

IN THE NEWS

VOLUME 11 ISSUE 14

OCTOBER 14, 2018

Security

Before diving into this newsletter's lead, a brief history is in order. Companies have and continue to be reluctant to divulge breaches. A good example is the consequences seen with Egghead. Back in 2000, Egghead on-line reported a security breach that compromised customer information [1]. On the following August, the company filed for Chapter 11 bankruptcy [2]. A few months later and just under a year from the reported breach, the company was completely gone [3]. So the incentive for reporting a breach could be the complete failure of the company in under a year. Furthermore, the collapse of Lehman Brothers shows no company is too large for an economic collapse [4]. It is still difficult for private industry to admit to data breaches. Case in point, Google+ will be shut down due to a security bug and the company neglected to inform the public [5].

In Newsletter Volume 1 Issue 7, we pointed out the risk of China installing hardware based back doors in counterfeit routers. Now we have reports the China People's Liberation Army (PLA) had suppliers install a malicious device in mother boards manufactured in China [6]. The tiny computer chips were included in US computer equipment [7]. This appears similar to a 2009 reported incident where China was supplying bogus chips to bypass security [8]. After the latest story broke, Apple stock lost \$18 billion in value [9]. Since the announced exploit, the technology stocks continued to fall with Amazon falling 6.2% on October 10 [10]. Then additional testing found more evidence of manufacturing tampering [11]. Major users of the Chinese made motherboards, Apple and Amazon, both denied the reported exploit [12]. It appears the continuing risk from Trojan horse electronics will continue as long as electronics are made in China.

1. Rosencrance, Linda, CNN, *Egghead.com says customer data not compromised*, January 9, 2001.
2. NY Times/Bloomberg, *Egghead Files For Chapter 11*, August 16, 2001.
3. Regan, Keith, Commerce Times, *Amazon Buys Egghead in Bankruptcy*

(Continued on page 2)

World New

The South China Sea remains a potential area for accidental military conflict. Case in point, on September 30, a Chinese warship aggressively approached the USS Decatur, coming within 45 yards of a collision [1].

Meanwhile, China continues to enhance its military. For example, one report indicates China's military will soon be operating its new H-20 stealth bomber; a plane with an expected

range of 8,000 KM [2]. Additionally, China has deployed new H-6J anti-ship cruise missile bombers [3]. To counter China's military advances, other nations are modernizing. For example, Japan has launched a new diesel-electric submarine that uses lithium-ion batteries giving the sub extended underwater range [4]. Additionally, the US is selling Taiwan \$330 million in military goods [5]. Overall, Taiwan is increasing its

military spending [6].

1. Martinez, Luis, ABC News, *Chinese warship came within 45 yards of USS Decatur in South China Sea: US*, October 1, 2018.
2. Asia Times, *PLA's H-20 stealth bomber to take to the skies soon*, October 10, 2018.
3. Gady, Franz-Stefan, *The Diplomat, China's Navy Deploys New H-6J*

(Continued on page 2)

Inside this issue:

Terrorism	3
Economy	4

Special points of interest:

- China tampers with motherboard supply chain
- Unemployment rate lowest since December 1969

World New

(Continued from page 1)

Anti-Ship Cruise Missile-Carrying Bombers, October 12, 2018.

4. Woody, Christopher, *Business Insider, Caught between Trump and China, Japan is making a small upgrade to give its submarines an edge*, October 10, 2018.
5. Reuters, *U.S. approval of \$330 million military sale to Taiwan draws China's ire*, September 24, 2018.
6. Chung, Lawrence, *South China Morning Post, Taiwan responds to Beijing*

threats with pledge to increase military spending to 'ensure national security,' October 11, 2018.

