krungsri Research
A member of MUFG a global financial group

Krungsri Research
FLASH

May 29, 2025

The Trade Court's ruling halted Trump's reciprocal tariffs. However, ongoing appeals, the prospect of new specific tariffs, and other available tariff tools continue to create turbulence for the global economy.

Key event:

Reciprocal tariffs have been deemed illegal and blocked by the Court of International Trade (CIT)

1. What happened and why

On May 27, 2025, the U.S. Court of International Trade (CIT) ruled against President Trump's use of the International Emergency Economic Powers Act (IEEPA) to impose reciprocal tariffs on many countries, including Thailand, and specific tariffs on Canada, Mexico, and China (related to fentanyl). The court found these tariffs unlawful because:

- **IEEPA Misuse**: IEEPA is for sanctions or asset freezes during emergencies, not for addressing trade deficits.
- **Invalid Emergency Claim:** Trade deficits do not qualify as a "national emergency" under IEEPA. The CIT issued a permanent injunction, suspending these tariffs immediately and ordering compliance within 10 days.

2. Next steps

The Trump administration has appealed to the U.S. Court of Appeals for the Federal Circuit. Key steps include:

- **Federal Circuit Review:** Expected to take 6–12 months (late 2025 to early 2026).
- **Potential Supreme Court Appeal:** If the Federal Circuit upholds the ruling, the administration may petition the Supreme Court, with hearings possible in mid-2026 to early 2027. The Supreme Court, with three Trump-appointed justices and another 3 appointed by G. W. Bush out of the total of 9, leans conservative, potentially influencing its consideration.
- **Request for "Stay":** The ministration may request a "stay" to reinstate the tariffs during the appeal (under USCIT, Rule 62(a)). However, granting such a stay is considered difficult, as the CIT's ruling is clear, and proving the 'irreparable harm' necessary for a stay is typically a high bar to meet.

