

IN THE NEWS

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Security

The Census has returned the population count; between 305.7 and 312.7 million people [1]. With a difference of 7 million people, it's hard to imagine how we could stop terrorists from entering the country. What's more, by one estimate, 4.5 million illegals are driving regularly in the U.S. [2]. If illegals are driving on our roads, might they also be flying in our sky? Case in point, the FAA is unsure who owns up to one-third of the airplanes in the U.S. [3]. What's more, the few people protecting the boarder are coming under increased violence. For instance, a Border Patrol agent was shot and killed north of the U.S.-Mexico border after encountering several suspects [4]. Perhaps the lack of border protection is why the Government is planning how to respond to a terrorist atomic bomb attack on a large U.S. city [5]. Maybe following such an incident, border security would receive renewed attention. A question here is why is boarder security not aggressively addressed as part of national security?

Estimates are the DHS will required several years to secure networks from hackers [6]. Unfortunately, the computers, systems, applications, and networks will continue to have exploitable vulnerabilities. Years ago the technology was young and meaningful security changes could easily have been done; however, most opted not to invest in security engineering. Back then, the attacks common today were dismissed as impossible science fiction. Today, we once again have an opportunity; this time with powerful algorithm driven machines (algos) that likely won't be addressed.

One security control is to ensure backup power is readily available for critical computing environment. It appears Toshiba failed to ensure such a capability regarding their NAND memory plant. Case in point, a 0.07 second power disruption is expected to reduce NAND deliveries for January and February by up to 20% [7]. Perhaps an updated risk management plan

(Continued on page 2)

Inside this issue:

Energy	3
World News	4
Financial Fraud	4

Economic News

In another grim reminder of the economic downturn, the number of people on food stamps in September increased by 1.2% from the previous month for a total of 42.9 million. More bad news for homeowners; the total value of homes is expected to fall \$1.7 trillion [2]. Meanwhile, cars sales in China rose 26.9% in November from a year earlier to 1.697 million units [3]. To understand why the Chinese trade deficit grew so fast we need only look at the protections just now being addressed. Case in point, U.S. beef banned

from import in China since 2003 will get renewed access and wind energy projects will not have to be built as a precondition for bidding on Chinese work [4]. Why were such trade practices allowed in the first place and what other practices remain?

Once again, gold continued to set a new high [5]. In yet another sign of a weak economy, the Great Atlantic & Pacific Tea Co. (A&P) which started in business in the 1860's and had over 15,000 stores during the 1930's; filed for

bankruptcy [6].

Here we are in a new month and once again we have a staggering trade deficit with China. Case in point, China reported a November trade surplus of \$22.9 billion of which \$16.7 billion was with the U.S. [7]. Meanwhile, the number of first time unemployment claims for the week ending December 4 was 421,000 [8]. For the week ending December 11, the number of first time claims was 420,000 [9].

After a two week pause,

(Continued on page 2)

Special points of interest:

- 42.9 million people now getting food stamps
- Stuxnet virus may have delayed Iran's nuclear program by 2-years
- North Korea warns, war will go nuclear
- 157th Financial Institution Shuttered

Economic News

(Continued from page 1)

regulators resumed closing financial institutions. On December 10, the following two were shuttered: 150) Paramount Bank in Michigan and 151) Earthstar Bank in Pennsylvania [10]. Then on December 17, the following six were shuttered: 152) The Bank of Miami, National Association in Florida; 153) Chestatee State Bank in Georgia; 154) Appalachian Community Bank in Georgia; 155) United Americas Bank, National Association in Georgia; 156) First Southern Bank in Arkansas; and 157) Community National Bank in Minnesota [11].

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*The quicker we get about
the business of reducing
our reliance on oil the
better—Condoleezza Rice*

Security

(Continued from page 1)

is in order.

Microsoft planned to issue 17 security patches for December [8]. This record setting patch fixed 40 security vulnerabilities including two rated critical [9]. Meanwhile, customer password protected information was compromised at McDonald's and Wallgreen corporations [10].

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Energy

With an energy policy predicated on importing oil, prices are on the rise. For example, crude oil was near a 25-month high of \$89.76 [1]. What's more, gasoline at the pump hit a 26-month high [2]. Furthermore, there are concerns the price of oil will continue upward and curtail any chance of an economic recovery [3].

With Iran ramping up its nuclear capabilities, Saudi Arabia plans to have a nuclear power generating capability within 10 years [4]. While we may never know the damage the Stuxnet virus did to Iran's nuclear program; one source indicates a two-year setback [5]. The virus may have done more damage to the Iranian nuclear program than a military strike with conventional weapons [6].

Meanwhile, China won a \$6 billion contract to expand a Cuban oil refinery and earth movers are already clearing the land [7]. What will this do

for U.S. air quality? What's more, many believe deep sea oil drilling is a necessity even if it is not allowed off of the U.S. For instance, GE purchased Wellstream, a company active in Brazil's deep sea oil drilling [8].

One consequence of the U.S. energy policy limited to imported oil is Organization of the Petroleum Exporting Countries (OPEC) members are acquiring sophisticated weapons ideally suited to terrorists. For example, Venezuela acquired 1,800 shoulder fired missiles from Russia last year; capable of downing aircraft up to 19,000 feet [9]. Just one of these missiles could bring down a commercial jet.

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A cat likes to eat fresh fish
but it will not go into the
water—Mongolian Proverb



With the massive trade deficit the US has with China, there were expectations that China would become a responsible world leader. However, China has repeatedly demonstrated complacency regarding the aggressive actions of North Korea [1]. Meanwhile, the North issued a warning that if attacked, it will use nuclear weapons [2]. Furthermore, one report indicates North Korea is digging a tunnel for a possible new nuclear test [3]. Finally, North Korea repeated its warning; any war with South Korea would include nuclear weapons [4]. What's more, the North is threatening to attack the South if they conduct planned live fire training [5].

For years, China was Russia's biggest weapons buyer. However, China has taken this technology and is positioned to compete with Russia for weapons exporting [6]. Perhaps, the US can learn from the Russian mistakes. What's more, Japan is now realigning its military away from Russia and toward the Chinese threat [7]. Japan will reduce its tank force and redistribute its forces to counter the increasingly belligerent Chinese military threat [8].

As we attempt to ascertain

where China stands on the world economic front, telltale clues can help us draw our own conclusion. For instance, China is the largest consumer of copper and lead with production setting new monthly records in November [9]. Furthermore, our greater reliance on China is a risky policy. Case in point, a report released by the Energy Department asserts the U.S. is too dependent on China for rare earth elements critical to green products [10]. Furthermore, in yet another example of one-sided trade; now that China is the dominant exporter of rare earth element, the Chinese Government announced it would increase export taxes on this raw material and impose quotas [11]. The larger question is when will the U.S. get serious (if ever) with China?

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*If you hire only those
people you understand, the
company will never get
people better than you are.
Always remember that you
often find outstanding
people among those you
don't particularly like—
Soichiro Honda*

Financial Fraud

Federal authorities have concluded a 3½ month effort where over 500 people were arrested in \$10.4 billion investment fraud schemes [1]. In New York, four people were charged in an \$80 million time keeping system fraud scheme [2].

In Colorado, four people were indicted on \$1.7 million mortgage fraud scheme [3]. In Arizona, a couple was arrested for operating a \$3 million Ponzi

scheme [4]. In Nebraska, three former insurance agents were indicted for a Ponzi scheme costing 250 investors \$29 million [5].

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