

Chinese cyber spying may justify sanctions, US panel says

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The US-China Economic and Security Review Commission in its annual

report also flagged China's massive increase in military spending as a worry, citing its naval expansion as a threat to America's role in Asia.

The report accused China of "directing and executing a large-scale cyber espionage campaign," penetrating the US government and private industry.

"There is an urgent need for Washington to take action to prompt Beijing to change its approach to cyberspace and deter future Chinese cyber theft," said the commission, set up by Congress to make policy recommendations.

The report listed proposals aimed at "changing the cost-benefit calculus" for China including banning the import of the manufacturing giant's goods that are determined to include technologies stolen from the United States.

Other possibilities include restricting access to American banks for companies deemed to have used stolen technologies or banning travel to the United States for people involved in hacking.

The commission called for a combination of steps, saying China would likely "make only temporary or minor changes" in response to solo measures.

The report comes after months of disclosures from former US intelligence contractor Edward Snowden that America engaged in sweeping espionage worldwide, including the monitoring of online correspondence and tapping the communications of leaders of both friendly and rival countries.



A person walks past a 12-storey building in Shanghai alleged in an Internet security firm Mandiant report in February 2013, to be the home of a Chinese military-led hacking group

China has used Snowden's revelations to accuse US President Barack Obama of double standards, saying Beijing is also a victim of cyber espionage.

The commission's report said the United States and China have maintained dialogue on cybersecurity but quoted observers as estimating that Snowden's disclosures have set back US efforts "by at least six months."

"Frankly, yes, it has hurt the US ability to express concern. There's no question of that," Dennis Shea, the vice chairman of the commission, told reporters.

"I personally believe there is a distinction between what the United States does for security purposes and the whole scale economic espionage that's going on directed against the United States," he said.

In a report released in February, the security firm Mandiant said China was devoting thousands of people to, and has made a major investment in, a military-linked unit that has pilfered intellectual property and government secrets.

The commission said the Chinese unit decreased activity for about one month after the Mandiant report, but the reduction may have been because the US government shared information with Internet service providers.

US National Security Adviser Susan Rice, in a speech Wednesday at Georgetown University, said cyber espionage also hurt China "because American businesses are increasingly concerned about the costs of doing business" there.

"If meaningful action is not taken now, this behavior will undermine the economic relationship that benefits both our nations," she said.

The wide-ranging report warned that China, which has steadily ramped up its military budget as its economy soared to the world's second largest, may soon challenge US forces' dominant role in Asia.

People's Liberation Army "modernization is altering the security balance in the Asia-Pacific, challenging decades of US military preeminence in the region," it said.

China is "rapidly expanding and diversifying its ability to strike US bases, ships and aircraft" throughout the region, including areas it could not previously reach, such as the US Pacific territory of Guam, it said.

Quoting the Office of Naval Intelligence, the [report](#) said that China by 2020 will likely have 313-342 submarines—including around 60 that can fire intercontinental ballistic missiles or cruise missiles against ships.

Obama has pledged to "pivot" US foreign policy to pay greater attention to Asia in light of the rise of China, which has increasingly tense relations with US allies Japan and the Philippines over territorial disputes.

The commission called on Congress to fund shipbuilding to meet Obama's goal of stationing 60 percent of US warships in the Asia-Pacific by 2020, up from 50 percent.

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