

TRADE

U.S. tariffs overturned: What happens next?

Tom Cooney

February 23, 2026

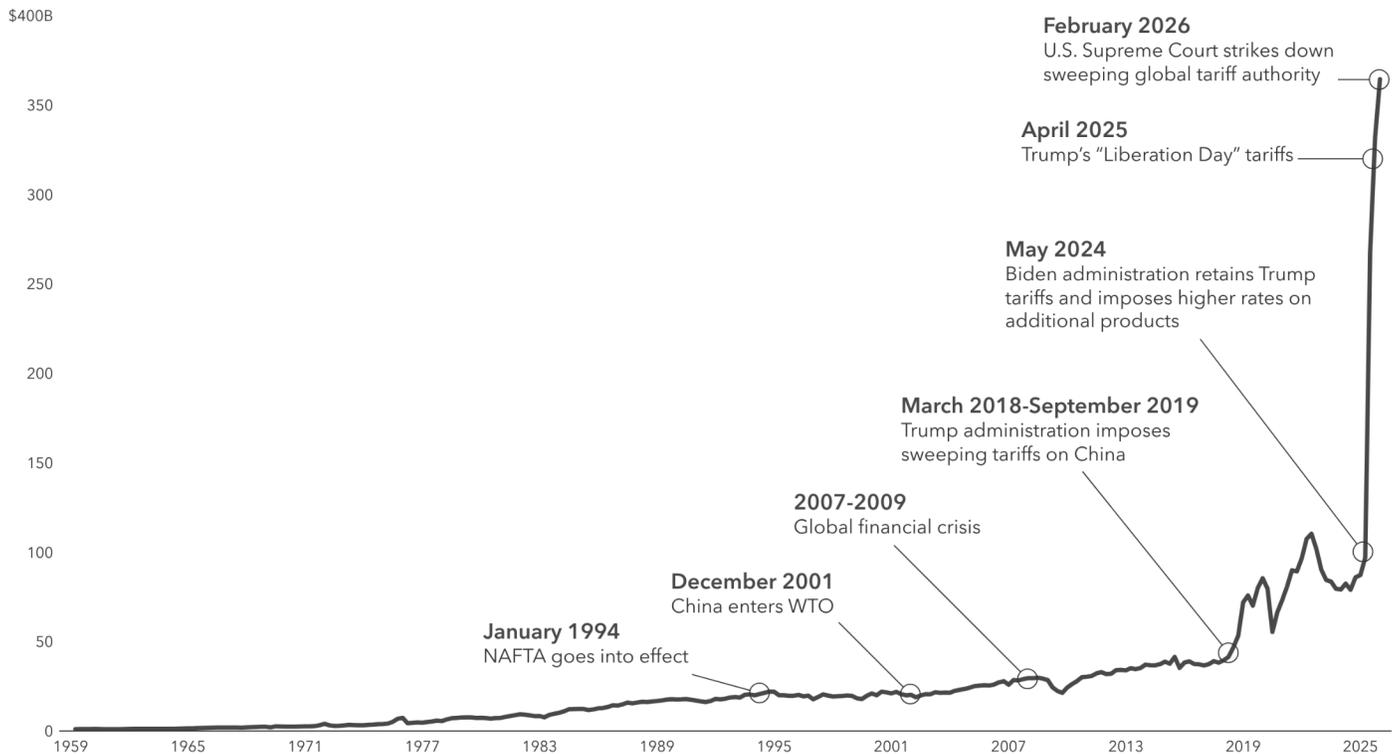
The U.S. Supreme Court has knocked down some of the pillars of President Trump's global tariff structure, but over the next few months it is likely to be rebuilt. The wall will simply have a different look, in my view, as it is reconstructed with alternative materials.

The court on Friday struck down all the tariffs Trump implemented under the International Emergency Economic Powers Act (IEEPA), including the so-called "Liberation Day" tariffs. While that decision was undoubtedly a major setback for the White House, the administration retains several alternative and far more legally durable statutory authorities through which it can reestablish most of the existing tariffs.

