POLICY PULSE

A MONTHLY NEWSLETTER

JULY 2025
VOL. 7 ISSUE 06

IN THIS ISSUE

GLOBAL ECONOMY

Q1 Global Growth Slowly

The OECD data for Q1 2025 indicates that economic growth across the G20 slowed modestly, with aggregate quarter-on-quarter (QoQ) growth easing to 0.8%, slightly down from 0.9% in Q4 2024. Year-on-year (YoY) growth held firm at 3.4%, sustained by stronger performances in emerging markets, particularly India, China, and Indonesia.

- **Emerging Economies Continue to Lead Growth**

India recorded the strongest performance in Q1 2025, with +2.0% QoQ growth and a +6.9% YoY increase, reflecting robust domestic demand and capital investment. China followed closely with +1.2% QoQ and +5.4% YoY growth, supported by infrastructure investments and manufacturing rebound. Indonesia also remained resilient at +1.1% QoQ and +4.8% YoY, driven by strong export performance and commodity prices.

- **Advanced Economies Show Divergence**

Growth in advanced G20 economies was more uneven. The United States experienced a slight contraction (–0.1% QoQ), attributed to slower consumer spending and tighter credit conditions. Japan's GDP stagnated (0.0%), reflecting weak consumption and industrial output. Korea showed the most significant decline among developed markets, shrinking by 0.2% QoQ and 0.3% YoY, impacted by falling exports and weak tech sector demand.

	2023				2024				2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
G20	1.0	1.0	0.8	0.6	0.8	0.7	0.9	0.9	0.8
Argentina	1.8	-2.9	2.0	-2.3	-1.4	-1.7	4.3	1.4	..
Australia	0.5	0.4	0.5	0.1	0.1	0.2	0.3	0.6	0.2
Brazil	1.4	0.8	0.1	0.3	1.0	1.5	0.8	0.1	1.4
Canada	1.4	0.1	-0.2	0.0	0.2	0.6	0.6	0.5	0.5
China	1.6	1.3	1.5	0.9	1.3	1.0	1.4	1.6	1.2
France	0.1	0.9	0.2	0.4	0.1	0.2	0.4	-0.1	0.1
Germany	0.1	-0.2	0.2	-0.4	0.2	-0.3	0.1	-0.2	0.4
India	2.6	2.9	2.1	1.8	1.4	1.3	1.5	1.9	2.0
Indonesia	1.2	1.3	1.3	1.2	1.3	1.2	1.2	1.2	1.1
Italy	0.5	-0.2	0.1	0.2	0.2	0.2	0.0	0.2	0.3
Japan	1.2	0.6	-1.0	-0.1	-0.3	1.0	0.2	0.6	0.0
Korea	0.4	0.7	0.8	0.5	1.2	-0.2	0.1	0.1	-0.2
Mexico	0.8	0.8	0.5	0.4	0.0	0.2	0.8	-0.7	0.2
Russian Federation									
Saudi Arabia	0.4	-0.6	-2.8	0.3	2.2	1.0	0.3	0.9	1.1
South Africa	0.7	0.8	-0.4	0.4	0.1	0.3	-0.3	0.4	0.1
Türkiye	0.1	4.0	0.2	1.2	1.0	-0.2	-0.1	1.7	1.0
United Kingdom	0.1	0.0	-0.1	-0.2	0.9	0.5	0.0	0.1	0.7
United States	0.7	0.6	1.1	0.8	0.4	0.7	0.8	0.6	-0.1
European Union	0.1	0.1	0.2	0.1	0.3	0.3	0.4	0.4	0.6
of which: Euro area	0.0	0.2	0.0	0.1	0.3	0.2	0.4	0.3	0.6
OECD area	0.5	0.5	0.4	0.3	0.4	0.5	0.5	0.5	0.3

