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US Launches Section 301 Probe into India: What It Means for Trade and Manufacturing

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✎ WHY IN NEWS

On **11 March 2026**, U.S. Trade Representative (USTR) **Jamieson Greer** initiated **Section 301 investigations** against **16 economies**, including India, alleging that their industrial policies create “structural excess capacity and production” in key manufacturing sectors — with a public hearing scheduled to begin on **5 May 2026** and India’s steel, petrochemical, and solar module sectors reported to face particular scrutiny.

WHY SECTION 301 IS NOT AN ORDINARY TRADE DISPUTE

When the United States uses **Section 301 of the Trade Act of 1974**, it is not making a polite request for dialogue. It is activating one of its sharpest and most consequential unilateral trade tools — a mechanism that has historically led to tariffs affecting hundreds of billions of dollars in trade. The fact that India — simultaneously a strategic U.S. partner under frameworks like the **Indo-US Initiative on Critical and**

Emerging Technologies (iCET) and the **Quadrilateral Security Dialogue (Quad)** — has been named in the same investigation as China tells a larger story about how industrial policy and geopolitics interact in 21st-century trade relations.

WHAT IS SECTION 301?

Section 301 of the U.S. Trade Act of 1974 authorises the **U.S. Trade Representative (USTR)** — a cabinet-level position in the executive branch — to investigate acts, policies, or practices of foreign governments that are considered unjustifiable, unreasonable, or discriminatory, and that burden or restrict U.S. commerce. The law predates the World Trade Organization (WTO) and was designed to give the U.S. government a unilateral instrument of trade pressure that does not depend on multilateral adjudication.

Once the USTR determines that a foreign practice is actionable under Section 301, the U.S. can impose retaliatory tariffs, restrict imports, or withdraw trade concessions — without waiting for a WTO ruling. This unilateral character is precisely why Section 301 is controversial: WTO dispute settlement operates on consensus and multilateral rules, while Section 301 allows the U.S. to act on its own determination of what constitutes unfair trade.

Historical precedents are important context. Section 301 was used against Japan in the 1980s and 1990s during trade friction over semiconductor and automotive sectors. It was used against India in **1992** in a dispute over intellectual property protections, contributing to pressure that eventually led India to reform its patent law. In **2018**, the Trump administration used Section 301 to impose sweeping tariffs on Chinese imports — initially on USD 34 billion worth of goods, later expanding to over USD 500 billion — in the largest use of the mechanism in its history. The Biden administration maintained most of those tariffs and added new ones in 2024 covering electric vehicles, solar cells, batteries, and steel.

WHAT HAPPENED ON 11 MARCH 2026

The March 2026 action is a **self-initiated investigation by the USTR** — meaning it was launched by the U.S. government without a petition from a specific domestic industry. The USTR stated that the probe is focused on whether government interventions in certain economies are producing **structural excess capacity** in strategic manufacturing sectors, distorting global market signals, and threatening U.S. manufacturing employment and investment.

The process will involve consultations with named governments, public comment periods, and a **public hearing beginning on 5 May 2026**. The March 2026 step is therefore the beginning of a formal legal process, not yet a tariff order. However, Section 301 investigations can and do progress to actual trade measures, as the China experience demonstrated.

WHICH 16 ECONOMIES ARE NAMED — AND WHY INDIA'S INCLUSION STANDS OUT

The 16 economies named in the probe are India, China, the European Union, Japan, South Korea, Mexico, Vietnam, Taiwan, Thailand, Malaysia, Indonesia, Bangladesh, Cambodia, Singapore, Switzerland, and Norway. The breadth of this list is striking: it includes both geopolitical adversaries (China), close treaty allies (Japan, South Korea, EU), and strategic partners (India).

India's inclusion is analytically significant for a specific reason. India is not a low-cost assembly-for-export economy like Vietnam or Cambodia. It is a country that has been deliberately building domestic manufacturing capacity through **Production Linked Incentive (PLI) schemes** — launched in April 2020 and covering 14 sectors including mobile phones, pharmaceuticals, specialty steel, solar PV modules, advanced chemistry cells, food processing, and automobiles. From India's perspective, PLI is a development tool to accelerate industrialisation. From the U.S. perspective, subsidies linked to production volumes and domestic-content requirements in globally traded sectors can constitute the kind of government support that drives excess capacity.

