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GLOBAL ECONOMY

Growth Continues, Though Momentum Moderates Across Regions

Global economic activity remained broadly stable through February 2026, with output continuing to expand across both advanced and emerging economies. The J.P. Morgan Global Composite PMI remained in expansionary territory at around 51.8 in February 2026, indicating continued growth, albeit at a slower pace compared to late 2025. While activity remained resilient, forward-looking indicators pointed to moderation, with business optimism softening and employment growth remaining marginal.

Across advanced economies, growth conditions remained subdued. In the euro area, the composite PMI remained below the expansion threshold at around 49.9 in February, reflecting weak demand conditions and continued contraction in manufacturing activity, even as services provided limited support. In North America, economic activity continued to expand, with the composite PMI at approximately 52.3, a slowdown from previous months and reflecting cautious business sentiment.

Emerging markets and developing economies exhibited divergent trends. Several Asian economies recorded stronger activity, supported by domestic demand and services exports, with manufacturing PMI readings in some economies rising above 54, indicating robust expansion. In contrast, parts of Latin America and Africa experienced softer growth conditions amid weaker external demand, tighter financial conditions, and currency pressures. These regional divergences continued to define the global growth landscape.

Commodity Markets Show Mixed Trends with Late-February Volatility

Commodity markets exhibited mixed trends through most of February. Energy prices remained relatively stable in the early part of the month, with Brent crude trading in a broad range of USD 78–82 per barrel, while metals showed selective resilience. Agricultural prices remained relatively soft, reflecting improved supply conditions.

Toward the end of the period, commodity markets experienced increased volatility. The escalation of geopolitical tensions on 28 February 2026 led to a sharp rise in crude oil prices, prompting a reassessment of inflation risks and external balances in both advanced and emerging economies.

Regional Divergences Persist Across Emerging Markets

Emerging markets continued to contribute significantly to global growth, though with notable variation across regions. Asian economies maintained relatively strong activity levels, while Latin American economies faced headwinds from softer commodity demand and tighter financial conditions. Several African economies continued to experience pressures related to external financing conditions and currency stability.

China's economic activity remained relatively subdued, with manufacturing PMI readings below the expansion threshold at around 49.0 in February, indicating continued contraction in industrial activity and weak domestic demand. This has had broader implications for global trade and commodity demand, reinforcing the uneven nature of the global recovery.

INDIAN ECONOMY

India's economy continued to demonstrate strong growth momentum and resilient macroeconomic fundamentals during February 2026, supported by robust domestic demand, improving activity indicators, and a stable policy environment.

RBI Maintains Policy Stability Amid Balanced Outlook

The Reserve Bank of India maintained the policy repo rate at 5.25% during its February 2026 monetary policy review, retaining a neutral stance. The central bank projected GDP growth at approximately 7.4% for FY 2025–26, reflecting strong domestic demand, while noting that inflation remained broadly within target but required continued monitoring.

Liquidity conditions remained supportive, with measures aimed at ensuring orderly financial markets and sustained credit flow to productive sectors.

Growth Indicators Signal Continued Expansion

High-frequency indicators for February point to sustained strength in economic activity. The HSBC Flash India Composite PMI rose to 59.3 in February 2026, up from the previous month, indicating strong expansion in both manufacturing and services sectors. Manufacturing activity accelerated, with output growth strengthening, while services continued to benefit from robust domestic demand.

India's growth continues to be driven by private consumption, public capital expenditure, and resilient services exports, maintaining its position as one of the fastest-growing major economies globally.

Inflation Shows Early Signs of Firming

Inflation trends in February indicate a gradual firming after a period of moderation. Consumer price inflation increased to 3.21% year-on-year in February 2026, up from 2.74% in January, while food inflation rose to approximately 3.47%, reflecting seasonal price pressures and supply-side factors.
Despite this increase, inflation remained within the Reserve Bank of India's target range of 2–6%. Core inflation remained relatively stable, indicating that underlying price pressures were contained.

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

Committee on Trade Facilitation Review Progressed

At the WTO Committee on Trade Facilitation meeting held on February 25, 2026, members advanced discussions on the second review of the Trade Facilitation Agreement (TFA). They emphasised that the review process should remain member-driven, transparent, inclusive, and sensitive to varying levels of development and implementation capacity.

Tonga ratified the TFA on January 26, 2026, bringing the total number of ratifications to 162 out of 166 WTO members, approximately 98% of the membership.

Members highlighted the need to deepen understanding of TFA implementation and its impact. There was also interest in expanding experience-sharing initiatives, including thematic and peer-to-peer sessions, incorporating private sector perspectives, and strengthening engagement with National Trade Facilitation Committees (NTFCs) and regional groupings.

