

IN THE NEWS

JANUARY 3, 2010

Economic News

For the second time, the Commerce Department has adjusted gross domestic product rate for the third quarter from 2.8% down to 2.2% [1]. What's more, China has announced a commitment not to allow the Yuan (Chinese currency) to rise in value [2]. This will continue the one-sided trade with China as the U.S. dollar will buy more than the Yuan. The effect will be more jobs moving from the U.S. to China; exacerbating the recession here while stimulating growth there. One immediate impact is small businesses will continue to be hit hard by the current recession. Case in point, during the last fiscal year the rate of small business bankruptcies increased nationally by 44% [3]. Moreover, the number of first time unemployment claims for the week ending December 19 was 452,000 [4]. With fewer companies and workers earning money to pay taxes, the federal debt continues. For example, the Senate voted to raise the debt ceiling to \$12.4 trillion [5]. What's more, during 2009, a record of over 20 million people received unemployment checks



[6]. The world recession is impacting the U.S. more than Asian countries. For example, China's Purchasing Managers Index, rose for the tenth straight month, signifying expanding growth [7].

In a further sign of rough times ahead; even though the Fed provided only \$111 billion so far to Freddie Mae and Fannie Mac; the \$400 billion ceiling will be eliminated [8]. This means the U.S. will provide unlimited backing to the two mortgage giants [9]. Meanwhile, the salaries for the CEOs of Fannie Mae and Freddie Mac were \$6 million each [10]. As a consequence

(Continued on page 2)

Inside this issue:

Identification Risks	3
Transportation	3
World News	4
Terrorism	4

Special points of interest:

- 20 million received unemployment in 2009

IT security

North Korean hackers may have gained classified U.S. and South Korean information [1]. And it not just National Security that hackers are targeting. Case in point, the FBI is investigating a hacking attack against Citibank where tens of millions of dollars were stolen [2]. Meanwhile, the White House has selected Howard A. Schmidt, a former eBay and Microsoft executive to be the

new cyber security coordinator [3]. With this backdrop, it is no wonder that the federal government is having difficulty in filling the demand for skilled computer security workers [4].

In Europe, a German researcher published details of how to cost effectively crack the GSM encryption algorithm used to protect approximately 4 billion mobile phone users [5]. The exploit

was demonstrated at a hacker convention [6].

In the last newsletter, we described how hacker had compromised embarrassing emails from global warming scientists that suggested scientific dishonesty. Now there is a suggestion that China was behind the hacking of these emails [7]. What's more, China did not want to be tied to any treaty that restricted its growth [8].

(Continued on page 2)

Economic News

(Continued from page 1)

of the new blank check policy, Freddie and Fannie stocks soared on the following Monday [11]. Yet the pay czar, Kenneth Feinberg requested the CEO of Bank of America, Ken Lewis receive no pay nor benefits for 2009 [12]. Consequently, for last year, Bank of America CEO, Ken Lewis, received no pay [13]. Yet it was Bank of America that took over Countrywide Financial Corp averting trouble with sub-prime mortgage lending [14]. And it was Bank of America that stepped in to purchase Merrill Lynch during the peak of the financial maelstrom [15]. What might our financial industry have looked like had Merrill Lynch and Countrywide not have been purchased by Bank of America? Had Merrill Lynch gone bankrupt concurrent with Lehman Brothers we might well have witnessed a complete collapse of the financial system with ramifications few can comprehend.

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5. Kellman, Laurie, AP, *Congress raises debt ceiling to \$12.4 trillion*, December 24, 2009.
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8. Elphinstone, J.W., AP, *Treasury lifts cap on aid to Fannie Mae, Freddie Mac*, December 25, 2009.
9. Zibel, Alan, SP/ABC News, *Fannie, Freddie Proving Too Big to Shrink*, December 30, 2009.
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12. Rauch, Joe, Reuters, *Pay czar Kenneth Feinberg asks Bank of America Ken Lewis to forgo year's pay*, October 16, 2009.
13. Delevingne, Lawrence, Business Insider, *Pay Czar: No Salary Or Bonus For Ken Lewis In 2009*, October 15, 2009.
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*It is fatal to enter any war
without the will to win it—
Douglas MacArthur*

IT Security

(Continued from page 1)

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6. CBS News, *Hackers Break GSM Cell Phone Code*, December 30, 2009.
7. Lewis, Jason, and Parry, Simon, Mail Online, *Chinese hackers linked to 'Warmergate' climate change leaked emails controversy*, December 27, 2009.
8. Jacobs, Andrew, New York Times, *Chinese and British Officials Tangle in Testy Exchange Over Climate Agreement*, December 22, 2009.

