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The Performativity of the Mar-a-Lago Accord: Reimagining Dollar Hegemony and Global Trade Imbalances

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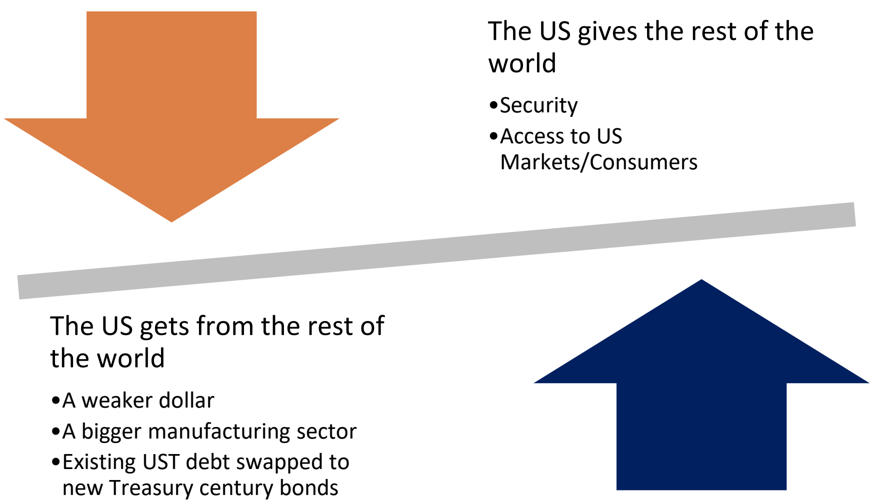
Executive Summary

- The Mar-a-Lago Accord reimagines the 1985 Plaza Accord not as a cooperative effort among allies, but as a unilateral strategy driven by U.S. leverage, tariffs, and coercion.
- It targets both America's persistent trade deficit and its ballooning fiscal shortfall by proposing a deliberate dollar devaluation and a reconfiguration of foreign investment in U.S. assets.
- High tariffs—especially on China—serve not just to protect domestic industry, but as political tools to compel foreign cooperation on currency realignment.
- The plan aims to weaken the dollar by discouraging foreign demand for U.S. Treasuries and forcing surplus countries to reduce their dollar holdings.
- Proposed tools include restructuring debt into ultra-long-term bonds and imposing "user fees" on foreign-held Treasuries to penalize dollar accumulation.
- Military protection would be recast as a transactional service: allies who resist economic cooperation could face reduced U.S. security guarantees.
- The Accord responds to the structural contradiction of the dollar's reserve status—where supplying global liquidity erodes domestic industry—by attempting to forcibly unwind America's global financial entanglements.
- In response to soaring debt, proposals include revaluing U.S. assets like gold and federal land to artificially boost balance sheet equity, rather than cutting spending or raising taxes.
- Critics argue the Accord relies on symbolic balance-sheet manipulation rather than addressing the root causes of U.S. external imbalances and industrial decline.
- Trump's Without multilateral buy-in, the plan risks diplomatic backlash. Tariffs may strengthen the dollar, and without domestic investment, devaluation alone cannot deliver industrial renewal.

Key Picture: What is the Mar-a-Lago Accord?



Introduction: Revisiting the Plaza Accord, Reimagining Global Trade

In 1985, the Plaza Accord marked a historic moment of currency coordination among the G5 nations to devalue the U.S. dollar and reduce America's burgeoning trade deficit. Fast forward to 2025, a new and more controversial proposal—informally dubbed the "Mar-a-Lago Accord"—is capturing the imagination of financial markets, political observers, and policymakers alike.

The phrase "Mar-a-Lago Accord" was coined by US money market analyst and previous Credit Suisse strategist Zoltan Poszar, while the idea was refined by Stephen Miran, a key economic advisor to former President Donald Trump and chair of the Council of Economic Advisors. The Mar-a-Lago Accord would represent a radically different vision for U.S. engagement with global trade and finance. Unlike the multilateralist ethos of the Plaza Accord, the Mar-a-Lago strategy is unilateral in posture, transactional in design, and geopolitically coercive in execution.