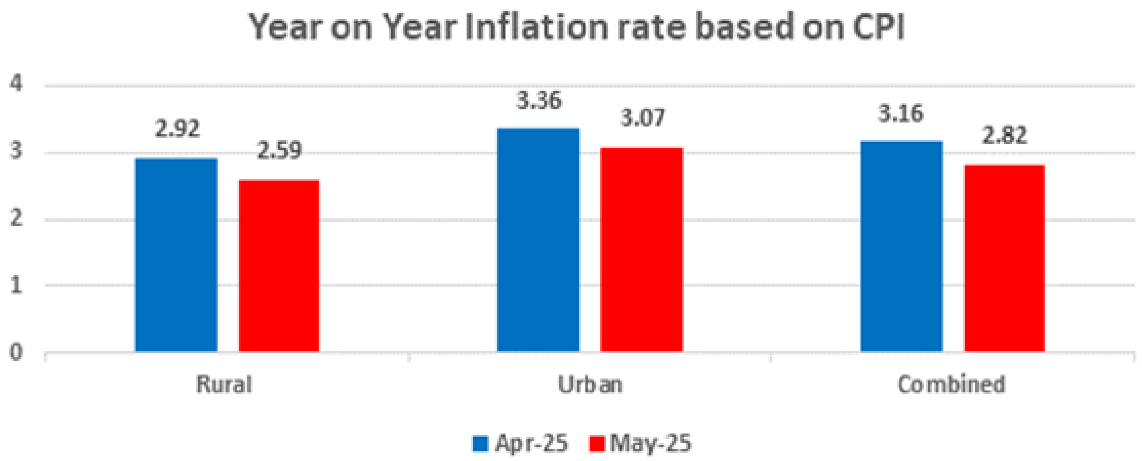
Source: OCED

INDIAN ECONOMY

India's GDP grew 6.5% in 2024–25

India's economy is performing exceptionally well, demonstrating resilience and growth despite global economic challenges. In the fiscal year 2024-25, India recorded a 6.5% GDP growth, maintaining its position as the fastest-growing major economy globally. This growth is underpinned by a combination of strong domestic consumption, private and public investment, and an increasingly diversified economy.

The country's economic stability is further reflected in its inflation rate, which stood at a low 2.82% in May 2025, marking the lowest since 2019. This deflationary trend, alongside robust growth in the services and merchandise export sectors, has helped India maintain a solid external sector position.



Exports and Foreign Direct Investment

Exports have reached an all-time high of USD 824.9 billion, reflecting a healthy demand for Indian goods and services on the global market.

The foreign direct investment (FDI) inflows have also increased by 14% year-over-year, totalling USD 81.04 billion. India's foreign exchange reserves stand firm at USD 697.9 billion, providing a secure buffer to sustain the country's import needs for over 11 months.

Source: PIB

WTO Extends Services Waiver to Support Least-Developed Countries (LDCs)

The WTO has agreed to extend the services waiver for Least-Developed Countries (LDCs), allowing member nations to offer non-reciprocal preferential treatment in service sectors. Adopted during the WTO's Services Council meeting on 16 June 2025, the waiver is a critical step to help LDCs expand their participation in global services trade, where their share remains below 0.5%.

The decision encourages WTO members to grant improved market access to LDC service suppliers in sectors such as tourism, transport, finance, information technology, and professional services. Each member retains flexibility to determine the sectors and modes of supply—such as cross-border provision or the temporary movement of service professionals—in which they will offer preferences. This move aims to reduce structural barriers, enhance competitiveness, and promote economic diversification in LDCs. Members are now expected to notify the WTO of the specific preferences they intend to implement. The Services Council will continue to monitor the effectiveness of these measures in supporting LDCs' integration into the global services economy.

