

IN THE NEWS

VOLUME 4 ISSUE 26

DECEMBER 18, 2011

World News

By one estimate, China now has approximately 3,000 nuclear warheads [1]. The 3,000 number is larger than the 80-400 number often cited [2]. Yet the new nuclear weapons treaty between Russia and the U.S. (which China is not part of) reduces the number of U.S. warheads to a maximum of 1,550 [3]. Having nuclear weapons number inferiority to China could embolden China to take more aggressive military action. However, downplaying the Chinese nuclear threat is nothing new. Case in point, following China's first atomic bomb test in 1964, then President Johnson claimed it would take the communist country 4 to 10 years to build up to 30 nuclear devices and that the U.S. had tens of thousands of warheads [4]. Now it seems the tables are reversed. What is interesting is that students (researchers) from Georgetown University conducted a three year effort to estimate the number of weapons China has [5]. Separately, back in 1995 there was indications that China possessed the design of the U.S. W-88 nuclear device [6]. What's more, the U.S. has no treaty to verify what China is doing with its nuclear weapons programs; a dangerous precedent that places the U.S. military in a weak position [7].

Recognizing the volatility and risk associated with China's military expansion, Japan's concern is increasing. In response, Japan is planning to purchase 40 Lockheed F-35 stealth fighters [8]. Moreover, Japan launched its second intelligence gathering satellite this year [9]. As a side note, Japan and China have longstanding hard feelings for each other. To compound the problem, there is a new film hitting the theaters that takes place during what China refers to as the Rape of Nanjing; a horrific chapter from Japan's WWII war crimes against China [10]. This can only agitate Chinese nationalism further against Japan.

After many months of investigation, Japanese officials have concluded the cause of the Fukushima nuclear reactor meltdowns was a larger than anticipated tsunami [11]. This comes as Tokyo Electric announced another 45,000 liters of highly radioactive water leaked from the stricken plant [12]. What's more, most of the workers at the Fukushima nuclear disaster site are unskilled workers [13]. With the image of Japanese quality on the line, why would Tokyo Electric hire unskilled workers for the cleanup; especially when radioactive water leaks continue?

What Beijing's official pollution data described as "light" was severe

(Continued on page 2)

Security

The critical infrastructure that relies on Supervisory Control and Data Acquisition (SCADA) is at risk. For example, a new study conducted by MIT cautions the power grid is vulnerable to cyber-attacks [1]. What's more, oil industry executives are warning of the damage a cyber-attack could cause on the oil distribution system

[2]. One source indicates that in three U.S. cities, hackers gained access to SCADA systems controlling water and power systems [3].

During the Russian election, cyber-attacks were launched against two media outlets and an election watchdog [4]. As a result, thousands in Russia protested voter fraud [5].

A zero-day Adobe reader exploits appears to be targeting Defense contractors including Lockheed Martin and Mitre [6]. Elsewhere, Iran is claiming it exploited a navigational weakness in the captured RQ-170 Sentinel drone that commanded the aircraft to land undamaged [7]. Finally, for the December patch release,

(Continued on page 2)

Inside this issue:

Energy	3
Economy	4

Special points of interest:

- China likely has 3,000 nuclear weapons; U.S. limited by treaty to 1,550
- China to increase tariffs on U.S. made cars
- 92nd bank closed

Security

(Continued from page 1)

Microsoft released 13 security bulletins to fix 17 bugs [8].

1. Wingfield, Brian, Bloomberg, *Power to Homes, Businesses Faces Cybersecurity Threat*, MIT Finds, December 5, 2011.
2. Fineren, Daniel, Reuters, *Cyber attacks could wreck world oil supply*, December 8, 2011.
3. BBC News, *FBI says hackers hit key services in three US cities*, December 13, 2011.
4. Ferris-Rotman, Amie, and Kalmykov, Alexei, Reuters, *Election cyber attack cited on Russia media*, December 4, 2011.
5. CBS News, *Thousands in Russia protest Putin, vote fraud*, December 10, 2011.
6. GCN, *Zero-day Adobe vulnerability targeted defense contractor*, December 8, 2011.
7. Peterson, Scott, and, Faramarzi, Payam, Christian Science Monitor, *Exclusive: Iran hijacked US drone, says Iranian engineer*, December 15, 2011.
8. Rashid, Fahmida, eWeek, *Microsoft Patches 17 Bugs in December Patch Tuesday*, December 13, 2011.

World News

(Continued from page 1)

enough to ground flights [14]. In other pollution news, Canada becomes the first nation to withdraw from the Kyoto Protocol on global warming [15].

