

Towards Sustainable Trade and Finance of Forest Commodities and Products

A New Pathway in India's Free Trade Agreements?

Introduction

India's recently concluded Free Trade Agreements (FTAs) with developed-country trading partners have added several new facets to the landscape. This Policy Brief focuses on one such aspect: trade and sustainable development (TSD).¹

It covers two specific themes within the set of TSD issues, namely trade and forests, and sustainable finance. The goal of this Brief is to review and analyse the text of the provisions on these aspects in three of India's recently concluded FTAs, that is, with the United Kingdom (UK), European Union (EU), and New Zealand respectively, and identify areas for further research.

It examines the extent to which the cooperative mechanisms instituted through these FTAs can provide a forum for information and experience sharing between India and trading partners on diverse aspects related to sustainable forest governance. This includes elements of mandatory regulation and voluntary certification schemes and standards related to forest products.

The Brief illustrates new and emerging FTA practice on trade and forests in deep-TSD framework trade agreements. It also reviews references to sustainable finance and related aspects in these FTAs. In particular, it reviews the interlinkages of trade and finance with regard to aspects such as financial inclusion, access to trade financing, and environmental, social and governance (ESG) considerations in the context of services trade.

Trade and Forests Aspects in India's Recent FTAs

India's trade agreement with the European Free Trade Association (EFTA) States (the India-EFTA Trade and Economic Partnership Agreement (TEPA), which was signed in March 2024

¹ The inclusion of TSD provisions in India's recent FTAs and the shift in India's stance towards sustainability as a trade-linked issue is increasingly noted in existing literature. See generally, Atul Kaushik, "India's Increased Focus on Sustainability Issues in Recent Free Trade Agreements", Synergies (April 2026), TESS Forum, available at < <https://tessforum.org/latest/indias-increased-focus-on-sustainability-issues-in-recent-free-trade-agreements>>; "Sustainability, the India-EU FTA, and India's Balancing Act", Indo-German Chamber of Commerce (April 2026), available at < <https://indien.ahk.de/en/igcc-newsroom/sustainability-the-india-eu-fta-and-india-s-balancing-act>>; Prachi Malik, "Trade, Sustainability, and Policy Space: India's Approach to Trade and Sustainable Development Chapters in Modern Free Trade Agreements", Issue Brief (March 2026), Chintan Research Foundation, available at < <https://www.crfindia.org/publications/issue-brief/trade-sustainability-and-policy-space-indias-approach>>.

and entered into force in October 2025) first opened the door by including a dedicated chapter on TSD, containing a provision on climate change and identifying several possible areas of cooperation.²

These include information exchange and experience sharing on TSD issues, including best practices in promoting integrated and sustainable management of natural resources and ecosystems (including conservation and sustainable use of biodiversity), as well as best practices to promote sustainable consumption and production patterns. Notably, an institutional mechanism in the form of a Sub-Committee on Sustainability was established through the agreement to discuss TSD-related issues and facilitate cooperation.³

While these avenues can serve as anchors for cooperative initiatives between the parties on forest-related aspects (for example, discussions on legality and traceability of forest products could fall under the head of cooperation on sustainable production), no specific cooperation provisions explicitly referencing trade and forests were included in the India-EFTA TEPA.

This changed with the conclusion of India's trade agreements with the United Kingdom (UK), European Union (EU) and New Zealand, as summarised in Table 1.

