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The Worst Deals Ever

What Trump Misses About the Art of Foreign Policy Negotiation

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The secret to U.S. President Donald Trump's successful foreign policy, he often claims, is his knack for cutting a great deal ^[1]. A real estate mogul and author of several books about the art of negotiations, Trump made dealmaking a central theme of his 2016 campaign. He blasted international agreements negotiated by his predecessors as the "worst deals ever" and claimed that he could do a far better job on behalf of the American people. After decades of "losing" on trade and being cheated by free-riding allies, the United States would finally have a leader willing to "put America first." Trump would not hesitate to make more ambitious demands and confront adversaries and allies alike. And instead of paying the bills for some notional liberal international order, he would leverage the United States' immense financial and military power in the name of driving harder bargains that would serve the national interest.

Many Trump supporters ^[2] continue to back this new approach. They applaud Trump's confrontational style and seem to believe his repeated assertion ^[3] that "other countries that took advantage of us are no longer taking advantage of us."

What these supporters are missing, however, is that when it comes to actual accomplishments, Trump has almost nothing to show for his efforts. So far, none of his attempts at renegotiating old deals or putting together new ones have succeeded, and most have backfired badly. In fact, Trump is an ineffective negotiator not only because he is poorly versed in basic facts, inconsistent in his bottom lines, and susceptible to flattery but also because his entire approach is based on a fundamental misunderstanding of dealmaking. He wrongly views international relations as a zero-sum game and confuses punishing others with enhancing his own country's long-term prosperity, security, and well-being.

Some defenders concede that Trump's approach has costs but claim that the eventual payoff will outweigh them. In a recent *Foreign Affairs* article ("Three Cheers for Trump's Foreign Policy ^[4]," September/October 2018), for example, political scientist Randall Schweller argues that "Trump's threats of tariffs and other protectionist measures are better seen as bargaining chips designed to open other countries' markets" and are useful

tools to “pressure states to do things that Washington wants but that they otherwise wouldn’t do.” Even by that standard, however, Trump has failed miserably. Nearly two years into his presidency, other countries’ markets are not more open but more closed. And foreign leaders are hardly bending to Washington’s will more than they did before. From trade to arms control to diplomacy, Trump’s dealmaking record so far is all pain and no gain.

A BAD TRADE

Take trade policy, supposedly Exhibit A for Trump’s negotiating acumen. Trump seems to believe that the United States’ trade deficits mean that the country is “losing ^[5]” to other countries who are “stealing our wealth ^[6].” This misguided view overlooks the fact that when the United States runs a bilateral trade deficit its consumers and producers are not just sending money abroad; they are receiving the goods and services they want at the best prices available. Tariffs and other protectionist measures could theoretically reduce a trade deficit with one particular country, such as China. But this will simply lead to a trade deficit with a different country so long as the United States remains near full employment and is running foreign-financed budget deficits, which drive up the value of the dollar and make U.S. goods less competitive.

Ignoring these realities, Trump has announced multiple tariff increases on both allies and adversaries. In March, he announced across-the-board tariffs of 25 and 10 percent on imports of steel and aluminum, respectively. (An initial decision to exempt the European Union, Mexico, Canada, and other allies was later withdrawn.) Trump went on to raise tariffs on \$50 billion in imports from China. When Beijing retaliated with tariffs of its own, Washington threatened to hit an additional \$200 billion worth of Chinese imports, and another \$200 billion—enough to cover all Chinese exports to the United States—if Beijing did not act to close its trade deficit with the United States and rein in intellectual property theft. Trump has also threatened to put up new trade barriers with Mexico and Canada unless they agree to renegotiate the North American Free Trade Agreement (NAFTA), a deal that has created hundreds of thousands of jobs and lowered the costs of goods for U.S. producers and consumers for over two decades.

Trump famously declared that trade wars are “easy to win,” but so far, the United States is losing. Already, U.S. tariffs—a tax paid by U.S. importers—apply to Chinese-made washing machines, solar panels, automobiles, canned goods, home appliances, toys, semiconductors, and a wide range of essential spare parts. Because U.S. importers often pass on the cost of this tax to consumers and manufacturers, many of these products are likely to become more expensive for Americans—a change already taking place ^[7] in sectors that depend on cheap aluminum and steel.

Predictably, China’s response to U.S. pressure has not been to cut back on intellectual property theft or to mandate its citizens to buy more U.S. goods. Instead, Beijing has retaliated with higher tariffs of its own, particularly on U.S. agricultural exports such as corn, soybeans, and wheat. The damage to the U.S. farming sector has been significant. July saw the biggest drop in U.S. farm export prices in more than six years, and prices are likely to fall much further if the standoff continues and Chinese importers turn to other

countries, such as Brazil, for new and more reliable suppliers. Already, the situation is dire enough that Trump has had to offer \$12 billion in emergency subsidies to U.S. farmers to compensate them for the consequences of his own trade policy—at taxpayers' expense.

