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The Multilateral Illusion:

How the West Chose Comfort

Over Reality — and What Comes Next

EXECUTIVE SUMMARY

The rules-based international order did not collapse suddenly. It was hollowed out over decades by a coalition of authoritarian states — Russia, China, Iran, and Venezuela — who used its institutions, norms, and financing mechanisms as weapons against the system itself. Western governments, trapped by short electoral cycles and the comfortable fiction of constructive engagement, chose repeatedly to look away. Donald Trump's disruption of global trade and security arrangements is not the cause of this disorder. It is its belated recognition.

This brief argues that the multilateral framework is functionally dead, that its death was long in coming, and that the West must now build a new strategic architecture grounded in leverage, not consensus. Strategic competition is no longer defined by economic scale or territorial control, but by dominance over system-critical chokepoints — across financial infrastructure, physical trade systems, technology supply chains, information networks, and energy and resource dependencies. The West retains significant advantages across each of these domains. The question is whether it can deploy them with strategic intent before those advantages erode.

1. The Fiction We Chose to Believe

For three decades following the Cold War, the Western liberal order operated on a foundational assumption: that integration into the global economic system would, over time, moderate authoritarian regimes. Trade would tame. Investment would democratise. Multilateral institutions would bind even bad actors to norms they would eventually internalise.

This was not naive. At its inception, it was a reasonable strategic wager. But as our own Western liberal traditions lost their philosophical grounding and moral courage, the rules based international order became a comfortable story that absolved successive governments of hard choices. When the evidence mounted that the wager was failing — that China was systematically stealing intellectual property while accessing Western capital markets, that Russia was funding projects to sow division and chaos while cashing energy revenues, that Iran was sponsoring proxy wars while negotiating in Geneva — the response was not strategic revision. It was diplomatic deferral.

Each successive government inherited the problem, conducted a review, assessed that catastrophic conclusion would not occur under their watch, and so reaffirmed commitments to dialogue, and passed the file to their successors. The can was not just kicked down the road. It was institutionalised.

The mechanism was electoral. Successive governments had ceded their political capital and so a genuine confrontation with authoritarian revisionism, would have required explaining to electorates why living standards might dip, why energy prices might rise, why strategic decoupling from China carried near-term costs. No democratic government facing a four or five-year electoral cycle found that calculus attractive. Engaging the fiction was cheaper — until it wasn't.

2. The Exploitation of Liberal Architecture

The revisionist bloc — Russia, China, Iran, and Venezuela, alongside affiliated actors including North Korea and various non-state proxies — did not simply resist the rules-based order. They weaponised it. This is the strategic insight that Western analysis persistently underweighted.

Russia

Russia used European energy dependency as a geopolitical lever for thirty years before the 2022 invasion of Ukraine. Nord Stream was not merely an infrastructure project — it was a strategic

instrument designed to fracture European unity. Simultaneously, Russian state actors exploited Western financial systems for capital flight and money laundering, while Russian information operations targeted democratic elections from France to the United States and they annexed territories from several neighbouring states. All of this occurred while Russia maintained its seat on the UN Security Council, participated in arms control negotiations, and extracted diplomatic legitimacy from Western interlocutors.

Indeed the English language statements about international law and rules based order were directly contradicted frequently by Putin's Russian language addresses, relying simply on the wilful ignorance of western politicians, complicit in maintaining the illusion that Russia was an equal and respectable player in the international community.

China

China's approach was more sophisticated and more consequential. Through the mechanisms of the WTO — which it joined in 2001 under commitments to market liberalisation that it systematically failed to honour — China gained access to Western technology, capital, and consumer markets while maintaining a closed, state-directed economy at home. The Belt and Road Initiative extended this model globally, creating debt dependencies that translated into political leverage. Meanwhile, the People's Liberation Army built artificial islands in the South China Sea, militarised them, and simply absorbed the ruling of the Permanent Court of Arbitration that found such actions illegal under UNCLOS. The ruling meant nothing. The islands remain.

Iran

Iran presents perhaps the most striking case of multilateral exploitation. The Joint Comprehensive Plan of Action, negotiated with considerable diplomatic effort, provided sanctions relief in exchange for nuclear programme constraints. Iran accepted the relief, continued its support for Hezbollah, Hamas, the Houthis, and Shia militias across Iraq and Syria, and made clear — through proxies and occasionally through direct statements — that its regional objectives had not changed. The architecture of multilateral diplomacy was used as cover for continuity, not transformation.

The common thread is this: the revisionist states understood the rules-based order as a strategic environment to be exploited, not a normative framework to be respected. They made commitments they had no intention of honouring. Western governments, knowing this at some level, chose to pretend otherwise.

