JOURNALISM OF COURAGE

US redraws tariff architecture: India faces 10% ‘forced labour’ levy

As per the new tariff design, Japan, South Korea, and Switzerland are placed better than countries such as Vietnam and China, as they are subject to a 12.5% rate net of MFN.

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Labourer at work in New Delhi on Tuesday. Express Photo by Tashi Tobgyal 080921 *** Local Caption *** Labourer at work in New Delhi on Tuesday. Express Photo by Tashi Tobgyal 080921

The US Friday imposed 10% tariffs on India, lower than the 12.5% rate proposed in March when the United States Trade Representative (USTR) identified 60 countries under Section 301 of the US Trade Act, citing import of goods produced with forced labour.

This comes weeks after the Directorate General of Foreign Trade (DGFT) announced prohibition of import of goods produced using forced labour, along with parallel negotiations for a trade deal with the US.

In the new tariff regime enforced Friday, the European Union and Taiwan received the most favourable rates — the Section 301 tariff is applied on goods from these two economies only if the product’s existing most favoured nation (MFN) tariff is less than 10%. If the product from the EU or Taiwan already has an MFN tariff of 10% or higher, the Section 301 tariff is zero.

India has been placed in the second tier where the US has imposed a standard 10% tariff rate on 17 economies — others in the category are Argentina, Bangladesh, Cambodia, Canada, Ecuador, El Salvador, Guatemala, Honduras, Indonesia, Jordan, Malaysia, Mexico, Pakistan, Sri Lanka, Trinidad and Tobago, and the United Kingdom.

“Based on the findings in the investigation of India, including India’s adoption of a forced labor import prohibition subsequent to the publication of the June 5, 2026 FRN, and considering the public comments and testimony, the advice of the Section 301 Committee, as well as the advice of advisory committees, and in accordance with the specific direction of the President, the Trade Representative has determined to impose 10% tariffs on products of India,” the USTR said.

The standard 10% tariffs on India are similar to those on ASEAN countries such as Malaysia and Indonesia but better than Vietnam which now falls under the least favourable countries with 12.5% tariffs alongside China, Russia, Brazil, Australia, the Philippines, Turkey and Saudi Arabia.

Under the new tariff design, Japan, South Korea and Switzerland are placed better than countries such as Vietnam and China, as they are subject to a 12.5% rate net of MFN.

Similar to the EU and Taiwan mechanism, their duty is determined by MFN plus Section 301, capped at 12.5%. If their MFN rate is already 12.5% or higher, the Section 301 duty is zero, according to the

USTR.

The USTR has also established textile tariff-rate quotas (TRQs) for Bangladesh, Cambodia, Indonesia and Malaysia under which these economies would import US cotton and textile goods for final

manufacturing. No such TRQ has been announced for India.

Bangladesh, being one of India's top competitors and a large importer of Indian cotton and fibre, could now begin sourcing input items from the US.

EXPLAINED

Bar on import of forced-labour goods

Ahead of the US tariffs, India barred the import of goods made using forced labour. On July 13, the Directorate General of Foreign Trade had inserted a new paragraph in the Foreign Trade Policy regarding 'forced labour', stating that import of goods produced or manufactured, 'wholly or in part', through the use of forced labour is 'prohibited'.

The USTR said that the TRQs will allow a specific volume of textiles and apparel from Bangladesh, Cambodia, Indonesia and Malaysia to enter the US free of Section 301 tariffs. However, these TRQs will have an initial duration of three years and imports to the US would then begin attracting a 10% Section 301 tariff.

Textile and apparel goods from Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua also received exemption from Section 301 tariffs if they entered free of duty under the Dominican Republic-Central America FTA (CAFTA-DR) agreement.

The list of goods exempted from the Section 301 additional tariffs includes aircraft (other than military), engines, ground flight simulators and their parts or components. In the agriculture and food category, certain animal products (used for animal or pet food), seeds for planting, vegetable products (like coconut coir and jute burlap), unflavored instant coffee, and in-quota sugar products would remain exempted.

In the materials and minerals category, pig iron, certain ferrous/aluminum scrap waste, aluminium hydroxide, vanadium oxides/hydroxides and ash containing precious metals and chemicals such as certain fertiliser and pesticide inputs, and pharmaceuticals and pharmaceutical ingredients (specifically limited to their pharmaceutical applications) were kept out of Section 301 tariffs.

Specific semiconductor manufacturing equipment, and battery waste and scrap, worked shell, worn clothing or secondhand apparel, and antiques, collectables, and art (including paintings, drawings, and

numismatic items over 100 years old) have also been exempted from tariffs.

Irish and Scotch whiskies and an extensive list of medical/surgical equipment (e.g., electrocardiographs, MRI apparatus, and defibrillators) along with items from EU’s such as natural cork, silk yarns, pearls, and precious stones (rubies, sapphires, emeralds); live animals (rabbits, foxes, reptiles), cut flowers, and various wood and rattan products from Switzerland were also exempted.

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