Economics International Inc

Research Note 26-1

The Proposed Section 301 Tariffs for Forced Labor are Vastly Excessive

William R. Cline[1]
July 13, 2026

Summary

Proposed tariffs of 10 to 12.5 percent under the forced labor provisions of Section 301 of the Trade Act of 1974 would be more than forty times the magnitude that could be warranted on the basis of US exports lost and US imports increased as a consequence of trade in goods produced using forced labor. The basic reason is that in economic terms, global forced labor is small, accounting for an estimated 5.5 million workers in tradable goods, compared to almost 2 billion workers in these sectors globally. As a consequence, the forced-labor provisions do not constitute a credible basis for replacing the reciprocal tariffs ruled illegal by the Supreme Court.

The Proposed Tariffs

The Trump administration based its authority to impose "reciprocal" protection in its 2025 global tariff war on the International Economic Emergency Powers Act of 1977 (IEEPA). In February 2026 the Supreme Court ruled the use of that authority illegal, in considerable part because IEEPA does not mention the use of tariffs and hence does not meet the "major questions" test, and more fundamentally because it is Congress and not the Executive branch that has the power to tax.[2]

The administration has argued that if the use of IEEPA were rejected, it could impose the same tariffs using alternative legislation, albeit only after more cumbersome procedures. The most prominent prospective substitute was the "unfair trade" Section 301 of the Trade Act of 1974. On June 2, the Office of the US Trade Representative announced proposed tariffs of 10 to

---

[1] President, Economics International Inc., and Senior Fellow Emeritus, Peterson Institute for International Economics. For comments on an earlier draft, I thank without implicating Gary Clyde Hufbauer and Alan Wm. Wolff.
[2] Ann E. Marimow, "Justices Strike Down Trump's Tariffs," *New York* Times, February 20, 2026. For a brief review of the debate on constitutionality as of late 2025, see Cline (2025), pp. 47-48.

12.5 percent on 60 economies, applying part of Section 301 involving *forced labor* (USTR, 2026b).[3],[4]

Calculating the Warranted Forced-Labor Tariff (WFLT)

In broad terms, most forced labor is located in developing and emerging market economies. The argument that it causes economic damage to the United States is twofold. First, US imports from countries with forced labor will have an unfair advantage in competing with US domestic substitutes. Second, as justification invoked by the Trump administration for applying a forced labor tariff even against advanced country partners, those economies will import unduly large amounts of the relevant products from the emerging market and developing economies. As a consequence, they will import less from the United States, causing a disadvantage to US producers of the exports foregone.

Trade Magnitudes by Country Group

This note examines the plausible size of US trade losses from forced labor in two parts: foregone US exports to economies importing competing goods from countries with forced labor; and excessive US imports from countries with forced labor. The estimates apply a framework that divides the world into three groups: the United States; other advanced economies; and the emerging market and developing economies. The estimates treat all forced-labor exports as coming from the emerging-market/developing group.[5]

The OECD (Organisation for Economic Cooperation and Development) has 38 members, including all of the advanced economies, but also a few middle-income economies.[6] Define the "Rest of the OECD" as ROECD, the OECD excluding the United States. In 2024, the most recent year before the global tariff war, total merchandise imports of the 37 ROECD countries (including from each other and the United States) amounted to $14.36 trillion.[7]

US exports to OECD member countries in 2024 amounted to $1.42 trillion.[8] So the share of US exports in total ROECD imports was 9.9 percent (1.42/14.36). On this basis, the US

---

[3] Catie Edmondson, "Trump Aims New Tariffs at 59 Countries and the European Union," *New York Times,* June 3, 2026. The tariff was set at 12.5 percent for 46 countries without forced labor import prohibitions, and at 10 percent for 14 economies with such prohibitions in place or pledged in specific trade agreements reached with the US (see Appendix 1).

[4] The term "forced" occurs only once in Section 301. Article (d) "Definitions and Special Rules," (3)(B)"Acts, policies, and practices that are unreasonable include … any …which …(iii) constitutes a pattern … that (III) permits any form of forced or compulsory labor …" (Trade Act of 1974, 2026, p. 128).

[5] Notable examples of forced labor in these economies include Uyghur and other Muslim labor in China's western Xinjiang province, and labor conditions in cattle ranching in Northern Brazil. Simon Lewis, "Blinken Says Genocide in Xinjiang is Ongoing in Report Ahead of China Visit," *Reuters*, April 22, 2024; "Brazil: Cattle Ranching, Forced Labor Driving Deforestation Ahead of COP30," *Climate Rights International*, October 9, 2025.

[6] Chile, Colombia, Costa Rica, Mexico, and Turkey.

[7] Calculated from the United Nations Comtrade database (UN, 2026).

[8] Calculated from BEA (2025), Exhibit 13.

complaint of lost exports caused by global forced labor, with respect to the ROECD, can be estimated as about 10 percent of the ROECD imports attributable to global forced labor.

