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Forced Labor, Meet Section 301: New Tariffs Target 60 of America's Biggest Trading Partners

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KEY POINTS

- On July 24, 2026, the U.S. imposed Section 301 tariffs of 10% or 12.5% *ad valorem* on goods from 60 trading partners that fail to prohibit or enforce bans on imports made with forced labor.
- The Section 301 action follows the Supreme Court's February 20, 2026, ruling in *Learning Resources, Inc. v. Trump* that IEEPA does not authorize the imposition of tariffs, making Section 301 the administration's primary trade remedy vehicle.
- Goods entered free of duty under the USMCA (Canada and Mexico) and CAFTA-DR textile and apparel goods (six Central American and Caribbean nations) are fully exempt from these Section 301 forced labor tariffs.
- USTR expanded the final exemption list by 471 HTSUS subheadings following public comment, covering raw materials, supply-chain-critical goods, and products that cannot be domestically sourced in sufficient quantities.
- Importers from any of the 60 covered trading partners should immediately assess in-transit status (grace period expires July 28, 2026), confirm applicable tariff tiers, and model cumulative duty exposure including AD/CVD stacking — while confirming whether any goods qualify for the Section 232 exemption..

On July 23, 2026, President Donald Trump issued a memorandum (the Memorandum) directing the U.S. Trade Representative (USTR) to impose new tariffs under Section 301 of the Trade Act of 1974, as amended (Section 301 and the Trade Act, respectively), on goods from 60 of the United States' largest trading partners. The tariffs took effect on July 24, 2026, and follow USTR investigations concluding that each of the 60 trading partners either failed to impose, or failed to effectively enforce, a prohibition on the importation of goods made with forced labor.

Depending on the trading partner, importers should expect a new 10% or 12.5% *ad valorem* duty layered on top of existing Most-Favored-Nation (MFN) and certain other applicable tariffs – including any existing antidumping and countervailing duties (AD/CVDs) — subject to a list of product-specific exemptions and, for four trading partners, forthcoming textile and cotton tariff-rate quotas (TRQs). These forced labor tariffs are part of a broader administration strategy to reconstruct tariff coverage under Section 301 following the Supreme Court's February 20, 2026, ruling that the International Emergency Economic Powers Act does not authorize the imposition of tariffs — a decision that eliminated the principal legal basis for the administration's prior tariff program and prompted a pivot to Section 301 as the primary vehicle for imposing trade remedies going forward.

Section 301 authorizes USTR to investigate and respond to acts, policies, and practices of a foreign trading partner that are unreasonable or discriminatory and that burden or restrict U.S. commerce, including by imposing duties on that trading partner's goods regardless of whether a given product is connected to the practice under investigation — which is why this action applies economy-wide rather than only to forced-labor goods.

Two categories of findings underlie the action. USTR found that 54 trading partners failed to impose any forced labor import prohibition at all. Six trading partners — Canada, Ecuador, the EU, Indonesia, Mexico, and Pakistan — have a prohibition on the books but (according to USTR) failed to effectively enforce it. This distinction matters: it explains why Canada and Mexico, which have relevant obligations under the United States-Mexico-Canada Agreement (USMCA), and the EU, which has an existing forced labor import regulation, still fall within the scope of the action while qualifying for the lower 10% tariff tier.

The Memorandum treats the tariff action for each of the 60 trading partners as a legally independent directive. It expressly provides that, if a court invalidates the tariff, exemption, or TRQ applicable to any one trading partner, that ruling does not affect the tariffs applicable to any other trading partner, and that partial invalidation of an exemption should not disturb the underlying tariff. This severability structure is intended to insulate the overall program from a legal challenge directed at any single country-specific determination.

APPLICABLE TARIFF RATES

The Memorandum sorts the 60 trading partners into three tariff categories based on the extent to which each has adopted or committed to forced labor import prohibitions. An Agreement on Reciprocal Trade (ART), referenced throughout the Memorandum, is a bilateral trade agreement negotiated by USTR under which a trading partner commits (among other things) to adopting and enforcing a forced labor import prohibition in exchange for a lower tariff rate.

