

IN THE NEWS

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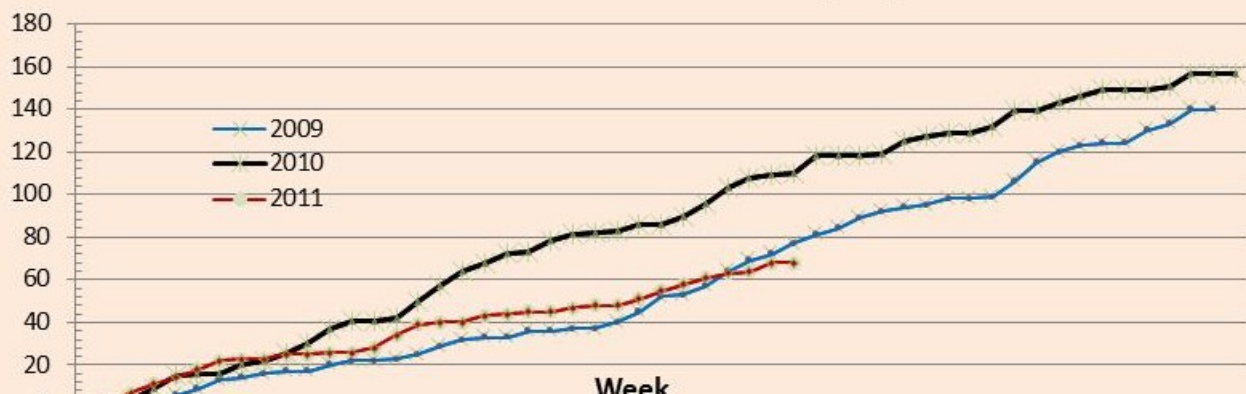
Economy

The Number of first time unemployment claims for the week ending August 13 increased to 408,000 [1]. However, for the previous week, (August 6) the number previously reported was raised to 399,000 [2]. One week later, the 408,000 number was revised upward to 412,000 [3]. For the week ending August 20 the number of first time unemployment claims increased to 417,000 [4]. More bad news, the second quarter GDP was revised downward to reflect a 1.0% annual growth rate

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Financial Institution Closures as of 8/28/2011



[5]. To put this in basic terms, according to the government rates provided, the first quarter was 0.1% and the second 0.25% actual growth. Assuming there is no further downward revision, the growth for the first half year was only 0.35%. Meanwhile economists are expecting China's annual GDP to slow to 9.0% [6]. In another sign of economic uncertainty, gold set another record high [7]. For the first time, gold sold for over \$1,900 per troy ounce [8].

The rate of bank closures is now lower than the past two years, as depicted in the graph above. In a highly unusual case, bank regulators shuttered the Public Savings Bank in

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Security

For some time now, many news articles have reported on China's cyber-attacks against U.S. computers. These fears were confirmed when China state sponsored CCTV-7 inadvertently displayed a computer screen engaged in a denial of service attack against computers in the U.S. [1].

It is reassuring that there is Government concern over the microchips from certain Chinese countries. Case in point, a U.S. super computer lab is being challenged by some in Congress over microchips made by the Huawei Technologies company with known ties to China's military [2].

In California, hackers pene-

trated the Bay Area Rapid Transit (BART) computer systems [3]. Then there was a second hack attack that exposed personal information about BART police [4].

Meanwhile financial institutions are still suffering significant losses due to cyber-attacks. Case in point, the

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Special points of interest:

- FDIC faces \$10 billion Deutsche Bank lawsuit
- China state sponsored TV accidentally showed Chinese military cyber-attack against U.S. computers
- Martin Luther King memorial was made in China
- China expanding nuclear stockpile

Security

(Continued from page 1)

U.S. helped the Ukraine crack a bank hacking scheme that that resulted in over \$20 million in losses from private U.S. bank accounts [5].

1. Lee, Melanie, Reuters, *Chinese state TV shows military cyber hacking clip*,

August 25, 2011.

2. Lake, Eli, Washington Times, *Computer lab's Chinese-made parts raise spy concerns*, August 16, 2011.
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4. Bulwa, Demian, and Ho, Vivian, San Francisco

Chronicle, *Hacker post BART cops' personal information*, August 18, 2011.

5. AFP, *US helps Ukraine crack bank hacking scheme*. August 22, 2011.

Economy

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Pennsylvania on a Thursday (August 18) [9]. Then on August 19, three more were shuttered: 66) Lydian Private Bank in Florida; 67) First Southern National Bank in Georgia; and 68) First Choice Bank in Illinois [10]. For the August 26 Friday, no financial institution was shuttered. What's more, for the first time in five years, the number of banks on the FDIC's troubled watch list fell with only 865 of 7,513 banks [11]. Sometimes, closing a bank is not the end of the process. Case in point, a federal judge ruled the FDIC must face a \$10 billion Washington Mutual lawsuit filed by Deutsche Bank [12].

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18, 2011.

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6. Reuters, UBS, *Citi cut global growth view, rule out recession*, August 25, 2011.
7. Harvey, Jan, Reuters, *Gold extends record high to \$1,817.90/oz*, August 18, 2011.

