



Plunging markets put new pressure on Trump's competing trade negotiators Lighthizer and Mnuchin to strike a deal with China

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As a 36-year-old deputy trade representative in the Reagan administration, Robert Lighthizer worried his counterparts in the Soviet Union didn't take him seriously.

During negotiations over a long-term grain deal, the Soviets didn't "accept the fact that I was the person who was going to conduct the talks," he told *The New York Times* in an interview for a 1984 [article](#). "But there came a point where it was clear they did."

Flash forward more than three decades. After establishing his bona fides as a trade hard-liner over the years, Lighthizer's role negotiating with America's top economic rival — in this case, China — was again being challenged. This time, however, it was by people on his own team, including Treasury Secretary Steven Mnuchin.

Just hours after Lighthizer, now 71, said that he would be leading the U.S. negotiating efforts with China, Mnuchin and Larry Kudlow, the head of the National Economic Council, said that, in fact, President Donald Trump himself would be leading the talks.

As the U.S. and China, the world's two largest economies, race forward to meet a March 2 deadline to reach a deal on trade, the ideological divide between the White House's two trade camps, led by Lighthizer and Mnuchin, has taken on a new significance.

Putting further pressure on those fault lines is a tumbling stock market which analysts have attributed in part to global growth concerns prompted by Trump's trade war.

On one side is Lighthizer, who along with Peter Navarro, the Director of the National Trade Council, has staked out a stance that is largely indifferent to the stock market. The former international lawyer, who leads the agency responsible for crafting trade deals, has long accused China of rigging agreements unfairly in its favor.

He has called March 2 a "hard deadline," and said that after that date, tariffs will increase on the country if no deal is reached.

When Trump wavers in his resolve, Lighthizer brandishes a single-page document that he carries around with him that contains a list of failed trade talks with China, The New York Times reported this month, citing administration officials. While other officials have their eye on the stock market, Lighthizer has his eye on that history.

On the other side is the Treasury secretary, Mnuchin, who in attempts to reassure investors, has taken a different tack. Mnuchin opposes a long-lasting trade war, and has issued public statements seeking to calm the markets. After Trump met with Xi Jinping in Buenos Aires late last year, Mnuchin helped craft the president's post-summit messaging, according to the Times.

Mnuchin is a former Goldman Sachs banker who said shortly after taking on his new role that he saw the stock market as the administration's "report card." He has been accused by China skeptics of taking a soft stance on trade negotiations with the country.

"I have never met a Goldman Sachs banker who wanted to get tough on China," Sen. Sherrod Brown, D-Ohio, told Mnuchin during his confirmation hearings in 2017.

Market turmoil persists

While Lighthizer is deeply, ideologically committed to reining in alleged Chinese abuses, Mnuchin's background in finance has given him a more transactional mindset, said Dan Ikenson, the director of the Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies.

"Lighthizer would see some pain in the U.S. economy as a necessary evil, just like the D-Day invasion," said Ikenson, who has known Lighthizer for years, and once debated him.

"I do believe that Trump is probably more inclined to listen to Mnuchin when he is thinking about the stock market and the economy for his election," Ikenson said. "But he is more inclined to listen to Lighthizer if he is thinking about the long term and being tough on China and reining them in."

On Dec. 3, two days after the meeting with Xi, Trump called the meeting with "extraordinary," and said that relations with the country "have taken a BIG leap forward! Very good things will happen."

Also that day, on CNBC, Mnuchin called the meeting a "breakthrough moment" and suggested that a deal would be forthcoming.

"The president is not concerned about where the stock market is on any one given day and isn't going to be focused on that, although I will tell you he does watch the stock market," Mnuchin said.

Since the meeting, the markets have continued to tumble. U.S. equities suffered their worst December since the Great Depression last month, losing nearly \$3 trillion in value and locking in 2018 as the worst year for markets in a decade.

While the president has not pulled back from his hard stance on China, his focus on the market puts him at odds with Lighthizer, who, unlike both Trump and Mnuchin, generally avoids discussing equities in relation to trade talks.

On Thursday, the president called the market collapse a "glitch" and projected a turnaround once a trade deal was reached.

"It's going to go up once we settle trade issues and a couple of other things happen," Trump said.
"It's got a long way to go."

Breaking point

Later that month, the president wrote that he had a long call with the Chinese leader.

"Deal is moving along very well," the president wrote. "If made, it will be very comprehensive, covering all subjects, areas and points of dispute. Big progress being made!"

But as trade negotiations persisted into the New Year, new reminders about the economic threats posed by the White House's position came to the fore. On Wednesday, Apple revised down projections for its fiscal first quarter, citing headwinds in China, including ongoing trade concerns.

"We don't expect any rally in the shares in the near term until consensus get materially reset lower and trade wars get resolved," analysts at Citi wrote in a note cutting their price target on the California-based electronics giant to \$170 from \$200.

If those trade concerns don't get resolved, it is an open question how long Trump will be willing to tolerate a down market, if it continues to falter.

Asked on Thursday whether further declines in the market would influence the president's decision-making come March 2, a White House representative had no comment.

But in a tweet that happened to come precisely a year before the deadline, on March 2, 2018, the president signaled that he did not expect to face obstacles in revamping the country's trade agreements with foreign countries.

"Trade wars," the president wrote, "are good, and easy to win."