

POLICY BRIEF



Coordinating Global Efforts on a Deforestation- free Agricultural Supply Chain

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Trade and
Investment

Abstract

Unilateral regulations, exemplified by the EU Deforestation Regulation (EUDR), contribute to international trade policy addressing deforestation through sustainability standards. These regulations require importers to prove that commodities such as soya, beef, palm oil, and timber are not linked to deforestation. While they aim to address climate change and conserve biodiversity, they generate debates about fairness, hurdles, and repercussions for global trade. Developing countries often view these measures as burdensome and illegitimate, given their capacity to restrict market access. Many exporters face institutional and technological limitations, compounded by regulatory fragmentation when unilateral rules overlap or contradict bilateral or regional trade agreements.

Producers in developing countries bear the compliance costs, especially smallholders lacking the capacity to meet traceability and due diligence standards. This dynamic marginalises them within the global agricultural supply chain¹ and exacerbates equity concerns. Moreover, stringent regulations in certain markets can prompt trade diversion,² as exporters redirect goods to destinations with weaker environmental requirements, thereby undermining deforestation reduction efforts.

To address these issues, we propose policies prioritising multilateral cooperation. First, consultation under World Trade Organization (WTO) frameworks would ensure pre-regulation transparency, allowing exporting countries to shape more balanced rules. Second, shared data platforms and standardised traceability systems, supported by satellite-based monitoring and chain-of-custody tools, could harmonise certification processes, diminish redundancy, and reinforce the credibility of sustainability claims. Third, a dedicated international financial facility for sustainable land use could offer concessional credit, risk guarantees, and technical assistance to smallholders, fostering inclusive development while incentivising deforestation reduction. Fourth, stronger enforcement by integrating environmental provisions into preferential trade agreements (PTAs), backed by consistent dispute-resolution mechanisms aligned with WTO standards, could enhance accountability and reduce fragmentation.

By combining these measures, policymakers could better align trade and environmental objectives, fostering climate action and biodiversity conservation alongside economic development. Additionally, the conciliatory role of international organisations should be strengthened to promote policy coherence, resource-sharing, and broader stakeholder engagement. Success depends on robust institutional frameworks, stakeholder participation, and political commitment. Periodic monitoring and evaluation will be crucial to refine these approaches and ensure they effectively address the multi-layered challenges of deforestation in global trade.

Keywords: deforestation, trade policy, agricultural supply chain, G20, environmental governance

¹ Although “value chain” is usually associated with the processing of industrial goods, in this policy brief, it encompasses the entire agricultural pathway, from cultivation to international shipment. This broader scope is necessary because deforestation occurs primarily in the early stages of rural production; accordingly, rules on forest origin and plot-level traceability become integral to managing the economic and reputational value of these agricultural flows.

² Rodrigo Cezar, Juliana Camargo, and Eduardo Mello, “The Trade Effects of Voluntary Standards: Assessing Brazil’s Exports to the EU along the Sugar Supply Chain,” *SSRN Electronic Journal*, 2024, <https://doi.org/10.2139/ssrn.4751805>.

Diagnosis

Unilateral regulations have gained prominence in environmental governance but are often considered inequitable. The EU Timber Regulation and the US's Lacey Act are early examples, while the EU Deforestation Regulation (EUDR) now requires exporters of soya, beef, palm oil, coffee, cocoa, and timber to prove these commodities are not sourced from deforested areas. Although these initiatives heightened global commitment to conservation, they also raise concerns over equity, extraterritorial reach, and market distortions.

Stringent requirements can exclude developing country exporters, particularly smallholders lacking institutional capacity for comprehensive diligence. Fragmented standards can divert trade³ to regions with weaker environmental rules, prompting questions about the fairness of imposing environmental objectives without equivalent financial support. Moreover, such measures often emerge with limited multilateral consultation, intensifying North–South disparities. Studies of environmental impact assessments in trade agreements note the reliance on narrow ex ante indicators and insufficient ex post standardisation, highlighting the need for dialogues sensitive to local realities.⁴

Against this backdrop, how can the G20 ensure unilateral sustainability regulations function for all? The EUDR and the Carbon Border Adjustment Mechanism frequently centre on legitimacy concerns expressed by third countries. Yet, the Global South's objections may obscure the broader political and normative dimensions of these regulations.

³ Cezar, Camargo, and Mello, "The Trade Effects of Voluntary Standards: Assessing Brazil's Exports to the EU along the Sugar Supply Chain."

