SQUIRE PATTON BOGGS

Squire Patton Boggs Global Supply Chain Radar H1 2026

Legal intelligence for resilient global supply chains

Executive summary

The first half of 2026 has reinforced a fundamental shift in how organisations approach supply chain risk. Rather than responding to isolated disruptions, organisations are redesigning supply chains to withstand a prolonged period of geopolitical uncertainty, economic nationalism and regulatory change.

Supply chain resilience is no longer driven by a single event or crisis. Instead, businesses are navigating an increasingly complex risk landscape shaped by geopolitical conflict, evolving trade policy, export controls, supply chain diversification, critical mineral shortages and heightened regulatory scrutiny. Together, these developments have accelerated the move away from cost-driven procurement models towards more resilient, transparent and strategically diversified supply chains.

Against this backdrop, governments continue to deploy tariffs, export controls and industrial policy as tools of economic security, while organisations face increasing scrutiny of supply chain governance through evolving environmental, social and governance (ESG) legislation, shareholder activism, regulatory enforcement and expanding group litigation. Recent geopolitical tensions in the Middle East, together with continuing uncertainty across global trade routes, have reinforced the importance of building supply chains that can adapt quickly to disruption rather than simply react to it.

As a result, in-house legal teams are becoming increasingly involved in strategic procurement decisions, supplier diversification programmes and governance frameworks. The role of legal has moved well beyond contract formation and dispute resolution; it now sits at the heart of supply chain resilience, helping organisations anticipate risk, strengthen governance and build more resilient commercial relationships.

This edition of the Squire Patton Boggs Global Supply Chain Radar includes a global heat map of current supply chain risks, examines five key developments that shaped the first half of 2026 and considers the legal and commercial issues likely to influence organisations during the remainder of the year. We also highlight key questions for boards, our clause of focus and five practical actions organisations can take to strengthen supply chain resilience during the second half of 2026.

The defining theme of the first half of 2026 is clear: competitive advantage increasingly lies not in having the lowest-cost supply chain, but in having the most resilient one.

Global supply chain risk heat map

Risk area	Current risk	Direction of travel	Key legal issues
Geopolitical instability	🔴 High	↔ Stable	Sanctions, *force majeure* and export controls
Tariffs and trade policy	🔴 High	⬆ Increasing	Pricing, customs and change in law
Supplier concentration	🔴 High	⬆ Increasing	Diversification, audit rights and termination
Critical minerals	🔴 High	⬆ Increasing	Supply agreements, allocation and export controls
Cyber and digital supply chains	🔴 High	⬆ Increasing	Data security, liability and business continuity
ESG and supply chain regulation	🟠 Medium-High	⬆ Increasing	Due diligence, reporting and enforcement
Supplier insolvency	🟠 Medium	↔ Stable	Termination, retention of title and continuity
Mass claims and litigation	🟠 Medium	⬆ Increasing	Group litigation, ESG claims and product liability
AI in procurement	🟢 Emerging	⬆ Rapidly increasing	AI governance, intellectual property (IP) and contractual allocation

Five key developments shaping global supply chains

Key development	Commentary	Legal risks and implication	Dispute watch
Supplier diversification	Following successive years of disruption, resilience is now more valuable than absolute cost efficiency. Businesses are reducing dependence on single suppliers, manufacturing facilities and jurisdictions through: • Dual and multi-sourcing strategies • Near-shoring and friend-shoring • Regional manufacturing hubs • Increased inventory buffers • Localisation of critical production • Strategic partnerships for key components This trend is particularly evident within the automotive, aerospace, technology, defence, pharmaceutical and advanced manufacturing sectors. True resilience is only achieved when organisations understand concentration risk beyond Tier 1 suppliers. Understanding these hidden dependencies is often more challenging but is critical to identifying operational, contractual and regulatory risks before disruption occur.	Supplier diversification presents challenges that extend well beyond negotiating new contracts. It involves considering: • Exclusivity provisions and minimum purchase obligations • Protection of confidential information during supplier transitions • Intellectual property ownership • Technology transfer arrangements • Competition law considerations • Harmonisation of contractual terms across multiple jurisdictions • Managing inconsistent terms across multiple suppliers • Use of audit rights to identify Tier 2 and Tier 3 supply chain • Understanding fragilities within the supply chain on export control restrictions and embedded technology and subcomponents Businesses should also ensure governance frameworks evolve alongside diversified supply chains, particularly where procurement responsibilities are decentralised.	Key dispute areas: • Wrongful termination claims by incumbent suppliers • Exclusivity restrictions preventing diversification • Disputes over tooling and manufacturing equipment ownership • Misuse of confidential manufacturing know-how • Failed supplier transition projects • Quality failures following rapid onboarding of replacement suppliers • Disputes concerning minimum purchase commitments
Critical minerals and economic security	Access to critical minerals has become one of the defining strategic issues affecting global supply chains. During H1, governments increasingly treated critical raw materials not simply as commercial commodities, but as assets of strategic importance. China's continued use of export controls over rare earths, together with coordinated efforts by the EU and G7 nations to diversify sourcing and strengthen domestic resilience, demonstrate a broader shift towards economic security as a driver of supply chain policy. Companies are looking to enter into longer-term contracts to lock in scarce supplies of critical materials.	Businesses should consider: • Long-term supply agreements • Priority allocation mechanisms • Supply guarantees • Origin verification • Export licensing • Sanctions compliance • Strategic stockholding arrangements Contracts drafted during periods of abundant supply may no longer reflect today's commercial realities.	Key dispute areas: • Allocation of scarce materials • Breach of supply commitments • Substitution of raw materials • Specification changes • Warranty disputes • Pricing escalation • Breach of exclusivity arrangements

