

REGULATORY  
INFLUENCES ON  
GLOBAL SUPPLY  
CHAINS



[timyoungmcips@outlook.com](mailto:timyoungmcips@outlook.com)

# Definition

- ▶ The regulation of imports and exports involves the establishment of rules and laws by both governments and international bodies to manage the movement of goods and services across borders.
- ▶ These regulations are designed to safeguard domestic industries, maintain national security, and adhere to international agreements.
- ▶ They ensure fair trade practices, protect local economies, and uphold ethical standards, playing a vital role in maintaining the equilibrium and smooth operation of international trade.

# Reasons for Controls on Import/Exports

| Reason                              | Description  | Example   |
|-------------------------------------|--|---|
| <b>Protect Domestic Industries</b>  | Shielding local businesses from excessive foreign competition.             | <b>Tariffs</b> on imported steel to protect local steel producers.              |
| <b>National Security</b>            | Ensuring critical goods are not exported or imported from hostile nations. | <b>Export controls</b> on advanced technology to prevent access by adversaries. |
| <b>Economic Stability</b>           | Maintaining a balanced trade deficit and economic health.                  | <b>Import quotas</b> on certain goods to prevent market flooding.               |
| <b>Quality and Safety Standards</b> | Ensuring that imported goods meet health and safety regulations.           | <b>Health inspections</b> on imported food products.                            |
| <b>Revenue Generation</b>           | Raising government revenue through tariffs and taxes.                      | <b>Import duties</b> on luxury cars to generate income for the government.      |
| <b>Cultural Preservation</b>        | Protecting local cultural industries and heritage.                         | <b>Restrictions</b> on importing foreign films to support local cinema.         |
| <b>Environmental Protection</b>     | Controlling the import/export of environmentally harmful goods.            | <b>Bans</b> on the export of endangered species and their products.             |
| <b>Ethical Considerations</b>       | Preventing the trade of goods produced through unethical practices.        | <b>Prohibitions</b> on products made with child labour.                         |

# Effects on Global Supply Chains

| Reason                              | Effect on Global Supply Chains   | Example   |
|-------------------------------------|--|---|
| <b>Protect Domestic Industries</b>  | Reduced dependence on foreign suppliers but potential supply chain disruptions if domestic capacity is insufficient. | High tariffs on imported steel might lead to increased costs and delays.                |
| <b>National Security</b>            | Need for alternative suppliers and increased complexity in supply chains.  | Export controls on technology can force companies to find alternate sources.            |
| <b>Economic Stability</b>           | Reduced availability of goods, causing delays and higher prices.   | Import quotas on electronics might limit supply, affecting production schedules.        |
| <b>Quality and Safety Standards</b> | Slower supply chains due to inspection and certification processes.  | Food safety regulations might delay the import of perishable goods.                     |
| <b>Revenue Generation</b>           | Increased costs of raw materials and goods, affecting pricing and profitability.                                     | High import duties on raw materials can raise production costs and final prices.        |
| <b>Cultural Preservation</b>        | Encourages local production but may limit consumer choice and flexibility.   | Restrictions on foreign films could increase local production but reduce variety.       |
| <b>Environmental Protection</b>     | Need for changes in sourcing and production methods, impacting efficiency and costs.                                 | Bans on importing non-recyclable materials might require sourcing alternatives.         |
| <b>Ethical Considerations</b>       | Increased scrutiny and compliance costs, promoting sustainable and fair practices.                                   | Prohibitions on products made with child labour compel sourcing from ethical suppliers. |

# Role of International Bodies

## ▶ **Setting Global Trade Rules:**

- **Framework:** The WTO provides a comprehensive framework for international trade, establishing rules and guidelines that member countries must follow.
- **Example:** The General Agreement on Tariffs and Trade (GATT) is a key WTO agreement that outlines the principles of international trade.

## ▶ **Promoting Fair Trade Practices:**

- **Non-Discrimination:** The WTO promotes principles such as most-favored-nation (MFN) status and national treatment to ensure that member countries do not unfairly discriminate between trading partners.
- **Example:** Under MFN, if a country grants a trade concession to one nation, it must extend the same concession to all other WTO members.

# Role of International Bodies

## ▶ **Dispute Resolution:**

- **Mediation:** The WTO has a dispute resolution mechanism to address conflicts between member countries regarding trade practices and regulations.
- **Example:** When two countries have a trade dispute, they can bring their case to the WTO's Dispute Settlement Body (DSB) for resolution.

