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Reciprocal tariffs were deemed unlawful. 15% tariff for up to 150 days now serves as a short-term bridge measure while alternative statutes are being reviewed. The relief can be short-lived, so Thailand must prepare for further tariffs and elevated uncertainties.

Key event:

IEEPA-related tariffs were struck down by the Supreme Court

On February 20, 2026, **the U.S. Supreme Court (SCOTUS) ruled 6–3 that the use of the International Emergency Economic Powers Act (IEEPA) to impose broad tariffs was unlawful,** as tariffs are a form of taxation that the Constitution assigns to Congress. Accordingly, the ruling invalidates all tariff measures imposed under IEEPA, including the "Reciprocal Tariffs" that have been in effect since April 2025.

The Court's decision did not order refunds or provide implementation guidance. As a result, any refunds of duties collected under the now-invalid tariffs will depend on importers proactively filing claims, typically through protests with U.S. Customs and Border Protection (USCBP) and, if necessary, pursuing litigation before the Court of International Trade (CIT). Given the large volume of affected shipments and procedural complexities, the refund process could take months, and potentially years, before being fully resolved.

Key highlights

- **What tariffs were invalidated and what remain in force?**

The ruling invalidates all tariffs imposed under IEEPA, with collection to end "as soon as practicable" following post-ruling executive action. **These include the broad-based reciprocal tariffs** applied to most trading partners, **as well as the trafficking-, immigration-, and fentanyl-related tariffs** imposed on imports from China, Mexico, and Canada under IEEPA authority.

However, tariffs enacted under separate statutory authorities remain in force. Section 232 tariffs, such as those on steel, aluminum, and automobiles, continue to apply under the Trade Expansion Act of 1962. Likewise, **Section 301 tariffs from prior administrations,** including China-related retaliation duties, remain unaffected by the Court's decision.

- **What are President Trump's replacement measures?**

Immediately following the ruling, President Trump invoked Section 122 of the Trade Act of 1974, which authorizes temporary tariffs of up to 15% on imports for a maximum of 150 days without prior congressional approval. **A 10% global import surcharge was initially announced and later increased to 15%, effective February 24, 2026, as a short-term bridge measure to maintain tariff leverage while alternative legal authorities are pursued.**

However, some trade experts have questioned whether Section 122 can be properly invoked in the absence of a genuine balance-of-payments crisis, raising the possibility of further legal challenges.

What are the impacts on trade agreements?

The ruling does not automatically invalidate existing trade agreements or tariff concessions negotiated with U.S. trading partners, including agreements concluded in 2025. The U.S. Trade Representative (USTR) has stated that such arrangements rest on statutory authorities separate from IEEPA and therefore remain legally valid, including the agreement between the U.S., Mexico, and Canada (USMCA), under which most goods are generally exempt from Section 122 tariffs**. Countries that have recently concluded "executive agreements" with the U.S., such as Malaysia, Vietnam, and Indonesia (which signed an agreement on February 20, 2026), are expected to continue implementing their commitments.**

In a strict sense, these *executive agreements* (which were not ratified by Congress as *formal treaties or trade agreements*) could be considered void if they were explicitly linked to the now-unlawful use of IEEPA following the SCOTUS's decision striking down the tariffs. **That said, technically, such executive agreements can continue to operate flexibly through executive action under the current administration. Significant uncertainty remains, as specific provisions may require renegotiation if they were directly tied to the IEEPA-based tariff rates.**

Updated U.S. tariff measures on Thailand

With the invalidation of IEEPA-based tariffs and the imposition of Section 122, the U.S. broad-based tariff imposed on Thailand is down from 19% to 15% for a period of 150 days. However, the product-specific tariffs under Section 232 of 10-50% remain intact, which are accounted for around 37% of Thailand's exports to the U.S. in 2024.

All in all, U.S. Effective Tariff Rate (ETR) on Thailand has slightly decreased from the 2025 year-end tariff of 20.7% to 18.7% but could be raised in the near term under alternative statutes. It is worth noting that the current ETR remains higher than those of the EU, Japan, and South Korea, which have prior agreements with the U.S. to cap tariffs at 15% after combining the MFN rate, broad-based tariffs and certain product-specific tariffs.

Thailand's Exports of Products Subject to Section 232 to the U.S.

