

IN THE NEWS

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World News

China continues to build its military presence in the South China Sea. For instance, commercial satellite photos reveal new construction of a helicopter base on Nanji Island [1]. Overall, China is constructing 5 artificial islands in the South China Sea [2]. The largest island, Fiery Cross Reef, is large enough for an airfield that could accommodate most of China's military aircraft [3]. Elsewhere, the Chinese military buildup include three new land based ICBMs [4].

While most of the world is ignoring the Russian conquest of the Ukraine, the fighting continues. For instance, Russia is using the Ukraine war to test its new electronics, tanks, and missiles [5]. Moreover, Russia, through its rebel proxies, captured 193 square miles of Ukraine territory during the past 5 months [6]. It appears the West has decided to allow Russia to conquer the Ukraine. For instance, one report indicates Germany's Angela Merkel claims the Ukraine will not be solved by military means [7]. Unfortunately, Ukraine's military cannot stop the Russian tanks [8]. As a final note, the Russian rebels are massing to attack key Ukrainian towns [9].

Meanwhile, fighting in the Middle East continues. On the plus side, the Islamic State (IS) admitted the city of Kobani fell [10]. In another positive development, Jordan launched a retaliation campaign, bombing Islamic State (IS) targets in Syria and Iraq [11]. However, there is fighting around the capital city of Damascus. Case in point, at least 21 people were killed in rocket and mortar attacks around Damascus [12].

1. Gertz, Bill, Washington Free Beacon, *Photos Show China Military Buildup on Island Near Senkakus*, January 27, 2015.
2. Cloud, David, Los Angeles Times, *China's man-made islands in disputed waters raise worries*, January 28, 2015.

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Security

One risk for many systems is software vulnerabilities that are discovered after product release. For instance, one report indicates the majority of military systems have vulnerabilities resulting from older software [1]. As old software exploits are discovered, systems reliant on vulnerable code are in turn at risk.

Once again, China teaches us a valuable security lesson, if we're ready to learn. The communist giant is continuing to spur domestic chip manufacturing as a cyber-security enhancement [2]. That is, while most are focusing on software vulnerabilities, China has the foresight to address the semiconductor chips used to power information technology.

nology.

Meanwhile, the current crop of software continues to get security patches. Case in point, Apple fixed 33 bugs as part of its iOS 8.1.3 update [3].

In other troubling news, bad actors continue to exploit commercial systems. For example, the number 2

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Special points of interest:

- Breach at the number 2 health insurer, Anthem Inc.
- Labor Department reports 5.7% unemployment rate for January

Security

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health insurer, Anthem Inc., was breached [4]. By one estimate, 80 million records are at risk [5]. Interestingly, there are indications China was behind the breach [6].

1. Colón, Marcos, SC Magazine, *Report: Most U.S. weapons programs contain 'significant vulnerabilities'*, January 26, 2015.
2. Dou, Eva, and Clark,

Don, Wall Street Journal, *China Looks to Prop Up Domestic Chip Makers*, January 27, 2015.

3. Robinson, Teri, SC Magazine, *Apple fixes 33 security bugs with iOS 8.1.3 update*, February 2, 2015.
4. Kurane, Supriya, and Finkle, Jim, Reuters, *Health insurer Anthem hit by massive cybersecurity breach*, February 5, 2014.
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Anthem hacked, millions of records likely stolen, February 5, 2014.

6. Harwell, Drew, and Nakashima, Ellen, Washington Post, *China suspected in major hacking of health insurer*, February 5, 2015.

*Tragedy is a tool for the
living to gain wisdom, not
a guide by which to live—*

Robert Kennedy

World News

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3. Bender, Jeremy, Business Insider, *China is building a string of artificial islands to fortify its position in the disputed South China Sea*, January 30, 2015.
4. Gertz, Bill, Washington Free Beacon, *Pentagon Warns of Chinese Arms Dominance*, January 28, 2015.
5. Giles, Keir, BBC News, *Ukraine crisis: Russia tests new weapons*, February 5, 2015.
6. Bender, Jeremy, Business Insider, *Alarming GIF shows Russian-backed rebels*

slowly taking over eastern Ukraine, February 5, 2015.

7. Johnston, Chris, The Guardian (UK), *Ukraine crisis will not be solved by military means, says Angela Merkel*, February 7, 2015.
8. Peter, Laurence, BBC News, *Ukraine 'can't stop Russian armour'*, February 6, 2015.
9. Vasovic, Aleksandar, Reuters, *Russian-backed rebels massing to attack key Ukrainian towns: Kiev*, February 7, 2015.
10. Mroue, Bassem, AP, *Islamic State fighters admit defeat in Syrian town of*

Kobani, January 31, 2015.

11. Stanglin, Doug, and Welch, William M., USA Today, *Jordan pounds Islamic State targets inside Iraq, Syria*, February 5, 2015.
12. Aji, Albert, and Hadid, Diaa, AP, *At least 21 die in Damascus as Syrian government forces, rebels trade tit-for-tat salvos*, February 5, 2015.

*We, therefore, here in
Britain stand shoulder to
shoulder with our
American friends in this
hour of tragedy, and we,
like them, will not rest
until this evil is driven
from our world—Tony
Blair*

Radical Islamic fighting claimed the lives of 30 police commandos in the Philippines [1]. Then in Pakistan, a bomb blast to a Shiite mosque killed at least 35 people gathering for Friday prayers [2].

