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Restructuring and Insolvency in an Era of Tariffs, Trade Wars, and Sanctions

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Agenda

- Introduction
- Current U.S. Tariff and Sanction Policy
- Retaliatory Policies
- Broad Perspectives: Impact and Mitigation

Current U.S. Tariff and Sanction Policy

Timeline

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- <u>January 20, 2026:</u>Donald Trump takes office as President of the U.S. a second time. Almost immediately, Trump imposes tariffs on Canada, Mexico, and China.
- <u>April 2, 2025:</u> Liberation Day. Trump imposes duties of at least 10% on all other trading partners, using IEEPA.
- <u>February 20, 2026:</u>The U.S. Supreme Court shuts down use of IEEPA to impose tariffs.
- <u>February 24, 2026:</u>Trump uses a different law (Section 122 of the Trade Act of 1974) to impose a 10% ad valorem global tariff.
- [Add here for more updates]

Current U.S. Tariff and Sanction Policy

U.S. Court Rulings

- *Learning Res. Inc. v. Trump*, 146 S. Ct. 628 (2026)
  - The U.S. Supreme Court found that Trump could not use IEEPA to impose the tariffs, the power to impose tariffs was reserved for the United States Congress, and President Trump did not have authority from Congress to impose the tariffs.
- *Oregon v. United States*, Slip Op. 26-47 (2026)
  - On May 7, 2026, the U.S. Court of Int'l Trade blocked tariffs under the 1974 Trade Act
  - On May 12, 2026, the U.S. Court of Appeals stayed this order

~~Trade~~ Wars

Operation Epic Fury

February 28, 2026: U.S. and Israel launch “Operation Epic Fury” against Iran. The economic impact from this war has been the largest disruption in history on the global oil market.

[Add here]

Retaliatory Policies

Japan

- **Initial Implementation (April 2025):** Under the retaliatory tariffs policy, U.S. imposed a 25% additional tariff on Japanese automobiles and auto parts.
- **Bilateral Agreement (July 2025):** Following intense negotiations, US/Japan settled on a reduced tariff rate of 15% for the automotive sector.
- **Other Commitments:** To secure the lower rate, Japan agreed to expand import quotas for U.S. rice, as well as commitment of total of $550 billion in investments into the U.S. economy.
- **Current Status:** The 15% tariff remains active, causing Japanese manufacturers to accelerate supply chain shifts toward North American production.

Retaliatory Policies

Eurozone

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- Trade relations between the EU and the US account for almost 30 per cent of global trade.
- In August 2025, the European Commission and the United States reached a principle agreement on the level of mutual tariffs as part of the so-called Turnberry Deal.
- The European Parliament approved the implementation of the tariff deal on 26 March 2026 albeit subject to conditions. These are now negotiated between the European Parliament, the European Commission and the Member States in what is known as the trilogue procedure.
- President Trump has very recently now called on the European Union to implement a trade agreement reached last year. If this is not done by 4 July, he is threatening to impose new punitive tariffs.
- The discussion is therefore pending but unsolved. It has major impacts especially on European key and export-heavy industries in the Automotive, Chemical and manufacturing space. The situation being unsolved is considered as the major challenge for businesses.

Broad Perspectives: Impact & Mitigation

Global Imports and Consumer Prices (inbound/import)

Japan

- Cost-Push Bankruptcies: Indirect effects of U.S. trade policies, as well as the resulting currency fluctuations (weak JPY), the costs for imported materials, energy, and agricultural products have drastically increased.

- Statistics show that U.S. tariffs are projected to reduce Japan's real GDP by 0.5% (approx. JPY2.8 trillion), with over 40% of manufacturers (particularly the automotive and machinery industries) anticipating profit losses as annual corporate bankruptcies remain elevated at over 10,000 cases.

Broad Perspectives: Impact & Mitigation

Global Imports and Consumer Prices (inbound/import)

Eurozone

[Largely unaffected]

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Broad Perspectives: Impact & Mitigation

Global Businesses (outbound/export)

Japan

- Automotive Supplier Insolvencies: Tier 2 and Tier 3 auto parts manufacturers are facing financial distress. As major automakers shift production to the U.S. to bypass the 15% tariff, domestic suppliers are experiencing severe drop in order volumes, triggering bankruptcies in regional manufacturing sites.

- SME Insolvencies: SMEs that lack capital to relocate manufacturing sites to the US are unable to absorb the tariff costs. Suffering from severe cash flow depletion and eventual to insolvency.

Broad Perspectives: Impact & Mitigation

Global Businesses (outbound/export)

Eurozone

- The increase in tariffs is leading to rising costs for EU based exporters and, consequently, decline in their competitiveness in the US market.
- The following industries are impacted significantly: automotive, mechanical engineering, chemical
- Exporters seem to largely increase prices charging through the tariffs or trying to
- Market shares for several companies are declining due to increased prices
- Mitigating through shifting location of production or dual-approach strategies
- Tariff wars lead to liquidity shortages if no alternative sales markets are available
- SMEs particularly at risk

Broad Perspectives: Impact & Mitigation

Global Businesses (outbound/export)

United States

- From 2024 to 2025, U.S. chapter 11 bankruptcies filed due to tariffs up over 300%
- Tariff policies have significantly impacted retail and industrial companies
  - E.g., Claire's (a U.S. retail company) saw its cost of goods increase USD$30M due to tariffs
- [Add here]