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U.S. Supreme Court Curbs Trump’s Emergency Tariff Powers

February 21, 2026 • vajiramandravi.com

Trump’s Emergency Tariff Powers Latest News

- The U.S. Supreme Court, in a 6–3 ruling, **struck down** President Donald Trump’s sweeping tariffs imposed under the International Emergency Economic Powers Act (IEEPA), 1977.
- The judgment marks a critical moment in the debate over **separation of powers**, executive overreach, and the future of U.S. trade policy.
- The ruling has **significant implications** for the global economy, including countries like India, which have been directly affected by U.S. tariff measures.

Constitutional Issue – Executive vs Legislative Authority

- **Core constitutional principle:**
  - The U.S. Constitution grants **Congress** the authority to levy taxes and tariffs, not the President.

- Trump invoked **IEEPA**, a law meant for national emergencies, to impose tariffs without Congressional approval.
    - The Court upheld a lower court ruling stating that this action exceeded presidential authority.
- **Nature of IEEPA:**
    - Enacted in 1977 under President Jimmy Carter, it was historically used to freeze assets, impose sanctions. It does not explicitly mention tariffs.
    - Trump became the first President to use IEEPA to impose tariffs.

Trump's Tariff Strategy – Economic and Foreign Policy Tool

- **Trade war and economic leverage:**
    - Trump used tariffs as a revenue-generating instrument (estimated $300 billion annually if fully retained).
    - It is used as a foreign policy tool, a means to renegotiate trade deals, and a pressure mechanism against China, Canada, Mexico, India, and Brazil.
- **"Liberation Day" tariffs (April 2, 2025):**
    - Announced "reciprocal tariffs" on most trading partners.
    - Justified under a "national emergency" related to trade deficits.
    - Also invoked IEEPA citing fentanyl trafficking and migration concerns.
- **Economic impact:**
    - Over $175 billion collected under IEEPA-based tariffs (Penn-Wharton estimate).
    - $195 billion net customs duty receipts in FY 2025 (record high).
    - **Refund liability** likely after the Supreme Court ruling.
    - Created global market uncertainty and financial volatility.

Legal Challenges and Federal Pushback

- Three lawsuits challenged the tariffs –
    - Small importing businesses.
    - 12 U.S. states (including Arizona, Colorado, New York).
    - Federal rulings against the administration.
- The Court reaffirmed national emergency powers cannot become a substitute for legislative trade authority.

Alternative Tariff Mechanisms – Sections 122, 301, and 232

- After the ruling, Trump indicated he would explore other statutory options. For example,
- **Section 122 (Trade Act, 1974):**
    - It allows up to 15% tariff to address serious balance-of-payments deficits. Never used before, it is valid for 150 days, unless extended by Congress.
    - Trump signaled a 10% global tariff under this provision.
- **Section 301 (Trade Act, 1974):**
    - It is a targeted and investigation-based (not sweeping) provision, triggered when the U.S. Trade Representative (USTR) finds "unfair trade practices".

    - Previously used against India over the Digital Services Tax (2020). Later resolved under OECD global minimum tax framework.
- **Section 232 (Trade Expansion Act, 1962):**
    - It allows tariffs on national security grounds, and it is **sector-specific** (steel, aluminium, automobiles, etc.).
    - India currently faces 232 tariffs on steel, aluminium, automobiles, and copper derivatives.
    - Some relief possible under the recent U.S.-India trade understanding, including:
        - Tariff removal on certain aircraft parts.
        - Preferential TRQ (Tariff Rate Quota) for automotive parts.
        - Negotiations in generic pharmaceuticals.

Broader Implications

- **For the U.S. political system:** Reassertion of judicial review. Curtailment of expansive executive authority. Reinforcement of Congressional primacy in taxation.
- **For Global trade:** Potential rollback or restructuring of tariff regimes. Increased uncertainty in the short term. Possible shift toward more rules-based trade measures. Affects WTO dynamics and global trade governance.
- **For India:** Relief potential in select sectors (aircraft parts, auto components). Continued exposure to 232 tariffs. Trade diplomacy becomes critical. **Strategic balancing** amid U.S.–China competition.

Challenges and Way Forward

- **Conflict**: Between Executive-Legislative branches over trade authority. Strengthening Congressional oversight in trade policy.
- **Risk**: Of renewed protectionism under alternative provisions. Greater adherence to multilateral trade norms (WTO-consistent measures). Targeted, transparent use of national security provisions.
- **Instability**: Of the global supply chain. Diplomatic engagement to prevent tariff escalation. For India, proactive trade negotiations and diversification of export markets is the way ahead.

Conclusion

- The Supreme Court's ruling marks a pivotal constitutional correction in the United States, reinforcing the doctrine that emergency powers cannot be stretched into instruments of broad economic policy.
- For the global economy — and countries like India — the decision may reduce tariff unpredictability, but the era of strategic **trade weaponisation** is **far from over.**
- The episode underscores a larger global trend: trade policy is increasingly intertwined with national security, domestic politics, and geopolitical rivalry.

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