USTR Finalises Section 301 Forced Labour Tariffs

On July 23, 2026, the Office of the United States Trade Representative (**USTR**) issued its final notice of action in the Section 301 investigations concerning the failure of 60 economies to impose and effectively enforce prohibitions on the importation of goods produced with forced labour, through a pre-publication Federal Register notice (**Federal Register Notice**) available here. USTR has now imposed additional tariffs on imports from all investigated economies, with effect from July 24, 2026, subject to a limited in-transit exception.

The final action follows USTR's June 2, 2026, determination and subsequent public consultation process, during which USTR received more than 1,600 written submissions and conducted three days of public hearings. Following these consultations and government-to-government engagement, USTR revised the tariff treatment applicable to several economies, including India.

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.

This update summarises the final measures, highlights the principal changes from the June proposal, and discusses their implications for Indian exporters.

I. INDIA MOVED TO LOWER TARIFF CATEGORY

Most significantly, India has been moved from the proposed 12.5% tariff category to the 10% tariff category, following USTR's recognition that India adopted a forced labour import prohibition after publication of the proposed action.

Under the June proposal, India had been placed in the residual category subject to a proposed additional tariff of 12.5% because USTR considered that India had not imposed a forced labour import prohibition. However, on July 13, 2026, the Directorate General of Foreign Trade (**DGFT**) issued Notification No. 23/2026-27 amending the Foreign Trade Policy, 2023 (**FTP 2023**), which inserts Paragraph 2.20B in the FTP 2023, enabling the Central Government to prohibit the import of goods produced or manufactured, wholly or in part, through forced labour. The notification also inserted Paragraph 11.64 in the FTP 2023 defining "Forced Labour" by reference to the International Labour Organisation Forced Labour Convention, 1930.[1]

Although Indian exports remain subject to additional Section 301 duties, India's movement into the lower tariff category may reduce the potential competitive disadvantage that would otherwise have arisen had the originally proposed 12.5% tariff been adopted.

[1] Notification No. 23/2026-27, Directorate General of Foreign Trade, Ministry of Commerce & Industry, dated July 13, 2026.

II. FINAL TARIFF STRUCTURE

Following the consultation process, USTR has adopted the following tariff structure:

Category	Investigated Economies	Additional Section 301 Duty
Economies that have imposed a forced labour import prohibition	Canada, Cambodia, Guatemala, Honduras, India, Mexico, Pakistan, Sri Lanka, Trinidad and Tobago	10%
Economies that have undertaken commitments regarding forced labour import prohibitions through an Agreement on Reciprocal Trade (ART)	Argentina, Bangladesh, Ecuador, El Salvador, Indonesia, Jordan and Malaysia	10%
Economies maintaining a partial regime with the effect of preventing the importation of certain forced labour goods	United Kingdom	10%
Economies subject to MFN-capped treatment	European Union and Taiwan: Section 301 duty applies only to the extent necessary to bring the total (MFN + Section 301) duty to 10%. Japan, South Korea and Switzerland: Section 301 duty applies only to the extent necessary to bring the total (MFN + Section 301) duty to 12.5%.	10% or 12.5%
All other investigated economies	Algeria, Angola, Australia, Bahamas, Bahrain, Brazil, Chile, China, Colombia, Costa Rica, Dominican Republic, Egypt, Guyana, Hong Kong (China), Iraq, Israel, Kazakhstan, Kuwait, Libya, Morocco, New Zealand, Nicaragua, Nigeria, Norway, Oman, Peru, Philippines, Qatar, Russia, Saudi Arabia, Singapore, South Africa, Thailand, Türkiye, United Arab Emirates, Uruguay, Venezuela and Vietnam.	12.5%

Unlike the June proposal, the final notice reallocates several economies between tariff categories following developments during the consultation period. In particular, Cambodia, Guatemala, Honduras, India, Sri Lanka and Trinidad and Tobago were recognised as having adopted forced labour import prohibitions after publication of the proposed action, while Jordan entered into commitments regarding such prohibitions through an Agreement on Reciprocal Trade.

III. PRODUCT EXEMPTIONS

Following consideration of public comments and testimony, USTR determined that the product exclusions reflected in Annexes I and II were appropriate and feasible, having regard to factors such as domestic supply availability, potential economic disruption and the effectiveness of tariffs in addressing the investigated practices.

