



# POLICY PULSE

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## **Growth Holding Above Trends — But Slowing**

According to the World Bank's Global Monthly report, economic activity continued to expand in late 2025, with the Global Composite PMI averaging 52.8 in October, slightly above its 2023–24 average, signalling continued growth in output.

However, several forward-looking indicators have softened:

- Future output expectations remain below the 2023–24 average, suggesting firms anticipate slower activity ahead.
- Global employment PMI eased to 50.3, indicating only marginal expansions in hiring.
- Median global inflation was about 3.2% year-on-year in October, broadly stable but no longer declining sharply.

## **Trade Growth Moderates Amid Headwinds**

Global goods trade volumes continued to grow, but at a slower pace. Year-on-year import volumes increased by about 3.7% in August 2025, down from 5.6% in July, reflecting a cooling in trade momentum.

This moderation partly reflects the unwinding of export “front-loading” seen earlier in response to tariff changes. New export orders in both manufacturing and services weakened over recent months, with the Emerging Markets and Developing Economies (EMDEs) manufacturing new orders PMI dipping into contraction territory after a brief expansion.

External projections also indicate slower global trade growth, with broader forecasts suggesting world trade expansion of around 3.0% in 2025.

## **Commodity Markets: Mixed Trends, Price Adjustments**

Commodity markets exhibited varied trends in late 2025:

- According to the World Bank's Pink Sheet, energy prices eased marginally in November, with the energy price index down 0.4%, even as some segments like coal saw modest increases.
- Metals showed selective strength, while agricultural prices experienced softer pressures.

Looking ahead, broader commodity outlook forecasts project a continued decline: global commodity prices are expected to fall by around 7% in both 2025 and 2026, driven by weaker global demand and surplus conditions, potentially reaching a six-year low by 2026.

## **Emerging Markets & Regional Divergences**

EMDEs remain a key engine of global growth, though regional dynamics differ. Composite PMIs in EMDEs excluding China strengthened, rising from about 52.9 to 53.8 in October–November, underpinned by domestic demand and solid activity in parts of Asia. The other regions face softness, with manufacturing contracting in some Latin American and African economies amid subdued external demand and elevated tariff pressures.

# INDIAN ECONOMY

India's economy continues to demonstrate robust growth and resilient macroeconomic fundamentals despite external headwinds and tightening global financial conditions. The Reserve Bank of India's (RBI) December 2025 Monetary Policy reaffirmed the central bank's supportive stance toward growth while continuing to keep inflation well-anchored.

## RBI Monetary Policy Highlights

- **Policy rate action:** The RBI's Monetary Policy Committee (MPC) unanimously reduced the policy repo rate by 25 basis points to 5.25% marking a total of 125 basis points of rate cuts in 2025.
- **Policy stance:** The MPC maintained a neutral stance, signalling that future moves will depend on incoming data on inflation, growth, and global conditions.
- **Liquidity measures:** RBI announced additional liquidity operations, including open market operations and foreign exchange USD/INR swap arrangements, to support orderly financial markets and credit flows.
- **Inflation and growth forecasts:** The RBI revised its GDP growth forecast for FY 2025-26 upwards to approximately 7.3% from earlier estimates of 6.8%, reflecting stronger domestic demand and investment activity. CPI inflation projections were trimmed, with the MPC indicating inflation pressures remain subdued and broadly aligned with the medium-term target.
- **Reverse repo and other rates:** The standing deposit facility (SDF) rate was also adjusted to align with the reduced repo rate, while other policy corridor rates (MSF and Bank Rate) moved lower accordingly.

## Growth and Activity Indicators

- **GDP expectations:** Early estimates project India's real GDP growth at ~7.4% in FY 2025-26, up from around 6.5% in the previous year — one of the fastest rates among major economies. This growth acceleration is underpinned by strong private consumption, investment, and government capital expenditure.
- **Inflation landscape:** Retail inflation in December 2025 remained low by historical standards, with reports indicating inflation near ~1.7%, driven partly by food price movements, while core inflation remained moderate.
- **Sectoral strength:** Manufacturing and services sectors both showed continued resilience, with ongoing capital expenditure and robust domestic demand helping buffer external trade headwinds and geopolitical uncertainties.

## **China and Japan Table Proposals to Strengthen WTO Dialogue on Carbon Standards**

At the WTO Committee on Trade and Environment (CTE) meeting, members discussed proposals to strengthen transparency and international cooperation on carbon-emissions policies, as climate-related measures increasingly affect global trade. The discussions focused on how the WTO can serve as a platform for information-sharing and dialogue on diverse carbon standards and measurement approaches, without creating new binding obligations.

China proposed deepening WTO engagement on carbon standards through systematic reviews, enhanced transparency, and support for developing countries facing compliance challenges. Japan presented a revised, non-binding proposal on methodologies for measuring embedded carbon emissions, co-sponsored by eight members, emphasising regulatory coherence and voluntary guidance rather than prescriptive rules. Many members welcomed these initiatives, highlighting the need for clarity, comparability, and capacity-building.

