

National

Republican governors walk tightrope between building Chinese trade relationship and offending Trump

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By [Tim Craig](#)

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LEXINGTON, Ky. — Gov. Matt Bevin gathered 400 Chinese political and business leaders here to deliver a simple message: U.S. states, and especially Kentucky, want a lucrative relationship with them that rises above President Trump’s ongoing trade dispute with China.

But when the Republican governor tried to deliver a personal message from Trump, whom he had spoken to Wednesday night, the audience only laughed.

“I told him I would speak to you all today and asked him what he would want me to share,” Bevin said during the U.S.-China Governors Collaboration Summit on Thursday. “He said simply, ‘Give them my love.’”

The skeptical chuckling from the audience reflects the growing tensions between the White House and foreign leaders as trade battles with Europe and China drag on with little sign of abating. That standoff is a growing concern for U.S. governors, who fear higher tariffs could weaken state economies by drying up Chinese demand for American products and raising prices for American consumers.

That’s especially true here in Kentucky, where there are signs the trade dispute is rattling the state’s soybean and bourbon industries.

Bevin — like other Republican governors in farming and manufacturing states — has been forced to weigh the effects of tariffs against his desire to avoid challenging Trump and his policies.

After narrowly winning his Republican gubernatorial primary this week, Bevin may have much to lose. A staunch defender of free-market conservatism, he needs Trump to help salvage his political career, which includes [the distinction of being one of the nation’s most unpopular governors](#) .

Bevin received an Election Day tweet of support from Trump, but GOP strategists say the incumbent governor needs a lot more from the president to unify the Republican base around him ahead of his Nov. 5 bid for a second term. Bevin will face off against Democrat Andy Beshear, the son of popular former governor Steve Beshear.

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“This is going to be a tricky thing for Bevin to navigate because he has been staunchly pro-trade and has aligned with his economic views with a strictly market-based approach,” said one veteran Kentucky Republican strategist, who spoke on the condition of anonymity so they could speak freely about the race. “However, Bevin’s alignment with the Trump administration is absolutely essential to his political career, and now he’s trying to find a way to accommodate both.”

Although the National Governors Association conference wasn’t designed to be a discussion on Trump’s trade feud with China, the gathering in downtown Lexington is showcasing how governors hope to become a firewall for limiting economic fallout should the trade disputes drag on. Representatives from 20 states and territories and four Chinese provinces attended the three-day conference, which ends Friday.

As the host, Bevin put on a traditional Kentucky welcome for the Chinese delegation. On Thursday night, Bevin whisked them to the governor’s mansion in Frankfort, Ky., for a party with samples of more than 150 types of bourbon followed by a dinner under the state Capitol rotunda.

During a meeting with reporters earlier in the day, Bevin attempted to play down the effects Trump’s trade policies will have on the state.

Although he called tariffs “a tax” on consumers that could hinder sales for some Kentucky manufactures, he said he believes Trump views them as a short-term tactic .


“Everyone understands tariffs are not the solution and wants an environment in which they don’t exist, but they are negotiating tools and both sides are using them quite handily,” Bevin said. “But this will end — it won’t last.”

Navigating Trump's policies

Bevin isn’t the only Republican governor navigating how to speak out against tariffs while not criticizing Trump

After Tennessee Gov. Bill Lee spoke at the trade conference Wednesday, extolling the state's low tax rates and the Nashville music scene, the Republican said he trusts that the ongoing trade negotiations "will be beneficial" for the United States.

Middle Tennessee State University published a report last week that showed a 10 percent increase in exports during the last quarter of 2018 because of the trade deal.

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Earlier this month, at a conference sponsored by Yahoo Finance, Nebraska Gov. Pete Ricketts said it was time for Trump to "wrap up" his trade dispute with China. Ricketts said Nebraska farmers lost more than \$1 billion in revenue last year because of the tariffs. But in an interview a few days later with NPR, the Republican was far more restrained in his advice for the White House, saying Nebraska farmers understand Trump is seeking a "fair and balanced" trading partnership with China.

"I think the president has understood that we've got to have a relationship with China where it's a mutually beneficial one, and one where it's fair," Ricketts said.

Former Missouri governor Bob Holden, a Democrat who chairs the Midwest U.S.-China Association, which encourages trade between the 12 Midwestern states and China, said Republican governors are "trying to identify and work with China to protect their state's self interest" while "still not wanting to cross waves" with the White House.

"But if we keep having these tariffs wars, you are going to see more and more [division], especially behind the scenes, where I am sure they are already communicating a much different message," Holden added.

