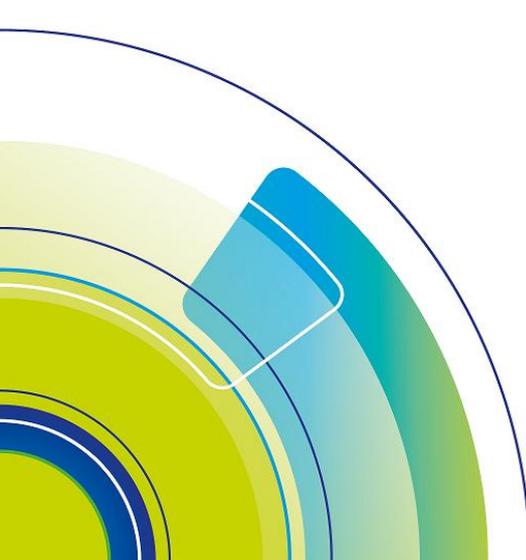




Macro Flash Note

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Tuan Thanh Dong
Analyst, Macro & Money Market



Tuan Thanh Dong

tuandt@acbs.com.vn

TRUMP ADMINISTRATION'S RECIPROCAL TARIFFS INVALIDATED, YET POLICY UNCERTAINTY REMAINS UNRESOLVED.

On February 20, 2026, the US Supreme Court issued a ruling invalidating the executive branch's legal basis for its global tariff regime, previously enacted under the International Emergency Economic Powers Act (IEEPA). Rather than signaling a structural retreat from protectionism, we believe this development merely shifts the risk profile, engendering a more complex and unpredictable macroeconomic environment.

Overview of the Court's ruling:

- The utilization of IEEPA to enact global tariffs was deemed constitutionally unfounded, prompting the Court to void the tariff collections imposed by the Trump Administration on foreign goods.
- The US government must refund the collected duties from reciprocal tariffs applied to imports (estimated between US\$132bn and US\$175bn)—requiring enterprises to proactively file administrative claims within a 180-day window.

Trump Administration's response:

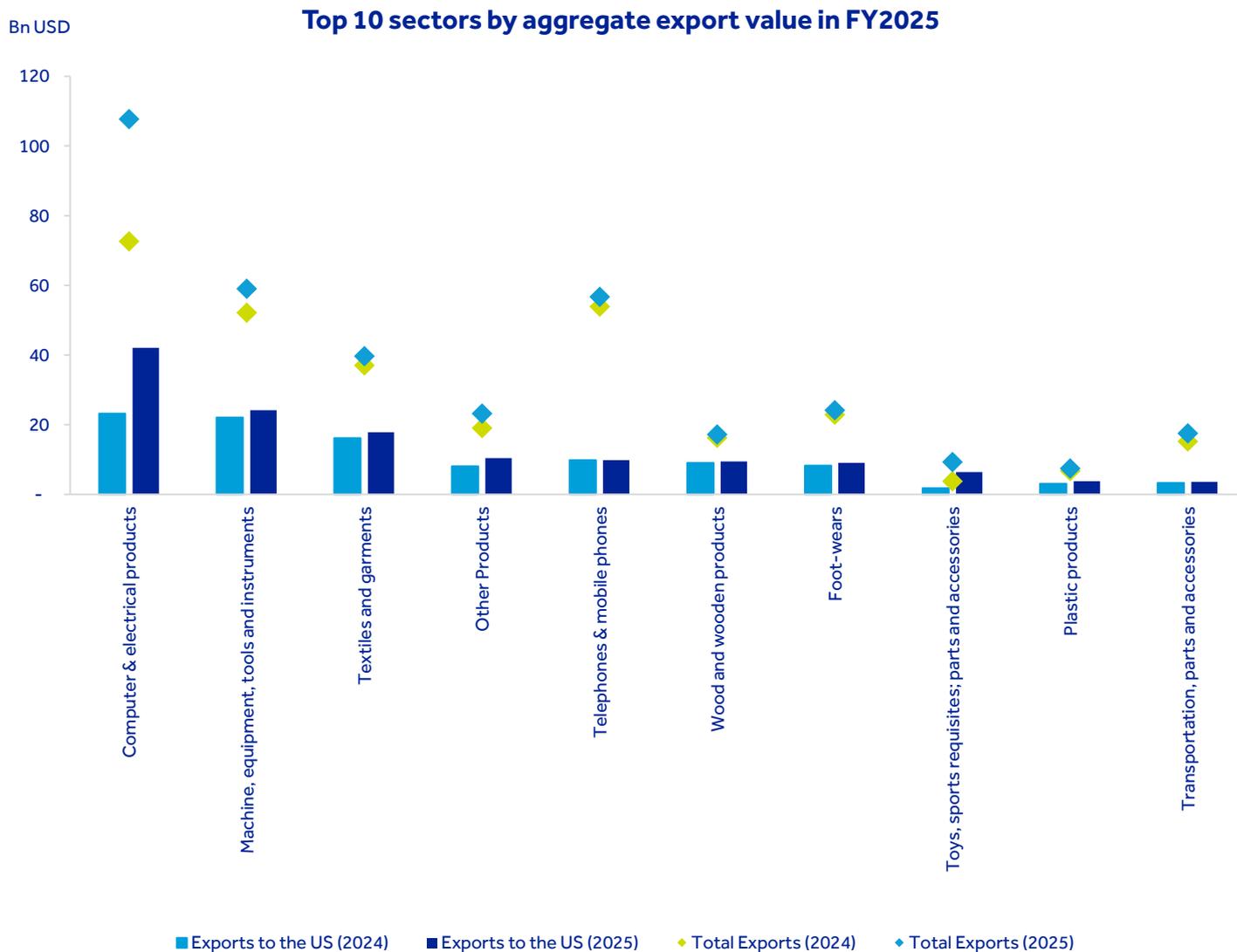
- **The White House announced the invocation of Section 122 of the Trade Act of 1974** (balance-of-payments deficits) **to impose a 15% supplementary global tariff**, up from the prior 10% baseline, while maintaining the effective tariff rate at 13.7%.
- However, **Section 122 tariffs carry a 150-day time limit** (unless extended via Congressional resolution). Consequently, the Trump Administration is accelerating investigations under Section 232 (national security) and Section 301 (unfair trade practices) to convert temporary tariffs into permanent fixtures. Furthermore, the administration may deploy several alternative statutes, including:
 - **Section 338 of the Tariff Act of 1930 (Unreasonable Discrimination):** Empowers the President to hike tariffs up to 50% on goods from nations found to impose discriminatory burdens on US commerce.
 - **Section 201 of the Trade Act of 1974 (Safeguard Measures):** Authorizes the application of tariffs or trade barriers pending a US International Trade Commission (ITC) investigation determining that a surge in imports is a "substantial cause of serious injury" to a domestic industry.
 - **Section 604 of the Trade Act of 1974:** A technical legal mechanism enabling the President to modify the Harmonized Tariff Schedule to enforce and codify new rates (currently utilized in tandem to enforce the 10-15% tariffs under Section 122).
 - **Revenue Sharing via Export Controls:** Although not a traditional import tariff, this functions as a novel implicit tax. The Trump Administration is mandating tech conglomerates (e.g., Nvidia, AMD) to remit 15% to 25% of foreign revenues derived from advanced AI chips in exchange for commercial export licenses.
- Alongside broad-based tariffs, the Trump Administration maintains pressure via specialized levies applied to strategic sectors such as AI chips, steel and aluminum, automobiles and components, home appliances, wood and furniture, and Chinese-origin products generally.

