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The Court Redraws the Trade Map: How the Supreme Court's Decision Rewrites President Trump's Tariff Playbook

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Institutional limits, policy continuity, and what the ruling means for global trade, U.S. industry, and Puerto Rico's manufacturing surge

Markets typically react to economic data releases — inflation trends, employment reports, or earnings surprises. Yet at critical moments, the most consequential shifts come not from the economy itself, but from the institutional rules that govern it. The U.S. Supreme Court's February decision striking down the administration's global tariffs imposed under emergency economic authority represents precisely such a moment. **In a 6–3 ruling, the U.S. Supreme Court struck down the sweeping global tariffs imposed by President Donald Trump.** Chief Justice John Roberts authored the majority opinion, joined by Justices Neil Gorsuch, Amy Coney Barrett, and the Court's three liberal justices — Sonia Sotomayor, Elena Kagan, and Ketanji Brown Jackson. The remaining conservative justices — Clarence Thomas, Samuel Alito, and Brett Kavanaugh — dissented.

The decision did more than invalidate a specific tariff policy. It clarified the institutional limits of executive authority in trade matters and signaled that even in periods of economic tension, long-term tariff measures must rest on explicit statutory foundations. For markets, policymakers, and industries navigating a shifting global trade environment, the ruling represents not just a legal outcome, but a structural signal about how economic power will be exercised going forward.

Over the past year, tariffs and supply-chain realignment have influenced corporate capital spending, industrial location decisions, and global investment flows. Manufacturing reshoring, strategic stockpiling of critical inputs, and renewed emphasis on domestic production security have already begun reshaping the industrial landscape across North America and beyond.

For markets, this distinction matters enormously. Investors price not only the level of tariffs, but the **predictability of policy**. Sudden tariff expansions imposed under emergency authority introduce uncertainty into supply chains, pricing strategies, and corporate investment plans. A system where tariffs emerge through established statutory channels may move more slowly, but it also reduces the risk of abrupt, destabilizing shifts.

The economic implications extend beyond Washington. Global manufacturers, exporters, and logistics networks must now recalibrate expectations about how quickly U.S. trade policy can change and how durable those changes will be.

Industries that had accelerated reshoring decisions in response to tariff risk — particularly pharmaceuticals, medical devices, industrial inputs, and technology components — will continue to evaluate whether production within U.S. jurisdiction offers long-term stability advantages. This is where the ruling intersects directly with U.S. industrial strategy and regional growth dynamics. The United States has been experiencing a multi-year push toward supply-chain resilience, domestic production security, and strategic industrial capacity. Tariffs have been one tool in that broader effort, but they are not the only one. Federal incentives, industrial policy initiatives, and corporate risk management strategies all continue to support the trend toward domestic and near-shore manufacturing. Puerto Rico sits squarely at this intersection. As a U.S. jurisdiction with established pharmaceutical and advanced-manufacturing clusters, the Island has already benefited from this reshoring wave. The recent surge in industrial investment — including more than **\$2 billion in manufacturing expansions within a matter of months** — reflects the tangible impact of tariff-driven supply-chain recalibration combined with long-standing structural advantages.

The Supreme Court's ruling, therefore, does not reverse these forces. Instead, it reframes the policy environment in which they unfold. Tariffs may evolve through different legal pathways, timelines, and political negotiations, but the broader industrial realignment toward secure U.S.-aligned production remains intact.

For investors, policymakers, and corporate strategists, the message is clear: The decision changes **how** trade policy will be implemented, not **whether** it will continue to shape the global industrial landscape.

The Court's Majority View: Statutory Clarity Over Executive Reach

Writing for the majority, Chief Justice Roberts framed the case as a question of congressional authorization rather than trade policy wisdom. **The opinion emphasized that tariffs lie at the core of Congress's constitutional authority over foreign commerce and cannot be imposed broadly without clear legislative delegation.**

The Court concluded that **emergency economic powers allowing the President to regulate international transactions do not clearly authorize sweeping global import duties.** When executive action carries major economic and political consequences, Congress must speak explicitly. Without that clarity, emergency authority cannot be stretched into long-term trade policy.

The Court intentionally left unresolved the issue of refunds for previously collected tariffs, signaling that those questions belong to lower courts and administrative processes. This preserves some legal uncertainty, but removes the larger constitutional ambiguity surrounding emergency-based tariffs.

The Dissent: Preserving Flexibility in Economic Emergencies

The dissenting justices viewed the statute more broadly, arguing that authority to regulate international economic activity could reasonably include tariffs, particularly in response to global economic threats. They emphasized that presidents have historically relied on rapid-response tools during crises and warned that limiting emergency authority risks constraining the government's ability to act decisively when economic conditions deteriorate.

