STUDY NOTES · BASIC CONCEPT

What is USA's forced Labour Tariffs on Indian Exports?

Indian Economy

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What?

The U.S. forced labor tariff is a 10% duty imposed by the Trump administration on imports from India and 59 other trading partners under Section 301 of the Trade Act of 1974.

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Key Details of the Tariff

Background & Purpose: The Office of the United States Trade Representative (USTR) conducted an investigation into global supply chains, asserting that trading partners failed to adequately prohibit or enforce bans on goods produced using forced labor. The U.S. argues this creates an unfair competitive advantage and undermines ethical labor practices.

Two-Tiered Rate System

1. 10% Slab: Applied to 17 countries—including India, Canada, the UK, Mexico, and Bangladesh—that have import bans on forced-labor goods or made formal commitments/policy adjustments. (India was initially slated for a higher 12.5% rate but qualified for the 10% tier after amending its Foreign Trade Policy to explicitly prohibit forced-labor imports).
2. 12.5% Slab: Applied to 43 countries (such as China, Japan, and South Korea) deemed to lack adequate legal prohibitions or enforcement.
3. Replacement of Temporary Tariffs: The new Section 301 levies replace the temporary 10% global tariff introduced under Section 122 after the Supreme Court invalidated broader reciprocal duties.
4. Exemptions: Certain critical goods—including specific agricultural items, pharmaceuticals, energy products, and around 1,600 to 2,100 specific tariff lines—are exempted from the additional duty.

Impact on India

While India secured the lower 10% bracket, export-oriented sectors like textiles, gems and jewelry, leather goods, and handicrafts face increased landed costs in the U.S., making pricing and compliance verification key challenges for Indian exporters.

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