

"IN CONVERSATION"

with Michael Morell



Michael Morell,
former deputy
director of the Central
Intelligence Agency
of the US.



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The former deputy director of the CIA discusses the lack of a US policy on China, the threat of a war over Taiwan, Russian ransomware and the world's biggest threat.

Michael Morell, a former deputy director of the Central Intelligence Agency of the US, recently spoke with Hamish Douglass, Magellan's founder and CIO, about China, the US inquiry into the origins of the covid-19 virus, President Joe Biden's misstep over the growing cybersecurity threat from Russia, and what he views as the world's biggest risk.

Q: How would you describe US President Joe Biden's policy on China?

A: The puzzle is that the Biden administration has a broad China strategy and, at the same time, has no China strategy. Let me explain. Throughout the campaign and as President, Biden has talked about an approach to China that has two parts. One part is to build back better. That's the domestic economic piece, to build economic capabilities particularly with regard to technology. The other part is to rebuild relationships with allies and then use those relationships to pressure China.

The problem is there isn't anything beyond that. There is not a written piece of paper that defines the objectives of the US relationship with China. There's no paper that defines what the US wants China to look like, nor one on how the US will implement its China strategy. The reason for the vagueness is due to the lack of unanimity of views inside the Biden administration. The national security view is that the US should be as tough with China as was the administration of Donald Trump. At the other end of the spectrum, there are views such as those held by the Department of Treasury that the US should have a stable trading relationship with China, that the US shouldn't pressure the Chinese. The US will have a China strategy when we see Biden give a speech that defines his China policy.

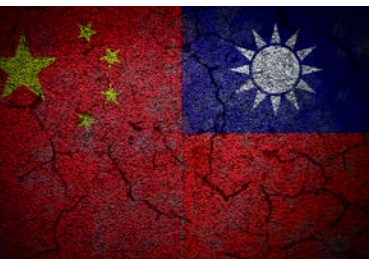
Q: How would you assess the threat that China poses to the US and its allies such as Australia?

A: We're not looking at a significant military threat. China doesn't have significant territorial ambitions and nor does it want to militarily impose its will around the world. But there are a couple of places to worry about. Taiwan is one. Others are the borders with Vietnam and India and the South China Sea.

China is more an economic, political and diplomatic threat. On the economic side, China practises anti-competitive behaviour and many of its economic ties are designed to squeeze as much economic rent as it can out of these relationships. The diplomatic threat covers what China wants from the world, which is to use its economic muscle to pressure nations to choose paths that are consistent with Chinese interests, which largely means Chinese economic interests. The political threat is the threat to free speech outside China. The Chinese government and Chinese companies often put economic pressure on foreigners to not criticise China. The result is companies and people not only self-censoring, but saying things about China that they know aren't true. Why does China do this? China is sensitive about stability at home and they don't want anybody outside China to threaten this. Beijing is willing to use its economic might to control the speech and censor speech that might put that stability at risk. These are the challenges posed by China.

Q: Do you think the US and its allies can slow the rising influence of China? Over the next decade, do you think countries will put their economic interests with China over human rights and other concerns?

A: The US is already seeing how China's economic strength is lowering the willingness of its allies to stand with the US against China. New Zealand is just one country, for instance, that says it's not willing to criticise China on human rights. How much more of this will there be in 10 years? From a probability perspective, I would put my money on China's continued rise relative to that of the US. That outcome would put more pressure on countries to choose between their relationship with the US and China. Ultimately, countries will side with their economic interests, if it's in their political interests.



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Q: Is China prepared to take Taiwan by force? If it did, how might the US respond? Is it in a position to respond militarily?

A: The decision about whether or not we will have a war in Taiwan in the short term will be made in Taipei or Washington, not Beijing. What does this statement mean? First, that the Chinese are unlikely to move against Taiwan unless they are provoked. China does not want war. China understands the significant risks of war with Taiwan and the price it would pay around the world. But if the Taiwanese declared independence, no doubt China would go to war. But that would be a war started by a Taipei decision, not by a decision by Beijing. How could the US provoke war in Taiwan? It could change its one-China policy. Washington could say we now recognise Taiwan as an independent country. China would feel the need

to respond, perhaps not with a full invasion of Taiwan but maybe by taking some Taiwanese islands. Beijing might even feel the need to respond if the US removed the ambiguity of whether it would defend Taiwan in case of Chinese aggression.

The US is arguing about whether or not it should be more forthright in saying that any Chinese attack on Taiwan would result in a US response. Washington has always been vague about whether it would defend Taiwan because it didn't want to encourage Taipei to make a wrong move. China's recent tough rhetoric and military moves around Taiwan are the Chinese responding to this debate in the US. But as long as Taiwan and the US do not provoke China, the Chinese will not act militarily. Beijing's goal remains the peaceful reunification of the two countries.

Q: Biden recently ordered an investigation into the origins of covid-19 and the possibility that it leaked out of the Wuhan lab. How likely is it that the investigation will come to a definitive conclusion that it leaked? Is there any intelligence that would support a leak from the lab? If not, why did Biden announce an inquiry that may lead nowhere?

A: It's hard to say what the intelligence community has on this question. But the strong suspicion is the intelligence community won't produce anything definitive on the origins of the virus. If it had evidence, it would have already leaked, especially when Trump was in power. The Director of National Intelligence is likely to conclude that no one knows the origins of the covid-19 virus and we're unlikely to find out. That then leads to your question as to why Biden asked for this inquiry. The answer is that he was under political pressure to do so. But we are unlikely to ever get an answer on the origins of the virus.

Q: Cyber risk is a growing risk in magnitude and frequency. Many of the ransomware attacks are reportedly from Russia. How should we think about these cybersecurity risks? And are we entering a cyber war between the US and Russia?

A: The answer to this is complicated. Let me start by saying that ransomware attacks are exploding. The FBI says that last year ransomware attacks generated about US\$25 billion for the attackers and attacks are increasing at a rate that could see this sum balloon to US\$300 billion in a few years. The attackers are not only encrypting the data but stealing data. Once a company pays for its network to be decrypted, it then receives a demand for payment if it wants to get back its stolen data. The problem largely stems from Russia but it's not the Russian government. It's Russian organised crime. But Putin is allowing it to happen. His intelligence and security services know the people doing this but they're allowing it to happen for two reasons. One is that Moscow supports anything that undermines the US and the West. The other is that the bosses of these hacker networks are some of Putin's political supporters. There are people, too, who work for Russian intelligence during the day and organised crime in the evenings, thus Putin is allowing government employees to earn more income. Putin is reluctant to shut this down and it's doubtful he will.

Q: Do you think that if there are many ransomware attacks and the media is blaming Russia, Biden will be forced to respond?

A: The answer to the problem of cyber attacks is better cyber defence by companies. That's what Biden should be pushing. But because Biden has now taken ownership of the problem, he has trapped himself. If he is forced to respond, it's likely to be sanctions against individuals and entities mixed with a cyber response. The cyber response would likely be using US cyber-attack capabilities to attack the infrastructure that's attacking us. The problem with sanctions is they haven't proved effective. The problem with a cyber retaliation is you destroy a server one day and the next day another server is attacking you.

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Cyber attacks are difficult to stop. Biden has made it difficult for himself here by not focusing on the best way to stop them.

Q: Iran. North Korea. The fragile US political situation. What do you think is the biggest risk for the world?

A: The biggest risk to the world remains US politics. It has not improved since Trump left office. Trump's hold over the Republicans remains strong. The elections of 2022 and 2024 are likely to be nasty, when two extremes clash with each other. When politics is roiled, it's difficult to make the right decisions about the economy and global leadership.

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