

## IN THE NEWS

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### Economy

Approximately 35% of the new Boeing 787 Dreamliner jets are manufactured in Japan [1]. Meanwhile, the U.S. government's National Labor Relations Board (NLRB) continues its complaint against Boeing for trying to build a second domestic 787 Dreamliner assembly plant in South Carolina instead of Washington (state) [2]. So at a time when job creation should be number one, the effort seems to focus on approaches to push more U.S. industry overseas. We hope this gets resolved before more U.S. jobs are lost forever.

Europe continues to pressure global economic fears. For instance Moody's downgraded Portugal's credit rating [3]. Just 8-weeks after the European Union rescue plan, Moody's rating for Portugal is now in junk status [4]. Concurrently, Standard and Poor's has warned Greece will likely default on its loans [5]. The turmoil in Europe was factor driving gold to a new record high [6].

There is more bad news on the economic front. Only 18,000 jobs were added in June to payrolls and the unemployment rate increased to 9.2% [7]. What's more, the Department of Labor report revised the number of jobs created in April and May downward by 44,000 [8]. For the week ending July 2, the number of first time unemployment claims was 418,000 [9]. For the week ending July 9, the number of new claims was 405,000 [10].

There can be no question that balanced trade agreements create jobs for both parties. However, when unfair trade practices go unchecked, one side loses. Consider, Cisco plans to trim up to 10,000 good paying jobs in order to save \$1 billion [11]. Using this as a metric, (\$1 billion represent 10,000 jobs), we can see how many jobs are exported every month. For May, the U.S. trade deficit increased to \$50.2 billion [12]. Put another way, in May we exported a half a million jobs to other countries. Clearly, the trade imbalance is not receiving the attention it should. What's more, one expert cites the one sided trade with China and oil exporting counties, the bulk of the \$255 billion trade deficit, as the reason jobs are not being created [13]. What's more, even as China's trade surplus increases; it is focusing on domestic industry [14]. That is, using its wealth to build business that meets the needs of the Chinese. In contrast, the U.S. looks to imported goods and services to meets our needs.

Regulators continued closing financial institutions. On July 8, the following were shuttered: 49) First Chicago Bank & Trust; 50) Colorado Capital Bank; and 51) Signature Bank in Colorado [15]. Then on July 15, the following were shuttered: 52) One Georgia Bank in Atlanta;

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### Security

Top DHS official reported there were instances of foreign hardware and software built with security back doors [1]. That is, some foreign devices and software are designed to bypass security and present a cyber-security threat to the U.S. [2]. This combined with our dependency on foreign made prod-

ucts ensure the U.S. will be victimized in the future. We can only hope that at some point, the requisite government officials recognize that one-sided trade agreements must be balanced. Depending on China for electronics, at the expense of jobs and cyber security, is not in our strategic interests.

From time to time we learn that unencrypted media are lost. The latest report is that Morgan Stanley Smith Barney lost two CDs with 34,000 client's private information [3].

Two Department of Energy labs (Pacific Northwest National Laboratory in Richland, Wash., and the

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#### Special points of interest:

- Foreign hardware and software made with security back doors
- 35% of Boeing 787 Dreamliner made in Japan
- U.S. June trade deficit with China increased to \$19.1 Billion
- Morgan Stanley Smith Barney loses 34,000 client's private information
- 55th Bank Closed
- Gold hits new all-time high

## Security

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Thomas Jefferson Laboratory National Accelerator Facility in Newport News, VA) were taken offline following a sophisticated cyber-attack [4]. Elsewhere, hackers published 90,000 military passwords taken from a Booz Allen Hamilton government contractor database [5]. What's more, a foreign intelligence service stole 24,000 files from a defense contractor [6].

Hackers posted user ID's and passwords belonging to an Apple Inc. server [7]. What's more, other hackers have exposed a flaw in the Apple software that operates iPhones, iPod touch, and iPad devices [8]. In response, Apple is developing a fix [9].

Hackers broke into Fox News' Twitter feed and posted a bogus message indicating the

President was killed [10]. Elsewhere, hackers broke into the Washington Post web site and stole 1.27 million user IDs and email addresses [11].

