

Cyber attacks run risk of wider instability

REUTERS, London

From the satellite pictures on Google Earth, Jinan looks like any other Chinese city -- sprawling construction sites, massive factory blocks, apartment buildings, a university, dozens of railway lines and wide-open plazas.

But according to the Internet giant, somewhere in the city -- the capital of China's eastern Shandong province -- are the computer servers used to try to steal the passwords of hundreds of Google e-mail account holders. They included senior US officials, human rights activists and journalists.

Perhaps, experts say, it came from the "technical reconnaissance bureaus" of the People's Liberation Army said to be based in the city. Perhaps it came from the technical college US investigators linked last year to a previous attack on Google that prompted it to temporarily quit mainland China.

But it also could have come from a laptop computer in the bedroom of a freelance hacker motivated either by patriotic fervour, official suggestion or simply the hope of financial reward.

And it could have come from a computer in Jinan that was hijacked from a location outside China, where officials have angrily denied any involvement. Hacking, they say, is a global problem and they are just as much a victim as anyone else.

Cyber security specialists say the truth may never be known. If anything, they say what is unusual about the Google case is that it was even detected. But it was, and now it could spark a major new diplomatic incident between Washington and Beijing.

"This looks like a fairly crass attempt at intelligence-



People use computers at an internet cafe in Taiyuan, Shanxi province.

REUTERS

gathering," said John Bassett, a former senior official at Britain's signals intelligence agency GCHQ and now associate fellow at the Royal United Services Institute. "It's incompetent in that the intruders were spotted quickly. The targeting looks wholesale and rather random ... It feels like an effort by B-team players that's gone badly wrong."

CYBER CONFLICTS MORE LIKELY TO ARISE

It's the kind of situation that is likely to arise more and more in the years to come as governments and non-state actors alike -- activists, criminal hackers, militants and more -- vie for information, power and access in cyberspace.

With Western and emerging powers pouring billions into not just cyber defenses but also increasingly powerful electronic weaponry that could down essential national infrastructure, some worry events could

one day spiral out of control.

The Stuxnet computer worm -- widely believed to have been a state-backed attack on Iran's nuclear program -- showed how cyber weaponry could target and damage physical systems. The concern is compounded by the possibility of an attack being blamed on the wrong country.

"There is a risk of unintended escalation in cyberspace," says Melissa Hathaway, a former senior US official on cyberspace now working as a private consultant. "It's very easy to mask where you're coming from."

No one has yet worked out what a proportional response might be to data theft, the apparent motive in the Google case -- particularly given that national intelligence agencies have long secretly stolen information from each other.

But in its new cybersecurity doctrine, Washington says no options would be off the table if

it were faced with a cyber attack that caused serious damage or cost lives.

"What the US has said is that there are a number of ways in which you could respond to cyber attacks including economic measures and perhaps also military measures," said US State Department coordinator for cyber issues Christopher Painter. "The most important thing is to build international consensus... it's not just China that we need to engage with. It is an important part of our agenda with every country."

The Google hacking attempt is the latest in a series of often sophisticated hacking cases, which have hit US defense giant Lockheed Martin, entertainment giant Sony and others.

China, often the first to be blamed, says it is being unfairly accused by countries that are simply unhappy at how Chinese growth is swiftly eroding Western economic, military and

geopolitical dominance.

Some experts say there is an element of double standards in play. Western states, particularly the United States and its allies, have long been occasionally suspected of using powerful signals intelligence agencies for diplomatic and business advantage. Nor have they eradicated cyber crime in their own backyards.

CONSENSUS SOUGHT

China, the United States and other powers all say they are trying to build consensus over how to deal with cybersecurity, anxious to avoid an unnecessary escalation in tension that could at worst fuel real-world conflict.

Contact between the United States and its allies on such issues is growing, albeit from a very low base. In a special report on cybersecurity last month, Reuters revealed for the first time secret proxy talks aimed at reducing tension.

This week in London, US and Chinese officials spoke at a cybersecurity conference organized by the US-based EastWest Institute. The think tank says it has been working at finding common ground between Washington and Beijing on tackling spam, a relatively noncontroversial area.

"Some people say building trust is impossible but it is getting better," EastWest Institute president and CEO John Edwin Mroz said. "Last year they sent someone but it wasn't an official. This year it was an official. Next year it should be someone even more senior."

At the heart of the problem, experts say, is that technology has leapt far ahead of the policy debate. US officials and others want at least some basic "rules of the road" clarified and accepted by all sides.

China to become global banking king by 2023

REUTERS, London

China could leapfrog the United States to become the world's largest banking economy by 2023, 20 years earlier than expected, raising pressure on western banks to brush off the effects of the credit crisis and head east.

According to a report published by consultants PricewaterhouseCoopers (PwC) on Friday, India is expected to leapfrog Japan to rank third in terms of domestic banking by 2035 -- and could pass China as its population rapidly ages.

PwC's chief economist John Hawksworth urged current banking leaders, whose power has been sapped by the credit crisis, to heed the accelerating shift in global economic power and claim a share of emerging markets' relatively unbanked populations.