This disagreement reflects a deeper institutional tension: whether economic urgency should prioritize executive flexibility or statutory precision. The ruling ultimately favors precision, reinforcing Congress's central role in defining tariff authority.

Policy Continuity: Different Legal Tools, Same Strategic Objective

The administration's immediate response made clear that tariffs remain central to U.S. trade strategy. A temporary tariff was imposed under Section 122 of the Trade Act while investigations proceed that could justify longer-term measures under Sections 301 or 232.

The shift is procedural, not directional. Tariffs remain a policy lever; the difference is that they now must follow clearer statutory pathways. Temporary tools offer speed, while investigative authorities offer durability.

For markets, this framework signals continuity with greater predictability. The legal overhang is reduced even if tariffs themselves persist.

U.S. Tariff Authorities — Legal Pathways and Constraints

Authority	Policy Trigger	Investigation Required Before Action?	How Long Can Tariffs Last?	Maximum Tariff Level Allowed
Section 122 (Trade Act of 1974)	Balance-of-payments deficit or serious macroeconomic pressure on the U.S.	No	150 days , extendable with Congressional approval	Up to 15%
Section 301 (Trade Act of 1974)	Unfair trade practices or discriminatory foreign measures harming U.S. commerce	Yes — USTR investigation required	Four years , extendable after review; can persist long-term	No statutory cap
Section 232 (Trade Act of 1962)	Imports threaten national security or strategic industrial capacity	Yes — Commerce Department investigation required	No statutory duration limit	No statutory cap
Section 338 (Tariff Act of 1930)	Discrimination against U.S. exports or commerce by a foreign country	No	No statutory duration limit	Up to 50%
Section 201 (Trade Act of 1974)	Serious injury to a domestic industry from import competition (safeguard action)	Yes — U.S. International Trade Commission investigation	Up to 4 years , extendable to 8 years maximum	Up to 50% equivalent , typically with phased reduction

Market Implications: Institutional Clarity Reduces Volatility

Investors tend to react less to tariff levels themselves than to uncertainty surrounding them. By clarifying limits on emergency authority while leaving alternative statutory routes intact, the Court's decision reduces the risk of abrupt, unpredictable trade-policy shifts.

The broader economic backdrop remains defined by positive growth trends, resilient labor conditions, and strong corporate earnings expectations. In that

BIRLING CAPITAL ADVISORS, LLC **S&P 500 Corrections Since 2009**

S&P 500 Corrections that Made Headlines since March 2009

Correction Period	# Days	Start of Period	End of Period	Decline %	"Stocks Fall On..."
2025: Feb 19 - Apr 7*	47	6144	5062	-17.61%	Tariffs, Trade Wars and Recession Fears
2024: Jul 16 - Aug 5	20	5667	5185	-8.49%	Recession Fears, Fed Behind Curve, Nikkiel Crash
2024: Mar 28 - Apr 19	22	5254	4967	-5.46%	Dubborn Inflation, Fed Pushing Back Rate Cuts, Iran/Israel Conflict
2022: Jan 4 - Oct 13	282	4794	3670	-23.44%	Inflation, Rising Rates/Fed Tightening, Russia/Ukraine War, Recession Fears
2021: Nov 22 - Dec 9	11	4683	4288	-8.09%	Covid Omicron Variant, Fed Taper Fears
2021: Sep 2 - Oct 4	32	4557	4300	-5.21%	China Contagion Fears, Fed Taper Fears, Covid Delta Variant
2021: Feb 16 - Mar 4	16	3933	3768	-4.17%	Inflation Fears, Rising Rates
2020: Sep 2 - Sep 24	22	3581	3247	-9.33%	Coronavirus, No New Stimulus Deal, Election Fears
2020: Feb 19 - Mar 23	33	3386	2237	-33.93%	Coronavirus, Global Depression Fears
2019: Mar 27 - Aug 5	10	3026	2845	-5.99%	Trade War, Tariffs, Yuan Devaluation, Recession Fears
2019: May 1 - Jun 3	33	2924	2744	-6.13%	Trade War, Tariffs, Inverted Yield Curve, Global Slowdown/Recession Fears
2018: Sep 21 - Dec 26	96	2930	2468	-15.77%	Rising Rates, China Slowdown, Trade War/Tariffs, Housing Slowdown
2018: Jan 26 - Feb 9	14	2873	2620	-8.82%	Inflation Fears, Rising Rates
2016: Aug 15 - Nov 4	81	2190	2085	-4.79%	Election Fears/Concerns/Jitters
2015/16: May 20 - Feb 11	267	2126	1829	-13.96%	Greece Default, China Stock Crash, EM Currencies, Falling Oil, North Korea
2014/15: Dec 29 - Feb 2	35	2091	2021	-3.34%	Falling Oil, Strong Dollar, Weak Earnings
2014: Dec 2 - Dec 16	11	2075	1973	-4.93%	Falling Oil, Strong Dollar
2014: Sep 19 - Oct 15	26	2010	1862	-7.36%	Ebola, Global Growth Fears, Falling Oil
2014: Jan 15 - Feb 5	21	1848	1752	-5.23%	Fed Taper, European Deflation Fears, EM Currency Turmoil
2013: May 22 - Jun 24	33	1655	1573	-4.97%	Fed Taper Fears
2012: Sep 14 - Nov 16	63	1466	1360	-7.22%	Fiscal Cliff Concerns, Obama's Re-Election
2012: Apr 2 - Jun 4	63	1419	1278	-9.93%	Europe's Debt Crisis
2011: May 2 - Oct 4	155	1361	1124	-17.43%	Europe's Debt Crisis, Double-Dip Recession Fears, US Debt Downgrade
2011: Feb 18 - Mar 16	26	1343	1257	-6.41%	Libyan Civil War, Japan Earthquake/Nuclear Disaster
2010: Apr 28 - Jul 1	66	1212	1027	-15.24%	Europe's Debt Crisis, Flash Crash, Growth Concerns
2010: Jan 19 - Feb 5	17	1150	1064	-7.31%	China's Lending Curbs, Obama Bank Regulation Plan
2009: Oct 21 - Nov 2	12	1081	1043	-3.56%	Worries About The Recovery
2009: Sep 23 - Oct 2	9	1061	1025	-3.36%	Worries About The Recovery
2009: Jun 11 - Jul 7	26	945	881	-6.76%	World Bank Neg Growth Forecast, Fears Market Is Ahead Of Recovery
2009: May 8 - May 15	7	929	883	-4.99%	Worries That Market Has Gotten Ahead Of Itself
Median	26			-6.55%	

