Japan’s economy is battling with deflation

BBC News 6/18 (BBC News, world's largest broadcast news organization, [<http://news.bbc.co.uk/2/hi/business/10353784.stm>] AD: 6/21/10)JM

It said it aims to defeat deflation by April 2011, but revealed few details on how it would achieve this. The government also said it would cut corporate tax from 40% to nearer 25%. Earlier this week, Japan's central bank announced plans for up to 3 trillion yen (£22bn; $33bn) in loans to spur economic growth. The plans mark the first time Japan has set a time frame for tackling deflation, which has plagued the economy for much of the last two decades. Persistent deflation has hampered economic growth, with consumers opting to hold off on making major purchases, expecting prices to fall even further. However, the ambition of the new government was met with scepticism by some analysts. "The growth targets don't sound like anything new to me, just wishful thinking," said Junko Nishioka at RBS Securities. Japan's growth averaged just 1.3% a year before the recession brought on by the financial crisis. Like many other developed economies, Japan is also suffering from high levels of sovereign debt. Its plans for cutting borrowing levels are due to be announced next week. New Prime Minister Naoto Kan has made cutting the country's deficit his priority.

Deflation will collapse the Japanese economy.

Masters 9 (Coco, reporter for Time Magazine with degree from Columbia University, [<http://www.time.com/time/business/article/0,8599,1941210,00.html>] AD: 6/21/10)JM

During his Nov. 13 visit to Tokyo, U.S. President Barack Obama emphasized that Japan, as the world's second largest economy, has a special role in the global marketplace. One week later, it's becoming clear the country may be special for another reason. While much of the rest of the planet frets about a coming rise in inflation — a consequence of economic recovery, massive stimulus spending and a weakening dollar — Japan faces the opposite problem: a potentially devastating bout of deflation.

Figures released this week indicated Japan may be climbing out of its worst recession in decades. Third quarter GDP growth came in at an annualized rate of 4.8%. But other statistics painted a more troubling picture. The price of goods and services slid by 2.6% in the third quarter, the biggest drop since 1958. Consumer prices have dropped for seven straight months. "The recent price falls are not right and worrisome," Japan's Finance Minister Hirohisa Fujii said at a Nov. 20 press conference. "This is one of the major policy issues right now." Deputy Prime Minister Naoto Kan was even more blunt. He stated flatly this week that the country is "in a deflationary state." While a little inflation is considered normal and healthy for growing economies, a prolonged deflationary period is a recipe for economic misery. Falling prices drag down corporate earnings, wages, consumer spending and investment by businesses, and can lead to a deflationary spiral like the one the world experienced during the Great Depression. "If price deflation leads to asset deflation and that leads to further deterioration, then that will lead to the collapse of the economy," says JPMorgan Securities chief economist Masaaki Kanno. Deflation has periodically plagued the Japanese economy for the last 15 years, ever since a spectacular asset bubble burst in the early 1990s. One of the country's revered economic figures is Korekiyo Takahashi, a former prime minister and finance minister who is credited with reining in raging deflation in the early 1930s, sooner than the U.S. was able to fend it off.

Non-UQ – Deflation

Japan’s economy is unstable – deflation is sending their economy into turmoil.

The Economist 6/3 ([<http://www.economist.com/node/16274363>] AD: 6/21/10)JM

Deflation is also harder to fight than inflation. Over the past two decades central bankers have gained plenty of experience in how to conquer excessive price increases. Japan’s ongoing inability to prevent prices falling suggests the opposite task is rather less well understood. Although it is true that heavily indebted governments might be tempted to erode their debts through higher inflation, there are few signs that political support for low inflation is waning (see article).

Add all this together and the world’s big three central banks—in America, the euro zone and Japan—should worry most about falling prices. The scale of budget belt-tightening suggests these banks’ policy rates could stay way down for several years. But this will cause problems elsewhere. Near-zero interest rates in the big, rich economies send capital flooding elsewhere in search of higher yields, making it harder for the healthier countries to keep their economies stable.

Deflation has wracked the Japanese economy with debt – they are on the verge of collapse.