10% TARIFF RATE

A flat 10% *ad valorem* tariff applies to goods of the following 17 trading partners, which either already maintain a forced labor import prohibition, have committed to adopt one under an ART, or have subsequently taken steps to impose such a prohibition after the June 5, 2026, proposed action:

Argentina, Bangladesh, Cambodia, Canada, Ecuador, El Salvador, Guatemala, Honduras, India, Indonesia, Jordan, Malaysia, Mexico, Pakistan, Sri Lanka, Trinidad and Tobago, and the United Kingdom.

TARIFF CAPPED NET OF MFN RATE

For five trading partners with existing reciprocal trade arrangements or similar agreements, the Section 301 tariff is calculated so that the combined MFN tariff and Section 301 tariff is set at, and does not exceed, a specified ceiling, rather than being imposed as a flat additional rate:

- *EU and Taiwan*: The combined MFN and Section 301 duties are set (and capped) at 10%. If the MFN rate on a given product already equals or exceeds 10%, no additional Section 301 tariff applies.
- *Japan, South Korea, and Switzerland*: The combined MFN and Section 301 duties are set (and capped) at 12.5%. If the MFN rate already equals or exceeds 12.5%, no additional Section 301 tariff applies.

For products of these five trading partners subject to specific or compound MFN rates (rather than pure *ad valorem* rates), the *ad valorem* equivalent is calculated by dividing the duty payable by the customs value of the good.

12.5% TARIFF RATE

The remaining 38 investigated trading partners are subject to a flat 12.5% *ad valorem* tariff:

Algeria, Angola, Australia, The Bahamas, Bahrain, Brazil, Chile, China, Colombia, Costa Rica, Dominican Republic, Egypt, Guyana, Hong Kong, Iraq, Israel, Kazakhstan, Kuwait, Libya, Morocco, New Zealand, Nicaragua, Nigeria, Norway, Oman, Peru, the Philippines, Qatar, Russia, Saudi Arabia, Singapore, South Africa, Thailand, Türkiye, United Arab Emirates, Uruguay, Venezuela, and Vietnam.

EFFECTIVE DATE AND IN-TRANSIT GRACE PERIOD

The tariffs apply to goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 a.m. ET on July 24, 2026. The date of physical arrival is not determinative.

Importantly, a short-term in-transit exemption applies: goods that were (1) loaded onto a vessel at the port of loading and in transit on the final mode of transit before 12:01 a.m. ET on July 24, 2026, and (2) entered for consumption before 12:01 a.m. ET on July 28, 2026, are not subject to the new tariffs. Importers with shipments already on the water as of July 24 should confirm in-transit status and move promptly to enter qualifying goods before the July 28 deadline.

PRODUCT EXEMPTIONS

USTR is directed to exempt specified products for each trading partner from these tariffs, as set out in Annexes I and II to the Federal Register notice. The final exemption list is notably broader than originally proposed — USTR added 471 additional subheadings of the Harmonized Tariff Schedule of the United States (HTSUS) beyond those in the June 5, 2026, draft, following public comment.

The Memorandum identifies five categories of qualifying exemptions:

- Raw materials for which the tariff could cause a shortage of domestic supply;
- Products whose tariffing could cause broader economy-wide disruption;
- Products that cannot be grown, produced, or sourced in sufficient quantity in the U.S. or from other suppliers;
- Products for which the tariff would not meaningfully advance the elimination of the trading partner's forced labor practices; and
- For Argentina, Bangladesh, Cambodia, Ecuador, El Salvador, the EU, Guatemala, Indonesia, Jordan, Malaysia, Switzerland, Taiwan, and the UK — products identified to encourage those trading partners to fulfill existing commitments or adopt and enforce forced labor prohibitions.

