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GLOBAL ECONOMY

Elevated Uncertainty, Gradual Improvement in Activity

The global economic environment during August–September 2025 remained highly uncertain, shaped by US trade tariff actions, concerns over the fiscal health of advanced economies, and geopolitical risks. Despite this backdrop, global economic activity displayed notable signs of improvement.

The global PMI composite index rose to a 14-month high in August, led by an expansion in both manufacturing and services. Manufacturing activity moved back into the expansion zone, supported by front-loaded production ahead of tariff risks, while services demand stayed strong. Supply chain pressures remained below long-term averages, indicating improved global logistics conditions.

Global Purchasing Managers' Index

Indicator	2024							2025					
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Mar	Jun	Jul	Aug
PMI Composite	52.9	51.9	52.3	52.4	52.6	51.8	51.5	52.1	50.8	51.2	51.7	52.4	52.9
PMI manufacturing	49.6	48.7	49.4	50.1	49.6	50.1	50.6	50.3	49.8	49.5	50.4	49.7	50.9
PMI services	53.9	52.9	53.1	53.1	53.8	52.2	51.5	52.7	50.8	52.0	51.8	53.4	53.4
PMI export orders	49.0	48.5	48.9	49.3	48.7	49.6	49.7	50.1	47.5	48.0	49.1	48.5	48.9
PMI export orders: manufacturing	48.4	47.5	48.3	48.6	48.2	49.6	50.1	47.3	48.0	49.2	48.2	48.2	48.7
PMI export orders: services	50.8	51.6	50.7	51.3	50.3	50.2	50.2	50.1	48.2	47.9	48.7	49.4	49.3

Source: RBI

Commodity price movements were mixed. Global food prices were largely unchanged, but gold surged to a record high due to safe-haven demand, and coffee prices spiked sharply amid Brazilian supply issues. Crude oil prices softened in August and fell further in September following indications of higher OPEC+ output and expectations of easing sanctions on Russian crude.

Inflation across advanced and emerging economies diverged. The US and UK experienced sticky inflation, the Euro area remained steady, and Japan saw easing price pressures. In contrast, EMDEs such as China slid back into deflation, while Russia's inflation stayed elevated. Financial markets recorded volatility, with bond yields rising early in August due to fiscal concerns, and equities rallying on strong corporate earnings and expectations of global monetary easing.

INDIAN ECONOMY

Robust Growth Momentum, Strong Domestic Demand, Low Inflation

The Indian economy displayed marked resilience, recording a five-quarter high GDP growth of 7.8% in Q1 2025–26. Growth was driven overwhelmingly by domestic demand —private final consumption and fixed investment together accounted for 7.4 percentage points of growth. Rural demand strengthened due to easing inflation and favourable monsoons, while high-frequency indicators for August showed broad-based expansion.

Electricity demand, petroleum consumption, toll collections, and GST e-way bills all posted robust gains. Digital payments continued their strong upward trajectory. Rural demand was buoyant, reflected in a 30.1% rise in tractor sales and a revival in two-wheeler demand. Urban indicators were mixed, with modest improvement in passenger vehicle sales but a slight contraction in air passenger traffic.

On the supply side, GVA grew by 7.6%, led by services and industry. Manufacturing PMI surged to 59.3 in August — near an 18-year high, signalling strong factory-level order flows. Core sector output expanded by 6.3%, supported by double-digit growth in steel and coal. Electricity generation stabilised, and renewable energy growth remained elevated.

CPI inflation edged up to 2.1% in August, driven mildly by food, but remained below target for the seventh consecutive month. Food inflation registered 0%, while core inflation rose marginally to 4.2%, partly due to rising gold prices. Rural and urban inflation stood at 1.7% and 2.5%, respectively.

The external sector was stable. India's merchandise trade deficit narrowed sharply to USD 26.5 billion, driven by a 6.7% increase in exports and a steep 10.1% contraction in imports. Services exports expanded strongly, lifting net services receipts by 12.2% (July). FDI inflows touched a 38-month high, and forex reserves remained adequate.

Dominican Republic Initiates Safeguard Investigation on Biscuit Imports

The Dominican Republic has notified the World Trade Organisation (WTO) of the initiation of a safeguard investigation under Article 12.1(a) of the Agreement on Safeguards. The inquiry, launched through Resolution No. CDC-RD-SG-002-2025 (19 September 2025) under Law No. 1-02 on Unfair Trade Practices and Safeguard Measures, targets the import of sweet and savoury biscuits made primarily from wheat, classified under tariff lines 1905.31.90, 1905.32.00, 1905.90.10, and 1905.90.90.