1. Suarez, Paul, PC World, *Malware Comes with Many Gadgets Homeland Security Admits*, July 9, 2011.
2. Ono, Michael, ABC News, *U.S. Suspects Contaminated Foreign-Made Components Threaten Cyber Security*, July 9, 2011.
3. Takle, Abhishek, Reuters, *Morgan Stanley Smith Barney loses client data CDs: report*, July 6, 2011.
4. Jackson, William, GCN, *Cyberattacks take two Energy labs offline*, July 6, 2011.
5. Rashid, Fahmida, e-Week, *Anonymous Breaches Booz Allen Hamilton to Reveal 90,000 Military Passwords*, July 11, 2011.
6. Alexander, David, Reuters, *Cyber theft illustrates Pentagon security challenge*, July 14, 2011.
7. Sherr, Ian, Wall Street Journal, *Computer-Hacking Group Targets Apple In Latest Attack*, July 4, 2011.
8. Finkle, Jim, Reuters, *Hackers expose flaw in Apple iPad, iPhone software*, July 6, 2011.
9. Kirk, Jeremy, Computer World, *Apple developing fixes for dangerous iOS vulnerabilities*, July 7, 2011.
10. Fox News, *Foxnews politics Twitter Feed Hacked*, July 4, 2011.
11. Takle, Abhishek, Reuters, *Hackers break into Washington Post jobs site*, July 7, 2011.

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The 'C' students run the world—Harry S. Truman

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## Economy

(Continued from page 1)

53) High Trust Bank in Georgia; 54) First Peoples Bank in Florida; and 55) Summit Bank in Arizona [16].

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3. AP, *Moody's downgrades Portugal on fear of 2nd bailout*, July 5, 2011.
4. Rastello, Sandrine, and Detrixhe, John, Bloomberg, *Portugal Rating Cut as Outlook for Borrowing Dims*, July 6, 2011.
5. Koutantou, Angeliki, Reuters, *S&P warning adds default threat to Greece's bailout*, July 4, 2011.
6. Sweet, Ken, CNN Money, *Gold strikes new high after Fed comments*, July 12, 2011.
7. Chandra, Shobhana, Bloomberg, *U.S. Payrolls Rise 18,000; Jobless Rate Climbs to 9.2%*, July 8, 2011.
8. Mutikani, Lucia, Reuters, *Jobs barely rise, dousing hopes of revival*, July 8, 2011.
9. Bartash, Jeffrey, Market Watch, *U.S. requests for jobless benefits decline*, July 7, 2011.
10. Bartash, Jeffrey, Market Watch, *Requests for jobless benefits fall to 405,000*, July 14, 2011.
11. Vance, Ashlee, et. al., Bloomberg, *Cisco May Cut as Many as 10,000 Jobs to Buoy Profit*, July 12, 2011.
12. Bartash, John, Market Watch, *U.S. May trade gap widens to \$50.2 billion*, July 12, 2011.
13. Morici, Peter, Fox News, *Why Job Growth Isn't Happening*, July 8, 2011.
14. Censky, Annalyn, CNN Money, *China's trade gap widens*, July 9, 2011.
15. AP, *Banks Shut in Illinois and Colorado*, July 8, 2011.
16. Van Doom, Philip, The Street, *Four Banks Fail; 2011 Tally Now 55*, July 15, 2011.

## Energy

In 2002, investigators discovered 29 falsified Fukushima safety reports and the Japanese government did not adequately apply regulatory oversight [1]. What's more, it's unclear that the regulating body plans much more than the status quo potentially enabling future problems in Japan's power industry. Case in point, an independent panel of experts assigned to look into the Fukushima disaster ruled out breaking up the company and suggested cost cutting measures such as bonus elimination [2]. Given the meager effort for power company quality and risk control, it's unclear what incentive corporate giants have for future improvement. For example, three weeks after declaring all nuclear reactors safe, Trade Minister Banri Kaieda said all reactors will undergo a stress test [3]. Apparently, only 19 of 54 nuclear reactors are currently on-line in Japan and they need to restart more or risk power outages during the summer [4].

Meanwhile, the full scope of the earthquake and resulting damage to Fukushima is starting to be understood. For instance, radioactive cesium was discovered in Tokyo's tap water [5]. What is interesting is that in 1967, Tokyo Power cut the natural 35 meter sea wall down to 10 meters to make it easier to move equipment on site [6]. Had the original site not been altered, the tsunami would not have damaged the facility.

