

IN THE NEWS

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The Economy

One of the requirements imposed on GM and Chrysler as part of the Troubled Asset Relief Program (TARP) was to close a number of dealers. Now a report by the special inspector general for TARP suggests tens of thousands of jobs were unnecessarily lost as a consequence [1].

The U.S. is not the only country to undergo economic uncertainty. For example, Ireland saw its credit rating decreased by Moody's by one level [2]. On the other hand, according to the IMF, china's currency is substantially undervalued [3]. Effectively, the U.S. and other countries are subsidizing China's growth at the expense of domestic employment.

For the week ending July 17 first time unemployment claims unexpectedly increased by 37,000 to 464,000 [4]. However, for the following week ending July 24, the first time unemployment claims fell to 457,000 [5]. What's more, a record 269,962 homes were seized during the second quarter of 2010 contributing to the lowest home ownership percentage (66.9%) since 1999 [6]. Meanwhile, a new Commerce Department report suggests during the second quarter (April-to-June), the economy grew at a modest rate of 2.4% [7]. Of course, we probably won't know the full impact until later as estimates continue to be revised lower. For example, the Commerce Department report also revised the growth contraction last year from 2.4% to 2.6% and revised the 2008 numbers from 0.4% growth to 0% [8]. Given this tendency to over-inflate the good news; it's hard to believe the reported anemic growth rate is accurate. Interestingly, by one estimate that the imbalance of imports to exports eliminated 2.78% of the growth [9]. This trade imbalance helped China's economy to expand 11.9% during the first 6 months compared to the year before [10].

Regulators continued closing banks at an increased rate. For example, on July 23, the following seven were shuttered: 97) Sterling Bank in Florida; 98) Crescent Bank and Trust Company in Georgia; 99) Williamsburg First National Bank in Georgia; 100) Thunder Bank in Kansas; 101) Community Security Bank in Minnesota; 102) SouthwestUSA Bank in Nevada; and 103) Home Valley Bank in Oregon [11]. Then on July 30, the following five were shuttered: 104) Northwest Bank & Trust in Georgia; 105) Bayside Savings Bank in Florida; 106) Coastal Community Bank in Florida; 107) The Cowlitz Bank in Washington; and 108) LibertyBank in Oregon [12].

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2. Mnyada, Lukano, et. al., Bloomberg, *Treasury Two-Year Yield Near*

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Security

A new Windows zero-day vulnerability is targeting supervisory control and data acquisition (SCADA) systems [1]. In particular, the Stuxnet Trojan is targeting one vendor's SCADA product that hard codes the admin ID and password [2]. One re-

port suggests that a malicious software (malware) infection is propagating via USB devices, requiring no user intervention [3]. The USB exploit was shown to lift one vendor's SCADA ID and password [4]. The new malware appears to target Siemens SCADA

implementation and was only detected on 14 July [5]. So far 60% of the infections were detected in Iran [6]. Recall that SCADA controls critical infrastructure systems, such as gas and oil. We can only wonder if the gas explosion at

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Special points of interest:

- China passes the U.S. as the largest energy user
- 108th Bank Closed
- The filed BP blow-out preventer was serviced in China

Security

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Iran's largest oil terminal may have been caused by a SCADA attack [7]. Reports indicate that high pressure on the central boiler caused the explosion and fire that killed four workers [8]. Interestingly, this comes at a time when Russia (with an established cyber-warfare capability) and Iran are verbally sparring in a sign of souring relations [9].

It might be considered amongst the worst fears in the security discipline, malicious software in the hardware. This fear is not farfetched. Case in point, the motherboards on certain Dell PowerEdge R410 services may include malware [10]. Suggestions indicate the flash memory was infected with W32 spybot worm [11].

In other news, Citi mailed out letters to 118,000 customers that it fixed a privacy flaw in

its iPhone banking app (the app kept bank information locally in a hidden file) [12].

1. Keizer, Gregg, Computerworld, *Experts predict extensive attacks of Windows zero-day*, July 13, 2010.
2. Leyden, John, The Register (UK), *Yellow alert over Windows shortcut flaw*, July 20, 2010.
3. Kaplan, Dan, SC Magazine, *Microsoft looks into malware spreading via USB*, July 16, 2010.
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5. McMillan, Robert, PC World, *New Virus Targets Industrial Secrets*, July 17, 2010.
6. McMillan, Robert, IDG, *Iran was prime target of*

SCADA worm, July 23, 2010.

