

IN THE NEWS

VOLUME 6 ISSUE 4

FEBRUARY 24, 2013

World News

The nuclear arms race is accelerating. Case in point, North Korea tested another nuclear device that had a higher yield than previous explosions [1]. What's more, North Korea threatened to conduct two additional nuclear bomb tests [2]. The rogue nation already informed China that it plans new nuclear bomb tests and another missile launch in order to force the US to negotiate [3]. To further complicate matters, one report indicates North Korea is expanding its missile launch facility to handle larger rockets [4]. The problem is exasperated by the support North Korea receives from China and Russia that oppose any significant consequences [5].

Apparently, the inability of the West to contain North Korea's nuclear program was not lost on Iran. Case in point, Iran approached China to purchase 100,000 ring magnets banned by the UN; enough to equip 50,000 more centrifuges [6]. Iran also announced they have begun to upgrade their centrifuges to provide a greater uranium enrichment capability in spite of complaints from the US [7]. Furthermore, some are asking if the North Korean test was for Iran's benefit or perhaps a test of an Iranian nuke [8]. In particular, one report indicates the head of Iran's clandestine nuclear weapons program was in North Korea to witness the nuclear test [9]. Perhaps the best clue comes from Iran's president who claims Iran already has the ability to create atomic bombs [10]. What's more, it appears Iran is advancing construction of a nuclear research facility that will allow it to produce plutonium that can be used in nuclear weapons [11]. Given the close association with North Korea, it's reasonable to assume Iran now has an atomic bomb and is expanding its arsenal.

Meanwhile, as the US considers additional nuclear weapons reductions, there is a belief that China only possesses 75 Inter-Continental Ballistic Missiles (ICBM) each with just one nuclear warhead [12]. Nevertheless, the US is planning nuclear weapon reduction discussions with Russia and it appears China will once again not be part of the treaty discussions [13]. We expect Russian leadership in recognizing the threat from China's nuclear weapons program and will likely resist further reductions proposed by the US.

China is not the only country expanding its nuclear inventory. For instance, India is pursuing a 5,000 mile range ballistic missile that will carry 10 nuclear warheads [14].

(Continued on page 2)

Security

The cost of security includes making sure the digital certificates are not expired. When certificates are not renewed, the results can be costly. Case in point, Microsoft's Azure cloud service was effectively shut down due to digital certificate expiration [1]. When the SSL certificate expired, Microsoft's Azure customers could not access the service [2].

Furthermore, correcting security flaws by patching software continues to be a significant undertaking. For example, Microsoft released a patch to correct 57 separate security vulnerabilities [3].

Once again, Java is in the news. This time, some of the corporate machines at Apple were exploited [4]. Then, Microsoft indicated it was hacked by the same

exploit [5]. It seems the same Chinese hackers that attacked Facebook were the same that penetrated Apple's computers [6]. So even though Apple uses China for most of its manufacturing, China still finds it necessary to hack into the company's computers.

Many times sites that would normally be expected to be

(Continued on page 2)

Inside this issue:

China's cyber-attacks	3
Pollution	3
Economy	4

Special points of interest:

- Microsoft Azure fails due to expired certificate
- North Korea test another nuclear device
- China aware more North Korean devices could be tested
- Bank 3 shuttered
- Apple and Microsoft hacked

Security

(Continued from page 1)

safe are in fact hosting malicious software. For instance, NBC cleaned up viruses from their web site that are typically used for bank fraud and cyber espionage [7].

1. AP, *Microsoft Lapse Cause Outages In Azure Service*, February 22, 2013.
2. Gibbs, Mark, *Forbes, Microsoft's Azure Outage; Three Reasons Why Such*

Things Happen and Three Steps to Avoid Them, February 23, 2013.

3. Bradley, Tony, *PC World, Microsoft unleashes a Patch Tuesday to make your head spin*, February 12, 2013.
4. Evans, Jonny, *Computer World, Apple closes Java hack, and why it's time to switch Java off*, February 20, 2013.
5. Olson, Parmy, *Forbes,*

Apple Admits To Being Hacked, Says No Data Stolen, February 19, 2013.

6. Ovide, Shira, *Wall Street Journal, Microsoft Discloses It Too Was Hit by Hackers*, February 22, 2013.
7. Finkle, Jim, and Saba, Jennifer, *Reuters, NBC says its website is safe after security scare*, February 21, 2013.

*Communism is not love.
Communism is a hammer
which we use to crush the
enemy.-Mao Zedong*

World News

(Continued from page 1)

Note, if China's ICBMs have the same capability, 75 weapons would provide the ability to deliver 750 warheads on US soil.

1. Chance, David, and Kim, Jack, *Reuters, North Korea conducts third nuclear test, drawing new sanctions threat*, February 12, 2013.
2. Gertz, Bill, *Washington Free Beacon, North Korea Threatens More Nuclear Tests, Missile Firings*, February 12, 2013.
3. Lim, Benjamin Kang, *Reuters, Exclusive: North Korea tells China of preparations for fresh nuclear test*, February 15, 2013.
4. AP, *Report: North Korea upgrading rocket launch site*, February 14, 2013.
5. Prentice, Alessandra, *Reuters, Russia, China*

oppose military intervention in NKorea, February 22, 2013.

