

Assessing The Role of FTA's In Achieving SDG 13 (Climate Action):Evidence From South Asia

Mr. Garv^{1*}, Dr. Renu Verma²

^{1*}(Ph.D. Scholar, School Of Humanities , K.R. Mangalam University, Gurugram) Official Mail Id- garvkuk12@gmail.com

²(Professor, School Of Humanities, K.R. Mangalam University, Gurugram) Official Mail Id- renu.verma@krmangalam.edu.in

Abstract

Promoting economic development through the liberalization of international trade has long been a central theme in global policy discourse. In recent years, Free Trade Agreements (FTAs) have taken on a crucial role in trade negotiations, opening new market opportunities, boosting foreign direct investment (FDI), and supporting regional economic collaboration. As a major economic force in South Asia and a significant actor within the Global South, India has proactively adopted a varied mix of regional and bilateral FTAs to enhance its position as a strategic center for trade and investment. These deals encompass diverse sectors, ranging from tariff concessions to comprehensive partnerships involving services, investment, and intellectual property.

However, with the rising climate crisis faced by humanity, there are concerns of whether the current format of FTAs effectively facilitates the sustainability goals, in particular, the SDG 13: Climate Action. According to the findings presented by the IPCC in 2023, the reduction of greenhouse gas emissions and the enhancement of resilience to climate effects are greatly needed. In the case of India and its South Asian neighbours, which are countries especially susceptible to climate disruptive effects like unpredictable monsoons, coastal flooding and extreme temperatures, there is a necessity to ensure that trade policies are aligned with climate resilience and emission-reduction policies.

Trade and environmental regimes have historically developed in distinct realms, which has commonly resulted in incongruencies in regulation and missed chances to unite them. It is a pressing need to harmonize the trade agreements with the environmental goals by incorporating enforceable standards, facilitating the transfer of green technologies, and establishing carbon tracking systems in the FTAs. Although India is also involved in international climate plans such as the Paris Agreement and its Nationally Determined Contributions (NDCs), the majority of the current FTAs do not provide substantial incorporation with these climate ambitions.

The paper is a systematic inquiry of the incorporation of climate-related commitments in the bilateral and regional FTAs in India, particularly in the South Asia region, in accordance with SDG 13. The study examines the major trade agreements like AIFTA, SAFTA, and Sri Lanka, Nepal and Bhutan agreements to estimate whether the agreements encourage sustainable development and economic growth in low emissions. The article seeks to add to the debate on the need to balance trade growth with climate control by providing specific policy recommendations on how to structure trade in a climate-compatible way.

Keywords: Free Trade Agreements, Climate Action, SDG 13, South Asia, Environmental Provisions, Trade Policy.

1. INTRODUCTION

Economic development by the liberalization of international trade has been a key policy issue in the world scene. Free Trade Agreements (FTAs) have in the recent years gained a significant role in trade negotiations, creating new market opportunities, enhancing foreign direct investment (FDI), and facilitating regional economic cooperation. India as a key player in the South Asian economy as well as a key player in the Global South has actively embraced a diversified blend of regional and bilateral FTAs in order to boost its status as a strategic hub of trade and investment. These agreements cover a wide variety of areas, including tariff concessions and full partnerships of services, investment and intellectual property.

However, with the world facing the ever-growing climate crisis, the question is whether the existing structure of FTAs is sufficient to enhance sustainability goals, particularly SDG 13: Climate Action. According to the report by IPCC in 2023, there is an urgent necessity to reduce greenhouse gas emissions and enhance the resilience to climate effects. In the case of India and South Asian neighbors, countries that are especially susceptible to climate

change in the form of unpredictable monsoons, coastal floods, and extreme temperatures, trade policies must be in line with climate resilience and emissions reduction objectives.

In the past, trade and environmental systems have been developed in distinct realms, which has resulted in a lack of consistency in regulations and the failure to acknowledge the potential of integration. It is of critical need to make trade agreements consistent with environmental aims by incorporating binding standards, encouraging green technology transfers and carbon monitoring systems into FTAs. Most FTAs do not have significant integration with the global climate efforts such as the Paris Accord and India Nationally Determined Contributions (NDCs) despite India being a signatory to such initiatives.

