2026 TRADE AGENDA HEARING STATEMENT—SENATE FINANCE

Thank you, Chairman Crapo and Ranking Member Wyden. We were delayed because of the all-night vote-a-rama a few months back, so I am glad we were able to reschedule. I also thank you for keeping in touch with me as USTR has prioritized our consultations with Congress during this busy time for trade policy.

As you know, the President's trade policy in 2025 was defined by a national emergency: a $1.2 trillion trade deficit, which had exploded 40% in the prior four years, and an industrial base too atrophied to support our national security and economic competitiveness, let alone a strong middle class.

That national emergency still exists, and so our policy remains the same. The specific authorities this Administration is using have changed, but the trade strategy has not. Specifically, we are continuing to impose tariffs and negotiate deals to support the reindustrialization of our economy, protect American workers and increase their wages, and shrink our trade deficit.

The problems the President's trade policy seeks to solve are generational—things were not broken in a day and they will not be fixed overnight. But they *must* be fixed. This is why I am pleased to report that the combination of tariffs and deals core to the President's trade policy has yielded quick, impressive results.

For starters, the United States currently has 19 framework or reciprocal trade deals covering 32 percent of global gross domestic product (GDP). The new market access secured in these deals and the protection they offer from unfair trade practices has been a boon to our producers.

Goods and services exports have marked the highest monthly levels on record from February through May of this year. On the other side of the ledger, capital goods represent the largest share of our imports ever, accounting for 33 percent of imports in 2025 and 40 percent so far this year. We have shifted the bulk of our imports from consumer goods and autos to the things we need to scale reindustrialization, like machine tools, injection molding equipment, and AI chips. In other words, the United States has not stopped trading with the world, but the composition of that trade has changed. We are selling more to the world than ever before because of our increased capacity to produce. And our imports are increasingly the type of goods that help us produce even more here.

These dynamics have reduced our trade deficit dramatically. After the introduction of the President's reciprocal trade program in April 2025, the U.S. trade deficit in goods for the 12-months ending in May 2026 (the latest available data) decreased by 24 percent compared with the same period a year earlier. Instead of an average annual 8 percent increase in the trade deficit in goods seen under President Biden, in 2025 under President Trump, the rate of increase in the U.S. goods trade deficit has slowed significantly to less than 3 percent.

For agricultural trade specifically, the story is even better. President Biden left office with a monthly agricultural trade deficit of $6.2 billion—the largest in our history. Foreign governments were slamming shut their markets to U.S. agricultural exports, but that has changed because of the significant, new agricultural market access commitments we have secured. This is part of the reason why our agricultural trade deficit has shrunk significantly and has remained under $3 billion in every month this year. When it comes to agricultural trade, the United States is on the road back to a surplus. We should be proud that we are growing our food in America and feeding the world again.

Services exports have also taken advantage of new market access. In 2025, the U.S. services trade surplus reached a record high of $327.6 billion.

A large part of the positive change in our trade deficit is attributable to reduced dependence on China. Our trade deficit in goods with China fell to $203 billion in 2025—the lowest it has been since 2005. And China's share of total U.S. imports fell to about 9 percent, the lowest it has been since China joined the World Trade Organization (WTO) in 2001.

These trends are not only good for our economy and national security overall, but also for the individual workers and families who make up that economy. Real manufacturing worker pay has increased by $2,067 under President Trump after falling $830 over the course of President Biden's four years in office.

Moreover, manufacturing productivity surged by 2.4 percent in the last quarter of 2025 compared to the same period in 2024, and manufacturing wages increased by 4.7 percent. In other words, the average American manufacturing worker is producing more goods and getting paid more to do it. There are nearly 530,000 manufacturing job openings in the United States, providing opportunities for Americans to shift from unemployment or underemployment to higher-paying jobs and more attractive careers.

And—tamed, in part, by increased domestic production of everything from cars to food—in June, the Consumer Price Index (CPI) fell 0.4 percent, the largest decline since April 2020, and far below expectations of 0.1 percent. Core inflation (less food and energy) was 2.6 percent year-over-year, down from 3.3 percent in January of 2025 and better than market expectations.

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But there remains even more progress on the horizon. This year USTR has been pursuing three key priorities to further this trade agenda: Section 301 enforcement actions, negotiations with Mexico, Canada, and other countries, and critical minerals supply chain resilience.

Section 301 Investigations

Section 301 directs USTR to investigate foreign acts, policies, and practices to determine if they are unjustifiable, unreasonable, or discriminatory and burden or restrict U.S. commerce. If a Section 301 investigation leads to an affirmative determination, USTR can impose tariffs or quotas on goods, fees on services, or other responsive actions to help eliminate the acts, policies, and practices in question. Section 301 is a long-standing and effective tool to address unfair foreign trade practices. In his first term, President Trump used Section 301 successfully to respond to China's intellectual property rights violations and forced technology transfer practices, unfair European subsidies for Airbus, illegal forestry practices by Vietnam, and other matters.

President Trump has again directed USTR to investigate countries for various unfair trade practices under Section 301. After concluding its investigation, USTR imposed Section 301 tariffs, effective July 22, on Brazil in response to a number of acts, policies, and practices which burden or restrict U.S. commerce, including imposing unfair tariff barriers on U.S. exports (including ethanol), lax anti-corruption enforcement, targeting U.S. tech companies, and allowing illegal deforestation of the Amazon to make Brazilian exports more competitive. Despite U.S. efforts for over a year to resolve these issues with Brazil through negotiation, Brazil has refused to change the policies and practices that harm American workers, farmers, and businesses.