WTO Reviews Agriculture Policies Amid Persistent Global Food Insecurity

The WTO's Committee on Agriculture examined a comprehensive range of issues—from food security and technology transfer to export competition, tariff-rate quotas (TRQs), and agricultural policy transparency. Representatives from the FAO and WFP reported that global undernourishment remained high at 9.1% in 2023 and that nearly 295 million people endured acute food insecurity in 2024, with conflict and extreme weather as primary drivers. The persistent crisis has underscored the urgency of resilient food systems and adequate funding, with the WFP seeking greater humanitarian access and financial support. Committee members reviewed progress on two key WTO ministerial mandates: implementation of the Nairobi Decision on export subsidies, urging full alignment, and preparation for the second triennial review of the Bali Decision on TRQ administration. Discussions focused on better notification practices, addressing TRQ underutilization through licensing

reforms, and enabling quota reallocation.

Additionally, delegates explored advancing technology transfer in agriculture, shifting from informal educational exchanges to structured WTO rule-based support. While interest was high, no formal proposals have been submitted; the Committee Chair encouraged further written input and informal discussions.

Finally, the peer review of agricultural policies during the meeting raised 180 questions—covering domestic support, export competition, TRQs, and more on both new and recurring issues—highlighting the need for greater transparency. In 2025, there were 53 notifications related to market access, domestic support, export competition, and LDC/NFIDC measures.

India–US Trade Deal Nearing First-Phase Finalisation Amid Tariff Deadline

India and the United States are in the advanced stages of finalising a bilateral trade agreement, with both sides aiming to conclude the first phase by September–October 2025. Talks are centred around key sectors such as agriculture, dairy, auto parts, and steel. The urgency of these negotiations is heightened by the US government's extension of retaliatory tariffs until August 1, after which higher duties may be reimposed if no agreement is reached. While bilateral discussions continue in Washington, both countries are also locked in parallel trade disputes at the WTO, particularly over India's dairy certification rules and the US's steel and auto tariffs. Despite these challenges, India remains committed to safeguarding sensitive sectors and emphasises that trade pacts must align with national interest rather than be dictated by external pressures or deadlines.

India–Peru & India–Chile Trade Negotiations: Strategic Pathways for Market and Mineral Access

India is accelerating trade negotiations with Peru and Chile to expand market access and secure critical raw materials. Merchandise trade with Peru reached USD 5.98 billion in FY2025, with India's exports including vehicles, pharmaceuticals, and engineering products, while gold, ores, and nuts led imports. Peru's low average MFN tariff of 2.3%, compared to India's 17%, and the 8th round of negotiations is expected after the parliament–monsoon session.

Similarly, trade with Chile stood at USD 3.76 billion, with India exporting automobiles, electrical machinery, and pharmaceuticals. India–Chile CEPA negotiations began in May 2025. Both partners offer strategic trade complementarities—India being a consumption-driven economy, while Chile and Peru are resource-rich, creating opportunities across services, manufacturing, and green energy value chains.

Malaysia Signs Landmark FTA with EFTA Nations to Boost Market Access and Sustainability

Malaysia signed the Malaysia–EFTA Economic Partnership Agreement (MEEPA) with the four EFTA member states—Norway, Iceland, Switzerland, and Liechtenstein. The comprehensive pact covers trade in goods and services, investment, intellectual property, sustainable development, competition, government procurement, and sanitary measures.

It offers tariff reductions and broad market access, reinforced by a cooperation and capacity-building MoU and a joint sustainable palm oil initiative. With machinery, pharmaceuticals, electrical equipment, and scientific instruments being key traded goods, Malaysia considers this a crucial step to diversify export markets amid global uncertainty.

Bhutan–Thailand Free Trade Agreement Set for 2026

Bhutan and Thailand are set to implement an FTA by January 2026, aiming to boost trade competitiveness and strengthen bilateral economic ties. The agreement, currently under parliamentary deliberation in Bhutan, grants duty-free access for a wide range of Bhutanese products to the Thai market, including apples, tea, cordyceps, spices, and ferro alloys, which are currently subject to tariffs of up to 60%. Thailand will eliminate tariffs on 94% of its tariff lines, while Bhutan will do the same on all 5,867 of its lines.