WTO Dispute Settlement: India – Automotive and Renewable Energy Sectors

On February 24, 2026, the WTO Dispute Settlement Body (DSB) agreed to establish a panel following China's second request concerning Indian measures in the automotive and renewable energy sectors. These measures include production-linked incentives for advanced chemistry cell batteries, automobiles and auto components, and electric vehicles.

India expressed regret over China's request but maintained that its measures are fully consistent with WTO rules. The United States, participating as a third party, urged China to address its own non-market policies and excess industrial capacity, stating that such practices negatively impact global supply chains.

Additionally, 13 members, Canada, Colombia, the European Union, Indonesia, Japan, Korea, Norway, Russia, Singapore, Thailand, Türkiye, the United Kingdom, and the United States, reserved their rights to participate as third parties in the dispute proceedings.

WTO Dispute Settlement: China – Standard Essential Patents (SEPs)

On February 24, 2026, the European Union submitted its first request to establish a WTO panel regarding China's patent licensing measures. The dispute centres on the authority of Chinese courts to issue binding decisions that determine worldwide licensing terms for portfolios of standard essential patents (SEPs).

China responded that SEPs are a complex issue lacking a clear international framework and expressed disappointment that the EU brought the matter to the WTO instead of pursuing dialogue in a more appropriate forum.

China declined to accept the EU's request to establish a panel at this stage. The DSB took note of the statements and indicated it would revisit the matter upon further request by a member.

Committee on Trade and Development: Integration of Small Economies

On February 17, 2026, WTO members drafted a decision for consideration at the Fourteenth Ministerial Conference aimed at improving the integration of small economies into the global trading system.

The draft calls for enhanced integration of small economies into digital trade and the broader multilateral trading system. It also requests that the WTO Secretariat assess the challenges faced by small and vulnerable economies in areas such as trade logistics, connectivity, and border procedures.

The decision promotes the adoption of trade facilitation and digital tools, along with improvements in transparency and traceability. It further encourages the sharing of best practices in policies and regulatory frameworks to boost participation of micro, small, and medium-sized enterprises (MSMEs) in digital trade.

FTAS/ BILATERALS

Bangladesh–Japan EPA: A Landmark First Trade Agreement

Bangladesh signed its first-ever Economic Partnership Agreement (EPA) with Japan, marking a significant milestone. The agreement ensures continued preferential market access, with Japan granting duty-free or reduced-tariff access to around 97% of Bangladesh's export basket, covering over 7,300 products, including ready-made garments (RMG), textiles, and manufactured goods.

In terms of trade, Bangladesh exported goods worth approximately USD 1.33 billion to Japan in FY 2024–25, while imports from Japan stood at about USD 1.87 billion, resulting in a trade deficit for Bangladesh. Under the EPA, Bangladesh will also provide preferential access to more than 1,000 Japanese products, with tariff reductions phased over up to 18 years. The agreement further covers services, investment, customs facilitation, and intellectual property, aiming to boost bilateral trade, attract Japanese investment, and integrate Bangladesh more deeply into global value chains.

India–GCC Free Trade Agreement (FTA): Negotiation Framework Finalised

India and the Gulf Cooperation Council (GCC) signed the Terms of Reference (ToRs) for the proposed India–GCC Free Trade Agreement (FTA), formally initiating the negotiation process.

Bilateral trade between India and the GCC reached USD 178.56 billion in FY 2024–25, accounting for 15.42% of India's total global trade. India's exports to the region stood at USD 56.87 billion, led by engineering goods, rice, textiles, machinery, and gems and jewellery. Imports, valued at USD 121.68 billion, were primarily driven by crude oil, LNG, petrochemicals, and gold.

The GCC also plays a crucial role as a source of foreign direct investment (FDI) for India, with cumulative inflows exceeding USD 31.14 billion as of September 2025. The proposed FTA is expected to further enhance investment flows while reinforcing energy and economic security for both partners.

The agreement is expected to significantly strengthen economic ties by improving market access, boosting trade flows, and encouraging greater investment cooperation. With the GCC being one of India's largest trading partners, the FTA aims to unlock new opportunities across sectors including goods, services, energy, and infrastructure.

India–EU FTA: A Landmark Deal Reshaping Trade and Investment Ties

India and the European Union concluded negotiations for a comprehensive Free Trade Agreement (FTA) outlining one of the most ambitious trade frameworks negotiated by both sides.

The agreement establishes a broad-based framework covering trade in goods and services, investment, digital trade, sustainability, and regulatory cooperation, reflecting a deepening strategic and economic partnership between India and the EU.

