

RJL PCS: MARKET PERSPECTIVES

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Market Perspectives: Court rules against IEEPA tariffs, but the trade war is certainly not over

Last night, the U.S. Court of International Trade (CIT) ruled unanimously (3-0) against the use of the International Emergency Economic Powers Act (IEEPA) to impose unlimited global tariffs. This has been the Trump Administration’s favoured tool to quickly implement massive tariff rates against various countries — including the ‘fentanyl’ tariffs against Canada, Mexico, and China, that were first announced in early February, and are still being used against non-USMCA-compliant products, as well as all the ‘reciprocal’ tariffs that were announced on April 2.

IEEPA was by no means the only tariff tool in President Trump’s toolbox, and the other sector-specific tariffs, such as against the automotive industry, steel, and aluminum, that were implemented using Section 232, are unaffected by this ruling. We will certainly see a challenge to this ruling, and even if it is upheld, we will likely just see a shift in how the tariffs are imposed, which will do little more than extend the period of uncertainty for countries, companies, and markets. This ruling will also likely complicate the negotiation of trade deals.

While equity markets initially reacted positively to this news, we expect that the Trump Administration was already prepared for the possibility of this ruling and aside from challenging it, will also quickly pivot to using Section 122 authority, which allows the President to impose tariffs of up to 15% for up to 150 days to address “large and serious” trade deficits (Table 1). An existing Section 301 authorization against China could also be used to continue the pressure on China, and new investigations using Section 301 and 232 are likely to be used against various countries as the Section 122 tariffs expire. Section 232 investigations on pharmaceuticals, semiconductors, copper, and lumber are already underway.

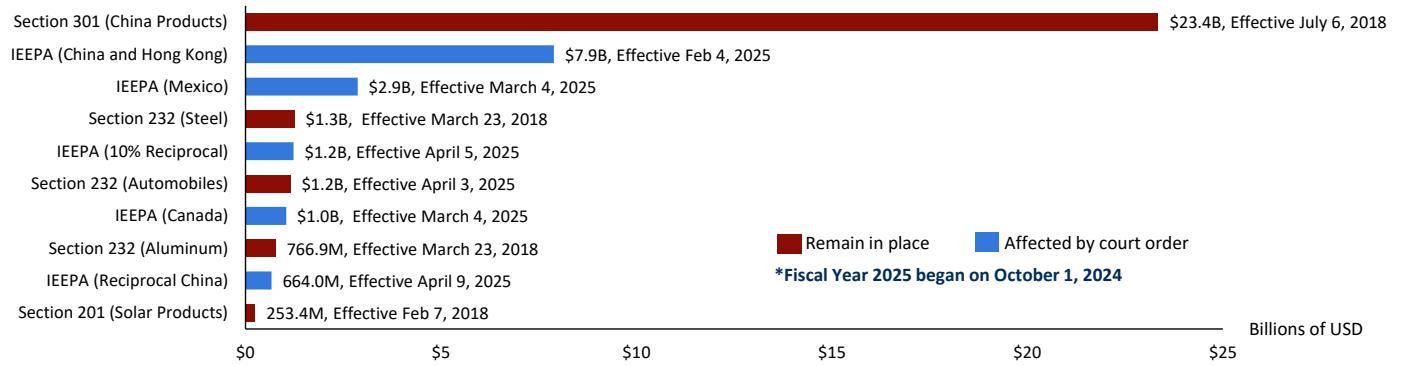
Additional complications may arise for the current Reconciliation Bill that was just passed from the House to the Senate, which includes anticipated tariff revenue as an offset to the extension of the 2018 Trump tax cuts. If this ruling is upheld, the potential and timing of refunding those tariffs already collected is also a point of interest.

Overall, although the mechanisms might change, we see this Administration continuing along the same tariff path regardless of this ruling.

Table 1 - What Tariff Authorities does the U.S. President Have?

Title	Can it be declared unilaterally by the President?	When can it be used?	Process	Maximum tariff rate?
IEEPA	Yes	National/economic emergency	President declares “economic emergency” and can implement remedies in response.	No
Section 301	No	Country-specific trade practices	Begins with USTR investigation and recommendations to the president. President then decides whether to impose tariffs.	No
Section 232	No	Product-specific trade practices	Begins with Commerce Department investigation. President then decides whether to impose tariffs.	No
Section 201	No	Industry-specific trade practices	Begins with ITC investigation. President then takes recommendation and decides whether to impose tariffs.	No
Section 122	Yes	Uneven balance of payments	President can declare tariff for up to 150 days for any country with who the U.S. has a payments imbalance.	Up to 15%
Section 338	Yes	“Unreasonable” policy limiting growth	President can declare tariff responding to “unreasonable” policy and has burden of proof.	Up to 50%

Source: Raymond James Research.

Chart 1 - U.S. Duties Collected in Fiscal Year 2025* to Date, by Trade Remedy and Target

Source: US Customs and Border Protection, Bloomberg; Data as of April 30, 2025.

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