

## U.S. Proposes New 12.5% Tariffs on India: Immediate Considerations for Exporters

6 June 2026

### Background

Earlier this year in March, the United States Trade Representative (USTR) initiated investigations pursuant to Section 301 of the Trade Act of 1974, targeting 60 (sixty) of its major trading partners. These investigations were aimed at assessing whether each economy's failure to prohibit the import of forced labour-produced goods constituted an actionable conduct under U.S. trade law. The stated rationale was that use of forced labour remains embedded in global supply chains spanning sectors such as cotton in garments, minerals in solar products and palm oil – distorting competition and burdening U.S. commerce.

These investigations were launched after the U.S. Supreme Court on 20 February, 2026, in *Learning Resources, Inc. v Trump* struck down the President's authority to impose tariffs under the International Emergency Economic Powers Act, effectively narrowing the U.S. Executive branch's tariff toolkit and elevating the significance of Section 301 as a trade enforcement mechanism.

The USTR's investigation entailed consultation with the respective governments to seek their views. A public comment period was also opened for written submissions by governments and other stakeholders, and a Section 301 Committee conducted a public hearing on 28 and 29 April, 2026.

### Indian Response

India responded to the USTR on the Section 301 investigation on 15 April, 2026 contending lack of both legal foundation and factual support. Key contentions included the following:

- USTR failed to identify any specific sovereign action or policy that permits forced labour or harms U.S. commerce.
- The mere absence of an explicit ban on importing goods made with forced labour does not constitute wrongdoing, particularly given that addressing forced labour in global supply chains necessarily requires multilateral action.
- That India maintains a comprehensive domestic framework prohibiting forced labour in all forms and its full compliance with international labour standards.

### USTR's Determinations

On 2 June, 2026, the USTR published its determinations, finding 54 of the 60 economies investigated, including India, failed to impose and effectively enforce a prohibition on the importation of goods produced with forced labour. It concluded that such failure is "unreasonable or discriminatory" and "burdens or restricts U.S. commerce" within the meaning of Section 301 of the Trade Act of 1974.

### Proposed Tariff Rates

The USTR has proposed the following ad valorem tariff rates:

- 12.5% – applicable to India and 44 (forty-four) other economies that neither impose nor effectively enforce a forced-labor import ban;
- 10% – applicable to 6 (six) economies (Canada, Ecuador, the European Union, Indonesia, Mexico, and Pakistan) that impose but have failed to effectively enforce such bans; and
- 10% – applicable to nine economies with trade-agreement-based commitments to the U.S. on instituting forced-labor import bans (Cambodia, Ecuador, Guatemala, Taiwan, El Salvador, Indonesia, Malaysia, Argentina, and Bangladesh).

India has accordingly been placed in the category facing the highest proposed tariff rate, higher than South and Southeast Asian peers. This determination also comes at a time when India and the U.S. are negotiating an interim trade deal based on the framework announced in the Joint Statement issued on 7 February, 2026.

## Proposed Textile Mechanism

The USTR has also proposed the creation of a textile mechanism, under which a defined volume of apparels and textiles from “certain trading partners” would be allowed to be imported into the U.S. at a reduced Section 301 duty rate. The importable volume will be equivalent to the volume of exports of textiles from the United States of America to that trading partner.

## Sectoral Impact for India

The proposed rate of 12.5% would apply across the board to Indian products, except those listed in Annex A of the USTR’s notice. Notably, these tariffs will impact seafood, agriculture, leather and footwear, and textiles and apparels exports from India.

## Next Steps for Indian Exporters

The USTR has solicited written comments from businesses and stakeholders by 6 July, 2026 after which the Section 301 Committee will again convene a hearing to hear views on the USTR’s proposed actions on 7 July, 2026.

These comments are sought on the following:

- scope of affected products, including exclusions from or additions to Annex A;
- proposed tariff rates;
- implementation of proposed textile mechanism or analogous mechanism for another sector; and
- whether tariff adjustments should be made for economies enforcing forced labour import bans partially or as part of a trade deal with the United States of America.

This presents a significant opportunity for Indian exporters to engage with the USTR through written comments, seeking product exclusions and making factual submissions to mitigate or eliminate the risk of higher tariffs. Affected exporters can present specific proposals and use the public hearing to suggest implementation deadlines and propose favourable adjustments, including to the proposed textile mechanism.

## How We Can Assist

As a firm, we are closely monitoring this and related Section 301 investigations. Indian exporters affected by the USTR’s proposed actions are encouraged to connect with us for assistance:

- on assessing the impact of the tariffs on their supply chain;
- evaluating eligibility for the proposed textile mechanism benefits; and
- preparing and filing written comments ahead of the 6 July, 2026 deadline set by the USTR for participation in the Section 301 process.

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