In other military flashpoints; China's President is urging the navy to prepare for combat over the South China Sea dispute [16]. Meanwhile, there are indications that North Korea is developing a long range ballistic missile capable of hitting the U.S. [17]. Finally, satellite images suggest something happened at an Iranian nuclear facility, possibly an explosion [18].

1. Wan, William, Washington Post/Seattle Times, *U.S. students dig up China's nuclear secrets: Arsenal could be huge*, November 30, 2011.
2. UPI, *U.S. students dig up China's nuclear secrets: Arsenal could be huge*, December 1, 2011.
3. BBC News, *US and Russian leaders hail nuclear arms treaty*, April 8, 2011.
4. AP/Modesto Bee, *LBJ Sees No Present China* Peril, October 16, 1964
5. Sydney Morning Herald, *US students dig up Beijing's secret nuclear stockpile*, December 10, 2011.
6. Wise, David, New York Times, *China's Spies Are Catching Up*, December 10, 2011.
7. Davis, Mark, CBS, *Where the White House is weak on defense*, December 8, 2011.
8. Harlan, Chico, Washington Post, *Japan to pick Lockheed's F-35 as new stealth fighter*, December 13, 2011.
9. AP, *Japan launches 2nd spy satellite this year, expects to have intel-gathering network next year*, December 11, 2011.
10. Wan, William, Washington Post/Seattle Times, *U.S. students dig up China's nuclear secrets: Arsenal could be huge*, November 30, 2011.
11. Mainichi Daily News, *Tsunami was direct cause of nuclear crisis: TEPCO investigation*, December 3, 2011.
12. Inajima, Tsuyoshi, Bloomberg, *Tepco Says More Radioactive Water Leaks at Fukushima Plant*, December 4, 2011.
13. Glionna, John, Los Angeles Times, *Japan's 'nuclear gypsies' face radioactive peril at power plants*, December 4, 2011.
14. Hook, Leslie, Financial Times, *Flights grounded in China as smog worsens*, December 5, 2011.
15. Saiget, Robert, AFP, *China's Hu urges navy to prepare for combat*, December 6, 2011.
16. BBC News, *Canada to withdraw from Kyoto Protocol*, December 12, 2011.
17. Gertz, Bill, Washington Times, *North Korea making missile able to hit U.S.*, December 5, 2011.
18. Kellogg, Amy, Fox News, *Satellite Images Suggest Something Happened at Iranian Nuclear Facility – But Was it an Explosion?*, December 9, 2011.

*The energy of the mind is
the essence of life—Aristotle*

Energy

If energy companies are allowed to harvest the natural resources in the U.S., the benefit in new jobs could be significant. By one estimate, natural gas from shale will support 870,000 U.S. jobs and add \$118 billion in economic growth [1].

The administration is trying to relax banking restrictions on Iran for fear that oil prices will increase [2]. This is an example where dependency on hostile nations to provide oil is not in our best interests. Paradoxically, the administration is also blocking the Keystone pipeline from Canada that would help us move away from Middle-East oil dependency while creating jobs domestically [3].

Exxon is predicting that by 2040, natural gas will replace coal as the second largest energy source [4]. Meanwhile, GE is working on a natural gas fueled turbine that is expected to be 61% fuel efficient versus 60% for conventional designs [5]. What's more, the green car of the year award was given to the natural gas fueled Honda Civic [7].

Interestingly, with the new technology available, the United States has the ability to increase domestic oil production thereby reducing dependence on Middle-East suppliers [6]. In another sign of environmental trouble ahead, the U.S. is helping Cuba with its

oil drilling, 70 miles off of Florida beaches; while banning U.S. drilling [8].

Moreover regulation appears to be a continuing challenge. Consider Bill Gates decision to jointly consider building nuclear reactors with China instead of with a US company [9].

Meanwhile, Iran is considering staging war games designed to close the Strait of Hormuz where a sixth of the world's oil passes [10]. The Iranian threat drove the price of oil up to 3.6% higher [11]. To reemphasize, the U.S. energy policy, relying on Persian Gulf oil, leaves us susceptible to Iranian threats to the oil supply.

The maker of the failed blow-out preventer where the BP deep water well spilled into the Gulf of Mexico has agreed to pay \$250 million to settle claims [12].

1. Efstathiou, Jim, Bloomberg, *Shale-Gas Drilling to Add 870,000 U.S. Jobs by 2015, Report Says*, December 6, 2011.
2. Cassata, Donna, AP, *Congress rebuffs easing of Iran sanctions*, December 9, 2011.
3. Bussey, John, Wall Street Journal, *An Inevitable Keystone Pipeline*, December 9, 2011.
4. Carroll, Joe, Bloomberg, *Energy Consumption to Rise 32% Worldwide by 2040*,

Exxon Says, December 8, 2011.

