

IN THE NEWS

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World News

US officials confirmed, there are no plans to supply weapons to the Ukraine [1]. In contrast, one report indicates Russia is supplying rebels with tanks and other advanced weapons [2]. What's more, Russia continues to challenge the US. Case in point, four Russian bombers flew within 50 miles of the California coast, prompting the US to send intercept fighters [3].

Meanwhile, the Middle-East continues its path toward destabilization. By one estimate, Iran will have 50 - 100 nuclear warheads by the year 2024 [4]. What's more, Iraq's second largest city, Mosul, was conquered by terrorists [5]. Following the fall of Mosul, the al Qaeda splinter group overran the city of Tikrit, the former hometown of Dictator Saddam Hussein [6]. One report indicates the Iraqi government requested air support from the US [7]. The initial indication is the US will not support Iraq [8]. It is unclear if the US will eventually provide any direct military assistance to endangered Iraq. Given the large population of Shiite Muslims, Iran sent in forces and helped regain control of the Tikrit [9]. This gave the majority Shiite population a breather to recruit additional forces. For instance, following a religious leader calls for volunteers, hundreds of young people are signing up for the fight [10]. This has led to a stalemate that prevented further advances by the Islamist State of Iraq and al-Sham (ISIS) [11]. {It is interesting to note; at the final days before South Vietnam's collapse, had the US provided a similar response (such as B-52 bombing of North Vietnam forces fully exposed in the south) South Vietnam would likely had survived. But alas, Congress stopped all funding to support South Vietnam, thereby sealing its fate.}

One report suggests China underreports defense spending by approximately 20% [11]. This would place Chinese annual military spending above \$145 billion [12]. But it's interesting to see how the funding is being spent. Case in point, China is developing a new ICBM with multiple nuclear warheads [13]. One piece suggests China's expansive role is predicated on the belief the US will not provide viable opposition [14]. In another example, one report indicated China is considering constructing a man-made island to include a military base on the Fiery Cross Reef (claimed by the Philippines claimed) and expand its base on the Spratly Islands [15]. China's rise is causing other regional countries to expand their military. Case in point, India deployed a 45,000 ton aircraft carrier purchased from Russia [16].

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Security

One of the challenges in conducting a risk assessment is in estimating the cost of cyber crimes. What's more, the loss estimate continues to increase annually. Case in point, one report from the Center for Strategic and International Studies estimates the annual cost has reached \$455 billion per year [1].

Supply chain integrity is in the news. Once again, fake computer chips from China have found their way into US military systems [2].

Keeping software updated to correct security flaws continues to be a challenge. For instance, Microsoft pushed a patch to address 66 vulnerabilities [3].

Meanwhile, bad actors continue to look for ways to enrich themselves at the expense of others. For example, Android devices are being hit by ransom ware where victims are required to submit payment in order to get their smart devices working again [4].

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Special points of interest:

- al-Qaeda splinter group takes control of Iraq's second largest city, Mosul
- Iran sends military to fight in Iraq
- Cyber crime cost estimated at \$455 billion per year

Security

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In other news, point of sale (POS) systems are still targets of identity theft. For instance, the P.F. Chang restaurant chain along with law enforcement, are investigating malware that may have compromised thousands of customers [4].

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take hit, June 10, 2014.

2. AP/South China Morning Post, *Fake semiconductors imported from Hong Kong sold for use in US nuclear subs*, June 4, 2014.
3. Bradley, Tony, *Microsoft pushes out massive security update for Internet Explorer*, June 13, 2014.
4. Walker, Danielle, SC Magazine, *Ransomware "Sympeng" strikes US, leaves*

Android devices unusable, June 14, 2014.

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*I am concerned for the
security of our great
Nation; not so much
because of any threat from
without, but because of the
insidious forces working
from within—Douglas
MacArthur*

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weapons will go to Ukraine, June 4, 2014.

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3. Gertz, Bill, Washington Free Beacon, *Russian Bombers Fly Within 50 Miles of California Coast*, June 11, 2014.
4. Washington Free Beacon, *Israeli Official: Iran to Have 50-100 Nuclear Warheads by 2024*, June 9, 2014.
5. Robertson, Nic, and Smith-Spark, Laura, CNN, *500,000 Iraqi civilians flee Mosul fighting*,

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migration group says, June 11, 2014.

6. Hassan, Ghazwan, Reuters, *Iraq rebels take Saddam's home town in lightning advance*, June 11, 2014.
7. Gordon, Michael R., and Schmitt, Eric, New York Times, *Iraq Said to Seek U.S. Strikes on Militants*, June 11, 2014.
8. Fox News, *Obama urges Iraq's leaders to 'solve their problems'*, reviewing US options, June 13, 2014.
9. Fassihi, Farnaz, Wall Street Journal, *Iran Deploys Forces to Fight al Qaeda-Inspired Militants in Iraq*, June 12, 2014.
10. Hendawi, Hamza, and Yacoub, Sameer N.,

ABC/AP, *Young Iraqis Volunteer to Fight Surging Militants*, June 14, 2014.