context, the ruling is best understood as an institutional event affecting policy mechanics rather than a fundamental shift in the economic cycle.

Puerto Rico: Where Trade Policy Meets Industrial Reality

While the decision primarily affects global trade policy, its consequences are particularly tangible for Puerto Rico. The Island's economy remains anchored in manufacturing, which accounts for **46.3% of GDP**, led by pharmaceuticals and medical devices that dominate exports and connect Puerto Rico directly to U.S. and global supply chains.

Financial services, insurance, and real estate contribute **20.9%**, reinforcing capital formation and investment flows. Services account for **13.2%**, supported by tourism, healthcare, and professional services, while commerce and retail account for **9.6%**. Government activity contributes **5.4%**, with utilities, construction, logistics, and agriculture completing the economic structure.

This composition confirms Puerto Rico as a **manufacturing-led yet increasingly diversified economy**, combining export-driven industry with growing domestic and financial sectors. It remains the most advanced and resilient production platform in the Caribbean and one of the most strategically positioned U.S. jurisdictions for industrial expansion.

The Tariff Tailwind and the \$2.1 Billion Signal

The 2025 tariff environment accelerated a structural relocation of production toward U.S. jurisdictions. Higher import duties raised the cost of offshore manufacturing and strengthened incentives to produce inside the U.S. regulatory framework. Puerto Rico's tariff-free access to the mainland, established pharmaceutical ecosystem, and regulatory alignment made it a natural beneficiary of this shift.

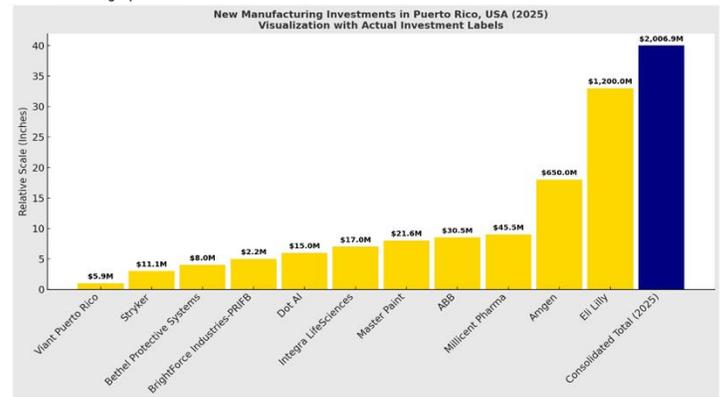
Between **February and October 2025**, the Island attracted approximately **\$2.1 billion in new manufacturing investments and expansions**, the largest wave of industrial capital commitments in decades. Major projects include:

- Eli Lilly — \$1.2 billion
- Amgen — \$650 million
- Millicent Pharma — \$45.5 million
- ABB Arcibo — \$35.5 million
- Master Paints — \$21.6 million
- Integra Life Sciences — \$17 million

These commitments reflect more than temporary tariff positioning. They indicate a structural repositioning of Puerto Rico within the U.S. industrial landscape. If sustained, this momentum could allow the Island to **double industrial output growth by 2030** and add **more than \$1.5 billion to GDP annually**.