The proposed Mar-a-Lago Accord seeks to address the United States' twin deficits—namely, the persistent trade imbalance and the growing fiscal shortfall—through a multifaceted strategy centered on exchange rate realignment and the restructuring of foreign investment flows into the U.S. economy. At its core, the accord envisions a deliberate depreciation of the U.S. dollar alongside a recalibration of the terms under which foreign entities invest in U.S. assets. By weakening the dollar and reducing reliance on foreign capital inflows under existing conditions, the strategy aims to enhance the competitiveness of U.S. exports, curb the relative attractiveness of imports, and thereby promote industrial renewal. Simultaneously, these measures are intended to contribute to the sustainability of public debt by altering the external financing environment. The overarching objective is to reverse the structural deindustrialization of the U.S. economy while alleviating pressures associated with the federal fiscal deficit.

This article examines its proposed contents, economic rationale, potential international fallout, and prospects for success or failure.

What Would a Mar-a-Lago Accord Consist Of?

At its core, the Mar-a-Lago Accord is an attempt to radically restructure the global trade and monetary order in favor of U.S. industrial renewal. The accord is a blueprint for reasserting U.S. power by rebalancing trade, weakening the dollar, and compelling allies to pay their "fair share" for the privileges of accessing U.S. markets and military protection.

Unlike the 1985 Plaza Accord, which was based on multilateral consensus among allies to coordinate currency depreciation, the Mar-a-Lago proposal is transactional and unilateral at its foundation. It envisions a new kind of deal-making—one where tariffs and the U.S. security umbrella are not international public goods or strategic tools used sparingly, but bargaining chips used to extract compliance from both adversaries and allies.

Tariffs First: Using Pain to Trigger Negotiations

The strategy begins with the imposition of aggressive tariffs. These are not designed simply to shield U.S. industries from foreign competition, but rather to act as a form of leverage—an opening salvo in a campaign to restructure global trade flows. In Miran's sequencing, tariffs come first, serving both as a punishment for trade imbalances and a catalyst to provoke negotiations. High tariffs—potentially 60% on China and 10% or more on other nations—would be implemented unilaterally. Once in place, these punitive measures would be selectively withdrawn, but only for countries that agree to participate in a coordinated currency realignment. This proposed exchange—tariff relief in return for steps to weaken the dollar—is the central mechanism of the Mar-a-Lago Accord.

A Coordinated Push to Devalue the Dollar

A distinguishing feature of the accord is its direct confrontation with the status of the U.S. dollar as the world's reserve currency. The argument advanced by its architects is that the dollar's overvaluation—driven by its global reserve status and the inelastic demand for U.S. Treasuries—has hollowed out America's industrial base. Miran contends that persistent capital inflows have artificially propped up the dollar, making American exports less competitive while encouraging reliance on cheap imports. The Mar-a-Lago Accord is thus an attempt to restore a "trade equilibrium" by compelling other nations, particularly major holders of U.S. debt like China, Japan, and members of the eurozone, to adjust their own policies—namely, to reduce their dollar reserves, allow their currencies to appreciate, and thus realign trade balances.

Treasury Market Engineering and the Role of "User Fees"

To this end, the accord would encourage or pressure these countries to offload U.S. Treasuries in an orderly manner. One idea floated is to have foreign central banks convert their existing holdings of short-term Treasuries into ultra-long-term bonds—such as 100-year zero-coupon bonds. This would reduce liquidity in the Treasury market, discouraging further accumulation of dollar assets and diminishing demand for the currency without triggering outright panic. Such conversions would, in effect, disincentivize the hoarding of U.S. debt by lowering the strategic utility of dollar-denominated assets.

