

IN THE NEWS

VOLUME 5 ISSUE 12

JUNE 3, 2012

World News

Counterfeit parts made in China are getting into US commercial and military aircraft [1]. One study found 70% of 1,800 cases involving counterfeit parts could be traced back to China [2]. Now there is a new report indicating an integrated circuit made in China by a US manufacturer was discovered to have a backdoor that could allow bad actors access [3]. This follows a chorus of people who claim the backdoor was inserted by the US manufacturer, Actel, and not by China [4]. In summary, not only are we finding bogus chips made in China in our military systems; now legitimate chips were discovered with a Trojan horse. At the current rate the US is exporting our technology industry to China; this continuing threat to national security cannot end well.

The future of US space exploration will likely rely on commercial industry. Case in point, the Space Station was resupplied by a commercial, SpaceX, resupply ship [5]. The new commercial spacecraft's module, called Dragon, was successfully unloaded by the space station crew [6]. Finally, the spacecraft flawlessly splashed down in the Pacific [7].

In 1987, the Montreal Protocol was created to restore the Earth's "thinning" ozone [8]. Never mind the "hole in the Ozone" was seen over the South Pole where there is virtually no pollution, and city ozone generation on hot days is a health hazard; we had to protect the ozone layer. It effectively outlawed the refrigerant using in refrigerators and air conditioners. This was great news for companies making refrigeration appliances. So a new industry was created and what was the effect to the ozone? Now we are seeing something similar regarding carbon dioxide. When trying to ascertain motives behind various claims that carbon dioxide is a greenhouse gas we can follow the money and help explain certain positions. Case in point, during 2011 carbon trading increased 11% for a value of \$176 billion [8]. So if it turns out that carbon dioxide is not the greenhouse gas advertised, then a \$176 billion industry will be at risk.

The world economy appears headed toward another severe downturn. For example, in May the US only added 69,000 new jobs, the fewest in a year [10]. Concurrently, the US unemployment rate increased from 8.1 to 8.2% [11]. In turn, this resulted in the major stock exchanges dropping over 2% on Friday, June 1 [12]. This included a 275 point drop in the Dow Jones Industrial average; thereby wiping out the stock market gains for the

(Continued on page 2)

Security

Acknowledging the US role in offensive cyberwarfare; Secretary of State Clinton indicated the US has hacked into al-Qaeda websites in Yemen [1]. Meanwhile the US is also a target of cyber-attacks. Case in point, the anonymous hacker group is claiming the theft of 1.7G of data from the Department of Justice [2]. It seems the hackers got into the Bureau

of Justice Statistics website [3]. Elsewhere, hackers may have gathered personal information on Federal employees belonging to the Thrift Savings Plan (TSP). The cyber-attack took place last year and impacts 123,000 Federal employees [4]. Malicious software (malware) is becoming ever

more sophisticated. The latest example is a 20 Megabyte worm that appears to be state sponsored and targets certain Middle-east countries [5]. One report indicates the worm was found in Iran [6]. Moreover, the first attack from the malware may have impacted some of Iran's oil distribution network [7].

(Continued on page 2)

Inside this issue:

Energy	3
Economy	4
Facebook IPO	4

Special points of interest:

- Chinese made chips found with back door
- TSP Cyber-Attack exposes 123,000 Federal employees
- Carbon trading reaches \$176 billion value during 2011

Security

(Continued from page 1)

1. Christian Science Monitor, Clinton says US has hacked al-Qaeda websites in Yemen, May 23, 2012.
2. Jackson, William, GCN, *Anonymous claims theft of 1.7 G of data from DOJ*, May 22, 2012.
3. Ingram, David, and Kuo, Lily, Reuters, *Computer hackers access U.S. Justice Department website: spokeswoman*, May 21, 2012.
4. Fox Business, *Cyber Attack Exposes Personal Data of Federal Employees*, May 25, 2012.
5. Rooney, Ben, Wall Street Journal, *Advanced Malware Targets Middle East*, May 28, 2012.
6. Finkle, Jim, Reuters, *Powerful "Flame" Cyber Weapon Found in Iran*, May 28, 2012.
7. Dareini, Ali Akbar, AP, *Iran: 'Flame' virus fight began with oil attack*, May 30, 2012.

