

Relation between trade and environment with special reference to India

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Abstract: Since the early 1990s, India's engagement with globalization has profoundly reshaped its trade regime, foreign direct investment (FDI) policies, and environmental governance framework. The liberalization reforms initiated in 1991 marked a decisive shift from a tightly controlled and protectionist economic model to a more open, market-oriented system integrated with global trade and capital flows. This transformation coincided with growing international concern regarding environmental degradation, climate change, and sustainable development, placing India at the intersection of competing imperatives of economic growth and ecological protection. The present article critically examines the relationship between trade liberalization, FDI inflows, and environmental regulation in India from 1991 to 2025, with particular emphasis on India's evolving stance in multilateral trade negotiations, its domestic constitutional and statutory environmental safeguards, and its responses to international environmental agreements. The article argues that while liberalization and FDI have contributed significantly to economic expansion, structural weaknesses—particularly in manufacturing, regulatory enforcement, and environmental compliance—have limited the realization of environmentally sustainable growth. Drawing upon India's constitutional ethos, traditional ecological values, and contemporary policy initiatives, the study situates India's environmental trade discourse within broader international debates on equity, globalization, and sustainable development. The analysis concludes that India's future trajectory depends upon harmonizing trade competitiveness with robust environmental governance, technological innovation, and equitable global cooperation.

Keywords: Trade Liberalization, Foreign Direct Investment, Environmental Governance, Sustainable Development, Globalization, India, WTO, Environmental Law

INTRODUCTION

India's economic and legal landscape underwent a structural transformation in 1991 when the country confronted a severe balance of payments crisis that compelled a fundamental reorientation of its development strategy. The reforms introduced during this period dismantled decades of inward-looking, state-led economic policies and replaced them with a liberalized regime emphasizing trade openness, foreign investment, and private sector participation. These

changes were not merely economic in character, they also carried significant legal, social, and environmental implications. As India integrated more deeply into the global economy, questions concerning the environmental consequences of expanded trade and FDI gained increasing prominence in academic, policy, and legal discourse.

Trade liberalization and increased capital mobility have historically generated concerns about environmental degradation, particularly in developing economies where regulatory institutions may be weaker and developmental pressures more acute. In the Indian context, the expansion of industrial activity, infrastructure development, and energy consumption following liberalization intensified environmental stress in the form of air and water pollution, deforestation, biodiversity loss, and rising greenhouse gas emissions. Simultaneously, India remained committed to poverty alleviation, employment generation, and economic modernization, thereby necessitating a careful balancing of environmental protection with developmental imperatives.

India's position in global trade and environmental negotiations reflects this dual commitment. On the one hand, India has consistently maintained that existing World Trade Organization (WTO) rules are adequate to address trade-related environmental measures and has resisted the expansion of environmental conditionalities that could function as disguised protectionism. On the other hand, India has actively participated in multilateral environmental agreements (MEAs) and incorporated environmental protection into its constitutional and statutory framework. This apparent tension underscores the complexity of India's approach to sustainable development in an era of globalization.

The period from 2010 to 2025 is particularly significant in this regard. During these years, India emerged as one of the world's fastest-growing major economies, a leading destination for FDI, and a pivotal actor in global climate negotiations. Domestic initiatives such as the National Action Plan on Climate Change, the promotion of renewable energy, and stricter environmental impact assessment norms coincided with international commitments under instruments such as the Paris Agreement. Against this backdrop, the present article seeks to provide a comprehensive analysis of India's trade-environment nexus, situating it within historical, legal, and international perspectives.

HISTORICAL BACKGROUND

Prior to the 1991 reforms, India's trade regime was characterized by extensive quantitative restrictions, high tariff barriers, import licensing requirements, and state monopolies over the import and export of key commodities. Import licensing served as a primary instrument of protection, with most goods requiring prior government approval unless specifically exempted. The classification of imports into categories such as restricted, limited permissible, and open general license (OGL) reflected a deeply interventionist approach designed to conserve foreign exchange and promote domestic industry. Canalization further reinforced state control by granting exclusive trading rights for certain commodities to public sector agencies.

The liberalization measures introduced in 1991 fundamentally altered this framework. Tariff rates were progressively reduced, quantitative restrictions were dismantled, and import licensing was replaced by a consolidated Negative List of Imports. Goods not included in the negative list became freely importable, thereby enhancing market access and competition. Export controls were similarly rationalized, and although direct export subsidies remained limited, exporters benefited from fiscal incentives such as duty drawback schemes and tax concessions. By the late 1990s, only a small proportion of industrial classifications remained subject to licensing or canalization, signaling a decisive shift toward openness.

