

IN THE NEWS

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World News

There can be no question that Iraq has become a more violent battlefield following the successes of the ISIS terrorists. The situation will not be resolved anytime soon. For example, Iraqi Government forces attempting to retake the city of Tikrit were initially repelled [1]. One report indicates the Iraq Government, with the help of Shiite fighters, retook Tikrit [2]. Meanwhile, Iraqi warplanes bombed ISIS terrorists fighting for control of Iraq's largest oil refinery [3]. Moreover, Iran's role in protecting Iraq continues to expand. For example, highlighting the role of Iran's Air Force; an Iranian pilot was reportedly killed [4]. This follows reports the 10 Russian supplied Su-25 ground attack aircraft may be flown by Iranian pilots [5].

While most eyes are focused on the Middle East, China continues its expansion in the South China Sea. In turn, this turmoil has started an arms race. For instance, Vietnam plans to build 32 patrol ships [6]. More problematic, some worry that China's claim to most of the South China Sea could result in the next world war [7]. What's more, Japan's government has re-interpreted its constitution to allow defending other countries [8]. All the while, there seems to be no effort by China to defuse tensions. Case in point, Japanese officials protested a Chinese newspaper depiction of nuclear mushroom clouds over Japan [9].

For its part, China is rushing forward to construct new nuclear powered submarines [10]. As China continues to expand its military, the US is taking the opposite approach. For example, by 2018, 50 of the current 450 Minuteman missiles will be taken off duty [11]. To make this nuclear reduction seem reasonable, the Chinese arsenal is drastically under reported. For instance, most news article suggests China has only 250 nuclear warheads [12].

1. Fox News, *Iraqi forces reportedly pull back from Tikrit amid fierce fighting with ISIS militants*, June 29, 2014.
2. al-Rubei'I, Isra'a, and Fick, Maggie, Reuters, *Iraqi airstrikes target Islamic militants*, July 4, 2014.
3. Abdul-Zahra, Qassim, AP, *Iraqi airstrikes target Islamic militants*, July 4, 2014.
4. Rezaian, Jason, Washington Post, *Iran confirms death of Iranian pilot in Iraq*, July 5, 2014.
5. Aviation Week & Space Technology, *Russian Su-25s to Iraq*, July 7, 2014.

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Security

Once again, indications of state sponsored cyber espionage are raising concerns over sabotage fears. For instance, energy firms in Europe appear to have been victims of cyber espionage orchestrated by sources in Eastern Europe [1].

Perhaps the most visible

state sponsor of hacking is China. For instance, Chinese hackers gained access to OPM databases, targeting people with top secret security clearances [2]. This is a classic example of how current security approaches are simply not effective in addressing today's threats. Rather than applying security engineering up front,

paper driven processes that focus on known exploits are norm.

One of the reasons malicious software is so successful is due in part to the incredibly poor quality of software currently in use. Case in point, the US Selective Service System in Penn-

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Special points of interest:

- US is now the largest oil producer in the world
- Iraq informs UN ISIS now has chemical weapons
- ISIS seized 88 pounds of uranium products at a research lab

Security

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sylvania sent out 14,000 notices to people born in the 1800's that they had to register for the military draft [3]. So even after all the work done to correct the year 2,000 bug, problems remain.

1. Ranger, Steve, ZDNet, *Hacker raid on energy companies for secrets raises sabotage fears*, July 1, 2014.
2. Schmidt, Michael S., et. al., New York Times, *Chinese Hackers Pursue Key*

Data on U.S. Workers, July 9, 2014.

3. CBS News, *U.S. agency sends 14,000 draft notices - to men born in 1800s*, July 10, 2014.

World News

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Revenge is not a noble sentiment, but it is a human one—Rudy Giuliani

6. AP, *Amid China spat, Vietnam to build 32 patrol ships*, July 4, 2014.
7. Business Insider, *This Map Shows Why The South China Sea Could Lead To The Next World War*, July 10, 2014.
8. AP, *How Japan can use its*

military after policy change, July 1, 2014.

9. Yamaguchi, Mari, AP/ABC News, *Japan Protests China Paper's Map of Atomic Clouds*, July 9, 2014.
10. Gertz, Bill, Washington Times, *Rising red tide: China's Navy in frenzy to build new nuclear-powered*

attack subs, July 4, 2014.

11. AP/Fox News, *A look at the Minuteman missile, mission, future*, July 8, 2014.
12. New York Times, *India's Role in the Nuclear Race*, July 5, 2014.

Terrorism

The ISIS terrorists have announced yet another name change. They now wish to be called the Islamic State (IS) [1]. We will continue to refer to it as ISIS until IS becomes the norm.

The civil war in Iraq is well rooted in battle amongst terrorists. All indications are this civil war will continue for a long time. For instance, mortar rounds hit the golden-domed al-Askari mosque, considered one of Shiite Islam's holiest sites [2]. In Mosul, the ISIS terrorists destroyed a number of Shia mosques, shrines, and Christian churches [3].

The impact of terrorism to Western nations continues to increase. For instance, fears of new hard to detect bombs will burden legitimate travelers with additional security checks [4].

