

# IN THE NEWS

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## World News

China's trade war with Japan resulted in Japanese exports falling 10.3 % and a \$7 billion deficit [1]. Meanwhile, the European Union asserted they will protect their industries against unfair Chinese trade practices [2]. At the same time, China continues to use its newfound wealth to enhance its war machine. In turn, this is causing concern for China's neighbors who worry this enhanced military might will be used to settle territory disputes in the South China Sea [3]. For example, Chinese ships tried to chase Japanese ships out of waters claimed by both countries [4]. Later, four Chinese ships were reported to have expelled an undisclosed number of Japanese ships [5]. What's more, one report indicated the Secretary of State was warned the contested islands issue could escalate into a war [6]. For all intents and purposes, China has annexed the disputed islands.

Meanwhile, the Middle East continues to digress into a war zone. For example, Syrian warplanes bombed rebel targets in the capital city, Damascus [7]. Following this, in Damascus a commander in the Syrian air force was assassinated by insurgents [8]. Furthermore, rebel forces are reported to have attacked a Syrian airbase [9]. These reports indicate the civil war is increasingly impacting regional stability.

In the past, we have pointed out vulnerabilities with our energy infrastructure. Consider that when Hurricane Sandy hit the New York area, it only had 80 mile-per-hour (130-kph) winds [10]. This is mild compared to a category 5 storm that packs winds of 155 miles-per-hour. However, Hurricane Sandy did expose weaknesses in our gasoline driven economy. For instance, on Staten Island, lines to get gas extended two miles [11]. In New Jersey, gas rationing was instituted to extend the limited supplies [12]. The reality is we cannot move quickly away from our reliance on our legacy gasoline infrastructure. If a category 1 storm can cause so much damage, what will happen when a category 5 hits?

Hurricanes	
Category	Wind Speed
1	74-95 mph
2	96-110 mph
3	111-130 mph
4	131-155 mph
5	155 mph+

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## Security

Some suggest the complexity of large systems is such that fixing security is not feasible [1]. Realistically, we can expect to see more security patches as vulnerabilities evolve into risks.

Financial gain continues to be a motivator for computer related crime. Case in point, Barnes & Nobel indicated that credit/debit card pin pads were physically hacked in 63 of its stores [2].

Meanwhile, exploiting computer and network vulnerabilities continues to find military use. For instance, the US Army is adding cyber war as part of combat training [3].

Encryption is a powerful security control when it's properly used. However, there is a reluctance to encrypt until there is a compromise. For example, South Carolina's tax return system was hacked; the justification for no encryp-

tion was banks don't encrypt like information [4]. So as regulators continue to shutter financial institutions, we can only estimate the losses due to weak security controls. Consider, Citi's banking site went down for half an hour and the company would not discuss the cause [5]. So we are left wondering if the outage was storm or security related.

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### Special points of interest:

- South Carolina's tax return system was hacked
- 49<sup>th</sup> Bank Shuttered

## Security

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## World News

(Continued from page 1)

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*He is like a man using a  
candle to look for the sun—  
Jalal ad-Din Rum*

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## Target Iran

The Middle East has seen a number of states dissolve into unstable lands where terrorist organizations are getting advanced weapons [1]. Consequently, the risk of nuclear armed states is of particular concern. Currently, one of the main worries is the effort by Iran to develop nuclear weapons [2]. All indications are that Iran is working parallel programs to develop nuclear warheads and delivery systems [3].

The risk of a nuclear armed Iran is not lost on Israel. Consider, Iranian leadership has stated that Israel is a one bomb state [4]. That is, one nuclear device over Tel Aviv would be catastrophic to the Jewish state. Indications are that Israel currently has a significant nuclear weapons arsenal [5]. However, the use of such weapons would likely be

used only as a last resort.

If Israel, with or without the US, decides to attack the Iranian nuclear facilities, the task will be difficult. Iran placed most of its nuclear production facilities in difficult to reach underground locations [6]. What's more, the results of such an attack would likely be a limited Iranian response, possibly disrupting the flow of Gulf oil [7]. While the debate continues, Iran has almost completed its deep underground nuclear enrichment plant [8].

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*Israel's days without  
Jerusalem, Judea and  
Samaria and the Gaza  
Strip are gone and will not  
return—Yitzhak Shamir*

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## Economy

For the week ending October 20, the Labor Department reported 369,000 first time claims and revised the previous week upward to 392,000 claims [1]. For the week ending October 27, the number of claims was 363,000 [2]. Meanwhile, the overall unemployment rate reported by the Labor Department rose from 7.8% to 7.9% [3].

During September, the purchase of business equipment was flat compared to the previous month [4]. This is an indicator of slow growth ahead.

Meanwhile, regulators continued to shutter financial institutions. For example, on October 26, the following was closed: 47) Nova Bank in Pennsylvania [5]. Then on November 2, two more were shuttered: 48) Heritage Bank in Florida and 49) Citizens First National Bank in Illinois; [6].

In the trade war between the US and China, we continue to lose ground. For example, Fiat, the parent company of Jeep indicated they may make

all their vehicles in China [7]. One reason cited for the strategic planning is the stiff import fee China levies on imported vehicles [8]. If China can levy stiff tariffs on imported goods, couldn't the US do the same? As a final note, China's manufacturing expanded in October indicating the communist giant is enjoying growth [9].

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Americans never quit—  
Douglas MacArthur

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## Japan's Industry

The world recession and competition are impacting Japanese industry's ability to thrive. For example, less than one year after announcing a new smart phone for the European market, Panasonic is killing the initiative [1]. Then there is Sharp electronics that hopes to avoid bankruptcy this

year [2]. In general, Japanese industry looks similar to the US auto industry prior to GM and Chrysler declaring bankruptcy [3].

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