



USTR Issues Determination in Section 301 Investigations on Forced Labour

On June 2, 2026, the office of the United States Trade Representative (**USTR**) issued its report and determination in the Section 301 investigations concerning the failure of 60 economies¹ to impose and effectively enforce prohibitions on the importation of goods produced with forced labour. USTR concluded that the acts, policies, and practices of all investigated economies are unreasonable, burden or restrict U.S. commerce, and are therefore actionable under Section 301(b)(1) of the Trade Act of 1974.

The investigations covered 60 economies accounting for approximately 99.4% of U.S. imports and included several of the U.S.'s largest trading partners, including India, China, the European Union, Japan, South Korea, Vietnam, Bangladesh, and the United Kingdom.

The report was accompanied by a federal register notice² proposing additional duties on imports from all 60 investigated economies. USTR has invited comments on the proposed measures and will hold public hearings before taking a final decision.

This update summarises USTR's findings, the proposed measures, and their potential implications for Indian stakeholders.

I. BACKGROUND

The investigations were initiated on March 12, 2026, pursuant to Sections 301 and 302 of the Trade Act of 1974.

The initiation notification had solicited written comments on the following issues:

- Whether any economy subject to these investigations maintains or is in the process of establishing a forced labour import prohibition?
- Whether any such import prohibition is being effectively enforced?
- The extent to which the failure of any economy to establish and effectively enforce a forced labour import prohibition is unreasonable, discriminates against U.S. goods, or constitutes a persistent pattern of conduct that permits any form of forced or compulsory labour.
- The extent to which the failure of any economy to establish and effectively enforce a forced labour import prohibition has negatively affected U.S. commerce, such as through lost U.S. exports or economic output, lower prices for U.S. goods, or lower wages for U.S. workers

¹ USTR initiation notice had identified 60 countries including China, the European Union, Canada, **India**, Indonesia, Japan, Malaysia, Thailand, and Vietnam as the economies that may have failed to impose and effectively enforce a prohibition on the importation of goods produced with forced labour.

² "Notice of Determinations and Request for Comments Concerning Actions in Section 301 Investigations of Acts, Policies, and Practices of Various Economies Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labour", USTR, dated June 02, 2026, available at - <[FRN - Section 301 Forced Labour Import Ban Actionability and Proposed Action 6-2-26 FINAL.pdf](#)>

- What action, if any, should be taken to address these issues?

Prior to issuing its findings, USTR undertook consultations with several foreign governments, including India, and received extensive stakeholder inputs. USTR reports³ that it received over 450 public comments including post-hearing rebuttal submissions, and conducted public hearings involving foreign governments, businesses, industry associations, labour organizations, and other stakeholders. Testimonies of about 60 witnesses were examined in the public hearings from April 28-29, 2026.⁴

II. KEY FINDINGS OF THE USTR'S FORCED LABOUR REPORT

Notably, USTR treated the absence of effective forced-labour import controls as a trade policy issue rather than solely a labour-rights concern. According to USTR, the continued circulation of goods produced with forced labour through global supply chains creates distortions in international trade and confers unfair competitive advantages on firms that benefit directly or indirectly from forced labour inputs.

The key findings of the report are summarized below:

- **Forced labour is subject to a universal international norm** :The report emphasizes that elimination of forced labour is a universally accepted premise with regulations and rules existing to this effect since 1930 in the USA.⁵ Besides, US's FTAs, USMCA, CAATSA, ILO's conventions, covenants and national legislations across geographies prohibit forced labour and impose criminal sanctions on perpetrators. It concludes that the international community agrees, in principle, that forced labour and goods produced using forced labour should not exist or alter the conditions of competition in international trade.⁶
- **Prevalence of forced labour**: The report points out that despite extensive domestic and international legislations, forced labour has persisted and even compounded over the years which has put a direct impact on trade in goods and services. The report cites ILO's 2021 estimates that 27.6 million people globally (3.5 out of every 1,000 people) have been forced to work against their will with 86% existing in private economy.⁷