USTR has also investigated its top 60 U.S. trading partners for their failure to adopt and effectively enforce an import ban on goods produced with forced labor. On June 2, USTR published a report on this investigation, which found that these countries' failure to adopt, and effectively enforce, a forced labor import prohibition is unreasonable and burdens or restricts U.S. commerce. I also proposed responsive action to incentivize our trading partners to do more to combat the scourge of forced labor, including the imposition of additional tariffs of 10 and 12.5 percent depending upon the strength of their existing measures to address this issue. Since then, USTR has received over 1,600 comments on the proposed action and USTR held a second round of public hearings on this investigation in which 107 witnesses provided testimony. As soon as tomorrow, USTR will release its final responsive action on its Section 301 investigation of our top 60 trading partners' failure to address international trade in forced goods at their borders.

The United States is the only country in the world which has both adopted and effectively enforced such a rule. This investigation is the culmination of years of effort to persuade our trading partners to join our efforts and create a level playing field for American workers and businesses.

In his first term, President Trump used the leverage of renegotiating the North America Free Trade Agreement (NAFTA) to get Mexico and Canada to adopt forced labor import prohibitions. Over the past year and a half, President Trump has secured forced labor import prohibition commitments from 10 trading partners in the Agreements on Reciprocal Trade, including Jordan which signed its Agreement on Reciprocal Trade with the United States on Monday. Moreover, some countries that have not yet signed a full Agreement on Reciprocal Trade nevertheless have adopted measures to prohibit the import of goods made with forced labor. I give a lot of credit to these countries for joining the United States in this cause. Due to this progress – which still must be monitored for effective enforcement – they will have a lower tariff rate than other countries.

USTR is also continuing to investigate our top trading partners for acts, policies, and practices that create, sustain, or contribute to structural excess capacity and production. For a long time there has been a bipartisan and international consensus that structural excess capacity and production leads to harmful distortions in the global economy and demands a response. In 2016, 2017, 2018, 2024, and 2026, the leaders of the G7—meaning the leaders of the world's largest market economies, including Presidents Trump, Obama, and Biden, expressed concern about the harms posed by structural excess capacity and production. I have launched this investigation to better understand and document the extent to which the polices of our trading partners are contributing to this phenomenon. When this investigation concludes, I am happy to brief interested members of this Committee on my determination in this investigation and any responsive action I may propose.

As a complement to these Section 301 actions and investigations, USTR is working with our trading partners to address these issues of concern in our plurilateral and multilateral engagement. As this year's host of the G20, the United States has made forced labor in supply chains, structural excess capacity and production, and economic imbalances signature priorities in the Trade Track. USTR has also continued to raise these issues as part of ongoing engagement at the G7 and Organization for Economic Cooperation and Development. In total, this engagement is part of a broader effort to work with allies to fix what is broken in the global trading system.

Negotiations with Mexico and Canada

At the same time, USTR continues to negotiate a resolution to the unique problems in our North American trade relations.

While the U.S.-Mexico-Canada Agreement (USMCA) was a marked improvement over NAFTA, there is no doubt that problems remain in our trading relationship with both Mexico and Canada. From 2020—when USMCA entered into force—to 2024, our trade deficit with Mexico grew from $110 billion to $168 billion, and our trade deficit with Canada from $13 billion to $61 billion. There are also a variety of well-known non-tariff issues ranging from expropriation to lax labor law enforcement to agricultural trade barriers.

For this reason, on July 1, the United States did not rubber stamp the USMCA for a 16-year term. Instead, the United States continues to negotiate with Mexico to address the specific concerns we have with the USMCA. In fact, after this hearing, I am flying down to Mexico to join those talks tonight.

As for our northern neighbor, it is disappointing that Canada joined the People's Republic of China as one of the only two countries which retaliated against President Trump's trade policies. Despite this, Canada has enjoyed the most generous tariff treatment under the America First Trade Policy, and over the past year, has not shown ambition for addressing these trade challenges or market access barriers we have identified and shared with the Canadian government. This is why, on Monday, President Trump invoked Section 338 of the Trade Act of 1930 to impose new tariffs on Canada in response to Canada's discriminatory ban of U.S. alcohol, tariff-rate quotas on U.S. auto exports, and treatment of U.S. dairy exporters. These tariffs will not take effect for 30 days. In that time, we remain open to discussing a path forward with Ottawa.

Critical Mineral Supply Chain Resilience

Next, it is vital that the United States strengthen the resilience of our critical mineral supply chains. To further this goal, USTR is confronting a fundamental challenge to that resilience.

The market for critical minerals has been distorted for many years as refining of these minerals have concentrated in China due to non-market pricing and practices. In the current market, global prices for these minerals and associated products, like rare earth magnets, are too low or volatile to support market-based production in the United States and partner countries. By agreeing with key partners and allies to stabilize the price for these products in our respective markets through imposing a common "price floor" at the border, the United States can secure investment certainty and restore a functioning market for critical mineral supply chains. This will foster reshoring and economic sovereignty as we regain our competitiveness.

To that end, USTR is developing a new plurilateral agreement called the Agreement on Trade in Critical Minerals, or "ATCM," to work with a group of like-minded countries to adopt the border-adjusted price floors needed to correct harmful, state-driven market distortions. I have had dozens of conversations with key partners as USTR finalizes the development of this proposal and am encouraged by the reactions I have received.

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Fundamentally, these initiatives—like the trade policy overall—aim to answer the question of what should our economy look like? For President Trump and his administration, the answer is clear.

We want an economy that is resilient from shocks and not dependent on foreign production for critical goods.

We want an economy with an increased level of manufacturing, certainty of food security, and a robust services sector.

We want an economy benefiting from an international economic system that promotes fairness and balance.

And we want an economy that prioritizes American workers by protecting them from unfair trade practices and creating economic conditions that raise their wages.

An economy that looks like this is one everyone supports. I look forward to our conversation today and working with you to continue to make this economic vision a reality.