

THE CYBERSECURITY CHALLENGE AND CHINA-USA RELATIONS

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Executive Summary

1. The rise in tensions between China and the United States in recent years includes cybersecurity which is the latest and most pressing non-traditional security issue. President Xi of China and President Obama of the United States met at an informal Summit from 7 to 8 June 2013.
2. At the Summit, President Obama tried to draw a line between government-to-government hacking (spying) and government-to-corporate sector hacking. For China, a country well known for its state-owned enterprises (SOEs) this difference is not as clear. In the US military spying is considered in the national interest and corporate spying is considered a crime.
3. The mid- to late-2009 hacking of Google was seen as a turning-point in the US-China bilateral relationship on the issue of cybersecurity, which fell in line with the change in the nature of cybersecurity threats.
4. Cybercriminals evaded detection by bypassing traditional defence mechanisms. This new generation uses organisational or personal information available on social networks to create 'phishing' emails and malware targeted at applications and operating systems typical in particular industries.
5. Attackers are increasingly sending initial "callbacks" to servers within the nation the victim resides. Thus, while a compromised system will communicate with a CnC server in one location, the cybercriminal may very well be in a different location. Previously hackers would base their servers in places far away from the targeted organisation. This is no longer the case.
6. It is important to keep the rhetoric surrounding the national security implications of cyberspace, cyber-security and cyber-war in perspective. All attacks to date have been sophisticated versions of three activities namely sabotage, espionage, and subversion.

7. A prevalent US strategy is *Active Cyber Defence*, ‘a range of proactive actions that engage the adversary before and during a cyber-incident’. China sees the United States as already having a significant presence in cyberspace affecting China.
8. President Obama and President Xi pledged to promote the establishment of a fair, democratic and transparent global internet management mechanism. The mechanism will be managed by the United Nations to build a peaceful, secure, open and cooperative cyberspace. However both sides are deeply suspicious of their respective approaches and policies, complicating the bilateral issue further.