In March, Trump claimed success after his administration achieved a minor modification of an existing free trade arrangement with South Korea that would make it somewhat easier for the United States to sell cars there. But five months later, the new deal is still not ratified, in part due to South Korean fears that even this deal may not protect them against more U.S. tariffs in the future. Like other key trading partners, South Korea has also filed a challenge to current U.S. tariffs with the World Trade Organization.

Europe has also hit back hard, targeting some \$3.3 billion in U.S. goods with retaliatory tariffs, including products made in key swing states such as Florida (orange juice), Kentucky (bourbon), and Wisconsin (motorcycles). In July, Trump backed off on his threats to further escalate against the EU after Jean-Claude Juncker, the president of the European Commission, made a vague commitment to “work together toward” zero tariffs and pledged to buy more U.S. agricultural products and liquid natural gas (LNG). In reality, however, such purchases are decided mainly by market forces, not EU bureaucrats. EU soybean tariffs, for example, cannot be lowered further—they're already at zero. Likewise, although Juncker promised that the EU would build more LNG terminals, its existing terminals are vastly underutilized, so building more of them will not lead to greater U.S. exports anytime soon. Meanwhile, the U.S. steel and aluminum tariffs remain in place, and an earlier threat by the Trump administration to place tariffs on European automobiles is not off the table. So far, Trump's strategy has reduced U.S. exports, made imports from Europe more expensive, and imperiled the biggest trade and investment relationship in the world. The net result has not been better deals but disrupted supply chains, U.S. companies shifting production overseas, new deals put on hold, and a drag on the stock market and future growth. And despite Trump's claim [6] that tariffs are “leading us to great new trade deals,” he has yet to negotiate a single one.

DIPLOMATIC DEAD ENDS

Trump's diplomatic track record tells a similar story. Consider the 2015 Iran nuclear deal, the signature diplomatic achievement of U.S. President Barack Obama. After lambasting the Iran deal for years, Trump announced the United States' withdrawal from it in May. Renewed U.S. sanctions on Iran, the first of which came into force in early August, are clearly having an impact: despite efforts by the European Union, China, and Russia to keep the deal alive, most countries are cutting their purchases of Iranian oil and companies are backing out of investments and trade in the country. But using U.S. sanctions to cause pain and disruption is the easy part. The question is whether that disruption will deliver Trump's stated goal: a new Iran deal that would ban uranium enrichment forever, allow inspectors unimpeded access to military sites, curb ballistic missile development, and put an end to Iran's meddling in the Middle East. Those are worthwhile goals, but so far there is no reason to think any of them will be achieved, or to expect that Iran will even agree to talk about them.

Instead, the new sanctions have damaged the United States' reputation as a trustworthy negotiating partner and angered important allies in Europe and elsewhere. They are also creating serious strains on Afghanistan and Iraq, which depend on trade with Iran and

whose stability is in Washington's interest. Finally, they are contributing to rising global oil prices, which undercut the impact of separate U.S. sanctions on Russia and Venezuela, increase costs for U.S. consumers, and make matters worse for already struggling emerging markets.

Meanwhile, U.S. withdrawal from the deal has not stopped Tehran from supporting terrorist groups and interfering in civil wars in Syria and Yemen. So far, Iran continues to abide by the deal, but if the agreement collapses entirely, Iran will be free to expand its nuclear program unimpeded, potentially leaving Washington with a choice between a nuclear-armed Iran and another war in the Middle East.

Of course, Tehran could eventually come back to the table and accept a more comprehensive deal, or the current regime could collapse under the weight of sanctions to be replaced by new leaders without nuclear ambitions. If this unlikely best-case scenario comes to pass, Trump will deserve credit. In the meantime, he has thrown away a working deal for nothing in return.

Things look no different on the North Korean front. As with Iran, Trump has upped the pressure on the regime in Pyongyang with fiery threats of preemptive military action and increased sanctions, as well as personal attacks on North Korean leader Kim Jong Un, whom he has dubbed Little Rocket Man. Trump and his supporters claim this strategy has paid off by forcing Kim to the negotiating table. Following a summit with Kim in June, Trump proclaimed ^[8] that "there is no longer a nuclear threat from North Korea." Yet Kim may simply have agreed to talk to explore what he could get from a U.S. president clearly eager to announce a deal. He was rewarded with effusive praise and expressions of trust from Trump, giving him unprecedented legitimacy and reducing the very pressure that Trump had helped to build up. In exchange, Kim has suspended missile and nuclear testing—just after having reached a desired technical threshold—and begun to work with the United States to turn over remains of U.S. soldiers from the Korean War, offering Trump some "progress" to point to. But on the central issue at hand, the growing North Korean nuclear threat, Pyongyang has made no more than a vague pledge to "work towards" denuclearization, similar to many past commitments it never fulfilled. North Korea continues ^[9] to enrich uranium and build new missiles and has not dismantled a single nuclear warhead. Even high-level U.S. officials such as National Security Adviser John Bolton now admit ^[10] that North Korea has not taken any serious steps toward denuclearization.