## ▶ **Facilitating Trade Negotiations:**

- **Negotiation Platforms:** The WTO provides a platform for member countries to negotiate trade agreements and settle differences.
- **Example:** The Doha Round of trade negotiations aimed to achieve major reform of the international trading system through the introduction of lower trade barriers and revised trade rules.

# Role of International Bodies

## ▶ **Monitoring Trade Policies:**

- **Surveillance:** The WTO monitors the trade policies of member countries to ensure compliance with agreed-upon rules and commitments.
- **Example:** The Trade Policy Review Mechanism (TPRM) assesses and reports on individual countries' trade policies and practices.

## ▶ **Capacity Building and Technical Assistance:**

- **Support for Developing Countries:** The WTO provides technical assistance and capacity-building programs to help developing countries understand and implement trade rules.
- **Example:** Training programs and workshops are conducted to help developing countries improve their trade-related skills and knowledge.

# Impact of UK Industry Regulators on International Trade

| Aspect  | Impact on International Trade and Global Supply Chains                                   | Example   |
|---|--|---|
| <b>Regulatory Standards</b>                       | Ensuring high standards of quality, safety, and environmental protection.                | UK's stringent food safety regulations enhance global marketability.          |
| <b>Compliance and Enforcement</b>                 | Monitoring compliance with trade regulations and enforcing penalties for non-compliance. | OPSS ensures imported products meet UK safety standards.                      |
| <b>International Regulatory Cooperation (IRC)</b> | Harmonising regulations and reducing trade barriers through collaboration.               | UK's participation in OECD aligns regulatory practices with global standards. |
| <b>Innovation and Technology</b>                  | Creating an environment that supports innovation while ensuring safety and compliance.   | MHRA supports new medical technologies meeting regulatory requirements.       |
| <b>Trade Agreements</b>                           | Negotiating trade terms that include regulatory cooperation clauses.                     | Post-Brexit trade agreements include mutual recognition of standards.         |
| <b>Consumer Protection</b>                        | Ensuring imported goods meet UK consumer protection standards.                           | CMA ensures imported products do not engage in unfair practices               |



# Equality Act 2010

| Right                                   | Description  | Impact on International Trade  |
|---|--|--|
| <b>Right to Equality</b>                | Protects individuals from discrimination based on protected characteristics. | Ensures fair treatment in trade practices, promoting ethical business operations.                |
| <b>Right to Non-Discrimination</b>      | Prohibits direct and indirect discrimination in various sectors.             | Encourages equal opportunities for businesses, fostering a competitive and fair market.          |
| <b>Right to Reasonable Adjustments</b>  | Requires reasonable adjustments to be made for disabled individuals.         | Promotes accessibility and inclusivity in workplaces, enhancing the global talent pool.          |
| <b>Right to Freedom from Harassment</b> | Protects individuals from harassment in the workplace and public services.   | Creates a safe and respectful work environment, improving employee morale and productivity.      |
| <b>Right to Redress</b>                 | Provides mechanisms for individuals to seek redress for discrimination.      | Ensures accountability and compliance with anti-discrimination laws, maintaining trust in trade. |

# Case Examples

| Right                            | Case Example  |
|----------------------------------|---|
| Right to Equality                | <b>Rowstock Ltd and another v Jessemey (Court of Appeal, 2014)</b> - Post-employment victimisation confirmed as unlawful.         |
| Right to Non-Discrimination      | <b>Hainsworth v Ministry of Defence (Court of Appeal, 2014)</b> - Associative discrimination.                                     |
| Right to Reasonable Adjustments  | <b>Waddingham v NHS Business Services Authority (Employment Tribunal, 2016)</b> - Failure to make reasonable adjustments.         |
| Right to Freedom from Harassment | <b>Pnaiser v NHS England and another (Employment Appeal Tribunal, 2015)</b> - Negative verbal reference and job offer withdrawal. |
| Right to Redress                 | <b>Griffiths v Secretary of State for Work and Pensions (Court of Appeal, 2016)</b> - Dismissal for disability-related absences.  |