ACBS's QUICK COMMENT:

- **The fragmentation process in global trade among economic blocs is accelerating.** Although the reciprocal tariff decision has been invalidated, we anticipate the Trump Administration will continue to exert pressure on nations through alternative instruments, aiming to reposition US influence amidst the current multipolar geopolitical landscape.
- Furthermore, **the Court's invalidation ruling cannot rapidly alter the US macroeconomic backdrop** (decelerating GDP growth paired with sticky inflation), as the tariff refund process will likely face protracted delays due to administrative bottlenecks. Meanwhile, these refunds will generally not trigger significant downside volatility in US production costs or inflation given structural price stickiness within the supply chain—leaving consumers to bear the brunt while the government fiscal deficit widens.
- On a separate note, **the uncertainty surrounding US foreign policy will continue to catalyze the supply chain diversification trend toward a "local-for-local" model and agile manufacturing networks**—a new paradigm built upon the "China Plus N" foundation.
- Therefore, we believe this Court ruling, coupled with ongoing tariff volatility, will not trigger a substantial transformation in robust Foreign Direct Investment (FDI) inflows to nations possessing structural cost advantages and strategic logistics positioning, such as Vietnam.
 - Notably, **although Vietnam has yet to secure a trade agreement with the US under IEEPA, this development effectively reduces the reciprocal tariff exposure from 20% to the newly announced 15% rate.** This mitigates near-term downside risks and eases competitive pressures on domestic strategic exports at a time when the US is hastily finalizing trade agreements with regional peers—most notably Indonesia, which secured full tariff exemptions for core agricultural products and tariff-rate quotas for textiles.
 - **Sectors poised to benefit from these policy shifts include:** export-oriented enterprises (textiles, seafood, wood, etc.), industrial park (IP) real estate developers, and freight transportation/logistics.

Appendix

Vietnam's key export commodities to the US Market



Source: GSO, Customs

CONTACTS

Ho Chi Minh City Head Office

Leman Tower, 117 Nguyen Dinh Chieu, Xuan Hoa Ward,
Ho Chi Minh City, Vietnam
Tel: (+84 28) 7300 1000

Hanoi Office

10 Phan Chu Trinh, Cua Nam Ward, Ha Noi
Tel: (+84 24) 3942 9396

RESEARCH DEPARTMENT

Email: acbs_phantich@acbs.com.vn
trangdm@acbs.com.vn

INSTITUTIONAL CLIENT DIVISION

Director

Huong Chu

(+84 28) 7300 7000 (x1083)
huongctk@acbs.com.vn
groupis@acbs.com.vn

Manager – Trading

Huynh Nguyen

(+84 28) 7300 6879 (x1088)
huynhntn@acbs.com.vn

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