

IN THE NEWS

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World News

China launched the first stealth missile frigate in a series of new military ship designs [1]. What's more, after the US retired its Tomahawk cruise missiles, China now has 1,200 to 1,500 nuclear capable missiles facing the contested South China Sea [2]. In order to ensure its people do not get unfiltered news, China jams the BBC radio broadcast [3]. What's more, China now has the second largest navy in the world, second only to the US [4]. Moreover, China announced its military spending will increase 10.7% this year [5]. Additionally, it is widely believed that the budget Beijing announces is far less than the actual amount spent on the military [6].

These developments come at a time when China has surpassed the US as the largest oil importing country [7]. What's more, one news article indicates that China's oil companies now have a controlling interest in 80% of the world's oil reserves [8]. With such a demand for energy, expect China to secure the oil rich areas of the South China Sea.

With the successful nuclear bomb test in North Korea, the question is not if Iran has the bomb but rather how many bombs does it have? Complicating matters, one report indicates the commander of Central Command, Gen. James Mattis, believes at least one other country will seek nuclear weapons once it becomes clear Iran has one [9]. For its part, North Korea is threatening the US with a pre-emptive nuclear missile strike [10]. Highlighting its support for North Korea, China urged the Western nations to remain calm [11]. Additionally, China has reaffirmed that it will stand by North Korea [12]. So the only nation that could effect change in North Korea is once again refusing to help. This illustrates the risk from nuclear blackmail and should serve as a reason for maintaining a strong nuclear deterrence. A question here is if North Korea does launch a nuclear attack against the US, will we respond to China or just ignore China for its role?

1. AP, *China launches stealth frigate amid ocean tensions*, February 26, 2013.
2. Gertz, Bill, *Washington Free Beacon, Beijing War Prep*, February 27, 2013.
3. Shirbon, Estelle, and Hornby, Lucy, *Reuters, BBC says radio broadcasts being jammed in China*, February 25, 2013.

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Security

The recent cyber-attacks from China indicate professional espionage [1]. Meanwhile, some news organizations are trying to determine if the Chinese wants to shut down our critical infrastructure or is just conducting cyber-espionage on behalf of its industry [2]. This is like trying to determine if an armed robber wants the victim's money or jewelry.

The answer is China wants to do both. For example, in 2008 it appears China's hackers penetrated Coca-Cola computers and provided information that ultimately killed a planned takeover of a Chinese juice company [3].

The approach China has decided to take in responding to allegations of hacking is to blame the victim states. For example, China

claims that more than half the hacking in China is from the United States and China is the victim [4].

1. AP, *News Summary: Professional Chinese hackers*, February 25, 2013.
2. Perlroth, Nicole, et al., *New York Times, As Hacking Against U.S. Rises, Experts Try to Pin*

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Special points of interest:

- US personal income fell 3.6% in January
- China is the largest oil importer
- China's military spending to increase 10.7% this year
- Unemployment rate falls to 7.7%
- In February 296,000, more Americans no longer working
- 4th Bank shuttered

Security

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- Down Motive, March 3, 2013.
3. De La Merced, Michael
4. Reuters, *China says U.S. is*

J., New York Times, *Accusations of Chinese Hacking in Coke's Failed Big Deal*, February 19, 2013.

top source of hacking attacks on country, March 10, 2013.

*The man who is swimming
against the stream knows
the strength of it—*
Woodrow T. Wilson

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4. Lague, David, and Jones, Terril Yue, Reuters, *China defense spending seen rising as territorial rows deepen*, March 1, 2013.
5. AFP, *China defence budget to rise 10.7% in 2013: Xinhua*, March 5, 2013.
6. Takenaka, Kiyoshi, et. al., Reuters, *China hikes defense budget, to spend more on internal security*, March 5, 2013.
7. Blas, Javier, Financial Times, *China becomes*
8. Kelly, Stephen R., AP/Des Moines Register, *Another View: China vs. Keystone in Canada oil sands*, March 9, 2013.
9. Washington Free Beacon, *Top General: At Least One Arab State to Go Nuclear If Iran Does*, March 5, 2013.
10. Kim, Jack, and Charbonneau, Louis, Reuters, *North Korea threatens nuclear strike, U.N. expands*

World News

world's top oil importer, March 4, 2013.

sanctions, March 7, 2013.