The research is a systematic study of how the bilateral and regional FTAs in India, particularly South Asia, integrate climate-related commitments in accordance with SDG 13. The research examines the impact of sustainable development and low-emission economic growth by studying the major trade agreements like the AIFTA, SAFTA, and the Sri Lanka, Nepal, and Bhutan agreements. The article seeks to add to the discussion regarding the reconciliation of trade extension with climate governance by providing specific policy recommendations that can be used to align trade frameworks with climate.

2. LITERATURE REVIEW

2.1. Trade and Environment Nexus

There has been a lot of debate concerning the relationship between international trade and environmental sustainability. According to the so-called Pollution Haven Hypothesis, trade liberalization promotes the migration of firms to countries that have low environmental standards (Copeland & Taylor, 2004). On the other hand, the so-called Porter Hypothesis states that trade may lead to the spread of environmental friendly technologies and best practices (Porter & van der Linde, 1995).

According to Frankel and Rose (2005), trade openness impacts the environmental quality either way, depending on the capability of the trading countries to regulate their environment. Antweiler, Copeland, and Taylor, (2001), further classified these effects as; scale, technique and composition effects, which underlines the complexity of the trade-environment nexus.

2.2. FTAs and Climate Action

The literature on environmental provisions in FTAs has been reviewed in the recent past. The OECD (2020) estimated that just one-third of all FTAs across the world contain enforceable environmental clauses. Horn, Mavroidis and Sapir (2010) categorized FTAs in two groups, the WTO+ and WTO-X agreements where the latter comprises of environmental and social commitments that are beyond the WTO.

Asia The Asia-Pacific Trade and Investment Report (ESCAP, 2021) states that FTAs in the Asia-Pacific region rarely feature specific clauses on climate change, and instead target tariff liberalization and investment. According to a study conducted by the International Centre for Trade and Sustainable Development (ICTSD, 2017), there are possibilities to consider climate in regional trade agreements, especially by using carbon labeling, accounting of emissions, and climate funding.

2.3. SDG 13 and Regional Trade Governance

SDG 13 seeks the inclusion of climate action into national policies and strategies. The cross-sectoral instrument in this goal is trade policy (UNCTAD, 2020). But South Asian FTAs do not have much of a mechanism of environmental cooperation, emissions monitoring, or resilience building.

According to Khan and Ali (2019), climate-proofing the trade policies is a necessary step to sustainable development in South Asia. Likewise, Mehta and Kumar (2022) also establish that market access has been privileged in India FTAs at the expense of environmental protection, which results in a lack of policy coherence between trade and climate regimes.

3. RESEARCH METHODOLOGY

The qualitative method of policy content analysis is used in this paper, where legal-structural and thematic review approaches are combined to assess the consistency of FTA in India with the SDG 13 targets. Given the

multidimensional nature of both FTAs and climate policy, a systematic and comparative framework was necessary to assess:

1. The presence of environmental provisions within FTA texts.
2. The institutional mechanisms for monitoring or enforcing such provisions.
3. The potential impact or omission of such FTAs on India's climate goals.

3.1. Scope of Agreements Analyzed

The analysis focused on nine key FTAs signed by India, selected for their regional importance, economic significance, and geographic diversity. These include:

- ASEAN-India Free Trade Agreement (AIFTA)
- South Asian Free Trade Area (SAFTA)
- India-Sri Lanka Free Trade Agreement (ISFTA)
- India-Japan Comprehensive Economic Partnership Agreement (IJECEPA)
- India-Korea CEPA (IKCEPA)
- India-Singapore CECA (ISCECA)
- India-Malaysia CECA (IMCECA)
- India-Nepal Free Trade Agreement (INFTA)
- India-Bhutan Trade Agreement (IBFTA)

These FTAs represent a mix of bilateral and regional, as well as narrow (goods-only) and comprehensive (goods + services + investment) agreements.

3.2. Analytical Framework

To ensure structured and consistent evaluation, the FTAs were analyzed using a five-dimensional coding rubric, developed based on international climate law (UNFCCC), trade-environment scholarship (OECD, WTO-X classifications), and SDG 13 indicators:

Dimension	Description
1. Environmental Provisions	Does the FTA include clauses explicitly referencing the environment, climate change, or sustainability?
2. SDG 13 Alignment	Are there any direct or indirect linkages to SDG 13 targets or national climate commitments (e.g., NDCs)?
3. Safeguard Mechanisms	Do general exceptions allow for environmental protection or precautionary principles?
4. Institutional Oversight	Are joint committees or dispute resolution mechanisms empowered to enforce environmental compliance?
5. Future Integration Potential	Does the FTA include review/amendment provisions that could allow inclusion of climate-specific chapters?