\$2.1 Billion in Puerto Rico Manufacturing Investments



Source: Department of Economic Development & Commerce

Industrial Strength Confirmed by PMI Performance

Puerto Rico's manufacturing Purchasing Managers Index reinforces this trend. Through 2024 and 2025, Puerto Rico's PMI frequently remained above the **50 expansion threshold**, while the U.S. manufacturing PMI stayed mostly below that level. This divergence reflects:

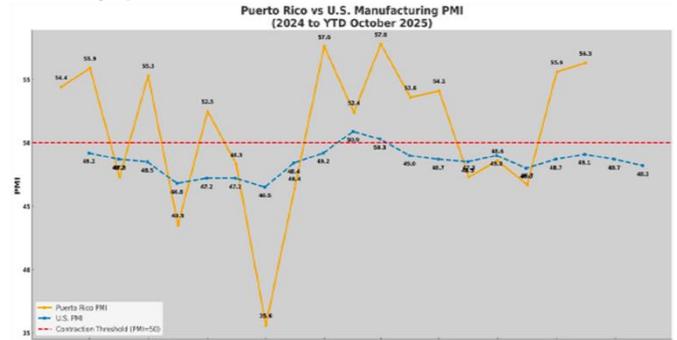
- strong pharmaceutical and medical-device production
- expanding industrial investment capacity
- continued reconstruction-related demand

The result is a manufacturing economy demonstrating **greater adaptability and stronger recovery dynamics** than the broader U.S. industrial cycle.



Puerto Rico vs U.S. Manufacturing PMI Jan-2024 to Oct-2025

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The Strategic Risk and Opportunity Ahead

If tariff intensity moderates over time following the Court's ruling and subsequent policy evolution, Puerto Rico's relative advantage from tariff protection could narrow. In that environment, competitiveness will depend increasingly on structural fundamentals: energy reliability, logistics efficiency, workforce alignment, regulatory certainty, and investment incentives. Tariffs accelerated relocation decisions. Structural competitiveness will determine whether that relocation continues.

Initiatives such as **"Made in Puerto Rico, USA"** therefore become critical. By strengthening reshoring incentives, supply-chain integration, and industrial infrastructure, Puerto Rico can convert tariff-driven momentum into **lasting, long-term industrial positioning**.

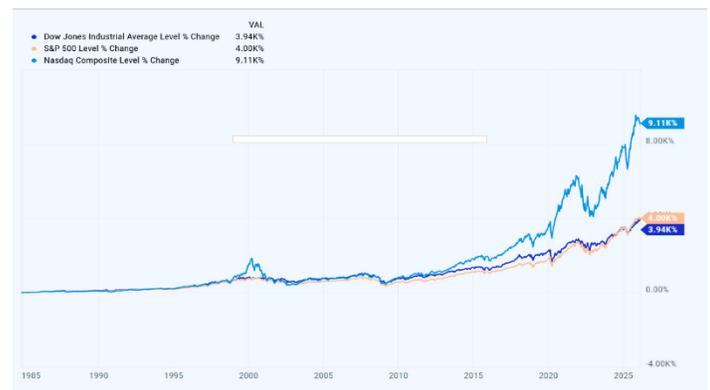
The Final Word: Using 19th Century Tools to Deal with 21st Century Issues

The Supreme Court did not eliminate tariffs. It reaffirmed the institutional framework that governs them. Trade policy will continue to influence global supply chains, industrial investment, and capital allocation. What has changed is that the next phase will unfold through statutory process rather than emergency authority — reducing uncertainty while preserving strategic direction.

Puerto Rico's recent manufacturing surge shows how quickly investment follows when policy signals align with structural industrial strength. The opportunity now is to convert that momentum into lasting competitiveness grounded in energy reliability, workforce capability, and regulatory certainty.



The Long-Term Power of Markets Returns for the Dow Jones, S&P 500 & Nasdaq Composite from 1985 to 2.20.2026



The broader lesson extends beyond this case. **When 19th-century economic policy tools are applied to a 21st-century global economy, the results may not always be what policymakers hope for.** Modern supply chains are complex, capital is mobile, and industrial decisions increasingly depend on predictability rather than protection alone.

For investors, the hierarchy remains clear:

- Economic trends create opportunity.
- Policy can accelerate it.
- Institutional clarity determines whether it endures.
- Understanding that hierarchy is not theoretical.
It is strategic.

As I have said, since President Trump began using Tariffs. **“Apply 19th-century economic tools to a 21st-century global economy, and you risk getting 19th-century results — slower growth, distorted trade, and consequences far different from the policy’s intent”.**



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