How Large is the Global Forced-Labor Labor Force?

The International Labour Organisation estimates that in 2021, there were 27.6 million people in forced labor globally. Of this total, 6.35 million were in forced sexual exploitation, and 3.86 million were in state-imposed forced labor. Of the remaining 17.39 million, most were in non-tradable sectors: domestic work (8.2 percent); other services (32 percent); and construction (16.3 percent). The tradable sectors comprised 5.5 million workers, with 3.2 million in manufacturing, 2.1 million in agriculture, and 0.2 million in mining.[9]

The striking feature of the ILO estimates, for purposes of the tariff-war analysis, is that *the number of forced workers is extremely small relative to global labor totals.* The World Bank (2026a) reports ILO estimates of the total global labor force at 3.74 billion workers in 2025. So *forced labor accounts for only 0.74 percent of global labor supply* (27.6 million/3.74 billion).

The proportion is even smaller for the forced labor component of the non-OECD labor force in tradables. The total labor force in the OECD in 2022 was 666.4 million (OECD, 2023, p. 8). So the non-OECD labor force amounts to 3.074 billion workers (3.74 – 0.6664 billion). The World Bank (2026b, c) reports that in 2024, 26 percent of the global labor force was employed in agriculture, and 24 percent in industry. On this basis, roughly half of the labor force was employed in tradable goods.

Applying this fraction, the total non-OECD labor force working in tradable goods in 2024 amounted to 1.537 billion workers (0.5 x 3.074 billion). So the *5.5 million* forced-labor workers in tradable goods estimated by the ILO would have been *0.36 percent* of the non-OECD labor force working in tradable goods. extent that some forced labor also existed in the OECD).

Impact on Trade

Suppose that the entirety of this forced labor were set free and exited from the labor force. How much would one expect OECD imports from non-OECD economies to fall? Labor accounts for only part of production. Plausible fractions for the contribution of capital to production in non-OECD economies might be 0.4 in manufacturing and 0.2 in agriculture. So a decline of 0.36 percent in the relevant labor force might be expected to reduce total tradable goods production by 0.36 x 0.7 = 0.25 percent.[10]

[9] ILO (2022), pp. 2, 31. In addition, 1.9 million were estimated to be in “other” sectors, including begging and illicit activities.
[10] Treating the factor share as the elasticity of output with respect to the production factor.

On this basis, *a reasonable estimate is that the complete elimination of forced labor in tradable goods production in non-OECD economies could be expected to reduce OECD imports from them by about one-fourth of one percent.*

Warranted Forced-Labor Tariff (WFLT) Against ROECD

The estimates above place total ROECD imports at $14.36 trillion in 2024. They place ROECD imports from the United States at $1.42 trillion. So ROECD imports from non-OECD countries amounted to the difference, $12.94 trillion. The calculations on eliminating forced labor indicate that this amount would decline by 0.25 percent, or by $32.35 billion. The US share in ROECD imports is calculated above at 9.9 percent. So *elimination of global forced labor in tradable goods could be expected to raise US exports to ROECD partners by $3.2 billion* (32.35 x 0.099).

The corresponding warranted tariff can be calculated by asking what percent increase in US exports would this outcome represent. The increase in US exports by $3.2 billion would amount to 0.23 percent of the $1.42 trillion base value of US exports to OECD partners (3.2/1,420). Applying a unitary import price elasticity of demand, by implication *the warranted forced-labor tariff (WFLT) against ROECD partners can be estimated as only 0.23 percent* rather than the 10 to 12.5 percent range posted in the USTR announcement of the proposed section 301 forced-labor tariffs.[11]

WFLT Against Non-OECD Countries

For imports from non-OECD countries into the United States, the estimated excess attributable to their forced labor would be the 0.25 percent estimated as the proportion by which their production would decline from elimination of forced labor. Applying a unitary import price elasticity, the Warranted Forced Labor Tariff against non-OECD countries would be 0.25 percent. In 2024, total US imports from non-OECD countries were $1,225 billion, or 37.5 percent of total US imports.[12] With a unitary price elasticity of demand, the excessive imports from these countries attributable to forced labor would be $3.06 billion (0.25% x 1,225).

Are the Proposed Tariffs Equivalent to the Burden Imposed on US Commerce?

Article (a)(3) of Section 301 of the Trade Act of 1974 states:

> (3) Any action taken under paragraph (1) to eliminate an act, policy, or practice shall be devised so as to affect goods or services of the foreign country in an

[11] That is: if the US sacrifices $3.2 billion annually in foregone exports to the ROECD because of ROECD imports of goods produced in non-OECD countries using forced labor instead of from the United States, then the warranted trade penalty would reduce US imports from the ROECD by this amount. A tariff of 0.23 percent against the ROECD would do so.

