Lowenstein Bankruptcy Lowdown Video 31 – Tariffs and Turmoil: How Trade Policy Is Driving Corporate Bankruptcies

By David M. Posner and Daniel B. Besikof

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David M. Posner: Welcome to this edition of the Lowenstein Bankruptcy Lowdown. Today we will be discussing everyone's favorite topic: tariffs.

Daniel B. Besikof: The imposition of tariffs under President Trump has introduced a significant variable into the restructuring landscape—one that is already feeling the effects of inflation and elevated interest rates. While the final contours of the tariff regime remain fluid, the economic consequences are clear: tariffs have raised input costs, disrupted supply chains, and compressed margins. For firms operating on already thin capital structures, these effects are proving existential.

David M. Posner: IG Design Group–a manufacturer and distributor of gift and décor products for which we represent the Unsecured Creditors Committee–is among the most recent tariff casualties. Tariffs increased the company's operational costs due to its international supply chain. The tariffs' unpredictable nature and rapid implementation made accurate cost forecasting impossible, impacting profit margins and leading to price hikes. Ultimately, the tariffs affected the Company's financials, operations, and demand, requiring a bankruptcy filing.

Daniel B. Besikof: Other recent bankruptcy filings underscore the point. In the automotive sector, Marelli Holdings—a supplier to Stellantis and Nissan—pointed to auto tariffs as the final blow. In the solar sector, Sunnova Energy, Solar Mosaic, and Meyer Burger all sought Chapter 11 protection, citing rising costs and policy volatility.

Retailers have also suffered tariff-induced distress. At Home Group cited tariffs as a key driver of its $2 billion bankruptcy. Department stores such as Kohls, Macy's, JCPenney, and Saks—already on various restructuring watch lists—stand to have their margins further eaten away by tariffs.

David M. Posner: And now, with the announcement of a 15% reciprocal tariff deal between the U.S. and the European Union, the pressure is poised to intensify. The agreement, struck just days before imposition of a threatened 30% tariff, imposes a uniform 15% tariff on most EU exports—including pharmaceuticals, auto parts, and industrial components deeply embedded in U.S. supply chains. The deal may have averted a trade war, but it has not averted the financial fallout.

Daniel B. Besikof: For companies unable to absorb or pass on these costs, the implications are stark: margin erosion, layoffs, and potential insolvency. Some firms are pursuing out-of-court restructurings and liability management exercises to buy time. But in many cases, these are merely triage, not treatment.

David M. Posner: In short, while tariffs are framed as a tool of industrial policy, one of their most visible impacts may be in the bankruptcy courts. The cost of protectionism is increasingly being tallied not in trade balances, but in reorganization plans.

Daniel B. Besikof: Thank you for joining us for this edition of the **Lowenstein Bankruptcy Lowdown**.