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EVALUATION NOTE

U.S. SUPREME COURT STRIKES DOWN TRUMP'S TARIFFS

The United States Supreme Court, by a 6-to-3 majority, invalidated the tariff measures that President Trump had introduced under the designation of "Liberation Day" tariffs. In its February 20 ruling, the Court concluded that the tariffs imposed pursuant to the International Emergency Economic Powers Act (IEEPA) exceeded the scope of the statutory authority conferred upon the executive and were therefore unlawful. The ruling² is likely to generate a renewed and substantive debate concerning the limits of presidential authority in trade policy and the proper interpretation of emergency economic powers under U.S. law.

At the outset, it is useful to briefly clarify the legal and policy significance of the ruling. The dispute traces back to April of last year, following President Trump's re-election for a second term, when he pledged to employ tariffs as an instrument to restructure what he characterized as a global trading order that had, in his view, "exploited" the United States for decades. It is worth recalling that, on April 2, 2025, under the designation of "Liberation Day," President Trump proclaimed sweeping economic security measures directed at virtually all the trading partners. The associated tariff measures, which entered into force in August, constituted a substantial disruption to the international trade environment³. The newly introduced tariff regime—featuring differentiated rates across countries—generated prolonged volatility in financial markets and heightened uncertainty among affected trading partners. Although the administration subsequently moderated or suspended some of the most severe measures, the United States concluded 2025 with an effective average tariff rate

¹ <https://www.tepav.org.tr/en/ekibimiz/s/1338>

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² For the ruling dated February 20, of the US Supreme Court, see Learning Resources, Inc. v. Trump, 607 U.S. _ (2026), <https://supreme.justia.com/cases/federal/us/607/24-1287/>

³ For an analysis of Trump's Liberation Day tariffs effective in a revised version on August 7, see Akman, S. Trump'ın Komşuyu Fakirleştirmeye Dayalı Ticaret Politikası Anlayışı ve Sonuçları: 7 Ağustos Sonrası Bizi Neler Bekliyor?", TEPAV Değerlendirme Notu, N202556, <https://www.tepav.org.tr/tr/haberler/s/11012>, August, 2025.

exceeding 10 percent, thereby reaching levels unprecedented in the post–Second World War period.

A substantial portion of the customs duties championed by President Trump—who has consistently portrayed tariffs as a near-universal policy remedy—were adopted on the basis of the IEEPA. However, from the outset, these measures were accompanied by significant legal objections, particularly concerning the scope and legitimacy of invoking the IEEPA as a statutory foundation for broad-based tariff actions. The principal contention was that, under U.S. law, the President lacks the authority to unilaterally impose tariffs pursuant to that statute without congressional authorization. The matter was subsequently brought before the courts by a number of American companies alleging that they had suffered harm as a result of the contested tariff measures. Their legal challenge was formally joined and expressly supported by twelve U.S. states⁴. In its ruling, the Supreme Court effectively affirmed the prior judgments of the lower courts, which had held that the tariffs imposed under IEEPA were unlawful.

Upon closer examination, President Trump's reliance on IEEPA constituted an application that departed from the Act's original purpose and established practice. The International Emergency Economic Powers Act authorizes the executive, in the context of a declared national emergency, to "investigate, regulate, or prohibit" a broad range of financial transactions, including the importation and exportation of property, and to "block during the pendency of an investigation, direct and compel, nullify, void, prevent, or prohibit" such transactions. As the Court's ruling makes clear, however, while IEEPA confers authority to regulate economic transactions on national security grounds, it does not provide a specific mandate to impose tariffs on any country for purposes such as reducing trade deficits, generating customs revenue, protecting domestic industries, or deterring undesirable conduct by trading partners.