But the accord goes further. In cases where diplomatic nudges prove insufficient, it envisages financial penalties for non-cooperation. One particularly provocative proposal involves the imposition of a "user fee" on foreign official holdings of U.S. Treasuries. This would amount to a tax on interest payments remitted to foreign central banks, essentially penalizing them for funding America's deficits and helping to maintain the dollar's supremacy. The underlying goal is clear: to reduce demand for dollar assets and thereby engineer a managed devaluation of the U.S. currency.

Linking Security to Trade: A New Form of Tribute?

Another pillar of the Mar-a-Lago strategy is to recast American military dominance as a transactional service. The Mar-a-Lago Accord proposes tying military alliances and security guarantees to economic cooperation. Under this vision, countries benefiting from the U.S. security umbrella—NATO members, Pacific allies, and others—would be expected to participate in the economic realignment or risk losing those benefits. In effect, defense and monetary policy would be fused into a unified strategy of transactional hegemony. Nations unwilling to adjust their currencies or reduce their reliance on the dollar might find themselves facing not only tariffs but also diminished military protection, sending a clear message that America will no longer subsidize the security and prosperity of others without tangible returns.

Rising European defense spending and tensions within NATO suggest the performance is having real effects. European countries are now planning to spend over $3 trillion over the next decade on defense, shifting the burden of security back onto their own budgets. But the debt swap idea—asking them to retroactively pay by giving up Treasury liquidity—is performative and coercive, not grounded in global financial norms.

From Multilateralism to Transactionalism

The name of the accord—drawn from Trump's Florida estate rather than an intergovernmental institution—signifies a fundamental departure from the postwar tradition of multilateralism. It embodies a worldview that sees diplomacy not as a process of consensus-building but as a series of bilateral deals governed by power asymmetries. Underlying the accord is a belief that the liberal economic order built by the United States has been turned against it, and that only a sharp and perhaps painful reordering can correct decades of imbalance.

The Political Economy of the Mar-a-Lago Accord

Despite its ambition to rebalance the U.S. economy and restore industrial competitiveness, the Mar-a-Lago Accord faces profound conceptual and practical obstacles. Acknowledging the limitations of these policies does not justify ignoring the structural imbalances they aim to confront. Global economic asymmetries remain a pressing reality; the critical question is not whether the United States should respond, but how it can do so in a manner that is both effective and enduring.

Politics of the Global Imbalances

The Accord reflects a growing recognition that the U.S.'s central role in the international monetary system—anchored by the dollar's reserve status—has increasingly become a liability. Once regarded as a strategic advantage, dollar dominance is now viewed by many as a driver of persistent trade deficits, industrial decline, and financial overexposure. In this context, calls for a systemic reordering of trade and capital flows have gained renewed traction. While the Accord targets the dollar's overvaluation and trade deficits as problems that can be corrected through tariffs and currency devaluation, this view misidentifies the root causes of the imbalance.

A central claim is that global trade imbalances are not merely technical anomalies, but the result of domestic political choices in surplus economies. Countries such as China and Germany deliberately suppress domestic consumption and wages in order to generate trade surpluses, which are then recycled into U.S. capital markets. This persistent capital inflow keeps the dollar strong, undermines U.S. export competitiveness, and deepens deindustrialization—particularly across America's industrial heartland. Simultaneously, countries like China maintain high savings rates and suppress domestic consumption, generating surpluses that are then recycled into U.S. capital markets.

This is not a new critique. British economist Joan Robinson warned that countries using interventionist policies to manage external accounts while repressing internal demand effectively export their imbalances to more open economies. These "beggar-thy-neighbour" dynamics restructure not only global trade flows but also the domestic economic geography of affected countries. In this light, the American decline in manufacturing is not simply a result of market failures or globalization—it is the product of an asymmetrical international system in which the U.S. absorbs distortions created elsewhere.

