CLIENT ALERTS & INSIGHTS

Section 301 Duties for Forced Labor - Step 3 in IEEPA Replacement and its Impact

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Featured Industries: Transportation & Logistics, International Trade & Supply Chain Management

Key Takeaways

- USTR's new forced labor-related Section 301 duties took effect July 24, creating country-specific tariff rates on most imports.
- Importers face immediate cost and compliance impacts across a wide range of sourcing markets.
- Companies can evaluate tariff exposure, review supply chains, and strengthen forced labor due diligence efforts.

The White House initiated its third step in replacing IEEPA tariffs on Friday, July 24. Specifically, the U.S. Trade Representative ("USTR") published final Section 301 findings and duty rates for imports from 30 countries following its investigation of harms on the domestic industry due to forced labor in those countries' supply chains. Our team alerted clients to these coming developments in the following set of announcements:

Trump Administration Alternatives for Imposing Tariffs

New 301 Tariffs Coming

Forced Labor Tariff Public Comments

IEEPA Replacement Steps 1-3

It has long been forecast by the Trump Administration that the new tariff regime would generally align with the IEEPA-based tariff rates that normalized throughout 2025 and into 2026 before they were determined unlawful. Now, the new effective rates of duty do indeed directionally align with past IEEPA levels and, more particularly, the proposed Section 301 rates announced by the USTR earlier this month. These rates apply effective July 24, 2026, on the very same day that the Section 122 balance-of-payments based surcharge expired due to absence of extension by the U.S. Congress. Those Section 122 surcharges were of course the immediate replacement (Step 2) of the IEEPA tariffs (Step 1) in the interest of establishing the White House's global tariff program. We now stand at Step 3 with a program targeting the import of goods produced wholly or in part by forced labor. Importing goods with forced labor was and remains a violation of law despite these new developments.

Effective Duty Rates and Rationale

The new Section 301 duties apply to nearly all products imported into the United States, although the precise duty rate varies across sets of listed countries. The lowest level is a 10% rate that applies to imports from certain countries including Canada and the UK. Imports from some countries are subject to a 10% rate net of the Most Favored Nations ("MFN") duty rate. Imports from other countries will see a higher 12.5% rate with others subject to a 12.5% rate net of the MFN rate. The rationale behind these differences in rate is the degree to which those subject countries attempt to ban forced labor in their supply chains. Imports from countries with partial bans are subject to the lower 10% rate and those from countries with no forced labor bans are subject to the higher 12.5% rate.

Countries of Origin Under Focus

The list of 60 countries now subject to the new tariff rates are: Algeria; Angola; Argentina; Australia; the Bahamas; Bahrain; Bangladesh; Brazil; Cambodia; Canada; Chile; China, People's Republic of; Colombia; Costa Rica; Dominican Republic; Ecuador; Egypt; El Salvador; the EU; Guatemala; Guyana; Honduras; Hong Kong, China; India; Indonesia; Iraq; Israel; Japan; Jordan; Kazakhstan; Kuwait; Libya; Malaysia; Mexico; Morocco; New Zealand; Nicaragua; Nigeria; Norway; Oman; Pakistan; Peru; the Philippines; Qatar; Russia; Saudi Arabia; Singapore; South Africa; South Korea; Sri Lanka; Switzerland; Taiwan; Thailand; Trinidad and Tobago; Türkiye; United Arab Emirates; United Kingdom; Uruguay; Venezuela; and Vietnam.

The most notable exceptions are goods subject to the sectoral Section 232 tariff programs and qualifying goods under the USMCA. Other exceptions from duties apply on a product- and country-basis in order to help mitigate the effects of these new actions on the domestic U.S. industry. High impact examples include exceptions for certain food products from all countries (bovine products, seeds, and beans), certain medical devices from the UK, and certain cork and lumber products from the EU and Cambodia. There will also be tariff rate quotas (when feasible) for Bangladesh, Cambodia, Indonesia, and Malaysia, to encourage the import of cotton and textile goods.

Managing Forced Labor Risk Beyond Duty Impact

Forced labor in supply chains, and its corresponding compliance obligations, has grown in global focus across many economies over recent years as we observed HERE. The interesting effect of these new Section 301 actions is that prior to the USTR's announcement, any goods produced by forced labor were unlawful for import into the United States and subject to detention, seizure, and forfeiture. We have witnessed a steep rise in U.S. Customs and Border Protection ("CBP") enforcement against imports on those grounds, as well as a rise in corporate compliance programs pioneering best practices for combatting forced labor in supply chains. Some will read these new rates as tacit acceptance of forced labor in the output from certain countries, provided that duties are paid. It remains to be seen whether, and to what extent, CBP will respond with its ongoing forced labor enforcement efforts in light of these USTR determinations. In our experience, there is always more to be done for improving global supply chain activities so that Chief Legal Officers and Chief Compliance Officers, and their procurement teams who rely on the best advice, can sleep well at night.

Benesch's team advises and represents clients in ongoing tariff compliance, customs counsel, and supplier and customer demands. We are available to assist in developing comments, determining tariff impacts on supply chains and foreign relationships, implementing or strengthening forced labor compliance programs, and defending against enforcement actions (including detentions or seizures at port) as and when those arise. Benesch client alerts and legal publications are available for you to receive by signing up here.

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