Opening Statement for House Ways and Means and Senate Finance Committees

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Introduction

Chairman and Ranking Member, thank you for your introduction and for convening the Committee today. I am happy to be back with the Committee so soon after our recent discussion. The week before last, my goal was to provide you with a review of the entire trade agenda and to answer your questions regarding the President's reciprocal trade strategy. Today, I am reporting to you on the U.S.-Mexico-Canada Agreement (USMCA or Agreement), and the Administration's strategy for approaching the Agreement's six-year Joint Review.

USMCA contains a novel mechanism for the Parties to conduct a joint review of the Agreement on the sixth anniversary of its entry into force, July 1, 2026. As my predecessor, Ambassador Robert Lighthizer, explained in testimony before this Committee in 2019, this mechanism was designed to ensure that the United States would "never again be in a position where it has permanently given away its economic leverage or become hostage to outdated rules." In the first Trump Administration, we believed that this mechanism was critical to encourage "thoughtful, periodic assessment" of the Agreement with our Canadian and Mexican partners. We also believed the Joint Review would enable future presidents to update the Agreement's rules to ensure that it remains the strongest and most advanced trade agreement ever negotiated. A lot has happened since you ratified the Agreement—a global pandemic, unprecedented supply chains shocks, an increased U.S. trade deficit in industrial and agricultural goods, and new heights of economic coercion. In response, President Trump has deployed a global reciprocal trade strategy that has leveled the playing field for Americans. Today, I intend to explain how the USMCA Joint Review fits within that strategy.

This Committee made sure that future administrations would consult closely with Congress before, during, and after such Joint Reviews. In fact, the USMCA Implementation Act requires the Office of the United States Trade Representative (USTR) to report to Congress at the outset of the Joint Review, which is why I am with you today. The Implementation Act sets forth several procedural and substantive requirements for the domestic consultation process regarding the Joint Review. Therefore, I will begin my presentation with a summary of the Administration's consultation process to date and proceed to provide the Administration's responses to the substantive issues raised in the Act. I look forward to your questions on my

presentation, and hope today's closed-door setting allows for a candid conversation about the USMCA and its future.

Before I begin, I do want to recognize that some in Congress expected that USTR would prepare a written report on the operation of the Agreement in advance of the Joint Review. I understand your desire for a written product, which publicly states the Administration's views on the Joint Review, but the statute does not require a written report. Nevertheless, I intend to publish this opening statement on the USTR website as a supplement to the information I am providing in this closed-door session today. This will allow off-Committee Members of Congress, stakeholders, and foreign governments to understand the Administration's current perspective on the Joint Review.

Procedural Requirements for the Joint Review

As you know, the USMCA Joint Review is a new experience for USTR, Congress, stakeholders, as well as for our partners in Canada and Mexico. Nothing like it exists in any of our other free trade agreements (FTAs). In a sense, we are charting new territory as we navigate this first Joint Review. Therefore, I want to be as open and transparent with you as possible.

The USMCA Implementation Act requires USTR to take certain actions, within certain specific timelines, in advance of each Joint Review of the Agreement.

Those include:

- Publishing a Federal Register notice 270 days before the July 1, 2026 Joint Review (Oct. 3, 2025),
- Conducting a public hearing shortly after publication of the Federal Register notice, and
- Reporting to the Congress 180 days before the Joint Review, including on the views of the Advisory Committees established under the Trade Act of 1974 (Jan. 2, 2026).

I am pleased to confirm that USTR has taken all required actions within the timelines required in the statute.

Federal Register Notice

With respect to the *Federal Register* notice (FRN), on Sept 17—two weeks before the October 3 deadline—USTR published an FRN soliciting comments on the operation of the USMCA in preparation for the Joint Review. Recognizing there would be great public interest, we extended the customary 30-day deadline to 45 days to ensure that all interested stakeholders would have an opportunity to comment.

We received 1,514 comments from a wide range of stakeholders, and my team has worked hard these last few weeks to read and analyze each comment.

In their comments, many stakeholders expressed support for the USMCA and many explicitly called for the Agreement to be extended. However, at the same time, virtually all stakeholders also called for some sort of improvement to the Agreement. Some commentators indicated that they supported extension *only if* certain improvements were made. For example, one stakeholder group stated that the USMCA should not be renewed without addressing concerns related to Canada's dairy policies. And another stakeholder group expressed opposition to extending the USMCA without changes to the Agreement's labor provisions. And, of course, for different stakeholders, what constitutes an improvement is a matter of perspective. We have many comments from stakeholders on opposite sides of the same issue.

