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Donald Trump's New Appointments Shake Up Trade, Regulation

Billionaire investor Carl Icahn and Peter Navarro, a critic of trade with China, join the president-elect's economic team



Peter Navarro became a top adviser during President-elect Trump's campaign. Photo: Andrew Harrer/Bloomberg News

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Donald Trump selected two key figures for his economic team on Wednesday, both of whom could jolt Washington's approach to trade and regulation.

The president-elect announced the creation of a new National Trade Council inside the White House to facilitate industrial policy and named an ardent skeptic of trade with China, economist Peter Navarro, to head it.

Later, he [tapped billionaire investor Carl Icahn](#) to serve as special adviser on overhauling federal regulations, a job with sweeping implications given Mr. Trump's campaign promise to remove 90% of federal rules that affect American jobs.

The announcements offer clues about how Mr. Trump will attempt to flesh out his distinct economic agenda that fuses traditional GOP principles of lower taxes and regulation with a more populist approach on trade, immigration and manufacturing.

Businesses and markets have generally applauded Mr. Trump's steps on the former but are warier about fights he could pick with U.S. executives or foreign governments over trade and overseas business deals. It is unclear how the new trade council will complement—or duplicate—existing White House agencies.

The corporate world is carefully monitoring the president-elect's willingness to intervene directly with certain companies, particularly those in the manufacturing sector. Mr. Trump on Wednesday met at his club in Palm Beach, Fla., [with the chief executives of Boeing Co. and Lockheed Martin Corp.](#) to discuss in part ways to lower the [costs of building a new Air Force One plane](#) for the president-elect and future jet fighters.

One question is whether the new trade and regulatory posts will be vested with real power or whether they are symbolic appointments.

When President Barack Obama took office in the middle of the financial crisis in 2009, he [created an “economic recovery advisory”](#) board led by former Federal Reserve Chairman Paul Volcker and Austan Goolsbee, one of Mr. Obama's longtime economic advisers. The council, whose influence was seen as diminishing, was renamed two years later and had its final meeting in 2012.

President-elect Donald Trump made eye-popping predictions during the campaign that were ultimately proven correct in America's 2016 presidential election. Here's a look back at the outsider candidate's crystal ball. Photo: AP

Mr. Icahn's new regulatory post isn't an official government job, and he won't draw a salary or have to give up his current business dealings. Yet the role Mr. Trump gave him on Wednesday could broaden his influence in Washington and elsewhere.

“I'm involved with Donald where he wants me to be—I believe he respects my views and I think he listens to me,” Mr. Icahn said in an interview with The Wall Street Journal. “What Trump is trying to achieve is to show business in a lot of this country they aren't going to be ruined by absurd regulation by bureaucrats.”

Mr. Icahn was an early backer of Mr. Trump and urged him to support efforts to let U.S. corporations bring home offshore cash and to end the carried-interest tax break that benefits many on Wall Street. Mr. Icahn would be one of [several billionaires put into important roles](#) by Mr. Trump. The president-elect has rejected criticism of these selections and says he prefers surrounding himself with successful businesspeople with proven track records.

Dean Baker, co-founder of the Center for Economic and Policy Research, a liberal think tank, said Messrs. Navarro and Icahn don't represent mainstream viewpoints on a number of issues.

“They’re both outliers,” Mr. Baker said. “In the sense that we think of a business establishment, neither of them are in it.”

Donald Trump appointed Peter Navarro to a new White House trade council, signifying that the president-elect plans to make trade policy a central issue of his administration. WSJ's Gerald F. Seib discusses the delicate trade questions facing the next president. Photo: Reuters

Mr. Icahn, who has spent the past four decades battling big companies as an activist investor, already has been wielding influence in the president-elect’s transition team. He is playing a central role in selecting the next chairman of the Securities and Exchange Commission, said people familiar with the matter. Interested candidates have reached out to him, and he is interviewing others at the request of Mr. Trump, the people said.

