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TCG TRADE UPDATE:

USTR Finalizes Section 301 Forced Labor Tariffs

Last week, USTR announced final action its Section 301 investigation on 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 Labor. The Section 301 action covers 60 economies and tariffs are **in effect as of 12:01am, July 24,** to replace the global 10 percent tariffs imposed under Section 122, which expired today. Goods loaded onto a vessel at the port of loading and in transit on the final mode of transit before 12:01am on July 24 and entered for consumption or withdrawn from warehouse for consumption before 12:01am July 28 will not be subject to the Section 301 duties.

Consistent with its proposed action in June, yesterday's announcement formalized two rate tiers: 1) a 10 percent Section 301 duty on products from economies that maintain a forced labor import prohibition, have committed to adopt one through an Agreement on Reciprocal Trade (ART), or have a partial regime in place; and 2) a12.5 percent Section 301 duty on products from all other investigated economies. However, the announcement incorporated a change from the June proposal, noting specific economies will be subject to a 10 or 12.5 percent rate inclusive of Most Favored Nation duties, denoted by an asterisk below.

Section 301 on Failures to Take Action on Trade in Forced Labor

Proposed Rate	*Economies*
10%	Argentina, Bangladesh, Cambodia, Canada, Ecuador, El Salvador, the European Union*, Guatemala, Honduras, India, Indonesia, Jordan, Malaysia, Mexico, Pakistan, Sri Lanka, Taiwan*, the United Kingdom, Trinidad and Tobago
12.5%	Algeria, Angola, Australia, the Bahamas, Bahrain, Brazil, Chile, China, Colombia, Costa Rica, Dominican Republic, Egypt, Guyana, Hong Kong, China, Iraq, Israel, Japan*, Kazakhstan, Kuwait, Libya, Morocco, New Zealand, Nicaragua, Nigeria, Norway, Oman, Peru, Philippines, Qatar, Russia, Saudi Arabia, Singapore, South Africa, South Korea*, Switzerland*, Thailand, Türkiye, United Arab Emirates, Uruguay, Venezuela, Vietnam

*where a given product's MFN rate is less than 10 percent (EU and Taiwan) or 12.5 percent (Japan, Korea, Switzerland), Section 301 rates will be imposed so the sum of the MFN rate and the Section 301 tariff is equal to 10 percent or 12.5 percent, respectively. If the MFN rate exceeds 10 percent or 12.5 percent, respectively, the Section 301 duty will not be applied. USTR noted "capping total duties in this manner is feasible, consistent with the terms of the Agreements on Reciprocal Trade or similar arrangements, and appropriate to encourage these economies to fulfill commitments regarding forced labor import prohibitions or to enact and effectively enforce such a prohibition."

Of note, some economies such as India, Jordan, Sri Lanka, and Trinidad and Tobago were placed in a lower rate category relative to USTR's June proposal, reflective of government-to-government consultations, Agreements on Reciprocal Trade, or ongoing negotiations.

Importantly, USTR retained exemptions for 1) products currently subject to Section 232 tariffs; 2) raw materials that if subject to the proposed Section 301 tariffs could lead to the unavailability of domestic supply; 3) products that could cause economy-wide disruptions if subject to the proposed tariffs; 4) products that cannot be grown or produced in sufficient quantities in the United States or obtained from other sources; 5) informational materials, donations, and accompanied baggage; 6) articles for which additional tariffs may not contribute substantially to the elimination of trade in forced labor.

USTR also added a new category of exemptions for certain products of Argentina, Bangladesh, Cambodia, Ecuador, El Salvador, the European Union, Guatemala, Indonesia, Jordan, Malaysia, Switzerland, Taiwan, or the United Kingdom "that would encourage these economies to fulfill commitments regarding forced labor import prohibitions or to encourage these economies to enact and effectively enforce a forced labor import prohibition."

USTR also retained exemptions for USMCA-compliant goods and 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.

Exempted products are listed in this annex, beginning on page 73.

Consistent with its June proposal, USTR also determined it will establish a three-year tariff-rate quota program for Bangladesh, Cambodia, Indonesia, and Malaysia, "based on each economy's importation of US goods, to encourage the importation by each of these economies of US cotton and textile goods." Section 301 tariffs will apply until USTR establishes the TRQs.

Of note, USTR's parallel Section 301 investigation on structural excess capacity remains pending and could further expand or adjust the Administration's tariff framework. To date, USTR has not proposed action in its Section 301 on structural excess capacity and timing remains unclear.

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