⁴ Thi Thuy Linh Bui et al., "Environmental Impact Assessments of Trade Agreements," T20 Policy Brief (Rio de Janeiro, 2024), https://cris.vub.be/ws/portalfiles/portal/116000144/TF04_ST_02_EnvImpactAssessmentsofTradeAgreements.pdf.

Since regulatory authority predominantly resides with entities in the Global North, exporting countries, particularly in the Global South, experience limitations in modifying policies. This imbalance of influence fosters perceptions of unfairness, impairing trust on collective advancement on climate action.⁵ Moreover, trade diversion triggered by non-compliance redirects commodities to markets with lower standards, undercutting the environmental intent of unilateral measures.⁶

Neglecting the practical repercussions for exporters can diminish claims of universality and provoke negative attention that exacerbates divergences in climate governance.⁷ In an era of geopolitical complexities and fragmented trade governance, international organisations could support more inclusive strategies.⁸ International organisations also find opportunities for creative solutions when conditions favour reform from within.⁹

A lack of harmonisation complicates exporters' compliance processes and may prompt litigation before the WTO, which oversees committees that coordinate the trade–environment interface. Producers in many developing countries shoulder disproportionate burdens. In the absence of adequate financial and technical assistance, stringent traceability and due diligence obligations present challenges, especially for resource-constrained smallholders.

Climate finance programmes highlight that the implementation of rigid standards may increase adaptation costs for developing countries, particularly when not

⁵ Diego Badell, "Norm Contestation in EU Foreign Policy: Understanding the Effects of Opposition and Dissidence," *Cambridge Review of International Affairs* 37, no. 5 (2 September 2024): 592–611, <https://doi.org/10.1080/09557571.2023.2287078>.

⁶ Cezar, Camargo, and Mello, "The Trade Effects of Voluntary Standards: Assessing Brazil's Exports to the EU along the Sugar Supply Chain."

⁷ Darren Halpin, "Explaining Policy Bandwagons: Organized Interest Mobilization and Cascades of Attention," *Governance* 24, no. 2 (April 2011): 205–30, <https://doi.org/10.1111/j.1468-0491.2011.01522.x>.

⁸ Helen V. Milner and Erik Voeten, "International Regime Uncertainty," *Oxford Review of Economic Policy* 40, no. 2 (12 June 2024): 269–81, <https://doi.org/10.1093/oxrep/grae007>.

⁹ Kenneth W Abbott et al., *International Organizations as Orchestrators*, ed. Kenneth W. Abbott et al. (Cambridge University Press, 2015), <https://doi.org/10.1017/CBO9781139979696>.

accompanied by adequate support for capacity building and technology transfer.¹⁰ These costs (more often felt by smallholders) can delay the adoption of sustainable methods and exacerbate vulnerabilities. Some initiatives, such as the Climate Resilience and Adaptation Finance & Technology Transfer Facility,¹¹ have included technology transfer from developed to developing countries, supporting the development of local capacities.

Simultaneously, the proliferation of overlapping sustainability protocols complicates the interplay between trade and environmental priorities, intensifying regulatory fragmentation and risking legal conflicts with established accords. These overlapping rules can lead to disputes before the WTO, where countries challenge each other's policies for alleged inconsistencies with trade obligations. The necessity for a coherent framework becomes more pronounced, to promote pre-regulation consultations, unify technical criteria, and direct targeted support.

The G20 is uniquely positioned to encourage structured dialogue and create cross-sectoral task forces that incorporate both trade and environmental considerations. Through engagement with exporting countries, the G20 could cultivate mutual trust and adapt regulations to local specificities. This approach would mitigate the adverse consequences of unilateral measures while facilitating a fairer, more inclusive shift towards a deforestation-free agricultural supply chain.

¹⁰ Chiara Falduto, Jolien Noels, and Raphaël Jachnik, "The New Collective Quantified Goal on Climate Finance: Options for Reflecting the Role of Different Sources, Actors, and Qualitative Considerations," OECD/IEA Climate Change Expert Group Papers (Paris, 2024),

¹¹ Climate Finance Lab, "Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT)," About, 2022, <https://www.climatefinancelab.org/ideas/climate-resilience-and-adaptation-finance-technology-transfer-facility-craft-2/>.