Foreign direct investment policy underwent an equally dramatic transformation. Before 1991, FDI was permitted only in select sectors and subject to stringent conditions, including mandatory government approvals, local content requirements, and technology transfer obligations. These constraints significantly deterred foreign investors. Post-1991 reforms introduced an automatic approval route for a growing number of industrial sectors, simplifying procedures and enhancing investor confidence. As a result, FDI inflows increased substantially between 1991 and the early 2000s, with major investments originating from the United States, the United Kingdom, Japan, and Mauritius. Between 2010 and 2025, India consistently ranked among the top global FDI destinations, particularly in services, manufacturing, digital infrastructure, and renewable energy.

Parallel to these economic developments, India's environmental consciousness has deep historical roots. Ancient Indian texts such as the Vedas and Upanishads articulate a worldview that emphasizes harmony between human beings and nature. Philosophical traditions, including Buddhism and Jainism, further reinforced principles of non-violence and ecological balance. The Isha Upanishad's assertion that all elements of the universe are pervaded by a

divine order underscores a normative ethic of restraint and stewardship. These cultural foundations continue to influence contemporary environmental jurisprudence and policy.

Modern environmental governance in India began to take shape in the post-independence period, particularly after the 1970s. The enactment of the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 established institutional mechanisms for pollution control through central and state pollution control boards. The constitutional amendments of 1976 further strengthened this framework by incorporating environmental protection into the Directive Principles of State Policy and Fundamental Duties. Articles 48-A and 51-A(g) collectively impose obligations on the state and citizens to protect and improve the environment.

Despite this robust legal architecture, enforcement challenges have persisted. India's federal structure assigns standard-setting functions to the Central Pollution Control Board while delegating implementation and enforcement to State Pollution Control Boards. Variations in administrative capacity, political will, and resource availability across states have resulted in uneven compliance and regulatory effectiveness. These institutional limitations have become more pronounced with the rapid expansion of industrial and urban activity since liberalization.

FUNDAMENTAL ENVIRONMENTAL RESOLUTIONS

The two fundamental contamination control resolutions in India are the Water Control Demonstration of 1974 and the Air (Counteraction and Control of Contamination) Demonstration of 1981. Albeit the extent of these enactments is expansive, ecological guidelines have not been extremely successful in controlling contamination and preventing natural damage. One of the fundamental purposes behind this helpless execution is that there is a fundamental division of force between the middle and the state in India, mirroring the governmental nature of the constitution. While the Focal Contamination Control Board (CPCB) is liable for setting ecological norms for plants and encompassing air contamination levels, the execution of ecological norms and their authorization are decentralized and are the obligation of the SPCB (State Contamination Control Board). With the end goal of our factual investigation, the significant highlight note is that no significant changes happened in ecological strategy during the time of our examination.

Although the advancement function has gained prominence in the Indian Economy, India has strengthened in addition to the solid construction of administrative measures. Also, strategic

drivers, totally intent on climate protection. The 42nd Amendment came into force in 1976 amending the prestigious Constitution. An integral part of the mandate criteria for state fundamental duties Part-IV of the Constitution containing Article 48-A has obligated the states to attempt for saving and working on the climate and preserve wood and wilderness life of the nation. Throughout Article 51-A (g), the section on major obligations, the imposition of an obligation on each of the Indian residents "to secure and further develop common habitats including back forests, lakes, waterways, untamed life, and empathy for life of the animals".

GLOBALIZATION

In the developing statute and ethos of economical turn of events, the catchphrases are "globalization" and "value." A few types of ecological harm stretch out across public lines to the debasement of the worldwide hall, influencing a worldwide society. In this manner, the idea of a worldwide society includes the requirement for worldwide points of view which, thus, for integrated definitions of jurisprudential, social, and monetary connections. In a worldwide measurement, the old definitions lose essence and legitimacy with the evolving culture of humans. The improvement of advanced rational frameworks in present-day helped approve like common liberties, the person is presently involved as the direct recipient of law. Individuals from worldwide society, in the last phase, make people the recipients of both state-wise and worldwide laws. Since certain spaces of lawful freedoms and commitments are normal to both the state and worldwide general sets of laws, one can think about it as two circles that are concentric and the person is the focal point of the two circles, the inner circle symbolizing law of the state and the outer circle defining worldwide laws. In this illustration-like manner lawful regions, like natural law, one might visualize worldwide values streaming into the substance of state law. In such regions, worldwide viewpoints should be considered to show up at a valid and extensive translation of individual privileges and commitments.

