



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Transformative Power Relationships For Supply Chain Reshoring in the Public Sector

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Trawsnewid Addysg; Trawsnewid Bywydau
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Background - Churchill Fellowship - What is it?

the
CHURCHILL
fellowship

**A COMMUNITY OF
CHANGEMAKERS**

PURPOSE: Supports individual UK citizens to **follow their passion for change**, through learning from the world and bringing that knowledge back to the UK. Together our community of Churchill Fellows **use their international learning** to lead the change they wish to see across every area of UK life.

"What is the use of living, if it not be to strive for noble causes and to make this muddled world a better place for those who will live in it after we are gone?"

Sir Winston Churchill

Overview: Practice and Research on Supply Chains

Overview: Explored the problem of supply chain voids/gaps and resultant international approaches to support filling these voids through hyper-localisation of supply chains.



Definition of Terms:

Wealth Creation: By product of community wealth building to “use local economic assets to develop the economy in ways that have tangible benefits for its citizens, communities, organisations and businesses.” (CLES, 2019, p. 5)

Reshoring: Defined as the relocation of supply chain activities from offshore locations to geographically closer locations such as national or regional areas.

Hyper-localisation: “entire supply chain is located in close proximity to the buyer and the seller.” (247 Supply Chain)

Trust and Power Relationships within Supply Chains

Trust is often **categorized into cognitive trust**, based on **competence and predictability**, and **affective trust**, derived from emotional bonds and interpersonal relationships (McAllister, 1995).



Power:

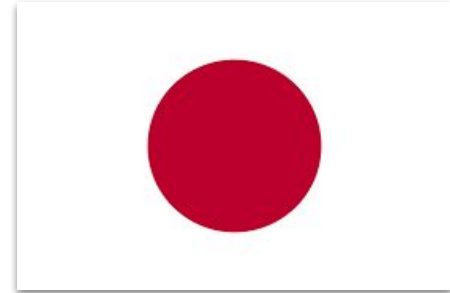
Power is typically classified into coercive and non-coercive forms (Emerson, 1962):

Coercive Power: Imposing penalties or withdrawing rewards to control behavior,

Non-Coercive Power: Influencing through expertise, information sharing, or relationship-building across different cultural and regulatory environments.

International Perspectives on Reshoring

- **COVID-19** - Economy may have been **excessively reliant** on critical goods produced in China (Kuo, 2020).
- **Large Scale Subsidies** - JPY 220 billion (USD 2.1 billion) to companies deciding to move supply chains back to Japan from China (Dharish and Simran, 2020).
- **Positive effects** are observed only in the case of procuring inputs from other Japanese affiliates in their host country, and not in the case of procurement from indigenous firms. (Hayakawa, K. and Ito, T., 2018)



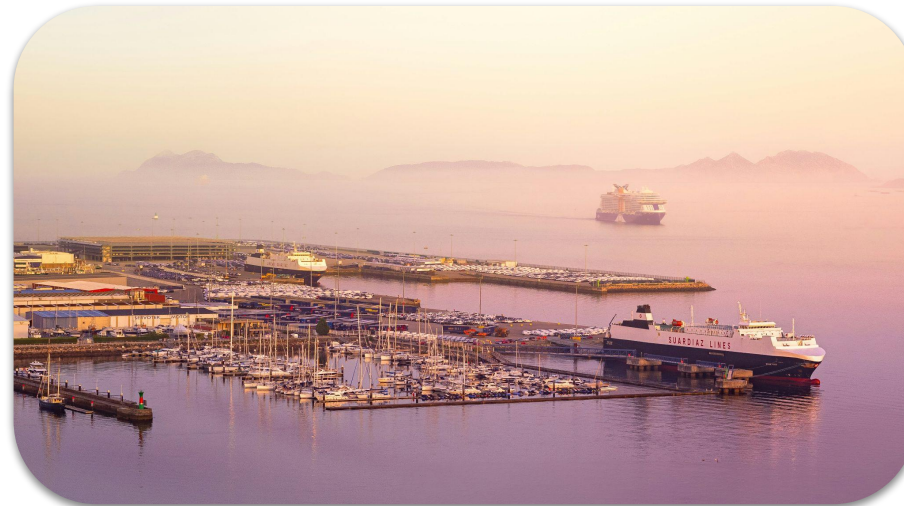
- **Growth** - Reshoring over the past 3 years was one of the **highest in Europe** (7.9%), (EU, 2021)
- **Legislative motivation** - Social considerations into the public procurement process - Royal Decree Legislative 3/2011 [52] of Public Sector Contracts (Fuentes-Bargues, J. L. et al., 2021)
- **Sector specificity in reshoring** - lower the technological content of the manufacturing branch the higher the incidence of reshoring (Fuster, B., Lillo-Bañuls, A. and Martínez-Mora, C., 2020)