The investigation stems from claims by the domestic industry of a sharp surge in biscuit imports between 2022 and 2024, allegedly causing market disruption and injury to local producers.

Dominican Republic's Biscuit Imports (Value in USD million)

Country	2020	2021	2022	2023	2024
USA	17.24	18.50	21.54	26.55	28.88
India	4.30	4.77	4.77	9.39	17.62
Guatemala	9.10	12.88	17.16	15.63	17.45
Peru	7.91	9.39	12.73	14.15	15.31
Spain	4.49	5.31	9.57	11.55	12.63

Source: ITC Trade Map

Biscuit imports into the Dominican Republic have nearly doubled since 2020, driven by competitive exporters such as India, whose shipments grew more than fourfold over the period. While the USA remains the largest supplier, the rapid gains by India, Guatemala, and Peru likely prompted this safeguard action.

This move reflects the Dominican Republic's attempt to protect its domestic biscuit industry from rising import pressure. The safeguard process will involve consultations, evidence assessment, and potential temporary import restrictions in line with WTO procedures.

EFTA Seeks Bilateral Investment Treaty with India to Support US\$100 Billion Commitment



India-EFTA
Trade and Economic Partnership Agreement

The European Free Trade Association (EFTA) has proposed entering into a Bilateral Investment Treaty (BIT) with India to reinforce investor confidence and facilitate the delivery of its US\$100 billion investment commitment over the next 15 years. This initiative follows the coming into effect of the India–EFTA Trade and Economic Partnership Agreement (TEPA), marking a major milestone in India's trade relations with non-EU European economies, including Switzerland, Iceland, Liechtenstein, and Norway.

The proposal for a BIT was raised during the India–EFTA Prosperity Summit held in New Delhi, where representatives from the four EFTA member states discussed the roadmap for operationalising the TEPA. The investment commitment, embedded within the TEPA framework, is expected to drive deeper industrial and technology collaboration between India and EFTA economies. To ensure the pledged investment materialises, the two sides are planning to establish an investment facilitation and monitoring mechanism to track and support progress across sectors and projects.

Several EFTA-based companies have already announced plans to expand operations in India under the new trade

architecture. Roche Products has committed CHF 1.5 billion for research and development in areas such as Alzheimer's and Parkinson's disease. Schwiha India is investing around €30 million to modernise railway track infrastructure for high-speed connectivity. Other firms, including Skyrup, Kohinoor Ropes (a subsidiary of Iceland's Hampidjan), Hilti India, Kongsberg, Elkem, Borregaard, Bobst India, Bucher Hydraulics, Buhler India, Furrer & Frey, Huber & Suhner, MSC Agency, Nestlé, Novartis, Rieter India, and SIG Combibloc, are among those either investing, expanding, or forming joint ventures in India. These ventures span pharmaceuticals, advanced materials, shipbuilding, machinery, and renewable energy technologies.

The EFTA–India TEPA thus sets a benchmark for future economic partnerships by linking market access, investment, and technology transfer into a coherent framework for shared prosperity.

India - EU FTA Talks: Incremental Progress Focus Areas for Next Round



The 13th round of negotiations on the proposed India–EU Free Trade Agreement concluded in New Delhi with modest progress across key technical areas. Officials reported improved clarity on market-access positions for industrial and agricultural goods, enabling both sides to refine their tariff reduction requests and sensitivities.

Limited movement, however, was seen in politically sensitive sectors such as automotive and certain agri-products, with India reiterating its stance on excluding dairy and specific farm items from tariff concessions.

Additional technical sessions on Rules of Origin were held after the formal round, reflecting the complexity of origin compliance for EU exporters and the importance of ensuring traceability within supply chains. While no new chapters were finalised, negotiators noted incremental advancement in areas such as sanitary and phytosanitary (SPS) measures, investment provisions, and regulatory cooperation.

The next round of talks is scheduled to take place in Brussels from October 6, 2025. Negotiators are expected to focus on narrowing gaps in automotive tariff timelines, exploring safeguard mechanisms for agriculture, and advancing discussions around product-specific rules of origin. Work will also continue on sustainability-related provisions, where the EU seeks enforceable commitments and India prefers a more flexible approach. Progress on services, including professional mobility and digital trade, is also anticipated as both sides work to consolidate the text ahead of 2026.

ASEAN – Korea FTA scope finalisation is underway

According to Malaysia's Minister of Investment, Trade and Industry, Tengku Datuk Seri Zafrul Abdul Aziz, the ASEAN-Korea Free Trade Agreement (AKFTA) will be upgraded, with the scoping soon to be finalised ahead of the next ASEAN summit. This move is intended to move beyond traditional tariff reduction, towards a more comprehensive trade architecture.