VALUE

The other watchword in the statute and ethos of manageable improvement is "value." It is obvious that, as individuals from the worldwide local area, nations are held together by an inevitable relationship. What's more, we should definitely collaborate with one another. Seen according to the point of view of equilibrated solidarity, the world local area should discover its security in a plaguing value. Contemplations of ecological security alone require that value be a basic rule in sewing together a steady local area. These incorporate further developed market straightforwardness through trades of perspectives and data concerning markets for

individual products, arrangements among makers and buyers, and remuneration components for deficits in ware trade profit of creating nations, to empower expansion endeavors. Thus, non-industrial countries guarantee that in any course of feasible improvement, the current inconsistencies between countries, just as the requirements of the present and people in the future, ought to be considered. India has an old legacy of incorporating natural qualities, yet it is simultaneously tenacious in recovering its kin from the servitude of neediness. Two methodologies have been taken on by India which illustrate the strain between these two beliefs. To begin with, to guarantee that India's improvement measures fructify in a harmless to the ecosystem ethos, India demands the exchange of clean advances and monetary help from created nations.

FUTURE COLLABORATIONS

The time frame after the Rio Conference has been worthwhile for symposia also, the thoughts, ideas, and processes that occurred to evaluate the conference's import and to survey the accomplishments of emerging nations. *"In an afterwhile UNCED Workshop conducted on Climate & Advancement Strategy Situations in Asia, famous market analysts, legal scholars, and researchers from a few Asian nations presented over the ramifications of the Revelation of Rio, the Agenda or Plan 21, the System Show on Environmental Change and the Organic Variety Resolution"*. Since the beginning, members of the conference communicated frustration about the Rio interaction experiencing a shortfall in the successful development, and there was an uncomfortable inclination that the Rio cycle had, indeed, become lethargic. Another worry communicated by certain members was the uncertainty of different articulations in the Rio records, for example, the *"steady and open worldwide monetary framework"* in the Rio Declaration. India is a known signatory in worldwide reports, being innovation-driven and a solid ally to the Rio Declaration. Notwithstanding, predominant India's assessment is the result of the interaction at Rio that will rely upon the expansive mission, vision, and great confidence that the emerging nations provide for. Outfitted the predominant innovation, monetary benefit, and monetary force, the created nations are, truly, the great variables in the execution of the Rio guarantees. Except if they convey, there will be scant significance to the exhausting works which finished in the Rio choices. They, thus, should perceive that the whole Rio building has been organized on the reason of a worldwide association, an organization imagined as much to their greatest advantage and for their advantage for what it's worth for the non-industrial nations. Shared need, not the foundation, portrays the Rio interaction. Indian authority assessment acknowledges that emerging nations can benefit from more noteworthy

exchange opportunities. This, as Plan 21 recommends, will bring about a more proficient portion and utilization of assets, accordingly empowering India to go to more powerful lengths for the safeguarding and insurance of the climate. An appropriately organized open multilateral exchanging framework will set out such exchanging open doors. Notwithstanding, regardless of whether such a framework is set up, it can't fill in as the essential gathering for treating natural concerns. Moreover, even though significance was provided for the General Concession to Exchange and Duties (GATT), UNCTAD, and other worldwide associations by Plan 21, India thinks that it might be hard to underwrite the authority of the associations question goal boards for deciding questions identifying with ecological security. "Furthermore, despite the fact that significance has been granted to the General Concession to Exchange and Levies (GATT), UNCTAD, and other global associations by Plan 21, India thinks that it might be hard to embrace and take care of these authorities of this associations debate goal boards for deciding questions identifying with natural security". Critical to review is just the assurance by the GATT Question Goal Board in the Dolphin/Fish case has not enlivened certainty, particularly in the US, and has caused a lot of dissatisfaction among hippies. *"Truth be told, a genuine inquiry exists concerning whether Article 20 of the GATT Rules, which accommodate exemptions for GATT limitations and denials, can be utilized to manage matters identifying with ecological protection Article 20 should be revised by the expansion, for case, of an arrangement explicitly permitting a nation to force measures for assurance of the climate, the two its own and that of the worldwide center"*.