Picerno 6/15 (Jim, journalist w/ a B.A. in journalism and history from Rutgers U, [<http://www.greenfaucet.com/economy/still-worrying-about-deflation/17715>] AD: 6/21/10)JM

If a wave of deflationary threatens the global economy’s rebound, will Japan be the canary in the coal mine. Probably. It’s certainly a high risk country, in part because it’s already loaded to the gills with debt from efforts at fighting deflation over the past 20 years. There are no guarantees in macroeconomic analysis, but if Japan’s already cheerless outlook takes a turn for the worse, it may signal that deflationary winds are set to blow harder in the rest of the world. Gross public debt in the Land of the Rising Sun is at 200% of the Japanese economy--the highest in the developed world. "It is difficult to continue our fiscal policies by heavily relying on the issuance of government bonds," Japan’s prime minister, Naoto Kan, said last week. "Like the confusion in the eurozone triggered by Greece, there is a risk of collapse if we leave the increase of the public debt untouched and then lose the trust of the bond markets," the former finance minister advised. The FT's Martin Wolf argues that Japan could easily inflate away its debt problem…if it chooses to. But it's not obvious that Japan is willing to embrace higher inflation as a way out of its debt problems. In fact, some economists say that Japan's long-running on-again/off-again troubles with deflation, and weak economic growth, are self-inflicted. Scott Sumner, for example, laid out the case this way:

Non-UQ – Deflation

Deflation spells economic catastrophe.

Kumar 9 (G, astrologer, academician & programmer, Nov 30, 2009, [<http://www.articlesfactory.com/articles/wisdom/deflation-is-more-dangerous-than-inflation.html>] AD: 6/21/10)JM

If deflation is prolonged, then it is very dangerous, more dangerous than inflation. It will engender crisis and recession. More than prices falling, it is the expectation that prices will fall, that is more dangerous. If consumers believe that prices will fall furthur, investment decisions will be delayed. My friend was saying he will not buy a flat of 80 lakhs now, as he will get it for 40 lakhs after two years. Consumer judges that it is a Bear Phase and will not invest and will wait for prices to fall. Let it be Stock Market or Realty, the intelligent will only enter at the end of the Bear Phase and not at the beginning. ! Inflation is the phase where the prices of products and services go up in a bullish curve and Deflation is the phase where the prices of products and services go down in a bearish curve ! The prices of some commodities - particularly foodstuffs - are rising during even the deflationary phase. The Wholesale Price Index is based on 430 commodities. Ordinary people are bothered only about the prices of foodstuffs, rice, sugar, wheat, fish, vegetables etc. The prices of copper, coal, aviation fuel etc, ( which is also included in the 430 commodities ) are something the common man is not bothered about. The common man does not benefit when the price of aviation fuel comes down. But the prices of foodstuffs do not come down and this explains why prices of some commodities are rising during deflation. Now this inexplicability is resolved when everything is based on the CPI, the Consumer Price Index. The Wholesale Price Index on June 06, 2008 was 236.5 and on June 06, 2009 was 232.7 and hence Deflation is 1.61%. Now Consumer Price Index can be followed as it highlights the prices of essential commodities and if we follow the CPI, we have an inflation at 8% ! Inflation was 11% when oil was ruling at 140 dollars per barrel. The inflation of today is merely a statistical aberration. People will delay their buying during Deflation. During inflation, when people thought price of rice was bound to go up, they bought heavy quantities of rice. Now the reverse phenomenon will happen during deflation. The buying of rice, wheat, medicines etc which are essential will be deferred. There will be less demand. The manufacturers will have to slash down output. There will be retrenchment of employees as business becomes slack, unemployment will rise and the whole economy will be affected considerably.

Non-UQ – Debt

The Japanese economy is shrinking and is on the brink of collapse.

Moran 4/11 (Andrew, journalist for the Digital Journal, [<http://www.digitaljournal.com/article/290419>] AD: 6/21/10)JM

Tokyo - Financial experts are cautioning Japanese officials that their economy may go bankrupt as early as next year because of their high public debt figure.

As global financial markets watch Greece very closely, economic analysts are warning that Japan’s economy may go bankrupt because of its astronomical public debt figure, according to AFP.

Dai-ichi Life Research Institute sounded the alarm this week when they said a Japanese bankruptcy could occur as early as 2011 when the public debt is expected to hit 20 per cent of the gross domestic product.