Literature/Policy Review Outcomes

SPAIN/BASQUE COUNTRY

- 1) The value of localised production and consumers** -'Made in' (Di Mauro et al., 2018, Ancarani et al., 2015; Fratocchi et al., 2016; Grappi et al., 2015; Martínez-Mora and Merino, 2014; Robinson and Hsieh, 2016; Tate et al., 2014).
- 2) Technology and reshoring** - Fuster et al. (2020, p. 239) outlining that “the lower the technological content of the manufacturing branch, the higher the incidence of reshoring.”.. (See also Bailey et al., 2018, Dachs et al., 2019 and Ancarani & Di Mauro, 2018)
- 3) Public sector is the driving force behind reshoring** - Barbieri, et al., 2018 and De Backer et al., 2016, Fratocchi et al., 2016



Literature/Policy Review Outcomes



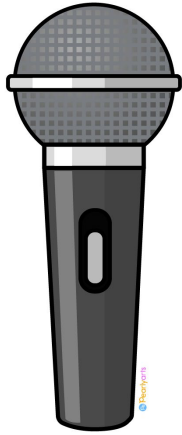
JAPAN

- 1) Large subsidies are used broadly to support and encourage reshoring** - Grossman et al., 2021, Cooke & Clifton, 2005.
- 2) Smart Specialisation is the key to growth** - European Commission, 2017, Pugh, 2014, Balland et al., 2019; Capello & Kroll, 2016; Gianelle et al., 2020
- 3) Nationalistic Policy and Leadership** - Well-being of Future Generations Act 2015 (Welsh Government, 2015) and the Social Partnership and Public Procurement Bill (Welsh Government, 2023),

Research Aims

- (1) To understand and analyse how different national policy and instruments influence trends of supply chain reshoring and hyper-localisation in Spain
- (2) To understand and analyse how different national policy and instruments influence trends of supply chain reshoring and hyper-localisation in Japan.
- (3) To explore how the lessons learned from these international territories could influence supply chain voids encouraging community wealth creation and foundational economy impact in Wales.

Method



Semi-structured interview method:

Allows exploration of concepts and ideas that participants offer as part of the process.
(Easterby-Smith et al., 2018, p. 185).

“Opinions to emerge” and gain greater insight” (Saunders, M.N.K., Lewis and Thornhill, 2019, p. 375).



Sample strategy - purposive or non-probability sampling (Saunders, M.N.K. et al., 2019)

Industry and Policy
Representatives from Spain
and Japan

Analysis - thematic analysis protocol based around generating themes and defining the themes (Braun and Clarke, 2006)

RESULTS - SPANISH CONTEXT - QUALITATIVE INTERVIEWING AND ANALYSIS

Spanish/Basque Observations: Policy

Policy power can be both an inhibitor and an accelerator of reshoring



Policy can have a skewing effect on the ability of countries and policy to reshore production and supply chains back to their host nations; ***“Whenever a new country enters the union, let's use their factories because they pay less salaries and work on the weekend”.***

Zigor Urkiaga Urkiza, Basque Government,



*“we have a **problem with all the legislation that is apply for the people who live and work in Europe, but not for the product that came from abroad...** that is absolutely destroying not only the small companieswith very low quality, with very low level of design.*

Salvador Gómez Sanchez, CALZIA

SUMMARY OUTCOME: Aligning **policy with future sector and industrial growth** to ensure the growth of local supply chains.

Spanish/Basque Observations: Technology

Cutting-edge technology has limited impact on reshoring

Dr Igor Calzada, Ikerbasque, ***“The industrial heritage and industrial strength of the Basque Country...they are much more successful...so becoming something gradual instead of disruptive...I think that technology and all this disruption is happening much more, and the traditional sectors are having a successful transition***



Salvador Gómez Sanchez, CALZIA - ***“the technology must be a thing that balance or equal for all the of the supply countries, because I think we all have the same access to technology. So, we have to differentiate in terms of other things different than technology”***



SUMMARY OUTCOME: ***Targeting more lower technology sectors for reshoring may be a prudent strategy for Wales,*** which would align with the current policy drive (Welsh Government, 2017) towards the Foundational Economy (Bentham et al., 2013) sectors of housing, social care, mental health and skills and employability (R3).