During the recent ASEAN Economic Ministers (AEM)-ROK consultation, discussions focused on supply-chain resilience, opportunities in the semiconductor industry, and broader economic cooperation between both sides.

The initiative is anchored in the ASEAN-ROK Comprehensive Strategic Partnership (CSP), launched last year, which is now being utilised to strengthen collaboration in emerging domains such as the digital economy, the green transition, and value-chain resilience.

South Korea's Trade Minister, Yeo Han-koo, highlighted that ASEAN is now Korea's second-largest trading partner after China, reflecting the growing depth of trade and investment relations.

ASEAN Agriculture Sector – Key Outcomes and Implications from the 47th AMAF

The 47th Meeting of the ASEAN Ministers on Agriculture and Forestry (AMAF), held in October 2025, marked a major policy milestone with the adoption of the ASEAN Vision on Food, Agriculture and Forestry 2045 and the Sectoral Plan of Action 2026–2030. These frameworks chart the region’s transition toward sustainable, climate-resilient, and digitally enabled agriculture to ensure long-term food security and competitiveness.

The ministers identified six priority pillars –sustainable agriculture, climate resilience, digital innovation, food

security, market integration, and sustainable forestry. The region will focus on climate-smart and regenerative farming practices, precision technologies, and resource-efficient systems to reduce emissions and enhance productivity. Strengthening regional food reserves and harmonising standards are central to improving supply chain resilience. At the same time, the promotion of intra-ASEAN trade and harmonised sanitary and phytosanitary measures will expand export opportunities while raising compliance benchmarks for producers.

Theme	Sectoral Direction	Outcome
Sustainability	Transition to low-carbon, regenerative models	New standards and climate-finance access
Technology	Digital and precision agriculture	Productivity, traceability, and transparency
Trade	Regional integration and market access	Stronger value chains and exports
Resilience	Food and supply security	Reduced vulnerability to external shocks
Forestry-linkages	Nature-based economy & carbon market	Expanded agri-forestry investment scope

The promotion of the ASEAN One Billion Trees Initiative highlights the connections between agriculture, forestry, and climate objectives, facilitating access to carbon markets and eco-labelling. Digitalisation—through IoT, AI-based monitoring, and data platforms—will reshape value chains and attract greater private investment and partnerships. However, gaps in infrastructure, skills, and institutional coordination remain critical challenges for implementation.

In conclusion, ASEAN’s agricultural sector is entering a transformative phase focused on sustainability, innovation, and resilience. Effective delivery of the 2026–2030 plan will determine how well the region balances growth with environmental goals, secures food systems against global shocks, and positions itself as a competitive, climate-smart agri-food hub in the decades ahead.

Korea’s MSIT Drafts Balanced Guidelines for Safe and Innovative AI Governance

The Ministry of Science and ICT (MSIT), Republic of Korea, has issued draft Notifications and Guidelines to implement the AI Basic Act, which will take effect in 2026. These drafts outline how AI systems are to be classified, monitored, and governed—translating Korea’s legislative framework into enforceable regulatory mechanisms.

The draft guidelines establish computational and functional thresholds to categorise AI systems as general-purpose or high-risk. Developers of high-risk AI will be required to conduct risk assessments, maintain detailed documentation, and ensure transparency in algorithms and datasets. For foundation and generative AI models, the MSIT proposes voluntary self-assessment and registration, signalling a flexible and innovation-friendly approach.

The guidelines also emphasise data quality, safety, accountability, and the prevention of bias. A new AI Safety Centre will oversee implementation, promote inter-ministerial coordination, and support harmonisation with international frameworks such as the EU AI Act and OECD principles.

Guideline	Core Objective	Intended Outcome
1. AI System Classification & Thresholds	Define computational and risk criteria for AI systems	Enable proportionate regulation and clarity for developers
2. Risk Assessment & Documentation	Require lifecycle monitoring and record-keeping	Ensure accountability and post-deployment safety
3. Data Governance & Fairness	Standardise data quality and bias mitigation measures	Promote ethical, transparent, and inclusive AI
4. Generative & Foundation Model Rules	Introduce voluntary self-certification and disclosure	Encourage compliance without hindering innovation
5. AI Safety Centre Framework	Establish an institutional body for audits and oversight	Build trust, ensure consistency, and support global cooperation

Impact

The MSIT's drafts represent a balanced model of AI governance—combining regulatory stringency with industry flexibility. By focusing on computational thresholds and voluntary self-regulation, Korea seeks to align innovation with accountability. The approach positions the country as a regional leader in trustworthy AI, likely influencing frameworks in other Asian economies. Its success will depend on effective institutional capacity, industry participation, and interoperability with global AI safety standards.



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