11. MacLeod, Calum, USA Today, *China urges calm as North and South Korea trade barbs*, March 8, 2013.
12. Perlez, Jane, New York Times, *China Says It Won't Forsake North Korea, Despite Support for U.N. Sanctions*, March 9, 2013.

*Communism teaches and
seeks two objectives:
unrelenting class warfare
and the complete
eradication of private
ownership— Pope Pius XI*

With estimates of 40% of China's soil contaminated by heavy metals, China has decided the report will remain a state secret and not disclosed [1]. In turn, this is causing some of the Chinese people to be angered over pollution secrecy [2].

In addition to "off the scale" air pollution, China's capital is suffering through the spring sandstorms [3]. The toxic smog originating from China is causing problems for neighboring countries. Case in point, Japanese authorities will advise people to remain indoors when toxic smog from China reaches hazardous levels [4].

Pollution

Moreover, reporting of toxic spills into rivers often goes unreported for days. For instance, on December 31, 2012 a fertilizer company located in Changzhi, China, had a toxic spill and the down-stream communities were not notified until five days after the accident [5].

1. Cuthbert, Lori, Discovery News, *China Keeps Soil Pollution Study 'State Secret'*, February 26, 2013.
2. Wee, Sui-Lee, and Jordan, Adam, Reuters, *In China, public anger over secrecy on environment*, March 9, 2013.

3. Ramzy Austin, Time, *Spring Sandstorms Add to China's Bad Air Misery*, February 28, 2013.
4. Nakamoto, Michiyo, and McLannahan, Ben, Financial Times, *Japanese on alert over China's toxic smog*, February 27, 2013.
5. Wong, Edward, New York Times, *Spill in China Underlines Environmental Concerns*, March 4, 2013.



Economy

China does everything it can to help its domestic industry, usually at the expense of foreign competition. Case in point, US business is experiencing lower profits in China due in part to new government regulations [1]. These trade barriers will certainly result in more US jobs exported to China.

The one-sided Chinese trade policies impact many companies. For instance, two tons of Nestle chocolate cake and another shipment of Kraft cheese were destroyed by China's quarantine bureau for allegedly poor quality [2]. To see the impacts of China's policies, the staggering trade deficit tells the story. When compared to last year; for the first two months of 2013, China's exports increased 23.6% while its imports only grew by 5% [3]. A question here is how many more jobs must be exported before like practices are applied to china's exports?

For the week ending February 23, the Labor Department reported 344,000 first time unemployment claims [4]. For

the week ending March 2, the number of claims was 340,000 [5]. Additionally, according to the Labor Department the unemployment rate for February fell to a 4-year low of 7.7% with an addition of 236,000 jobs [6]. However, the number of people no longer in the workforce increased by 296,000 to 89,304,000 people [7]. Given this offset, the number of jobs added does not cover the increase in eligible workers.

Overall, the economic downturn is hurting American incomes. For instance, American personal income for January fell \$505 billion (3.6%) from December; the largest monthly drop in 20 years [8].

Meanwhile regulators continued the bank closing process. On March 8, the Frontier Bank in Georgia became the fourth bank shuttered this year [9].

1. AP, *Performance of US companies in China worsens*, February 28, 2013.
2. AP, *China Destroys Ikea Cake, Nestle Chocolate*, March 5, 2013.
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Shao, Xiaoyi, Reuters, *China Feb exports surge, supports recovery hopes*, March 8, 2013

4. Woellert, Lorraine, Bloomberg, *Jobless Claims in U.S. Fell More Than Forecast Last Week*, February 28, 2013.
5. Woellert, Lorraine, Bloomberg, *Jobless Claims in U.S. Unexpectedly Fall to a Six-Week Low*, March 7, 2013.
6. Mutikani, Lucia, Reuters, *Sturdy U.S. February job gains bolster economy*, March 8, 2013.
7. Page 4, USDL-13-0389, Bureau of Labor Statistics, www.bls.gov/news.release/pdf/empstat.pdf
8. Kurtz, Annalyn, CNN Money, *Americans see biggest monthly income drop in 20 years*, March 1, 2013.
9. Tadena, Nathalie, Wall Street Journal, *Regulators Close Frontier Bank in Georgia*, March 8, 2013.

*Neither a wise nor a brave
man lies down on the
tracks of history to wait for
the train of the future to
run over him.— Dwight D.
Eisenhower*
