



## The U.S. Court of International Trade Held IEEPA Tariffs Exceed the Trump Administration's Executive Powers

MAY 30, 2025

On May 28, 2025, the U.S. Court of International Trade (CIT) ruled as unlawful two types of tariffs imposed by President Trump through executive orders implemented under the International Emergency Economic Powers Act (IEEPA). The court struck down (1) the “Trafficking Tariffs” targeting exports from Canada, Mexico, and China to address drug and human trafficking, and (2) the “Worldwide and Retaliatory Tariffs” aimed at fixing trade imbalances with nearly every country. The key findings were that IEEPA does not give the President unlimited power to set tariffs, and the emergency declared in the Trafficking Tariffs did not directly correlate to the remedy (i.e., the tariffs on all products coming out of the relevant jurisdictions). This decision halted these tariffs immediately, offering the prospect for relief to businesses facing higher import costs. That relief was short-lived as, on May 29, 2025, the U.S. Court of Appeals for the Federal Circuit issued an administrative stay that temporarily halts the CIT’s decision. The plaintiffs have been given until June 5 to lay out their arguments, and the Justice Department has until June 9 to file the reply brief. As a result, the tariffs remain in place, at least for the short term. The administration has filed an appeal, and it is also possible that the stay will be extended pending the results of the appeal.

The primary take-aways for U.S. importers is that tariffs in one form or other will remain in place. The CIT did not impact tariffs imposed under other statutes (e.g., Sections 301 and 232). It is possible that the administration will reissue the Trafficking Tariffs to more directly link the national emergency to the cure. These Trafficking Tariffs and Retaliatory Tariffs also may be reinstated through other mechanisms, either via Section 122 (which grants the authority to more quickly impose tariffs of up to 15% for 150 days to address balance-of-payment deficits) or other statutes (e.g., Sections 301, 232, 201, etc.) that may take several months to implement. Finally, companies should continue to consider diversification of supply chains (including investments in the United States) to meet the administration’s stated objectives.

### BACKGROUND

IEEPA authorizes a President to declare a national emergency and impose certain measures (typically, economic sanctions) to address the “unusual and extraordinary threat” to the U.S. national security, economy, or foreign policy. In this matter, the three-judge panel ruled that IEEPA does not allow the President to impose tariffs without limits. According to the CIT, the Constitution gives Congress, not the President, the power to set taxes and regulate trade. While Congress can delegate some authority, the court found that IEEPA’s relevant language—“regulate importation”—does not mean the President can set any tariff rate he selects. Accordingly, the CIT found that the

Worldwide and Retaliatory Tariffs, which hit nearly all countries with rates up to 50%, went far beyond what Congress intended.

**TRAFFICKING TARIFFS DO NOT ADDRESS THE THREAT**

With respect to the Trafficking Tariffs, the CIT held that the tariffs on Canada, Mexico, and China did not “deal with” the emergencies that they were meant to address—drug trafficking and crime. IEEPA requires tariffs to directly tackle an “unusual and extraordinary threat,” but these tariffs just raised costs on all imports, not specifically trafficking-related goods. The government argued that they pressured other countries to act, but the court saw no direct link. This gap means future emergency tariffs could be struck down if they do not clearly target the stated problem, putting pressure on the administration to design narrower, more focused measures. As an aside, it is also worth exploring what sanctions-related executive orders also can be challenged under this construct.

**BALANCE-OF-PAYMENTS LIMITS IGNORED**

The administration established that the Worldwide and Retaliatory Tariffs aimed to rectify the trade deficits, but the court found this exceeded IEEPA’s scope. Congress already set rules for trade imbalances in the Trade Act of 1974 (Section 122), capping tariffs at 15% for 150 days. The President’s tariffs—10% globally, higher for some countries, with no time limit—exceeded these rules. This legal risk highlights that using IEEPA for economic goals like trade deficits could fail unless aligned with specific, nonemergency laws, potentially forcing a rethinking of tariff strategies.

**NEXT STEPS**

The Trump administration has appealed the ruling to the U.S. Court of Appeals for the Federal Circuit, which reviews trade court decisions. In the interim, the Court of Appeals has granted an administrative stay that leaves the tariffs standing. The plaintiffs have been given until June 6 to file their motions, and the Justice Department has until June 9 to file its reply brief. The appeals process itself could take six to 12 months, depending on the case.

While the appeal is pending, it is also possible that the administration could try new tariffs under different laws (e.g., Trade Act Section 122 or 301) with tighter limits—say, 15% for 150 days on specific goods. These additional tariffs could take three to six months to draft and implement, factoring in legal reviews and public comments, making them potentially effective by late 2025.

**BUSINESS IMPLICATIONS**

Importers should expect that tariffs are going to continue in one form or other as the Trump administration renegotiates trade deals on a jurisdiction-by-jurisdiction basis. As a result, companies should continue to explore diversification of supply chain and pivoting sourcing to include investments in the United States. Given the number of jurisdictions currently signaling ongoing negotiations with the United States, in the short term, certain jurisdictions such as China may continue retaliatory tariffs, but others may start to pull down both traditional and nontraditional trade barriers.

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