Spanish/Basque Observations: Bias of Chinese Economy

Reshoring is unduly influenced by the power of the Chinese economy



Zigor Urkiaga Urkiza, Basque Government

*"We still make lots of investments in Mexico, in Turkey, in India, in China. So, I cannot say that the **offshoring is reducing, probably specifically in China or India it is reducing**"*



Salvador Gómez Sanchez, CALZIA -

*"It's so difficult to compete with the Asian countries, especially, especially with China, because we are **noticing on the statistics that there could be a special support from the Chinese Government to the industries of food and fashion.**"*

SUMMARY OUTCOME: Future funding to encourage local supply chains, especially in manufacturing (R3), may be negated by similar subsidies being deployed by nations with lower labour and plant costs.

Spanish/Basque Observations: Private Sector is Driving Reshoring

The private sector is the driving force behind reshoring

“it's more industry, I mean, the policy has to help the industry and then this, we can, you know, define, which will be you know, then the way we should follow that is the everyday economy is the private sector”

Zigor Urkiaga Urkiza, Basque Government



“The Public Private Partnership is very clear. That is the anchor.... It's like the joke of the chicken and the and the and the egg. You know what I mean? What's first is the public or the private”

Dr Igor Calzada, Ikerbasque



SUMMARY OUTCOME: Policymakers in Wales (R3), need to consider that native industry within Wales actually wants to reshore before investing time and money in the activity.

RESULTS - JAPANESE CONTEXT - QUALITATIVE INTERVIEWING AND ANALYSIS

Japanese Observations: Reliance on Government Funding

Government funding creates an imbalance and a reliance on grants



Nanami Matsubara, Ministry of Economy, Trade and Industry, *“Companies manufacturing essential products have established or strengthened domestic production bases. As a result, we believe this has led to an **increase in local sourcing and improvements in economic performance, partially resolving the vulnerability of supply chains during emergencies**”.*



Hiroshi Kuroda, CEO/President, Kuroda Precision Industries Ltd

*“METI is recently creating lots of lots of subsidies...and some, some companies are really heavily dependent on those government funds...**too many subsidies, really, you know, weakens the basis of the Japanese industry**”*

SUMMARY OUTCOME:Precautionary lessons provide a useful picture of both the positive drive and impact that Government intervention could bring to localised supply chains in Wales (R3), but also the distorting effect and potential inefficient use of public money

Japanese Observations: Sector Specific Manufacturing

Reshoring is being used to drive specialisation and influence geo-political power

Nanami Matsubara, Ministry of Economy, Trade and Industry, *“In the event of an emergency situation that could increase the risk of supply chain disruptions, we **have the authority to request prioritized production of specific products**”.*



Satoshi Inomata, Chief Senior Researcher at the Institute of Developing Economies, Japan External Trade Organisation (JETRO)

*“So **Japanese position is getting narrower and narrower and more specific in a pinpointing, like just material, specific material for semiconductor**”.*”



SUMMARY OUTCOME:The results as described by the participants in this study, and by the broader literature (Balland et al., 2019; Capello & Kroll, 2016; Gianelle et al., 2020), illustrate the potential of sector-specific manufacturing for Welsh Government (R3).

Japanese Observations: Influence of Supply Chains on Power

Reshoring is being used to drive specialisation and influence geo-political power



Satoshi Inomata, Japan External Trade Organisation (JETRO), *“If more hub of network you have, you are in a better position to influence other countries, both economically and politically, see, so that's why, you know, every government is, is striving to wield particular choke points of the particular supply chain, especially in strategic materials.”*

