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## Better-Management Newsletter 24 June 2015

Chinese hackers / Putin interview / Food forecasts / Oil - next scarcity / More Greek can-kicking

### Chinese hackers

The Chinese hack of US Government systems was so penetrative and widespread that the hack is the biggest victory in Cyber warfare of all time....

From Sinocism...

[“Attack Gave Chinese Hackers Privileged Access to U.S. Systems - NYTimes](#) last summer, officials lost the trail as some of the hackers changed focus again, burrowing deep into United States government computer systems that contain vast troves of personnel data, according to American officials briefed on a federal investigation into the attack and private security experts. Undetected for nearly a year, the Chinese intruders executed a sophisticated attack that gave them “administrator privileges” into the computer networks at the Office of Personnel Management...“This was classic espionage, just on a scale we’ve never seen before from a traditional adversary,” one senior administration official said. “And it’s not a satisfactory answer to say, ‘We found it and stopped it,’ when we should have seen it coming years ago.”  
**// given the US attempts to justify cyber espionage in the wake of Snowden's revelations it is going to have a hard time imposing sanctions on China for something that it has repeatedly declared was legitimate activity...that said, there should be costs imposed on whoever did this, though we should probably never hear about what was done in return**

*Related:* [Hunt for Deep Panda intensifies in trenches of U.S.-China cyberwar](#) Security researchers have many names for the hacking group that is one of the suspects for the cyberattack on the U.S. government's Office of Personnel Management: PinkPanther, KungFu Kittens, Group 72 and, most famously, Deep Panda. But to Jared Myers and colleagues at cybersecurity company RSA, it is called Shell Crew, and Myers' team is one of the few who has watched it mid-assault - and eventually repulsed it. Myers' account of a months-long battle with the group illustrates the challenges governments and companies face in defending against hackers that researchers believe are linked to the Chinese government - a charge Beijing denies.

And China’s blatant China Sea experiment must now be countered by military action or China will have won there too... Except Obama doesn’t have the balls for it... from Sinocism...

*“Related:* [China Voice: Cooperation prevails over confrontation in China-U.S. ties - Xinhua](#) Though progress has been made in China-U.S. relations since Xi and Barack Obama settled on building a new model of major-power relations during their first summit in June 2013, there are also some thorny issues between the two sides. The United States has intervened the South China Sea issue time and again lately. China firmly opposes it and reiterated that the

United States is not a party in the South China Sea disputes, which are between China and other claimants and should be handled by those directly involved. The situation has many people pondering how the two countries can avoid "Thucydides's trap" -- the notion an established power becomes so anxious about the rise of a new power that a struggle leading to war becomes inevitable. And how can they build their new-model relationship featuring peaceful coexistence and common development? China and the United States should realize that the targeting of this new relationship is a strategic choice by both sides and requires unremitting efforts despite challenges. The sides have more incentives to enhance communication and cooperation than they do differences.

*Related:* [Commentary: Upcoming China-U.S. dialogue key occasion for repairing trust - Xinhua](#) For those with a pessimistic view on China-U.S. ties, the above-mentioned U.S. moves could be fatal to further development of bilateral relations. Indeed they are detrimental. Therefore, Washington should be wise enough not to let a loose tongue further harm its overall relations with Beijing, given the increasing interdependence between the two countries. The S&ED, designed to promote mutual understanding, augment mutual trust and broaden mutually beneficial cooperation, has proven an efficient mechanism for the two sides to manage their disputes so as not to affect the overall health of bilateral ties. To build a new type of major-country relations, the two countries have many challenges to conquer and it is always imperative for them to enhance mutual trust, which is essential to further growth of any bilateral relations.”

One challenge is bad, but two unanswered challenges will destroy the illusion of USA being the sole global power. Some folks think that diplomacy will solve the problem in the China Seas...but I doubt it...anyway this is that argument...FYI..

[http://www.businessspectator.com.au/article/2015/6/24/china/australia-needs-diplomatic-sea-change-south-china-sea?utm\\_source=exact&utm\\_medium=email&utm\\_content=1426625&utm\\_campaign=kgb&modapt=](http://www.businessspectator.com.au/article/2015/6/24/china/australia-needs-diplomatic-sea-change-south-china-sea?utm_source=exact&utm_medium=email&utm_content=1426625&utm_campaign=kgb&modapt=)

China must be seen in the context of its strategic alliance...the SCO...

### **Putin interview**

While Vladimir Putin talks up his own agenda, that doesn't mean we should ignore his point of view. After all the SCO provides for joint defence...

<http://www.paulcraigroberts.org/2015/06/23/guest-column-vladimir-putin-3/>

In May Russia became China's largest oil supplier – heading off Saudi Arabia – with 930,000 bbls per day...as they draw closer together. More of Europe's current oil and gas imports are ready to be redirected to Russia from China.

### **Food forecasts**

We are often hearing about the wastage of food which could feed the starving billions. But our pollution of food sources and continued demand growth suggest we should be watchful.

