

This time it's DIFFERENT

Global politics is at its most unstable since 1945 because the West's main competitors see the norms of the rules-based international order as threats to their regimes and as barriers to their ambitions.



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The US and its allies (including Australia) face the most challenging global security environment in decades. There have been more dangerous times, but there has never been a time when security challenges are as numerous, complex and interrelated or evolve at the speed at which they do today. The result is a world that is more unstable than at any time since World War II, one where great-power conflict is more likely than at any time since the Cold War.

The most significant threat we face is the weakening of the rules-based international order. That order was founded on two proven principles—that economic openness and integration lead to greater and more widely shared prosperity and that political openness, democracy and the protection of human rights lead to stronger societies and more international cooperation.

But this system, a network of alliances and international organisations supported by US leadership, is under great strain. For the first time since the Cold War, there is a debate

about whether democracy or authoritarianism is the best form of government and whether the free movement of goods and capital is the best way to organise the global economy.

This challenge is happening for several reasons. It is occurring because of the natural evolution of the world—namely, that the US no longer has the economic dominance it once possessed. It is happening because the US, for domestic political reasons, has stepped back from its global leadership role.

It is transpiring because our main competitors—China, Russia and Iran—see the norms of the system (democracy, human rights, a preference for negotiated solutions to disputes) as threats to their regimes and as barriers to their ambitions. (They want a world in which they gain veto authority over other nations' economic, diplomatic and security decisions.) This competition is so significant that there is an increasing possibility of a great-power war—something the US and its allies have not faced for a quarter of a century.

China is the most significant competitor. Indeed, it is the most formidable competitor the West has faced in its history. The country not only wants to restore its previous place as the dominant nation in Asia but also wants to extend its influence across the globe—and it wants to do so to further its own interests, not those of the world at large. Beijing wants countries in its sphere of influence to think first of what is in China's interest, not their own.

The significance of China's challenge is due to its mix of legitimate economic and diplomatic activities (those conducted within the rules of the current international system) and illegitimate ones. The former include investing massive amounts on educational and cultural programs to enhance its soft power and building its own set of free-trade agreements, institutions and programs that, while legitimate, are designed to exclude the US and increase China's influence. China's illegitimate activities include intellectual property theft for commercial gain, economic coercion to gain technology for its own companies, intervening in the politics of other countries to encourage policies that are more China friendly, seizure of contested territories, and ignoring rulings by international institutions that it does not find to its liking. China's aggressive industrial policies in pursuit of high-technology dominance often are in conflict with international economic norms.

Russia does not have China's economic advantages but it too seeks regional hegemony and great power status, and it is working towards that—entirely in illegitimate ways. Moscow is aggressively using conventional military activities, such as in Georgia and the Crimea; paramilitary activities to hide its interference in places as close to home as Ukraine and as far away as Syria and Libya; energy and trade manipulation to coerce neighbours; support to non-state actors to subvert US foreign policy goals; and cyber-attacks and information warfare to try to influence public opinion in other countries. Russia's aggressiveness rivals that of the Soviet Union at the height of the Cold War.

Like Russia, Iran has vivid memories of its imperial past and has aspirations for regional hegemony that come with them. It sees the US-led order in the Middle East, including the existence of Israel, as a roadblock to that hegemony. It is using illegitimate approaches to undermine the US and its allies, including supporting terrorists and insurgent groups in the region, all designed to expand its influence and weaken that of the US. Iran's ambitions to develop a nuclear weapon remain a key concern.

In addition to the revisionist powers, the rogue regime in North Korea is a major regional and strategic threat to the US. Kim Jong-un's primary objective is the survival of his regime, and he has long seen his strategic weapons program (the ability to attack the US homeland and bases and allies in Asia with nuclear weapons) as the key to deterring the US from moving against him and to coerce the US and its allies to provide the assistance he needs to survive.

It is too early to say whether or not the current diplomatic efforts will significantly reduce or eliminate the North Korean nuclear threat, but the signs are not good. Diplomatic success would be a major inflection point in US-North Korean relations, while diplomatic failure could lead again to hostile rhetoric and the risk of war.

Along with revisionist and rogue states, the West still faces a revolutionary threat—jihadist terrorism. These terrorists want to establish states governed by Sharia Law, and some even want to bring about a global apocalypse. There are many more jihadist extremists today in more countries around the globe than there were on 11 September 2001 due to state failure brought about by poor governance, regional conflict, and environmental challenges such as severe drought. We will need to defend ourselves from these groups for generations.

This is the strategic environment in which the US and its allies find themselves today. Global strategic stability during most of the post World War II period was hugely additive to global economic success. The lack of stability for the foreseeable future is likely to have the opposite effect. Stability is a factor that investors could once take for granted. Not any more. ▲

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