

US SUPREME COURT STRIKES DOWN SWEEPING TARIFFS: STRATEGIC IMPLICATIONS FOR INDIA AND BILATERAL TRADE



US Supreme Court Ruling Marks a Structural Shift in Trade Policy

On February 20, 2026, the US Supreme Court delivered a decisive ruling that invalidated the Trump administration's tariffs imposed under the International Emergency Economic Powers Act (IEEPA). In a 6-3 judgment, the Court concluded that the law, intended for genuine national emergencies, could not be used to introduce sweeping, structural trade restrictions. The decision reinforces a foundational constitutional principle: the authority to impose tariffs rests primarily with Congress.

As a result, the 10% universal tariff, country-specific reciprocal duties, and certain emergency tariffs linked to drug trafficking concerns were struck down. However, tariffs imposed under alternative statutory provisions, including Section 232 (national security) and Section 301 (unfair

trade practices), remain unaffected. Crucially, the administration has moved quickly to invoke alternative authority. The White House has announced a temporary 10% ad valorem import duty under Section 122 of the Trade Act of 1974, effective February 24, 2026, for a period of 150 days. The measure has been framed as necessary to address balance-of-payments pressures, incentivise domestic production, and rebalance trade relationships. While temporary in nature, this action ensures that US import costs will remain elevated in the near term, even as the broader reciprocal tariff framework has been invalidated.

This sequence of legal and policy actions represents a structural recalibration of US tariff authority, with immediate consequences for global exporters, including India.

Immediate Impact for India: Restoration of Competitive Parity

For India, the judgment removes a significant layer of tariff escalation risk and restores competitive balance relative to the previously imposed reciprocal tariff structure.

Prior to the ruling, Indian exports faced cumulative tariff exposure of up to 50% in certain sectors, with reciprocal tariffs set at 18% under interim arrangements. With these reciprocal tariffs now invalidated, a substantial portion of India's exports to the United States would have reverted to standard Most Favoured Nation (MFN) tariff rates. However, the newly imposed temporary 10% duty reintroduces a baseline cost increase across a broad range of imports. Hence, though Indian exporters benefit from the removal of elevated reciprocal tariff rates, they will

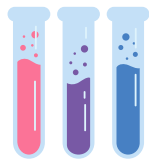
continue to face moderate cost pressures during the 150-day period of the temporary duty.

Notably, India's export performance had remained resilient even under elevated tariff conditions. Rubix Data Sciences estimates that exports to the US stood at USD 25.5 billion during September–December 2025, compared with USD 25.8 billion during the same period in 2024. The removal of higher reciprocal tariffs, despite the temporary 10% duty, improves the relative outlook compared with the earlier tariff regime.

In addition, exporters that incurred reciprocal tariff costs may potentially qualify for refunds, creating an opportunity for balance sheet and liquidity support, subject to administrative implementation.

Sector-Level Impact: Relief Concentrated in Key Export Categories

The extent of benefit varies depending on sector-specific tariff exposure.

Sector		Impact of SCOTUS Ruling and New Temporary Duty	Strategic Implication
Engineering goods		Positive, but moderated by temporary 10% duty	Competitiveness improves relative to earlier reciprocal tariff regime
Chemicals		Positive, with partial cost offset due to temporary duty	Export viability improves, though near-term margins remain under some pressure
Textiles and apparel		Positive, but temporary duty limits full recovery	Opportunity to regain competitiveness, especially versus higher-tariff competitors
Gems and jewellery		Positive, but temporary duty limits full recovery	Near-term margin pressure, but India retains strong supply chain position and long-term export continuity
Leather and leather products		Positive with partial relief due to 10% temporary tariffs	Short-term cost pressure, but improved medium-term competitiveness supports export recovery potential
Electronics and electrical equipment		Mixed; reciprocal tariffs removed; certain categories exempt from temporary duty	Supply chain positioning improves selectively
Pharmaceuticals		Largely unchanged; previously exempt	Stable export trajectory continues
Petroleum products		No material change	Market access remains steady
Steel and aluminium		No immediate relief – 50% Section 232 tariffs remain	Structural competitiveness challenges persist
Auto components		Limited relief – 25% Section 232 tariffs continue on select products	Export growth remains constrained
Overall, the ruling meaningfully improves the operating environment for a majority of India's export sectors, even as strategic industries remain exposed.			

Note: The share and value of these exports to the US are available [here](#).

Tariff Risks Have Narrowed, Not Disappeared

While the invalidation of reciprocal tariffs is significant, it does not signal the end of protectionist trade measures. Tariffs implemented under established trade statutes, including Sections 232 and 301, remain firmly in place.

