

## IN THE NEWS

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### World News

China continues to make inroads into US military systems. In the latest example, Chinese made magnets are part of the new F-35 fighter [1]. What makes this particularly troublesome is China may have stolen the radar plans for the F-35; one of the places the magnets are used [2]. As another consideration, China has been known to embed computer chips in products. Case in point, Russian security experts discovered chips in irons and kettles that spread viruses to computers up to 200 meters away using unsecured Wi-Fi interfaces [3]. A question here is could China have embedded a custom chip within the magnet that could interfere with the F-35? We hope some of these magnets will be sliced open to see if there is anything on the inside.

Indications are China will continue to expand its police influence over the South China Sea. China has ordered foreign fishers out of its new self-declared zone [4]. For instance, foreign fishers in China's self-declared exclusionary zone will have their fishing equipment and haul confiscated plus pay a fine up to \$83,000 [5]. Expectedly, both Vietnam and the Philippines condemned China's new fishing law [6]. Additionally, the US position is the new laws are provocative and potentially dangerous [7]. Elsewhere, one article indicates there is no way for Japan and China to back down over their contested islands dispute and may be on track for an eventual war [8]. For its part, Japan is expanding its military ties with India [9].

China is also developing its own weapons to challenge the US. Some of the capabilities are designed to threaten US satellites. These include missiles, lasers, jammers, and cyber-attacks [10].

Advocates for the theory of Global Warming were greeted with bone chilling temperatures not seen in decades [11]. What's more, the effects due to low sun activity seem to be downplayed in the ongoing discussions. For instance, when the sun reversed magnetic poles last month; the low solar energy was evidenced by a poor aurora [12].

1. Shiffman, John, and Shalal-Esa, Andrea Reuters, *Exclusive: U.S. waived laws to keep F-35 on track with China-made parts*, January 3, 2014.
2. The Australian, *Security experts admit China stole secret fighter jet plans*, March 12, 2012.
3. BBC News, *Russia: Hidden chips 'launch spam attacks from irons'*, October 28, 2013.

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China Pollution	4

#### Special points of interest:

- China supplies F-35 magnets
- Target breach could impact 110 million people
- More retailers breached

### Security

The news from the Target breach is more pessimistic. In addition to the 40 million customer that had their credit and debit card compromised; private information on 70 million was also stolen [1]. The latest information was discovered as part of Target's ongoing investigation [2]. With the addition of the 70 million, the revised

combination could put 110 million people at risk from the breach [3].

It is still unclear what the final cost of the Target breach will be. However, in response to the breach, Senator Patrick Leahy has introduced the Personal Data Privacy and Security Act [4].

Target is not the only store

to be breached. For instance, credit card hackers compromised an unknown number of Neiman Marcus customers [5]. What's more, one article indicates three additional brand name retailers were breached but the information has yet to be disclosed [6].

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## Security

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1. Isidore, Chris, CNN Money, *Target: Hacking hit 70 million customers*, January 10, 2014.
2. Ramstad, Evan, Minneapolis Star Tribune, *Target says personal data of 70M people at risk, warns of financial hit*, December 10, 2014.
3. Ramstad, Evan, and Lee, Thomas, Minneapolis Star Tribune, *Target says data breach puts up to 110 million people at risk*, December 10, 2014.
4. Greenberg, Adam, SC Magazine, *Target breach spurs Vermont senator to reintroduce data privacy bill*, December 9, 2014.
5. Rosenblatt, Seth, cnet, *Credit card hackers hit Neiman Marcus*, January 10, 2014.
6. Fox News/Reuters, *More retailers reportedly hit by cyber attacks*, January 12, 2014.

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4. Gertz, Bill, Washington Free Beacon, *China Orders Foreign Fishing Vessels Out of Most of the South China Sea*, January 7, 2014.
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6. AP, Philippines, Vietnam condemn China's new fishing law that reinforces claim on South China Sea, January 10, 2014.
7. AP, Philippines, US: China's new rules on fishing in South China Sea 'provocative and potentially dangerous', January 8, 2014.
8. Everard, John, The Telegraph (UK), *Are China, Japan and South Korea fanning the flames of war?*, January 6, 2014.
9. South China Morning Post, *Japan boosts military ties with India as it seeks to counter China*, January 7, 2014.
10. Gertz, Bill, Washington Free Beacon, *General: Strategic Military Satellites Vulnerable to Attack in Future Space War*, January 8, 2014.
11. Boston Herald/AP, *Most dangerous temps in decades push across US*, January 6, 2014.
12. Friedman, Sam, Fairbanks Daily News-Miner, *Weak year for aurora may not have stopped tourists*, December 28, 2013.

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The merchant has no country—Thomas Jefferson

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China still is confronted with domestic unrest. For instance, the communist government reported 8 terrorists were killed in Xinjiang, located in Western China [1]. Then in Russia, terrorists bombed a trolley that killed at least 10 people [2]. In response to the Latest terrorist attack, Vladimir Putin vowed to destroy all terrorists [3]. Since the US left Iraq, that country continues to slide into more terrorism. Case in point, Al Qaeda forces captured the Iraq city of Fallujah [4]. Readers may recall that nearly 100 American warfighters died in securing Fallujah [5]. One article indicates that Al Qaeda now controls more area in the Middle-East than at any other time in its history [6].

