

US accuses China of cyber espionage

Tired of the constant violations and theft damaging U.S. companies, The White House has launched unprecedented criminal proceedings against the Chinese government. Yesterday, the Grand Jury of Pennsylvania explicitly denounced five Chinese military hackers, unit number 61398 of the third division of the People's Liberation Army, accused of stealing sensitive data from computers of six American companies in the field of nuclear, solar and other engineering sectors including Alcoa, U.S. Steel and Westinghouse. The charges relate to acts of "hacking" committed between 2006 and 2014, which by some estimates have caused business damages estimated at some USD\$ 400 billion a year. In particular, it seems that these hackers have used military and intelligence officials to commit their crimes. The crimes were also systematic and the US has taken advantage of the rising tensions to send the signal that "when is too much, is too much. It's time to react against these acts of cyber-espionage that have the sole purpose to illegally help Chinese industry in Beijing" said Obama, who added that the US government would no longer tolerate actions that aim to sabotage US companies or the goals of fair competition.

If China was going to challenge the WTO ruling on its export restrictions of rare earths, the US accusations will only serve to strengthen its resolve to maintain them. Indeed, Beijing has wasted little time in retaliating, calling the US accusations absurd, suspending the joint working groups confronting cyber espionage. Discussions on cybersecurity came to the fore last summer as China and the United States denounced cyber-attacks from other countries, agreeing to work together to stop it. Ironically, the US accusations were delivered just days after a visit to Washington of the Chief

of Staff of the Chinese Army, General Fang Fenghui. An American security company claimed in February 2013 that the Chinese army controlled hundreds, even thousands of hackers all over the world. Most though are based in China and the Chinese government is well aware of their activities, said Mandiant, one of the companies analyzing the U.S. government's computer security.

President Barack Obama has raised his game against China but not only in combating cyber-espionage. Indeed, the bilateral context in which the accusations were launched suggest a much deeper sense of mistrust.

China is about to overtake the United States to become the largest economy in the world according to the World Bank. The news was certainly noted in China – less so in the US and it represents a historic moment; it is no less than a shift in power from West to East, confirming the decline of the former and the inexorable rise of the latter. The World Bank may have jumped the gun a little because the statistics still show GDP in the USA to be worth more or less than twice that of China and the actual pass is not expected until 2020 at the earliest based on current growth rates. Nevertheless, even if Godzilla hit the movie screens again last weekend, the Chinese dragon is the one actually threatening Uncle Sam's smug face.

Both Chinese officials and US have feigned to ignore the World Bank numbers in a subtle game of brinkmanship where both countries have much to lose from an open confrontation in economic and geopolitical terms. Certainly, the Obama administration needs favorable news and would rather focus on statistics suggesting higher employment numbers rather than terminal decline, just a few years after a financial crisis and devastating recession, whose effects are still being felt. China, meanwhile, does not want to scare the world or raise domestic expectations as much of the population has yet to enjoy the fruits of its tremendous growth and while it rethinks aspects of the social and environmental costs of its

economic rise. Moreover, China, when GDP is seen through a pro-capita lens remains a poor country, because, at almost a billion and a half people it ranks 99th in the world in pro-capita GDP.

Then there are the growing tensions in the Pacific Rim as China and Japan are competing over economic and political influence. The US has pledged to back Japan's position in its dispute with China over the Senkaku Islands as well as returning to the Philippines, concerned with rising Chinese military power. For now, the United States and China remain more allies than they do enemies, but it is a fragile peace, threatened by the winds of trade and rising regional powers. It is no coincidence that China's growth has fueled the political tensions with Japan – as well as the Island dispute – another economic power in decline, which at one time had ambitions of regional hegemony in Asia. The United States still has the unique resources of renewal, innovation and enterprise that continues to attract immigrants from all over the world desperate to own a piece of the American dream. The United States exercises tremendous cultural, as well as political, influence in the world and China is in no position to challenge this.