

Transatlantic political and economic volatility: Driving increased European restructuring activity

Rachel Brown discusses the significant challenges that the transatlantic economy has faced over the last 12-18 months



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The tariff-centric approach now favoured by the US, as well as the Trump administration's different approach on energy, is creating volatility in the market



The transatlantic economy – comprising the United States, the UK, the European Union and other European nations – is the largest and wealthiest market in the world. It accounts for around a third of global GDP and creates millions of jobs. It also supports trade, investment and innovation across the world.

However, the transatlantic economy has faced significant challenges over the last 12-18 months. Following the inauguration of Donald Trump as the 47th President of the United States on 20 January 2025, there has been a shift in trade strategy. The tariff-centric approach now favoured by the US, as well as the Trump administration's different approach on energy, is creating volatility in the market. Differing views and regulatory rifts have also emerged from discussions and diverging approaches to AI and cyber security, creating further friction and a reduction in cross-border investment. The transatlantic economy is also facing geopolitical pressures – including Russia's war in Ukraine and the resulting sanctions regimes.

This instability is impacting on the restructuring landscape and driving an increase in European restructuring activity. This creates both an opportunity and a challenge for insolvency practitioners and other

professionals involved in business recovery throughout Europe.

The benefits of cross-border restructuring tools

Cross-border restructurings are a useful tool for businesses with assets and interests in more than one jurisdiction who experience financial distress. They create predictable frameworks for dealing with international creditors, courts and assets. They also reduce costs, preserve value and increase recoveries for creditors by streamlining restructuring processes.

Identifying where insolvency proceedings can be commenced is a critical part of any cross-border restructuring. It determines which restructuring tools are available. It also affects the international recognition of the restructuring process, and shapes outcomes.

Europe as a leader in cross-border restructuring

The US is the most active restructuring market in the world, particularly for large, complex cases. The US Chapter 11 process is widely used. However, over the last five years Europe has adopted a number of credible alternatives to Chapter 11 and is increasingly regarded as a leading hub for cross-border restructuring work.

Multi-jurisdictional groups with assets and interests in Europe

facing short-term debt challenges can now benefit from a range of tools and restructure their debts in a binding, efficient and internationally recognised manner.

Europe's restructuring market offers modern, flexible and harmonised restructuring laws, as well as strong cross-border legal cooperation within the EU as a result of The Recast Insolvency Regulation. Outside of the EU, the UK's own schemes of arrangement and restructuring plans are internationally recognised and continue to be widely used for pan-European restructurings. Germany and the Netherlands also offer similar restructuring tools (StaRUG and WHOA) to encourage early-stage restructurings. As a result, multi-jurisdictional groups now have access to a range of restructuring processes across Europe, with many achieving similar results to the Chapter 11 process in the US at a lower cost.

Increased restructuring activity in Europe

Following the introduction of these new restructuring tools, we are seeing an increase in European restructuring activity. The increase is being driven by a combination of political instability, economic uncertainty and cross-border disruption, including the following:

- The introduction of



protectionist measures and an aggressive tariff-focused trade strategy by the US. This is disrupting global supply chains, increasing costs and fuelling inflationary pressures. For businesses exposed to the US market, it is also making business planning very difficult and creating liquidity pressure for globally connected sectors (such as manufacturing, automotive, transport and logistics, energy, technology and financial services).

- There has been an increase in transatlantic political tension over the last 12 months. The US and Europe increasingly diverge on issues like trade, technology, defence, energy and regulatory policy. This tension is creating uncertainty for businesses, particularly those who operate in or are exposed to the US market.
- There has been an increase in geopolitical rivalry – particularly between China and the US – which is creating further uncertainty and adding to the challenges faced by businesses, particularly those exposed to the US and Chinese markets.
- The growing use of aggressive US-style liability management exercises in Europe is also impacting on the restructuring market and opening up new battlegrounds. It is also generating more complex, contentious work in the market.
- These changes have all occurred during a period of subdued economic growth in Europe. The largest economies in Europe – such as Germany, UK, France and Italy – are all facing recessionary pressures as a result of high borrowing costs, high energy costs, weak export demand, weak investment and inflation. This is creating additional risks for businesses. It is also driving an increase in insolvency numbers. Germany, France and Italy have all seen an increase in corporate failures in the last 12 months. Corporate insolvencies in the UK also remain at an elevated level, although the numbers appear to have plateaued slightly.

Future trends

A combination of these factors is driving an increase in restructuring activity across Europe. It is also generating more complex and contentious work. These trends are expected to continue in 2026.

In addition to an increase in activity, we are also likely to see higher demand for sophisticated restructuring tools and cross-border expertise over the next few years. Insolvency practitioners and other professionals involved in business recovery across Europe will need to ensure they are familiar with the tools available and stay up to date on cross-border trends (including legislative changes across Europe and critical legal challenges to cross-border restructurings). They will also need to ensure that the ongoing economic and political volatility is factored into any rescue plans. ■

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