At the same time, several delegations urged caution, stressing that WTO work should remain focused on transparency and cooperation, while avoiding duplication with climate forums or undue burdens on developing economies. The meeting also touched on links between trade and broader environmental

processes, including preparations for COP30, signalling continued WTO engagement at the trade-climate interface.

## **WTO Committee on Rules of Origin Highlights Measures to Boost Transparency**

At the WTO Committee on Rules of Origin (CRO) meeting, members discussed ongoing work on non-preferential rules of origin and efforts to enhance transparency and predictability in their application. Discussions focused on how clearer and more accessible origin information can help traders, particularly MSMEs, better understand and comply with origin requirements used for trade remedies, statistics, and marking purposes.

Members reviewed progress on transparency initiatives, including notifications and information-sharing practices, and discussed ways to improve the usability of origin-related information across WTO members. Several delegations underlined that the inconsistent application of non-preferential rules of origin can create unintended trade frictions, even in the absence of tariffs.

While there was broad support for strengthening transparency, members reiterated that work under the CRO should remain technical and non-binding, respecting members' policy space. The discussions reflected a shared interest in incremental improvements that enhance certainty for businesses without reopening substantive negotiations on harmonisation at this stage.



# WTO UPDATES

## **WTO Committee on Agriculture Discusses Food Security, TRQ Administration and Policy Transparency**



At the WTO Committee on Agriculture meeting, members discussed a range of issues related to farm policies, food security, and transparency in agricultural trade measures, as global supply pressures and policy interventions continue to affect agricultural markets. The discussions focused on how the WTO framework can improve predictability and information-sharing on agricultural support and market access measures, without reopening substantive negotiations.

Members reviewed domestic support and export competition notifications, underlining the importance of timely and complete reporting to enhance transparency and confidence in the system. A key outcome of the meeting was the conclusion of the triennial review of tariff-rate quota (TRQ) administration, where delegations exchanged views on the functioning of TRQs and identified areas where implementation and compliance could be improved to ensure fair market access.

At the same time, several members highlighted the need to balance transparency disciplines with food security considerations and policy space for developing countries. Delegations emphasised that WTO discussions should remain practical and focused on implementation and compliance, while recognising evolving global challenges such as price volatility, supply disruptions, and sustainability pressures in agriculture.

### **New Zealand Steps Up Support for Pacific Trade and Cooperation Frameworks**

New Zealand, in partnership with Australia, has announced expanded support for the Pacific Agreement on Closer Economic Relations (PACER Plus), including additional financial and technical assistance. The enhanced support is aimed at strengthening trade integration, improving market access, and building economic resilience across Pacific Island economies. This move reinforces New Zealand's commitment to deepening economic partnerships in the Pacific and advancing sustained regional development through shared trade and economic cooperation frameworks.

### **Vietnam and EFTA Advance 18th Round of Free Trade Agreement Negotiations**



Vietnam and the European Free Trade Association (EFTA)—comprising Switzerland, Norway, Iceland, and Liechtenstein—are conducting the 18th round of negotiations for a bilateral free trade agreement in Da Nang, Vietnam, from 25–28 November 2025. During the talks, officials from both sides reported positive progress in narrowing outstanding issues and expressed readiness to adopt the flexibilities needed to achieve a balanced, mutually beneficial agreement.

Trade between Vietnam and the EFTA bloc exceeded US\$3.5 billion in 2024, with Vietnam exporting goods such as footwear, textiles, machinery, mobile phones, coffee, and cashew nuts, while importing high-value products like pharmaceuticals, precision machinery, and medical devices. Officials stressed that the early completion and signing of the pact could help both sides better navigate global economic uncertainty and unlock expanded market access.

### **EU and South Africa Sign First-Ever Clean Trade and Investment Partnership**



The European Union and South Africa have signed the first-ever Clean Trade and Investment Partnership (CTIP), marking a new chapter in their economic cooperation beyond traditional trade agreements.

The CTIP will focus on strategic sectors such as:

- Renewable energy, low-carbon and net-zero technologies;
- Electricity transmission and electricity grid;

- Clean fuels, including sustainable transport fuels;
- Raw materials value chains, and
- Climate mitigation and adaptation technologies.

The partnership also aims to facilitate investment by addressing barriers and strengthening commercial links between EU and South African firms in strategic sectors. This initiative underscores deepening ties between the EU and South Africa, with the bloc already South Africa's largest trading partner and investor.

### **India and Israel Sign Terms of Reference to Launch Free Trade Agreement Negotiations**

India and Israel have formally signed the Terms of Reference (ToR) to initiate negotiations for a comprehensive Free Trade Agreement (FTA), marking a significant step in deepening bilateral economic ties. The ToR was signed in Tel Aviv by India's Commerce and Industry Minister Piyush Goyal and Israel's Economy and Industry Minister Nir Barkat on 20 November 2025, officially launching structured FTA discussions.

The move is aimed at expanding economic engagement across goods, services, investment, technology, and innovation, and is expected to strengthen market access, capital flows, and strategic cooperation between the two partners. Both nations highlighted the complementary nature of their economies — with India's large market and manufacturing base aligning with Israel's strengths in tech, agritech, defence, and cyber.