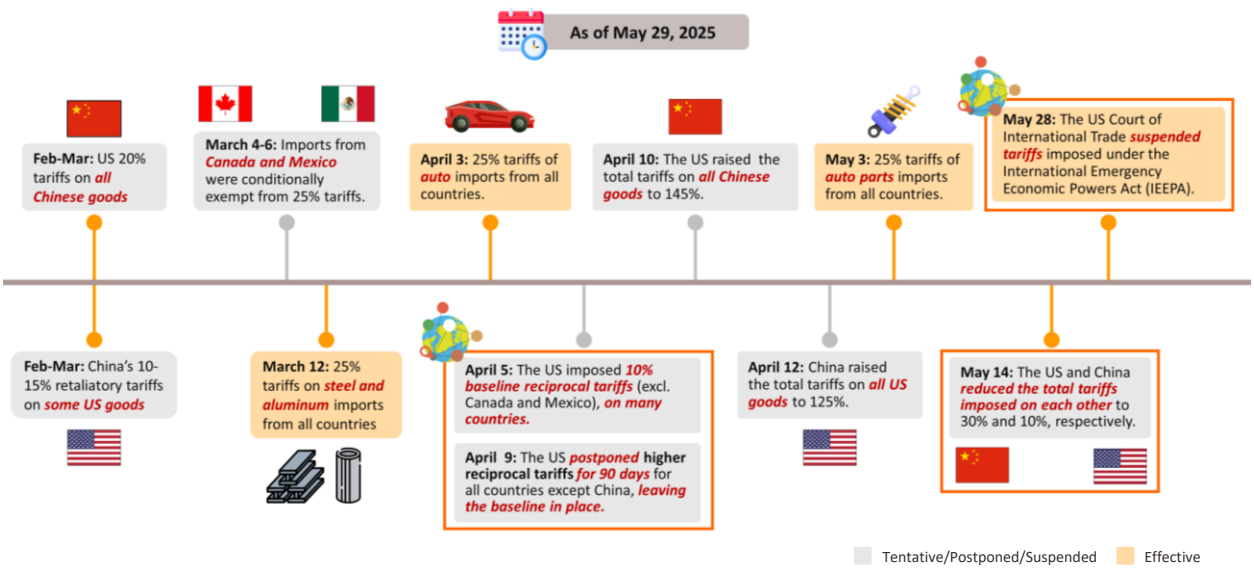
3. Tariffs affected and unaffected

- **Tariffs vacated:** All reciprocal tariffs and fentanyl-related tariffs imposed under IEEPA were invalidated and are currently suspended.
- **Tariffs still in effect:** Tariffs imposed under standard trade laws remain unaffected:
  - Section 232: Tariffs on steel, aluminum, and motor vehicles, justified by national security concerns.
  - Section 201: Tariffs on solar panels to protect domestic industries from serious injury.
  - Section 301: Tariffs on Chinese goods for unfair trade practices, potentially including the 30% tariff if restructured, though its legal basis is unclear.

4. Uncertainties and unknowns

- **Status of the 30% Tariff on Chinese Goods:** Unclear if the 30% tariff on China, set in Geneva (May 14, 2025), is now under Section 301 or remains tied to IEEPA, keeping it suspended.
- **Outcome of the Stay Request:** There is no confirmation on whether the Federal Circuit will grant a stay to reinstate the tariffs during the appeal, impacting whether they remain paused.
- **Congressional Response:** The Commerce Clause gives Congress authority over trade. It is uncertain if Congress will legislate new trade measures or delegate further authority to the executive.
- **Supreme Court Involvement:** It is uncertain whether the Supreme Court will accept the case and how its conservative-leaning composition might influence the outcome.
- **Timeline:** The legal process could take 1–2 years.

Timeline of U.S. Tariff Actions: From Implementation to Suspension



Source: Bloomberg, Reuters, AP, the White House, the Government of Canada; compiled by Krungsri Research

5. What we should expect regarding US trade policy

With IEEPA-based tariffs blocked by the CIT, the Trump administration is expected to pivot toward specific tariffs under existing trade laws, particularly Section 301 of the Trade Act of 1974. USTR investigations into unfair trade practices—such as IP theft or market barriers.

According to Goldman Sachs, the CIT ruling affects tariffs worth approximately 6.7 percentage points of trade. However, if the administration invokes Section 232 and imposes a 25% tariff on all items currently under investigation, tariff coverage could rise to 7.6 ppt.

Additional tools, such as Section 201 safeguards and Section 122 (which permits universal tariffs of up to 15% for 150 days without congressional approval), also remain available, though some measures—particularly under Section 301—would require time-consuming investigations and procedural steps.

The timeline for implementing the CIT ruling remains unclear, especially in terms of when existing tariff collections will be halted. Although alternative tariff measures may encounter fewer legal obstacles than those under IEEPA, they still carry significant risks—intensifying trade tensions, disrupting supply chains, and weighing on global growth. **Persisting policy uncertainty continues to undermine business confidence, prompting firms to delay investment decisions.**

Krungsri Research view:

We maintain our base-case assumption that a 10% tariff could still be imposed on multiple countries under Section 122 of the Trade Act of 1974, which allows for tariffs of up to 15% for 150 days without congressional approval. Trade policy uncertainty is expected to remain elevated, continuing to weigh on global trade and dampen business investment sentiment.

Subscribe Us

For research subscription, contact ***krungsri.research@krungsri.com***

Disclaimer

All material presented in this report, unless specifically indicated otherwise, is under copyright to Krungsri Research. None of the material, nor its content, nor any copy of it, may be altered in anyway, or copied to any other party, without the prior express written permission of Krungsri Research. This document is based on public information believed to be reliable. Nevertheless, Krungsri Research would not affirm the accuracy and completeness of this information. We accept no liability whatsoever for any direct or consequential loss arising from any use of this document or its content. Information, opinions and estimates contained in this report are our own, which are not necessarily the opinions of Bank of Ayudhya Public Company Limited and its affiliates. It reflects a judgment at its original date of publication by Krungsri Research and are subject to change without notice.