

IN THE NEWS

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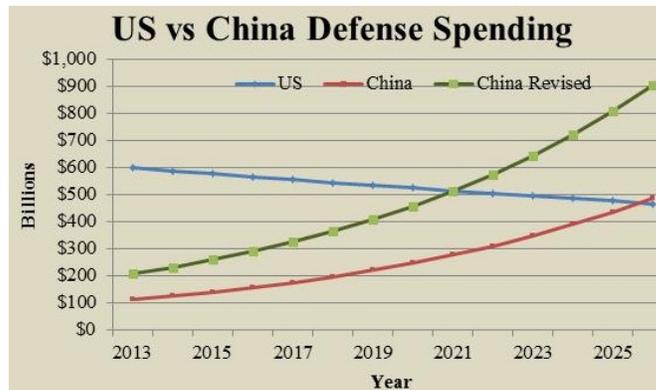
World News

Tension amongst China and Japan is rapidly escalating and could easily result in a shooting war. For instance, on April 19, China seized a Japanese ship belonging to Mitsui O.S.K. Lines; citing World War II obligations [1]. Readers may be aware that the People's Republic of China (PRC) was founded on October 1, 1949 [2]. This date is four years after World War 2 ended. To conclude the matter, the ship's owner, paid China \$29 million to release the ship [3].

As Russia dominated the Ukraine with military operations, Western nations are getting a good look at the newly modernized force. For example, the Spetsnaz, Russia's ubiquitous special-forces, are sporting new body armor, AK-74s with body armor piercing ammunition, collar or helmet-mounted radios, and other upgrades [4]. Meanwhile, the US sent Vice President Biden to the Ukraine to show support [5]. According to Ukrainian leaders, the US has promised to stand with it and face the Russian aggression [6]. As a final insult, Russia is threatening to stop its transport of US astronauts to the Space Station [7]. In retrospect, relying on Russia for transport to the Space Station was a disastrous decision. On the plus side, the company SpaceX sued and received a court injunction halting the Air Force from using Russian rocket engines to launch military satellites [8].

As most of the world is increasing military spending, US expenditures fell by 1.9% last year [9]. For instance, as China increased its military expenditures by 12.2%; the US is funding less than it did in fiscal year 2007 [10]. If the trend continues, China's expenditure will surpass the US within 12 years (see the graph on this page). However, if we use the current World Bank value of Chinese currency, during 2021, the US and China military spending will cross. What's more, US defense contractors are spending less on R&D [11].

1. Lies, Elaine, Reuters, *Japan PM makes offering to Yasukuni Shrine, angers China, South Korea*, April 21, 2014.



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Special points of interest:

- China seizes Japanese ship for World War 2 reparations
- New IE Explorer zero-day exploit puts half of all browsers at risk
- Russia threatens astronaut transport to space station
- China may become largest economy this year
- 518,000 more left workforce in April than jobs created
- Sixth bank shuttered

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Security

We continue seeing zero-day vulnerabilities and bad actor attacks. Case in point, a new Microsoft Internet Explorer zero-day exploit was discovered and hackers are already using the flaw to compromise systems [1]. The

new exploit could allow remote code execution [2]. What is particularly bad about zero-day attacks; there are no immediate patches to fix the problem. Moreover, users of Windows XP were not expected to receive a patch from

Microsoft because the software company no longer support the XP operating system [3]. However, in the end Microsoft did release a patch that included a fix for the XP version of IE [4].

Protecting identities ap-

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Security

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pears to be a losing battle. During the first quarter, security breaches resulted in the theft of 200 million records [5]. On the plus side, retailers, such as Target, are now going in for smartcard enabled credit cards [6]. It's unfortunate that a massive breach must first occur before adequate security is deployed.

1. Sullivan, Gail, Washington Post, *Hackers targeting newly discovered flaw in Microsoft Internet Explorer*, April 28, 2014.
2. Musil, Steven, CNet, *New zero-day vulnerability identified in all versions of IE*, April 27, 2014.
3. Rubenking, Neil J., PC Magazine, *XP Users Permanently Vulnerable to New Internet Explorer Exploit*, April 28, 2014.
4. Seltzer, Larry, ZD Net, *Microsoft issues fix for IE zero day*, May 1, 2014.
5. Robinson, Teri, SC Magazine, *Index: 200 million records stolen in Q1 breaches*, April 30, 2014.
6. Kharif, Olga, and Vázquez Toness, Bianca, Bloomberg, *Target Breach Spurs Retail Rush to Accept Tougher Credit Cards*,

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(Continued from page 1)

At last, Russia has returned to the world arena as a strong state - a country that others heed and that can stand up for itself.~Vladimir Putin

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3. Hui, Li, and Tsukimori, Osamu, Reuters, *Japan's Mitsui pays China to release seized ship-court*, April 24, 2014.
4. Scarborough, Rowan, Washington Times, *Tactical advantage: Russian military shows off impressive new gear*, April 20, 2014.
5. Payne, Ed, CNN, *Biden arrives in Kiev amid growing Ukraine-Russia tensions*, April 21, 2014.
6. Polityuk, Pavel, and MacDonald, Alastair, Reuters, *Ukraine's leaders say have U.S. backing to take on 'aggressors'*, April 23, 2014.
7. Smolchenk, Anna, et. al., AFP, *Russia says US astronauts could be hurt by Ukraine sanctions*, April 29, 2014.
8. Boyle, Alan, NBC News, *SpaceX Wins Court Injunction to Block Russian Rocket Engine Purchases*, May 1, 2014.
9. Aviation Week & Space Technology, *Military Spending Down*, April 21, 2014.
10. Lynch, David J., Bloomberg, *China Challenges Obama's Asia Pivot With Rapid Military Buildup*, April 23, 2014.
11. Anselmo, Joe, Aviation Week & Space Technology, *Penny Wise ...*, April 21, 2014.

