

Tariffs: Catalyst of Financial Distress or Driver of Value?

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As the cornerstone of the current administration's economic policy, tariffs and global trade issues more generally have been the subject of intense news coverage and public debate for the past eight months. The United States has seen a sharp increase in the imposition of tariffs, particularly targeting steel, aluminum, and a range of manufactured goods from key trading partners such as China, the European Union, Canada, and Mexico. The consequences of these tariffs, and threatened tariffs, have rippled through the economy, with pronounced effects on the manufacturing, automotive, and consumer goods sectors. As companies in these industries—many already carrying significant leverage and facing economic strain—face mounting financial pressures, the intersection of trade policy and bankruptcy law has become increasingly salient.

Trade policy and trade wars are complex and their interaction with bankruptcy can present both risks and opportunities, depending entirely on where an affected business sits in the value chain. Tariffs logically contribute to...

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