3. Trump Is the Reaction, Not the Cause

The instinct of much Western commentary has been to treat the Trump administration's disruption of global trade and alliance architecture as the primary threat to international stability. This analysis inverts the causal sequence.

The multilateral order was already over before Trump's first term. The rules-based system had been selectively enforced, repeatedly circumvented, and demonstrably incapable of constraining the behaviour of states that had decided not to be constrained. It was a set of rules that applied only to the Western liberal democracies. What changed under Trump was not the underlying reality but the willingness to name it and combat the growing threat.

This is not an endorsement of every instrument or framing that the current administration has deployed. But the erosion of alliance cohesion is largely a consequence of European, Australian and other Western allies still being trapped by the electoral illusion of a rules based order. But the underlying strategic diagnosis — that the West was subsidising its own strategic competitors through trade dependency, that multilateral institutions had been captured or neutered, that leverage had atrophied through decades of wishful thinking — is correct.

The United States possesses assets that no private actor or multilateral body can replicate: the deepest sovereign balance sheet in the world and the most powerful naval force in history. The insight that these assets constitute strategic leverage — that whoever controls critical chokepoints in insurance, finance, shipping, or technology can shape global commerce — is not a Trump innovation. It is a recognition of how the revisionist coalition has operated for years. The question is whether the West will deploy this insight coherently, or simply reactively.

Trump did not kill the multilateral order. He turned on the lights in a room that had been dark for a long time.

4. Leverage as the New Strategic Currency

An observation from the world of trade and innovation applies directly to the geopolitical moment: control points matter more than scale. Marine insurance is a mundane financial product. But whoever controls marine insurance controls whether ships sail.

That is leverage, and it should be sought across all 5 domains of geopolitical, social and economic dynamics.

Financial

Financial infrastructure remains the most immediate and scalable form of strategic leverage available to the West. Control over payment rails, reserve currency systems, and interbank connectivity determines whether states and institutions can participate meaningfully in the global economy.

SWIFT — the interbank messaging system — is often described as neutral plumbing. In practice, it is a gatekeeping mechanism. Exclusion from SWIFT does not technically prevent transactions, but it renders them slow, opaque, and operationally complex at scale. When Russian banks were removed in 2022, the impact was immediate: cross-border transactions became constrained, liquidity tightened, and the cost of doing business internationally rose sharply.

More fundamentally, SWIFT operates within a broader architecture dominated by dollar clearing and US-aligned financial institutions. Access to correspondent banking, settlement systems, and global capital markets is contingent on participation in this ecosystem. Sanctions regimes work not because of formal legal authority alone, but because the system is sufficiently centralised that exclusion carries real economic consequence.

Attempts to build alternatives — China's CIPS, bilateral currency arrangements, and localised payment systems — have so far had limited success in displacing this dominance. Network effects, trust in legal frameworks, and the depth of US capital markets continue to anchor the existing system.

The strategic implication is that financial infrastructure is not a neutral global utility. It is a concentrated leverage point. Its effectiveness depends on continued cohesion among Western financial centres and disciplined use of sanctions. Overuse risks accelerating fragmentation; underuse erodes credibility. The balance between those two outcomes will shape whether this domain remains the West's most decisive advantage.

Physical and Trade

Control over the physical movement of goods remains a foundational layer of global power, but it is often misunderstood. The leverage does not sit primarily with ships or ports, but with the systems that enable vessels to operate — insurance, financing, and access to key maritime routes.

Marine insurance is a case in point. It is a relatively concentrated market, historically centred in London and a small number of aligned jurisdictions. Without insurance, ships cannot secure financing, enter ports, or operate commercially at scale. In effect, insurance determines whether global trade flows at all. The denial of coverage functions as a non-kinetic blockade.

This extends beyond insurance into a broader maritime ecosystem. Classification societies certify vessel safety. Port access is governed by regulatory regimes. Key chokepoints — the Strait of

Hormuz, Suez Canal, Malacca Strait — concentrate global trade into narrow corridors that can be influenced by a small number of actors.

Recent disruptions, including attacks on Red Sea shipping, have demonstrated how even sub-state actors can impose significant costs on global trade when operating within these constrained systems. Insurance premiums spike, routes are extended, and supply chains are disrupted — all without direct confrontation between major powers.

The West retains structural advantages in this domain through its influence over insurance markets, naval power, and regulatory standards. However, these advantages are only effective if recognised as strategic tools. Treating maritime infrastructure as purely commercial obscures its role as a control layer over global commerce.