In the Middle-East, it looks like the Islamic State achieved another terrorist goal. Case in point, one report indicates Jordan was ready to swap a terrorist sentenced to death for both the remaining Japanese hostage and a captured Jordanian pilot [3]. However, it appears the Jordanian pilot was burned alive in a cage last January [4]. One of the consequences of burning the pilot; the United Arab Emirates withdrew from the coalition against the IS [5]. In contrast, Jordan executed two al-Qaeda prisoners, including the one demanded in exchange for the pilot [6]. Meanwhile, the IS captured another oil facility in northern Iraq [7].

The fighting in Iraq is taking a heavy toll in lives. For instance, the UN estimates at that during January, least 1,375 people were killed in Iraq [8].

The IS appears to be destroying art and literature that does not conform to its strict religious beliefs. For instance, when IS captured Mosul, its fighters removed non-Muslim books from the Central library

Terrorism

[9].

Moreover, it appears the IS terrorist organization is expanding beyond Syria and Iraq. Case in point, according to the DIA testimony to House Armed Services Committee, the IS now has a foothold in Libya [10]. Moreover, in the United States, 6 people (Bosnian natives) were indicted for trying to support the IS and al Qaeda terrorist organizations [11].

Another concern in the Middle-East is the stability of Saudi Arabia. For instance, on January 30, US contractors were shot at [12].

1. AP/Ney York Post, 30 Filipino commandos killed in clash with Muslim insurgents, January 25, 2015.
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3. Onyanga-Omara, Jane, and Stanglin, Doug, USA Today, *Jordan is ready to trade inmate for pilot held by ISIL*, January 28, 2015.
4. al-Khalidi, Suleiman, Reuters, *Jordan vows 'earth-shaking' response to pilot's killing*, February 3, 2015.
5. Spencer, Richard, The Telegraph (UK), *Blow to anti-Isil coalition as United Arab Emirates stops air strikes*, February 4, 2014.
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8. Kalin, Stephen, Reuters, *At least 1,375 Iraqis killed in January, most of them civilians: U.N.*, February 1, 2015.
9. Salaheddin, Sinan, and Yacoub, Sameer N., AP, *Iraqi libraries ransacked by Islamic State group in Mosul*, January 31, 2015.
10. Gertz, Bill, Washington Free Beacon, *DIA: Islamic State Spreading Beyond Syria and Iraq*, February 3, 2015.
11. Emanuel, Mike, Fox News/AP, *6 indicted in alleged plot to support ISIS, Al Qaeda*, February 7, 2015.
12. AP, *US defense contractor says staff targeted in Saudi shooting*, February 1, 2015.

Economy

Good news for China; last year they created an estimated 13 million jobs and expect to create another 10 million this year [1]. A question here is how many of those jobs were because of unfair trade practices? In contrast, Russia's energy dependent economy is currently taking a beating with credit rating falling to junk status [2].

China continues to exploit foreign high tech industry trying to do business there. Case in point, tech companies are required to expose their internal designs and use Chinese approved encryption algorithms [3]. One sided trade eventually impacts US tech industry. For instance, IBM is currently in the process of a force reduction [4]. The question remains; how many of those jobs were lost due to unfair competition?

According to the Labor Department, the number of first time unemployment claims for the week ending January 24 fell to a 15-year low of 265,000 [5]. Then for the week ending January 31, the number of claims was 278,000 [6]. Additionally, the Labor

department reported strong jobs growth for January but the unemployment rate increased to 5.7% due to an increase in the workforce [7]. It should be noted that not everyone believes the Department of Labor metrics are meaningful. For instance, the CEO of Gallup believes the unemployment rate of 5.6% is not true [8].

In past newsletters, we have cited many examples where the US auto industry is subjected to unfair trade practices with Japan. Nevertheless, one Japanese auto giant, Toyota, is enjoying the open US market and is on track for its most profitable year ever [9].

There is more bad news for some US businesses. In a final blow, Radio Shack has filed for Chapter 11 bankruptcy protection [10].

1. Jourdan, Adam, and Jianxin, Lu, Reuters, *China's Li says to create 10 million jobs in 2015: China Daily*, January 26, 2015.
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3. Pagliery, Jose, CNN Money, *The cost of doing business in China: Spying*, January 29, 2015.
4. Perry, Tekla, IEEE Spectrum, *Massive Worldwide Layoff Underway At IBM*, February 3, 2014.
5. Bloomberg, *Jobless Claims in U.S. Plunge to 15-Year Low*, January 29, 2015.
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7. Stilwell, Victoria, Bloomberg News, *Jobs Report Crushes Expectations*, February 6, 2015.
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9. Soble, Jonathan, New York Times, *Toyota Profit Gets Lift From Favorable Exchange Rates*, February 4, 2015.
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For your benefit, learn from our tragedy. It is not a written law that the next victims must be Jews. It can also be other people,—
Simon Wiesenthal

Energy

After falling in price, the price of oil is starting to reverse. For instance, from a low below \$50 per barrel oil prices rose to nearly \$55 [1]. One factor in oil price increases; there is an ongoing oil worker strike impacting a number of US refineries [2].

Nevertheless, oil process are still down from last year and

one benefit is the impact to nations hostile to the US. For instance, Russia, Iran, and Venezuela have lost world power due to falling oil revenues [3].

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