Beyond policy, questions loom over how a handful of mostly newcomers to Washington will develop the relationships needed to work with Congress and the federal bureaucracy while avoiding turf battles that can trip up administrations.

Wednesday’s appointments illustrate the potential for [competing power centers](#) within the administration’s economic policy operation.

“Trump seems to want to run a flat organization with no real hierarchy, which leaves open the possibility of a lot of poles of power and tug-and-pull within the administration,” said Jeb Mason, a Treasury Department official in the George W. Bush administration. “This may leave everyone guessing about who holds ultimate sway.”

Mr. Navarro, a professor at the University of California, Irvine, who served as a top campaign adviser, is the first economist selected by Mr. Trump for a senior White House job.

The [National Economic Council](#), which will be led by [Goldman Sachs](#) Chief Operating Officer Gary Cohn, currently handles economic-policy deliberations that cut across multiple agencies, and the National Security Council, [to be led by retired Lt. Gen. Michael Flynn](#), manages international economic policy. Mr. Trump [selected another Goldman Sachs veteran](#), Steven Mnuchin, to be his Treasury secretary.

The U.S. trade representative, a cabinet-level job with the rank of ambassador, has traditionally served as the principal trade envoy for the president. Mr. Trump hasn’t yet appointed someone to that position, and has yet to name the chair of the Council of Economic Advisers, a separate post of academic economists who provide forecasts and other assessments of policy choices.

Senior aides have said Mr. Trump’s selection for Commerce Secretary, Wilbur Ross Jr., will play a central role in the development of trade policy, which could further marginalize the trade representative. Mr. Mnuchin has said he would work closely with Mr. Ross to lead economic policy in the new administration.

Mr. Navarro's appointment suggests the incoming administration's trade strategy is continuing to evolve. He "has presciently documented the harms inflicted by globalism on American workers and laid out a path forward to restore our middle class," Mr. Trump said in a statement.

Several liberal economists said although they oppose many of Mr. Navarro's policy ideas, he deserves credit for challenging both Democrats and Republicans to think differently about the costs of globalization.

"He contributed to the elevation of this issue of the downsides of globalization, which elite politicians have ignored at great cost for decades, and I give him credit for that," said Jared Bernstein, a former Obama administration economist.

On trade, Mr. Trump has promised to withdraw the U.S.'s pledge to join the Trans-Pacific Partnership, a trade agreement with Japan and other Pacific Rim nations that Congress has yet to ratify, and he has called for the U.S. to renegotiate the North American Free Trade Agreement with Canada and Mexico.

But it is with China, which isn't a party to either agreement, where Mr. Navarro has taken his harshest tone.

He has written several books with provocative titles, including "The Coming China Wars" in 2008 and "Death by China: Confronting the Dragon—A Global Call to Action" in 2011, and struck up a correspondence with Mr. Trump several years ago after he saw an interview in which the New York businessman spoke approvingly of Mr. Navarro's China analysis.

"What we share in common is a deeper understanding of the key structural problem facing the U.S. economy, and it's the trade issue," said Mr. Navarro in an interview before last month's election.

Labor groups have long complained about U.S. trade agreements and are likely to support Mr. Trump's efforts to adjust policy in ways that bolster domestic manufacturing and curb imports.

"In the past, trade policy has been used as a foreign policy tool by the National Security Council rather than a tool to promote domestic production and job creation," said Leo Gerard, president of the United Steelworkers union.

Mainstream economists have taken a dim view of recent articles by Messrs. Navarro and Ross that characterize U.S. trade deficits as a drag on growth, which economists say present a flawed and confused view of elementary economic principles.

"Peter Navarro, a friend, is just wrong," Lawrence Kudlow, the CNBC commentator who advised Mr. Trump earlier this year on taxes, posted on Twitter before the election. Trade deficits, he added, simply reflect capital inflows and not forgone economic gains. Mr. Kudlow is a leading candidate to [head the White House Council of Economic Advisers](#).

—William Mauldin contributed to this article.

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