

# *Comparative Study on Bankruptcy Laws of Multinational Corporations from the Perspective of Globalization*

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**Abstract:** The continuous development of globalization in the global business environment has led multinational companies to do business in many countries, which has brought new challenges and opportunities to the bankruptcy law of multinational companies. First of all, globalization has increased the diversity of legal systems, leading to different bankruptcy laws and procedures in different countries. Diversity increases the complexity of bankruptcy procedures, and multinational companies must deal with the provisions of multiple legal systems at the same time, which is a complex task for legal professionals and enterprises. Secondly, the bankruptcy of multinational corporations involves multinational debts and creditors. Therefore, how to balance the rights and interests of creditors in different countries has become a key issue. International cooperation and coordination have become crucial to ensure fair treatment of the rights and interests of all parties. Finally, regulations may need to be adjusted according to the trend of globalization. Laws and regulations should be more flexible to adapt to the rapidly changing international business environment while protecting the rights and interests of all parties. In the future, more international cooperation mechanisms need to be established to better handle the bankruptcy cases of multinational companies. This may include the agreement of the International Court of Justice, the international creditor committee and the formulation of common legal standards to promote coordination and cooperation among legal systems.

## **1. Introduction**

Bankruptcy law of multinational corporations refers to the legal provisions and procedures that regulate the bankruptcy of multinational corporations in many countries or regions. These laws are aimed at solving the bankruptcy problems involving multinational corporations, including provisions on asset liquidation, debt restructuring, protection of creditors' rights and interests, and the continued operation or liquidation of multinational corporations. These laws usually reflect the legal system and culture of countries or regions, and are also influenced by international law and international trade law. Different countries may have different procedures and requirements for the bankruptcy of transnational corporations. Some countries may adopt liquidation mode, while others may support debt restructuring to allow companies to reorganize and continue to operate. Bankruptcy laws of multinational corporations vary from country to country, which may lead to complex legal problems in the management of bankruptcy cases of multinational corporations in different jurisdictions [1]. Therefore, it is very important for multinational corporations, their

shareholders, creditors and employees to understand the legal requirements and procedures of different countries and regions. Under the background of globalization, professional legal advice and international cooperation have become particularly important to effectively deal with the bankruptcy of multinational companies.

Globalization has become one of the main trends in the world today, and the activities of multinational corporations in the international market are increasing day by day [2-3]. However, with the instability of the global market and the intensification of competition, multinational companies are more likely to fall into financial difficulties and then face bankruptcy. Therefore, understanding the comparison of bankruptcy laws of multinational corporations in different countries is very important for maintaining the stability of the global financial system and the sustainable development of multinational corporations. The purpose of this study is to compare the bankruptcy laws of multinational corporations in different countries or regions, explore their influence in the era of globalization, and understand the similarities and differences of these laws, and how they adapt to the needs of the global market.

## **2. Bankruptcy legal system of multinational corporations in different countries**

With the advance of globalization, the opportunities and challenges for multinational companies to do business in different countries are also increasing. However, this globalization trend has also brought about complex legal problems faced by multinational companies when they go bankrupt in different countries. Different countries have their own bankruptcy legal systems, and these legal systems have significant differences in asset distribution, debt settlement and legal procedures when multinational companies go bankrupt. Therefore, it is very important to understand the differences between different countries' bankruptcy legal systems and how to coordinate the bankruptcy procedures of multinational companies.

### **2.1. Bankruptcy laws of American multinational corporations**

As one of the largest economies in the world, the United States has attracted a large number of multinational companies to set up business in its territory. However, the bankruptcy of multinational corporations often occurs in the international business environment. The bankruptcy laws of American multinational corporations refer to the bankruptcy procedures and legal provisions applicable to multinational corporations [4]. These legal provisions mainly include American federal laws and state laws, which involve the bankruptcy of multinational companies in the United States. American law allows two main types of bankruptcy proceedings, which are usually coordinated with foreign bankruptcy proceedings to ensure the protection of the rights and interests of global creditors. Bankruptcy proceedings are usually conducted in bankruptcy courts in the United States or in bankruptcy courts in various States. These courts specialize in handling bankruptcy cases, ensuring legal and fair procedures and protecting the rights and interests of all parties. American bankruptcy law allows multinational companies to liquidate their assets and debts in the United States. This includes selling assets, negotiating debt restructuring with creditors, or dealing with financial problems by other means.