Key development	Commentary	Legal risks and implication	Dispute watch
Tariffs and trade policy continue to reshape supply chains	Trade policy continues to influence supply chain strategy throughout 2026. Businesses view tariffs not as temporary commercial irritants, but as structural features of international trade. Manufacturing investment decisions are influenced by: • Tariffs • Export controls • Sanctions • Industrial subsidies • National security legislation • Restrictions on the use of technology sourced from China Many organisations continue relocating production closer to end markets to reduce geopolitical exposure.	Legal teams should consider: • Tariff allocation clauses • Pricing adjustment provisions • Hardship clauses • Change in law mechanisms • Customs compliance • Origin rules • Supply chain restructuring agreements • National security restrictions, particularly in connection with the incorporation of software in critical components	Key dispute areas: • Recovery of additional tariff costs • Pricing adjustment claims • Repudiation following cost increases • Interpretation of change in law provisions • Customs classification disputes
Litigation and regulatory enforcement continue to expand	Supply chain disputes continue to evolve beyond traditional breach of contract claims. Businesses face: • ESG regulatory enforcement and litigation (corporate reporting and due diligence) • Modern slavery/human forced labour claims • Environmental actions (pollution to green claims) • Shareholder litigation • Consumer class actions • Regulatory investigations • Product liability/safety claims (recalls) Parent companies face scrutiny for alleged failures within overseas supply chains.	Organisations should continue reviewing: • Compliance policies • Supplier governance • Audit programmes • Contractual indemnities • Board reporting • Supply chain due diligence • Public ESG statements • Document retention • (Technical) expert opinions Businesses are judged not only by what happened, but by whether they can demonstrate effective governance before the event occurred.	Key dispute areas: • Stakeholder activism in enforcement and litigation • Shareholder claims following supply chain issues • Contribution claims between supply chain participants • Director liability allegations • Group litigation relating to overseas operations • Claims arising from inaccurate sustainability reporting • Cross-border jurisdiction challenges

Key development	Commentary	Legal risks and implication	Dispute watch
Building contractual resilience	As supply chains become more complex, contracts remain the primary mechanism through which commercial risk is allocated. Many businesses operate under agreements negotiated before today's geopolitical environment. Recent events have reinforced the importance of ensuring contracts remain aligned with evolving operational risks.	Businesses should review whether contracts adequately address: • Geopolitical disruption • Supplier financial distress • Export controls • Sanctions • Cyber incidents • Business continuity • Subcontracting • Audit rights • Notification obligations • AI-enabled procurement • Material adverse change • Pricing adjustment mechanisms	Key dispute areas: • *Force majeure* • Change in law • Failure to notify • Liability caps • Interpretation of hardship provisions • Business continuity failures • Inadequate contractual governance

Clause in focus

In light of the above, our clause in focus is a **supplier diversification and resilience clause**.

As organisations diversify suppliers and manufacturing locations, contractual protections should evolve accordingly. Businesses should consider provisions requiring suppliers to:

- Notify customers before changing manufacturing sites or subcontractors
- Maintain tested business continuity plans
- Disclose critical Tier 2 and Tier 3 suppliers
- Maintain a contingency sourcing arrangements
- Permit resilience audits in addition to quality audits
- Notify customers of emerging geopolitical or regulatory risks affecting performance

Effective contractual governance provides early visibility and greater flexibility to respond before disruption becomes litigation.

Questions for the board

There are three questions that we think are currently relevant for boards:

- Which single supplier could stop production tomorrow?
- Do we know where our Tier 2 and Tier 3 concentration risks actually sit?
- Have we reviewed whether our contracts still reflect today's geopolitical environment—or yesterday's?

Five practical actions for the next half of 2026

Our suggested action plan for the next half of 2026 is:

Action	Practical tips
Identify critical suppliers	Prioritise suppliers based on operational dependency rather than annual spend.
Review strategic contracts	Focus on: • *Force majeure* • Material adverse change • Hardship • Tariff allocation • Audit rights • Notification obligations • Business continuity
Map supplier concentration, particularly at Tier 2 and Tier 3	Assess exposure by: • Jurisdiction • Manufacturing facility • Ownership group • Logistics route
Stress-test disruption scenarios	Run tabletop exercises covering: • Supplier insolvency • Export controls • Cyberattacks • Logistics disruption • Sanctions
Review governance and public reporting	Ensure sustainability statements, supplier codes and responsible sourcing commitments are supported by robust evidence and governance processes.

Horizon scan: What we're watching for

Our global supply chain group will continue monitoring for the next half of 2026:

- Further developments in US, EU and China on tariff policy.
- Expansion of export controls affecting advanced technologies and critical minerals
- Progress of the EU Omnibus simplification package, and its impact on supply chain due diligence obligations
- Increased use of AI within procurement, supplier management and contract administration
- Supplier insolvencies as higher borrowing costs continue to affect manufacturing and logistics businesses
- Continued expansion of ESG litigation and shareholder claims relating to supply chains
- Cyberattacks targeting logistics providers and critical infrastructure
- The growing use of contractual resilience reviews by multinational organisations seeking to redesign global supply chains

If you would like to discuss how these developments may affect your organisation's supply chains — including contractual risk, regulatory exposure, disputes or restructuring strategies — please get in touch.

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