The report identifies the prevalence of forced labour globally across industries from agriculture, construction, manufacturing, mining & quarrying, chemicals, apparel, machinery, metals, automotive, electronics etc. As per TVPRA List, 134 products are identified as produced with forced labour, and 34 downstream products use forced-labour inputs. The report identifies seven key critical minerals: *aluminium, cobalt, nickel, silicon, tantalum, tin, and tungsten* that are produced using forced labour. These critical mineral inputs are used in a variety of downstream products and uses such as batteries, semiconductors, solar cells, defence applications, construction, electric vehicles, and metallurgy.⁸

³ "Section I Proceedings in the Investigations", of "Notice of Determinations and Request for Comments Concerning Actions in Section 301 Investigations of Acts, Policies, and Practices of Various Economies Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labour", USTR, dated June 02, 2026, available at - <[FRN - Section 301 Forced Labour Import Ban Actionability and Proposed Action 6-2-26 FINAL.pdf](#)>

⁴ "Section I Proceedings in the Investigations", of "Notice of Determinations and Request for Comments Concerning Actions in Section 301 Investigations of Acts, Policies, and Practices of Various Economies Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labour", USTR, dated June 02, 2026, available at - <[FRN - Section 301 Forced Labour Import Ban Actionability and Proposed Action 6-2-26 FINAL.pdf](#)>

⁵ Section 307 of the Tariff Act of 1930

⁶ Section II.A, "Report in Section 301 Investigations of the Acts, Policies, and Practices of Various Economies Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labour", USTR, dated June 02, 2026, available at - <[USTR Report Sec 301 FL 301 6-2-26 FINAL for upload.pdf](#)>

⁷ Section II.B, Ibid

⁸ Section II.D, Ibid

- **Forced labour creates artificial cost advantages:** As regards the impact, the report determines that forced labour artificially lowers costs and drives up profits through wage suppression, lower compliance costs and thereby manufactures unfair export competitiveness. Citing ILO, it reports annual average profit per victim of \$3,680 totalling to \$63.9b across industries. Mining, quarrying and manufacturing accounted for highest profit of \$4,944 per victim, followed by services (\$3,407), and agriculture (\$2,113).⁹
- **Forced labour distorts international trade:** The report further concludes that forced labour artificially increases comparative advantages, particularly in labour-intensive industries. USTR argues that producers benefiting from forced labour gain an unfair competitive advantage that affects both domestic and export markets.

A. Economies Without Forced Labour Import Prohibitions.

USTR found that 54 economies have failed to impose a legal prohibition on the importation of goods produced wholly or in part with forced labour and have failed to effectively enforce such a prohibition. These economies include India, China, Japan, South Korea, Bangladesh, Vietnam, the United Kingdom, Australia, and numerous others.

B. Economies with Prohibitions but Inadequate Enforcement¹⁰

USTR identified six economies that have adopted legal prohibitions on imports of goods produced with forced labour but have failed to effectively enforce those prohibitions:

- Canada;
- Ecuador;
- European Union;
- Indonesia;
- Mexico; and
- Pakistan.

Despite the distinction between the two groups, USTR concluded that the acts, policies, and practices of all 60 investigated economies are actionable under Section 301.

According to USTR, the failure to impose and effectively enforce a forced-labour import prohibition is unreasonable because it:

- Undermines the universal objective of eliminating forced labour;
- Permits firms using forced labour to produce goods at lower cost and thereby distort market conditions;
- Undermines the profitability of firms that do not use forced labour; and
- Contributes to the circumvention of existing forced-labour import prohibitions.

⁹ Section II.C, *ibid*

¹⁰ Section III, *ibid*

III. USTR's RESPONSE TO KEY LEGAL OBJECTIONS

Several governments and stakeholders submitted comments against the investigations on legal and policy grounds. The USTR has responded to some of these comments.¹¹

In particular, USTR notes that some commenters argued that economies should not be considered unreasonable merely because they lack a specific prohibition on the importation of goods produced with forced labour, especially where they already prohibit forced labour domestically through labour, criminal, or other regulatory laws. Notably, this is also the case for India where forced labour is prohibited domestically.

