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# Nicaragua Could Face 100% Tariffs After Probe Finds Labor Abuses That Harm US Commerce

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A CHILD SELLS T-SHIRTS WITH IMAGES OF NICARAGUAN PRESIDENT DANIEL ORTEGA AT A BUS STATION IN MANAGUA ON OCTOBER 7, 2021. **OSWALDO RIVAS/AFP VIA GETTY IMAGES**



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The White House could impose [tariffs](#) of up to 100 percent on some or all Nicaraguan goods after the Office of the U.S. Trade Representative determined Monday that the Central American nation's "unreasonable" labor and human rights policies have hurt American businesses, making them actionable under a section of the 1974 Trade Act designed to redress unfair foreign practices.

Other potential responses, the agency said, could include the suspension of all or part of [Nicaragua's](#) benefits under the Dominican Republic-Central America Free Trade Agreement, or CAFTA-DR, which could take effect immediately or be phased in over 12 months.

Nicaragua has enjoyed zero U.S. tariffs on qualifying consumer and manufactured goods, along with textiles that meet ["yarn forward"](#) rule of origin requirements, since 2006, when it formed a bloc with the United States, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic that significantly increased trade in the region, racking up goods and services that amounted to nearly \$109 billion in 2022.

But the United States also recorded a "significant" \$1.9 billion trade deficit with Nicaragua in 2024, the only instance of a shortfall among all the CAFTA-DR countries, [USTR](#) said in its report. This points to a weak Nicaraguan market and corresponding lost sales and export opportunities for U.S. businesses, it added.

While Section 301 defines [forced labor](#), child labor and other workplace abuses as "unreasonable or discriminatory," the United States has historically been loath to invoke the statute under those terms, preferring instead to take aim at violations of American intellectual property or undue industrial subsidies that leave U.S. companies unable to compete on the global market.

This changed in [December 2024](#), when Biden appointee Katherine Tai, the trade representative at the time, initiated an investigation into Nicaragua for what she said was the Ortega-Murillo regime's "repressive and persistent" attacks on the rule of law, including politically motivated arrests, religious repression, extrajudicial killings and restrictions on freedom of expression that could thwart U.S. commerce and destabilize the region.

A request for public comments the same month drew responses from the likes of [Milliken & Company](#), America's largest domestic textile manufacturer, which wrote that it had been "especially harmed" by Nicaragua's "abuse" of a free trade agreement that allegedly

allowed goods made with Chinese forced labor to enter the Dominican Republic-Central America market duty-free, unleveling the playing field.

But some U.S. trade groups worry that punishing Nicaragua could also harm the United States and other free trade agreement partners.

Kim Glas, president and CEO of the National Council of Textile Organizations, said in December, for instance, that absent reform, much is at stake not only for Nicaragua, but also for the region's broader stability and economic opportunity.

"The U.S. trading relationship with Nicaragua does not exist in a vacuum, given the interconnected nature of the U.S.-Central American textile and apparel supply chain," she said. "Nicaragua is part of the U.S.-CAFTA-DR agreement, and these partner countries are part of a critically intertwined regional textile and apparel production chain supporting hundreds of thousands of jobs and economic development in this sector."

Levying 301 tariffs on textile and apparel trade with Nicaragua, she added, would in effect "reward" China by boosting its competitive position relative to the CAFTA-DR region.

"While we acknowledge that there should be consequences for violations of these principles by the Ortego-Murillo regime, we ask that any response by the Biden administration be carefully calibrated," Glas said. "Any U.S. penalty actions against Nicaragua should be leveled at those directly responsible for the abuses and not in a manner that harms working people. Notably, the textile and apparel sector is the largest employer of women in Nicaragua."

Writing in an email, Julia Hughes, president of the [United States Fashion Industry Association](#), described the situation as a complex one. In her comment to Tai's office in December, she had asked USTR to recognize the importance of an integrated Central America apparel and textile supply chain.

Hughes also questioned whether Section 301 was the right vehicle for sanctions when there are other statutory authorities that "explicitly" penalize bad actors, such as the Global Magnitsky Act. She said that despots foster deplorable conditions because they want to rule as despots, not because they seek to "burden or restrict U.S. commerce" as required by Section 301.

"USFIA strongly condemns the ongoing violations of labor rights and human rights in Nicaragua, and strongly condemns the erosion of the rule of law within the country,"

Hughes said. “[But] we urge USTR to consider whether tariffs on Nicaraguan-origin apparel would punish the Ortega-Murillo regime or, in fact, would have the opposite effect of weakening independent institutions within the country.”

Others were more sanguine, if pragmatic, about what must happen next to improve circumstances.

“This is exciting stuff,” Sheela Ahluwalia, director of policy and advocacy at Transparentem, a New York-based nonprofit that investigates environmental and human rights abuses in global supply chains, wrote on LinkedIn. “We’re seeing for the first time Section 301 being used as a tool to drive action on forced labor and other egregious labor abuses. But to make Section 301 truly remedial and not just punitive, USTR needs to incorporate a comprehensive remediation framework as part of their response.”

For Ahluwalia, such a framework could include establishing a binding agreement with a clear roadmap of reforms in consultation with governmental, business and civil society stakeholders. Initial tariffs, she added, should start low and target the sectors most directly connected to labor malfeasance. There could also be built-in review periods that allow for the suspension or reduction of tariffs when specific milestones are achieved or, conversely, for the escalation of tariffs if compliance remains an issue.

USTR said in its report that the Ortega-Murillo regime has engaged in “increasingly pervasive abuses of labor rights, as well as human rights and fundamental freedoms and has systematically dismantled the rule of law protections against arbitrary government action.” It’s also through these practices that Nicaragua has “exploited its own workers, resulting in unfair conditions of competition, confiscated the property interests of domestic and foreign religious institutions and U.S. persons or businesses, and created a high-risk environment for U.S. companies investing and conducting business in the country,” it said.

Of particular concern under Section 301, USTR added, are labor practices involving freedom of **association**, organizing and collective bargaining, forced labor, child labor and fair standards for minimum wages, hours and workplace safety.

The most recent data, it said, shows that 47 percent of Nicaraguan children ages 10 to 14 are employed in some form of work, including in hazardous settings such as gold mining operations, the production of gravel and crushed stones and the quarrying of pumice.

“Evidence obtained in the course of USTR’s investigation demonstrates that Nicaragua has engaged and continues to engage in these practices with respect to labor rights, forced labor, child labor, and human trafficking,” it wrote. “Reporting by international organizations and U.S. government agencies has documented widespread and pervasive labor rights concerns.”

Though President Donald Trump, who will be the final arbiter on what course of action to take, hasn’t drawn much public attention to Nicaragua, his Secretary of State, Marco Rubio, referred to the country earlier this year as a “democracy that has been completely annihilated.” But he, too, said that the possibility of removing Nicaragua from CAFTA-DR had to be carefully considered, telling reporters in Costa Rica in February that “there will be impacts from removing a country, and there could be impacts on neighboring countries that are part of the arrangement.”

In the meantime, USTR is inviting the public to provide written comments by Nov. 19 on the proposed action.

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