

US files first charges on hacking, infuriating China (Update)

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Attorney General Eric Holder speaks at a news conference at the Justice Department in Washington, Monday, May 19, 2014. Holder announced that a U.S. grand jury has charged five Chinese hackers with economic espionage and trade secret theft, the first-of-its-kind criminal charges against Chinese military officials in an international cyber-espionage case. (AP Photo/Charles Dharapak)

The United States on Monday charged five members of a shadowy Chinese military unit with hacking US companies for trade secrets, infuriating China which summoned the US ambassador.

China also suspended cooperation on cyber issues.

Hacking has long been a major sticking point in relations between the world's two largest economies, but Washington's move marked a major escalation in the dispute.

In the first-ever prosecution of state actors over cyber-espionage, a federal grand jury indicted the five on charges they broke into US computers to benefit Chinese state-owned companies, leading to job losses in the United States in steel, solar and other industries.

Attorney General Eric Holder called on China to hand over the five men for trial in the steel city of Pittsburgh and said the United States would use "all the means that are available to us" should Beijing refuse.

President Barack Obama's administration "will not tolerate actions by any nation that seek to illegally sabotage American companies and undermine the integrity of fair competition," Holder told reporters.

"This case should serve as a wake-up call to the seriousness of the ongoing cyber threat," Holder told reporters.

The grand jury indicted each of the five—Wang Dong, Sun Kailiang, Wen Xinyu, Huang Zhenyu and Gu Chunhui—on 31 counts, which each carry penalties of up to 15 years in prison.

Prosecutors said that the five officers belonged to Unit 61398 of the People's Liberation Army.

A report last year by security firm Mandiant said that the unit had thousands of workers operating out of a nondescript, 12-story building on the outskirts of Shanghai where they pilfer intellectual property and government secrets.

China angered

China summoned US ambassador Max Baucus over Washington's indictment of the five Chinese military officers , state media said Tuesday.

Chinese assistant foreign minister Zheng Zeguang lodged a "solemn representation" with Baucus on Monday night, the official Xinhua news agency reported, citing the foreign ministry.

The hacking led to US job losses in the steel, solar and other industries, US officials say.

Beijing has in the past accused the US of hypocrisy on the grounds that Washington conducts sweeping surveillance around the world.

China's foreign ministry rejected the US indictment as "absurd" and suspended the activities of a bilateral cyber working group announced by US Secretary of State John Kerry when he visited Beijing last month.

Also Tuesday, Xinhua cited a spokesperson for China's State Internet Information Office as calling the US the biggest attacker of Chinese cyberspace.

It cited data from an official Chinese network centre as showing that from mid-March to mid-May, "a total of 2,077 Trojan horse networks or botnet servers in the US directly controlled 1.18 million host computers in China".

The network centre also said that during the same period, computers or IP addresses based in the US had carried out some 57,000 "backdoor" attacks and 14,000 "phishing" attempts, which typically involve emails whose origin is disguised in an effort to obtain login information.

The State Department voiced regret over China's move on the working group and said it expected a wide-ranging annual dialogue in July, for which Kerry is expected to visit Beijing, to go ahead as scheduled.

Obama has directly raised hacking concerns with Chinese President Xi Jinping, making it a major priority despite the wide range of issues confronting the two powers, from North Korea to climate change to Beijing's tensions with its neighbors.

While chances are nil that the five officers will stand trial, the Obama administration likely felt it needed to take a more public step as China has not addressed concerns, said James Lewis, a senior fellow at the Center for Strategic and International Studies.

"The Chinese now know that this is a serious problem in the bilateral relationship, and one they can't simply ignore," he said.

China has in the past accused the United States of hypocrisy as Washington conducts sweeping surveillance around the world.

Leaks by former government contractor Edward Snowden have alleged widespread US snooping in China including into telecom giant Huawei—whose own attempts to penetrate the US market have been blocked by lawmakers' concerns on national security.

Loss of US jobs

US officials said they investigated the unit for several years and believed that the hacking had contributed to "substantial" job and profit losses in the United States.

Hackers stole secret designs from Westinghouse, the US nuclear plant giant owned by Japan's Toshiba, just as it was negotiating with a Chinese

state-owned company, said John Carlin, the assistant attorney general for national security.

He said that hackers also stole pricing information from the computers of company SolarWorld to help Chinese competitors in the solar energy sector, in which China has invested heavily.

The indictment said that victims also included industry titans Alcoa and US Steel as well as the United Steelworkers labor union.

"This 21-century burglary has to stop," said Pittsburgh-based federal prosecutor David Hickton.

"We would not stand idly by if someone pulled a tractor trailer up to a corporate headquarters, cracked the lock and loaded up sensitive information," he said.

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