USTR rejected this argument. According to USTR, domestic prohibitions on forced labour do not address the competitive effects arising from the importation of goods produced with forced labour abroad. USTR reasoned that an economy may successfully eliminate forced labour within its own territory while nevertheless permitting imported goods produced with forced labour, or goods incorporating forced-labour inputs, to enter its market. In USTR's view, this creates market conditions in which imported forced-labour goods obtain an unfair competitive advantage over goods produced without forced labour, including U.S. exports. USTR therefore concluded that domestic prohibitions alone are insufficient and that effective import controls are necessary to prevent the circulation of forced-labour goods through global supply chains.

USTR further rejected arguments that Section 301 should not be used to encourage adoption of a particular regulatory framework or that any burden on U.S. commerce was too indirect. According to USTR, the widespread use of forced-labour inputs in global supply chains and the resulting distortions in competitive conditions establish a sufficient nexus with U.S. commerce to support action under Section 301.

IV. PROPOSED MEASURES AND EXEMPTIONS

Following its determination that the acts, policies, and practices of the investigated economies are actionable under Section 301, USTR has proposed the imposition of additional *ad valorem* duties on imports from all 60 economies, subject to specified exclusions.

The proposed duty structure is differentiated as follows:

CATEGORY OF THE INVESTIGATED COUNTRY	INVESTIGATED COUNTRIES COVERED	ADDITIONAL DUTY PROPOSED U/S 301
Economies that have imposed forced labour import prohibition	Canada, Ecuador, the European Union, Indonesia, Mexico, and Pakistan	10%
Economies that have undertaken commitments in their respective Agreements on Reciprocal Trade regarding forced labour import prohibitions	Argentina, Bangladesh, Cambodia, Ecuador, El Salvador, Guatemala, Indonesia, Malaysia, and Taiwan	10%

¹¹ "Section I Response to Significant Comments", of "Notice of Determinations and Request for Comments Concerning Actions in Section 301 Investigations of Acts, Policies, and Practices of Various Economies Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labour", USTR, dated June 02, 2026, available at - <[FRN - Section 301 Forced Labour Import Ban Actionability and Proposed Action 6-2-26 FINAL.pdf](#)>

Economies that have imposed partial regime with the effect of preventing the importation of certain forced labour goods	The United Kingdom	10%
Others	All other economies	12.5%

V. EXEMPTIONS

However, the following exemptions or specific mechanisms have been carved out –

- Exemptions as provided in Annex A of the federal register notice¹² including –
 - All articles and parts currently subject to section 232 tariffs and raw materials if subject to the proposed additional tariffs could lead to the unavailability of domestic supply.
 - Products that could cause economy-wide disruptions if subject to the proposed additional tariffs.
 - Certain products that cannot be grown or produced in sufficient quantities in the U.S. or obtained from other sources.
 - Articles for which additional tariffs may not contribute substantially to the elimination of the investigated acts, policies, and practices.
 - Items such as informational materials, donations, accompanied baggage.
 - USMCA compliant goods of Canada or Mexico.
 - Textiles and apparel articles that enter duty-free as a good of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, or Nicaragua under CAFTA-DR.

Notably, Annex A does not map individual tariff lines to the exclusion criteria described in the Notice. Consequently, stakeholders reviewing the Annex may not be able to readily ascertain the basis on which a particular product was excluded or the policy rationale underlying its inclusion in the Annex.

VI. TEXTILE MECHANISM¹³

USTR has also proposed a special mechanism for textile and apparel products. Under this proposal, a specified volume of textile and apparel imports may qualify for a reduced Section 301 duty rate. Eligibility for the reduced rate would be linked to purchases of U.S.-origin textile inputs, cotton, and cotton products. In effect, the proposal seeks to encourage sourcing from the U.S. textile supply chain by offering preferential tariff treatment for qualifying textile and apparel imports.

