

New tariffs, new uncertainty

What we know about President Trump's latest tariff announcements
(and what we don't know)



The US administration is invoking Section 122 of the 1974 Trade Act, which allows tariffs of up to 15% for as long as 150 days

It took only a few hours after the US Supreme Court had ruled against the US administration's emergency tariffs from 'Liberation Day' ([here is our original reaction piece](#)), before President Donald Trump announced a new round of tariffs. As expected, the US administration is invoking Section 122 of the 1974 Trade Act, which allows tariffs of up to 15% for as long as 150 days to quickly address "international payment problems". The tariffs would expire after 150 days unless Congress extends them. However, the President could, in theory, allow the surcharge to expire, declare a new emergency, and restart the 150-day period. This would create a de facto perpetual tariff instrument. While the official White House communication stated that the tariff would be 10% as of 24 February, Trump a day later said that he would put the tariff at 15%. To be clear, these tariffs were not subject to the Supreme Court's ruling.

However, the use of Section 122 could bring new legal problems for Trump. In fact, Section 122 goes back to the era of the gold standard and fixed exchange rates. It's a trade instrument that has never been used in practice, as the fixed exchange rate regime had come to an end when the 1974 Trade Act was finally approved. It won't be easy to argue that the US currently has a balance of payment crisis as, by definition, the balance of payments is always in balance.

New tariffs are only smoke and mirrors for other options

Given that the latest tariffs can also be legally challenged, they might just be a measure to buy some time for another tariff option: Section 301 of the 1974 law. This Section 301 addresses unfair trade practices or violations of trade agreements but requires more thorough investigations.

How do the new tariffs relate to existing tariffs?

The new tariffs will not come on top of the already existing sectoral tariffs (Section 232), which are currently applied on steel, aluminium, copper, lumber, automobiles and certain motor vehicles. Also, articles entering duty-free under the United States-Mexico-Canada Agreement (USMCA) remain exempt from the surcharge. Finally, parts and components used in civil aircraft are exempted from the new tariffs.

What will happen to the bilateral 'deals'?

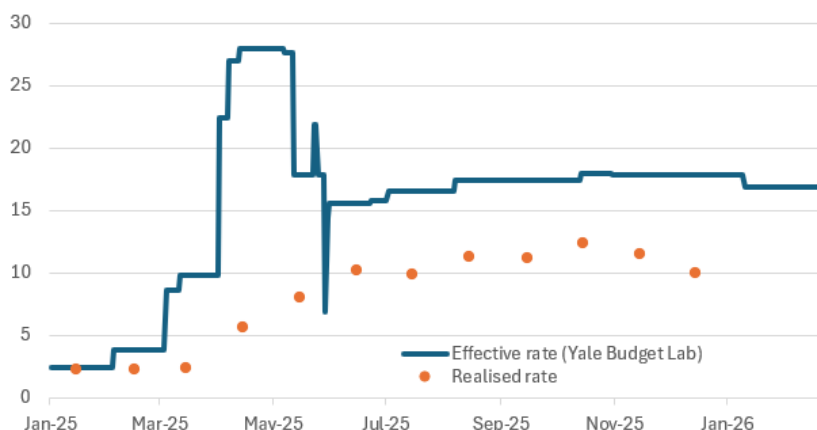
Following the 'Liberation Day' announcements and threats, several countries negotiated and agreed to trade deals with the US administration. Although these deals were prompted by the now-revoked emergency tariffs, they are bilateral arrangements and therefore not directly affected by the Supreme Court ruling. However, some deals – such as those with Switzerland or India – made explicit reference to the emergency tariffs, as the new tariff rates were framed as reductions from those emergency levels. As the legal reference tariff rate has now disappeared, these deals might have to be redrafted.

In the case of the US-EU trade deal, things are even more complicated. The European Parliament suspended approval of the EU's commitments under the agreement when the Greenland conflict escalated. It now remains unclear whether the Parliament will push for a full renegotiation of the deal. That said, the US administration would likely rely on sectoral tariffs and Section 301 measures to pressure the EU to return to the negotiating table.

US macro outlook stays unchanged

The realised rate of tariffs, calculated as US customs duty revenues divided by the value of goods imported into the US, averaged 10.9% through the second half of 2025. That is below the 17.3% rate that the Yale Budget Lab suggested was the average quoted tariff rate over the period based on announced country and tariff rates applied to previous years' import shares. The reasons for the discrepancy include import substitution – switching to lower tariffed sources, as underscored by the steep plunge in imports from China, a surge in tariff exempt high-tech imports, better USMCA compliance, and possible tariff avoidance via re-exporting through third party, lower-tariffed countries.

Average quoted and realised tariff rates



Source: Yale Budget Lab, Macrobond, ING

While the new universal tariff rate of 15% should theoretically mean a slightly lower average tariff rate, it may be that a simplified tariff structure leads to a higher realised rate. Reduced complexity leaves less room for ambiguity and fraud and lowers incentives to reroute trade through third countries. Remember too, that a significant number of exemptions to the tariffs also apply, such as high-tech products and critical minerals. Consequently, for now, we assume that realised tariff revenue rates remain a little above 10%.

While the ruling left open the possibility of refunds on roughly \$130bn in tariffs collected under the International Emergency Economic Powers Act (IEEPA), it did not offer guidance on how that would be achieved. The Administration has warned that it would fight, running the risk of years of litigation. This raises additional doubts over the prospects for the \$2000 tariff dividend payment that President Trump has mooted for Americans.

In terms of inflation, rising import prices and the latest core goods CPI reading of 1.1% year-on-year indicate that corporate America is bearing the bulk of the burden from tariff costs. We remain nervous about further potential consumer goods price increases, but the fact that this process is happening so slowly gives more opportunity for disinflationary forces from slowing housing rents, moderating wage growth and sub-\$3 gasoline prices to mitigate. As such, we are not proposing to change our inflation or growth forecasts on the back of these announcements, with two 25bp interest rate cuts in June and September remaining our Federal Reserve call.

Tariffs are here to stay

Friday's Supreme Court ruling sent a strong signal about the limits of presidential power. It can be seen as evidence that checks and balances in the US still work. However, we don't think that President Trump will use the ruling as a backdoor option to back down on his tariff agenda. On the contrary, announcements since the Supreme Court's ruling strongly confirm that Trump has no intention of removing his "most beautiful word" from the English dictionary. Uncertainty is back, and given the latest muscle-flexing by European leaders, the risk of escalation is now higher than it was a year ago.

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