World News

(Continued from page 1)

- year [13]. Meanwhile, the weak economy is causing oil to free fall in prices [14]. These leading indicators are warning signs we are headed for a sustained recession. Essentially, energy traders are convinced we are heading for a sharp downturn in the economy.
1. Ferran, Lee, ABC News, *Counterfeit Chinese Parts Slipping Into U.S. Military Aircraft: Report*, May 22, 2012.
 2. BBC News, *China fake parts 'used in US military equipment'*, May 21, 2012.
 3. Arthur, Charles, The Guardian (UK), *Cyber-attack concerns raised over Boeing 787 chip's 'back door'*, May 29, 2012.
 4. Lee, Micael, ZDNet, *China not behind US military chip backdoor*, May 30, 2012.
 5. Albanesius, Chloe, PC Magazine, *SpaceX, NASA Champion Dragon Mission as 'New Era' in Spaceflight*, May 25, 2012.
 6. Dunn, Marcia, AP, *Dragon Removed From Space Station for Trip Home*, May 31, 2012.
 7. Hennigan, W.J., Los Angeles Times, *'SpaceX' mission ends with splash-down in the Pacific*, May 31, 2012.
 8. Whitey, Craig, New York Times, *80 Nations Favor Ban to Help Ozone*, May 3, 1989.
 9. Coelho, Jeff, Reuters, *Global carbon market value hits record \$176 billion*, May 30, 2012.
 10. AP, *U.S. economy adds a disappointing 69,000 jobs in May*, June 1, 2012.
 11. Mutikani, Lucia, Reuters, *Job growth falters in May*, June 1, 2012.
 12. Tangel, Andrew, Los Angeles Times, *Stocks end down more than 2% in broad sell-off*, June 1, 2012.
 13. Wagner, Daniel, AP, *Dismal job market pushed Dow into 275-point dive*, June 1, 2012.
 14. Johnson, Christopher, Reuters, *U.S. crude oil falls \$3 in cross-market rout*, June 1, 2012.

*Plagiarists are always
suspicious of being stolen
from—Samuel Taylor
Coleridge*

Energy

North Korea is pushing ahead with an expanded nuclear weapons program [1]. Interestingly, during the 1970's the US pressured South Korea to stop its program to develop nuclear weapons [2]. Meanwhile, South Korea and Japan are alarmed at North Korea's unstoppable nuclear weapons program and are trying to forge closer military relations with the US [3]. As the nuclear weapons race expands in Asia with North Korea and China expanding their arsenal, what will other countries do? Consider, although Japan currently has the fifth largest plutonium inventory (enough to build 5,000 atomic bombs) it plans on expanding the stockpile [4]. Iran continues to stonewall regarding halting its nuclear program [5]. Meanwhile, UN investigators inspecting one site found traces of refined uranium at 27% purity, 7% higher than Iran has publically admitted [6]. What's more, commercially available satellite images of the Iran area show there was an extensive clean-up before the inspectors arrived [7]. Yet inspectors still discovered higher than admitted enriched uranium. One think tank, the Institute for Science

and International Security (ISIS), believes Iran has enough uranium to build five nuclear bombs [8]. Meanwhile, Iran is setting conditions that allow uranium refinement at 20% as a precondition for any negotiated settlement [9].

In Japan, the operator of the stricken nuclear reactors, Tepco, now claims it underestimated the amount of radiation released during the reactor meltdowns [10]. What's more, Bluefin tuna fish near the US have been detected with low levels of radiation tied to the Fukushima reactor meltdowns [11].

China continues to secure its energy future. For example in the Western Hemisphere, China is spending \$billions for oil deals [12].

1. AP/USA Today, *North Korea vows to push ahead with nuclear program*, May 22, 2012.
2. Perrett, Bradley, *Aviation Week & Space Technology, Beyond the Peninsula*, May 21, 2012.
3. Takahashi, Kosuke, *Asia Times, South Korea makes waves with China pacts*, May 28, 2012.
4. Talmadge, Eric, and Yamaguchi, Mari, AP, *Japan to make more plutonium despite big stockpile*, June 1, 2012.
5. Sly, Liz, and Warrick, Joby, *Washington Post, Iran, world powers to keep talking, but no progress on a deal*, May 24, 2012.
6. AP/USA Today, *U.N. agency finds higher enrichment at Iranian site*, May 24, 2012.
7. Dahl, Fredrik, *Reuters, Image shows buildings gone at Iran site: diplomats*, May 31, 2012.
8. *Reuters, Iran has enough uranium for five bombs: expert*, May 26, 2012.
9. Nasser, Landane, *Bloomberg, Iran Sets Condition for Possible Restrictions on Nuclear Work*, May 28, 2012.
10. *Reuters/New York Times, Utility Says It Underestimated Radiation Released in Japan*, May 24, 2012.
11. *AFP, Tuna 'may have brought Japan radiation to US'*, May 29, 2012.
12. *Hargreaves, Steve, CNN Money, China paying billions for oil deals in the Americas*, May 29, 2012.