# Modern Slavery

- ▶ Modern slavery refers to various forms of exploitation in which individuals are controlled and abused for personal or commercial benefit. Though its name may suggest otherwise, modern slavery is a contemporary issue impacting millions of people globally
- ▶ According to Walkfree.org around 50million people are living in modern slavery worldwide
- ▶ This includes various forms of exploitation such as forced labour, human trafficking, and forced marriages. The number has increased by 10 million since 2016, highlighting the ongoing and pervasive nature of this issue

# Effects on Procurement

| Impact                            | Description  |
|-----------------------------------|--|
| <b>Supply Chain Disruptions</b>   | Modern slavery can lead to disruptions in the supply chain due to legal actions, investigations, and sanctions against suppliers involved in exploitation. |
| <b>Increased Costs</b>            | Companies may face increased costs due to the need for more rigorous supplier audits, compliance measures, and potential fines or legal fees.              |
| <b>Reputational Damage</b>        | Associations with suppliers involved in modern slavery can damage a company's reputation, leading to loss of customers and partners.                       |
| <b>Regulatory Compliance</b>      | Companies must comply with regulations such as the Modern Slavery Act, which requires transparency and due diligence in supply chains.                     |
| <b>Supplier Management</b>        | Enhanced supplier management practices are needed to identify and mitigate risks of modern slavery in the supply chain.                                    |
| <b>Market Access Restrictions</b> | Companies found to be involved in modern slavery may face restrictions or bans in certain markets, affecting their ability to operate internationally.     |
| <b>Legal and Financial Risks</b>  | Legal actions and financial penalties can arise from non-compliance with modern slavery laws, impacting the company's financial health.                    |
| <b>Consumer Trust</b>             | Consumers are increasingly concerned about ethical practices, and associations with modern slavery can erode trust and loyalty.                            |

# The Key Duties of a Procurement Professional to mitigate risk

- ▶ Develop ethical policies.
- ▶ Conduct risk assessments.
- ▶ Perform supplier due diligence.
- ▶ Implement regular audits and monitoring.
- ▶ Provide training and raise awareness.
- ▶ Foster collaboration and engagement.
- ▶ Ensure reporting and transparency.
- ▶ Support and remediate.

# The ILO Four Fundamentals

| Principle  | Description  |
|--|--|
| <b>Freedom of Association and the Right to Collective Bargaining</b>         | Workers and employers have the right to form and join organisations of their choosing and to negotiate collectively.   |
| <b>Elimination of Forced or Compulsory Labor</b>                             | Prohibits all forms of forced or compulsory labour.  |
| <b>Abolition of Child Labor</b>  | Prohibits the employment of children in any work that is likely to be hazardous or interfere with their education and development.   |
| <b>Elimination of Discrimination in Respect of Employment and Occupation</b> | Promotes equality of opportunity and treatment in employment, prohibiting discrimination based on race, colour, sex, religion, political opinion, national extraction, or social origin. |

# How Organisations can manage the influences of regulatory influences

| Strategy                                    | Description  | Impact  |
|---|--|---|
| <b>Enhanced Supply Chain Visibility</b>     | Gain comprehensive understanding of all suppliers and intermediaries within the supply chain.    | Improved visibility helps identify potential risks and ensures compliance with regulatory requirements. |
| <b>Robust Compliance Programs</b>           | Implement and maintain strong compliance programs addressing regulatory requirements.            | Reduces the risk of non-compliance and associated penalties.  |
| <b>Supplier Audits and Assessments</b>      | Conduct regular audits and assessments of suppliers to ensure adherence to regulatory standards. | Ensures that suppliers meet compliance standards, reducing the risk of regulatory violations.           |
| <b>Training and Education</b>               | Provide training and education for employees on regulatory requirements and best practices.      | Empowers employees to identify and address compliance issues proactively.                               |
| <b>Technology and Automation</b>            | Utilise technology and automation tools to track and manage supply chain activities.             | Enhances efficiency and accuracy in compliance monitoring and reporting.                                |
| <b>Collaboration with Stakeholders</b>      | Collaborate with stakeholders to stay informed about regulatory changes and best practices.      | Facilitates proactive adaptation to regulatory changes and fosters a culture of compliance.             |
| <b>Risk Management Strategies</b>           | Develop and implement strategies to identify, assess, and mitigate potential regulatory risks.   | Minimises the impact of regulatory changes on the supply chain.   |
| <b>Sustainability and Ethical Practices</b> | Integrate sustainability and ethical practices into supply chain management.                     | Enhances brand reputation and consumer trust.   |