Products Subject to Section 232	Tariff Rate (%) as of February 23	Share of Each Sector's Total Exports to the World (%)
Automobiles and Parts	25	20.8
Steel and Aluminum	50	25.9
Copper	50	11.5
Trucks and Buses	10-25	23.8
Wood Products	10-25	72.8

Source: The White House, WITS and Krungsri Research

Implications and what to expect

The recent implementation of the Section 122 tariff—capped at 15% and limited to a maximum duration of 150 days—offers only temporary relief compared with the previously higher tariff rate of around 19%. **However, this measure should be viewed as a short-term bridge measure rather than a sustained de-escalation of U.S. trade protection. The broader implication is that Thailand must prepare for additional tariff risks under other U.S. trade laws, which are more targeted, potentially longer-lasting, and carry significantly higher tariff ceilings.**

1) Thailand should prepare for further tariff risks

1.1 High risk: Section 301 and Section 201

- **Section 301** allows the U.S. to impose tariffs after a USTR investigation into unfair or discriminatory trade practices, with no statutory tariff ceiling. **Thailand's persistent trade surplus with the U.S. increases the risk of country-specific measures, especially amid a stronger policy focus on trade rebalancing.**
- **Section 201 (safeguards)** applies when import surges cause serious injury to U.S. producers. It requires investigation, carries a tariff ceiling of 50%, and can last up to four years. **Thailand's export expansion in electrical appliances, solar components, and selected manufacturing sectors raises the risk of product-specific safeguard tariffs if imports are deemed harmful to U.S. industry.**

1.2 Moderate risk: Section 338

This Section allows the U.S. to impose tariffs of up to 50% on countries deemed to discriminate against U.S. trade without requiring a prior investigation. It could be invoked under broad executive discretion. **Although Section 338 has never been used and could face practical hurdles in implementation, it could be invoked as a tool of coercive diplomacy amid stronger protectionist rhetoric. It could undermine bilateral trade and heighten uncertainty. As such, it represents a moderate risk but non-negligible impact on Thailand.**

1.3 Moderate-to-lower risk: Section 232

Section 232 is not broad-based and requires an industry-specific investigation. Strategic sectors such as electronic components and auto parts could face exposure if import dependence is viewed as a national security risk. While more conditional, the risk remains relevant for Thailand's supply chain–linked exports.

Summary Risk Matrix: U.S. Tariffs and Risk to Thailand

Section	Policy Purpose	Scope	Probability	Severity	Thailand Risk Level
301	Unfair trade / structural imbalance	Country-specific	High	High	High
201	Safeguard (import surge)	Sector-specific	High	Moderate	High
338	Retaliation (extreme cases)	Country-specific	Medium	Very High	Moderate
232	National security	Strategic sectors	Medium-Low	Moderate	Moderate

Note: Imposing tariffs under Section 232 (Department of Commerce), Section 201 International Trade Commission), and Section 301 (USTR) typically requires a 6–18 month investigation.

2) The benefit from 15% tariffs may be short-lived

The reduction from 19% to 15% may deliver only limited and temporary gains.

- **First,** the 150-day window may be shortened in practical terms if other tariff tools (301, 201, 232, 338) are activated soon after or imposed in parallel.
- **Second**, the near-term boost may reflect a knee-jerk front-loading effect, as exporters accelerate shipments ahead of potential escalation. This could be followed by a sharper payback effect as trade flows normalize.
- **Third,** given that refunding duties typically requires time, complex administrative procedures, and, in many cases, prior contractual arrangements with U.S. importers. In practice, the benefit to Thai exporters is highly limited.

3) Transshipment tariffs as ongoing risk

Beyond the current tariff framework, **transshipment tariffs pose an ongoing risk to Thailand as U.S. authorities intensify scrutiny over goods suspected of containing substantial Chinese content** or being routed through third countries to circumvent existing tariffs. Given Thailand's role as a regional manufacturing hub and its integration into China-linked supply chains, sectors such as electronics, solar components, and machinery face heightened exposure to investigation and potential reclassification. If circumvention is determined, Thai exports could be subject to higher and more durable tariffs.

Conclusion:

In summary, while Section 122 tariffs provide temporary relief, they do not eliminate the broader risk of an escalation in U.S. trade protection. Future plausible measures are likely to become more targeted, more durable, and more strategically focused on specific countries and industries. This evolving environment suggests that trade tensions and uncertainty will remain elevated and could intensify over time.

Rather than signaling a resolution, the current situation may represent the early stages of a gathering storm, with growing risks to global trade and economy, as well as Thailand's export and investment outlook. Thailand should therefore prepare for a prolonged period of trade uncertainty, characterized by increased tariff exposure, supply chain adjustments, and structural shifts in global trade patterns.

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