*Progress always involves
risk; you can't steal second
base and keep your foot on
first base- Frederick
Wilcox*

Economy

For the week ending May 19, the Labor Department claimed there were 370,000 first time unemployment claims [1]. For the week ending May 26, the first time claims increased to 383,000 [2]. What's more, the US growth rate shrank to 1.9% during the January to March period [3].

Once again, the US has determined the Chinese currency, the yuan, is undervalued but declined to state China was manipulating their currency [4]. One report suggests the US did not want to embarrass China by labeling it a currency manipulator [5]. This action will further the massive trade imbalance that has cost millions of American jobs so far. Meanwhile, some European countries, tired of China's market barriers, are consider-

ing economic investments elsewhere [6].

On the positive side, the price of oil continued to fall to a 7-month low [7]. In contrast, one measure of the economy is the number of millionaires. Unfortunately, the number of millionaires fell by 129,000 during 2011 [8].

1. Kowalski, Alex, Bloomberg, *New Jobless Claims in U.S. Declined by 2,000 Last Week*, May 24, 2012.
2. Reuters, *U.S. jobless claims rise for 4th straight week*, May 31, 2012.
3. AFP, *US economic growth slows to just 1.9%*, May 31, 2012.
4. Smith, Veronica, AFP, *US says China's yuan undervalued, not manipulated*, May 25, 2012.
5. Lee, Don, Los Angeles

Times, U.S. declines to label China a currency manipulator, May 25, 2012.

6. AP, *Group: Companies may cut China investment*, May 29, 2012.
7. CNN Money, *Oil prices drop below \$88 to 7-month low*, May 30, 2012.
8. Frank, Robert, CNBC, *America Lost 129,000 Millionaires in 2011*, May 31, 2012.

*The sure way to be cheated
is to think one's self more
cunning than others-*
*François de la
Rochefoucauld*

Facebook IPO

In this world where malicious software is common, whenever software controlled applications result in losses, it is sometimes worth examining what happened. Case in point, the Facebook Initial Public Offering (IPO) was considered a disaster based on problems at the NASDAQ stock exchange [1]. It may be some time before the actual root cause is known but here is what is known so far.

Many investors lost money with the Facebook IPO thereby raising regulator concerns over the actions of Morgan Stanley [2]. The initial IPO was delayed 30 minutes allegedly because of a technical glitch resulting in significant losses for many [3]. Then Citigroup is reported to have

lost \$20 million on the IPO [4]. The UBS bank also lost an estimated \$30 million in the IPO [5]. By one estimate, the losses to JP Morgan are \$3 billion and counting [6]. Thus far, Facebook has lost \$25 Billion in market cap [7]. These losses are culminating in a number of lawsuits [8].

1. Pepitone, Julianne, CNN Money, *Facebook IPO: What the %\$#! happened?*, May 23, 2012.
2. Rusli, Evelyn M., and De La Merced, Michael J, *New York Times, Facebook I.P.O. Raises Regulatory Concerns*, May 22, 2012.
3. Toonkel, Jessica, and McCrank, John, Reuters, *More Facebook IPO problems*, May 25, 2012.

4. McCrank, John, Reuters, *Citi unit lost \$20 million in Facebook IPO: source*, May 25, 2012.
5. Computerworld, *Reports: UBS and Citi lost £32m due to NASDAQ glitch during Facebook IPO*, May 29, 2012.
6. Weiss, Gary, *The Street/Forbes, Facebook Fed the 'Ignorant' Masses an IPO Lite*, May 30, 2012.
7. Chan, Siemond, *The Exchange, Facebook's \$25 Billion Loss in Market Cap*, June 1, 2012.
8. Massoudi, Arash, and Demos, Telis, *Financial Times, Morgan Stanley Chief Defends Facebook Role*, May 31, 2012.