

IN THE NEWS

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World News

The US Army is slated to shrink to pre-9/11 size with an 80,000 reduction in personnel and could lose another 100,000 if the sequestration continues [1]. In contrast, China is expanding its arsenal. For example, China's new submarine-launched JL-2 ballistic missile is capable of reaching the US [2]. What's more, following the US unilateral reduction in its tactical nuclear warhead stockpile, both China and Russia are increasing their arsenals for these type of weapons [3]. Meanwhile, one piece suggests Iran's multiple space launches were a cover for its intercontinental ballistic missile (ICBM) program [4].

Elsewhere, a Russian Proton-M booster crashed destroying the three satellite cargo [5]. However, one piece suggests NASA does not believe this will impact Russia's ability to taxi US astronauts to the space state because the rocket is a different design [6].

Meanwhile, Japan's annual defense paper cites China and North Korea as increasing nuclear risks [7]. This will put pressure on Japanese officials to consider a nuclear weapons program, especially with the reductions in the US military.

Another problem area, the Middle-East continues to boil over in unrest. For instance, in Egypt, the Muslim Brotherhood party suffered a defeat when its sponsor, President Mohamed Morsi, was overthrown [8]. This is problematic for the US because of its support for the now deposed Egyptian president [9]. To illustrate the problem, one article indicates Egyptians are angry at the US Ambassador Anne Patterson as a result of supporting Morsi [10]. Moreover, the US is calling on Egypt's military to release Mori from detention [11].

1. Bruno, Michael, Aviation Week, *Hollow's Eve*, July 1, 2013.
2. Waterman, Shaun, Washington Times, *China missile fear: U.S. vulnerable to nuclear-tipped submarine-launched missiles, Pentagon warns*, July 11, 2013.
3. Gertz, Bill, Washington Free Beacon, *Pentagon: Growing Threat as China Expands Missile Arsenal Development*, July 11, 2013.
4. Kredon, Adam, Washington Free Beacon, *Iran News: Iran Missile*

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Security

Once again, the Internal Revenue Service is in the news. In the latest example, it is still unclear how up to 100,000 names were posted to an IRS web page [1].

The large US banks have returned to record profits [2]. With this enrichment, these financial institutions are a target for bad actors. Consider, there is a realization that traditional bank

robberies have been overcome by cyber-attacks [3]. Meanwhile, regulators are calling on banks to defend against on-line cyber-attacks [4]. In response, at least one large bank has hired hackers to test the current security controls [5].

1. Fox News/New York Post, *IRS mistakenly posted 100,000 Social Security numbers to gov't*

website: group, July 9, 2013.

2. Hwang, Inyoung. & Barinka, Alex, Bloomberg, *S&P 500 Extends Record as Bank Rally Offsets UPS Forecast*, July 12, 2013.
3. Lobosco, Katie, CNN, *Cyberattacks are the bank robberies of the future*, July 9, 2013.

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Special points of interest:

- China has submarine launched nuclear missiles capable of reaching the US
- Egypt's military overthrew President Morsi

Security

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4. Crittenden, Michael R. *Wall Street Journal*, *A Call to Arms for Banks*, June 14, 2013.
5. Guerrera, Francesco, *Wall Street Journal*, *Cyberattacks: Banks' Latest*

'Existential Risk', June 24, 2013.

World News

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You have a part-time job and that's better than no job at all—Dan Quayle

- Program Utilizing Space Launcher for Cover, July 12, 2013.
5. AP/USA Today, *Russian booster rocket crashes in Kazakhstan*, July 3, 2013.
6. Khan, Amina, *Los Angeles Times*, *NASA: Russian rocket crash won't affect astronaut transport to ISS*, July 2, 2013.
7. Tabuchi, Hiroko, *New York Times*, *Japan Warns of China and North Korea as Security Threats*, July 9, 2013.
8. Tharoor, Ishaan, *Time*, *TIME Cover Story: What's Next for Egypt's Turbulent Revolution*, July 11, 2013.
9. Joel Brinkley, *Baltimore Sun*, *Why did the U.S. go to bat for Morsi?*, July 8, 2013.
10. Kumar Sen, Ashish, *Washington Times*, *Egyptians direct anger at U.S. ambassador accused of aiding Morsi*, July 10, 2013.
11. BBC News, *Egypt Morsi: US seeks end to ex-president's detention*, July 12, 2013.

Syria

One risk of the war in Syria is that terrorists will gain strength and cause long term problems for the West. By one estimate, 6,000 jihadists are fighting with various al Qaeda groups [1]. What's more, we are seeing acts of religious violence that are unacceptable in the West. For example, suicide bombers killed four people near a Greek Orthodox Church [2]. Then there was a Catholic priest that was beheaded by Syrian terrorists [3]. Then there is the morbid case of a rebel fighter eating the heart of a fallen Syrian soldier [4]. Furthermore, there are problems with the al Qaeda-linked terrorists within Syria. Case in point, the terrorists killed at least two rebels within a one week period [5]. As a consequence, the rebel forces have declared war on the rival terrorist group [6]. This division will certainly help the current Syrian government in ongoing the conflict.