The sectors under scrutiny in the 2026 probe include aluminium, automobiles, batteries, cement, chemicals, electronics, energy goods, machinery, paper, plastics, semiconductors, ships, solar modules, steel, and processed food and beverages. Trade reporting has specifically pointed to **steel, petrochemicals, and solar modules** as the Indian sectors most likely to face attention in the investigation. These are precisely the sectors where India has made large investments under PLI and related industrial policies.

THE INDIA-U.S. TRADE RELATIONSHIP: SCALE AND TENSIONS

India-U.S. bilateral goods trade reached approximately **USD 129 billion in 2024**, making the U.S. India's largest single trading partner. India runs a goods trade surplus with the U.S. — estimated at approximately USD 45–47 billion in 2024 — which has periodically been a point of friction. The Trump administration removed India from the **Generalised System of Preferences (GSP)** effective **5 June 2019** — India had been the **largest beneficiary** of the GSP programme — citing India's failure to provide equitable and reasonable market access. Negotiations for restoration of GSP benefits and a broader bilateral trade agreement have proceeded slowly.

The March 2026 probe must be read against this background. The U.S.-India economic relationship has a persistent structural tension: strategically aligned at the highest level, but commercially competitive and occasionally adversarial at the sectoral level. Section 301 does not reflect a breakdown in the overall relationship, but it does signal that industrial policy sovereignty is a contested question even between strategic partners.

WTO COMPATIBILITY: A LEGITIMATE QUESTION

India's likely response in formal consultations will invoke WTO rules, and the question of WTO compatibility is substantively important. WTO agreements — particularly the **Agreement on Subsidies and Countervailing Measures (ASCM)** — allow members to challenge specific subsidies through the WTO Dispute Settlement Body (DSB). The U.S., by using Section 301 unilaterally rather than through the WTO, is bypassing the multilateral process.

However, the WTO's dispute settlement capacity has been significantly weakened since 2019, when the **Appellate Body** was rendered non-functional after the U.S. blocked appointment of new judges. As of 2026, the Appellate Body remains inoperational, which means WTO dispute settlements cannot be fully adjudicated to conclusion. This vacuum has made unilateral mechanisms like Section 301 more attractive to the U.S. government as instruments of trade enforcement.

India has itself filed WTO challenges against U.S. tariff actions in the past, including against the 2018 steel and aluminium tariffs imposed under Section 232 of the Trade Expansion Act of 1962. But with the Appellate Body non-functional, those challenges cannot reach a final legally binding conclusion.

WHAT ARE THE RISKS FOR INDIA?

For Indian exporters, the immediate risk is uncertainty. Firms planning export expansion in sectors under scrutiny may delay investment decisions while the investigation is underway. Supply-chain partners in the U.S. or third countries may seek diversification away from India if tariff risk increases.

For India's industrial policy, the investigation creates pressure to justify PLI and related schemes in terms compatible with WTO rules — specifically, by demonstrating that production incentives are not contingent on domestic-content requirements (which the ASCM explicitly prohibits) and that they do not directly cause material harm to U.S. producers.

For the broader India-U.S. relationship, the key risk is that a trade dispute escalates into a political irritant that complicates security and technology cooperation — an outcome neither side wants. The diplomatic challenge is to contain the trade friction within negotiating channels while keeping the strategic partnership insulated from it.

HOW INDIA SHOULD RESPOND

India's response must be active and substantive, not passive. Formal participation in USTR consultations — presenting data, legal arguments, and economic analysis — is essential to shape the investigation's findings. India's trade lawyers at the **Ministry of Commerce and Industry** and its mission in Washington will need to engage closely with the U.S. interagency process.