[12] Calculated from BEA (2025, Exhibit 13).

> amount that is equivalent in value to the burden or restriction being imposed by that country on United States commerce. (Trade Act of 1974, 2026, p. 125).

Technically, the Trump administration's proposed forced-labor tariffs under Section 301 are under the subsequent Article (b), "Discretionary Action," rather than Article (a), "Mandatory Action."[13] Article (b) does not repeat this proportionality clause. However, it is highly implausible that congress intended to invite or allow highly excessive penalties under Article (b) by omitting such repetition. The estimates calculated in this analysis indicate that *the sense of Section 301 proportionality* as indicated in the prior Article *would be grossly violated by applying forced-labor tariffs of 10 to 12.5 percent.* The basic reason the warranted tariff would be so small is that the number of workers in forced labor globally is extremely small compared to the relevant total. There are only 5.5 million workers in forced labor globally in tradable goods. Total labor globally in tradable goods is about half of the total global labor force, or about 1.9 billion workers (0.5 x 3.74 billion).

Negotiated Deals versus Prospective Importer Lawsuits

It might be asked why the legal rejection of using IEEPA for the Trump reciprocal tariff matters for the important trade deals that were already completed in 2025. The foreign trading partners in question agreed to the US tariff levels negotiated after making concessions of their own. Indeed, on June 30 the European Union announced that its tariff reductions agreed with the US at Turnberry, Scotland on July 27, 2025 would come into force on July 1, 2026, and remain in force through the end of 2029.[14]

The issue for the EU and other deals has become not whether the trading partners will honor the commitments they have made, but whether US importers will acquiesce to the US tariffs agreed in those deals. For the tariff revenues already collected under the new Trump IEEPA-based tariffs of 2025 through early 2026, an estimated $166 billion will have to be returned to importers.[15] Treasury data have already shown an initial impact of these revenue reimbursements, as customs revenue fell from a monthly average of $28.9 billion in October-February to $22.1 billion in March-April and -$41 million in May (Treasury, 2026). Further litigation can be expected from importers as the Section 301 and other replacements of IEEPA tariffs are imposed by the administration.

[13] The term "forced" occurs only once in Section 301. Article (d) "Definitions and Special Rules," (3)(B)"Acts, policies, and practices that are unreasonable include … any …which …(iii) constitutes a pattern … that (III) permits any form of forced or compulsory labor …" (Trade Act of 1974, 2026, p. 128).

[14] Phil Blenkinsop, "EU's Side of US Trade Deal to Come into Force on July 1," *Reuters*, June 30, 2026.

[15] Tony Romm and Ana Swanson, "U.S. Begins First Steps to Refund $166 Billion Taken for Illegal Tariffs," *New York Times*, April 21, 2026. By March some 330,000 importers had paid IEEPA duties on more than 53 million entries. More than 3,000 businesses, including FedEx and Costco, had sued the administration by late April when the companies could begin submitting documentation for refunds.

"Structural Excess Capacity" Tariffs under Section 301

On March 11, 2026, USTR initiated Section 301 investigations "relating to structural excess capacity and production in certain manufacturing sectors" leading to "overproduction and large or persistent trade surpluses …" (USTR, 2026a). The investigations covered 16 major exporting economies.[16] This Research Note does not examine prospective Section 301 tariffs against countries with persistent excess manufacturing capacity. However, it may be of significance that *nowhere in the text of Section 301 does the term "excess capacity" appear, nor does the term "structural" appear.* This absence might raise the "Major Questions" issue in legal challenges.

Legal Prospects for the Replacement Tariffs

A predominant view seems to have been that the Trump administration can fairly easily replace the tariffs that had been based on IEEPA, by using Section 301 and/or other legislation.[17] In contrast, Alan Wm. Wolff argues that the use of Section 301 to reimpose the Trump administration's "reciprocal tariffs" is "unlikely to survive court challenge …" (Wolff, 2026, p. 1).[18] He argues that:

> … it will be clear to the courts that this is mainly an attempt once again to transfer the full tariff power from the Congress to the president" (p.3) … The Court will first look to the language of the statute. The language is clear: It addresses the "act, policies, and practices of "a foreign country" using the singular. There is no indication that Congress meant "one or more, or multiple foreign countries" …Section 301 cannot be deployed to reach a result that it does not authorize – exercise by the executive branch of the country's full tariff power. For this reason, sweeping use of retaliatory authority to impose tariffs covering most US imports is unlikely to survive judicial review (p.4)

The estimates of this note indicate that quite apart from the question of legality, applying the forced labor provision of Section 301 would be wholly unjustified on economic grounds alone as the basis for imposing comprehensive tariffs on the order of 10 to 12.5 percent. This range is more than forty times the level that could be warranted (a tariff of 0.25 percent or less).