Additionally, the following universal exemptions apply across all 60 trading partners:

- Section 232 Goods: Articles of aluminum, steel, or copper; derivative aluminum or steel articles; passenger vehicles and light trucks; parts of passenger vehicles and light trucks; medium- and heavy-duty vehicles and their parts; wood products; and semiconductor articles — all of which are already subject to tariffs under Section 232 of the Trade Expansion Act of 1962 (Section 232), which authorizes tariffs on imports that threaten U.S. national security — are fully exempt from these Section 301 tariffs.
- Pharmaceutical Applications: Articles classifiable in a specified list of HTSUS subheadings that are for use in pharmaceutical applications are exempt. Notably, this exemption was narrowed from the original proposal: for certain chemicals, only pharmaceutical-use applications qualify; non-pharmaceutical uses of the same HTSUS

codes do not.

- Civil Aircraft: Civil aircraft, their engines, parts, components, subassemblies, and ground flight simulators meeting the criteria of HTSUS General Note 6 are exempt.
- Informational materials: Publications, films, photographs, recordings, artworks, news wire feeds, and similar informational materials are exempt.
- Humanitarian Donations: Food, clothing, medicine, and similar goods donated to relieve human suffering are exempt.
- Accompanied Personal Baggage: Goods for personal use included in the accompanied baggage of persons arriving in the U.S. are exempt.

Patented pharmaceutical articles (delayed effective date): A separate exemption for patented pharmaceutical articles covered under HTSUS headings 9903.04.60–9903.04.66 takes effect *July 31, 2026*. Importers of patented pharmaceutical articles should note this staggered timeline.

Notably, because the final exemption list — expanded by 471 additional HTSUS subheadings following public comment — covers raw materials, goods critical to domestic supply chains, and products that cannot be sourced domestically in sufficient quantities, these tariffs appear to exempt a substantial proportion of Asia's current trade flows with the U.S., potentially moderating the practical impact on importers sourcing from the region relative to the headline rates.

FREE TRADE AGREEMENT INTERACTIONS

USMCA: CANADA AND MEXICO

Goods of *Canada or Mexico* that are entered free of duty under the USMCA — including treatment under Subchapter XXIII of Chapter 98 and Subchapter XXII of Chapter 99 of the HTSUS — are *fully exempt* from the new Section 301 tariffs, regardless of whether the "S or S+" special rate indicator appears in the tariff schedule. Importers sourcing from Canada or Mexico should evaluate USMCA qualification before assuming that the 10% tariff applies to their goods.

CAFTA-DR: CENTRAL AMERICAN TEXTILE AND APPAREL

Textile and apparel goods (as defined in General Note 29(d)(v) of the HTSUS) that are the product of *Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, or Nicaragua*, and that are entered free of duty under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), are *fully exempt* from these Section 301 tariffs.

For *El Salvador and Guatemala* specifically, there is an overlap between the general CAFTA-DR textile/apparel exemption and country-specific ART-based exemptions. Where a good qualifies under both, the importer may elect either applicable heading of Chapter 99 of the HTSUS. Apparel importers from these countries should review both sets of exemptions.

INTERACTION WITH EXISTING TRADE REMEDY TARIFFS

These Section 301 tariffs stack on top of all other applicable duties, including:

- Existing Section 301 tariffs (*e.g.*, China List 1–4A tariffs), all of which currently remain in place. For Chinese goods not otherwise exempt under the Section 232 carve-out, these new forced labor tariffs are fully additive, creating significant cumulative duty exposure. USTR has launched a separate Section 301 investigation into whether 16 major trading partners maintain structural excess capacity in steel, automobiles, batteries, semiconductors, industrial machinery, chemicals, solar modules, and other core industrial sectors; if tariffs result from that investigation, they would stack on top of these forced labor tariffs and all other applicable duties, potentially compounding cumulative duty exposure significantly;

- Section 232 tariffs on aluminum, steel, copper, derivative aluminum and steel articles, passenger vehicles and light trucks, auto parts, medium- and heavy-duty vehicles and their parts, wood products, and semiconductors continue to apply independently to their covered goods, but those goods are fully exempt from this new Section 301 action — meaning importers of Section 232 goods do not face an additional forced labor tariff layer on top of the existing Section 232 duty;
- Global safeguard duties under Section 201 of the Trade Act (Section 201), imposed on imports found to cause or threaten serious injury to a domestic industry; and
- AD/CVD – guidance from U.S. Customs and Border Protection (CBP) explicitly confirms that these Section 301 tariffs do not displace or offset any AD/CVD obligations. Importers of goods already subject to AD/CVD orders face significant cumulative duty exposure.