On the plus side, Al Qaeda is actively battling the Iranian backed Hezbollah organization. For example, a bomb explosion in the Hezbollah controlled area of Beirut killed at least 4 people [7]. Additionally, Syrian rebels are fighting Al Qaeda forces for control of a provincial capital

[8]. The rebels may be getting the upper handle. For instance, after nearly a week of fighting, the Al Qaeda terrorists were calling for a cease fire [9]. By one estimate, the number of people killed due to the recent infighting is nearly 500 [10].

1. USA Today/AP, *China says police kill 8 'terrorists' in Xinjiang*, December 30, 2013.
2. Myers, Steven Lee, *New York Times, Bombings Jolt Russia, Raising Olympic Fears*, December 29, 2013.
3. Oliphant, Roland, *The Telegraph (UK), Vladimir Putin vows 'total annihilation' of terrorists after Volgograd bombings*, December 31, 2013.
4. Sly, Liz, *Washington Post, Al-Qaeda force captures Fallujah amid rise in violence in Iraq*, January 3, 2014.
5. Goldman, Russell, *ABC News, Americans Who Fought in Fallujah Watch al Qaeda Make Comeback*, January 3, 2014.
6. Bergen, Peter, and Rowland, Jennifer, *CNN, Al Qaeda controls more territory than ever in Middle East*, January 7, 2014.
7. Morris, Loveday, and Sly, Liz, *Washington Post, Bomb explodes in Hezbollah-controlled area of Beirut, killing at least 4*, January 3, 2014.
8. Bulos, Nabih, and McDonnell, Patrick J., *Los Angeles Times, Syria rebels fight Al Qaeda ally for control of key city*, January 6, 2014.
9. Fahmy, Omar, *Reuters, Syrian Qaeda branch urges truce to halt rebel infighting*, January 7, 2014.
10. Fox News, *Nearly 500 dead in clashes between rebel groups in Syria, activists say*, December 10, 2014.

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*Abandon hope, all ye who enter here—Dante Alighieri*

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Economy

For the week ending December 28, the number of first time unemployment claims reported by the Labor Department was 339,000 [1]. For the following week, the number reported was 330,000 [2].

Meanwhile, the news on the jobs front is not good. While the percentage now used by the Labor Department fell to 6.7%, the reason is more people left the workforce [3]. Only 74,000 jobs were added during December [4]. At the same time, 347,000 dropped from the workplace [5]. We can conclude that the unemployed rate reported by the Labor Department is meaningless and masks a systemic problem.

As the US continues to contract, China is gaining ground. Case in point, the communist government announced its 2013 trade surplus increased to \$259.75 billion [6]. This included a \$25.6 billion trade surplus for December [7]. The US takes another month to report trade numbers. However, for November, the US trade deficit was reported at \$34.3 billion [8]. Of this, the trade deficit

with China was \$26.9 billion [9]. China also claims the title of the world's largest trader [10]. Until the US gets serious with China's one sided trade practices, we expect additional meaningless unemployment rate reporting will originate from Labor Department.

One way to gage the recovery is to see how much disposable income is spent on entertainment. To this end, for the fifth row in a year, Casinos in Las Vegas reported a loss; with the latest at \$1.36 billion [11].

1. Jamrisko, Michelle, Bloomberg, *Jobless Claims in U.S. Fall to Lowest Level in a Month*, January 2, 2014.
2. Campos, Rodrigo, Reuters, *Wall Street up after claims data; Macy's jumps*, January 9, 2014.
3. Los Angeles Times/AP, *U.S. economy adds just 74,000 jobs in December*, January 10, 2014.
4. Chandra, Shobhana, Bloomberg, *Payrolls Rise Less Than Forecast; U.S. Jobless Rate at 6.7%*, January 10, 2014.
5. Prial, Dunstan, Fox News, *U.S. Economy Adds*

*74K Jobs in December, Well Below Views*, December 10, 2014.

6. Bradsher, Keith, New York Times, *Even as Wages Rise, China Exports Grow*, January 9, 2014.
7. Shao, Xiaoyi, and Yao, Kevin, Reuters, *China December export growth slows*, January 10, 2014.
8. Mutikani, Lucia, Reuters, *Weak imports drive U.S. trade deficit to four-year lows*, January 7, 2014.
9. Hotakainen, Rob, McClatchy, *U.S. exports on record pace, but so is trade deficit with China*, January 7, 2014.
10. BBC News, *New titleholder? China says it is world's largest trader*, January 10 2014.
11. Chereb, Sandra, AP, *Nevada's biggest casinos lose \$1.35B in 2013*, January 10, 2014.

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Mystical references to society and its programs to help may warm the hearts of the gullible but what it really means is putting more power in the hands of bureaucrats—Thomas Sowell

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China Pollution

Soil and air pollution are serious problems for China. For instance, Chinese officials announced only 8 million acres are unfit for farming due to pollution; however, expects estimate up to 60 million (on fifth of all land) [1]. What's more, Chinese official ap-

proved 100 million tons of coal production during 2013; 6-times more than the previous year [2].

1. Washington Post/AP, *Chinese official: Soil pollution hurts farming*, December 30, 2013.
2. Reuters/VOA, *China*

*Approves Massive New Coal Capacity Despite Pollution Fears*, January 8, 2014.