It is estimated, reports Press TV, that the public debt of Japan will surge to 950 trillion Yen ($10.2 trillion) next year and experts are cautioning the government that the only way they can avoid bankruptcy is if they issue more government bonds.

“Japan’s revenue is roughly 37 trillion yen and debt is 44 trillion yen in fiscal 2010. Without issuing more government bonds, Japan would go bankrupt by 2011,” said Hideo Kumano, chief economist at Dai-ichi Life Research Institute, reports the Manila Times.

The Japanese economy shrank by 5.2 per cent in 2009 due to debt, deflation and a decline in domestic demand. Digital Journal reported in December that Japan released its record 92.9 trillion Yen ($1 trillion) budget as they increased spending for child support and attempted to slash spending on public projects.

Non-UQ- Jobs

Japanese econ crippled by deflation- no immediate recovery possible

The Daily Yomiuri 6/3[June 3, 2010Page 2, Lexis] KLS

The Japanese economy has staggered through the storms of the financial crisis and the global recession, but it is now enveloped by the cold fog of deflation. Making matters worse, the nation faces a downsizing of its economic activity as the aging population drops due to the falling birthrate. This is a fiendish problem. The Japanese economy is standing at a crossroad--will it find a sustained growth path or crumble under the deflationary pressure and spiral down into oblivion? The government and the Bank of Japan must take every possible policy measure at their disposal to save the economy by overcoming deflation. The government admitted in March 2001 that the economy was in deflation. Since then, the government has not been able to declare that the nation has broken free from the shackles of deflation. In fact, it had to restate in November that the economy was still in a deflationary phase. In reality, the economy has been wallowing in chronic deflation for more than a decade since the times of financial recession sparked by the collapse of a number of banks.

Non-UQ- Jobs

Japanese econ plunging into deeper recession- price wars cripple profit

The Daily Yomiuri 6/3[June 3, 2010Page 2, Lexis] KLS

In recent times, price wars have been erupting in many sectors. The battles have quickly spread from jeans priced at less than 1,000 yen at supermarkets and mass retailers, to foods including beverages, takeout lunches and gyudon beef-over-rice bowls at chain stores. Consumers like to buy things as cheaply as possible, while manufacturers resort to cutting prices to promote sales. Their actions, which seem entirely reasonable to each, could end up tightening deflation's stranglehold. As price wars intensify, manufacturers become unprofitable and make less money. This often forces them to restructure their organizations and cut employees' salaries. The result is a vicious spiral that dampens already fragile consumer spending. According to government statistics, consumer prices have been steadily declining as workers' monthly salaries have been decreasing for the past 18 months on a year-on-year basis.

Non-UQ- Jobs

Japanese economy destroyed- job unavailability, foreign demand down

The Daily Yomiuri 6/3[June 3, 2010Page 2, Lexis] KLS

Japanese industries, especially export-led companies, have accelerated drastic production and job cuts since the global recession that started in 2008 caused foreign demand to plunge. Although exports, mainly to Asian countries, are gradually recovering, they remain at only 70 percent of peak volume before the collapse of Lehman Brothers Holdings, Inc. Jobs hard to come by Companies that are increasing facilities and employees to raise output are still thin on the ground, and recoveries of capital spending and employment have been slow in coming. The percentage of students fresh out of high school and university who have found jobs has seen a record drop, causing concern that the nation could be on the brink of a return to a so-called employment ice age. The yen's excessive appreciation will knock the wind out of the sails of the export industry and aggravate deflation by lowering prices of imported goods. The government should not hesitate to intervene in the currency market to prevent this.

Link Turn- General

US presence hampers local economies – Okinawa proves

Meyer 3 (Carlton, Sergeant in US military, Served one year with the US Marine Corps in Asia and participated in the massive TEAM SPIRIT 1990 military exercise in Korea & writer for military magazines, G2Mil.com, http://www.g2mil.com/Japan-bases.htm) JPG

