

ANALYSIS: Supply Chains in 2024—Improved, But Still Vulnerable

By Denis Demblowski 2023-11-05T21:00:24000-05:00

2024 will inherit many of the conditions, both positive and negative, that affect supply chains this year. While conditions are improving overall, new factors are—and will be—emerging that will shape the 2024 supply chain landscape. Supply chain lawyers will again be instrumental in assisting clients to prepare for the pitfalls that lie ahead.

On the Plus Side

Supply chains in 2023 continued to [improve](#) since the Covid-induced downturn of 2020–2021, experiencing smoother operation, with less congestion and a more balanced supply/demand environment. Lessons learned from the Covid period included the importance of contingency planning, flexibility, and visibility throughout all levels of the supply network from raw materials to delivered products. Supply chain [resiliency](#) is improving with increased transparency, better communication and collaboration, [increased digitization](#), a focus on [sustainability](#), and a move toward shorter supply lines as participants reexamine their sourcing strategies.

These new realities were fueled by rapid technology and information-sharing developments, which can be expected to continue in 2024.

The introduction of artificial intelligence technologies is yielding [benefits](#) that include better demand forecasting, more efficient inventory management, and the ability to respond proactively to changes in the market. Time lags and delays from supply chain downturns or demand surges are minimized through real-time information sharing. Workflow automation, robotics, optimized logistics, and streamlined transportation reduce timelines as well as costs.

Further innovations in supply chain technologies, such as [paperless transportation documents](#), will accelerate the flow of goods and lead to reduced costs.

What Dangers Await?

But all is not rosy. Traditional risks such as [war](#), [weather](#), and [recession](#) continue to linger. In addition, 2024 is likely to witness new or more impactful [factors](#) that threaten to disrupt global supply chain operation and resiliency.

Cyber Vulnerability

With increased reliance on technology in supply networks, the consequences of [cyberattacks](#) and data thefts are amplified. Additional comprehensive cybersecurity protections will be critical to thwart cyber threats and data losses.

Geopolitics—China

Deteriorating US-China relations combined with an underperforming Chinese economy are driving supply chain parties to reassess their reliance on China as a necessary manufacturing link in their supply networks. Consequently, reshoring and [de-risking strategies](#) are effecting major changes in US and global supply chain dependence on China. These strategies, plus the push for additional regional and geographic diversification, are intended to reduce the risk of supply chain disruptions from regional, natural, and geopolitical factors.

While a thaw in the relations is hoped for in 2024, further cooling is more likely as the two leading economies jockey for economic and political advantage. Human rights concerns continue to be an obstacle in this relationship. Moreover, China views the US's de-risking strategy with [suspicion](#), as a way to maintain US hegemony and dampen China's development, global influence, and access to advanced technologies.

China's support of its domestic businesses through [trade protections](#) (tariffs) and subsidies, favorable financing, and investment programs will continue to be a strain on US and European trading partner relations.

Geopolitics—BRICS Expansion

Six new countries—Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and United Arab Emirates—will join the BRICS (Brazil, Russia, India, China, South Africa) alliance in 2024. Speculation regarding the immediate and long-term effects of the expanded group (BRICS+) runs from slight to monumental. In its inaugural year, little concrete change is expected as the cohesiveness and political and economic aspirations of the alliance countries begin to congeal. Longer term, however, BRICS+ could result in changing [geopolitical spheres](#) of influence and trading alliances; trading currency “[de-dollarization](#)”; solidified China/Russia trade relations; and rising influence of the global south and developing economies.

Global Turmoil—Conflict Expansion

The war between Israel and Hamas is causing regional instability and disruption in agricultural, technology, and oil supply networks. A new or expanded uprising or terrorist activity in the Middle East or Asia would further expose the fragility of global supply chains.

Turmoil at Home

The effects on global supply issues of Congressional paralysis in the politically charged atmosphere of an election year could be [substantial](#). Likewise, the ongoing crisis at the southern border will continue to polarize the electorate, exert pressure on food and housing resources, and potentially cause supply disruption between the US and [Mexico](#), whose importance as a trading partner is growing from [US business near-shoring](#).

Labor Shortages and Strikes

Increasingly, more [foreign students](#), especially from Asia, are returning to their native countries following graduation from US universities as they perceive greater opportunities for growth at home than in the United States. Technology-heavy fields including AI and supply chain logistics may be the most vulnerable to this talent drain. Also, if domestic and offshore labor organizations become emboldened by the recent success of US union negotiations, additional strikes and more expensive labor settlements will negatively affect the economics and operation of global supply systems.

Transactional Lawyer Role

Transactional lawyers will play a leading role in addressing the 2024 challenges of their supply chain clients. Visibility into the sustainability practices of upstream suppliers and downstream customers is becoming critical for organizations whose stakeholders (employees, investors, and customers) and regulators are increasingly demanding public reporting on environmental and human rights practices at all levels of the company's supply networks. Company counsel will have responsibility for crafting appropriate reporting language and articulating responsible sourcing and supply performance standards for their organizations.

Counsel will be called upon to develop more stringent due diligence practices, contracting processes, and standard contract provisions to address these developments, clarify supplier sustainability standards, and support supplier sustainability monitoring in a rapidly changing technological and regulatory environment.

A creative and flexible approach to supply chain documentation will be needed in 2024 to allow for technological and industry developments. Like successful supply chains, counsel must become more agile, forward-looking, technologically astute, and proactive.

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