In addition, the imposition of the temporary 10% duty under Section 122 demonstrates that the US retains the ability to introduce broad-based tariffs

through alternative legal pathways, particularly on a temporary basis.

The key shift is structural. The risk of sudden, open-ended tariff escalation through emergency powers has diminished. In its place, tariff actions are more likely to emerge through defined legal processes, often with clearer time limits and statutory justification.

Alternative Tariff Pathways Remain Available to the United States

Despite the ruling, the US retains multiple legal instruments to introduce tariffs, albeit through more structured and time-intensive processes.

These include:

- Section 122: Temporary tariffs of up to 15% for 150 days to address balance-of-payments concerns (now actively in use)
- Section 232: National security-linked tariffs following investigation
- Section 201: Safeguard tariffs to protect domestic industries
- Section 301: Tariffs addressing discriminatory trade practices
- Section 338: Retaliatory tariffs under legacy trade law

Unlike emergency powers under IEEPA, these mechanisms require statutory justification and procedural review, reducing the likelihood of indefinite or structurally open-ended tariff actions.

Implications for the India–US Trade Agreement and Bilateral Engagement

The ruling also reshapes the broader context in which the US is negotiating trade arrangements with key partners, including India. While the imposition of the temporary 10% duty reflects continued use of tariff leverage, its time-bound nature and statutory basis provide greater predictability than the earlier reciprocal tariff framework.

More importantly, the decision strengthens the structural predictability of US trade policy by reaffirming Congressional oversight. This provides a more stable foundation for the proposed India–US trade agreement and improves long-term visibility for Indian exporters. For Indian businesses, this shift supports improved planning certainty, even as short-term tariff pressures persist.

US Administration Moves Quickly to Reinstate Tariffs Under Alternative Authority

The US administration has moved swiftly to operationalise an alternative tariff authority following the Supreme Court ruling. President Trump has issued a Proclamation imposing a temporary 10% ad valorem import duty under Section 122 of the Trade Act of 1974, effective February 24, 2026, for a period of 150 days.

The administration has positioned the measure as necessary to address what it describes as “fundamental international payment problems,” including the United States’ large current account deficit, declining domestic production, and the need to rebalance trade relationships.

The temporary duty applies broadly but includes important exemptions like pharmaceuticals, certain electronics, energy products, critical minerals, aerospace products, and USMCA-compliant goods.

Importantly, the White House has emphasised that tariffs will remain a central instrument of US trade policy and reaffirmed its commitment to existing trade agreements.

This reinforces that while the Supreme Court’s ruling limits the use of emergency tariff powers, it does not represent a reversal of the broader protectionist policy direction.

“Tariffs will continue to be a critical tool in President Trump’s toolbox for protecting American businesses and workers, reshoring domestic production, lowering costs, and raising wages.”

Economic and Fiscal Context: Why the Tariffs Were Challenged

The reciprocal tariffs had generated substantial revenue for the US government, with collections exceeding **USD 133 billion** by December 2025. However, their economic impact was felt largely within the US. Research by the Federal Reserve Bank of New York indicates that nearly 90% of tariff costs were absorbed by domestic businesses and consumers, contributing to an estimated 0.8 percentage point increase in consumer inflation.

Following the Court's ruling, estimates suggest between **USD 175 billion and USD 180 billion** in tariff revenues may now be subject to refund claims, creating fiscal and administrative implications for the US government.

Strategic Outlook for Indian Exporters and Supply Chains

The ruling creates a more favourable, though not risk-free, trade environment.

Key strategic implications include:

Improved relative competitiveness

Indian exporters benefit from the removal of higher reciprocal tariff rates, though the temporary duty limits the extent of immediate gains.

Greater policy visibility

Tariff authority is now more clearly defined and legally structured.

Potential financial recovery

Refunds on previously paid tariffs could support exporter liquidity.

Continued sector-specific vigilance

Temporary tariffs and existing sector-specific duties remain important risk factors.

Strengthened long-term positioning

India's role in global supply chains remains structurally supported as trade policy becomes more rules-based.

Conclusion: A Reset That Strengthens India's Trade Position

The US Supreme Court's ruling represents a pivotal moment in global trade governance, restoring legal clarity to tariff authority and limiting the scope of unilateral emergency-based tariff action.

- For India, the removal of elevated reciprocal tariffs provides meaningful relief and improves export competitiveness relative to the earlier regime.
- However, the temporary 10% duty ensures that tariff pressures will remain in the near term.
- Most importantly, the ruling introduces greater legal discipline and predictability into US trade policy.

Protectionist pressures have not disappeared, but they are now more structured, time-bound, and legally defined. This creates a more stable long-term foundation for Indian exporters and strengthens India's strategic trade positioning, even as near-term tariff risks continue to require careful monitoring.