While the Biden administration has adopted milder tools—such as the CHIPS Act, export controls, and reshoring incentives—it shares elements of this analysis. The Mar-a-Lago Accord, however, makes this logic explicit and far more confrontational. It posits that restoring American industrial strength requires not just domestic investment but a deliberate restructuring of global trade and capital relationships, potentially through coercive means.

The Triffin Dilemma: Dollar Dominance as Systemic Vulnerability

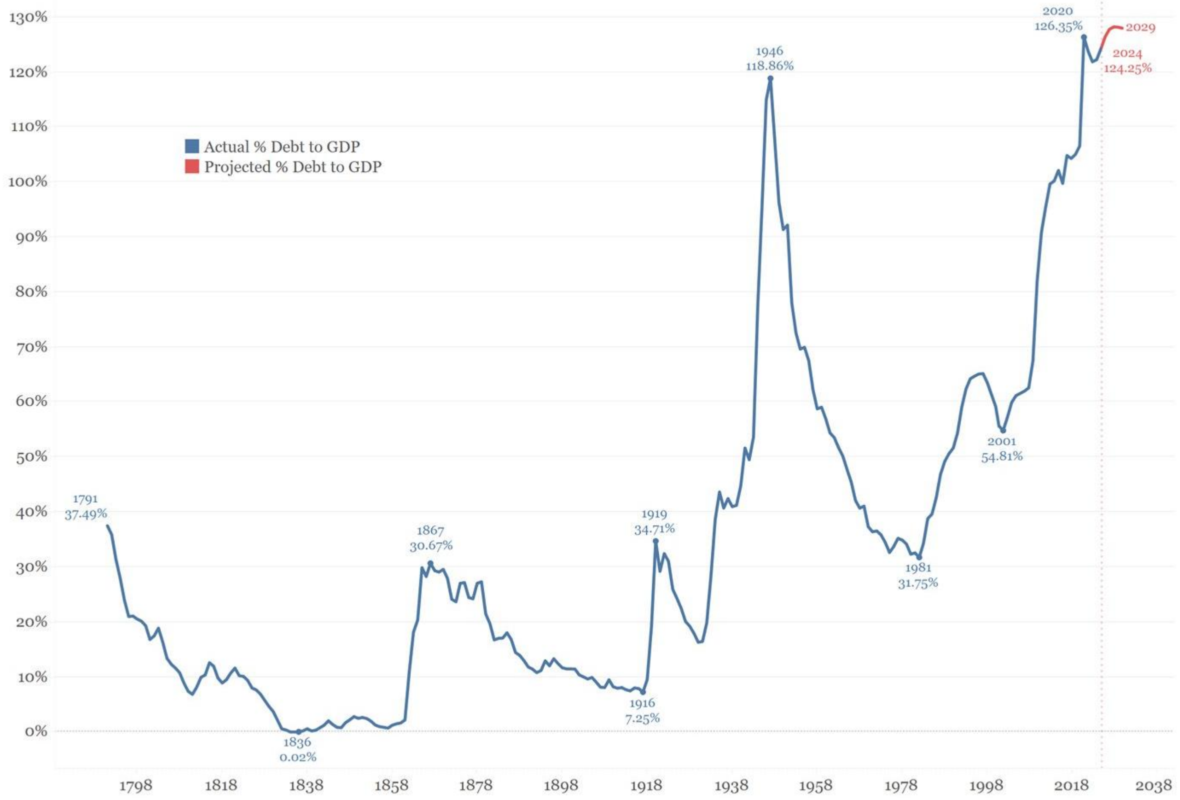
The Mar-a-Lago Accord revives the Triffin dilemma, which highlights the contradiction faced by the U.S. as issuer of the global reserve currency: supplying global liquidity requires persistent deficits, but these ultimately erode domestic industry and strategic autonomy. Miran argues that this imbalance has become unsustainable, as continued foreign demand for U.S. Treasuries keeps the dollar overvalued, fueling deindustrialization and weakening national security. Since global appetite for dollar assets is inelastic and immune to market correction, Miran calls for strategic intervention. The Accord thus seeks to break this cycle—via dollar devaluation, tariff pressure, and debt restructuring—reasserting U.S. control over its monetary and trade policy, even if it disrupts the existing global order.

