Imperialists Did It Once, Superpowers Do It Now

The Raj once used labour law to blunt Indian competition. US's proposed forced-labour tariff on Indian goods is a similar weapon. But today, India can contest such blatantly unfair policies

Pranjal Chandra

You wouldn't think the Trump administration has much in common in its treatment of India, with the British colonialists. But it does. It has proposed an additional 12.5% tariff on Indian goods, citing India's failure to legally prohibit the imports made with forced labour. India should recognise the argument behind the tariff, because it has heard this before, almost word for word.

US's move follows an investigation by Washington in March, into the failure of many countries to enforce a prohibition on goods made with forced labour. US Trade Representative (USTR) notes that India is one of 54 countries that haven't imposed a legal prohibition on the import of goods made wholly or partly with forced labour. US deems this an "unreasonable" failure and a burden on American commerce, as producers in countries without such bans "derive an unfair cost advantage because they do not have to undertake due diligence".

● While India doesn't have an express prohibition on the import of goods made with forced labour, it has long recognised and fought the anathema. Indeed, it outlawed forced labour long before Washington raised the question. Article 23 of our Constitution expressly prohibits bonded labour.

Moreover, India enacted the Bonded Labour System (Abolition) Act way back in 1976. It has also ratified both core ILO agreements on forced labour (Convention #29 and Convention #105), and has consistently met its international commitment to ILO to eliminate forced labour.

● Second, US may have exaggerated India's dependence on imports of goods produced with forced labour. One of USTR's prime examples is Chinese cotton, 93% of which is grown in Xinjiang, a region tied to forced labour. However, India is the world's largest cotton producer, spins most of its cotton, and imports twice as much cotton from US as from China. Cotton imports from China make up less than 10% of India's imports, and the hammer of tariffs is too blunt a tool for the size of the problem.

Now consider the longer history of working-hour laws in India. In late 19th century, competition from Indian mills began to threaten manufacturers in Manchester and Dundee. In response, Manchester's chamber of commerce lobbied British parliament to cap working hours in India, arguing that the conditions of the Indian worker demanded legislation.

The real motive was stated plainly in British parliament by an MP: Leaving Indian mills unrestricted gave "a very unfair advantage" to a rival that might soon undersell Britain "in Manchester itself". This was the real reason the Raj imposed labour restrictions on Indian factories starting in 1881. In 1911, the colonial govt introduced working-hour limits for adult males in Indian textile factories, 60 years before similar legislation was enacted in UK.

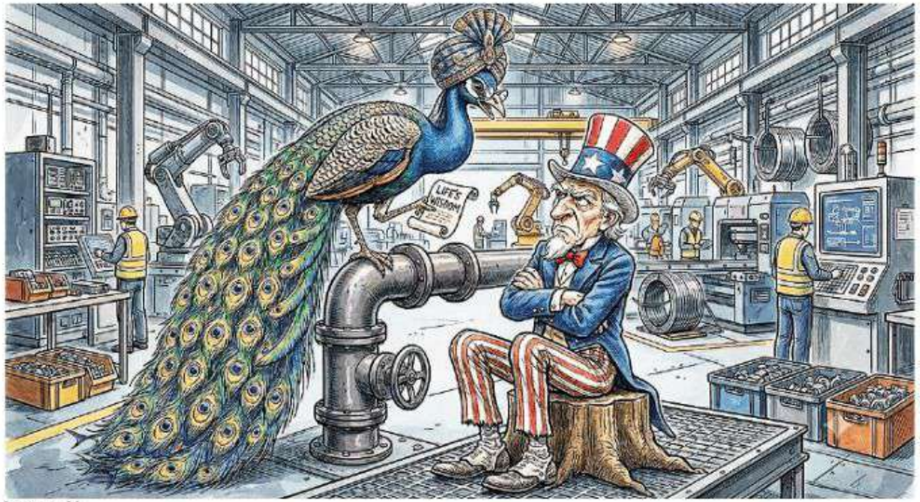

Image: AI

Historian Marc Jason Gilbert notes that Indian nationalists recognised labour legislation as a weapon of economic imperialism. For instance, Rao Bahadur RN Mudholkar, a social reformer and freedom fighter, gave a fiery speech in Patna, at the 12th session of Indian National Congress, against the 1911 law, as coming "from persons who, not to mince words, are our rivals in manufacture and in trade".

A century ago, Britain wrote India's labour laws to blunt its competition. US is reaching for the same tool.

The cost of complying with Washington's demands would be considerable for Indian manufacturing, and in turn for India's fight against poverty. To run an American-style import ban, Indian firms would have to audit their supply chains for tainted inputs at real expense. For instance, US puts the due diligence burden of its own Uyghur Forced Labour Prevention Act at the equivalent of a 2.5% tariff on at-risk goods. Layer that cost onto a manufacturing base that runs on thin margins, often under 10%, and the burden is far from trivial.

Compliance with labour rules in India already raises the effective cost of formal labour by around a third. In already poor countries like India, tariffs may worsen labour conditions by increasing informality further. The faster India can uplift its citizens out of poverty, the sooner it can become a partner in furthering the cause of dignified labour.

Americans will also bear the cost. For American consumers, India is the pharmacy: Close to two-fifths of generic drugs dispensed in America are Indian. For American manufacturers, India is a supplier of industrial machinery, electrical machinery, organic chemicals, iron and steel articles, and plastics, which together account for nearly $22bn in imports. A tariff on all these goods does not punish India alone.

The proposed tariff is open for written comment and a hearing through July, and a bilateral trade agreement is already under negotiation. In both forums, India should contest it. India should offer evidence-based cooperation on specific shipments or entities, and keep any domestic reform anchored in Indian law and Indian enforcement priorities.

The writer is with Prosperiti, an organisation advancing economic freedom in India