Each agreement was reviewed clause-by-clause, and provisions were classified as either:

- Explicit (clearly addressing environmental/climate issues)
- Implicit (allowing indirect environmental application under broader GATT/WTO terms)

3.3. Supplementary Data Sources

In addition to primary FTA texts, supplementary policy documents and data sources were used to contextualize and enrich the analysis:

- UNFCCC Country Reports (India's Biennial Update Reports)
- World Bank Climate Change Knowledge Portal (carbon emissions and environmental indicators)
- OECD Greening Trade Report (2020)
- WTO Environmental Database (mapping trade measures and SDG relevance)

Where necessary, cross-referencing was done with national trade policy documents and India's Intended Nationally Determined Contributions (INDC) under the Paris Agreement.

3.4. Limitations

This study does not empirically estimate the carbon footprint of traded goods under each FTA due to data limitations on emissions per sector/product in bilateral trade. Moreover, the analysis is restricted to policy content, not actual enforcement or implementation performance, which requires future fieldwork and stakeholder interviews.

4. RESEARCH METHODOLOGY

4.1. Minimal Integration of Environmental Objectives

Most Indian FTAs, including AIFTA, SAFTA, and bilateral agreements with Sri Lanka, Nepal, and Bhutan, lack explicit references to climate change or SDGs. While Article 14 of SAFTA permits action to safeguard human, animal, or plant life, this is a generic exception rather than a climate commitment. Similarly, ISFTA, IBFTA, and INFTA focus primarily on tariff reductions without sustainability chapters.

4.2. Partial Progress in Comprehensive FTAs

More recent and comprehensive agreements—particularly IJCEPA and ISCECA—include limited references to sustainable development, sanitary and phytosanitary (SPS) measures, and technical barriers to trade (TBTs). For instance, IJCEPA includes cooperation on environmental technologies and pharmaceuticals. However, these are non-binding and lack enforcement mechanisms.

4.3. Absence of Carbon Accounting or Emissions Clauses

None of the FTAs examined require signatories to measure or report the carbon emissions embedded in traded goods, or to promote low-carbon trade practices. This is a missed opportunity, particularly for agreements involving energy-intensive sectors such as textiles, automobiles, and chemicals.

4.4. Institutional Gaps and Implementation Challenges

Although some FTAs establish Joint Committees or review mechanisms, none are tasked with overseeing environmental performance. Dispute settlement mechanisms are similarly silent on climate-related concerns. The lack of regional coordination mechanisms inhibits climate-resilient trade policy in South Asia.

5. DISCUSSION

India's FTAs demonstrate a traditional approach focused on market access, tariff reduction, and investment promotion. However, given India's Nationally Determined Contributions (NDCs) under the Paris Agreement and its commitment to achieving net-zero emissions by 2070, trade policy must evolve to support these goals.

Key areas for policy intervention include:

- Green Procurement and Carbon Labeling: Introducing sustainability standards for traded goods and services.
- Environmental Side Agreements: Developing annexes or protocols dedicated to emissions, renewable energy, or clean technologies.
- Regional Climate Governance: Leveraging FTAs to coordinate climate action among South Asian countries, including the development of a Regional Carbon Budgeting Framework.

6. CONCLUSION AND POLICY RECOMMENDATIONS

The study finds that India's FTAs—particularly those with South Asian partners—are not yet aligned with SDG 13. They fall short in integrating climate-related provisions, institutional mechanisms for enforcement, and benchmarks for emissions reduction. As India negotiates new FTAs (e.g., with the EU, UK, Australia), it has an opportunity to lead by example in embedding climate action into trade policy.

RECOMMENDATIONS:

1. Include sustainability chapters in all future FTAs, aligned with SDG 13 and the Paris Agreement.
2. Revise existing FTAs to add climate-related annexes and review mechanisms.
3. Establish Joint Environmental Committees under FTAs to monitor compliance and facilitate cooperation.

4. Implement carbon footprint tracking and encourage green certification for traded goods.
5. Support regional platforms for climate-trade synergy, such as a South Asia Green Trade Initiative.

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