The final notice confirms that exempt products include, among others:

- raw materials whose coverage could lead to shortages in domestic U.S. supply;
- products whose inclusion could result in economy-wide disruptions;
- products that cannot be sourced adequately within the United States or from alternative suppliers;
- products for which tariffs would not materially contribute to eliminating the investigated practices; and
- specified products identified in Annexes I and II to the final notice.

In addition to exclusions based on supply shortages, economic disruption and sourcing constraints, the final notice also exempts certain products originating in Argentina, Bangladesh, Cambodia, Ecuador, El Salvador, the European Union, Guatemala, Indonesia, Jordan, Malaysia, Switzerland, Taiwan and the United Kingdom. According to USTR, these exemptions are intended to encourage those economies to fulfil commitments regarding forced labour import prohibitions or to adopt and effectively enforce such prohibitions.

The final action does not apply to articles and parts of articles that are already subject to Section 232 tariffs, including products such as steel, aluminium, automobiles and certain auto parts that are covered by existing Section 232 measures. These products remain subject to the applicable Section 232 duties but are exempt from the additional Section 301 forced labour tariffs.

Stakeholders should therefore review the relevant annexes carefully to determine whether their products benefit from any product-specific exclusions.

IV. TEXTILE TARIFF-RATE QUOTA MECHANISM

The final action directs the USTR to establish, when feasible, tariff-rate quotas (**TRQs**) for certain textile and apparel products from Bangladesh, Cambodia, Indonesia and Malaysia. The TRQs are intended to encourage the use of U.S.-origin cotton and textile inputs by permitting specified quantities of qualifying textile and apparel products from these economies to enter the United States without the additional Section 301 duties.

The Federal Register Notice does not establish the TRQs immediately. Instead, it provides that the USTR will publish a separate Federal Register notice once the TRQs have been established and their effective date has been determined. Until then, imports of the textile and apparel products that will be covered by the TRQs remain subject to the applicable 10% Section 301 tariff.

V. KEY DATES

The additional duties apply to products entered for consumption, or withdrawn from warehouse for consumption, on or after **12:01 a.m. Eastern Time on July 24, 2026**.

However, products already loaded onto a vessel and in transit before that time are exempt, provided they are entered or withdrawn from warehouse for consumption into the United States before 12:01 a.m. Eastern time on **July 28, 2026**.

The implementation of the Section 301 measures coincides with the expiry of the temporary Section 122 tariffs, marking a transition from temporary emergency tariffs to longer-term trade measures adopted following the Section 301 investigations.

VI. 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.

While the tariff burden has been reduced relative to the June proposal, the final measures nevertheless represent a significant new trade restriction affecting imports from India into the United States. Notably, India has not been included among the economies granted additional country-specific product exemptions intended to encourage the adoption or effective enforcement of forced-labour import prohibitions. Indian exports therefore benefit from the lower 10% tariff rate and the generally applicable product exclusions, but not from the additional country-specific exclusions extended to certain comparator economies. Similarly, India is also not among the contemplated countries for the textile TRQ Mechanism. Unlike the European Union, Taiwan, Japan, South Korea and Switzerland, whose additional Section 301 duties are capped by reference to the applicable MFN tariff rate, India does not benefit from any such cap. Accordingly, the 10% Section 301 duty applicable to India is imposed in addition to the ordinary MFN duty, subject to the applicable exclusions. This distinction may be commercially relevant in sectors where Indian products compete directly with exports benefiting from such exemptions.

Indian exporters and U.S. importers should therefore proactively assess the commercial and compliance implications of the final action. In particular, businesses should:

- review whether their products are covered by the final tariff measures and determine whether any product-specific exclusions under Annexes I or II apply;
- evaluate the landed-cost impact of the additional tariffs and consider whether existing pricing arrangements or contractual allocation of tariff liability require renegotiation;
- assess supply-chain and sourcing strategies, particularly where products compete with exports from economies subject to preferential textile arrangements;
- continue to monitor developments in U.S.-India trade discussions and any future modifications, exemptions or implementation guidance that may affect the scope or operation of the measures.

Given the ongoing U.S.-India trade negotiations, businesses should continue to monitor both the implementation of these measures and developments under the proposed bilateral trade framework, as future negotiations may affect the overall market access landscape for Indian exports.

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:

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