Let me give you a sense of what we received in the comments.

With respect to agricultural trade, we heard about:

- Concerns related to dairy market access in Canada and Canada's exports of certain dairy products;
- Divergent views on whether the Review should be used to put in place restrictions on U.S. imports of seasonal produce from Mexico;
- Divergent views regarding whether the United States should reinstate mandatory country-of-origin labeling for beef; and
- A desire to maintain a duty-free environment under the USMCA, and the strong provisions that help ensure sanitary and phytosanitary measures are based on science.

Unsurprisingly, rules of origin were top of mind for many industrial stakeholders, especially the idea that the rules need to change to better ensure that the United States and our USMCA partners primarily benefit from the Agreement's preferential tariff treatment:

- The Specialty Steel Industry of North America suggested strengthening rules of origin for downstream products containing specialty metals.
- The BlueGreen Alliance wrote that automotive rules of origin should be strengthened, including to incentivize the use of North American-sourced critical minerals.

- Other stakeholders offered different views on modifying the Agreement's rules of origin, such as the National Association of Manufacturers, which opined that the rules work well in most cases.

Economic security also loomed large in the comments with numerous stakeholders highlighting the need to address the distorting effects of non-market policies and practices, such as industrial overcapacity, on the USMCA free trade area:

- The Alliance for American Manufacturing expressed concerns about foreign firms using Mexico as a staging ground to evade U.S. tariffs, circumvent trade enforcement measures, and exploit gaps in the Agreement's rules of origin.
- The Steel Manufacturers Association shared ideas on how to deal with sources of non-market excess capacity, such as prohibiting Mexican duty exemption and drawback programs.
- The Climate Leadership Council suggested protecting North American mining and processing from non-market policies and practices with a new "international commodity agreement" annex for critical minerals.

We also received a great number of comments regarding the USMCA's labor obligations:

- The International Association of Machinists and Aerospace Workers praised the Rapid Response Mechanism (RRM) as an "excellent tool" that should be expanded and strengthened and suggested additional U.S. Government funding to support labor rights in Mexico.
- Stakeholders offered different views on improving the RRM. For example, while the United Auto Workers made recommendations such as increasing the RRM's coverage, the U.S. Chamber of Commerce recommended establishing a new express procedure to notify the company that is the subject of an RRM petition.

We also received several comments on strengthening the USMCA's environment commitments, including proposals to create an RRM-like mechanism for environment and to make improvements to the current public submissions process.

Public Hearing

One month after the public comment period closed, USTR held a three-day public hearing on December 3, 4, and 5. The hearing included 30 panels, with nearly 150 witnesses providing testimony. We published the full transcript of the hearing on USTR's website on December 11.

Between the comments and the hearing, it's clear that a lot of people in the United States hold strong views on the USMCA; we heard from business and agricultural associations, manufacturers, farmers, ranchers, fishermen, service providers, labor unions, think tanks, academics, NGOs, other advocacy groups and coalitions, Members of Congress and their staff, and individual stakeholders.

Witnesses at the hearing expressed support for the USMCA and preserving market access and non-discrimination in Canada and Mexico.

While some witnesses explicitly recommended extending the term of the USMCA, most simply highlighted the importance to them of maintaining key benefits of the Agreement. Of course, there were also sharp criticisms of certain aspects of the USMCA or significant suggested changes to the Agreement. Nearly all witnesses acknowledged the USMCA's improvements over the NAFTA.

While we do not have the time to walk through all of the testimonies that we heard at the hearing, I would like to share some examples:

- The hearing included two panels specifically dedicated to digital-related issues. Many stakeholders praised the Agreement's digital trade rules and some suggested targeted updates.
    - The Consumer Technology Association argued the Digital Trade Chapter should be maintained without changes.
    - The Computer and Communications Industry Association urged USTR to avoid reopening or weakening the core digital provisions, but recommended that if we do pursue changes, creating a new Artificial Intelligence (AI) Annex to establish a trilateral forum for policy coordination and a vehicle for new AI commitments.
    - In contrast, Rethink Trade argued that the Digital Trade Chapter conflicts with U.S. federal and state regulation efforts and bills in Congress, while Public Citizen proposed the removal of provisions they believe could restrict governments' ability to restrict cross-border data flows or to require the establishment of local computing facilities.
- The importance of customs and trade facilitation was also a common theme among witnesses.
    - The National Foreign Trade Council encouraged additional collaboration with the private sector to strengthen trade and customs facilitation.
    - The National Council of Textiles Organizations recommended that the Parties deepen customs enforcement cooperation to address customs fraud.