Okinawa is a small island south of mainland Japan where U.S. Marines established bases as World War II ended. They protected the island from possible Chinese invasion and it remained under the direct control of the U.S. military until 1972. Okinawans have their own culture and wanted independence and the closure of most American bases, but the island was given back to Japan with an understanding that American bases would remain. Over 27,000 U.S. military personnel and their 22,000 family members are stationed on Okinawa. The U.S. Air Force maintains the large Kadena airbase on the island while the Army and Navy maintain several small bases. The Marines have a dozen camps and a small airbase at Futenma where loud helicopters [anger nearby residents](http://www.city.ginowan.okinawa.jp/2556/2581/2582/27745/27746.html).Discontent among the people of Okinawa regarding the foreign military presence has been rising for years. Their chief complaint is that Okinawa hosts over half of U.S. forces in Japan, which hampers economic development. After a series of violent criminal acts by U.S. servicemen, the U.S. military agreed in 1996 to reduce the impact of their presence. A few minor military facilities were consolidated while training and operational procedures were changed to reduce noise. The most significant concession was a promise to close the Marine Corps airbase at Futenma by 2003.The Japanese government in Tokyo agreed to build a new airbase for the Marines elsewhere in Japan, yet the Marines insisted the airbase must be on Okinawa. The idea building a multi-billion dollar airbase in northern Okinawa was studied for years. While that area is less populated, the noise from an airbase would destroy the peace of tropical beaches enjoyed by tourists. That idea was dropped, so the Okinawans were promised that 8000 Marines would move to Guam. The Japanese government agreed to build new facilities on Guam, until presented with an outrageous price tag. Japanese political opinion hardened and some leaders now assert that Japan had the right close any U.S. military facility without compensation.

Link Turn- Productivity

US withdrawal improves local economies by allowing them to develop sustainable and more productive business – these outweigh benefits from military bases

GenuineSecurity.org No Date Given (GenuineSecurity.org, Women for Genuine Security is a U.S. based organization that promotes a world of genuine security based on justice and respect for others across national boundaries, a world free of militarism, violence and all forms of sexual exploitation,

www.genuinesecurity.org/partners/report/Okinawa.pdf) JPG

Under Governor Ota (1990-1998) the Okinawa Prefecture developed a plan for phasing out the U.S. bases by the year 2015. The centerpiece of this plan was to be a new Cosmopolitan City, a “grand design for a new Okinawa aiming at the 21st century” with underlying principles of peace, coexistence and self-sufficiency.15 The idea was to make use of Okinawa’s “geographical location, natural environment, and historical experiences to expand on international exchanges and build trusting ties with foreign countries, especially the Asian countries, not only through economy but through science, culture, and training programs for personnel.”16 The emphasis would be on greater economic independence for Okinawa, the use of information technology, restoration of the natural environment, sustainable development, and the establishment of research institutes including a center for peace education and research. The planned and phased return of land currently used by the U.S. military was an essential element in this overall concept. After Inamine took over the Governor’s position, this plan disappeared, following pressures from the Japanese government. However, thinking continues about an important peaceful role in Asia for Okinawa, using its central position, as the prefecture is pursuing IT industries to locate in Okinawa.One strand of this development debate is that Okinawa should achieve economic parity with the mainland. The post-war development of Japan has entailed massive industrialization, destruction of forests, contamination of land and water, and a “salaryman” culture. Some Okinawan environmentalists and women activists oppose this type of development as inherently unsustainable. They argue that the U.S. military should allocate funds for the base-conversion process, including environmental cleanup. Jobs, education, and training must be provided for people now dependent on the bases. Sustainable development must take priority over multinational corporations or tourism. Local people should control planning and decision-making for conversion.

Link Turn- Japanese Econ

Removal of bases allows local economies to develop sustainable forms of growth

**Ushikoshi 97** (Hirofumi, Senior economist @ Nippon Life Insurance Research Institute, NLI Research no date published, http://www.nli-research.co.jp/english/economics/1997/eco9704.html) JPG