"With populations of well over a billion each, access to markets like China and India is critical for growth," he said.

Chinese banks already dominate global rankings by market value, and some lenders have already secured heavy emerging market exposure to tap into booming demand for financial products from young and increasingly wealthy populations.

Banks in the fast-growing emerging markets (E7) of China, India, Brazil, Russia, Mexico, Indonesia and Turkey have been relatively shielded from the financial crisis that brought many western peers to their knees and sent asset values plunging.

With watchdogs determined to rein in institutions that presided over an exuberant era of high-risk expansion that culminated in a rash of taxpayer-funded bailouts, western banks are also contending with tough new regulations, which are curbing lending growth, while domestic populations age.

PwC, which based its report on projections for GDP and domestic credit and used net interest margins as a measure of profit, said E7 growth hinged on state investments in infrastructure, opening markets to fresh competition, reducing bureaucracy and budget deficits and increasing rural education.

Obama: Japan, Europe and fuel pose economic risks



US President Barack Obama shops for gardening gloves for First Lady Michelle during an announced visit to Fred's Pro Hardware, a local family owned business, Friday in Toledo, Ohio.

REUTERS, Washington

President Barack Obama is pointing to problems in Japan and Europe as challenges for the US economy, placing some blame on events abroad for a domestic recovery that is showing signs of slowing down.

Government data released on Friday showed employers in May hired the fewest number of workers in eight months and US unemployment rose to 9.1 percent, up from 9.0 percent in April.

That bump is a political challenge for the president, whose re-election in 2012 may depend on his ability to convince voters that his economic policies have been successful.

Part of his pitch will include steering attention to outside forces as causes for economic woes at home.

The president did just that in his weekly radio and Internet address, broadcast on Saturday, by highlighting "head winds" that are affecting the United States.

"Even though our economy has created more than two million private sector jobs over the past 15 months and continues to grow, we're facing some tough head winds," he said.

"Lately, it's high gas prices, the earthquake in Japan, and unease about the European fiscal situation. That will happen from time to time. There will be bumps on the road to recovery."

Republicans have zeroed in on those bumps, too, saying they are evidence that Obama's policies are not working.

Republican Senator Lamar Alexander, in his party's radio address, emphasised the need for more private sector job growth and flexibility with unions -- a key constituency for Obama's Democrats.

"Our goal should be to make it easier and cheaper to create private-sector jobs in this country," Alexander said. "Giving workers the right to join or not to join a union helps to create a competitive environment in which more manufacturers like Nissan and Boeing can make here what they sell here."

Weakness in private sector job growth is becoming a key talking point for Republicans, who see it as vulnerability for Obama ahead of the 2012 election.

The president, meanwhile, repeated his case that his administration's policies have helped job growth in the US auto industry, revived from near collapse with the support of government bailouts.

"All three American automakers are now adding shifts and creating jobs at the strongest rate since the 1990s," he said.

"That's remarkable when you think about where we were just a couple of years ago."

Obama on Friday greeted workers and toured a Chrysler plant in Toledo, Ohio, as he reminded voters that his 2009 auto bailout saved thousands of US jobs.

IMF frees up \$225m for Iceland

AFP, Washington

The International Monetary Fund said Friday it had okayed a sixth tranche of \$225 million in financing for Iceland, citing Reykjavik's "impressive progress" in post-crisis restructuring.

The IMF said Iceland's economy would likely return to growth this year, but still faced risks from inflationary pressures, delays in investment projects, joblessness and slow private sector debt restructuring.

It also approved the country's strategy on easing capital controls as "appropriately cautious."

"Given the scale of potential outflows, the removal of capital controls must proceed gradually. The authorities' intention to condition the pace of liberalisation on the balance of payments outlook and the stability of the financial system is appropriate," the IMF said in a statement after its latest review of the economy.

"A further build-up of international reserves will be important for the successful implementation of this strategy."

It also warned about the need to continue strengthening financial institutions, saying the government needs to "resist absorbing private sector losses" to maintain a sustainable level of public debt.

The government was managing the liabilities of its 2008 takeover of the failed bank Landsbanki through strong recovery of bank assets, according to the IMF.

But, it warned, "the resolution of the Icesave dispute through legal channels could increase fiscal risks."

World should double renewable energy by 2030: UN

REUTERS, Oslo

The world should more than double reliance on renewable energy by 2030 as part of goals to slow climate change in a drive that will need strong backing from the private sector, a senior UN official said on Thursday.

"The new goal is to have 30 percent of energy supplies from renewable sources by 2030," Kandeh Yumkella, head of the UN Industrial Development Organisation (UNIDO), told Reuters in a telephone interview.

About 13 percent of energy used now comes from renewable sources, mostly firewood burned in developing nations where many people lack electricity for needs such as lighting or heating. Hydro,

wind, geothermal and solar power play smaller roles.

The renewables target would add to a UN drive to widen supplies of electricity to everyone by 2030 -- about 2.5 billion people now have little or no access -- and to improve world energy efficiency by 40 percent by 2030, he said.