The fallout from Fukushima includes the nuclear power industry in Germany. Case in point, the upper and lower house of parliament approved a bill to phase out all nuclear

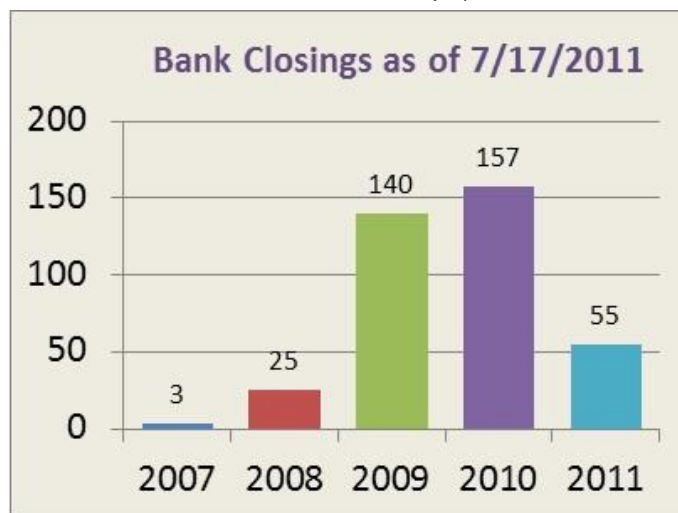
power plants by 2022 [7].

Off the coast of China, an offshore oil well has been leaking since mid-June [8]. Elsewhere, on July 4<sup>th</sup>, snow skiing was still ongoing, the longest season yet [9]. In the past, we had discussed *Global Warming*. In attempting to explain why from 1998 through 2008 there was no temperature rise; scientists are suggesting China's increase in burning coal is the reason [10].

While oil remains high, there

Says, July 6, 2011.

4. Alpeyev, Pavel, Bloomberg, *Radioactive Cesium Is Found in Tokyo Tap Water for First Time Since April*, July 4, 2011.
5. McCurry, Justin, Guardian (UK), *Japan faces power shortages due to nuclear shutdowns*, July 6, 2011.
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is an abundance of cleaner burning natural gas. As a consequence, Chesapeake Energy Corp. plans to invest \$1 billion over 10 years in natural gas burning vehicles [11].

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*What do we want our kids  
to do? Sweep up around  
Japanese computers?—  
Walter F. Mondale*

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## World News

The Middle-East continues to be a powder keg. For example, a natural gas pipeline in Egypt, that provides fuel to Israel, was blown up by terrorists in Egypt [1]. Since 2004, Egypt has been providing 40% of Israel's natural gas [2].

China's overall trade surplus for June widened to \$22.27 billion [3]. Of that, the China/U.S. trade imbalance widened to \$19.1 Billion [4]. In other trade news, two years after complaints were raised. The World Trade Organization (WTO) says China broke rules by restricting nine raw materials [5]. So it takes the WTO a couple of years to respond. Elsewhere, China has issued a warning to US Officials not to meet with the Dalai Lama [6].

As the U.S. launched its final Space Shuttle; China plans to launch a train size module into space [7]. In other words, China is using its new wealth to expand its space program as we wind ours down.

In Europe, there is concern that the next country in economic trouble could be Italy [8]. The possibility of Italy, the

European Union third largest economy caused economic panic [9]. To compound Europe's problem, Moody's cut Ireland's credit rating to junk status [10].

It is worth looking at how Japanese industry works toward nationalistic goals. Case in point, even though the Yen value is increasing, electricity is scarce, and supplier parts questionable; Toyota is committed to maintaining its manufacturing in Japan [11]. In contrast, American industry would likely have moved overseas. A consequence of Toyota's decision will likely mean smaller market share as South Korean auto makers continue their one-sided trade advancement.

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6. Blanchard, Ben, Reuters, *China warns U.S. officials not to meet Dalai Lama*, July 7, 2011.
7. AP, *China Aiming High in Space as U.S. Shuttle Program Winds Down*, July 11, 2011.
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*Vision without action is a daydream. Action without vision is a nightmare.—*  
*Japanese Proverb*

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## Fraud

Ponzi schemes continue to exact a toll. Case in point, in California, three PTA moms were charged with collecting \$14 million in a Ponzi scheme [1]. In Georgia, a man was charged with operating a \$7 million Ponzi scheme [2]. In California, an attorney was charged in a \$7 million Ponzi scheme [3].

In other news, a Missouri couple was indicted in a \$2.37 million mortgage fraud scheme [4]. In Pennsylvania, a

man was indicted for a mortgage fraud scheme that resulted in \$7 million in losses [5].

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3. Lee, Henry, San Francisco Chronicle, *Ex-attorney charged in Ponzi scheme*, July 10, 2011.
4. Kansas City Star, *Federal grand jury issues mortgage fraud indictments*, July 14, 2011.
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