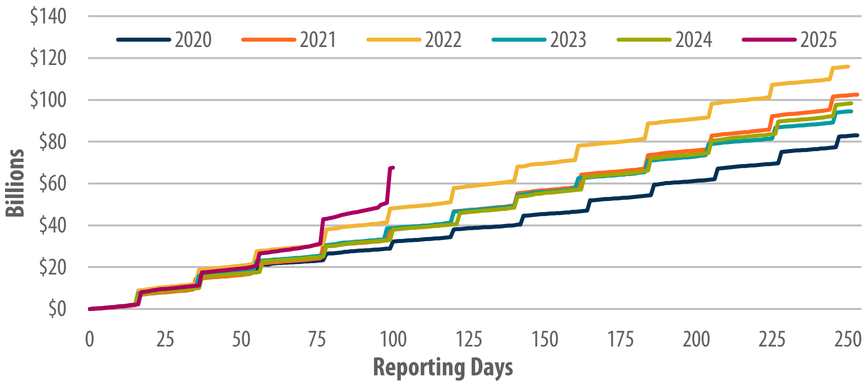
Tariffs, Courts, and Chaos: Mapping the Shifting Trade Terrain

In this week's Three on Thursday, we take a closer look at the evolving role of tariffs in U.S. economic policy. After decades of relative decline, customs duties have reemerged as both a revenue source and a policy lever amid rising geopolitical tensions and shifting trade alliances. So far in 2025, tariff collections are running well ahead of last year's pace, reflecting both higher volumes and changes in rate structures. At the same time, the patchwork of country-specific tariff schedules has grown increasingly complex, with recent adjustments targeting strategic sectors and key trading partners. A U.S. trade court ruled yesterday that President Trump did not have the authority to impose these tariffs. However, the ruling has been temporarily put on hold as the case moves through the appeals process. Take a look at the three charts below to see where things stand in this highly fluid situation.

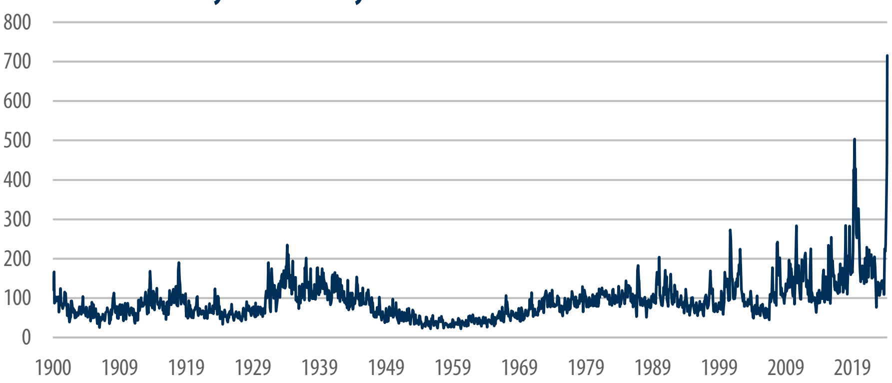
Cumulative U.S. Tariff Revenue by Reporting Day



Sources: US Treasury, First Trust Advisors. Daily data 1/2/2020 – 5/23/2025.

President Trump has long aimed to revive tariffs as a major source of federal revenue. With higher rates now applied more broadly across global trading partners, customs duties—which are predominantly composed of tariffs—are beginning to surge. As of last Friday, revenue from customs duties totaled $67.6 billion YTD, up from $29.6 billion during the same period last year, marking a 78% increase. April alone brought in a record $17.4 billion in customs duties, significantly boosted by President Trump's high tariffs on Chinese goods—reaching up to 145%—and at least 10% tariffs on other imports. Since these global tariffs were deemed illegal by the US trade court yesterday, expect the growth to slow for the time being in customs duties moving forward. The President has other legal authority to impose tariffs, but it remains to be seen how long that process will take and whether he will be able to achieve a similar level of tariffs previously levied.

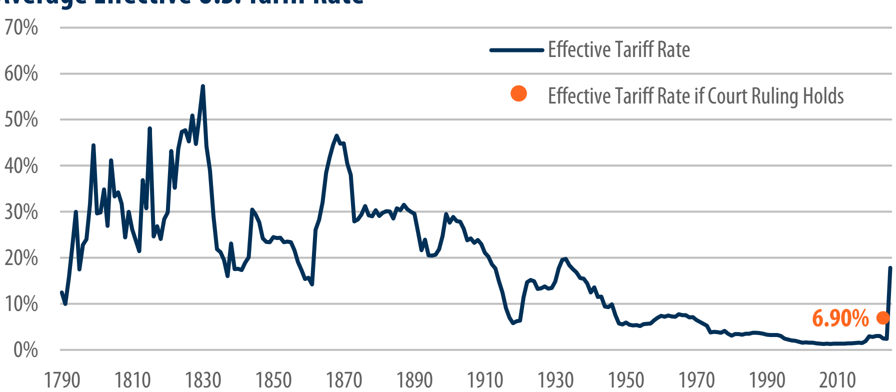
U.S. Economic Policy Uncertainty Index



Sources: Baker, Bloom, & Davis, First Trust Advisors. Monthly data 1/1900 – 4/2025.

Economic policy uncertainty in the United States has reached unprecedented levels in 2025, surpassing the peaks observed during the COVID-19 pandemic. The Economic Policy Uncertainty Index—measured by combining the volume of newspaper coverage on policy uncertainty, the number of expiring federal tax provisions, and the disagreement among professional economic forecasters—hit a record high of 910.2 in the week ending April 13th of this year. A significant contributor to this surge is President Trump's dynamic tariff strategy. Since his inauguration on January 20, 2025, the administration has announced over 50 tariff-related policy changes, encompassing new duties, revisions, and reversals. These frequent adjustments have introduced volatility into global markets and complicated supply chain planning. Last week the uncertainty index dropped sharply to 363.7 as the U.S. and China agreed to slash tariffs on each other for 90 days as they work toward a trade deal.

Average Effective U.S. Tariff Rate



Sources: The Budget Lab at Yale, First Trust Advisors. Annual data 1790 – 2024. 2025 effective rate as of 5/29/25.

Following the ruling from yesterday's trade court ruling that blocked most of the new tariffs enacted this year, the U.S. average effective tariff rate dropped to 6.9%—the highest since 1969—according to The Budget Lab at Yale, a nonpartisan policy research center. With the appeals court temporarily pausing that ruling while they hear the Administration's appeal, the effective rate moves back to 17.8%—the highest level since 1934—and well above the 2.4% average in 2024. This "pre-substitution" estimate assumes no changes in import behavior—such as China maintaining its 14% share of U.S. imports—and reflects the full cost burden on consumers. The situation remains highly fluid.