6. Warrick, Joby, *Washington Post, Iran's bid to buy banned magnets stokes fears about major expansion of nuclear capacity*, February 13, 2013.
7. BBC News, *Iran upgrades uranium enrichment despite US warning*, February 13, 2013.
8. Rosett, Claudia, *Forbes, North Korea's Middle East Webs and Nuclear Wares*, February 13, 2013 .
9. Times of Israel, *'Iranian nuke chief was in N. Korea for atomic test'*, February 17, 2013.
10. AP/Fox News, *Ahmadinejad says Iran can create nuclear weapons, but not to attack Israel*, February 6, 2013.

11. Dahl, Fredrik, *Reuters, Iran appears to advance in construction of Arak nuclear plant*, February 22, 2013.
12. Bloomberg/Japan Times, *North Korea test complicates U.S. nuke cuts*, February 13, 2013.
13. Roberts, Joshua, *Bloomberg/Washington Post, On nukes, it's an uphill climb for Obama*, February 13, 2013.
14. Aviation Week, *India To Pursue Larger-Capacity Ballistic Missile*, February 18, 2013.

China's Cyber-attacks

Before diving into the latest news on China's cyber espionage activities; consider the challenge of network anonymity. In the US, devising controls that allow anonymous tips are almost non-existent. Yet, the professional bad actors seem to have the ability to mask their identities. In short, the security controls we use to protect our systems are not as advanced as those of the hackers attacking them.

A new report implicates Unit 61398 of China's People's Liberation Army was the source in over 100 hacking attacks directed against the United States [1]. The report describes an extensive cyber espionage team operating from a 12-story building in China [2]. What's more, the information stolen from West-

ern companies is being used to help Chinese industries [3]. So in addition to one sided trade agreements, China is stealing intellectual property and giving it to Chinese businesses to dominate the world markets. Expectedly, China has denied any involvement in hacking activities [4].

Meanwhile the US is preparing a new National Intelligence Estimate on the Chinese hacking threat [5]. Perhaps this would be a good time to include assessing China's nuclear and military capabilities as well. Additionally, the US has and plans to continue complaining to the Chinese government [6]

1. MacLeod, Calum, USA Today, *Report shows China military involved in U.S. hacking*, February 19, 2013.

2. Riley, Charles, CNN Money, *Report: Chinese military engaged in 'extensive cyber espionage campaign'*, February 18, 2013.
3. Wall Street Journal, *China's Online Thieves*, February 19, 2013.
4. Tejada, Carlos, and Back, Aaron, Wall Street Journal, *China Lashes Back at Hacking Claims*, February 18, 2013..
5. AP, *Obama administration considers tougher response to China over hacking*, January 31, 2013.
6. Spetalnick, Matt, Reuters, *U.S. says has brought cyber-theft concerns to Chinese government*, February 20, 2013.

*As the ostrich when
pursued hideth his head,
but forgetteth his body; so
the fears of a coward
expose him to danger-*
Akhenaton

While much of the recent news focused on China's air pollution the fact is the water pollution is worse. For example, 64% of ground water in 118 Chinese cities is significantly polluted [1]. Moreover, some rivers are considered toxic. For instance, some Chinese are offering cash awards of \$32,000 if their government officials will take a swim in some of the polluted rivers [2]. A question here is where do the rivers feed into and what is the global impact of China's water pollution?

Then there are estimates that 10% of China's farmland is currently polluted by heavy metals [3]. Shouldn't the US at

least inspect imported Chinese food for heavy metal contamination? Consider for the moment how China uses policy to restrict US goods. For instance, China wants all US pork to be independently tested and verified not to contain growth hormones [4]. This new inspection comes from a country that seems to lack domestic controls on food quality. In the meantime, more US jobs continue to be exported to China where environmental controls are weak and overall harm to the planet continues.

1. MacLeod, Calum, USA Today, *China: Come on in, the water is toxic*, February

- 21, 2013.
2. Tang, Didi, AP, *Chinese dare officials to swim in polluted rivers*, February 20 2013.
3. Zuo, Mandy, *South China Morning Post*, *Pollution from heavy metals devastates farmland*, February 16, 2013.
4. Waters, Theopolis, Reuters, *China seeks extra testing of U.S. pork for feed additive*, February 19, 2013.

Pollution

Economy

During 2012, China surpassed the US as the largest trading nation in the world [1]. Interestingly, even though China traded \$44 billion more than the US, it does not want the title as the biggest trader [2]. This seems to indicate China wants to be viewed as the underdog, perhaps as Western nations continue to disarm under the belief China is not a serious threat.

A leading economic indicator, the stock market indices, is pointing to a recovery. However, employment remains soft. For the week ending February 9, the number of first time unemployment claims was

341,000 [3]. For the following week, the number reported was 362,000 [4].

Bank regulators resumed closing financial institutions. For example, on February 15, the Covenant Bank in Illinois was shuttered [5].

The US is not the only country to have its AAA credit rating lowered. Case in point, the United Kingdom was lowered by Moody's one notch to Aa1 [6].

1. Bloomberg News, *China Eclipses U.S. as Biggest Trading Nation*, February 10, 2013.
2. McDonald, Joe, AP, *China rejects status as world's*

biggest trader, February 18, 2013.

3. Chandra, Shobhana, Bloomberg, *Jobless Claims in U.S. Fell More Than Forecast Last Week*, February 14, 2013.
4. Reuters, *Jobless Claims Move Up; Inflation Pressure Builds*, February 21, 2013.
5. Tadena, Nathalie, Wall Street Journal, *Regulators Close Bank in Illinois*, February 15, 2013.
6. Walter, Matthew, et. al. Wall Street Journal, *U.K. Is Stripped of Triple-A Rating*, February 22, 2013.



Policy on China's Military Buildup

America cannot be an ostrich with its head in the sand—Woodrow T. Wilson