*Do not trust the horse,
Trojans! Whatever it is, I
fear the Greeks, even
though they bring gifts—
Virgil*

(Continued from page 1)

- Deal*, December 5, 2001.
4. Egan, Matt, *CNN, Lehman Brothers: When the financial crisis spun out of control*, September 14, 2018.
 5. Corbett, Erin, *Fortune, Google+ Will Shut Down After Security Hole Exposed User Data to Outside Developers, Report Says*, October 8, 2018.
 6. Robertson, Jordan, and Riley, Michael, *Bloomberg, The Big Hack: How China Used a Tiny Chip to*

Security

Infiltrate U.S. Companies, October 4, 2018.

7. AFP News, *China used tiny chips on US computers to steal secrets: report*, October 4, 2018.
8. The Times of India, *Chinese spies may have put chips in US planes*, April 17, 2009.
9. Root, Al, *Barron's, Apple Suppliers Took an \$18 Billion Stock Hit After the China Hacking Report*, October 5, 2018.
10. Imbert, Fred, *CNBC, Dow plunges more than 800 points in worst drop since February, Amazon and tech shares lead the rout*, October 10, 2018.
11. Robertson, Jordan, and Riley, Michael, *Bloomberg, New Evidence of Hacked Supermicro Hardware Found in U.S. Telecom*, October 9, 2018.
12. Molina, Brett, *USA Today, Apple, Amazon deny Chinese spy chips found in server hardware*, October 4, 2018.

Terrorism

Domestic terrorism continues to be a law enforcement challenge. Case in point, a New York man was arrested for planning a suicide bombing in DC on election day [1].

If the Islamic State is ever eradicated, their damage could continue. For instance, one report indicates they are setting booby traps in mass graves [2].

Meanwhile, the war in Afghanistan continues. One report indicates the Taliban killed 8 people in the country's north [3]. Then, at least 14 people were killed by a terrorist bombing [4]. Additionally, a suicide bomber killed a parliamentary candi-

date [5].

1. Downs, Ray, UPI, *Feds: N.Y. man planned to bomb National Mall on Election Day*, October 11, 2018.
2. Fox News, *ISIS booby-trap mass graves of slaughtered innocents to blow up grieving relatives*, October 9, 2018.
3. ABC News/AP, *Afghan official: Taliban attacks kill 8 in country's north*, October 12, 2018.
4. Faiez, Rahim, Chicago Tribune/AP, *14 killed in bombing at election rally in Afghanistan*, October 13, 2018.
5. VOA, *Suicide Bomber Kills Parliamentary Candidate in*

Afghanistan, October 9, 2018.

*He who tampers with the
currency robs labor of its
bread—Daniel Webster*

Economy

For the week ending September 22, the number of first time unemployment claims was 214,000 [1]. Then, for the week ending September 29, the number of first time unemployment claims fell to 207,000 [2]. Finally, for the week ending October 6, the number of claims was 214,000 [3].

More good news regarding the economy. The unemployment rate fell to 3.7% a rate not seen since December 1969 [4]. On October 2, the Dow closed at a new record high for the fourteenth time this year [5]. Then again on October 3, the Dow set another record high [6].

On the negative side, the September trade deficit with China rose to \$34.1 billion [7]. Finally, after setting record highs, the Dow fell sharply [8].

1. Reuters/CNBC, *US weekly jobless claims rise more than expected*, September 27, 2018.
2. Reuters/CNBC, *US weekly jobless claims drop to a near 49-year low*, October 4, 2018.
3. Department of Labor, *Unemployment Insurance Weekly Claims*, October 11, 2018.
4. Cox, Jeff, CNBC, *Job growth slumps in September, but the unemployment rate hits the lowest level since 1969*, October 5, 2018.
5. Chang, Sue, and Vlastelica, Ryan, Market Watch, *Dow closes at record for the 14th time in 2018 even as trade fears simmer*, October 2, 2018.
6. Imbert, Fred, CNBC, *The stock market is trading at a record, but a look under the hood shows some troubling signs*, October 3, 2018.
7. AP/CBS News, *China trade surplus with U.S. reaches record \$34.1 billion*, October 12, 2018.
8. Dugan, Kevin, New York Post, *Dow jumps 287 points after steep two-day selloff*, October 13, 2018.

*Trojan horses are the real
growth area—Graham
Cluley*
