

IN THE NEWS

VOLUME 11 ISSUE 15

NOVEMBER 4, 2018

World News

Once again the trade deficit with China grew. For September, the imbalance grew to \$54 billion [1]. We also see yet another instance of China stealing sensitive computer chip design information; this time from Micron [2]. So to provide a historical perspective, we take a look back on how China uses wealth to gain sensitive information. Back in the 1990's, the CEO of Loral Space and Communications Corporation, Bernard Schultz, was a big a big political donor [3]. At the time, President Clinton overruled the Justice Department by approving a waiver for Loral to launch its satellites on Chinese launchers [4]. Then, in 1996, another Chinese launch failure resulted in the loss of Loral satellites [5]. A panel investigated the allegations that sensitive information was provided to the Chinese to fix their rocket flaws and thereby mitigate rocket failures in the future [6]. Eventually, it was concluded that technology was transferred and the company agreed to pay a \$20 million fine [7]. As a final note, in 2003, Loral filed for bankruptcy [8]. So the winner in this example was clearly China.

Fast forward where we see China continuing to expand. According the Secretary of Defense, China continues militarization of its artificial islands created in the South China Sea [9]. What's more, since 2016, China has challenged the US navy at least 18 times [10]. These risky encounters raise the real possibility of military casualties. The Chinese military buildup is forcing other regional nations to beef up their military presence. For instance, Australia and Papua New Guinea will upgrade the Lombrum Naval Base on Manus Island [11].

Years ago, reports surfaced that Russia cheated on the Intermediate-Range Nuclear Forces (INF) Treaty [12]. Now it appears the US will withdraw from the INF Treaty because of Russian cheating [13]. As a final note, the INF Treaty does not include China. Given the Chinese military expansion, including China in a future treaty would appear logical.

1. Wiseman, Paul, AP/Washington Post, *US trade gap grew to \$54 billion in September*, November 2, 2018.

(Continued on page 2)

Security

In the last Newsletter, we highlighted the supply side risk for electronics made in China. Now there is one report indicating a Senate panel will explore such risks [1].

In the case of Super Micro, the company claims it would be practically impossible to pull off such a hack [2]. Furthermore, Super Micro informed US lawmakers they checked their motherboards and found no malicious chips [3]. So

because they have not found any device, does this mean there are none? Consider the flaws the normally go undetected in commercial chips not designed for vulnerabilities. Case in point, the latest Intel CPUs are reportedly vulnerable to a side channel attack that leaks encrypted data from the CPU [4]. So if a vulnerability goes undetected during normal design; what is the likelihood of detecting purposely altered cir-

cuits? As a final thought, during the 2008 financial crisis, the SEC indicated they were cracking down on false rumors [5]. If there was no basis for the Bloomberg articles, would we not expect to see the SEC enforcing its authority to stop false reporting?

1. Johnson, Natalie, Washington Free Beacon, *Senate Panel to Probe Cyber Vulnerability*

(Continued on page 2)

Inside this issue:

Terrorism	3
Economy	4

Special points of interest:

- US the World's biggest produce of crude oil
- October Unemployment rate holds at 3.7%

Security

(Continued from page 1)

- ties to U.S. Supply Chain Amid Reports of Chinese Hacks, October 18, 2018.
2. Barrabi, Thomas, Fox Business, *Super Micro: 'Practically impossible' for Chinese agents to hack motherboards*, October 22, 2018.
 3. Klein, Jodi Xu, South China Morning Post, *Super Micro tells US law- makers it found no Chinese spy chips, denying Bloomberg report*, November 1, 2018.
 4. Cimpanu, Catalin, ZDNet, *Intel CPUs impacted by new PortSmash side-channel vulnerability*, November 2, 2018.
 5. Younglai, Rachelle, Reuters, *SEC says expanding rumor crackdown*, July 13, 2008.

World News

(Continued from page 1)

2. CBS (San Francisco), *Three Indicted For Stealing Silicon Valley Trade Secrets*, November 1, 2018.
3. Marcus, Ruth, and Mintz, John, Washington Post, *Big Donor Calls Favorable Treatment a 'Coincidence'*, May 25, 1998.
4. Suro, Roberto, and Harris, John F., Washington Post, *President Overrode China Launch Concerns*, May 23, 1998.
5. Mintz, John, Washington Post, *Missile Failures Led To Loral-China Link*, June 12, 1998.
6. Mintz, John, Washington Post, *Panel Faults Space Aid to China*, December 31, 1998.
7. Marquis, Christopher, New York Times, *Satellite Maker Fined \$20 Million in China Trade Secrets Case*, January 10, 2002.
8. Feder, Barnaby J., New York Times, *Loral Files for Bankruptcy; Boeing to Take \$1.1 Billion Charge*, July 15, 2003.
9. Gertz, Bill, Washington Free Beacon, *Mattis: China's Island Militarization Continues*, October 17, 2018.
10. Browne, Ryan, CNN, *US Navy has had 18 unsafe or unprofessional encounters with China since 2016*, November 3, 2018.
11. Taylor, Rob, Wall Street Journal, *American World War II Base Will Be Rebuilt as China Courts Pacific Allies*, November 1, 2018.
12. Payne, Keith B., and Schneider, Mark B., Wall Street Journal, *Russia Always Cheats on Arms Treaties*, August 18, 2014.
13. Tatum, Sophie, et. al., CNN, *Trump says US is ending decades-old nuclear arms treaty with Russia*, October 21, 2018.