Historically, measures adopted under IEEPA have overwhelmingly been directed toward blocking foreign transactions or freezing assets in response to national security concerns. Its use as a legal basis for the imposition of import tariffs for revenue purposes etc. is therefore without precedent. The closest historical analogue is President Richard Nixon's 1971 decision to impose tariffs pursuant to the Trading with the Enemy Act. Between 1977 and 2025, successive presidents invoked IEEPA in connection with seventy-seven distinct national emergencies⁵. Yet none sought to deploy it as a general-purpose trade policy instrument—let alone as a comprehensive tariff mechanism—in the manner attempted by President Trump.

In their commentaries many U.S. experts appraised the ruling favorably. Maurice Obstfeld, a distinguished economist at the Peterson Institute for International Economics, observes that the Court's majority effectively endorsed the explicit statutory and constitutional mandates, thereby reinforcing established principles of legal and constitutional interpretation.

The central significance of the ruling lies in the fact that President Trump implemented the tariffs under IEEPA without seeking congressional authorization. Indeed, in his commentary⁶, Alan Wolff draws attention to a key statement made by Justice Neil Gorsuch, highlighting the

⁴ Over 700 cases were brought about the illegality of tariffs imposed under IEEPA. See, IEEPA Tariffs at a Glance, CATO Enstitüsü, <https://www.cato.org/ieepa>

⁵ See, Congress.Gov, The International Emergency Economic Powers Act: Origins, Evolution, and Use <https://www.congress.gov/crs-product/R45618#:~:text=Between%201977%20and%20September%201.national%20emergency%20under%20the%20NEA.&text=On%20average%2C%20these%20emergencies%20last.a%20specific%20country%20or%20government>.

⁶Wolff, A. The Supreme Court's welcome ruling on Trump's tariffs, <https://www.piie.com/blogs/realtime-economics/2026/supreme-courts-welcome-ruling-trumps-tariffs> , February 20, 2026.

Court's emphasis on this procedural deficiency. According to Gorsuch—who, despite having been appointed to the Court by President Trump himself—*“For those who think it is important for the Nation to impose more tariffs, I understand that today's decision will be disappointing. ... But the deliberative nature of the legislative process was the whole point of its design. ... The nation can tap into the combined wisdom of the people's elected representatives”*.

In the aftermath of the ruling, a period of heightened political and legal activity is anticipated. In a press conference held on the same day, President Trump characterized the ruling as a “deeply disappointing” while signaling that similar tariff measures could be expanded, this time grounded in alternative legal authorities. Indeed, as he explicitly indicated, additional measures targeting specific practices of trading partners remain under consideration. These are mainly:

- Section 232 of the Trade Expansion Act of 1962 authorizes the President to impose tariffs on imports on the grounds of national security. Former President Trump previously invoked this provision to levy such tariffs on a range of imported products, particularly steel, aluminum, copper, timber, and kitchen cabinetry.
- Section 122 of the Trade Act of 1974 grants the President the authority to address certain structural international balance-of-payments problems through the imposition of temporary import surcharges and other special import restrictions. Relying on this provision, Trump announced that he could introduce a global tariff at a rate of 10 percent. He further indicated that, pursuant to Section 301 of the same Act, he would be inclined to initiate investigations targeting imports from countries alleged to engage in “unfair trade practices.” Section 122 allows the President to impose tariffs up to 15 percent for 150 days. Trump declared to implement it despite the fact that it is supposed to deal with a ‘balance of payments’ crisis only. Therefore, this maneuvering is likely to provoke a new debate.

Referring to the opinion of Justice Kavanaugh—one of the three justices who dissented from the ruling—Trump asserted that “this ruling tells me that, for national security purposes, I retain the authority to adopt stricter measures, to impose embargoes, and even to effectively dismantle trade relations with certain countries, but that I may not impose tariffs for that purpose.” In making this statement, Trump implicitly conveyed that, should tariff-based instruments be constrained, he would not refrain from resorting to alternative and potentially more far-reaching measures to achieve similar ends.