Recommendations

The G20, representing around three-quarters of global trade, can act as a systemic coordinator, ensuring that deforestation-free objectives reinforce global trade, rather than fragment. By anchoring forthcoming measures in a multilateral template that dovetails with WTO disciplines and takes existing bilateral and regional trade commitments into account, the forum lowers the risk of contradictory requirements and shields exporters from overlapping compliance burdens.

First, early and structured consultation is essential. Current notification rules under Article 2.9 of the Agreement on Technical Barriers to Trade are voluntary; WTO committees operate close to their capacity limits and many developing countries lack the technical resources to respond within the prescribed timeframes. Consequently, consultation processes become partial and delayed. The proposal to revitalise pre-regulation consultation within the WTO draws on the aforementioned article and two decades of practice in the Committee on Trade and Environment; it does not create a new body but mandates notice-and-comment periods, transparent impact assessments and multilingual documentation. These features that are currently voluntary and therefore underused. Exporting nations, producer associations, and civil society representatives would shape technical definitions (for example, cut-off dates and risk-classification methodology) before measures enter into force. Because draft texts would be examined against commitments embedded in preferential trade agreements (PTAs), latent conflicts could be detected and resolved *ex ante*, avoiding future litigation. This adjustment reduces legal friction, allows phased timelines calibrated to local capacities, and diminishes the likelihood of formal disputes.

Second, the G20 should champion interoperable digital traceability. Public–private platforms that integrate satellite monitoring, geolocation records, and chain-of-custody audits can lower compliance costs drastically by avoiding duplication. Systems such as Brazil's Rural Environmental Registry or Indonesia's SIPKEBUN already collect plot-level coordinates; linking these databases through common data standards (under the aegis of the UN Food and Agriculture Organization and UN Environment Programme, for example) would enable one-stop reporting for multiple markets. Open-source architectures would reduce vendor lock-in, while blockchain add-ons could safeguard data integrity without imposing prohibitive fees.

Third, concessional finance must flow towards smallholders. A dedicated international facility for sustainable land use (backed by multilateral development banks and blended-finance vehicles) should provide low-interest loans, partial-risk guarantees, and technical-assistance grants tied to verified deforestation-reduction milestones. Such leverage is modest relative to global agri-trade values yet transformative for producers managing holdings below 10ha.

Fourth, capacity-building programmes need to be embedded in regional networks. South–South cooperation platforms (Mercosur, ASEAN and the African Continental Free Trade Area) could mainstream training modules on remote-sensing, soil-health monitoring, and cooperative certification. Regional universities and extension services should co-design curricula, ensuring that knowledge transfer respects linguistic and cultural contexts.

Finally, coherence across treaties is necessary. The G20 should encourage members to embed environmental provisions in PTAs that reference the EUDR and similar regulations, creating predictable pathways for mutual recognition. Dispute-settlement clauses aligned with WTO jurisprudence would deter

protectionist misuse while preserving the right to safeguard forests. Any additional mechanism ought to function as an escalation tier that relies on WTO findings rather than establishing a parallel tribunal – complementing, not duplicating, multilateral procedures. A standing G20 working group (composed of trade and environment ministries) could benchmark progress annually, publish scorecards on harmonisation, and recommend course corrections where rules overlap or diverge.

Regular monitoring, independent evaluation, and peer review will ensure the framework remains adaptable. By combining transparency, interoperable technologies, targeted finance, capacity building, and treaty alignment, the G20 can reconcile environmental stewardship with inclusive economic growth and demonstrate that unilateral steps serve shared interests. Current geopolitical volatility, especially the US–China “de-risking” dynamic, offers an opening to coordinate these measures. Grounded in multilateralism, well-aligned unilateral actions can bolster existing rules, stabilise agricultural supply chains by diversifying dependencies, and ease cross-border trade.

By harnessing this uncertainty, the G20 could embed climate and sustainability objectives within de-risking measures that respect national regulatory autonomy. This “concerted unilateralism”¹² is a model whereby each government has control over domestic policy but follows shared guidelines, such as data-sharing protocols and traceability standards, with collective reinforcement without waiting for a universal accord. The outcome is a gradual multilateral engagement combined with coordinated unilateral initiatives that fill institutional gaps, reduce fragmentation, and sustain constructive internationalism.

¹² Daniel Susskind and David Vines, “Global Economic Order and Global Economic Governance,” *Oxford Review of Economic Policy* 40, no. 2 (12 June 2024): 189–219, <https://doi.org/10.1093/oxrep/grae021>.

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