5. Sechler, Bob, Dow Jones, *GE Says French Power Plant To Be First In Operation With New Turbine*, December 8, 2011.
6. Hanson, Victor, Chicago Tribune, *Oil-rich America?*, December 8, 2011.
7. Ventre, Anthony, Yahoo News, *Natural Gas Honda Civic Beats Electric Volt as the Right Green Car*, December 9, 2011.
8. Klimasinska, Katarzyna, Bloomberg, *Cuba Oil Drilling Tests U.S. on Protecting Florida or Embargo*, December 9, 2011.
9. AP, *Bill Gates to Build Next-Gen Nuclear Reactors With China*, December 7, 2011.
10. Fox News, *Iranian Official Threatens Military Drill Sealing Off the Strait of Hormuz*, December 13, 2011.
11. Zhou, Moming, and Shenk, Mark, Bloomberg, *Oil Surges on Speculation of Supply Disruption, U.S. Stimulus*, December 13, 2011.
12. Wall Street Journal, *Blow-out-Preventer Maker to Pay BP \$250 Million*, December 16, 2011.

Natural gas is hemispheric. I like to call it hemispheric in nature because it is a product that we can find in our neighborhoods—George W. Bush

Economy

The number of first time unemployment claims for the week ending December 3 fell to 381,000 [1]. Then for the week ending December 10 first time claims fell to 366,000, the lowest in over 3 years [2]. However, over 1 million Americans could lose their unemployment benefits in January [3].

Meanwhile the trade deficit for October was \$43.5 billion with the China imbalance at \$28.1 billion [4]. Never one not to exploit one-sided trade opportunities, China will be adding up to 12.0% additional tax on imported GM cars, this in addition to the current 25% tariff [5]. This is seen as an effort to protect China's domestic auto production capabilities [6]. In response, GM may expand its China manufacturing to overcome the new tariffs [7]. What's more, China challenged the U.S. to bring the complaint of car tariffs before the World Trade Organization [8]. So U.S. industry, without Government support, must export evermore manufacturing jobs in order to remain competitive in the one sided-Chinese market. Meanwhile, the November cost of importing Chinese goods rose only 0.3% [9]. Questions here are given the imbalance in trade, why does the U.S. tolerate these job

killing and wealth transferring practices? Why is job creation in China more important than job preservation in the U.S.? To summarize, unlike the U.S., China's top policy concern is economic growth [10].

For three weeks there was no financial institution shuttered. Then on December 16, 2011, two banks were closed: 91) Western National Bank in Arizonian; and 92) Premier Community Bank of the Emerald Coast in Florida [11].

Since the financial meltdown, home mortgage companies Fannie Mae and Freddie Mac, have received bailout money. Now the SEC is charging six former Fannie Mae and Freddie Mac top officials with fraud [12].

1. Willis, Bob, Bloomberg, *Jobless Claims in U.S. at Lowest in Nine Months*, December 8, 2011.
2. Mutikani, Lucia, and da Costa, Pedro, Reuters, *Jobless claims at 3.5 year low, factories mixed*, December 15, 2011.
3. Mutikani, Lucia, Reuters, *Long-term jobless eye bleak future as benefits end*, December 11, 2011.
4. Rugaber, Christopher, Bloomberg, *Trade deficit shrinks for fourth straight month*, December 9, 2011.
5. AP/Washington Post, *China slaps anti-dumping, counter-subsidy on US-made vehicles in latest trade flare-up*, December 14, 2011.
6. Shirouzu, Norihiko, et. al., Wall Street Journal, *U.S.-China Trade Spat Escalates to Autos*, December 15, 2011.
7. Trudell, Craig, et. al., Bloomberg, *GM May Boost China Production Due to Tariffs, JPMorgan Says*, December 14, 2011.
8. AFP, *China challenges US car tariff critics to bring case to WTO*, December 15, 2011.
9. Willis, Bob, Bloomberg, *U.S. Import Prices Climb Less Than Forecast as Metals Drop*, December 14, 2011.
10. Anderlini, Jamil, Financial Times, *Growth is now China's top policy concern*, December 14, 2011.
11. AP, *Small Fla, Ariz banks closed; 92 failures in 2011*, December 16, 2011.
12. Kravitz, Derek, AP, *SEC charged ex-Fannie, Freddie CEOs with fraud*, December 16, 2011.

The attempt to combine wisdom and power has only rarely been successful and then only for a short while—Albert Einstein