However, because these alternative mechanisms entail more elaborate procedural requirements and additional substantive conditions than the tariff measures adopted under the International Emergency Economic Powers Act (IEEPA), their implementation is likely to require more time and cannot reasonably be expected to take effect within a single day. What appears certain, however, is that President Trump will seek to recoup—through indirect means—the tariff revenues he has claimed make a significant contribution to the American economy. From his perspective, the decisive consideration in attaining the intended objective is not the precise statutory basis invoked, but rather the most expedient path to what he regards as victory.

On the other hand, the use of these statutory instruments has increasingly generated disputes between the executive branch and Congress over the allocation of authority. Moreover, the practice of invoking legislation designed for specific purposes in order to pursue broader or alternative policy objectives has become a recurring feature of the Trump administration's approach. This pattern, in turn, has contributed to heightened uncertainty in financial markets and among the United States' trading partners. Nevertheless, the Supreme Court's ruling also

contains language that may constrain the President's ability to rely on these alternative statutory bases without facing significant legal obstacles. In this context, the commentary by Gary C. Hufbauer, a distinguished American trade expert, on the Court's decision reveals that the alternative paths pursued by Trump will not be trouble-free: *"The majority opinion implies that Trump will face an uphill battle if he invokes other statutes (Sections 122, 232 and 301) as instruments to raise substantial revenue through tariffs, rather than as instruments to address specific foreign practice"*⁷.

At the same time, discussions have begun regarding the potential compensation of importing firms that were required to pay tariffs imposed under the International Emergency Economic Powers Act (IEEPA). Estimates suggest that the total volume of tariffs collected under this framework ranges between \$130 and \$175 billion⁸. According to the Cato Institute, customs duties collected in 2025 amounted to \$268 billion, approximately 60 percent of which derived from measures adopted pursuant to IEEPA. It is evident that any large-scale reimbursement of these sums would impose a significant fiscal burden on the United States Treasury. Moreover, it appears plausible that the Trump administration may display reluctance in effectuating such repayments or may seek instead to recover comparable amounts through the alternative legal mechanisms discussed above. However, it should be recalled that the Department of Justice previously indicated that, should the Supreme Court invalidate the IEEPA-based tariffs, repayment would be refunded. On the other hand, the extent to which these tariffs have adversely affected ordinary consumers—through their pass-through into retail prices—has not yet been sufficiently examined.

Another notable aspect can be found in the opinion of Justice Brett Kavanaugh, one of the three justices who dissented in favor of Trump. In examining whether the President exceeded his authority vis-à-vis Congress under the IEEPA tariffs, Kavanaugh emphasized that the ruling could impose significant consequences -i.e. substantial retroactive fiscal burdens- on the U.S. Treasury and generate uncertainty regarding trade deals concluded by the Trump administration with other countries. This emphasis serves as a striking example of a judge prioritizing political considerations over the principle of the rule of law.

It is also necessary to assess the issue from the perspective of trading partners of the U.S. The trajectory of agreements concluded with the U.S. by countries compelled to make concessions in response to the trade measures initiated by President Trump under the rubric of the "Liberation Day" IEEPA tariffs has become a matter of particular significance. To date, a total of sixteen agreements have been concluded with various trading partners, including the European Union. Given that the Trump administration could invoke this ruling to impose more stringent measures on countries that seek to revisit these issues and is unlikely to retreat from such an approach, a new phase of negotiation in global trade appears probable. Within this context, the 15 percent tariff imposed by President Trump on Turkish exports also warrants careful examination.

⁷ PIIE experts react to SCOTUS ruling against Trump on IEEPA tariffs, PIIE Updates, February 20, 2026.

⁸Keith Johnson, Trump's Tariffs Are Unlawful, Supreme Court Rules, https://foreignpolicy.com/2026/02/20/supreme-court-tariffs-trump-ruling-ieepa/?tpcc=editors_picks&utm_source=Sailthru&utm_medium=email&utm_campaign=Editors%20Picks%20-%20202202026&utm_term=editors_picks, February 20, 2026.