Table 1: Trade and Forest Sustainability-Related Aspects in India's Recently Concluded/Signed FTAs with the UK, EU and New Zealand

Agreement	Status	Manner of coverage of trade and forest aspects	Institutional framework	Key areas of coverage
India-United Kingdom Comprehensive Economic and Trade Agreement (CETA)	Signed in July 2025; Entered into force in July 2026	Dedicated provision on sustainable forest management in Chapter 21 (Environment)	Designation of contact points, possibility of environment consultations, consideration of issues by Joint Committee if consultations fail, consideration of issues by Ministers if Joint Committee	• Recognition of importance of forests for forest dwelling and forest dependent communities in India, ecosystem services, and the need to protect, restore and sustainably manage forests. • Best endeavour commitments to support conservation and sustainable management of forests, combat illegal logging and associated trade, reduce deforestation and forest degradation. • Obligation to cooperate on matters of conservation and sustainable management of forests, including combatting

² Articles 11.5 and 11.7, India-EFTA Trade and Economic Partnership Agreement (TEPA), available at < <https://www.efta.int/sites/default/files/documents/legal-texts/free-trade-relations/india/1.%20Main%20Agreement.pdf>>

³ Article 11.12, India-EFTA TEPA

Agreement	Status	Manner of coverage of trade and forest aspects	Institutional framework	Key areas of coverage
			Consultations fail Agreement's dispute settlement mechanism does not apply to Chapter 21	illegal logging and associated trade, promoting conservation, reducing deforestation and forest degradation, and sustainable supply chains and production.
EU-India Free Trade Agreement	Negotiations concluded in January 2026; agreement yet to be finalised and signed	Dedicated provision on trade and forests likely in Chapter 16 (Trade and Sustainable Development)	Establishment of Committee on Trade and Sustainable Development, setting up of contact points; consideration of issues by Joint Committee if consultations between parties fail, consideration of issues by Ministers if Joint Committee Consultations fail Agreement's dispute settlement mechanism does not apply to Chapter 16	• Recognition of importance of conservation and sustainable management of forests, their environmental functions and economic and social opportunities for present and future generations. • Recognition of deforestation as a major driver of global warming and biodiversity loss. • Obligation to take appropriate measures to combat illegal logging and related trade, and support the conservation and sustainable management of forests. • Obligation to strengthen cooperation on trade-related matters covered in this area, including: ○ Combatting illegal logging, and associated trade; ○ Promoting the conservation and sustainable management of forests; ○ Reducing deforestation and forest degradation; ○ Exchange of knowledge and experience on trade-related initiatives regarding forest governance; ○ Reducing biodiversity loss and promotion of circular economy;

Agreement	Status	Manner of coverage of trade and forest aspects	Institutional framework	Key areas of coverage
				○ Work towards increasing mutual knowledge and understanding of existing practices and traceability, certification or other third party verified schemes and standards; ○ Encouraging sustainable supply chains and production
India-New Zealand FTA	Signed in April 2026, not entered into force yet	Included in an umbrella provision on trade and environment in Chapter 12 (Trade and Sustainable Development) A dedicated provision on Forestry Cooperation in the Annex on Agriculture Cooperation and Technical Assistance (Annex 14A)	Establishment of Trade and Sustainable Development Committee, contact points, and consultations Agreement's dispute settlement mechanism does not apply to Chapter 12	● Recognition of importance of conservation and sustainable management of forests, their environmental functions and economic and social opportunities for present and future generations. ● Best endeavour commitments to cooperate in relevant areas, including ○ Sharing best practices in promoting integrated and sustainable management of natural resources and ecosystems, including conservation and sustainable use of biodiversity; ○ Taking appropriate action to conserve biological diversity, including to prevent the spread of invasive alien species; ○ Promoting the conservation and sustainable management of forests; ○ Encouraging trade in forest products from sustainable supply chains; ○ Contributing to combatting illegal logging, illegal deforestation, and associated trade, including with respect to communities dependent on forests ● Recognition of common interest in strengthening cooperation in

Agreement	Status	Manner of coverage of trade and forest aspects	Institutional framework	Key areas of coverage
				the forestry sector by building relationships between forestry-related entities and organisations. • Enabling framework to undertake cooperation in activities such as ○ Sustainable forest management ○ Agroforestry ○ Research and innovation ○ Education and capacity building ○ Harvesting, utilisation and certification ○ Use of timber products and applicable standards

