THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
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Chairman Smith, Ranking Member Neal, and Members of the Committee, thank for you taking the time today for this hearing.

Last Wednesday, President Trump declared a national emergency in response to the large and persistent trade deficit that has built up in recent years. This deficit is driven in part by non-reciprocal tariffs, trading barriers, and other economic policies pursued by our foreign trading partners. President Trump imposed tariffs to address this emergency. These measures are aimed squarely at achieving reciprocity and reducing our massive trade deficit.

This national emergency declaration and tariff action is the most significant change in U.S. trade policy since we allowed China to join the World Trade Organization. The consequences of the disastrous decision to give China permanent normal trade relations, as well as earlier decisions to provide expansive, non-reciprocal market access to other countries, have reverberated through our economy and society. Although certain sectors and companies may have benefitted from aspects of U.S. trade policy, many have had the opposite experience. The American working class in particular has suffered concentrated losses from the "China Shock," and other adverse effects of the conditions giving rise to our massive trade deficit.

The United States has lost 5 million manufacturing jobs and 90,000 factories since 1994. President Biden left us with a $1.2 trillion trade deficit in goods – the largest of any country in the history of the world. The United States' share of world manufacturing output declined from 28 percent in 2001 to 17 percent last year. In the fourth quarter of 2024, U.S. manufacturing as a share of gross domestic product was the lowest it had been in 20 years.

During COVID, we were unable to procure semiconductors to build our cars or materials for pharmaceuticals and personal protective equipment. During World War II, we built nearly 9,000 ships; last year, the United States built only 3 ocean-going vessels. Our agricultural trade balance – which historically resulted in trade surpluses for our farmers – was in deficit the last two years of the Biden Administration and likely will take some time to recover. These are all serious indicators of an economic and national security emergency.

One important driver of these negative trends has been unfair, unbalanced, and non-reciprocal trade. This includes the effect of higher tariffs imposed by other countries on the United States, the effect of non-tariff measures that promote other countries' exports and obstruct U.S. exports, and other foreign economic policies favoring overproduction and degrading America's manufacturing capacity.

This lack of reciprocity is an important driver of our global trade deficit and with particular countries. It is just common sense that the President target trade deficits to get at the non-reciprocal conditions underlying this national emergency.

For example, the European Union can sell us all the shellfish they want. But the EU bans shellfish from 48 states. The result is a huge trade deficit in shellfish with the EU.

We charge only a 2.5 percent tariff on ethanol. But Brazil charges us an 18 percent tariff. The result is we have a huge trade deficit in ethanol with Brazil.

Depressed wages and poor labor conditions in other countries also lead to huge imbalances. The average monthly salary in Vietnam is about $340, while the average in the United States is $5,000. This pulls our factories to Vietnam, which sells us $15 of goods for every $1 we send them. Since we can't export what we don't produce, the result is a huge trade deficit with Vietnam.

Our average tariff on agricultural goods is 5 percent. But India's average tariff is 39 percent. You understand the trend. Our trade deficit, driven by these non-reciprocal conditions, is a manifestation of the loss of the nation's ability to make, to grow, and to build.

The President recognizes the urgency of the moment. On the first day of his second term, President Trump issued a comprehensive memorandum setting out his trade policy direction. No other president has done this. The President focused on achieving fair and balanced trade, addressing our trade relationship with China, and enhancing the nation's economic security. He also issued a memorandum directing U.S. government economic agencies to address the lack of reciprocity in our trade relationships, including non-reciprocal tariffs, trade barriers, and other economic policies.

Over the past 10 weeks, he has executed on nearly all of these priorities. He has tightened tariffs on steel and aluminum, imposed new measures on auto and auto parts not made in the United States, and on April 2, the President declared a national emergency based on the United States' large and persistent trade deficit and the conditions driving it, including a lack of reciprocity in tariff and non-tariff barriers. These deficits are a reflection of non-reciprocal trade. And so the President has imposed a reciprocal tariff, along with a global baseline tariff, to achieve reciprocal treatment from other countries and to drive the deficit down.

The President's strategy is already bearing fruit. Over the past few weeks, one auto company announced that a plant slated for Mexico will be built in Indiana. A planned layoff for an auto production shift in Tennessee has been suspended. Another automaker is hiring additional employees and expanding overtime to increase auto production in the United States, also in Indiana. Companies have announced $4 trillion in new investment in the United States.

Nearly 50 countries have approached me to discuss the President's new policy and explore how to achieve reciprocity. Several of these countries, such as Argentina, Vietnam, and Israel, have suggested they will reduce their tariffs and non-tariff barriers. These obviously are welcome moves. Our large and persistent trade deficit has been over 30 years in the making, and it will not be resolved overnight, but all of this is in the right direction.

We must move away from an economy based solely on the financial sector and government spending, and we must become an economy based on producing real goods and services. This adjustment may be challenging at times. It is a moment of drastic, overdue change, but I am confident the American people will rise to the occasion as they have done before.

I appreciate this Committee's interest in President Trump's trade agenda. Though we may not agree on everything, it is my sincere hope that our shared interest in doing what is best for America will allow us to meaningfully collaborate in the restructuring of the global trading order in the coming weeks and months.

Thank you again for your time and I look forward to our conversation.