Technological

Technological systems — particularly semiconductors and AI infrastructure — represent some of the most tightly concentrated and strategically significant chokepoints in the modern economy. Unlike traditional industrial supply chains, these systems are characterised by extreme specialisation and limited substitutability.

Advanced semiconductor production is geographically concentrated, most notably in Taiwan, while the design ecosystem — including electronic design automation (EDA) tools and key intellectual property — is dominated by a small number of US-linked firms. Manufacturing equipment, such as extreme ultraviolet (EUV) lithography, is similarly controlled by a narrow set of suppliers.

This creates a layered dependency structure. Even where fabrication occurs outside the United States, critical inputs often trace back to US or allied technologies. Export controls imposed in recent years have demonstrated how this structure can be leveraged to restrict access to advanced computing capabilities, particularly in AI and high-performance computing.

AI infrastructure extends this dynamic further. Training and deploying advanced models requires not only chips, but also data centre capacity, energy, networking infrastructure, and software ecosystems — many of which remain concentrated in Western or Western-aligned companies.

However, this domain is also contested and dynamic. China is investing heavily in domestic semiconductor capability and alternative technology stacks. While full substitution at the cutting edge remains difficult, partial decoupling is already underway.

The strategic implication is that technological leverage is both powerful and perishable. It provides the West with a current advantage, but one that requires active maintenance — through export controls, industrial policy, and continued innovation. Failure to do so risks the gradual erosion of one of the few domains where leverage is both deep and structurally embedded.

Informational

Information infrastructure has become a primary domain of strategic leverage. Control over communication platforms, information flows, and technical standards increasingly shapes political outcomes, market access, and alliance cohesion.

Global social media platforms — including X and other US-linked networks — function not merely as commercial products but as channels through which narratives, norms, and political framing are transmitted at scale. The dominance of English as the operating language of global finance, aviation, science, and diplomacy further concentrates this influence within the Western sphere.

Satellite-based communications systems, most notably Starlink, extend this leverage into contested or infrastructure-poor environments. In Ukraine, Starlink effectively became critical national infrastructure within weeks — demonstrating that privately controlled networks can now influence battlefield resilience and state continuity.

This creates a dual-edged dynamic for the West. On one hand, it retains significant informational reach and the ability to project norms — including openness, transparency, and, increasingly, free expression — into global markets. On the other, this domain is contested and allows for exploitation by adversaries. China's Great Firewall, its export of digital censorship architectures, and the rise of parallel information ecosystems illustrate an active effort to fragment the global information environment into competing blocs.

The strategic implication is clear: informational infrastructure cannot be treated as neutral or purely commercial. Platform governance, language dominance, satellite communications, and content standards are now instruments of state power. The question is not whether this leverage exists, but whether it is being coherently aligned with broader strategic objectives.

Energy and Resource

Energy and resource systems remain one of the most structurally significant — and currently underappreciated — domains of strategic vulnerability for the West.

China's dominance in rare earth processing, alongside its growing control over critical minerals such as lithium, cobalt, and copper through outbound investment and supply chain integration, represents a long-term leverage position over the technologies that will define the next industrial cycle — electrification, batteries, and advanced manufacturing. While these materials are geographically dispersed, the processing and refining capacity is highly concentrated, creating chokepoints that can be exercised with relatively little warning.

Copper, in particular, is emerging as a foundational constraint. Electrification of transport, expansion of grid infrastructure, and the build-out of AI data centres are all copper-intensive. Supply growth has lagged demand projections, and permitting timelines in Western jurisdictions

remain slow and politically constrained. This creates a structural exposure that is not easily resolved through short-term policy action.

By contrast, energy — particularly in the form of hydrocarbons and nuclear — remains an area where Western-aligned countries retain significant latent strength, but have failed to consistently translate it into strategic advantage. The European experience with Russian gas dependency illustrates the cost of treating energy as a purely economic input rather than a geopolitical asset.

Uranium and nuclear fuel cycles represent a partially underutilised lever. While Western countries retain technological and regulatory expertise in nuclear energy, enrichment and supply chains remain exposed in ways that could become strategically relevant under conditions of sustained competition.

The strategic requirement is twofold: diversification and control. Diversification of supply chains away from single-point dependencies, and deliberate investment in domestic or allied processing capacity. Without this, the transition to a more electrified and technologically intensive economy risks deepening, rather than reducing, strategic vulnerability.