INTERNATIONAL PERSPECTIVES

From an international standpoint, the relationship between trade liberalization, foreign direct investment (FDI), and environmental protection has remained one of the most contested issues in global economic governance. India's position within this discourse has been shaped by its dual identity as a developing economy with pressing growth imperatives and as a responsible stakeholder in global environmental protection. Within the framework of the World Trade Organization (WTO), India has consistently maintained that existing trade rules—particularly the environmental exceptions under Article XX of the General Agreement on Tariffs and Trade (GATT) are sufficient to address legitimate environmental concerns, provided such measures are non-arbitrary, non-discriminatory, and not disguised restrictions on international trade. India has therefore opposed the proliferation of unilateral trade measures justified on environmental grounds, arguing that they undermine multilateralism and disproportionately affect developing countries.

India's approach to Multilateral Environmental Agreements (MEAs) further reflects its emphasis on inclusivity and equity. It has argued that only those environmental agreements negotiated under the aegis of the United Nations, with effective participation from both developed and developing countries, should form the basis for trade-related obligations. This stance seeks to prevent the imposition of environmental standards that may not adequately account for developmental disparities. India has also insisted that obligations under MEAs must be explicit, mandatory, and clearly defined to avoid interpretative overreach by international dispute settlement bodies.

Between 2010 and 2025, India's international environmental engagement evolved significantly, particularly in the context of global climate governance. As a signatory to the Paris Agreement, India committed to nationally determined contributions that balance emissions mitigation with economic growth and poverty eradication. India's emphasis on renewable energy expansion, climate-resilient infrastructure, and sustainable development pathways enhanced its credibility in international forums. At the same time, India expressed strong reservations regarding emerging trade-related climate instruments such as carbon border adjustment mechanisms, viewing them as potential non-tariff barriers that conflict with the principle of common but differentiated responsibilities.

Comparatively, India's stance diverges from that of developed economies such as the European Union and the United States. The European Union increasingly integrates environmental and climate objectives into trade agreements and domestic regulations, while the United States relies heavily on domestic environmental enforcement combined with selective extraterritorial trade measures. India, in contrast, continues to prioritize multilateral consensus and developmental equity, arguing that environmental protection should not become a pretext for new forms of protectionism. This approach underscores India's broader vision of globalization as a cooperative process that must reconcile environmental sustainability with economic justice.

CONCLUSION

India's experience with trade liberalization and foreign direct investment since the early 1990s illustrates the complex interaction between economic growth and environmental governance. Liberalization has facilitated greater integration into global markets, increased capital inflows, and technological diffusion, contributing significantly to India's economic expansion. However, these developments have also intensified environmental pressures, particularly in

terms of pollution, resource depletion, and greenhouse gas emissions. While India possesses a comparatively strong constitutional and statutory framework for environmental protection, gaps in enforcement, institutional capacity, and regulatory coordination continue to undermine its effectiveness.

At the international level, India's cautious approach toward trade-linked environmental measures reflects legitimate concerns about equity, sovereignty, and developmental justice. The analysis demonstrates that trade openness and FDI, in the absence of strong domestic environmental regulation, may exacerbate ecological degradation rather than promote sustainable development. India's policy stance therefore reflects an ongoing effort to harmonize its historical ecological ethos, constitutional commitments, and international obligations with the realities of globalization.

Ultimately, the Indian experience suggests that sustainable development cannot be achieved through economic liberalization alone. It requires a coherent integration of trade policy, investment regulation, environmental law, and social welfare considerations. India's evolving engagement with global trade and environmental regimes highlights the need for balanced governance structures that promote growth while safeguarding ecological integrity.

FUTURE SCOPE

The future trajectory of India's trade–environment nexus will depend on its ability to embed sustainability more deeply within economic policymaking. Strengthening environmental institutions, enhancing regulatory enforcement, and improving coordination between central and state authorities will be crucial for ensuring compliance and accountability. Greater emphasis on green industrial policies, sustainable manufacturing, and the adoption of clean technologies can help mitigate environmental risks associated with trade and FDI.

At the international level, India is likely to play an increasingly influential role in shaping global norms on trade and environmental governance. Constructive engagement in negotiations on climate-related trade measures, technology transfer, and sustainable investment frameworks will be essential to protect developmental interests while addressing global environmental challenges. Future research may focus on sector-specific environmental impacts of FDI, judicial interventions in trade–environment disputes, and comparative analyses of emerging economies' responses to climate-linked trade regulations. In this context,

India's synthesis of constitutional values, international cooperation, and technological innovation offers a viable pathway toward sustainable and inclusive development.

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