7. Mostafavi, Ramin, Reuters, *Iran chemical plant blast kills four-report*, July 25, 2010.
8. AP, *Petrochemical Factory Blast Kills 4 In Iran*, July 25, 2010.
9. Solovyov, Dmitry, Reuters, *Russia attacks Iran's verbal assault on Medvedev*, July 26, 2010.
10. Kirk, Jeremy, PC World, *Dell Warns of Malware on Server Motherboards*, July 21, 2010.
11. Hardy, Michael, GCN, *Dell ships infected motherboards*, July 22, 2010.
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*Power without a nation's
confidence is nothing—
Catherine the Great*

The Economy

(Continued from page 1)

Record Low as Moody's Cuts Ireland, July 19, 2010.

3. Talley, Ian, Dow Jones Newswires, *China's Environment Accidents Double on Growth Toll*, July 28, 2010
4. Chandra, Shobhana, Bloomberg, *Jobless Claims in U.S. Increase More Than Economists Forecast to 464,000*, July 22, 2010.
5. Rugaber, Christopher, AP, *Initial jobless claims drop to 457,000*, July 29, 2010
6. M. Howley, Kathleen, Bloomberg, *Home Vacancies Rise as U.S. Ownership Falls to Lowest in Decade*, July 27, 2010.
7. Lee, Don, Los Angeles Times, *Economy slows sharply in second quarter*, July 30, 2010.
8. Aversa, Jeannine, AP, *Recession was deeper than gov't previously thought*, July 30, 2010.
9. Mutikani, Lucia, Reuters, *Imports slow second-quarter growth*, July 30, 2010.
10. Reuters, *China Becomes Second Biggest World Econ-*

omy, July 30, 2010.

11. Campbell, Dakin, Bloomberg, *Seven More U.S. Banks Shut by Regulators, Pushing Year's Failures Past 100*, July 24, 2010.
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Energy News

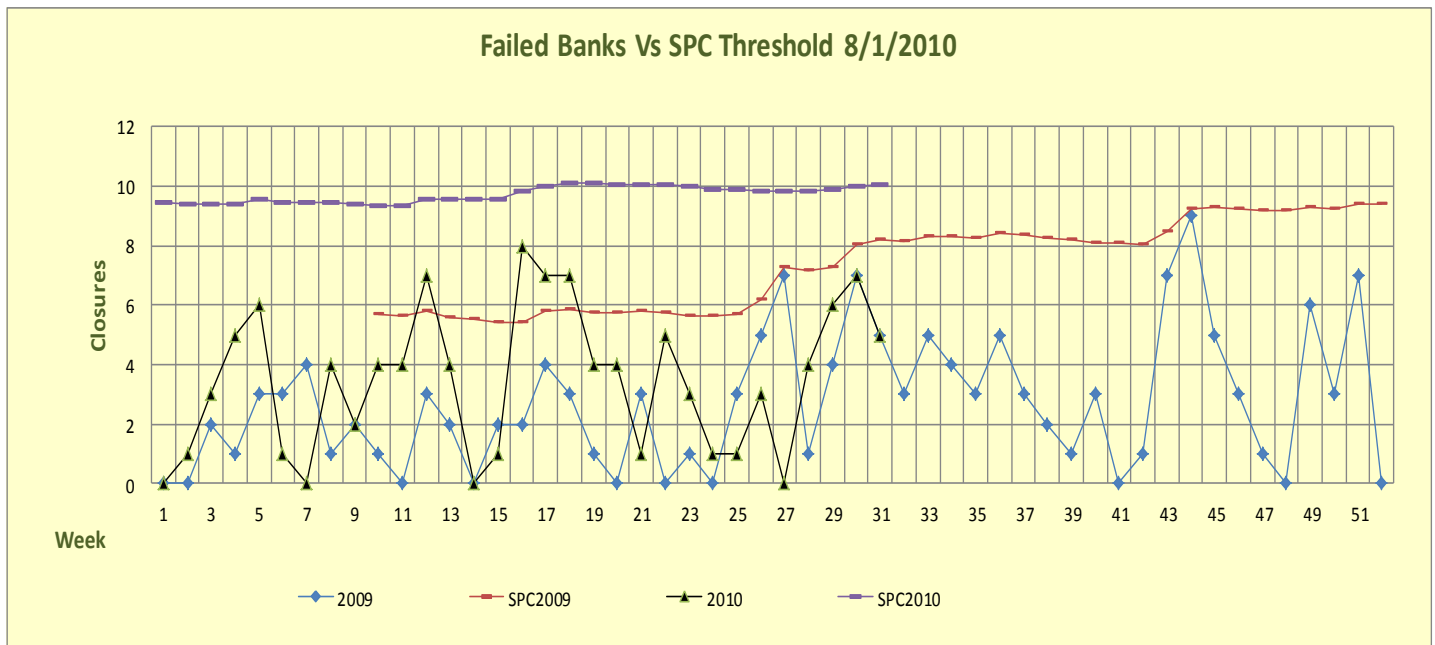
It appears that the BP blow-out preventer that failed contributing to the worst U.S. oil disaster, was overhauled in China [1]. Elsewhere, after being named the largest energy consumer on Earth, China was quick to dismiss it's the largest energy consumer [2]. What's more, since 2007, China has been the world's largest emitter of carbon dioxide [3]. Meanwhile, China is cleaning up an oil spill in the Yellow sea following explosions in two pipelines [4]. After the Chinese pipeline explosions, it's estimated that 1,500 tons of oil spilled [5]. Another estimate of the Chinese Yellow Sea oil spill is 11,000 barrels [6]. By 21 July, the Chinese oil spill covered 165 square miles and the cause of the explosions was still unclear [7].

