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Tariff over Forced Labour Concerns

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Why in News?

Recently, United States imposed new tariffs under Section 301 of the Trade Act of 1974 on imports from 60 economies, including India, citing concerns over forced labour in supply chains.

- **Section 301 of the Trade Act of 1974 –** It allows the President to impose tariffs and other sanctions on countries found to engage in "unjustifiable", "unreasonable" or "discriminatory" trade practices.

Forced Labour

- **International Labour Organisation's Forced Labour Convention of 1930** defines forced labour as **–** *All work or service which is exacted from any person under the **menace of any penalty** and for which the said person has **not offered himself (or herself) voluntarily.***
- **US Position –** Ban on forced labour imports in place for nearly a century; enforcement now linked to trade sanctions.

  Global Estimate – *27.6 million people in forced labour on any given day (2021, ILO).*

Tariff Structure

- **Two Slabs –**
  - **10% Tariff –** For 17 economies (India, Canada, UK, Bangladesh, Pakistan, EU, Taiwan) with laws against forced labour but weak enforcement.
  - **12.5% Tariff –** For 43 economies (China, Japan, South Korea, Switzerland, others) deemed not to prohibit imports made with forced labour.
- **Exemptions –** Raw materials (oil, natural gas, fertilisers), goods under United States-Mexico-Canada Agreement (USMCA), and products already

covered by sector-specific tariffs (automobiles, metals, pharmaceuticals).

India's Position

- **Policy Amendment –** India amended its Foreign Trade Policy to prohibit imports produced using forced labour.
- **Negotiations –** India challenged United States Trade Representative (USTR) investigations, seeking resolution within bilateral trade talks.
- **Outcome –** Initially placed in 12.5% category, later shifted to 10% tier after policy change.

Reference

The Hindu | Tariff