---

[16] Listed as: "China, the European Union (EU), Singapore, Switzerland, Norway, Indonesia, Malaysia, Cambodia, Thailand, Korea, Vietnam, Taiwan, Bangladesh, Mexico, Japan, and India" (p. 1).

[17] In November 2025, columnist Ana Swanson argued "Tariffs Are Here to Stay, Even If the Supreme Court Rules Against Trump" (*New York Times, November 5, 2025*), reporting that "The Trump administration says it has plenty of other options to impose tariffs." Some think tank studies suggested a similar view (Shane and Litan, 2025). Other reports subsequent to the Supreme Court decision have continued to anticipate successful replacement of IEEPA (Chalecki, 2026; Manak, 2026).

[18] Wolff was the chief legal official for international trade in the Ford administration, and was responsible for drafting the Trade Act of 1974, and especially its Section 301. In 2017-21, Wolff was Deputy Director General of the World Trade Organization.

References

BEA (US Bureau of Economic Analysis). 2025. *U.S. International Trade in Goods and Services, Annual Revision*. Washington (June)

Chalecki, Madeline. 2026. "Can Section 301 Effectively Replace IEEPA? That is the $166 Billion Question," Atlantic Council. Washington (June 3)

Cline, William R. 2025. *Trump's Global Tariff War: Faulty Premises, Costly Consequences.* Economics International Inc. Working Paper 25-1. Washington (November). Available at: https://econintl.com/wp-content/uploads/2025/12/EIIWP25-1b.pdf. Reissued as Peterson Institute for International Economics Working Paper 25-23, available at: https://www.piie.com/publications/working-papers/2025/trumps-global-tariff-war-faulty-premises-costly-consequences

ILO (International Labour Organization). 2022. *Global Estimates of Modern Slavery: Forced Labour and Forced Marriage.* Geneva.

Manak, Inu. 2026. "How Trump's Tariffs Could Survive the Supreme Court Ruling." Council on Foreeign Relations. Washington (February).

Morgan, Cortney, and Eric Dama. 2026. "USTR Proposes 301 Tariffs on 60 Countries Following Forced Labor Findings; Requests Comments Before July 7th Hearing." Husch Blackwell L.L.P., *International Trade & Supply Chain Insights.* Washington (June)

OECD (Organisation for Economic Cooperation and Development). 2023. *OECD Labour Force Statistics 2022.* OECD Publishing. Paris (April)

Shane, Peter M., and Robert E. Litan. 2025. "Legal and Economic Aspects of the Supreme Court's Upcoming Tariff Decisions," Brookings Institution. Washington (November)

Trade Act of 1974. 2026. Title III, Chapter 1, Section 301. Public Law 93-6138, as amended February 3, 2026. G:\COMP\90-99\93-618.XML. GovInfo.gov. Washington (June)

Treasury (US Treasury Department). 2026. *Monthly Treasury Statement*. Washington (June)

UN (United Nations). 2026. *Trade Data.* New York (July) https://comtradeplus.un.org/TradeFlow

USTR (Office of the U.S. Trade Representative). 2026a. *Acts, Policies, and Practices of Certain Economies Relating to Structural Excess Capacity and Production in Manufacturing Sectors.* Washington (March). USTR 301 FRN Industrial Excess Capacity 3-11-26.pdf. (USTR.gov.)

USTR. 2026b. *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.* Washington (June)

Wolff, Alan Wm. 2026. "Will Trump's Third Attempt to Impose Tariffs Survive in the Courts?" Peterson Institute for International Economics. Washington (May 29).

World Bank. 2026a. "Labor force, total." Washington (July) https://data.worldbank.org/indicator/SL.TLF.TOTL.IN

World Bank. 2026b. "Employment in agriculture (% of total employment). Washington (July) https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS

World Bank. 2026c. "Employment in industry (% of total employment)." Washington (July) https://data.worldbank.org/indicator/SL.IND.EMPL.ZS

Appendix 1

Proposed Section 301 Forced Labor Tariff Rates by Economy

A. 10 percent

Argentina, Bangladesh, Cambodia, Canada, Ecuador, El Salvador, European Union, Guatemala, Indonesia, Malaysia, Mexico, Pakistan, Taiwan, United Kingdom.

B. 12.5 percent

Algeria, Angola, Australia, the Bahamas, Bahrain, Brazil, Chile, China, Colombia, Costa Rica, Dominican Republic, Egypt, Guyana, Honduras, Hong Kong, India, Iraq, Israel, Japan, Jordan, Kazakhstan, Kuwait, Libya, Morocco, New Zealand, Nicaragua, Nigeria, Norway, Oman, Peru, the Philippines, Qatar, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Sri Lanka, Switzerland, Thailand, Trinidad and Tobago, Turkey, United Arab Emirates, Uruguay, Venezuela, and Vietnam.

Source: Morgan and Dama (2026)