As the US contemplates releasing more captives in the war against terrorism; it's worth examining who wrong things can go. For instance, the current leader of the ISIS terrorist organization, who was once in US custody, now has a \$10 million bounty for his capture or killing [5].

One would think that terrorist organizations such as Hamas would focus on the threats from other terrorists such as ISIS. However, this is not the

case. For instance, Hamas launched rockets deep into Israel [6]. What's more, the rockets Hamas uses are reported to come from Iran [7].

Confirming our fears, the Iraq government informed the UN that the Muthanna facility north of Baghdad, containing two bunkers of undestroyed chemical weapons, was seized by ISIS and surveillance cameras showed the terrorists looting the facility [8]. Included at the site are 2,500 degraded chemical rockets filled decades ago with the deadly nerve agent sarin and 605 one-ton mustard containers with residues [9]. If this news on chemical weapons was not bad enough; one report indicates the terrorists secured 88 pounds of uranium products at a research facility [10].

1. Jerusalem Post, *ISIS becomes IS*, July 7, 2014.
2. Vinograd, Cassandra, MSNBC, *Mortars Fired at Samarra Mosque Stoke Fears of Renewed Iraq Civil War*, July 1, 2014.
3. BBC News, *In pictures: Isis destroys Iraq shrines*, July 5, 2014.
4. Sciutto, Jim, and Perez, Evan, CNN, *Tighter security ordered for some U.S.-bound flights*, July 3, 2014.
5. VOA, *US Has \$10M Bounty on ISIL Leader It Previously Held*, July 6,

2014.

6. Booth, William, and Eglash, Ruthm Washington Post, *Israel steps up offensive against Hamas*, July 8, 2014.
7. Kredo, Adam, Washington Free Beacon, *Israeli Ambassador: Hamas Using Iranian Rockets to Attack Israel*, July 10, 2014.
8. Nichols, Michelle, and Ryan, Missym Reuters, *Iraq tells U.N. 'terrorist groups' seized former chemical weapons depot*, July 8, 2014.
9. CBC/AP, *Iraq says 'terrorists' seize ex-chemical weapons site*, July 8, 2014.
10. Nichols, Michelle, Reuters, *Iraq tells U.N. that 'terrorist groups' seized nuclear materials*, July 9, 2014.

Iraq is a long way from the U.S., but what happens there matters a great deal here. For the risks that the leaders of a rogue state will use nuclear, chemical or biological weapons against us or our allies is the greatest security threat we face.—Madeleine Albright

Economy

As inflation continues it should come as no surprise the stock market also increased. Case in point, the Dow Jones Industrial Average reached an all-time high [1]. Perhaps the biggest hope for an economic recovery lies in the fracking industry. Case in point, The US surpassed Russia and Saudi Arabia to become the biggest oil producer in the world [2].

The Bureau of Labor Statistics released unemployment numbers for June. While most news reports the narrow U-3 at a 6.1% unemployment rate, the more meaningful U-6 indicates a much larger 12.1% rate [3]. For the week ending June 28, the number of first time unemployment claims reported by the Labor Department was 315,000 [4]. Then for the following week, the number reported was 304,000 [5].

World Trade Organization member states are urging China to make its trade policies transparent [6]. And more good news for China; strong

US demand for Chinese products increased their trade to 7.2% over the same period last year [7]. Of course, having opaque trade policies helps foster one-sided trade practices so we don't expect China to willingly act on the recommendations. Meanwhile, the US is pressing China over its practice of currency manipulation [8]. A question here is why would anyone expect China to alter its unfair trade practices? They employ their people while economically crippling potential adversaries. One indication of how the wealth of the US has enriched other countries is look at the size of banks around the world. To this end, the US only has one bank, JPMorgan Chase & Co. at No. 6, in the top 10 [9].

1. Gibson, Kate, CNBC, *US stocks close at records; Dow near 17,000*, July 1, 2014.
2. Smith, Grant, Bloomberg, *U.S. Seen as Biggest Oil Producer After Overtaking Saudi Arabia*, July 4, 2014.

3. CNBC, *What's the real unemployment rate?*, July 3, 2014.
4. Chandra, Shobhana, Bloomberg, *Payrolls Jumped as U.S. Jobless Rate Fell to 6.1% in June*, July 3, 2014.
5. Puzzanghera, Jim, Los Angeles Times, *Weekly jobless claims fall to 304,000, near seven-year low*, July 10, 2014.
6. AFP, *China's trade policies still too opaque: WTO members*, July 3, 2014.
7. Magnier, Mark, and Silk, Richard, Wall Street Journal, *China Exports Strengthen on U.S. Demand*, July 10, 2014.
8. Davis, Bob, Wall Street Journal, *U.S. Presses China on Currency*, July 9, 2014.
9. Yerak, Becky, Chicago Tribune, *Only 1 U.S. bank among world's top 10*, July 8, 2014.

*Where justice is denied,
where poverty is enforced,
where ignorance prevails,
and where any one class is
made to feel that society is
an organized conspiracy to
oppress, rob and degrade
them, neither persons nor
property will be safe.—*

Frederick Douglass