Additionally, Thailand has offered Bhutan a country-specific quota for 11 sensitive agricultural products, such as 20,000 MT of potatoes and 250 MT of tea. Simplified rules of origin and relaxed local content requirements for 138 products will further streamline trade procedures. The FTA includes strong cooperation chapters covering renewable energy, education, investment, and tourism, and introduces a dispute settlement mechanism. Although concerns about import surges and consumer impacts were raised in Bhutan's Parliament, the government has assured strong monitoring mechanisms.

Switzerland–Chile Relationship Deepens with Modernised FTA and New BIT

Switzerland and Chile have strengthened their economic ties through two landmark agreements. The European Free Trade Association (EFTA), which includes Switzerland, signed a modernised FTA with Chile on June 24, 2024, updating the original 2003 pact that has been in effect since December 1, 2004. The overhaul introduces expanded duty-free access for industrial goods and agriculture, along with new chapters on digital trade, financial services, sustainable development, SMEs, and trade and gender, projected to generate nearly CHF 1 billion in bilateral trade and significantly improve market access.

Additionally, the two countries signed a new bilateral investment treaty (BIT) replacing their 1999 agreement. The updated BIT provides clear protections for Swiss investors, including fair and equitable treatment, expropriation rules, national and most-favoured-nation treatment, and environmental and public health exceptions, while reaffirming states' rights to regulate and establishing dispute-resolution mechanisms.

FTAS/ BILATERALS

Russia and Myanmar Seal Investment Pact to Deepen Economic and Energy Ties

Source: ISEAS

Russia and Myanmar signed a BIT during the St. Petersburg International Economic Forum to enhance investor protection and promote deeper economic ties. The agreement ensures non-discriminatory treatment, fair and equitable standards, and access to international arbitration for dispute resolution.

It also signals expanding cooperation in key sectors, including offshore oil and gas, transport infrastructure, metallurgy, agriculture, and telecommunications. Myanmar has invited Russian firms to invest in offshore energy fields and the Dawei Special Economic Zone, including a 660 MW coal power project. This BIT reflects Russia's growing economic footprint in Myanmar amid the country's pivot toward non-Western partnerships.

EU Customs Reform: Adoption of Union Customs Code (UCC)

EU ministers have secured a negotiating mandate on the new Union Customs Code (UCC), the first major overhaul of the Customs Union. Based on the European Commission's 2023 proposal and following the European Parliament's 2024 report, the reform aims to digitalise, streamline, and cut costs in customs procedures. It responds to rising e-commerce volumes and global geopolitical shifts, reinforcing the Customs Union's role in safeguarding the Single Market and advancing the EU's economic security.

The key reform is the establishment of a European Customs Authority (EUCA) and a unified EU Customs Data Hub, replacing fragmented national IT systems. This single digital entry point will streamline customs declarations, enabling businesses to submit product and supply-chain data once across the EU, while customs authorities gain a full EU-level risk view. The Data Hub is expected to save approx. €2 billion annually by standardising infrastructure and analytics, while ensuring high security and tech standards.

The reform also addresses the surge in small-parcel imports (4.6 billion in 2024) with a modern e-commerce framework. Online Marketplaces and vendors must ensure customs compliance and product safety before delivery, while a new handling fee for direct-to-consumer shipments will fund enforcement and operations.

For businesses, the reform means lower compliance costs, less paperwork, and faster clearances via the single-entry Data Hub. Customs authorities gain better tools for risk management, and consumers benefit from stronger safeguards. Additionally, the reform will strengthen enforcement of EU health, environmental, and labour standards, ensuring fair competition and fraud prevention.

With the Council mandate secured, trilogue negotiations with the European Parliament can commence, paving the way for phased implementation across Member States.

VeK is a policy advisory and research firm, distinguished by data-driven approach to analyse policy and regulatory developments in India and globally.

B-92, South City-I,
Sector-30, Gurugam,
Haryana – 122001

For Further Information, Please Contact:

Saloni Goyal
Lead Associate
Mobile: +91 85880 36912

Email: team@vekpolicy.com
Website: www.vekpolicy.com