¹² The range of exclusions are diverse from agricultural products, mineral oils, organic, inorganic chemicals, polymers, precious metals, other metals and alloys, electronics and machinery. For detailed list of items (HTUS wise), refer Annex A to “Notice of determinations and request for comments concerning actions in section 301 investigations of acts, policies, and practices of various economies related to the failure to impose and effectively enforce a prohibition on the importation of goods produced with forced labour”, USTR, dated June 02, 2026, available at - <[FRN - Section 301 Forced Labour Import Ban Actionability and Proposed Action 6-2-26 FINAL.pdf](#)>

¹³ Section IV Proposed Actions to Be Taken in the Investigations”, of “Notice of Determinations and Request for Comments Concerning Actions in Section 301 Investigations of Acts, Policies, and Practices of Various Economies Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labour”, USTR, dated June 02, 2026, available at - <[FRN - Section 301 Forced Labour Import Ban Actionability and Proposed Action 6-2-26 FINAL.pdf](#)>

VII. KEY DATES AND NEXT STEPS

The determination does not itself impose additional duties. USTR has separately proposed remedial measures and invited comments from interested stakeholders before taking a final decision. The proposed measures remain subject to the ongoing notice-and-comment process, during which stakeholders may submit written comments and participate in public hearings. The key upcoming milestones are set out below:

DATE	EVENT
June 2, 2026	USTR issued report and proposed action
June 22, 2026	Deadline to request participation in public hearings
July 6, 2026	Deadline for written comments
July 7, 2026	USTR public hearing
To be announced	Final USTR decision on proposed measures

Specifically, the USTR has invited comments on the following:

- Scope of products to be covered under the proposed action including appropriateness of exclusions under Annex A. This must consider the necessity of such materials, risk of unavailability or of dislocation of supply or disruption in economy, and effectiveness of tariff-based measures on such products.
- Increase, if any, required in the level of duty proposed.
- Whether different tariff rates should be applied to an economy where the economy has made a commitment to the U.S. to impose and enforce a forced labour import prohibition; has imposed a forced labour import prohibition; or has imposed a partial regime with the effect of preventing the importation of certain forced labour goods.
- Features of textile mechanism, coverage of products under the mechanism, applicable rate and if similar mechanisms are required for other sectors.

Stakeholders with significant exposure to the U.S. market should monitor developments closely and consider participating in the public comment process prior to USTR's final determination.

Stakeholders should also review in detail Annex A to determine whether their exported products fall under any exemptions.

VIII. WHAT THIS MEANS FOR INDIA?

The U.S. remains a significant trading partner for India and one of the few major markets with which India enjoys a significant merchandise trade surplus. During FY 2025-26, India exported about \$87 billion and imported \$54 billion worth of goods. Primary export items include electrical machinery, equipment and appliances (chapter 84 & 85), followed by pharmaceuticals (chapter 30), precious metals, pearls etc., (chapter 71), mineral fuels (chapter 27), and so on. Given the importance of the U.S. market to Indian exporters, any additional trade restrictions or tariff measures adopted pursuant to these investigations could have implications across a broad range of export-oriented sectors.

India's proposed placement in the 12.5% duty category is significant because several competing jurisdictions, including Pakistan, Indonesia, Bangladesh, Malaysia and Taiwan, either maintain forced labour import prohibitions or have

undertaken commitments regarding such prohibitions and are therefore proposed to receive the lower 10% rate. This differential treatment (if imposed as is) may affect the relative competitiveness of Indian exports in sectors where India competes directly with these jurisdictions, particularly textiles and apparel and other labour-intensive manufacturing sectors.

Notably, shortly after the issuance of USTR's determination, the Government of India issued a press release¹⁴ stating that India remains engaged with the U.S. in the Section 301 proceedings and that the proposed tariffs are not yet final. The press release further noted that India is simultaneously engaged with the U.S. in the finalisation of the trade framework announced on February 7, 2026.

While the press release does not indicate India's substantive position on USTR's findings, it suggests that India intends to actively participate in the ongoing Section 301 process and views the issue within the broader context of ongoing bilateral trade negotiations. The press release may also indicate that India is seeking to address its concerns through engagement and negotiation. Given the linkage drawn by the Government itself between the Section 301 proceedings and the proposed U.S.-India framework agreement, developments in one track may influence discussions in the other.

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com or write to our authors:

Sanjay Notani, Partner – Email – SanjayNotani@elp-in.com

Naghm Ghei, Associate Partner – Email – NaghmGhei@elp-in.com

Rizwan Shah, Principal Associate – Email - RizwanShah@elp-in.com

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¹⁴ "India remains engaged with the U.S. on Section 301 proceedings and for finalisation of a framework agreement", Press Information Bureau, dated June 03, 2026, available at - < [Press Release Page](#) | [Press Information Bureau](#)>