11. Bradley, Matt, and Nabhan, Ali A., Wall Street Journal, *Iraqi Military Makes Gains North of Baghdad in Conflict With ISIS*, June 14, 2014
12. BBC News, *China under-reports defence spending, says US*, June 5, 2014.
13. Stewart, Phil, Reuters, *Chinese military spending exceeds \$145 billion, drones advanced: U.S.*, June 6, 2014.
14. Gertz, Bill, Washington Free Beacon, *Pentagon Confirms New Chinese Long-Range ICBM Development*, June 6, 2014

Terrorism

In Pakistan, terrorists opened fire at the Karachi Airport, killing at least six people [1]. What's more, the Taliban have claimed responsibility for the terrorist attack [2]. Readers may recall from the last newsletter; the US exchanged five Taliban leaders in exchange for one captured soldier [3]. What's more, at least one of the released Taliban leaders, Noorullah Noori, has stated his plans to return to Afghanistan to fight US forces there [4].

In Iraq, on June 7, terrorist attacks killed at least 47 people [5]. Then on June 9, twin bombs were used against Kurdish targets and at least 30 people were killed [6]. Then Mosul, a city of 2 million people, fell to an al-Qaeda splinter group [7]. There were reports the terrorists were killing police and soldiers [8]. In another sign of trouble, the conquering terrorists have seized \$400 million from a central bank and are imposing Sharia Law in the occupied territories [9]. One report indicates this group is known for beheading unbelievers and that a massacre may already be underway [10].

Some have questioned what is so important about what happens in the Middle East. Perhaps the best answer comes from the Terrorist leader now threatening to attack Bagh-

dad. The leader of the State of Iraq and al-Sham (ISIS), when released from a US detention camp in Iraq back in 2009; warned he would be seen in New York [11].

Another problem looming within the US is the current open border policy that is allowing illegal aliens unrestricted entry into the US. For instance, one report indicates easily identifiable Mexican gang members are being allowed free entry into the US [12]. How long will it be before terrorists exploit the same policy to more their people into US cities?

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2. Saifi, Sophia, et. al., CNN, *Pakistani Taliban claims responsibility for Karachi airport attack; 28 dead*, June 9, 2014.
3. Labott, Elise, CNN, *Kerry defends Bergdahl-for-Taliban exchange*, June 9, 2014.
4. Rosenbaum, Sophia, New York Post, *Released Taliban leader intent on killing Americans*, June 6, 2014.
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*No state should be allowed
to profess partnership with
the global coalition against
terror, while continuing to
aid, abet and sponsor
terrorism—Atal Bihari
Vajpayee*

Economy

The EPA plans to introduce new regulations cutting back carbon emissions within the US [1]. The US Chamber of Commerce estimates the cost of the new carbon regulations will reduce the annual U.S. Gross Domestic Product (GDP) by \$51 billion and result in 224,000 fewer U.S. jobs every year through 2030 [2]. We expect that as the price of coal generated electricity will rise, expect more industry to relocate elsewhere.

In another sign of trouble, Motorola announced it will close its Texas smart phone assembly plant before the end of the year [3]. This was the only facility to assemble smart phones in the US.

China plans to increase pollution taxes further on rare earth elements (it currently controls 90% of the market) [4]. In turn, the new taxes will likely lead to competition from mines elsewhere. It should however serve as a warning that once China has a

monopoly in a given area, they will exact a premium price for those dependent on their products. While the US economy remains stuck; China's May exports are up 7% from last year, imports fell 1.6%, and the trade surplus was May increased to \$35.92 billion [5]. Meanwhile, employment remains weak. The number of first time unemployment claims for the week ending May 31 was 312,000 [6]. Then for the following week, the number reported was 317,000 [7].

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4. Stringer, David, Bloomberg, *China's Rare Earth Toxic Time Bomb to Spur Mining Boom*, June 4, 2014.
5. Market Watch, *China exports up 7% on year*, June 8, 2014.
6. Zibel, Alan, Wall Street Journal, *U.S. Jobless Claims Up, but Still Near 7-Year Low*, May 5, 2014.
7. McKendr, Ian, The Street, *US Jobless Claims Rise by 4,000 to 317,000*, June 12, 2014.

*I have learned to hate all
traitors, and there is no
disease that I spit on more
than treachery—Aeschylus*

China Pollution

China received some very positive news that will likely mean more US industry will use them to bypass environmental regulations. For instance, the US is planning to force US industry to cut back carbon emissions by 30% [1]. At the same time, China is already admitting to failures in air quality [2]. Additionally, China's practice of flattening mountains to build new cities is estimated to be responsible

for 49% of dust pollution and 10% of soil erosion [3].

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to create land for cities, June 6, 2014.