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## America's Loosening Global Grip

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October 24, 2013

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Few Americans are aware of what Washington lost globally in the recent debt crisis. America has held a tight grip on the global imagination over the past 50 years or so. Now that grip has been significantly loosened. Over time, Americans will discover that they may have paid not only real but also permanent costs.

For starters, America has always provided the gold standard for democracy. For all its flaws, there was near universal admiration for America's political system. Its checks and balances ensured stability and continuity. Many the world over have sought to emulate America's democracy. America has also carried a tremendous amount of moral authority when it spoke to the world.

Now that moral authority has been eroded.

There is genuine shock in the minds of leading policymakers and thought leaders abroad that America's political system, with all its checks and balances, could carry both the American economy and the global economy to the very edge of a financial precipice.

People all around the world were genuinely scared that their lives would be destroyed by the reckless behavior in Washington D.C. I asked my wife if we should divest all of our dollar holdings. When the American political system is perceived to have endangered the lives of billions of people, admiration for it has naturally been dented, especially when many are aware that another crisis may surface in a matter of months. The Wikileaks episode taught us that American diplomats report foreign views faithfully. If recent American diplomatic cables could be declassified, there is no doubt about what they would say: America's moral authority has been battered.

Another major loss will be in the geopolitical arena. The world is watching carefully the changing relative weights of America and China in the global system. In 1980, in PPP terms, America's share of global GDP was 25 percent while China's was 2.2 percent. Come 2017, the American share will decline to 17.6 percent and China's will rise to 18 percent.

Even more dangerously, few Americans are aware of their changing fortunes. Most Americans seem convinced their country will remain the world's leading power. No American politician dares to speak otherwise. Yet the vast majority of the world see an irreversible change occurring. American perceptions are not in sync with global perceptions. Quite the contrary. They are at odds with it.

Economic weight provides only one dimension of geopolitical power. Other dimensions matter as well. America's strength was that it could provide global leadership. For all the headlines and speculation, China still is not in a position to pick up the slack. But things are changing here as well. I was in Bali for the APEC CEO Summit on October 7th. President Obama was unfortunately absent. China's President, Xi Jinping, was there and made quite a splash. The excitement that greeted Xi's arrival was palpable. Some of the more powerful countries saw firsthand a new world order in which America is distracted while China, by comparison, seems much more focused.

The third loss may prove to be the most serious. Today, America enjoys an "exorbitant privilege" of being able to print the world's reserve currency. In my book, *The Great Convergence*, I spell out the massive advantages of this privilege to the American people. All this is possible because the rest of the world still has full faith and confidence in the U.S. dollar as the global reserve currency.

Such confidence is being slowly but steadily corroded.

Just read the regular announcements made at the BRICS summits. Each summit expresses concern over the fate of the U.S. dollar. Many countries have also begun to quietly hedge their bets. More and more trades will be done in other currencies, especially the Chinese yuan. London's decision to become China's first foreign offshore yuan trading center is a clear sign of where the new winds are blowing. The U.S. dollar is not going to lose its dominant position soon. But why even risk this exorbitant privilege that America has in the global system?

Is all lost? Can America change course? Of course it can.

America can certainly regain the strong grip it had on the global imagination. But to regain it Americans must first understand what they have lost. In the past eight years, I wrote three books trying to wake up Americans to new realities. None caught much American attention.

Why not? I discovered to my surprise that Americans read books written by fellow Americans, not non-Americans.

So perhaps there is a small and simple change Americans can make. The American Declaration of Independence said that America should show “a decent respect to the opinions of mankind.” The first way to show respect is to listen to the opinions of mankind. And there is now an even more important reason to do so. Non-Americans make up 96 percent of the world’s population--and they are losing their awe for the country. Why not begin to understand that global opinion on America has changed so fast in recent years?

*Kishore Mahbubani is Dean of the Lee Kuan Yew School of Public Policy, NUS, and author of The Great Convergence: Asia, the West, and the Logic of One World. Mahbubani previously served as Permanent Representative to the UN for Singapore and President of the United Nations Security Council.*

*Image: Official U.S. Navy Imagery/Flickr*

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