Terrorism

The US has invested considerable funds in trying to secure commercial flying. Passengers must now face a gauntlet of TSA inspectors before entering into passenger departure areas. A question here is how secure are the runways? Case in point, a 16 year old was able to scale a fence in San Jose, enter a jet's wheel well, and stow away for a 5 ½ hour flight to Hawaii [1]. If a teen ager can breach security, what prevents a terrorist?

Meanwhile, the war on terrorism is not going well. Al-Qaeda affiliated terrorists took over the former US special-forces base in Libya [2].

Now that the US has left Iraq, that nation continues to slide into turmoil. For instance, at least 46 were killed in attacks against polling locations [3]. Additionally, there was an Al-Qaeda inspired suicide bomber that killed at least 25 peo-

ple in a Kurdish town [4]. Meanwhile, terrorists in China detonated a bomb near a train depot, wounding 50 people [5]. Recognizing the threat from terrorism, China's leaders are warning the people the fight against terrorism will take a long time to correct [6].

Trying to work with terrorist organizations seldom has a happy ending. Case in point, in the Syrian city of Homs, there is major fighting between Al-Qaeda-affiliated Al-Nusra Front and Islamic State of Iraq and Greater Syria forces [7].

1. Sappenfield, Mark, Christian Science Monitor, *How did teen stowaway survive 5-1/2 hour flight to Hawaii in wheel well?*, April 21, 2014.
2. Washington Free Beacon, *Jihadists Take Over Former U.S.-Libyan Military Base*, April 23, 2014.

3. Abdul-Zahra, Qassim, and Salaheddin, Sinan, Time/AP, *Violence Kills Nearly 50 in Iraq Ahead of Key Vote*, April 28, 1024.
4. AP/Fox News, *Al-Qaida-inspired group in Iraq says it carried out attack in Kurdish town that killed 25*, April 29, 1024.
5. Forsythe, Michael, New York Times, *Blast Hits Rail Station in Restive Western China*, April 30, 2014.
6. Forsythe, Michael, New York Times, *China's Leader Warns of Long-Term Terror Fight After Blast*, May 1, 2014.
7. The Daily Star (Lebanon), *Jihadist battle sparks exodus, Syria rebels on way out of Homs*, May 4, 2014.

*The press is our chief
ideological weapon.~Nikita
Khrushchev*

Economy

The US remains an easy target for unfair trade practices. For instance, even though during 2013 Japan suffered a \$134 billion trade deficit, it racked up a \$59.5 billion surplus with the US [1]. Meanwhile, the US was unable to secure a trade pact that would open the Japanese market to US rice, beef, poultry and pork [2]. However, Japan is considering offering the US a concession by lowering the tariff on imported beef from 38.5% to 20% [3]. A question here is, why don't we apply comparable tariffs on Japanese imported goods?

For the week ending April 19, the number of first time unemployment claims reported by the Labor Department rose to 329,000 [4]. Then for the week ending April 26, the number increased to 344,000 [5]. For April, the number of people dropping out of the labor force was 806,000 and only 288,000 jobs were added; but the resulting unemployment rate was only 6.3% [6]. So although there are 518,000 fewer people working, the unemployment rate falls. This is an example of creative math at its finest.

The job recovery is replacing higher paid jobs lost with lower wage positions. When the recession hit, 22% of the jobs lost were low wage; now, 44% of the new jobs being

created are low wage [7].

Regulators resumed closing banks. The Allendale County Bank in South Carolina became the sixth financial institution shuttered this year [8]. One consequence of unfair trade is it saps the tax base. Those companies that remain see ever increasing taxes to make up for lost revenue. This death spiral has a consequence. Case in point, Pfizer is planning to leave the US and become a UK company; taking billions in tax dollars with it [9]. So instead of helping US companies compete on the world stage, Government all too often drives what's left away. As another example, one piece suggests China will become the world largest economy this year [10]. Meanwhile, the US economy only grew 0.1% during the first quarter [11].

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2. Landler, Mark, and Rudoren, Jodi, New York Times, *Obama Suffers Setbacks in Japan and the Mideast*, April 24, 2014.
3. Kyodo News International, *Japan mulling lowering tariffs on U.S. beef to around 20%*, April 30, 2014.
4. Smialek, Jeanna, Bloomberg, *Jobless Claims Rise More Than Forecast in U.S. Holiday Week*, April 24, 2014.
5. Mutikani, Lucia, Reuters, *Jobless claims rise unexpectedly in latest week*, May 1, 2014.
6. Schwartz, Nelson D., New York Times, *Report Shows Resurgence of Hiring but Has Downbeat Notes*, May 2, 2014
7. Badger, Emily, Washington Post, *U.S. job growth is coming in all the wrong places*, April 28, 2014.
8. Kell, John, Wall Street Journal, *Regulators Close Allendale County Bank in South Carolina*, April 25, 2014.
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China Pollution

China's government is being forced to address pollution in response to growing unrest [1]. Additionally, there are concerns that contaminated soil will introduce heavy metals into the food

supply [2].

1. Bloomberg, *China Takes On Pollution With Biggest Changes in 25 Years*, April 24, 2014.
2. Ching, Frank, Japan

Times, *Heavy metal contaminants stalk China's farms*, May 1, 2014.

*I believe we can continue
the Great Society while we
fight in Vietnam.~Lyndon
B. Johnson*
