

# THE DAILY NONPAREIL

## **Branstad's light touch with China seen as a boon for Midlands commerce**

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China is a top customer for U.S. agriculture, buying up huge quantities of American soybeans, grains, pork and other ag-related products – \$26 billion worth last year.

So when President-elect Donald Trump rattles the relationship with talk of rewriting trade deals and imposing big tariffs on China, ag leaders can get a little nervous.

But Midlands ag officials felt more at ease last week after Trump picked Iowa Gov. Terry Branstad to be his ambassador to China. Besides being a longtime trade promoter with deep Midwestern roots, Branstad is an old friend of Chinese President Xi Jinping.

“He’s suited for the job, and his relationship with the president of China may make it easier when feathers get ruffled,” said U.S. Secretary of Agriculture Tom Vilsack, himself a former Iowa governor.

At any given time, China is the No. 1 or No. 2 customer for U.S. agriculture. And at a time when a surplus of some commodities is keeping prices low for farmers and ranchers, Iowa and Nebraska ag officials said expanding trade with China is a priority.

Vilsack said Branstad’s new job at the U.S. Embassy in Beijing will be important and also tricky – a fact underscored by an editorial published Friday in a large state-owned Chinese newspaper.

Branstad will prove an effective go-between, especially on trade, China Daily said.

“But a mutually beneficial relationship entails more than a trusted messenger,” the newspaper warned. It pointed to Trump’s recent phone call with the leader of Taiwan as evidence that the incoming president may ignore the U.S.-China consensus on “one China,” and suggested that would have serious consequences for his efforts to renegotiate trade agreements.

Trump has criticized China’s trade policies, pledging to put a 45 percent tariff on imported goods from China and to label China as a currency manipulator, saying it unfairly sets its currency value to favor Chinese goods.

Still, Iowa sold an estimated \$1.2 billion in total exports to China in 2015, while Nebraska sold \$1.3 billion. Ag and trade leaders said the Branstad pick has them feeling cautiously optimistic.

“We can only go by the words that were said on the trail, and some of those were concerning,” said Al Juhnke, executive director of the Nebraska Pork Producers Association. “But now we feel a sense of hopefulness, that there are some people that are being recruited that do understand agriculture, that do understand the importance of trade to us, that can talk to the incoming president.”

The Branstad selection announced last week didn’t put an end to Trump’s needling of China. A day later in Des Moines, when Trump appeared with Branstad at a rally, he said: “They have to play by the rules. And I know it’s time that they’re going to start.”

Creighton University economist Ernie Goss said he’s hopeful Branstad can tamp down that kind of rhetoric from his new boss.

“There are great opportunities, but that’s presuming Gov. Branstad can talk President-elect Trump out of some of his somewhat scary trade perspectives,” Goss said, referring to trade policies that critics labeled as isolationist and protectionist.

Those include Trump’s stated opposition to the Trans-Pacific Partnership, an international trade agreement involving the U.S. and 11 countries on the Pacific Rim, including Canada, Mexico, Australia and Japan.

Proponents of the pact say the deal levels the playing field and promotes lower-cost exports out of the United States through the elimination of tariffs, for example.

In 2015, Iowa businesses exported \$7.8 billion in goods to countries that are parties to TPP; Nebraska businesses exported \$3.9 billion, according to the International Trade Administration.

China is not a party to the TPP deal and is working on its own pan-Asian trade deal. But improving trade relations between the two largest economies on the planet would open a wider berth to continued U.S. trade growth in the region, Goss said, and Branstad’s ambassadorship “is a very, very good signal for Iowa, for Nebraska, and for this part of the country.”

Some fear that going in the opposite direction – that is, moving away from increased trade with China and abandoning the TPP deal in the eleventh hour – would create a vacuum that the Chinese would be more than happy to fill.

“If we back away from it, it’s not as if we still run the region. Every voice of global perspective says the region will move forward, and it will do so without us,” said Brad Lubben, a professor of ag economics at the University of Nebraska-Lincoln.

However, that may not matter to voters enchanted by Trump’s promises, both on the campaign trail and early in the transition, Lubben said.

“They expect him to back away from some of these agreements, and there’s no reason to believe he won’t. It’s a challenging time for an agriculture sector that believes trade is generally good,” Lubben said.

China agreed this year to resume U.S. beef imports, which stopped in 2003, but the countries are still working out the terms. Recent trade missions have included conversations with buyers, as the Midwest looks to tap a large and growing Chinese appetite for high-quality protein.

“We’re really working on relationships in China so that when they open their doors we’re right there to sell into the Chinese market,” said Mindy Ruffalo, director of international business development for the Greater Omaha Economic Development Partnership. When it comes to Trump’s position on China, she said, “I think we’re optimistic that things are going to improve – and trying to ignore some of the rhetoric.”

Nebraska also hopes to attract more Chinese investment in business, said Ruffalo and Nebraska Gov. Pete Ricketts.

Ricketts has been an advocate for the TPP and trade with China. He was in China on a trade mission on Election Day.

Asked whether Trump’s rhetoric could derail Nebraska’s efforts, Ricketts said it’s possible Trump could negotiate better deals with China.

“When it comes to negotiating with China, I think we should negotiate from a position of strength,” he said. “That’s what I think President-elect Trump is saying. ... He understands he’s got a small window of time when he comes into office to change the way things have been done in the past.”

Ricketts said Branstad will have a lot more on his plate as ambassador than just discussing Midlands trade, but said there’s no better choice to represent the U.S. in China.

“He is someone who really understands what the Midwest economy is like and what our unique concerns are,” Ricketts said.

Branstad’s success will be largely dependent on his ability to soften the incoming commander in chief’s rhetoric, said Simon Lester, trade policy analyst for the Cato Institute think tank.

Branstad has proven adept in his establishment and management of relationships with Chinese officials, which “will bring something positive to the table,” Lester said. But it’s uncertain whether Branstad’s influence can be effectively transmitted from his new office in China to Washington, D.C.

After all, Lester noted, some of Trump’s advisers have been “very bellicose” toward China. For example, Peter Navarro, a University of California, Irvine business professor who worked on Trump’s economic advisory council, recently wrote a book titled “Death by China.” Among other things, Navarro’s book laments China’s surge as a global manufacturing powerhouse at the expense of American manufacturing jobs.

Still, Lester sees in Branstad “the kind of person we want working with China.”

“He has a voice at the table, and I’m skeptical about Trump on this (Chinese trade) issue,” Lester said. “But Branstad does reassure me.”