Source: Authors' review of texts of the respective agreements

India's FTA Practice on Trade and Forests Aspects

Substantively, the India-EU FTA is likely to contain the most ambitious enabling framework on trade- and forests-related aspects. It will obligate parties to strengthen cooperation not only in overarching goals of combating illegal logging and associated trade, and promoting the conservation and sustainable management of forests, but also on commercially and operationally relevant aspects, particularly on increasing mutual knowledge and understanding of existing practices and traceability, certification or other third-party verified schemes and standards.⁴

Under such an enabling framework, India and the EU can pursue information and experience sharing on their respective experiences with both mandatory regulation and voluntary certification schemes and standards related to the forest sector.

The EU is implementing its Deforestation Regulation (EUDR) as an autonomous instrument.⁵ Navigating the EUDR will be crucial for operators engaged in production and trade of forest-related products, and this cooperative avenue can be an important forum for Indian stakeholders to raise concerns through official channels with EU counterparts. For its part, India has in place certification schemes such as the Indian Forest and Wood Certification Scheme (PRAMAAN),

⁴ Article 16.8.3 (f), India-EU FTA draft text, available at < <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/3fbc4d71-034a-4242-808b-32e9a78b74b6/details?open=true>>

⁵ Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation, as amended in December 2024 and December 2025, available at < <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02023R1115-20251226>>

Rubber Board's Bharat Sustainable Natural Rubber, among others, to promote sustainable management of forests and forest product traceability measures.

Similarly, the VRIKSH - Timber Legality Assessment and Verification Standard – India has been developed and is administered by the Export Promotion Council for Handicrafts (EPCH).⁶

It serves as a benchmark to evaluate Indian firms against requirements of international timber legality requirements (such as EUDR, EU Timber Regulation under Forest Law Enforcement, Governance and Trade (FLEGT) etc.)

Further, the cooperative avenue for exchange of knowledge and experience on trade-related initiatives regarding forest governance, as included in the India-EU FTA, also holds promise. For example, India has robust mechanisms for regulating trade in specific forest products, such as exports from India of Red Sanders wood⁷, imports into India of Sandal Wood,⁸ etc., in line with obligations of relevant international treaties ratified by India, such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Such cooperative platforms instituted through FTAs provide an avenue to share experiences on implementation challenges and approaches to regulating trade in high-risk forest products, with additional trade compliance requirements.

The India-New Zealand FTA is notable for its reference to parties' endeavour to cooperate to encourage trade in forest products from sustainable supply chains.⁹ The Annex on Agriculture Cooperation further builds on this, including a dedicated section on forestry cooperation that mentions the "common interest in strengthening cooperation in the forestry sector by building relationships between forestry-related entities and organisations."¹⁰

The accompanying enabling framework envisages cooperation in activities such as sustainable forest management, agroforestry, research and innovation, education and capacity building; harvesting, utilisation and certification, and applicable standards related to timber products, among others.

A review of these agreements reveals that none of them makes their framework relating to trade and forests (or the larger TSD or trade and environment framework) subject to dispute settlement. However, all of these agreements require the designation of dedicated contact

⁶ [VRIKSH – Timber Legality Assessment and Verification Standard](#)

⁷ Policy conditions require exporters to certify legality of procurement, among other stipulations. See Directorate General of Foreign Trade (DGFT) Notification No. 25/2023, "Amendment in Export Policy of Red Sanders wood", available at < <https://content.dgft.gov.in/Website/dgftprod/9803a541-9288-40b2-9564-57487e175f4e/DGFT%20Notification%20No.%2025-2023%20dated%2003.08.2023-English.pdf> >

⁸ Imports of sandal wood are permitted only against an Import License issued by DGFT. Such Import Licenses are required to be issued in consultation with the Ministry of Environment and Forests. See, DGFT Policy Circular No. 23, 2007, available at < https://content.dgft.gov.in/Website/23_4.pdf >

⁹ Article 12.6.6 (f), India-New Zealand FTA, available at < <https://www.mfat.govt.nz/assets/Trade-agreements/NZ-India-FTA/Text-of-the-Free-Trade-Agreement-between-the-Government-of-New-Zealand-and-the-Government-of-the-Republic-of-India.pdf> >

¹⁰ Article 14A.2 (Forestry Cooperation), Annex 14A (Agriculture Cooperation and Technical Assistance), India-New Zealand FTA.

points, along with the possibility of official consultations on matters arising from the operation of these provisions.