Identification Risks

From time to time, we identify examples where reliance on a uniform alone proves to be disastrous. Case in point, a Taliban infiltrator, wearing an Afghanistan Army Uniform was allowed access; the terrorist then detonated a bomb killing seven people [1]. What's more, the terrorist

may have carried a bogus identification card [2]. Perhaps the time has arrived for wider use of strong identification credentials such as the Personal Identity Verification (PIV) card used by the U.S. Government.

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Taliban infiltrator in Afghan uniform kills 7 from CIA, December 31, 2009.

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Transportation

In the past, we have discussed vulnerabilities with the Supervisory Control and Data Acquisition (SCADA) protocol used in utilities, transportation (including trains) and other critical infrastructure elements. In this article, we focus on transportation examples that illustrate why protecting the security and integrity of computers is important.

In Los Angeles there was another commuter train collision resulting in six injuries [1]. In Trenton, New Jersey, two trains collided at low speed in a rail yard following a switching error [2]. Accidents are not the only problem impacting rail service. For example, in New York City, 100 trains were delayed due

to a power disruption that is still under investigation [3]. Computers are directly controlling transportation systems and sometimes become the single point of failure. For example, at Disney World, monorail riders were trapped for hours when a failed computer hard drive caused the power outage [4]. Three days later, another monorail suffered a computer glitch; the impacted train had to be towed to the next stop [5]. These incidents come after a fatal monorail crash at Disney World was blamed on a switch not activated during a backup maneuver [6].

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A world without nuclear weapons would be less stable and more dangerous for all of us—Margaret Thatcher

A meaningful nuclear weapons reduction treaty may not be feasible. For example, while the U.S. seeks a nuclear warhead reduction treaty, Russia is developing new nuclear missiles [1].

Many nations are blaming China for obstructing the Copenhagen Global warming conference [2]. The resulting deal included no carbon dioxide (CO₂) caps [3]. Indeed, the price of carbon credit trading fell following the summit [4]. Still, countries are still looking to reduce carbon footprints. Case in point, the Middle-East nation, U.A.E., has awarded a \$20 billion contract to Korea Power for construction of four nuclear power plants [5]. Meanwhile, China unveiled the fastest train link in the world, averaging a speed of 217 miles per hour [6].

During the campaign, Barack Obama outlined a December 31 deadline for Iran to comply with UN nuclear demands [7]. The implication was additional sanctions against Iran [8]. However, for effective

sanctions, the permanent members of the UN Security council must approve. The permanent members include Russia and China. Russia claims there is no proof Iran seeks nuclear military capabilities [9]. What's more, China is against any Iranian sanctions [10]. Given the failure of China to contain the North Korean nuclear weapons program, it is unclear how additional talks will produce a different result with Iran. Nevertheless, even Senator Kerry is considering traveling to Tehran for additional talks [11].

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Journal, *CO2 Pact Leaves Businesses Feeling Up in the Air*, December 21, 2009.

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6. AFP, *China unveils 'world's fastest train link'*, December 26, 2009.
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*As long as we can build
cheaper than other nations,
we shall be employed in
preference to other—Thomas
Jefferson*

Terrorism

We are constantly reminded of the terrorist risk to our society. Indications are that good news statements are no longer accepted without question. For example, one day after claiming the system worked in stopping a Nigerian terrorist from blowing up an International U.S. jet, DHS Secretary Napolitano changed her assessment to the aviation security system failed [1]. This follows criticism of Secretary Napolitano's assessment that the system worked [2].

In contrast to the physical screening approaches currently used for airport secu-

rity; El Al (Israel airline) uses passenger profiling [3]. Following a different approach, the U.S. relies on physical passenger checks. Even though the passenger may have a higher security credential than the screener, exceptions are uncommon. Case in point, World War II hero, retired General Joe Foss was detained at the Phoenix airport because the Medal of Honor awarded to him by President Roosevelt had sharp edges [4]. The question then is will the U.S. start profiling passengers as does El Al security?

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