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Biodiversity and Human Rights Issues in Supply Chain Management

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Biodiversity and Human Rights Issues in Supply Chain Management

Executive Summary

Supply chains connect consumer activity in California (CA) to human rights violations and environmental destruction abroad. Consumers purchase U.S. made goods knowing the producer is regulated by some environmental and labor protections. However, imported goods are subject to virtually no enforceable U.S. labor or environmental regulation. Producers are incentivized to take advantage of weak regulation or enforcement abroad. With limited supply chain reporting requirements, U.S. consumers invest in goods made with slave labor and which propel species extinction. This brief summarizes weaknesses of U.S. supply chain regulations regarding human rights abuse and biodiversity loss, highlights stronger legislation from the European Union (EU), and presents recommendations for CA to adopt supply chain regulation in the absence of adequate federal management.

Background

Since 1950, Supply chains have exploded in complexity as globalization has accelerated. End products on U.S. shelves result from piecemeal assembly across many nations. Each nation regulates labor practices, human rights, and environmental protection differently. Major U.S. trade partners lack appropriate regulation or the enforcement capability to make regulation effective. Some producers intentionally take advantage of weaker regulation, while others do not track their supply chains carefully enough to understand what damages they might cause. As a result, goods are bought and sold in the U.S. which were produced without regard for basic human rights and baseline environmental protections.

Twenty-seven million people are subject to forced labor globally. Two-thirds of forced labor issues occur within global supply chains. [A 2023 survey of over 2,000 CEOs found that nearly 70% were concerned about human rights issues in their supply chains.](#) The U.S. is by far the top importer of goods likely produced by modern slavery. Electronics, garments, and seafood make up most of these goods (Fig. 1).

Country	Total value of at-risk imports (in billions \$US)
Argentina	1.6
Australia	17.4
Brazil	5.6
Canada	20.0
China	17.2
France	11.8
Germany	44.0
India	23.6
Indonesia	5.2
Italy	10.9
Japan	53.1
Mexico	9.2
Russia	15.2
Saudi Arabia	7.4
South Africa	4.8
South Korea	20.2
Türkiye	5.3
United Kingdom	26.1
United States	169.6

Figure 1: Value of top 5 imports at risk of being produced with forced labor. Source: [Walk Free 2023](#)

Further, many scientists argue we are experiencing the world's sixth mass extinction event. The next most recent mass extinction was the asteroid impact which killed off the dinosaurs 66 million years ago. Current extinction rates are hundreds of times higher than is natural. [These extinctions are driven by human activity, with an estimated 30% of global](#)



[biodiversity threats caused by international trade. 14% of global biodiversity loss is connected to consumption in the U.S. which has less than 5% of the global population.](#) Biodiversity loss is concentrated in developing nations (many of which inhabit the more biodiverse equatorial regions), but the loss is driven by demand from developed nations (Fig. 2).

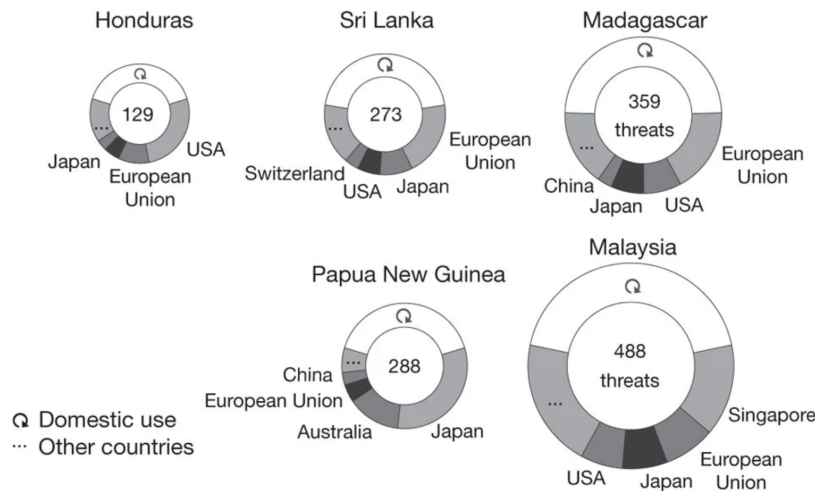


Fig. 2: Proportion of goods connected to biodiversity threats exported to top importers. Source: [Lenzen, et al. 2012](#)

Issue Analysis

Developing nations lack the institutional resources to sufficiently regulate globalized supply chains. Weak regulatory systems allow well-financed companies to avoid accountability for destructive and inhumane practices which would be criminal in the U.S. (e.g. child labor in Thailand producing animal feed exported to the U.S.). While developing nations build institutional capacity, U.S. regulation of global supply chains is vital to protect human rights, environmental health, and consumer security.