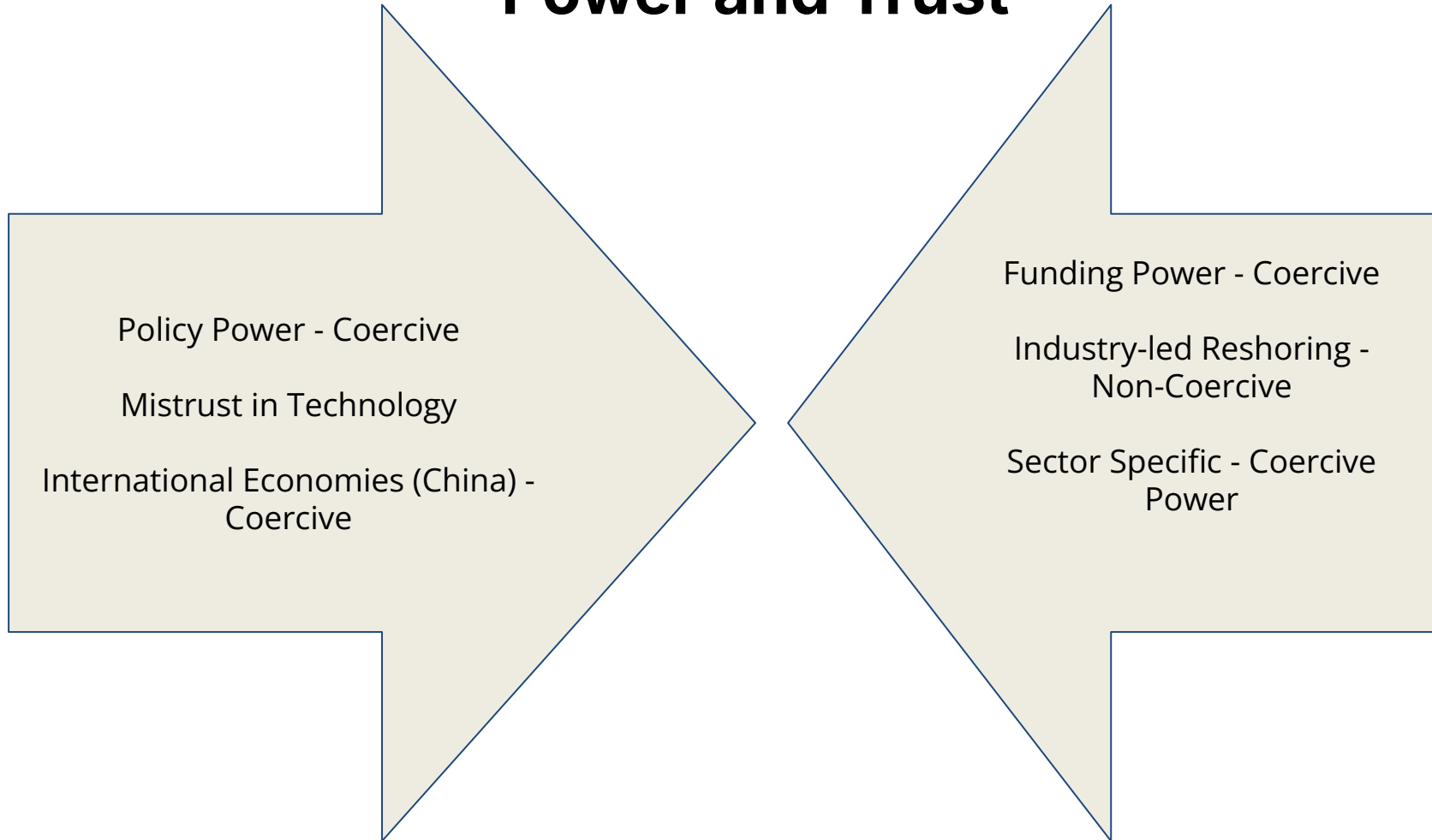


Hiroshi Kuroda, CEO/President, Kuroda Precision Industries Ltd

“wants to keep our core technology in Japan. So that's why we have made a decision to make this investment in Japan because, we really want to keep our technology within Japan”

SUMMARY OUTCOME: Potentially, combinations of the sector strengths demonstrated through Smart Specialisation, along with the protectionist legislation of the Well-being of Future Generations Act 2015 (Welsh Government, 2015) and the Social Partnership and Public Procurement Bill (Welsh Government, 2023), should allow Welsh Government through public procurement to enhance its geopolitical power and benefit wealth creation in Wales (R3).

Summary - Supply Chains and The Balance of Power and Trust



Summary Conclusion

Spanish/Basque Context (R1 & R3)

- Policy power can be both an inhibitor and an accelerator of reshoring for the Welsh Public Sector
- Cutting-edge technology has a limited impact on reshoring
- Reshoring is unduly influenced by the bias of the Chinese economy
- The private sector is the driving force behind reshoring

Japanese Context (R2 & R3)

- Government funding creates an imbalance and a reliance on grants
- Government funding for reshoring is helping to revitalise sector-specific manufacturing
- Reshoring is being used to drive specialisation and influence geo-political power

Potential Considerations for Wales

- Welsh policy environment provides strong conditions to enable proactive reshoring.
- Embracing the political power of sector strengths
- Renewed focus on low technologies of the Foundational Economy
- Leadership needed from industry to reshore

CAN ALL BE COMBINED TO LEAD WALES TOWARDS A NEW HYPER-LOCALISED SUPPLY CHAIN OF THE FUTURE WHERE WALES HOLDS THE BALANCE OF POWER