Strategic competition is no longer defined by economic scale or territorial control, but by dominance over system-critical chokepoints. The strategic framework the West now requires is one built explicitly around the identification, protection, and deployment of such leverage points. This means:

- Mapping critical dependencies — identifying where Western economies remain exposed to supply chain coercion from revisionist states, and systematically reducing those exposures.
- Weaponising leverage — SWIFT exclusion, maritime insurance coverage, rare earth metal supply chains, and control over information infrastructure should each be treated as instruments of strategic policy, not as neutral infrastructure.
- Rebuilding industrial capacity — the hollowing out of Western manufacturing was not merely an economic policy error. It was a strategic vulnerability. Reindustrialisation in critical sectors is a security imperative.
- Reorienting multilateralism — rather than attempting to revive universal multilateral institutions that have been captured or neutered, the West should invest in coalition-based frameworks among democracies that share genuine interests and face genuine threats.
- Treating innovation policy as strategic policy — the companies that control AI infrastructure, satellite communications, quantum computing, and biotechnology are not

simply commercial enterprises. They are nodes of strategic leverage. Governments must engage with this reality.

5. The Cost of Continued Comfort

The alternative — continuing to operate as though multilateral norms retain meaning, as though engagement with revisionist states produces moderation, as though the strategic environment of 1995 persists — carries escalating costs.

The Houthi disruption of Red Sea shipping lanes in 2024 and 2025 illustrated how quickly a sub-state actor, backed by Iran and armed with precision munitions, could impose costs on global commerce. Insurance premiums spiked. Supply chains rerouted. The Strait of Hormuz remains a vulnerability that a small number of actors can exploit. The infrastructure of global trade was revealed to be fragile in ways that comfortable assumptions had obscured.

Many things still genuinely require multilateral cooperation. But that cooperation cannot be achieved through institutions that have been structurally compromised, and it cannot be built on the fiction that states pursuing fundamentally incompatible objectives can be integrated into a common framework through sufficient diplomatic goodwill or unilateral concessions.

The choice is not between multilateralism and unilateralism. It is between multilateralism that functions — built on shared interests, mutual accountability, and enforceable commitments among states that actually share liberal values — and the performative multilateralism that preceded this moment.

We did not live well because the system worked. We lived well because we were rich enough to absorb the cost of pretending it did. That buffer is depleting.

Conclusion: Building the Post-Illusion Architecture

The multilateral rules-based order as constructed in the post-Cold War period is not viable in its current form. It requires replacement by a more honest architecture — one that acknowledges the existence of a revisionist bloc that operates by different rules, that locates leverage as the primary currency of strategic competition, and that rebuilds Western industrial and institutional capacity for a genuinely contested world.

This is not comfortable counsel. It requires Western governments to tell electorates things they would prefer not to hear: that the peace dividend is spent, that the cost of strategic seriousness is real, and that the alternative to paying it now is paying it later, at higher price.

The disruption that currently unsettles Western institutions and alliances is the consequence of decades of deferred reckoning. Trump is a symptom of that reckoning, not its source. Whether the West uses this moment of disruption to build something more durable — or simply waits for a return to comfortable illusions — is the defining strategic question of this decade.

Implications for Middle Powers: The Australian Case

The leverage framework is not the exclusive province of great powers. For middle powers such as Australia, the relevant strategic question is not whether they can shape the system as a whole, but whether they can identify the limited set of chokepoints, dependencies, and asymmetric advantages available to them — and convert passive endowment into active strategic utility.

Australia's position is more advantageous than its political class has typically recognised. Critical mineral reserves, geographic position in the Indo-Pacific, deepwater port infrastructure, and proximity to the world's most contested shipping lanes are not merely economic assets. They are potential leverage points in a competition now defined by control over system-critical dependencies. The question is whether Australian policy can shift from reactive alliance management to deliberate leverage and alliance development — identifying those advantages early, investing in their resilience, and deploying them with strategic intent rather than waiting to be assigned a role by larger partners.

That requires a different kind of policy thinking: less focused on multilateral consensus, more focused on what Australia uniquely controls or could control. The brief's central argument applies directly — in a world where chokepoints matter more than scale, a well-positioned middle power that thinks clearly about leverage can punch considerably above its weight.

Prothean Institute exists to think clearly about hard strategic realities. This is one of them.

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Our mission is to develop political, cultural, and social frameworks that are deeply aligned with the structures, instincts, and emotional architectures that sustain human flourishing across generations.

Our work focuses on:

- *Developing strategic whitepapers, policy briefs, and advisory documents to support effective governance and leadership.*

- *Conducting philosophical, historical, and behavioral analysis of political and cultural trends.*
- *Equipping leaders with frameworks that connect emotional resonance to rational clarity and practical governance.*

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