    - Greater Nogales Santa Cruz County Port Authority recommended the creation of a trade facilitation annex to improve coordination regarding inspections and other regulatory cooperation to reduce the loss of perishable goods such as fresh produce.

- Several witnesses recommended enhancements to the environmental provisions. For example:
    - Multiple fishers and fishing organizations requested solutions to address regulatory imbalances with Canadian fishers in the "Gray Zone," where U.S. fishers are held to higher lobster-related conservation measures than their Canadian counterparts.
    - Silverado Policy Accelerator addressed promoting trade in efficient technologies and associated critical minerals while also combating regulatory arbitrage, including in the form of weak or non-existent enforcement of environmental and labor regulations.
- Several witnesses advocated for further cooperation on export controls and foreign investment screening mechanisms. For example:
    - The Center for a New American Security recommended working with Mexico to develop robust export controls or trusted technology import programs to protect sensitive U.S. technologies.
    - The Baker Institute testified on the importance of Mexico adopting investment screening mechanisms to address risks associated with Chinese investments by foreign adversaries.
    - The Information Technology Industry Council urged the Parties to coordinate on export controls and investment screening tools to address unfair practices by third countries.

Ultimately, participation in the hearing was robust and multi-faceted with stakeholders highlighting benefits of the USMCA and changes to the Agreement.

The Substantive Elements of the Joint Review

These procedural requirements of the Joint Review are intended to help USTR meet its substantive obligations to you—in other words, to inform the contents of today's discussion.

Under the Implementation Act, Congress required that my consultations with you today cover the following elements:

- An assessment with respect to the operation of the USMCA;
- Recommendations for actions that the Administration will propose at the Joint Review and the position of the Administration with respect to extension of the Agreement;
- The efforts we have already undertaken to resolve concerns underlying our position on the Agreement; and
- The views of the Trade Advisory Committees.

I will begin with my assessment of the Operation of the USMCA.

Assessment of the Operation of the USMCA

In his first term, President Trump and Congress brought about the USMCA as a replacement for the North American Free Trade Agreement (NAFTA). NAFTA's failures are well known: after costing the United States an estimated 600,000 jobs, increasing our trade deficit by $116 billion,[1] and generally reducing our overall industrial competitiveness, it became clear to both sides of the aisle that a new arrangement was needed for North American trade. That arrangement was the USMCA. Based on estimates from the International Trade Commission, we anticipated that the USMCA would raise U.S. real GDP by up to 1.25 percent and increase U.S. employment by up to half a million jobs over time.

So, after six years, what is the result?

The USMCA has been successful to a certain degree. As you can see from the information, we have received from interested stakeholders, there is broad support for the Agreement.

[1] The United States had a trade deficit of $9 billion with its NAFTA partners in 1993, and the deficit reached $125 billion in 2019.

The USMCA has provided some certainty for North American trade. U.S. exports of goods and services to Canada and Mexico are up 56 percent since 2020.[2] Wages for Mexican workers have nearly doubled, from $2.3/hour in January 2020 to $4.2/hour in September 2025, at least in part, thanks to the labor reforms required by the Agreement and frequent use of the Rapid Response Mechanism.[3] This makes it easier for U.S. workers to compete against Mexico. Mexico has managed to capture approximately 25 percent of the reduction in our bilateral trade deficit with China, demonstrating the important role that Mexico plays in U.S. supply chain resilience efforts.

But at the same time, it is clear that we have not achieved all of our goals with respect to strengthening U.S. manufacturing capacity and creating good jobs, and nearly all stakeholders advocate improvements.

We can divide these shortcomings into specific and structural issues.

Some examples of specific shortcomings include Mexico's ongoing challenges with labor law enforcement, including its failure to provide sanction authority to the Federal Center for Conciliation and Labor Registration, and budget shortfalls in Mexico's electronic Single Window program to facilitate customs.