Fiscal Panic as Political Strategy: Debt, Sovereignty, and Financial Engineering

In addition to trade and monetary concerns, the Accord is also animated by a deep anxiety over fiscal sustainability. With federal debt exceeding $36 trillion and interest payments rising, elite consensus is coalescing around the idea that the U.S. is approaching a fiscal breaking point. As Fed Chair Jerome Powell stated in December 2024, the federal budget is "on an unsustainable path." Yet traditional solutions—raising taxes or cutting entitlements—are politically toxic.

The Trump administration's answer is not austerity but creative monetization. Treasury's Scott Bessent has proposed establishing a U.S. sovereign wealth fund, not funded by taxation, but by revaluing government-owned assets. For instance, if the U.S. were to reprice its gold reserves from the official $42.22 per ounce to current market value (~$3,400), it could unlock hundreds of billions in notional equity. Other public assets—federal land, infrastructure, intellectual property—could similarly be marked to market and used as collateral to support additional borrowing.

Figure 1: Total Federal Debt as a Percentage of GDP



Source: The Office of Management & Budget

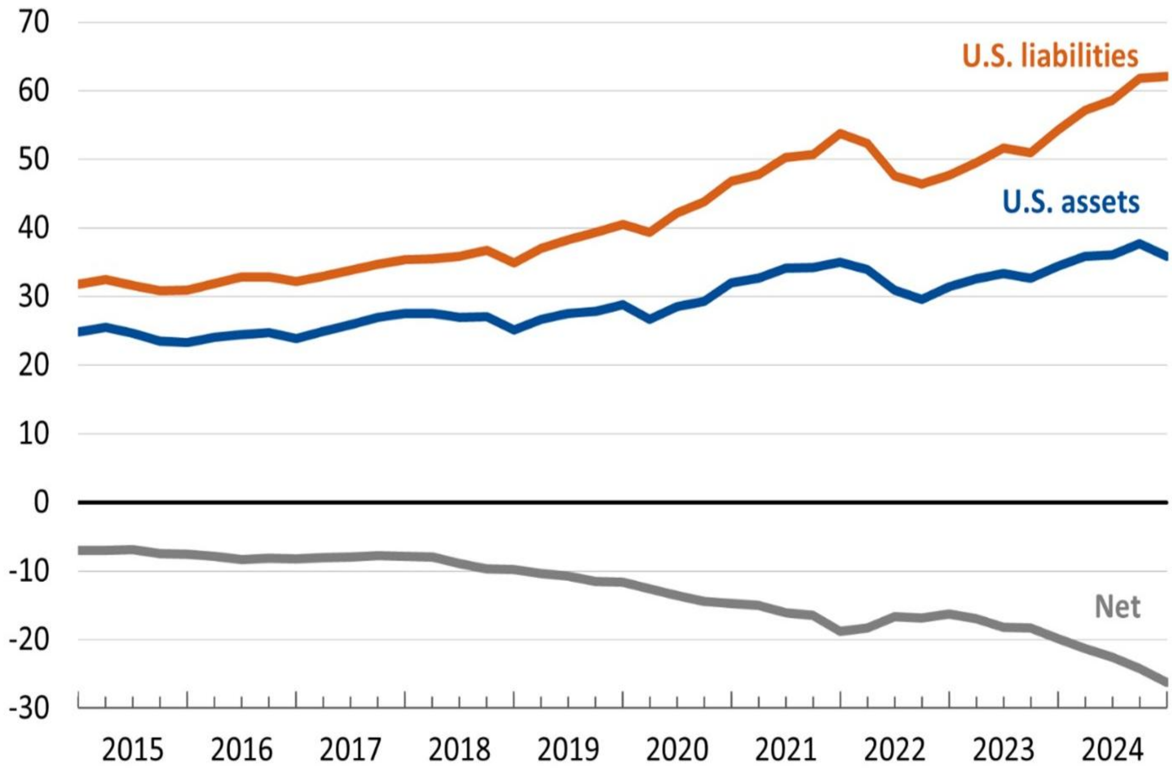
The Performance of Policy Without Structural Substance