Assuming the return of U.S. military bases and implementation of present economic development policies， Okinawa's economy could average 4-5% growth annually over the next 20 years. But public works spending will need to be kept above the national average; as reducing or eliminating it would spell slower or even negative growth. For self-sustained growth， the economic structure must eventually discard its heavy dependence on public works spending. But in the near term， while the economy continues its dependence on public works spending， progress will be necessary in the phased return of U.S. military bases and establishment of linkages with the Asia economy. The Okinawa economy has been dependent on U.S. military bases in the postwar period， and after reversion to Japan in 1972， also came to rely heavily on public works spending (especially of the central government). The economy thus has a small manufacturing sector and excessively large tourism industry， giving Okinawa the nation's lowest per capita income and very high unemployment.In light of recent developments such as the consolidation and realignment of U.S. bases， more forceful demands on the central government (to enhance the free trade zone， abolish visa requirements， etc.)， and development policies of the central government， there is growing interest in whether Okinawa can become self-sustaining within the Asia economy. By shifting from a structural dependence on U.S. bases， public spending， and tourism to an economy based on information related industries， Okinawa hopes to harness the dynamism of the Asian economy.The key to success lies in private investment， the most important and promising source being Taiwan. With the reversion of Hong Kong to China in 1997， Taiwan has been pursuing an "Asia Pacific Operation Center Plan" to become the next Hong Kong. But with the difficulty in direct travel between China and Taiwan， Taiwan has been considering giving this role to Okinawa. Due to political tensions with China， there is also interest in policies to divert investment from China to Okinawa. Another important factor is that Taiwan has played the leading role in redeveloping Subic Bay in the Philippines.By 2015 (when Okinawa aims to complete its "Cosmopolitan City Formation Concept")， Okinawa's economy could grow at a 4-5% average annual rate if Okinawa's demands including base reversion are realized， the central government's development policies are implemented， and investment from Taiwan and elsewhere is equivalent to the Subic Bay redevelopment project. However， the growth rate could be limited to 2-3% if public spending is phased down to the national average， or the economy could even contract if public spending is eliminated. Our prediction assumes a growth rate excluding policy factors of 2%.

Link Turn- Japanese Spending

Japanese defense spending leads to economic growth

Ma Ma Myo 9 (Khin, PhD in International Relations @ Yangon Univ & MA in Development from @ Int’l Univ of Japan, Scribd, 2/2/9, http://www.scribd.com/doc/11581997/Military-Expenditures-and-Economic-Growth-in-Asia-by-Khin-Ma-Ma-Myo) JPG

For Japan, the military spending has traditionally been capped at 1 per cent of GDP. However, as the economy was so large that its military expenditure was the biggest in Asia and Oceania. This is partly due to the involvement in peacekeeping operations and perceived increased threat from China and North Korea. The absolute level of defense spending has been concerns for most of its neighbors. Despite of this, Japanese defense industry contributed to high levels of economic growth with the production of highly sophisticated weapons including F-15 fighters and E-2C early warning airborne system. Japanese industrialists and defense planners seem to be inclined to be self sufficient with respect to future weapons research. (Dolan, 1994)

Link Turn- US Econ

US presence in Japan wastes taxpayer dollars – immediate withdrawal saves the military millions and shifts jobs back into the US economy

Meyer 3 (Carlton, Sergeant in US military, Served one year with the US Marine Corps in Asia and participated in the massive TEAM SPIRIT 1990 military exercise in Korea & writer for military magazines, G2Mil.com, http://www.g2mil.com/Japan-bases.htm) JPG

After his election, President Obama [proclaimed:](http://www.boston.com/news/politics/politicalintelligence/2008/11/obama_vows_line.html) "We cannot sustain a system that bleeds billions of taxpayer dollars on programs that have outlived their usefulness, or exist solely because of the power of a politicians, lobbyists, or interest groups. We simply cannot afford it." Downsizing the U.S. military presence in Japan is overdue. It would lessen political tensions, save the U.S. military millions of dollars a year, and shift a billion dollars in annual military spending and several thousand support jobs into the U.S. economy. Moreover, moving ships, aircraft, and military families out of the range of North Korean, Russian, and Chinese tactical missiles and aircraft would protect them from surprise attack.Unfortunately, Generals and Admirals instinctively dislike change, especially if it will close "their" bases. They will characterize this proposed downsizing as drastic, even though it would remove only around 10,000 of the 50,000 U.S. military personnel from Japan, close only two of six airbases, and leave two major naval bases and a dozen bases for ground forces. They will insist a detailed study is required, followed by years of negotiations. Meanwhile, Japanese and American corporations that benefit from the current arrangement will use their influence to sabotage the effort. This is how they have evaded demands to close Futenma and Atsugi.If they can stall for a couple of years, President Obama may lose interest, or possibly the 2012 election. If the President persists, the solution they devise will cost billions of dollars and a decade for new construction, environmental studies, and base clean ups. In reality, the U.S. military can implement this plan within two years because excess base capacity already exists. Since personnel are rotated every three years, it costs nothing to divert them elsewhere. The Japanese government would happily pay for any relocation and clean-up costs. Meanwhile, Americans are waiting to see if President Obama will show the courage to eliminate government waste by closing military bases "that have outlived their usefulness."