8. Sim, Glenys, Bloomberg, *Gold Tops \$1,910 for First Time*, August 23, 2011.
9. AP, *Regulators shut small Pa. bank; 65th in 2011*, August 18, 2011.
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*We must respect the past,
and mistrust the present, if
we wish to provide for the
safety of the future—Joseph
Joubert*

Taiwan

In 1954, President Eisenhower signed a mutual-defense treaty with the island nation we know today as Taiwan [1]. Then in 1972, President Nixon visited China [2]. However, as a pre-condition to improved ties with Communist China, President Carter terminated diplomatic relations with Taiwan [3]. Finally, under President Bush's watch, China was admitted into the World Trade Organization (WTO) [4].

Economically, the US trade deficit with Taiwan for June was \$1.8 billion [5]. Note: the table below shows that Taiwan is not in the top 10 trading deficit countries. However, China's growing economic dominance is impacting weapon sales to Taiwan. For example, the U.S. not wanting to upset China will likely not sell new fighters to Taiwan [6]. Taiwan had sought to purchase \$4.2 billion in weapons including 11 F-16C/D fighters [7]. So while we could be selling \$ billions to Taiwan for weapon systems, our policy is to appease Communist China. On a more sobering note, the International Monetary Fund (IMF) predicts China's economy will surpass the U.S. in 2016 [8]. So what is the U.S. doing to prevent this scenario? Why are we accepting extortion, unfair trade

practices, and exporting millions of good paying U.S. jobs?

To understand the consequences that Taiwan has to look forward to, we need only examine Chinese occupied Tibet. There, Buddhist protesters burn themselves [9]. What's more, in a recent case of a Buddhist monk dying from self-immolation, China charged three other monks with murder [10]. In contrast to the monks, the Maoist (communist followers of Mao), rely on bloodshed [11]. In summary, during 2008 and 2009, while the U.S. suffered through a hard recession, China's economy grew over 9% annually [12]. As we continue to allow unfair trade practices, it's unlikely this story will have a happy ending.

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2011.

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6. Leithen, Francis, Aviation week & Space Technology, Mission Impossible, August 15, 2011.
7. Minnick, Wendell, Defense News, U.S. To Deny Taiwan New F-16 Fighters, August 14, 2011.
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10. AP, China charges 3 in death of Buddhist monk, August 26, 2011.
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I know something about that war, and I never want to see that history repeated. But, my fellow Americans, it certainly can be repeated if the peace-loving democratic nations again fearfully practice a policy of standing idly by while big aggressors use armed force to conquer the small and weak.—Dwight D. Eisenhower (Radio and Television Report to the American People Regarding the Situation in the Formosa Straits, 9/11/58)

Country	June Deficit	Year through June
China	-\$26,657.50	-\$133,412.63
Mexico	-\$6,389.93	-\$34,441.03
Japan	-\$4,039.31	-\$26,546.27
Germany	-\$3,971.21	-\$22,565.80
Saudi Arabia	-\$3,408.74	-\$14,742.76
Venezuela	-\$3,280.53	-\$17,029.94
Nigeria	-\$2,960.64	-\$15,692.14
Canada	-\$2,842.79	-\$17,511.84
Ireland	-\$2,808.58	-\$15,289.69
Russia	-\$2,558.59	-\$12,882.57

Source: US Census

Top 10 U.S. Trade Deficits in \$ millions

It seems that Pakistan allowed China to examine the crash remains of the stealth helicopter used in the attack against Osama bin Laden [1]. Meanwhile, China has taken the next step in replacing the U.S. dollar as the world's trading currency by releasing guidelines on yuan overseas investments [2]. Elsewhere, the new made in China Martin Luther King memorial, standing 30 feet tall opened on the Mall in Washington DC [3]. This comes at a time when African-Americans are suffering the highest unemployment rate (15.9%) [4].

In the past we have pointed out the Russia and U.S. nuclear weapons reduction treaty [5]. This treaty should have included China, but did not. In the latest Pentagon report on China, indications are that china is expanding its nuclear stockpile [6]. Expectedly, China denounced the Pentagon report [7]. Periodically, China does get caught in false denials. Case in point, China claimed it was not involved in cyber-attacks, only to inadvertently expose during an ongoing attack on a state sponsored TV show [8].

In Japan, radioactive rice was detected [9]. It remains to be seen if Japan will relax its trade restrictions and allow rice imports from the U.S. or continue to risk the health of the Japanese consumer. Especially since many children near the Tepco nuclear plant, have thyroid radiation [10]. So far the radioactive cesium from Fukushima is equal to 168 times that of the Hiroshima bomb [11]. Moreover, some radioactive areas near

the Fukushima reactors are likely to be off limits for 20 years [12].

Elsewhere in Japan, concerns are rising that the economic weakness in the U.S. is driving up the value of the yen. Case in point, in order to help its export industry, Japan is prepared to buy dollars to drive down the value of the Yen [13]. Controlling the yen's value is further challenged with the growing need to import fossil fuel [14]. Simply, Japan may not be able to manipulate the currency enough to protect its industry. Americans will have to pony up more money for those Japanese products thereby driving down the demand.

GE is trying to get regulator permission to build a \$1 billion uranium enrichment plant in North Carolina that uses lasers to reduce the cost. This illustrates the technology (other than centrifuges) lowers the threshold for developing nuclear material [15].

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There are some who, for varying reasons, would appease Red China. They are blind to history's clear lesson, for history teaches with unmistakable emphasis that appeasement but begets new and bloodier war. It points to no single instance where this end has justified that means, where appeasement has led to more than a sham peace. Like blackmail, it lays the basis for new and successively greater demands until, as in blackmail, violence becomes the only other alternative—Douglas MacArthur