TEXTILE AND APPAREL TARIFF-RATE QUOTAS

The Memorandum also directs USTR to establish, once feasible, TRQs covering textile and apparel goods, and separately covering cotton-related goods, for *Bangladesh, Cambodia, Indonesia, and Malaysia*. Each TRQ would run for an initial three-year term and would allow a volume of qualifying goods — sized to each trading partner’s purchases of U.S. textile inputs or U.S. cotton — to enter the United States free of the Section 301 tariff. USTR has indicated it intends to establish these TRQs and will publish a separate Federal Register notice announcing the effective date. Until the TRQs are implemented, the standard 10% Section 301 tariff applies to the textile and apparel goods of these four trading partners.

FTZ CONSIDERATIONS

Goods subject to these Section 301 tariffs that are admitted into a U.S. Foreign Trade Zone (FTZ) may only be admitted under privileged foreign status as defined in 19 C.F.R. § 146.41, effective as of the date the duty is imposed – unless the goods qualify for admission under “domestic status” as defined in 19 C.F.R. § 146.43. Companies that use FTZs to manage duty liability should assess whether this privileged foreign status requirement affects their FTZ operations and cost planning.

CBP ENTRY FILING REQUIREMENTS

CBP has issued guidance (CSMS #69326983) specifying the order in which Chapter 99 provisions of the HTSUS must be reported on entry summaries when multiple trade remedy provisions apply. The Section 301 forced labor tariff is reported first among the trade remedy Chapter 99 codes, ahead of any Section 122 (balance-of-payments) duties, Section 232 duties, and Section 201 duties, with the underlying commodity classification (Chapter 1–97 of the HTSUS) reported last. Importers and brokers should follow the full CBP-prescribed sequence when filing affected entries.

CBP clarified that the Section 301 tariff generally does not apply to goods properly entered under a Chapter 98 provision of the HTSUS, with exceptions for goods entered under subheadings 9802.00.40, 9802.00.50, 9802.00.60, and heading 9802.00.80 (goods repaired, altered, or assembled abroad). For those entries, the

Section 301 tariff applies only to the value of the foreign processing or assembly, less any U.S.-origin content.

RECOMMENDED STEPS FOR IMPORTERS

Companies importing from any of the 60 covered trading partners should act quickly to assess exposure and preserve relief. As an immediate step, they should check in-transit status, since goods loaded before July 24, 2026, and entered before July 28, 2026, may qualify for the grace period. They should confirm the applicable tariff category (10%, MFN-capped, or 12.5%) for each country of origin and test free trade agreement eligibility, as qualifying USMCA goods (Canada and Mexico) and CAFTA-DR textile and apparel goods (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) may be fully exempt. Because USTR added 471 subheadings to the final exemption list, importers should recheck current and planned imports against the final annex and model total landed cost, accounting for AD/CVD stacking and Section 232 overlap (goods already subject to Section 232 tariffs are exempt). Importers of Bangladeshi, Cambodian, Indonesian, and Malaysian textiles and apparel should monitor USTR's forthcoming TRQ notice and plan for interim 10% exposure. Finally, companies should review FTZ handling for privileged foreign status, coordinate the entry-filing sequence for Chapter 99 of the HTSUS with their brokers, strengthen forced labor due diligence, revisit classification, valuation, and country-of-origin positions, and watch for further *Federal Register* notices implementing the HTSUS modifications and TRQ mechanics.

For questions about how these Section 301 forced labor tariffs may affect your supply chain, classification strategy, or trade compliance program, please contact the attorneys of our Tariff + Trade Task Force, including authors Ryan Last and Dan Anziska.

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