Structural shortcomings are focused on the larger policies and practices of our USMCA partners that continue to reduce U.S. competitiveness. Our trade deficit in goods with our partners remains extremely high. Although trade within North America is more conducive to bolstering national security relative to trading with other parts of the world, our large trade deficit reflects offshoring and structural disadvantages.

Others include harmful changes in the business climate in Mexico best demonstrated by Mexico's recent constitutional reforms to renationalize its energy sector in ways that harm U.S. investors, and Mexico's refusal to compensate U.S. company Vulcan Materials for the theft of the company's gravel mine. For its part, Canada insists on maintaining its Online Streaming Act, a law that discriminates against U.S. tech and media firms, as well as a number of other measures that restrict digital services trade. Canada also maintains policies that unfairly restrict market access for U.S. dairy products.

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2 U.S. total exports of goods and services to Canada and Mexico was $617 billion in 2020, and $960 billion in 2024, based on BEA's data.

3 Trading Economics, "Mexico Nominal Hourly Wages in Manufacturing," available at https://tradingeconomics.com/mexico/wages-in-manufacturing (last accessed Dec. 15, 2025).

Finally, the USMCA was not really designed, and therefore has been unable, to address the surge of investment from companies domiciled in non-market economies in the region or the effects of industrial overcapacity on the three economies.

So, I don't think we can say that USMCA is an unqualified success.

Fortunately, we have already taken steps to address some of these shortcomings, including the Section 232 action on automobiles to create more incentives for domestic production.

Recommendations for Action

Moving forward, the question is whether—in recognition of these shortcomings—anything should be done to change them. Stakeholder views are mixed. Many stakeholders want to maintain what they admit is a less-than-desirable status quo by keeping the Agreement "as is" but at the same time demand significant changes to address identifiable shortcomings.

USTR's view is that, whatever the USMCA's value to the United States and even North America, the shortcomings are such that a rubberstamp of the Agreement is not in the national interest. USTR will keep the President's options open, negotiating firmly to resolve the issues identified, but only recommending renewal if resolution can be achieved.

In negotiating firmly, USTR will engage with Mexico and Canada to determine which shortcomings can be addressed on a bilateral basis and which require trilateral resolution. Already, USTR's engagement with Mexico has demonstrated the effectiveness of focused, bilateral work. But to tackle some issues, such as rules of origin, critical minerals, or economic security alignment, a trilateral approach may be required.

Whatever the format, the Joint Review will depend on the successful resolution of the following, non-exhaustive, list of issues:

For Mexico:

- Mexican policies that promote the use of third-country content and erode U.S. supply chains;
- Improvements to labor law enforcement, including by providing sanction authority to the Federal Center for Conciliation and Labor Registration;
- Improvements to environmental law enforcement, including as relates to fisheries management, illegal fishing, and illegal wildlife trade;
- Longstanding and also new concerns related to certain Mexican energy policies and practices;

- Unfair granting of protection for numerous meat and cheese terms to the European Union, which threatens market access for U.S. producers;
- Longstanding concerns with the methodology Mexico applies to calculate an annual spectrum use fee;
- Equal treatment for U.S. electronic payment service suppliers so they can process domestic transactions using their own proprietary networks as Mexico committed to under the USMCA;
- Restrictions on Mexican customs brokers that raise costs for U.S. exports crossing the border; and
- The impact of imports of Mexican seasonal produce on U.S. growers.

For Canada:

- Market access for U.S. dairy products that Canada committed to provide under the USMCA and addressing Canada's exports of certain dairy products;
- The impact of Canada's Online Streaming and Online News Acts for U.S. digital service providers;
- Provincial bans on the distribution of U.S. alcohol beverages;
- Discriminatory procurement measures in Ontario, Quebec, and British Columbia;
- Complicated customs registration for Canadian recipients of U.S. exports; and
- Alberta's unfair treatment of electrical power distribution providers in Montana.

For both countries:

- Strengthening the rules of origin for non-automotive industrial goods to ensure that the benefits of trade in those products flows substantially to the Parties;
- Enhancing economic security alignment on tariffs, export controls, and investment screening;
- Developing mechanisms to penalize offshoring of U.S. production to Mexico or Canada as the result of regulatory and other arbitrages;
- Developing a Critical Minerals Marketplace to incentivize more mining, processing, recycling, reuse, and manufacturing of critical minerals and derivatives products in the region; and
- Improving implementation of both countries' forced labor import bans.