# POLICY AND REGULATORY NEWS

## **UK Introduces Cyber Security and Resilience Bill to Strengthen Protection of Critical Digital Infrastructure**

The Cyber Security and Resilience (Network and Information Systems) Bill, introduced to Parliament, represents a major upgrade to the UK's cyber-security and resilience framework for essential and digital services. Building on the existing NIS regime, the Bill broadens the scope of regulated entities and strengthens requirements on risk management, operational continuity, and incident response, reflecting the growing dependence of the UK economy on interconnected digital systems.



Industries such as energy, transport, finance, healthcare, telecommunications, cloud services, data centres, and managed service providers will be subject to more prescriptive cyber-risk governance, including mandatory resilience planning, faster, more detailed incident reporting, and greater accountability for senior management. Importantly, the Bill places increased emphasis on supply-chain and third-party cyber risks, requiring companies to assess and manage vulnerabilities arising from outsourced IT services, software providers, and cross-border digital dependencies.

For businesses, this implies higher compliance costs, enhanced internal controls, and increased regulatory engagement, particularly for firms operating across jurisdictions or relying on global digital supply chains. At the same time, the legislation is expected to drive sustained investment in cybersecurity technologies, secure-by-design systems, workforce skills, and resilience testing. Over the medium term, the Bill is likely to improve overall market confidence, reduce the risk of large-scale service disruptions, and reinforce the UK's position as a secure and resilient digital economy, with implications for trade, investment, and critical infrastructure protection.

## **Germany introduces draft bill to align national Product Safety Act with EU's modernised safety framework**

The German government has put forward a draft bill to update its national Product Safety Act, aligning it with the EU's new General Product Safety Regulation (GPSR), which has been directly applicable across EU member states since December 2024. The draft focuses on implementing the GPSR at the national level, strengthening enforcement mechanisms such as market surveillance powers and sanctions for non-compliance, and clarifying requirements for safety information and product labelling for the German market.

Key changes include enhanced enforcement authority for authorities to order removal of dangerous products and block online listings, an updated catalogue of administrative offences with

finer up to €100,000, mandatory German-language safety information, and adaptations to the voluntary "GS" certification mark to ensure continued relevance under the GPSR. The draft does not introduce new substantive safety requirements beyond the GPSR, but it equips German authorities with tools to enforce the modernised EU regime effectively.

This Act will raise compliance and enforcement expectations for manufacturers, importers, and online sellers, particularly those supplying consumer products into the German market. Businesses will need to ensure robust product documentation, German-language safety information, effective recall readiness, and tighter control over online listings and supply chains. For exporters and MSMEs, this may translate into higher compliance costs and the need for stronger local representation, but it also creates a more predictable enforcement environment aligned with EU-wide rules.

### **Karnataka Cabinet Approves New IT and Space Technology Policies to Propel Tech Growth and Innovation**

The Karnataka Cabinet has approved a suite of major technology-focused policies, including the Karnataka Information Technology Policy 2025–2030 and the Karnataka Space Technology Policy 2025–2030, to strengthen the state's position as a leading technology and innovation hub.

The IT policy, backed by an INR 967.12 crore investment, seeks to increase the sector's contribution to state's Gross Value Added

and nearly triple software exports from INR 4.09 lakh crore to INR 11.5 lakh crore by 2030, with a strong focus on emerging technologies such as AI, blockchain, quantum computing, green IT, and cybersecurity across urban and regional innovation centres.

The Space Technology Policy aims to develop a skilled workforce of 50,000 professionals, attract significant global and domestic investment (targeting around US\$3 billion), and position Karnataka to capture a major share of India's space technology market and a foothold in the global sector, while supporting startups and MSMEs in the space ecosystem. The Cabinet also approved the establishment of Centres of Excellence in AI, computing, and defence technology under the Local Economy Accelerator Program (LEAP) to further boost high-tech research, innovation, and industry-academia collaboration across the state.

Both policies will enhance the state's appeal to domestic and international businesses seeking to expand in India. The policies provide a stable, long-term framework with public investment, clear export and employment goals, and support for emerging technologies like AI, deep tech, cybersecurity, and space applications. Incentives for startups and MSMEs, Centres of Excellence, and focus on tier-2 and tier-3 cities lower entry barriers and operating costs for new investors.

and the deployment of technical verification mechanisms to detect and flag such content.

The draft rules explicitly respond to growing concerns around deepfakes, manipulated media, and election-related misinformation. By emphasising visible labelling, metadata traceability, and platform-level enforcement, the government signals a shift from voluntary disclosure norms to a more prescriptive regulatory approach. The framework aligns India's digital policy trajectory with international precedents, particularly regulatory measures adopted by the European Union and China, while adapting them to India's platform ecosystem and electoral sensitivities.

Overall, the proposed rules position India as pursuing a transparency-first and risk-mitigation-oriented approach to AI governance rather than an outright restriction on generative technologies. For digital platforms, content creators, and AI developers, the draft provides early policy clarity on disclosure expectations, compliance systems, and liability management. If implemented, the framework is likely to reshape content moderation practices, increase compliance costs for platforms, and influence the design and deployment of generative AI tools in the Indian market ahead of upcoming electoral cycles.



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