

## IN THE NEWS

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### World News

China continues to build up its offensive capability in the South China Sea. For instance, one recent photograph depicts three type 094 ballistic missile submarines, each with 12 multiple warhead missiles [1]. The naval buildup is forcing China's neighbors into coordinated responses. For example, the governments of Vietnam and the Philippines agreed to cooperate in opposing China's expansion into the South China Sea [2]. Meanwhile, one of China's warplanes came within 30 meters of a Japanese military aircraft [3]. Expectedly, Japan's Prime Minister is siding with other nations critical of China's military aggressiveness [4]. Then a Vietnamese fishing boat was rammed and sank (by a Chinese fishing boat near the site of the Chinese oil rig) [5].

The Chinese activities are resulting in an Asian arms race. Case in point Indonesia plans to increase defense spending to 1.5% of its economy [6]. Showing growing animosity, representatives from the US and China argued at an Asian security forum [7]. However, many Asian countries are worried the US is not really committed to challenging China [8]. Perhaps this uncertainty is why Japan continues to separate Plutonium stockpiles that could be used to build thousands of nuclear weapons [9].

What's more, many companies that relocated to China are now moving to Mexico because of problems with doing business in China [10].

In Afghanistan, while the US's stated policy has been not to negotiate with terrorists, it appears the US has been negotiating with the Taliban terrorist organization [11]. Case in point, a prisoner swap was arranged freeing 5 Taliban leaders in exchange for a captured US soldier [12]. This release comes after announced plans to remove the bulk of US forces from Afghanistan [13]. What's more, reports indicate the al-Qaeda terrorist organization remains a high risk in Afghanistan [14]. A question here is will Afghanistan continue to be a training ground for terrorists? Finally, the threats of al-Qaeda attacks on the US and Western nations are on the increase [15].

1. Gertz, Bill, Washington Free Beacon, *Three Chinese Nuclear Missile Submarines Photographed in South China Sea*, May 28, 2014.
2. Gomez, Jim, AP, *Vietnam and Philippines agree to oppose China*, May 21, 2014.
3. AFP, *China fighters in 'dangerous' brush with Japanese planes*, May 25, 2014.
4. Wong, Chun Han, Wall Street Journal, *Japan's Abe Chides China*

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### Security

The FBI announced over 90 arrests in a global effort to combat the Blackshades malware used to remotely compromise personal computers [1]. The arrests indicate the scope of cybercrime activities designed to electronically steal.

Hackers are also targeting

public utilities that make up the critical infrastructure. Case in point, a password authenticated public utility's control system was hacked into [2]. As long as we continue to use passwords to authenticate, hackers will have an easy time gaining access. Then, hackers penetrated eBay's computer network; potentially

exposing the private information of its 145 million customers [3].

Unpatched commercial software remains a serious risk. Case in point, one article indicates a zero-day Internet Explorer vulnerability has gone 6-months without a corrective patch

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#### Special points of interest:

- 9<sup>th</sup> bank shuttered
- Economy contracted 1% during the first quarter
- China warplane comes within 30 meters of Japanese plane
- Chinese ship rams and sinks Vietnamese ship

## Security

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[4].

Perhaps the biggest hacking threat comes from state sponsored activities. For instance, in addition to direct activities, China hires a number of free lance hackers that provide deniability to ongoing attacks [5].

1. Spenser, Leon, ZDNet, *More than 100 charged in Blackshades crackdown*, May 20, 2014.

2. Finkle, Jim, Reuters, *U.S. utility's control system was hacked, says Homeland Security*, May 20, 2014.
3. Perlroth, Nicole, New York Times, *EBay Reports Attack on Its Computer Network*, May 21, 2014.
4. Greenberg, Adam, SC Magazine, *IE8 zero-day vulnerability unpatched for months, possibly millions at risk*, May 23, 2014.
5. Yadron, Danny, et. al., Wall Street Journal, *China Hacking Is Deep and*

*Diverse, Experts Say*, May 29, 2014.

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*I went from being a kid who loved to perform magic tricks to becoming the world's most notorious hacker, feared by corporations and the government.—Kevin Mitnick*

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(Continued from page 1)

- Over Its Maritime Assertiveness and Disputes, May 30, 2014.
5. Linh, Nfuyen Phuong, et. al., Reuters, Vietnam, China trade accusations after Vietnamese fishing boat sinks, May 27, 2014.
6. Moestafa, Berni, and Chen, Sharon, The Sydney Morning Herald, *Indonesia flags military build-up to protect presence in South China Sea*, May 30, 2014.
7. Brunnstrom, David, and Chyen Yee, Lee, Reuters, *U.S. and China square off at Asia security forum*, May

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- 31, 2014.
8. The Guardian/AP, *China is destabilising south-east Asia, US defence secretary says*, May 31, 2014.
9. Zhang, Hui, The Asia Times, *China frets over Japanese nuclear program*, May 30, 2014.
10. Cave, Damien, Wall Street Journal, *As Ties With China Unravel, U.S. Companies Head to Mexico*, May 31, 2014.
11. Ilis, Ralph, et. al., CNN, *U.S. soldier freed from Afghanistan flies to freedom*, June 1, 2014
12. AP/USA Today, *Sec. Hagel travels to Afghanistan to discuss forces*, June 1, 2014
13. Rosen, Armin, Business Insider, *Legendary Marine General Slams Obama's Timetable For Afghanistan*, May 29, 2014.
14. Crilly, Rob, The Telegraph (UK), *Al-Qaeda 'not defeated' in Afghanistan*, May 21, 2014.
15. Starr, Barbara, CNN, *Stream of al Qaeda threats worries US*, May 20, 2014.