<u>Efforts Undertaken to Resolve Concerns</u>

In February, President Trump imposed tariffs on Mexico and Canada to deal with the flow of fentanyl from those countries as well as border security in Mexico. Since then, the United States has encouraged those governments to work with us to address the illicit trade in fentanyl.

In late July, President Trump spoke to President Sheinbaum expressing a desire to rebalance the bilateral relationship. The result of that call was a multi-month bilateral exercise to address dozens of specific shortcomings. The Administration believed that identifying and resolving specific issues in advance of the Joint Review would allow both sides to put their best foot forward during the Joint Review process.

That work remains ongoing and covers not only trade, but border and national security as well. Mexico has been an active partner in these discussions. To date, Mexico has taken significant concrete steps to address our concerns, including:

- Making reforms in law and regulation to remedy longstanding intellectual property protection concerns;
- Amending its foreign trade rules to make it easier to correct clerical errors in customs declarations without penalty;
- Increasing the budget for its electronic, Single Window customs program, including to reduce technical outages and address backups at the border;
- Streamlining regulatory requirements for medical devices;
- Simplifying testing requirements for telecommunications equipment;
- Increasing funding for trade, labor, and environment enforcement activities;
- Strengthening Mexico's forced labor import prohibition;
- Finalizing a legislative proposal that establishes a mechanism to review inbound investment for national security risks;
- Improving Mexico's enforcement of its fisheries laws to prevent illegal fishing in the Upper Gulf of California;
- Amending Mexico's export control regime to more closely align with the United States;
- Introducing a legislative proposal that would increase tariffs on over 1,400 products imported into Mexico from non-FTA partner countries, including China; and
- Taking steps to implement a new aluminum import monitoring program.

I am hopeful that we will be able to announce the fruits of this "specific issues" exercise, and progress on counter-cartel and fentanyl collaboration, in short order.

We have also had engagement with Canada towards addressing some of the specific issues in that bilateral relationship. I have been talking to Canada since April about these issues, and we have succeeded in getting Canada to meaningfully address some of them, including its Digital Services Tax, which would have cost American digital companies billions in tax payments to Canada. In addition, we have succeeded in pushing Canada to remove its retaliatory tariffs on over $20 billion in U.S. exports to Canada.

To their credit, both Mexico and Canada have expressed an interest in taking action on economic security issues. For example, last week Mexico's Senate approved the legislative proposal to raise tariffs on over 1,400 products from Mexico's non-FTA trading partners to protect itself from non-market excess capacity. So, already our partners are seeking to move from the discussion of specific issues to the structural conversations that we believe should be an essential element of the Joint Review.

Ultimately, existing efforts have focused on specific, rather than structural, issues. Tackling these structural issues will be a major part of the Joint Review.

Views of the Trade Advisory Committees

As you know, USTR has its own advisory committees. Created in 1974, these committees help ensure that the USTR has access to quality, technical information and perspectives. These committees include the 15 Industry Trade Advisory Committees, one Agricultural Policy Advisory Committee, six Agricultural Technical Advisory Committees for Trade, and the Labor Advisory Committee.

Most of the Advisory Committees expressed support for the USMCA and for its extension during the Review. But at the same time, the Advisory Committees also noted shortcomings in the USMCA along the lines raised in the public comments and hearing.

Although the Advisory Committee reports are confidential, I am happy to share high-level summaries with you and your cleared staff as part of the Joint Review.

Conclusion

As we embark on this journey together, I want to stress that the success of the Joint Review will depend on a variety of factors, including the ambition of our USMCA partners. In addition, we must achieve outcomes that meet President Trump's expectations.

So, while there are many factors that will affect the Joint Review, I commit to work closely with you as the process unfolds to achieve an outcome that continues to benefit U.S. manufacturers, farmers, ranchers, workers, service suppliers, and businesses of all size, including our small and medium-sized enterprises.

I understand the importance of the USMCA to you, your constituents, and the stakeholders whose views you share. I also understand your concerns and the regional and global challenges to our competitiveness. Thank you for listening carefully to my opening statement, and I look forward to your questions.