In a sign of good news, it ap-

pears mother nature is rapidly cleaning up the Gulf of Mexico oil spill such that crews are having difficulty finding the oil [8]. However, the Gulf was handed another blow when a different oil wellhead was struck by a dredge barge and oil was seen shooting 20 feet into the air [9].

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4. BBC News, *China launches oil spill clean-up after pipeline blasts*, July 19, 2010.
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7. Anna, Cara, AP, *Official: 'Severe threat' as China oil spill grows*, July 21, 2010.
8. Blackburn, Bradley, ABC News, *BP Oil Spill: Clean-Up Crews Can't Find Crude in the Gulf*, July 26, 2010.
9. Robertson, Campbell, New York Times, *Another Oil Leak Is Spotted in the Gulf*, July 27, 2010

He has sat on the fence so long that the iron has entered his soul—David Lloyd George



World News

As drug gangs become more problematic along the Mexican side of the border, lessons from the past may be required. For example, in 1916, President Wilson ordered troops into Mexico to chase after the criminal gang led by Pancho Villa [1]. Today, drug related gangs are operating on both sides of the border [2].

Continuing its dominance; China overtook the U.S. as the largest energy user in the world [3]. Concurrently, the communist giant also plans to invest nearly \$120 billion to upgrade its rail lines [4]. Clearly, China is the main challenge to the U.S. in the world. Yet, when a nuclear weapon limiting treaty was announced with Russia, China was not included in the discussions [5]. What's more, as the US tries to impose energy sanctions on Iran, China is investing \$40 billion in Iran's gas and oil sector [6]. Perhaps this investment is why China opposes sanctions against Iran [7].

For years, China has remained

the largest polluter on the planet; now it's considering capping coal production by 2015 [8]. With China's staggering growth comes increasing numbers of industrial accidents. Case in point, for the first six months, China's environmental accidents have increased by 98% [9]. In the meantime, expect more pollution to saturate the environment.

North Korea threatened a nuclear war if the U.S. and South Korea held a planned joint military exercise [10]. Calling the North Korean's bluff, the exercise started without incident [11].

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3. Hoyos, Carola, Financial Times, *China now world's biggest energy user*, July 19, 2010.

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6. AFP, *China invests \$40 bln in Iran oil, gas: minister*, July 31, 2010.
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8. Hu, Winnie, et. al., Bloomberg, *Chinese Consider Setting Coal Production Ceiling by 2015 to Cut Emissions*, July 28, 2010.
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The depression has ended.

– Dr. Julius Klein,

Assistant Secretary of

Commerce (June 9, 1931)

Financial Fraud

The actual cost of cybercrime to business may never be known. However, there are estimates that tell a chilling story. For example, during a 4 week study, 45 organizations experienced 50 successful cyber-attacks ranging in damages from \$1 million to \$52 million [1]. The medium-size companies ranged from 500 employees to 105,000 [2]. These are staggering losses highlighting the

damages incurred by U.S. companies.

Meanwhile, in New York, four executives were arrested for defrauding a bank of \$21 million in loans [3].

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