The Mar-a-Lago Accord rests on the premise that the United States can rebalance its trade and financial relationships by weakening the dollar and restructuring foreign holdings of U.S. debt. Central to this strategy is the idea of pressuring foreign governments—particularly large holders like China and Japan—to convert their Treasury holdings into ultra-long-term instruments such as century bonds. Proponents argue that this would reduce foreign demand for short-term dollar assets, thereby lowering the dollar's value, boosting U.S. exports, narrowing the trade deficit, and ultimately improving the country's Net International Investment Position (NIIP).

However, this approach misinterprets both the nature of the NIIP and the sources of the underlying imbalance. The NIIP reflects not only trade deficits, but also decades of persistent capital inflows tied to the dollar's role as the global reserve currency. Restructuring debt from short-term to long-term maturities does not reduce America's external liabilities—it simply alters their form and could be interpreted as a form of defult. In some cases, this even prolongs the repayment horizon, deepening financial dependence on foreign capital rather than diminishing it.

Moreover, since these liabilities remain dollar-denominated, they continue to reinforce global demand for U.S. assets, perpetuating the very dynamics the Accord claims to address. This reveals a core contradiction: a form of performative policy that masks systemic vulnerabilities without altering their foundations.

Figure 2: Rest of the World Returns Capital to the US (Trillions of Dollars)



Source: Yale University

Lack of Global Buy-in and Geopolitical Backlash

Unlike the cooperative 1985 Plaza Accord, the Mar-a-Lago vision is zero-sum and coercive. It hinges on the use of tariffs and security guarantees as bargaining chips to extract concessions. This is unlikely to be well-received by key allies or rivals. China has little incentive to comply with measures that would weaken its export base, and Europe is already taking steps to rearm independently and reduce reliance on U.S. security guarantees. As Jenny Gordon at the Lowy Institute observes, the Accord replaces diplomacy with a tribute-based logic, one ill-suited to a world of increasingly assertive middle powers.

Internal Contradictions and Domestic Weaknesses

Perhaps most critically, the Accord's internal economics undermine its own objectives. Tariffs, rather than weakening the dollar, tend to strengthen it, offsetting much of their intended effect. Meanwhile, currency devaluation alone is insufficient to revive U.S. manufacturing. Without deep structural investment, institutional reform, and labor market support, the plan risks becoming a hollow gesture. Reindustrialization cannot be achieved through financial engineering alone.

Prospects: Who Might Join the Accord?

The success of the Mar-a-Lago Accord will depend less on global consensus and more on the strategic pressure applied to vulnerable allies. Unlike the Plaza Accord of 1985, today's geopolitical environment is fractured, and trust in U.S. leadership is weaker. Miran's proposal acknowledges this, offering a system of incentives and threats: cooperate and enjoy tariff relief and security guarantees; resist and face economic and strategic consequences.

Countries like Japan and the UK,—closely tied to the U.S. economically and militarily—are the most likely early joiners. Their participation could be secured through tariff concessions and the implicit threat of being downgraded in Trump's proposed ally classification system.

Larger, more autonomous actors present greater challenges. The eurozone is politically fragmented and likely to resist coordination under external pressure, while China, though central to global capital flows, remains fundamentally opposed to U.S.-led economic dictates due to its strategic rivalry with Washington.

Whether the Mar-a-Lago Accord proves to be merely a technocratic fix for trade imbalances or, more profoundly, a geopolitical gambit to offload the economic and strategic burdens the United States has shouldered since World War II—transforming global burden-sharing into a tool of transactional leverage—remains to be seen.