A good decision is based on knowledge and not on number—Plato

Terrorism

Domestic terrorism by lone individuals has once again been a focus of the news. For instance, a Utah man sent poisonous Ricin to a number of Trump Administration officials [1]. Then in Florida, a man mailed pipe bombs to a number of people who actively oppose President Trump [2]. Separately, Senator Collins' husband received a letter claiming to contain Ricin (in response to the Senator's vote on Justice Kavanaugh) [3]. In these incidents, no one was injured. However, in Pittsburg, a gunman killed at least 11 people at a synagogue [4].

Overseas, terrorism is a problem that will not go away. Case in point, although the US pours \$billions into Afghanistan; nearly half of the country is under terrorist control [5]. For instance, elections were delayed one week follow-

ing a terrorist attack that killed the anti-Taliban commander, Gen. Abdul Raziq [6]. Separately, a US serviceman was killed during an inside attack [7].

One of the continuing drivers of terrorism is religious beliefs. For instance, in Egypt gunmen killed at least 11 Coptic Christians [8]

1. Johnson, Kevin, USA Today, *Utah man indicted in ricin threat campaign against Trump, other top administration officials*, October 18, 2018.
2. Zapotosky, Matt, et. al., Washington Post, *Who is Cesar Sayoc? What we know about the suspected mail bomber arrested in Florida*, October 26, 2018.
3. AP/WTOP, *Collins' husband: Ricin threat mentioned Kavanaugh vote*, October 17, 2018.
4. Rosenblatt, Kalhan, et. al., NBC News, *11 dead in shooting at Pittsburgh synagogue, suspect in custody*, October 27, 2018.
5. Kredo, Adam, Washington Free Beacon, *Nearly Half of Afghanistan Under Terrorist Control as U.S. Pours Billions Into Country*, November 1, 2018.
6. Shah, Taimoor, and Mashal, Mujib, New York Times, *Afghanistan Delays Election in Province as Key Security Leader Is Buried*, October 19, 2018.
7. CBS News, *U.S. service member killed in "apparent insider attack" in Afghanistan*, November 3, 2018.
8. Steinbuch, Yaron, New York Post, *Terrorists slaughter Coptic Christians in Egypt*, November 2, 2018.

*Silence is better than
unmeaning words—
Pythagoras*

Economy

Since the Bloomberg report that China installed rogue chips in motherboards, the stock market has struggled. While there are certainly other factors involved, supply side risks would feed into AI driven stock trading. By one estimate, the market lost nearly \$2 trillion [1].

On the plus side, the number of first time unemployment claims remains low. For the week ending October 13, the number of first time unemployment claims was 210,000 [2]. For the week ending October 20, the number of first time unemployment claims was 215,000 [3]. Finally, for the week ending October 27, the number of claims was 214,000 [4].

Overall, for October, 250,000

jobs were added with the unemployment rate holding at 3.7% [5]. Moreover, for August, the US was the world's biggest producer of crude oil [6]. Finally, for the third quarter, the Gross Domestic Product grew at a rate of 3.5% [7].

1. Sheetz, Michael, CNBC, *The stock market lost nearly \$2 trillion in October. Here's what happened*, October 31, 2018.
2. Bartash, Jeffrey, Market Watch, *Jobless claims drop 5,000 to 210,000 in mid-October, stick near 50-year low*, October 18, 2018.
3. Reuters/CNBC, *US jobless claims rise; continuing claims are the lowest in over 45 years*, October 25, 2018.
4. Nasdaq, *U.S. Weekly Jobless Claims Edge Slightly Lower To 214,000*, November 1, 2018.
5. Cohen, Patricia, New York Times, *U.S. Added 250,000 Jobs in October; Unemployment at 3.7%*, November 2, 2018.
6. Washington Post/AP, *Energy Department says US is now world's top oil producer*, November 1, 2018.
7. Oyedele, Akin, Business Insider, *US economy grows at fastest back-to-back pace in 4 years, boosted by solid consumer spending*, October 26, 2018.

*When it is obvious that the
goals cannot be reached,
don't adjust the goals,
adjust the action steps—
Confucius*