American bankruptcy law stipulates that different kinds of creditors are paid in a certain priority order. Usually, priority creditors who benefit from bankruptcy proceedings include employees' salaries, tax authorities and secured creditors. Multinational companies usually involve creditors from multiple countries, and bankruptcy procedures allow American courts to coordinate with foreign bankruptcy courts to ensure that the rights and interests of global creditors are treated fairly. American bankruptcy law emphasizes fair treatment of all parties, including creditors, shareholders and employees. The task of the court is to ensure that all rights and interests are distributed

reasonably. The bankruptcy law of multinational corporations in the United States provides a mechanism to deal with debt and assets problems for multinational corporations involved in American jurisdictions to ensure fair treatment of all stakeholders. These legal provisions provide protection and are designed to help companies restructure and re-establish financial health.

Generally speaking, the bankruptcy law of multinational corporations in the United States provides a detailed legal framework for dealing with the bankruptcy of multinational corporations, emphasizing the coordination and protection of creditors' rights and interests by the courts. This legal system plays an important role in the international business environment and helps to promote fair treatment between companies and creditors.

## **2.2. Bankruptcy laws of transnational corporations in European countries**

European countries have their own bankruptcy legal systems, but there is also a certain degree of coordination and unification, especially within the EU. Some European countries have adopted the framework of European bankruptcy law, aiming at promoting the coordination of bankruptcy procedures of multinational companies. This framework allows for the effective handling of assets and liabilities in the case of bankruptcy involving several European countries. The European Court of Justice sometimes deals with the internal bankruptcy proceedings in European countries, especially in the case of EU law. It ensures the consistency and application of European regulations. Bankruptcy laws in European countries usually ensure the protection of creditors' rights and interests, and priority creditors usually include employees' salaries, tax authorities and secured creditors [5-6]. Bankruptcy laws in different countries may have different types of procedures, including liquidation, debt restructuring and bankruptcy protection. These procedures allow companies to deal with their financial problems in different ways. Some European countries have laws to promote debt restructuring, allowing companies to reschedule their debts without formal bankruptcy procedures. This will help to avoid the bankruptcy of the company and protect the rights and interests of creditors.

In a word, the bankruptcy laws of multinational corporations in European countries are different among countries, but they are also coordinated and consistent to some extent, especially within the EU. These legal systems aim to protect the rights and interests of creditors, promote the effective management of bankruptcy procedures, and allow companies in need to reorganize and rebuild.

## **2.3. Bankruptcy laws of transnational corporations in China**

With the rising of China's economy and the acceleration of globalization, China's multinational companies are playing an increasingly important role in the international business arena. However, it is followed by the risk of bankruptcy of multinational companies. The bankruptcy law of multinational corporations in China refers to the legal system to deal with the bankruptcy of these companies in the international scope.

The legal basis of the bankruptcy law of multinational companies in China mainly includes the Enterprise Bankruptcy Law of the People's Republic of China and relevant regulatory provisions. In addition, China has also participated in international multilateral agreements and treaties, such as the Convention on the Bankruptcy of Transnational Corporations, to deal with cross-border bankruptcy cases involving multinational legal systems. When dealing with the bankruptcy cases of multinational companies, China courts usually determine their jurisdiction according to legal provisions [7]. If the company is registered in China, the China court will have the right to hear its bankruptcy case. However, if a company is registered in multiple countries, it may involve complex issues between multiple jurisdictions and need to coordinate the international legal system.

The bankruptcy law of multinational corporations in China emphasizes cooperation with the

courts of other countries to deal with cross-border bankruptcy cases. This includes sharing information with courts in other countries, assisting in the tracing and distribution of assets, and resolving disputes through consultation. Bankruptcy procedures in China usually include debt restructuring and asset liquidation. Companies can choose to restructure to maintain business operations, or liquidate to pay off debts. In the case of bankruptcy of multinational companies, it is necessary to coordinate the legal systems of various countries to ensure effective asset allocation and debt repayment. The bankruptcy laws of multinational corporations in China are devoted to protecting the rights and interests of all kinds of creditors, including priority creditors, ordinary creditors and shareholders. The law stipulates the priority of different types of creditor's rights and how creditors should participate in bankruptcy proceedings. With the increasing number of multinational companies in China, there have been some bankruptcy cases of multinational companies. These cases provide valuable experience and lessons, which will help to continuously improve the bankruptcy legal system of multinational companies in China.

Generally speaking, the overview of the bankruptcy law of multinational companies in China covers key elements such as legal basis, court jurisdiction, international cooperation, bankruptcy procedures and creditors' rights and interests. The laws in this field are constantly developing to adapt to the increasingly important position of multinational companies in China in the international business arena [8-9].

In a word, the bankruptcy legal systems of multinational corporations in different countries from the perspective of globalization involve complex legal, economic and strategic issues. This paper analyzes the legal differences in different countries, the protection of creditors' rights and interests, cross-border assets and debts, and coordination mechanisms to help understand the bankruptcy procedures of multinational companies under the conditions of globalization. This will help enterprises, legal professionals and policy makers to better cope with the bankruptcy challenges under the background of globalization.

