

Trump Tariffs Cast Shadow Over Governors' Races

By Dave Sebastian

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- Republican candidates, in defying Trump, risk diminishing support
- Trade poised to have more influence in agricultural and manufacturing states' elections

Governors' races in Republican-held states like Florida, Illinois, Iowa, and Ohio—areas dependent on trade in agriculture and manufacturing—are looking increasingly competitive, according to the latest Cook Political Report ratings.

The candidates, particularly Republicans running in trade-dependent states, will be struggling with balancing the trade interests of their constituents and Donald Trump's policy line, trade analysts told Bloomberg Law. How voters cast their state ballots will likely depend on the synchronicity between the candidates' and Trump's messages, they added.

The Trump administration has been citing the trade deficit in goods as its basis for pushing for more tariffs on allies, as well as on China. Adding to this, Trump on July 20 threatened to slap another \$500 billion in tariffs on Chinese imports.

Manufacturing states depend on steel and aluminum, which the U.S. has targeted with tariffs on Mexico, Canada, and the European Union. The result: swift retaliation from those countries that's likely to drive up costs.

The administration has also been considering additional 25 percent tariffs on autos and auto parts, citing national security concerns. The tariffs drew fire from automakers Volkswagen Group of America and Hyundai Motor Manufacturing Alabama who testified against the levies at a July 19 Commerce Department hearing. Other companies testifying against the tariffs included Polaris Industries Inc., LG Electronics Inc., and LG Electronics Vehicle Components USA, and Cosdel International Transportation.

Volkswagen said the tariffs would increase costs and uncertainties for the supply chains supporting the U.S. investments. Hyundai and its suppliers form a critical portion of the U.S. automotive industrial base and employ over 25,000 workers in the U.S. Hyundai's U.S. operations use substantial quantities of both domestically-produced and imported auto parts, the South Korean automaker said.

Ford Motor Co., which has plants in Illinois and Ohio, is among automakers that will be "worst hit" in the first wave of Chinese tariffs, according to Bloomberg Intelligence.

Hitting Industry, Voters

Republicans, especially in agricultural states—where commodities like soybeans and corn are threatened by Chinese tariffs—may no longer be able to count on the support voters showed in the 2016 presidential elections amid waning enthusiasm for Republican trade policies, William Hoagland, senior vice president of the Bipartisan Policy Center, told Bloomberg Law.

Democrats might have a chance of taking the gubernatorial seats in agricultural or manufacturing states like Iowa, a major soybean state, as well as Illinois and Tennessee, Hoagland, a former administrator of the Department of Agriculture's Food and Nutrition Service, said.

Illinois, a soybean and corn-producing state led by Republican Gov. Bruce Rauner, "normally goes Democratic because of Chicago," Hoagland said. But downstate farmers will feel the effects of the tariffs, and there might be lower turnout among Republican voters in that area, he said.

Tennessee, where former Democratic governor and tariff foe Phil Bredesen is running for the Senate election, might also see the trade spat working in the Democrats' favor in the gubernatorial race, Hoagland said.

Gubernatorial races in Florida, Illinois, Iowa, Ohio, Michigan, Maine, and Nevada are likely to be a toss-up, according to Cook ratings. Soybean powerhouse Minnesota is a draw, but Steel-producing Pennsylvania is among the states likely to maintain a Democratic governor, Cook report said.

And although trade is poised to be a factor in western Pennsylvania, where steel production is located and pro-tariff feeling is high, that likely won't be the case in other the parts of the state, former Pennsylvania Gov. Mark Schweiker (R) told Bloomberg Law.

Agriculture companies affected by the tariffs include Chicago-based Archer Daniels Midland and Bunge, which has operations in Ohio, Illinois, and Iowa, according to Bloomberg Intelligence.

Trump Effect

The discussion in gubernatorial races is likely skewing toward "talking about the adverse impact of Trump policies," such as tariff actions, former South Carolina Gov. Jim Hodges, a Democrat, said. The debate on trade policies is an extension of discussions about jobs and wages—issues Hodges said are central to gubernatorial races.

The tariffs' impacts might diminish voter turnout in the Southeast, where trade is oxygen to foreign direct investment and port facilities, Hodges said. South Carolina is home to production facilities such as Boeing Co., a major U.S. exporter, and foreign automakers Volvo AB and BMW Group.

A candidate's stance on trade policy will influence voters' picks on state ballots, but candidates in predominantly Republican states are likely to risk diminishing voter support if they deviate from Trump's tit-for-tat trade strategy, Hodges said.

"The most important issue out there is whether you embrace the direction and style of Donald Trump," Hodges said. "Anything else is secondary."

Trump's approval rating among Republicans, according to a Gallup survey, stood at 87 percent in early July, leaving little room for Republican candidates to deviate from the administration's policy stances.

Republican incumbents could try working with the administration on trade dynamics, as opposed to outwardly opposing Trump's policy lines, Dan Judy, a political consultant at North Star Opinion Research, told Bloomberg Law.

"You're going to see a lot of governors pushing as hard as they can to protect the industries in their state, and a lot of that, I think, will be behind the scenes," said Judy, who worked with campaigns of Republican Tennessee Gov. Bill Haslam, as well as Sens. Lamar Alexander (R-Tenn.), Bob Corker (R-Tenn.), Lindsey Graham (R-S.C.), and Marco Rubio (R-Fla.). "Democrats are going to be against everything that Donald Trump does, and I think Republican candidates are going to be generally supportive of the president."

Balancing Act

Republican governors, especially those running in states that depend heavily on the North American Free Trade Agreement, "are in a difficult situation" in balancing trade repercussions of tariffs and their re-election strategies, Duncan Wood, the director of the Wilson Center's Mexico Institute, told Bloomberg Law.

"They don't want to fight with the president, but they do need to defend the interests of companies and workers in their states," Wood, who lectures and writes about U.S.-Mexico relations, said. "The nightmare scenario for any Republican is, at some point, President Trump decides to attack them on Twitter."

The tariffs, Wood said, would disrupt existing supply chains that link U.S., Mexican, and Canadian productions, especially those involving voters in border states like Texas, Arizona, and New Mexico.

But Republicans who speak out against the tariffs "will be rewarded in the long run," former Missouri Gov. Jay Nixon, a Democrat, told Bloomberg Law. Republican candidates have a chance to fix the "analytical dissonance" between the administration's protectionist trade stances and favoring the GOP's traditional support for free trade, Nixon said.

Economic Pain

Trade hasn't traditionally been a central issue in U.S. elections, but with the trade spat already morphing into an economic issue, it will be a factor in November, Jennifer Duffy, a senior editor for the Cook Political Report, told Bloomberg Law.

"The more you can tie [trade] up to the economy of a state, the more it's going to play," Duffy said.

But some pollsters and analysts contacted by Bloomberg Law said that while trade will shape voters' decisions, it won't be the No. 1 issue. The trade spat itself won't be enough to prevent voters from voting for Republican governors, Sarah Rosier of Ballotpedia said.

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