## Terrorism

Terrorism in Africa continues to escalate. For instance, in Nigeria, two car bombs detonated at a crowded market and busy bus terminal; killing at least 118 people [1]. What's more, Libya has degraded into a lawless state [2]. It is so bad, the State Department urged US citizens to leave Libya [3].

Terrorism continues to plague China. For instance, explosives thrown from vehicles killed 31 in the Xinjiang region [4].

Americans are still under attack in Afghanistan, with two wounded in an attack in the Western part of that country [5]. Nevertheless, the terrorist organizations in Afghanistan are poised to achieve a significant victory. Case in point, the US plans to cut the number of troops in Afghanistan to 9,800 this year and to 4,000 by the end of 2015 [6]. What's more, as part of a 5 for 1 prisoner exchange, the US is releasing 5 high risk Taliban leaders [7]. We expect terrorism will quickly fill the void left by departing Americans.

For instance, Al-Qaeda now controls Fallujah, Iraq, a city US forces paid a high price to liberate [8].

Fallujah is not the only city in Iraq challenged by al-Qaeda terrorists. For example, a suicide bomber in Iraq attacked a Shia mosque killing at least 17 people [9].

Terrorists from the US are in the news. For instance, an American of Middle-East descent from South Florida was a participant in a suicide bombing in Syria [10].

1. The Telegraph (UK)/Reuters, *Nigeria bomb blast captured on camera*, May 21, 2014.
2. Lister, Tim, CNN, *Libya: Why it's all gone so badly wrong*, May 21, 2014.
3. Baldor, Lolita C., AP, *US citizens urged to leave Libya*, May 28, 2014.
4. Martina, Michael, Reuters, *Biggest attack in years kills 31 in China's troubled Xinjiang*, May 22, 2014.
5. Ahmad, Jalil, et. al., Reuters, *Two Americans injured in attack in western*

*Afghanistan*, May 28, 2014.

6. Parsons, Christi, and Cloud, David S., Los Angeles Times, *Obama seeks to cut troop level in Afghanistan to 5,000 by end of 2015*, May 27, 2014.
7. Dunham, Will, Reuters, *Factbox: Taliban Detainees Turned Over by U.S. in Bergdahl Deal*, June 1, 2014
8. USA Today, *Obama's risky Afghanistan drawdown: Our view*, May 27, 2014.
9. BBC News, *Iraq violence: Bombing hits Baghdad Shia mosque*, May 27, 2014.
10. Goldman, Adam, et. al., Washington Post, *American who killed himself in Syria suicide attack was from South Florida*, May 31, 2014.

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*Carry the battle to them.*

*Don't let them bring it to*

*you. Put them on the*

*defensive and don't ever*

*apologize for anything.—*

*Harry S. Truman*

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## Economy

In the last newsletter, we provided a reference that China was limiting imports of dairy products due to the excessive demand [1]. In contrast, tainted products from China receive no such restriction. For instance, the FDA linked animal treats made in China with thousands of sick dogs and three people [2]. Even after identifying the Chinese products as tainted, it's industry, not Government, that is taking action to limit imports. Case in point, after the FDA linked dog deaths to doggie treats made in China, Petco will stop selling the products [3]. Additionally, the World Trade Organization ruled in favor of the US claiming Chinese duties imposed on imported US automobiles was unfair trade [4].

For the week ending May 17, the number of first time unemployment claims reported by the Labor Department was 326,000 [5]. Then for the following week, the number fell to 300,000 [6]. However,

there was some very bad news on the economic front. The economy contracted 1% during the first quarter [7].

Meanwhile, the Columbia Savings Bank in Ohio became the 8<sup>th</sup> financial institution shuttered this year [8]. Then on May 30, the Slavic Federal Savings Bank became the 9<sup>th</sup> bank closed [9].

1. Wong, Edward, New York Times, *China Further Restricts Foreign Dairy Brands*, May 5, 2014.
2. Firger, Jessica, CBS News, *Thousands of dogs, and 3 people, sickened by jerky pet treats, FDA says*, May 19, 2014.
3. Frizell, Sam, Time, *Petco To Stop Selling Chinese Pet Treats After Dog Deaths*, May 21, 2014.
4. Wingfield, Brian, Business Week, *U.S. Trade-Case Win Against China Contributes to Tensions*, May 23, 2014.
5. Hwang, Inyoung, and Bost, Callie, *U.S. Stocks*

*Rise on Manufacturing Data, Retail Earnings, Bloomberg*, May 22, 2014.

6. AP, *Applications for US unemployment benefits fell to 300,000 last week, near a 7-year low*, May 29, 2014.
7. Leubsdorf, Ben, Wall Street Journal, *Economy Shrank, U.S. Now Says*, May 29, 2014.
8. Heyne, Mark, WVXU (Cincinnati), *State regulators shut down Cincinnati bank*, May 23, 2014.
9. Sullivan, Joanna, Baltimore Business Journal, *Slavic Federal Savings Bank shut down by feds*, May 30, 2014.

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*He that fights and runs away, May turn and fight another day; But he that is in battle slain, Will never rise to fight again.—Tacitus*

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## China Pollution

In a first step to controlling its pollution, China national legislature passed sweeping environmental laws [1]. Now comes the difficult task of enforcement. Additionally, China is planning to eliminate up to 6 million vehicles that fail

environmental standards [2].

1. van Rooij, Benjamin, and Wangmay, Alex, New York Times, *China's Pollution Challenge*, May 19, 2014.
2. Stanway, David, and

Chen, Kathy, Reuters, *China to scrap millions of cars in anti-pollution push*, May 26, 2014.