In addition to the local in-

fighting, the war is expanding regionally. For instance, a powerful car bomb rocked Hezbollah's Beirut stronghold [7]. Then Iraqi Foreign Minister Hoshiyar Zebari claims to be unable to stop the flow of arms coming from Iran, passing through Iraq, and ending up in Syria [8].

The war is also drawing more responses from Israel. For instance, one report indicates Israel submarines attacked a Syrian port on July 5; destroying Russian anti-ship missiles [9]. This follows a report the Israel attack was launched by air [10].

1. Gertz, Bill, Washington Free Beacon, *Syria: New Terrorist Training Ground*, July 2, 2013.
2. AP, *Suicide blast in Christian neighborhood in Syria kills 4*, June 27, 2013.
3. BBC, *Vatican confirms Catholic priest was killed in Syria*, July 2, 2013.
4. Wood, Paul, BBC News, *Face-to-face with Abu Sakkar, Syria's 'heart-eating*

cannibal', July 5, 2013.

5. Malas, Nour, Wall Street Journal, *Syria Killings Open Rift in Anti-Assad Ranks*, July 12, 2013.
6. Karouny, Mariam, and Holmes, Oliver, Reuters/Washington Free Beacon, *New Front Opens in Syria as Rebels Say Al Qaeda Attack Means War*, July 12, 2013.
7. Ben Solomon, Ariel, Jerusalem Post, *Car bomb in Hezbollah stronghold a sign of Syrian spillover*, July 10, 2013.
8. Hunter, Molly, ABC News, *Iraq Can't Stop Iran's Arms Shipments to Syria, FM Says.*, July 13, 2013.
9. Jerusalem Post, *Report: Israeli submarine strike hit Syrian arms depot*, July 14, 2013.
10. AP, *Report: Israel led air strike in Syria on July 5*, July 13, 2013.

*No power is strong enough
to be lasting if it labors
under the weight of fear—
Cicero*

Economy

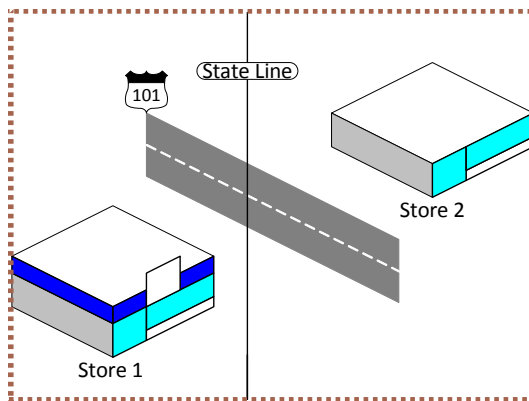
The US trade deficit increased in May to \$45 billion [1]. Meanwhile, for the week ending June 29 the number of first time unemployment claims reported by the Labor Department was 343,000 [2]. Then for the following week ending July 6, the number rose to 360,000 first time claims [3]. Meanwhile, the Labor Department report for June, indicates employment increased by 195,000, unemployment increased by 17,000, and the unemployment rate remained at 7.6% [4]. What's more, the number of part time employed increased to an estimated 28

million workers [5].

On the plus side, the stock market leading economic indicator continues to improve. For instance, the New York Stock Exchange hit another all-time high [6].

1. Chandra, Shobhana, Bloomberg, *Trade Deficit in U.S. Jumped in May as Imports Near Record*, July 3, 2013.
2. Jamrisko, Michelle, Bloomberg, *Jobless Claims in U.S. Fall by 5,000 in Week to June 29*, July 3, 2013.
3. Cox, Jeff, CSNBC, *Job*
4. Chumley, Cheryl K., Washington Times, *New U.S. economy: Part-time and temp job markets explode*, July 9, 2013.
5. Bartash, Jeffry, Market Watch, *U.S. jobless claims jump to 2-month high*, July 11, 2013.
6. Park, JeeYeon, CNBC, *Breaking Records: Dow and S&P 500 End at All-Time Highs, Nasdaq Logs Best Close Since 2000*, July 11, 2013.

Growth Posts Large Gain in June; Unemployment Rate Holds at 7.6%, July 5, 2013.



All truth passes through three stages. First, it is ridiculed. Second, it is violently opposed. Third, it is accepted as being self-evident.—Arthur Schopenhauer

Tale of Two Stores

Some have wondered how a trade deficit with China is bad, given consumer prices are lower. To provide an example, consider two nearly identical stores sitting next to each other. Each located in an adjoining state. One store employs 25 people and has been in business for many years. The other is newly opened. The new store uses a number of undocumented employees,

under-reports income, and has many new business perks offered by state government. Further, the new store disposes of waste in a local stream. Now the new store offers a price advantage the older store cannot compete with.

As sales in the old store fall, layoffs follow. Now consider the established store raises the unfair practices to government, yet nothing is done. At

some point, the established store goes out of business leaving the resident local government with extensive unpaid property taxes.

Finally, consider the established business is actually in the US and the new one in China. Does this help focus the issue?