On the campaign trail ahead of U.S. midterm elections this fall, Trump has argued that his willingness to talk tough and confront allies has pushed European NATO members to finally spend more on their own defense. In reality, the picture is more complex, and the costs of Trump's actions have been high. While Trump's relentless focus on burden-sharing may have helped prod European NATO leaders to raise defense spending, his claim that he single-handedly persuaded them to spend "hundreds of billions of [additional] dollars"—close to the total amount that European NATO members spend in an entire year—is absurd. In fact, European defense spending has been rising steadily since well before Trump took office, largely because of the growing threat from Russia, which invaded Ukraine in 2014. Ironically, recent spending increases may also reflect European leaders' growing awareness that they can no longer depend on the United States to defend them, given Trump's repeated questioning of the U.S. commitment to NATO's

Article V defense guarantee. In that sense, Trump's approach has hardly led to a new and better deal for the United States within NATO, but actually to a serious weakening of the alliance itself.

Then there is Turkey, where Trump has also tried to use tariffs, threats, and bluster to accomplish both economic and political goals without achieving either. Having given Turkish President Recep Tayyip Erdogan a pass when he arrested tens of thousands of suspected political enemies, purchased a Russian air-defense system in contravention of U.S. sanctions, and intervened against U.S.-backed forces in Syria, Trump suddenly decided to force a showdown over the issue of Andrew Brunson, an evangelical pastor and U.S. citizen detained in Turkey in 2016. After an apparent agreement to free Brunson broke down in early August, Trump doubled tariffs on Turkish steel and aluminum while warning of bigger sanctions to come.

Erdogan has reacted defiantly, calling for a boycott of U.S. electronic products, imposing counter-tariffs on U.S. exports of passenger cars, tobacco, and spirits, and threatening to ditch decades of strategic partnership with the United States in favor of Russia and China. As the Turkish currency has taken a nosedive in recent weeks, Erdogan has blamed the United States for the results of his own economic mismanagement, calling U.S. sanctions a "stab in the back" and appealing to patriotic Turks to defend their currency. Ironically, the collapse of the Turkish currency is likely to encourage a rush to U.S. dollar assets, driving up the value of the dollar and making it harder for the United States to export the very products that Trump claims his tariffs are designed to save.

Finally, consider Washington's approach to the Israel-Palestine conflict, the stage for Trump to negotiate what he has called the "ultimate deal." For more than a year, Trump's Middle East team has been putting together a detailed plan that they hoped could form the basis for serious talks. Before launching those talks, however, Trump decided to unilaterally recognize Jerusalem as the capital of Israel and to move the U.S. embassy there from its former site in Tel Aviv, thus taking sides with the Israelis over the Palestinians in one of the most serious issues at stake in any future negotiations. When the Palestinians protested by cutting off talks with the United States, Trump lashed out at them, cutting some \$300 million in security assistance, threatening to withdraw U.S. contributions to the UN agency that supports Palestinian refugees and to close the Palestinian Authority's offices in the United States. Trump's Jerusalem move has made it impossible even for his friends among regional Arab states to support his peace plan. As a result, the prospects even for getting talks started—let alone concluding them successfully—are almost nil.

AIM HIGH AND PUSH?

In fairness, Trump has been in office for less than two years, and perhaps the great benefits of his strategy are still to come. Any successful negotiation requires a willingness to stake out tough positions, stand firm, and demonstrate that you are willing to walk away if your objectives are not achieved. Maybe the better deals Trump has been promising may just be a matter of time.

But that seems unlikely. What the record so far suggests instead is that Trump's approach to dealmaking is fundamentally flawed. In contrast to Trump's instinct to attack everyone at once, successful diplomacy requires picking your battles, maintaining alliances, and putting together coalitions to achieve carefully determined priorities. It's hard to win support from China and Europe on Iran, for instance, when you're relentlessly attacking them on trade. Sound diplomacy also recognizes that other leaders have nationalistic populations and domestic constraints, too, and that bashing them personally and publicly can actually make it harder for them to back down.

Trump also has a dangerous tendency to visibly oversell mostly hollow agreements and minor victories, such as North Korean "denuclearization," EU commitments to buy U.S. food exports, or South Korea's willingness to buy cars. This leads other leaders to think that they, too, can buy him off with symbolic gestures, empty assurances, or pompous summit declarations while they resist actual concessions.

Finally, Trump is discovering the tough reality that, in a complicated world, all international agreements require some degree of compromise. For all their flaws, imperfect deals—like the nuclear deal with Iran, the trading relationship with Europe, or NAFTA—are often far better than no deal at all.

In his book *The Art of the Deal*, Trump described his own deal-making style as "quite simple and straightforward. I aim very high, and then I just keep pushing and pushing and pushing to get what I'm after." He has certainly aimed very high, and he has been pushing and pushing and pushing. Whether he'll ever get what he's after—especially after all the damage he has caused—is far more in doubt.

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