Further, they also provide for the establishment of dedicated Committees, and consideration of issues by such Committees if the first avenue of official consultations fails to resolve the matter. Notably, India's agreements with the UK and EU provide for escalation of issues up to the Ministerial level if official-level consultations fail to resolve a matter arising from the interpretation or application of these provisions.

This institutional framework in these FTAs may provide a platform for discussion on dynamically evolving trade- and forests-related aspects, including the operation and implementation of trading partners' autonomous regulations, such as the EU Deforestation Regulation (EUDR) and the proposed deforestation regulation of the UK.

FTA Practice on Trade and Forests in Deep Trading Agreements

Some FTAs between developed country trading partners have sometimes included more extensive coverage of the link between trade and forests, as part of an overall deeper cooperation envisaged under the agreement's TSD framework. A good example is the recently concluded EU-Australia FTA, which contains some novel and far-reaching provisions on this aspect (as highlighted in Box 1.¹¹

Box 1: Trade and Forests: The Case of the EU-Australia FTA

- In the provisions on trade and sustainable forest management in their FTA's TSD Chapter, EU and Australia have explicitly recognised the “need to address drivers of deforestation from outside the forest sector.”¹
 - Parties are mandated to cooperate and exchange information on “minimising all forms of deforestation and forest degradation, including on drivers from outside the forest sector...”. This reference to “drivers from outside the forest sector” is notable, as a provision like this serves to significantly broaden the ambit of covered activities.
- The two sides have acknowledged the importance of trade in forest products “harvested from sustainably managed forests in accordance with the laws of the country of harvest, and in products from deforestation-free supply chains”.¹
 - The emphasis on the laws of the country of harvest is notable. Through this, EU and Australia have recognised the potential extra-territorial effects of laws governing the legality of forest land diversion and the legality of forest products emerging from there.
 - The FTA accordingly requires parties to encourage trade in forest products that are sourced from sustainably managed forests in accordance with the laws of the country of harvest, and in products from deforestation-free supply chains.
- EU and Australia have also undertaken to cooperate on the implementation of measures to combat illegal logging and related trade, “including with respect to third countries...” This represents another broadening area where the bilateral agreement is envisaging parties to undertake cooperative activities (in this case, measures related to mitigating illegal logging and trade in such products) related to third-country measures.

¹¹ Negotiations for the EU-Australia FTA were concluded in March 2026. The provisional FTA text has been released publicly by the European Commission. See, < <https://www.pm.gov.au/media/australia-european-union-free-trade-agreement>>

Some other FTAs, including between developed and developing country trading partners, have included dedicated sections on commodities with significant forest-facing impacts. For example, the recently signed EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA) includes a dedicated Protocol focusing on trade in sustainable palm oil.¹²

The EU and Indonesia have historically had several frictions related to palm oil trade, including a dispute at the World Trade Organisation related to the EU's import restrictions on palm oil and oil palm crop-based biofuels.¹³

Sustainable Finance Linkages in India's recent FTAs

Sustainable finance linkages to trade may be understood in several different ways. It is important to note that the ambit of "sustainability" here will include all its dimensions of environmental, economic and social sustainability.

Links to sustainable finance aspects in FTAs may therefore be found in relation to facilitating uptake of trade/export financing for traditionally under-served groups, encouraging financial inclusion and access to finance for women-led businesses, MSMEs, etc.; mobilising climate finance for mitigation and adaptation purposes; sustainability-related aspects included in provisions relating to responsible business conduct, corporate social responsibility, environmental, social and governance (ESG) indicators, among several others.