The president immediately announced his intention to begin using those authorities. The first step is a 15% blanket global tariff to be imposed for the next five months under Section 122 of the Trade Act of 1974. This tariff will serve as a temporary placeholder, ensuring that revenue continues to flow while giving the Office of the U.S. Trade Representative time to pursue a series of country-by-country investigations under Section 301 of the act, addressing alleged unfair trade practices.

Trade barriers: U.S. tariffs have risen sharply in recent years

Total U.S. customs duties on production and imports (quarterly)



Sources: Capital Group, Bureau of Economic Analysis, Federal Reserve Bank of St. Louis. As of February 20, 2026.

In summary, much of the tariff wall is likely to be restored over the next six months using authorities approved by Congress considerably more resilient to legal challenges than IEEPA. Importantly, only IEEPA-based tariffs were invalidated by the court. Other sector-specific tariffs – such as those covering automobiles, steel and aluminum – remain in place because they were imposed under Section 232 of the Trade Expansion Act of 1962, a statute with firmer legal footing.

Moreover, the administration has threatened additional sector-based tariffs over the past year on medical supplies, semiconductors, pharmaceuticals and other products. These warrant close attention as the administration moves to reconstruct the broader tariff framework.

Near-term uncertainty in global markets

New trade uncertainty may emerge as policymakers and markets debate how to address the tens of billions of dollars in IEEPA tariff revenue that has already been collected. The court ruling did not address this issue, meaning that refund claims from importers, and potentially even from consumer groups, are likely to tie up lower courts for several years.

The outcome also has ramifications for countries that have already reached trade deals with the United States based on IEEPA tariff leverage, including the United Kingdom, Japan, Vietnam,

Indonesia and the European Union. Some observers have raised the question of whether those countries might seek to renegotiate their agreements. In my view, that is unlikely. The Trump administration could respond by initiating punitive Section 301 investigations and by turning to other trade-related and non-trade-related tools, such as U.S. support for Ukraine, to pressure countries seeking revised terms.

Hear more from Tom Cooney:

However, even if these countries do not pursue renegotiation, it is conceivable that economies such as the EU, Japan and Korea, which committed to hundreds of billions of dollars each in investment in the United States, could move more slowly to fulfill those commitments. This is because the U.S. had incorporated the threat of “snap back” penalty tariffs into the agreements if sufficient investment progress was not made. But those penalties were based on the now-vacated IEEPA authority.

Recall that various tariff deals struck last year were executed at considerably lower rates than were announced on “Liberation Day” in April 2025. The actual effective U.S. tariff rate has hovered in a range of about 14% to 17% in recent months. With Section 122 in place for five months, and then new 301 tariffs complete, we still end up at an effective rate of roughly 13% to 14%. So, the tariffs will still be high, but their composition will be different.

U.S. Treasuries may come under pressure

From a market perspective, U.S. Treasuries could come under near-term pressure, pushing yields higher. Fixed income markets have already treated tariff revenues as part of fiscal planning at a time when the Congressional Budget Office forecasts \$1.9 trillion in debt this year. In 2025, the U.S. government collected about \$287 billion in customs duties, according to U.S. Treasury data. A ruling against the tariffs could also trigger refund obligations potentially exceeding \$100 billion, further adding to fiscal uncertainty and weighing on Treasuries.

[Read important disclosures](#)

Tom Cooney is an international policy advisor and has 32 years of foreign affairs experience (as of 12/31/2025). He holds a master's degree in international business studies from the University of South Carolina and a bachelor's degree in communications from Cornell University.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the [mutual fund prospectuses and summary prospectuses](#), which can be

obtained from a financial professional and should be read carefully before investing.

Statements attributed to an individual represent the opinions of that individual as of the date published and do not necessarily reflect the opinions of Capital Group or its affiliates. This information is intended to highlight issues and should not be considered advice, an endorsement or a recommendation.

All Capital Group trademarks mentioned are owned by The Capital Group Companies, Inc., an affiliated company or fund. All other company and product names mentioned are the property of their respective companies.

Use of this website is intended for U.S. residents only. Use of this website and materials is also subject to approval by your home office.

Capital Client Group, Inc.

This content, developed by Capital Group, home of American Funds, should not be used as a primary basis for investment decisions and is not intended to serve as impartial investment or fiduciary advice.