### **3. Similarities and differences of bankruptcy laws of transnational corporations in different countries**

The United States, European countries and China have some similarities in the bankruptcy laws of transnational corporations, but there are also some significant differences. The following is an overview of their similarities and differences:

#### **3.1. Similarity**

Protection of creditors' rights and interests: In these areas, bankruptcy laws are devoted to protecting the rights and interests of various types of creditors, including suppliers, employees, bondholders and shareholders. These laws are designed to ensure a fair distribution of assets.

Debt restructuring: The laws of the United States, European countries and China allow debt restructuring to help companies reorganize and tide over difficulties. This can include debt reduction, debt extension or other forms of debt restructuring.

Regulators: Regulators or courts have been set up in these areas to supervise bankruptcy procedures, ensure fair implementation of procedures and assist in debt restructuring.

#### **3.2. Difference**

##### **(1) Legal framework**

The United States adopts a combination of federal law and state law, and bankruptcy cases may be under the dual jurisdiction of federal law and state law. The bankruptcy laws of European

countries are different, because each country has its own legal system. However, some countries in the European Union adopted European bankruptcy laws and tried to harmonize bankruptcy laws in Europe. China adopts a different legal framework, mainly declaring bankruptcy according to law and providing legal financial assistance. Bankruptcy cases are regulated by the bankruptcy law of China.

#### (2) Role assignment

Bankruptcy procedures in the United States are usually managed by bankruptcy courts, and there are special trusts to manage the assets of bankrupt companies to meet the interests of creditors to the greatest extent. In European countries, the management methods of bankruptcy procedures vary from country to country, but they are usually managed by special bankruptcy courts or supervised management institutions. The bankruptcy procedure in China is managed by the government to a great extent, and the bankruptcy management agencies (usually managed by government agencies) assist in debt restructuring or liquidation.

#### (3) Creditor status

The bankruptcy law system in the United States has a relatively high status for creditors, and creditors usually have more power and transparency. The status of creditors is also relatively high in European countries, but the specific situation varies from country to country. China's bankruptcy legal system emphasizes the protection of creditors' rights and interests to some extent, but the government plays a bigger role in the bankruptcy procedure, which may have a certain impact on creditors.

Generally speaking, the bankruptcy laws of multinational corporations in the United States, European countries and China have something in common, but they are also influenced by their respective national legal systems and cultural differences, so there are some differences in specific details. When multinational companies are facing bankruptcy, they need to formulate appropriate strategies according to the local legal system and situation.

### **4. Development trend and future prospect of bankruptcy law of transnational corporations**

Globalization has made it more common for multinational companies to do business in many countries. This diversity leads to different bankruptcy laws and procedures in different countries. Multinational companies may need to deal with multiple legal systems at the same time, which challenges the complexity of bankruptcy procedures. Globalization has made the debts and creditors of multinational corporations more diversified. Bankruptcy procedures must balance the rights and interests of creditors in different countries, which may require more mechanisms for cross-border cooperation to ensure fair distribution of assets [10]. In the face of the bankruptcy of multinational corporations, the coordination and cooperation between national courts and regulatory agencies has become crucial. In the future, we can expect to see the development of more international cooperation frameworks in order to better handle the bankruptcy cases of multinational companies.

Globalization has also spawned new technical tools to deal with bankruptcy proceedings. These technologies can improve the efficiency of procedures and better meet various international legal requirements. In the future, multinational companies may adopt these technologies more frequently to simplify bankruptcy procedures. Globalization has intensified the competition among enterprises, which may lead to more multinational companies facing bankruptcy. Therefore, there may be regulatory changes to bankruptcy laws in the future to adapt to the new market and competitive environment.

In a word, the trend of globalization has had a far-reaching impact on the bankruptcy law of multinational corporations, which has triggered many legal challenges and the need for reform. In the future, we can expect to see more transnational cooperation and regulation adjustment to better



adapt to the bankruptcy cases of multinational companies under the background of globalization. This requires the joint efforts of legal professionals, governments and international organizations to ensure fair and effective bankruptcy procedures.

## 5. Conclusions

Globalization has led multinational companies to do business in many countries, and each country has its own unique bankruptcy laws and procedures. This diversity brings legal complexity, and multinational companies must deal with multiple legal systems at the same time, which increases the difficulty of bankruptcy procedures. Bankruptcy laws in different countries are different in terms of creditors' rights and interests, and the bankruptcy of multinational companies may cause controversy. International cooperation and coordination have become crucial to ensure that creditors' rights and interests are treated fairly. In the future, international cooperation and technological innovation will become the key factors to solve the diversity and complexity of laws. At the same time, the legal system needs to evolve constantly to ensure that it can effectively meet the challenges of the bankruptcy of multinational companies under the background of globalization and promote fair and sustainable solutions.

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