1. We have been watching fresh water aquifers being exhausted (they take thousands of years to replenish).
2. We have been talking about the loss of topsoil.
3. We have been talking about how the ocean is being destroyed...this article is a bit long...but if you have time..c'mon, watch it and scare yourself to death...  
<https://www.youtube.com/watch?v=2zMN3dTvrwY>  
and this is a couple of years old.
4. We have been looking at honey bee die-offs. It may be coming to us soon...  
<http://www.stuff.co.nz/business/farming/agribusiness/69531572/bee-colonies-wiped-out-as-new-parasite-spreads-through-new-zealand>
5. We have been concerned about reliance on fossil fuels for both farming and fertiliser.
6. We have been watching folks getting bitter and twisted about supposed climate change...but of course pollution and overuse could be to blame for the symptoms they see.

Pope Francis has been told about this sort of stuff and that is what conditions his rather bizarre reaction and his latest Encyclical.

It is hard to be optimistic.

### **Oil - next scarcity**

The news from the Texas Railroad Commission is not too bright...

<http://oilprice.com/Energy/Crude-Oil/Texas-Production-Down-Gas-Takes-Biggest-Hit.html>

By year end, it wouldn't surprise me to see total US oil production down by a million barrels per day. Remember that oil production from every well already drilled drops by 70% per year. Because Bakken, Permian and Eagle Ford production requires more than 1300 drilling rigs operating to achieve steady state production, the writing is on the wall at the current oil prices.

When the next oil scarcity happens the global economy will take a hit from higher prices...and before then the hit will come from the bad debts in the shale oil patch.

### **More Greek can-kicking**

Meantime the printing of money can goose the Eurozones GDP, not that it means much. But at least there are signs that the Greek can will be kicked down the road a ways...from Seeking Alpha...

“[Economic activity in the eurozone](#) grew at the fastest pace in four years in June, providing the latest sign that a recovery in the region is gaining traction. Markit's Composite Flash Purchasing Managers' Index rose to 54.1 from 53.6 in May, boosted by momentum in Germany and France, the bloc's two largest economies. The data adds to the evidence that the ECB's massive stimulus program is taking effect and paints a brighter outlook for eurozone activity.”

But hey, June is not yet over... Also the deal offered by the Greeks does not yet meet IMF demands and the party may not back their leaders...

<http://www.telegraph.co.uk/finance/economics/11694357/Embattled-Alexis-Tsipras-faces-domestic-revolt-over-plans-to-implement-harsh-austerity-blitz.html>

Mohammed's comments on Greece are worthy of note...

[http://seekingalpha.com/article/3274385-10-things-you-should-know-about-the-crisis-in-greece?source=email\\_macro\\_view\\_eco\\_10\\_33&ifp=0](http://seekingalpha.com/article/3274385-10-things-you-should-know-about-the-crisis-in-greece?source=email_macro_view_eco_10_33&ifp=0)

Then there is the possibility of a Brexit and the border issues which now affect all states in the EU will likely be placed front and centre...

[https://www.stratfor.com/weekly/what-borders-mean-europe?utm\\_source=freelist-f&utm\\_medium=email&utm\\_term=Gweekly&utm\\_campaign=20150623&utm\\_content=read\\_moretext&mc\\_cid=407983c468&mc\\_eid=f6520e17b6](https://www.stratfor.com/weekly/what-borders-mean-europe?utm_source=freelist-f&utm_medium=email&utm_term=Gweekly&utm_campaign=20150623&utm_content=read_moretext&mc_cid=407983c468&mc_eid=f6520e17b6) Given the certainty of oil becoming less plentiful – despite our demand on it – we are still not finding the kind of alternatives to oil that would allow us to go onwards and upwards with continued economic growth.

Asia-Pacific's oil deficit will be worse even than Europe's...going forward...

<http://crudeoilpeak.info/asias-oil-consumption-at-record-high-while-production-peaked-in-2010>

On the technology side, I become more and more convinced that our solution could be somewhere in the formula  $E=MC^2$ . Not just fusion but also for energy storage devices. Meanwhile some new developments will be technology enablers, and others of not much use at all...how will handheld devices feed the starving millions in Africa...

<http://www.mauldineconomics.com/connecting-the-dots/its-a-small-small-handheld-world>

Boston Consulting Group believes that we are entering a time of plenty due to the huge amount of cash waiting to find a productive home. They could be right in the short term. Let's face it, the Chinese decision to relax controls over residents investing offshore will see the Chinese citizens with wealth (and there are a lot of them, look to invest in real estate and resources overseas. So Auckland, Melbourne and Sydney property prices look ready for another leap upwards. But with all bubbles, inflation becomes an issue and when supply of either money or resources is reduced all hell will break loose. Disaster will likely follow, just as night follows day. Just remember that there is far more debt sloshing around out there, than there are assets.

With less oil the sudden optimism could easily turn to dire pessimism.

It pays to be in the right place at the right time. Afghanistan celebrates a hero...but what if he hadn't been there?...

<http://www.bbc.com/news/world-asia-33241024>