No MPX- Japanese Econ Collapse =/= Global

Japanese econ rife with structural problem from 98 crisis- collapse poses no threat to global econ

Pritchard 1 [Simon, Director of Mergers at the United Kingdom's Office of Fair Trading March 19, South China Morning Post, Page 14, Lexis]

FOR THOSE PRONE to worry that a Japanese economic collapse might lead the world into depression, last year saw a soothing notion take hold. Spurred on by gargantuan government spending and financial-sector reform, the Japanese economy appeared to be off the critical list. Coming after the 1998 financial crisis - when ordinary Japanese were on the brink of losing all confidence in their politicians, banks and economic future - the pull-back was impressive. By last summer, sharply rebounding economic growth prompted the Bank of Japan to raise interest rates to avert an imagined inflationary expansion. Corporate restructuring, driven by paradigm-busting foreign takeovers, and a fresh crop of world-beating companies, such as mobile -telecommunications provider NTT DoCoMo, suggested a new Japan was emerging. That the dawn proved cruelly false perhaps explains the chaotic, still impending demise of deeply unpopular Prime Minister Yoshiro Mori. Even by Japanese standards, the slow-motion process of ending his one-year term has turned to farce. The population's disgust with politics is at a record high, though the people remain stoic in their suffering.

No MPX- Japan Defense

**No impact- Japan currently funds its own defense**

**Carpenter 95** (Ted Galen, Director of Foreign Policy Studies @ CATO inst., CATO Inst. Policy Analysis no. 244, http://www.cato.org/pubs/pas/pa-244.html)

Japanese policymakers, of course, vehemently deny that Japan engages in free riding. They point out with pride that their government pays most of the costs of the U.S. military units stationed on Japanese territory and that the amount of that host-nation support has been rising steadily for several years--reaching more than $5 billion this year. They also note that Japan's actions are in marked contrast to the parsimonious behavior of Washington's other allies, including the NATO members and South Korea. (Even the Pentagon's 1995 report conceded that "Japan supplies by far the most generous host-nation support of any of our allies.")(6)

Japanese Econ Resilient

Japanese econ is a shapeshifter- one sector down, others grow

Yamazaki 01 [Hiroshi, Senior Staff Writer, June 4, Nikkei Weekly, Lexis]

While public expectations for Prime Minister Junichiro Koizumi's economic initiatives are growing, the Japanese economy shows signs of slowing down. Hideo Hayakawa, head of the Bank of Japan's research and statistics department, spoke about his diagnosis of the Japanese economy and the possible economic impact of Koizumi's reforms. Following are excerpts from the interview: Q: What is your interpretation of the current economic situation in Japan? A: Japanese industries are now in the consolidation phase due mainly to falling exports. This is indicated by the slowdown of industrial production, which was caused by the economic downturn in the U.S. and other countries. However, I do not think the full impact of industrial consolidation has reached the Japanese economy yet. Q: What do you mean by that? A: The information-technology sector is in a serious economic trough after riding an animated boom. Output in this sector is taking a plunge. But non-IT sectors have been relatively resilient with regards to the effects of consolidation. Although overall capital spending is likely to peak soon and turn downward, there is no sign at the moment that expenditures by non-IT companies will dip sharply, as they have in the IT sector. Q: What are your thoughts on consumer spending? A: It is more resilient than we had expected. Demand for electrical appliances surged in the January-March quarter ahead of the April 1 introduction of a new recycling law (which requires buyers to shoulder the cost of disposing used appliances). Other products also fare well. Here we can also see further evidence that demand for IT products is shrinking, but it has produced little effect on other sectors.