These are broadly the linkages that fall within the framework of trade and sustainability, and trade and development. There may also be particular linkages with the framework regulating the supply of services, particularly financial services, in the FTA disciplines relating to services trade.

The purpose of this section is not an in-depth exploration or comprehensive mapping of India's FTA practice vis-à-vis sustainable finance, but to set out the major issues and highlight concrete areas for further study. A key motivation is to understand if there are any specific linkages in India's FTAs which tie sustainable finance-related aspects to those relating to trade and forests.

Links to Sustainable Finance in India's Recent FTAs

The India-New Zealand FTA contains an enabling framework calling on parties to endeavour to cooperate on aspects relating to the mitigation and adaptation of climate change, including

¹² Protocol to the EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA) – Enhancing the Potential of this Agreement to Support Trade in Sustainable Palm Oil, available at <<https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/149e435b-c2c5-421e-b94b-dcbf980f40f3/details?download=true>>

¹³ See generally, Erja Kettunen and Ayu Pratiwi, 'Towards collaborative EU-Indonesia bargaining on palm oil policy: deconstructing the public discourse' (2025), the Asia Europe Journal, <https://doi.org/10.1007/s10308-025-00732-5>; WTO DS593: European Union - Certain Measures Concerning Palm Oil and Oil Palm Crop-Based Biofuels, <https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds593_e.htm>

with respect to mobilising investment and sustainable finance.¹⁴ The India-EU FTA contains an identical provision.¹⁵ However, this is not an indicative area of cooperation in the context of trade and environment (under which falls the sub-category of trade and forests) in either agreement.

There are some other relevant linkages as well. For example, the India-New Zealand FTA contains a provision calling on parties to endeavour to cooperate for identifying and addressing barriers faced by women in trade and investment, including those related to finance.¹⁶

Similarly, the India-UK CETA identifies the promotion of financial inclusion and literacy, as well as access to financing and financial assistance, including trade financing, as relevant areas of cooperation to promote full access of women workers, business owners and entrepreneurs to the CETA's opportunities.¹⁷

The provision on trade and gender equality in the India-EU FTA identifies promoting financial inclusion, access to financial assistance and financing, including export financing, venture capital and microfinance for women-led businesses as a priority area of cooperation between the parties.

Notably, the financial services chapter of the India-UK CETA, which governs the supply of services of a financial nature, contains a provision recognising the importance of international cooperation to facilitate the inclusion of environmental, social and governance (ESG) considerations in decision-making by financial services suppliers.¹⁸

FTA Practice on Sustainable Finance in Deep Trading Agreements

FTAs between developed country trading partners may sometimes include deeper links between sustainable finance and trade. One example related to financial services is the UK-Australia FTA, highlighted in Box 2:

¹⁴ Article 12.8.4 (a), India-New Zealand FTA, available at < <https://www.mfat.govt.nz/assets/Trade-agreements/NZ-India-FTA/Text-of-the-Free-Trade-Agreement-between-the-Government-of-New-Zealand-and-the-Government-of-the-Republic-of-India.pdf>>

¹⁵ Article 16.6.3 (d), India-EU FTA

¹⁶ Article 12.4.3(c), India-New Zealand FTA

¹⁷ Article 23.3.3 (e), India-UK CETA

¹⁸ Article 9.20.5, India-UK CETA, <<https://assets.publishing.service.gov.uk/media/687e5cf7ae8555bab409a078/uk-india-ceta-chapter-9-financial-services.pdf>>

Box 2: Sustainable Finance and Trade Linkages in the Context of Financial Services The Case of the UK-Australia FTA

