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EDITORIAL ANALYSIS

# USTR Tariff Threats Deepen India-US Trade Uncertainty

BUSINESS STANDARD

4 June 2026 · ECONOMY · IR · GS2 · GS3

CURATED & WRITTEN BY



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# USTR Tariff Threats Deepen India-US Trade Uncertainty

 Business Standard

4 June 2026

GS2

GS3

Source: ujjyari.com — Free UPSC &amp; State PCS Current Affairs

## EDITORIAL SUMMARY

*Business Standard* warns that the US Trade Representative's proposal to impose an additional **12.5% tariff on Indian imports** under a Section 307 forced-labour investigation signals the arrival of a new, harder phase in **India-US trade tensions**. The editorial argues that the USTR's action — applying simultaneously to virtually all major US trading partners — is not genuinely targeted enforcement but rather **protectionist industrial policy** using forced-labour norms as a legal pretext. It calls on India to pursue **bilateral dialogue** while simultaneously deepening the India-EU FTA partnership as a hedge against US trade volatility.

## BACKGROUND: USTR'S SECTION 307 ACTION

**Section 307 of the US Tariff Act of 1930** prohibits imports of goods made with forced, convict, or indentured labour. The **US Customs and Border Protection (CBP)** can issue "Withhold Release Orders" (WROs) blocking specific shipments; the USTR can propose broader tariff surcharges based on country-level investigations.

The June 2026 USTR proposal would add a **12.5% surcharge** on top of existing tariffs for goods from India (and several other major trading partners), pending the outcome of a forced-labour investigation. The USTR simultaneously applied similar investigations to China, Vietnam, Bangladesh, and Mexico — indicating a broad-sweep approach.

## INDIA-US TRADE CONTEXT

METRIC	VALUE (2024-25)
India-US bilateral trade	~\$130 billion
India's exports to US	~\$78 billion
India's imports from US	~\$52 billion
US rank for India	Largest single-country export destination
India's trade surplus with US	~\$26 billion

India's **\$26 billion trade surplus** with the US has been a persistent irritant for US trade policy. The Trump administration (2025–) has been the most aggressive in seeking to reduce this surplus through tariff threats, GSP withdrawal (2019), and now Section 307 actions.

## KEY INDIAN EXPORTS AT RISK

SECTOR	EXPORT VALUE TO US	SECTION 307 EXPOSURE
Pharmaceuticals	~\$9 billion	Moderate (API manufacturing scrutiny)
IT/Software	~\$18 billion	Low (services, not goods)
Textiles/Garments	~\$5 billion	High (labour-intensive sector)
Gems & Jewellery	~\$8 billion	Moderate (diamond cutting labour)
Engineering goods	~\$12 billion	Low-moderate
Chemicals	~\$6 billion	Low

**Most vulnerable:** Textiles, garments, and artisanal goods sectors where labour intensity is high and documentation of working conditions is weaker in India's informal sector.

## EDITORIAL'S CORE ARGUMENTS

### 1. It's Protectionism, Not Enforcement

The simultaneous application to US, EU, Vietnam, Mexico, Bangladesh suggests the USTR is using forced-labour norms as a **WTO-compatible legal wrapper** for industrial protectionism — particularly aimed at industries where the US wants to reshore manufacturing (semiconductors, pharmaceuticals, textiles).

### 2. India's Vulnerability

India's informal labour sector has **genuine compliance gaps** — child labour in carpet weaving, bonded labour in brick kilns, forced overtime in garment factories. These are real and documented. While not systemic across all exports, they give the USTR legitimate grounds to sustain an investigation process even if the actual intent is protectionist.

### 3. India's Response Strategy

The editorial recommends:

- ❶ **Bilateral dialogue** — engage USTR directly; offer a **Totalization Agreement** (social security for Indian IT workers in US) as a trade-off
- ❷ **Labour compliance** — accelerate implementation of the **Four Labour Codes** (2020) to demonstrate improved labour standards
- ❸ **India-EU FTA** — deepen as a strategic hedge; EU now provides a comparable market with better rules-based dispute resolution
- ❹ **WTO dispute** — file a WTO challenge if the tariffs are formally imposed; India has strong grounds that Section 307 is being applied inconsistently

## GEOPOLITICAL CONTEXT

India-US trade tensions occur within a broader geopolitical context where both countries are deepening strategic ties (QUAD, defence cooperation, semiconductor supply chains) even as commercial disputes persist. The editorial notes this strategic-commercial **decoupling** is **unsustainable** — eventually, trade friction will erode the foundations of the strategic partnership unless proactively managed.

## UPSC RELEVANCE

### Prelims

- USTR: US Trade Representative

- Section 307: US Tariff Act, 1930 (prohibits imports from forced-labour sources)
- Proposed tariff: 12.5% additional surcharge
- India-US bilateral trade: ~\$130 billion
- India's surplus: ~\$26 billion
- India's labour codes: Four Labour Codes (2020, implementation ongoing)

## Mains Angles

- 1 **GS2 – India-US Relations:** How does trade friction affect the India-US strategic partnership? Can strategic interests be sustained despite commercial tensions?
- 2 **GS3 – Trade Policy:** Examine India's vulnerabilities in the context of US trade protectionism. What trade diversification and compliance strategies should India adopt?
- 3 **GS3 – Labour Law:** Discuss how India's Four Labour Codes aim to improve labour standards and reduce informal economy vulnerabilities.

## FACTS CORNER

FACT	DETAIL
USTR proposed tariff	12.5% additional on Indian imports
Legal basis	Section 307, US Tariff Act 1930 (forced labour)
India-US bilateral trade	~\$130 billion
India's export to US	~\$78 billion
India's trade surplus with US	~\$26 billion
Most vulnerable Indian sectors	Textiles, gems, garments
India's labour reform	Four Labour Codes, 2020

Source: USTR Tariff Threats Deepen India-US Trade Uncertainty – Ujiyari.com | Free UPSC & State PCS Editorial Analysis

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