Japanese Econ Resilient- Banks

Japanese economy resilient- sustainable banking sector

NYT 08 [February 22, New York Times, Lexis]

The governor of the Bank of Japan, Toshihiko Fukui, said on Friday that the global economy continued to expand but that a slowdown in the United States, if it deepens, could affect growth in other parts of the world. ''We need to bear in mind the possibility that further disruptions in global financial markets or a slowdown in the U.S. economy may have adverse implications not only for major economies but also for emerging economies,'' Mr. Fukui said at a seminar. He said there was no change to the bank's basic monetary policy stance, which is to adjust rates by closely examining upside and downside risks. Market adjustments amid repricing of risks would take time, making it unavoidable for banks to incur losses, Mr. Fukui said. At a financial committee in parliament's lower house, Mr. Fukui said that Japan's economy had become more resilient to external shocks, but that ''downside risks to the global economy are heightening and their impact on Japan's economy remains uncertain.'' ''We will fully examine not just our main economic scenario'' but the risks to the country in guiding monetary policy, said Mr. Fukui, whose term expires next month. The Bank of Japan has long said it will raise rates gradually, as its current policy rate of 0.5 percent is so low it could lead to overheating in the economy in the long term. But shaky global markets, concern over slowing American growth and growing pessimism over Japan's economic outlook have kept the bank from raising rates for a year. A recovery in share prices since late January has led investors to cut back expectations of a rate cut this year. Mr. Fukui said Japan's growth was slowing partly because of a slump in domestic housing investment. But it has become more resilient to external shocks than in the past and a positive cycle of output, incomes and spending remains intact, he said. ''It is highly likely that the Japanese economy will continue to expand moderately,'' he said. Some economists say the upbeat tone is becoming harder to swallow given growing concern that the American economic slowdown could gradually affect global growth and hurt exports.

Bank of Japan ensures stability

Economic Times 08 [July 30 http://economictimes.indiatimes.com/articleshow/3304495.cms?prtpage=1]

The IMF meanwhile praised the Bank of Japan (BoJ) for its liquidity operations, saying its proactive stance had helped underpin the country's financial markets during global market turmoil. The BoJ has kept interest rates pegged at 0.50 per cent since February. BoJ chief Masaaki Shirakawa said earlier this month that the Japanese economy was slowing, but predicted it would avert a recession. The losses of commercial Japanese banks, who invested in US mortgage securities, have risen to eight bn dollars, but such losses pale in comparison to the vast losses sustained by some US banks, a small number of which have gone out of business this year. The IMF said the profits and capital held by Japan's banks should enable them to comfortably absorb the eight bn dollars in losses endured so far by their exposure to the US housing downturn. Citrin added that the economic policies of Japan's government had been "broadly appropriate."

Japanese Econ Not Key to World

Japan is being overtaken by China- no longer a major player due to population decrease

Kosai 09 [Yutaka, Senior adviser Japan Center for Economic Research, September 24, Nekkei Weekly, Lexis]

A: What is vital for today's world economy is international cooperation. The global economy is mired in the

worst recession since the Great Depression in the 1930s. But countries' efforts to hold emergency financial summits and devise fiscal measures and monetary easing in a concerted manner are gradually producing results. In the 1930s, the failure to forge such a framework of cooperation led to the violent depression. The new Japanese government needs to calmly re-examine the position of Japan in the world economy. The country will give over its status as the world's second-biggest economy to China before long. The main reason is that Japan's population has begun falling. However, if the government thoroughly pursues anew the growth strategy of focusing on heightening the productivity of individual Japanese, it is possible that Japan can continue to flourish as an economic power.

Japanese economy affected by global trends, export dependence makes it of little importance to the global econ

Nikkei Weekly 08 [December 22, Lexis]

It's true that Japanese financial institutions have suffered much smaller losses than their Western counterparts. But unlike the collapse of Japan's bubble, which was basically a domestic problem, the current crisis is truly global, with entities around the world holding asset-backed securities that have fallen in value. When Japan was suffering from its collapsed bubble, the rest of the world was basically in good economic health. This time, however, it is the rest of the world economy that has been battered, and it has serious implications for Japanese exports. The sharp rise in raw materials prices has also delivered a blow to the Japanese economy. Companies like Toyota Motor Corp. have seen their profits plunge, and consumer confidence is falling. Our institute predicts that the Japanese economy will contract by 0.9% in 2008 and 1.3% in 2009. We think the economy will bottom out in 2009 and start recovering in 2010. There will be no replay of the Great Depression. Even so, it's possible that the financial crisis will worsen further.