Republican-aligned business groups are also pressuring GOP governors to become more outspoken critics of Trump's trade policies. Officials with Americans for Prosperity, the main political arm of billionaire brothers Charles and David Koch, have been reaching out to governors asking them to be "more public and vocal" about the impacts that tariffs are having on their states, according to Brent Gardner, the chief of government affairs for the group.

"From a governor's perspective, this is a tremendous opportunity for them to really show the impact tariffs in particular are having, and will have, on their economy," said Gardner, adding Americans for Prosperity now considers pressuring Trump to step back from his trade disputes to be a top priority.


Last year, after the trade war erupted, Chinese investment in the United States plunged 83 percent, while increasing 80 percent in Canada, according to a report by the law firm Baker McKenzie. But China remains the third-largest export market for U.S. goods and services, and it will be responsible for one-third of all global trade over the next decade, said Craig Allen, president of the U.S.-China Business Council.

"There is a huge amount of Chinese investment poised to come to the United States if both governments would

allow it,” said Allen, who attended the NGA conference and has been urging governors to be more proactive in reaching out to China directly.

Bevin's uphill battle

Under Bevin’s leadership, Kentucky has been at the forefront of a trade policy which is one of the largest buyers of the state’s exports. As a conservative tea party activists, he quickly began reaching out to Chinese Ambassador to the United States Cui Tiankai.

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Bevin’s outreach earned him fawning coverage from Chinese media outlets. China Daily, a state-run English-language publication, published an editorial titled “Kentucky governor sets an example for rest of U.S. to follow in trade with China.”

In December, after he led a trade delegation to China, Bevin wrote an op-ed in China Daily. He noted that one of Kentucky’s most recognizable business franchises, Kentucky Fried Chicken, is flourishing in China, while Chinese companies directly employ more than 8,000 workers in the state.

“Much of the global media attention is focused on the trade negotiations between our nations. They use sensational words and phrases such as ‘trade war’ and ‘conflict’, ” Bevin wrote. “This is both inaccurate and unhelpful. . . . I am very confident that, over time, these differences will be worked out.”

As he seeks reelection, Bevin can point to other economic successes, including a state unemployment rate that has been hovering at about 4 percent, it’s lowest rate in nearly two decades. Kentucky also logged a record \$32 billion in exports last year, including \$2.2 billion to China.

But Bevin’s approval ratings have fallen amid well-publicized battle with teachers and government workers over the state’s chronically underfunded pension program. Bevin also lost a high-profile budget battle this spring when the Republican-controlled legislature overrode his veto of a tax increase to fund public education.

The Democratic Governors Association, which plans to support Beshear, noted that Kentucky lags behind most of the nation in wages. The state had a per-capita income of \$39,393 in 2017, ranking it 47th in the nation, according to the Lexington Herald Leader.

Now, the trade dispute could add even more uncertainty to Bevin’s reelection prospects. Debbie Ellis, executive director of the Kentucky Soybean Board, said China’s 25 percent tariff on U.S. soybean exports has created an uncertain future for the industry’s 8,000 direct employees. China had been purchasing about 30 percent of Kentucky’s soybean crop, according to the American Soybean Association.


“That tariff pretty much takes away all of a farmer’s profit,” Ellis said.

Kentucky’s bourbon industry — which produces 95 percent of the world’s bourbon and had been experiencing a

decade of explosive growth due to demand in Europe — also has been hit hard by the foreign tariffs. U.S. whiskey exports, including bourbon, fell by 11 percent during the second half of 2018, after the European Union imposed a 25 percent tariff on American whiskey, according to the Distilled Spirits Council.

Eric Gregory, president of the Kentucky Distillers Association, said he and other industry leaders have been pushing Bevin to urge the Trump administration to less

Bevin and his administration “understand we are an \$8 triple what it was three years ago,” said Gregory, who a during a reception before the Kentucky Derby earlier this month.

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But D. Stephen Voss, a political science professor at the University of Kentucky, said most Kentucky voters still haven’t “really felt the effect of the trade battles in their day-to-day lives,” so the trade issue may not have a major impact in November.

“Even to the extent we are feeling effects, it’s hard to trace them back to the source,” Voss said. “Some prices go up here, but down over there, so you are never going to get that smoking gun that says, ‘The tariff caused this.’”

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Tim Craig is a national reporter on the America desk. He previously served as head of The Washington Post’s Afghanistan-Pakistan bureau, based in Islamabad and Kabul. He has also reported from Iraq, the District and Baltimore. Follow 