International human rights violations driven by U.S. supply chains are poorly regulated. In 2015, the U.S. Tariff Act of 1930 was

updated to ban importation of goods produced with slave labor. However, it is rarely enforced because of costly investigations. The Uyghur Forced Labor Prevention Act (UFLPA) is more effective by placing the burden of proof on producers to show that their products were not made with slave labor. But impact is limited as the policy only applies to goods tied to the Xinjiang Uyghur Autonomous Region of China known as a slavery hotspot. The U.S. Department of Labor also issues an annual report identifying specific goods which are very likely to have been produced with child or forced labor. These include cocoa from Côte d'Ivoire (the U.S. is the second highest importer) and sugar from the Dominican Republic (the U.S. is the highest importer). This 'name and shame' strategy reduces importation of targeted goods by around 17%. The U.S. still imports \$170 billion USD of goods likely made with slave and child labor.

In CA, the state legislature passed the CA Transparency in Supply Chains Act (CTSCA) in 2010. The law requires companies to state an intent to eliminate supply slavery from their supply chains, but has no requirement for reformative action.

No federal or state regulations manage supply chain impacts on biodiversity loss outside the U.S. Non-governmental organizations have created labeling schemes (such as the Marine Stewardship Council seafood certifications) to combat biodiversity loss caused by supply chains by providing consumer information. These programs have had some success, but vary widely and cover limited industries.



Over half of consumers in a 6,000 person [survey](#) say it is very important to show a product's biodiversity impacts on product labels or websites. However, there are no corporate reporting requirements for human rights or biodiversity impacts of supply chains. Consumers and investors are in the dark regarding associated business risks and ethical decision making.

Policy Recommendations

Supply chain regulations manage producer behavior or provide consumers with purchasing information. The EU is implementing each mechanism through the recently passed [Corporate Sustainability Reporting Directive \(CSRD\)](#) and the [Corporate Sustainability Due Diligence Directive \(CSDDD\)](#). The CSRD requires detailed reporting to consumers and investors on environmental impacts, including biodiversity, throughout the supply chain. The CSDDD requires businesses to take action (or due diligence) to mitigate supply chain impacts across broad categories of human rights and environmental harms. These regulations apply to any large companies operating in the EU regardless of where they are based.

While similar federal legislation is unlikely in the U.S., states are pushing stronger supply chain regulations. CA recently passed the [Climate Accountability Package \(CAP\)](#) which requires large companies operating in CA (regardless of where they are based) to report on carbon emissions. CA could pass further reporting requirements similar to the CSRD. CA does not currently require any due diligence actions to mitigate supply chain impacts similar to the CSDDD.

As states continue advancing supply chain regulations, successful legislation should:

- **Require stringent corporate reporting and due diligence actions.** Reporting provides consumers and investors with proper risk assessment information, while due diligence requires mitigation of harmful impacts.
- **Require third-party review of reporting.** Because third-party review is already required by CA's CAP, additional reporting requirements may cost less than otherwise.
- **Include human rights and environmental concerns.** Companies should consider their whole supply chain now from multiple lenses.
- **Integrate with multilateral recommendations.** Small exporters in developing nations rely on technical support from groups like the UN Industrial Development Organization to satisfy supply chain requirements.
- **Standardize with EU requirements.** Standardization will streamline the process for those complying with the EU and enhance knowledge sharing among covered companies.

Further Reading

- Walk Free. 2023. [The Global Slavery Index 2023](#). Minderoo Foundation.
- Higgins, Matthew M. 2023. ["Closed Loophole, Open Ports: Section 307 of the Tariff Act and the Ongoing Importation of Goods Made Using Forced Labor."](#) Stanford Law Review 75 (April):917–77.
- Lenzen, M., D. Moran, K. Kanemoto, B. Foran, L. Lobefaro, and A. Geschke. 2012. ["International Trade Drives Biodiversity Threats in Developing Nations."](#) Nature 486 (7401): 109–12.

Authorship

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