India must simultaneously defend the legitimacy of development-oriented industrial policy while demonstrating that its PLI schemes are designed to be WTO-compatible — by focusing on performance benchmarks and export targets rather than domestic-content mandates that clearly violate ASCM rules. India should also use diplomatic channels — including the Trade Policy Forum and the strategic consultation mechanism under iCET — to ensure that the trade investigation does not spill over into the technology and security partnership. The most durable long-term defence is not legal argument alone: it is making Indian manufacturing competitive enough that access to the U.S. market is not dependent on subsidy support.

UPSC RELEVANCE

Section 301, U.S. Trade Act 1974, USTR, Generalised System of Preferences (GSP), WTO-ASCM, Appellate Body, PLI schemes, iCET, Quad, Section 232 Trade Expansion Act 1962.

MAINS GS-2:

India-U.S. relations, economic diplomacy, WTO and unilateral trade mechanisms, trade diplomacy.

MAINS GS-3:

Industrial policy, PLI schemes, export competitiveness, manufacturing strategy, WTO-compatible subsidies.

INTERVIEW:

Can strategic partnership insulate bilateral trade from protectionist friction?

★ FACTS CORNER — KNOWLEDGEPEDIA
SECTION 301 PROBE 2026 — CORE DATA:

Action date: 11 March 2026

Investigating authority: U.S. Trade Representative (USTR)

Current USTR: Jamieson Greer

Legal basis: Section 301 of the U.S. Trade Act of 1974

Trigger: Alleged “structural excess capacity and production” caused by foreign government interventions

Type of investigation: Self-initiated (no petition from domestic industry)

Public hearing date: Beginning 5 May 2026

Economies named: 16 — India, China, EU, Japan, South Korea, Mexico, Vietnam, Taiwan, Thailand, Malaysia, Indonesia, Bangladesh, Cambodia, Singapore, Switzerland, Norway

INDIA-SPECIFIC DATA:

India-U.S. goods trade (2024): Approximately **USD 129 billion**

India’s trade surplus with U.S. (2024): Approximately **USD 45–47 billion**

India’s PLI schemes: Launched **April 2020**; cover 14 sectors including mobile phones, steel, solar PV, pharmaceuticals, batteries, food processing

Indian sectors likely under scrutiny: **Steel, petrochemicals, solar modules**

GSP removal: U.S. removed India from GSP effective **5 June 2019** — India was the **largest beneficiary** of GSP; removal affected USD 5.6 billion worth of Indian exports

SECTION 301 — HISTORICAL USE:

Against India (1992): Intellectual property protections dispute — led to India’s patent law reforms

Against China (2018): Tariffs on USD 34 billion of goods initially; expanded to over USD 500 billion — largest use of Section 301 in history

Section 232 (1962): U.S. Trade Expansion Act — used for steel/aluminium tariffs in 2018; separate from Section 301

WTO CONTEXT:

WTO Appellate Body: Non-functional since **2019** — U.S. blocked appointment of new judges; pending appeals cannot be concluded

ASCM: WTO Agreement on Subsidies and Countervailing Measures — prohibits domestic-content-contingent subsidies

WTO Dispute Settlement: India previously filed challenges against U.S. Section 232 steel tariffs; cannot reach final binding conclusion without Appellate Body

STRATEGIC PARTNERSHIP FRAMEWORKS:

iCET: India-U.S. Initiative on Critical and Emerging Technologies — technology cooperation framework

Quad: Quadrilateral Security Dialogue — India, U.S., Japan, Australia — strategic alignment framework

Trade Policy Forum: Bilateral India-U.S. mechanism for trade discussions

OTHER RELEVANT FACTS:

A Section 301 investigation is **not itself a tariff order** — it initiates a process that can lead to tariffs after finding and determination

U.S. bypasses WTO through Section 301 because WTO process is slower and its Appellate Body is non-functional

Strategic alignment does not insulate trade from industrial-policy friction — China, EU, Japan, and India are all in the same probe

India's strongest long-term protection is **genuine manufacturing competitiveness**, not subsidy dependence

Sources: [USTR](#), [WTO](#), [Ministry of Commerce and Industry India](#), [The Economic Times](#), [Reuters](#)

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