The push, to be known as the "30/30/30" goals, would be part of efforts to end poverty in developing nations and to combat global warming that the UN panel of experts says will bring more heatwaves, droughts, mudslides and rising sea levels.

Yumkella, chair of UN-Energy which coordinates energy work by UN agencies, also praised a drive for partnerships between the public and private sectors outlined on Thursday. "Without good public-private plat-

forms we can't do this," he said.

"Our dream is that we get a pledge of maybe 40 billion or more by the middle of next year for these goals from private companies," he said.

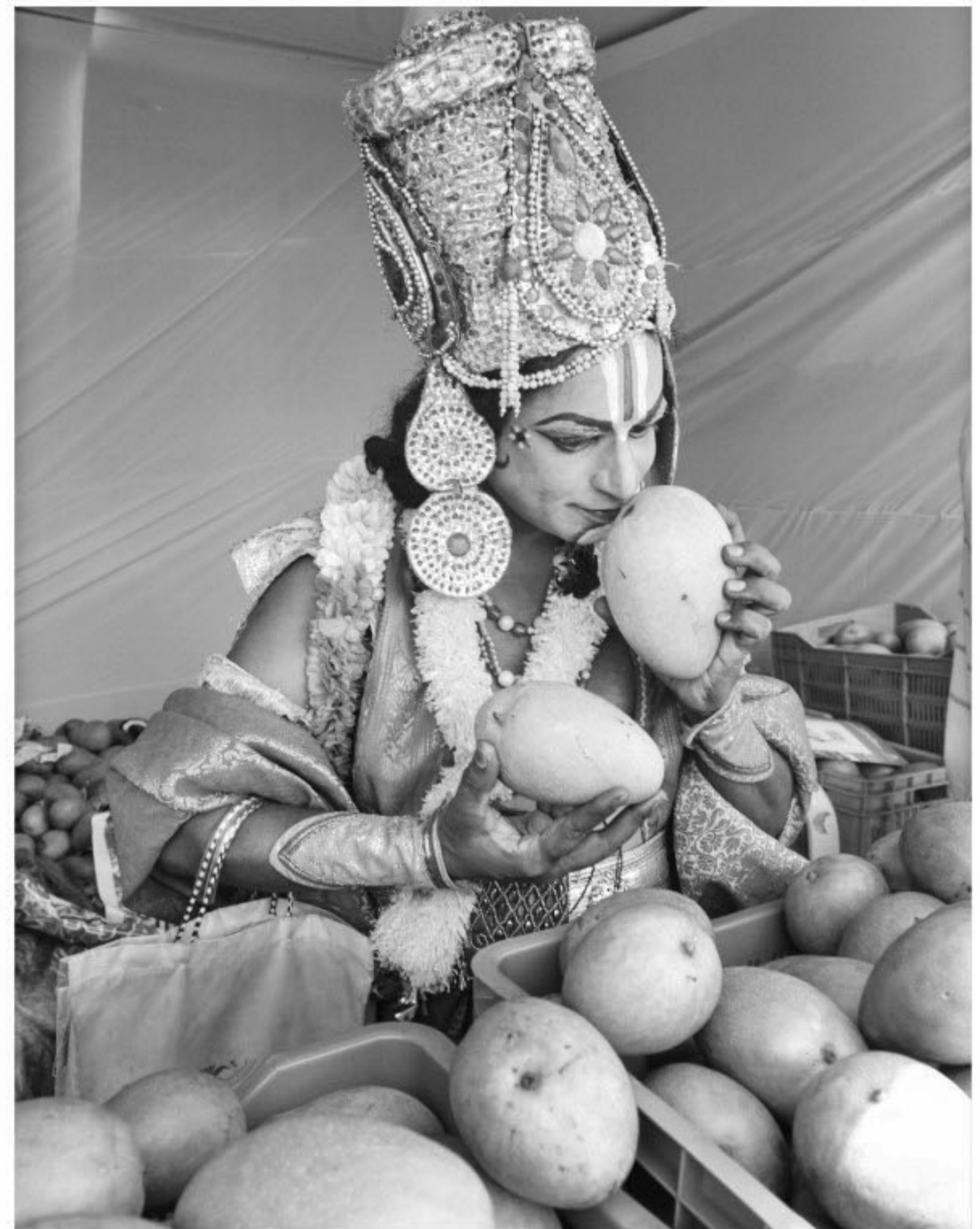
EARTH SUMMIT

Yumkella said that UN Secretary-General Ban Ki-moon would formally launch the 2030 energy goals this year, aiming for adoption by world leaders at a once-a-decade Earth Summit in Rio de Janeiro in June 2012 as part of a shift to a green economy.

It was unclear what it would cost to widen renewable energy use to 30 percent of all energy by 2030, he said.

Earlier estimates show that ensuring access to electricity for all by 2030 would require an extra \$35 to \$40 billion of capital every year.

Indian artist B Nookaji is dressed as Hindu God Lord Venkateshwara as he inspects different varieties of mangos displayed at a mango exhibition in Hyderabad yesterday. More than 200 varieties of mangoes were displayed by the farmers from the southern state of Andhra Pradesh at the three day exhibition hosted by the horticulture department.



AFP