- In the provisions regulating supply of financial services, the UK and Australia have not only recognised the importance of inclusion of ESG considerations in investment decision-making to increase investment in sustainable activities, but also detailed what this involves. For example, they have highlighted that this covers:
 - The assessment and pricing of climate-related risks and opportunities, and the exploration of environmental and sustainable projects and infrastructure. (Article 9.19.2, UK-Australia FTA)
- The provision has also recognised the need to encourage financial service suppliers to develop an approach to managing climate-related financial risks, including encouraging the uptake of climate-related financial disclosures for financial service suppliers with material exposure to climate change, including forward-looking information, informed by initiatives such as the Task Force on Climate-Related Financial Disclosures. (Article 9.19.3, UK-Australia FTA)
- However, the need to encourage uptake of nature-related financial disclosures has not been covered even by such frontier FTAs.

Conclusion

A review of trade and forests-related coverage in three of India's recently concluded FTAs with the UK, EU and NZ reveals a broad ambit. These agreements focus on advancing cooperation, rather than imposing disciplines and making the provisions subject to dispute settlement procedures.

In these FTAs, India and its respective trading partners have not only reaffirmed the inherent value of conservation and sustainable management of forests, but also undertaken to strengthen cooperation to combat illegal logging and associated trade, promote the conservation and sustainable management of forests, as well as share information and exchange experiences on a range of commercially relevant measures.

The establishment of an institutional framework through these FTAs (including dedicated committees and contact points) provides a platform for discussion between India and its FTA partners on dynamically evolving trade- and forest-related aspects.

Yet, these FTAs don't go as far in terms of acknowledging the need for cooperation to foster trade in forest products that are harvested from sustainably managed forests. There are no explicit references to legality requirements of the country of harvest, or to encourage products from deforestation-free supply chains. Some FTAs between developed country trading partners containing deep TSD cooperation frameworks have begun to cover these aspects.

With regard to sustainable finance, while there are cooperative provisions in the India-EU and India-New Zealand FTAs broadly linking trade and sustainable finance within the TSD framework, particularly with regard to mobilising investment and sustainable finance for the mitigation and adaptation of climate change, there are no such references in the context of trade and forests. There are some other links to finance aspects in India's recent FTA practice, for example in relation to trade and gender equality.

The reference recognising the importance of international cooperation to facilitate the inclusion of environmental, social and governance (ESG) considerations in decision-making by financial services suppliers is a notable inclusion in the India-UK CETA framework governing trade in financial services.

Overall, the inclusion of specific provisions on trade and forest-related aspects in India's FTAs with developed-country trading partners marks a paradigm shift in India's approach towards sustainability and forest governance as a trade-related and trade-linked issue. It potentially represents a new pathway through India's FTAs towards more sustainable trade and finance of forest commodities and products.

While there has been significant academic and policy attention in India on broader TSD aspects such as environment/climate change and labour as trade-related areas, the trade-forest linkages have gained less attention. This needs to change, particularly in the context of fast-evolving autonomous regulations such as the EUDR and its proposed UK version, which, although not linked to respective FTAs, are likely to significantly impact India's trade in forest-related products with these trading partners.

Way Forward

There is accordingly a need for undertaking focused research on the trade and sustainable forest management-related provisions in India's recently agreed FTAs, with a particular focus on the interaction of international obligations with the domestic legal and policy frameworks in India, and with the relevant certification and standards ecosystem.

Some concrete areas can be taken up for further study to translate policy goals into actionable insights. For example, the sustainability and certification requirements of individual FTAs need to be analysed and mapped onto India's certification and standards ecosystem to come up with areas for potential mutual recognition, accreditation of standards certifying bodies, among others.

Similarly, such a mapping exercise can be linked to district-level assessments from producing regions and of export-oriented sectors to identify trade-exposed forest products, companies and supply chains with market access risks arising from deforestation-related aspects.¹⁹

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¹⁹ Suggestion received during a stakeholder consultation meeting held in Mumbai in June, 2026, as part of the 'Clean Finance and Trade, Green India' project.