Negotiation Scope and Structure

The provisional text is organised into around 20 chapters, spanning areas such as market access for goods, services, dispute settlement, and sustainability provisions. These chapters create a unified framework governing trade disciplines and cooperation mechanisms across sectors.

Market Access and Tariff Liberalisation

The deal delivers substantial tariff reductions on both sides:

- India secures preferential access to 97% of EU tariff lines, covering about 99.5% of trade value.
- The EU will eliminate tariffs on roughly 90% of Indian goods immediately, expanding further over time.
- Overall, tariff concessions apply to nearly 96–99% of bilateral trade, making it one of India's most extensive market access agreements.

Sectoral Gains and Safeguards

The agreement enhances opportunities across key sectors:

- Indian exports such as textiles, leather, chemicals, marine products, and gems & jewellery benefit from zero or reduced tariffs.
- EU exporters gain improved access in sectors like automobiles, machinery, wines, and spirits through phased tariff reductions and quotas.
- Sensitive sectors, including agriculture (e.g., dairy, rice, poultry), are excluded or protected to safeguard domestic industries.

Services, Digital Trade, and Investment

The FTA includes commitments to:

- Open 100+ services sub-sectors on both sides, including finance, telecom, and maritime services.
- Establish rules on digital trade, data protection, and secure online transactions.
- Facilitate investment flows and strengthen intellectual property protection.

Sustainability and Regulatory Cooperation

The agreement integrates sustainability commitments, including cooperation on climate action, resource efficiency, and environmental standards, alongside labour and social protections.

Strategic Significance

The India–EU FTA creates a combined economic space covering nearly 2 billion people and a significant share of global GDP, reinforcing both partners' efforts to diversify trade and strengthen supply chains.

Overall, the deal represents a major shift in India's trade policy—offering unprecedented market access while balancing domestic sensitivities—and marks a new phase in India–EU economic and strategic cooperation.

POLICY AND REGULATORY NEWS

Andhra Pradesh Circular Economy Policy: Enabling Waste-to-Resource Industrial Transformation

The Andhra Pradesh government has introduced this policy to transition industries from a linear “produce–dispose” model to a circular economy focused on resource efficiency. It targets high-impact industrial waste streams such as fly ash, chemicals, and construction waste, aiming to reduce environmental pressure and improve material productivity. The policy aligns with broader sustainability and climate goals while positioning the state as a leader in circular industrial practices.

Key Provisions

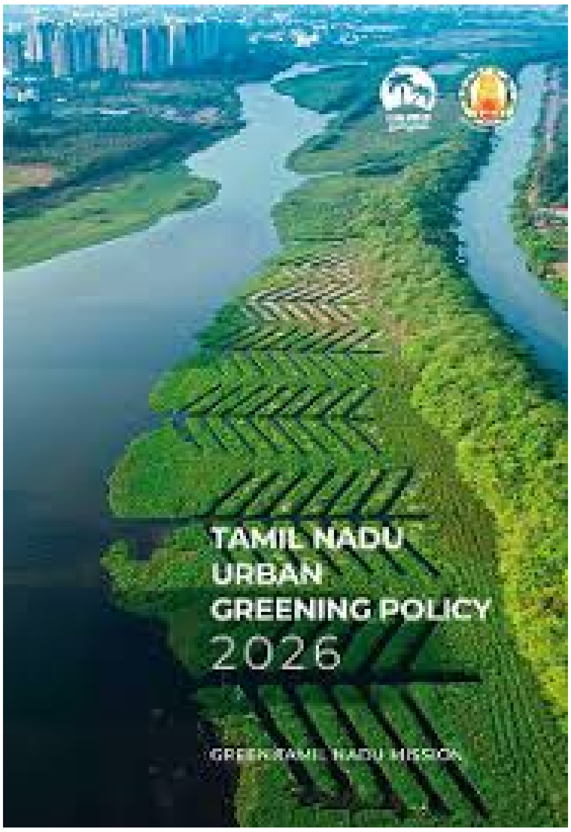
- Development of regional recycling hubs and Material Recovery & Recycling Centres (MRRCs)
- Promotion of industrial symbiosis (waste-to-resource exchange across industries)
- Introduction of a Digital Circular Economy Dashboard for tracking and monitoring
- Implementation of a Green Star Rating system for industries
- Establishment of a State Circularity Cell for coordination and execution
- Focus on priority waste streams (fly ash, chemicals, construction waste)

The policy seeks to promote reuse, recycling, and co-processing of waste through a structured ecosystem. It emphasizes the development of dedicated infrastructure, institutional coordination, and digital monitoring to enable efficient waste management. By integrating circular practices into industrial operations, the state aims to reduce landfill dependency and create value from waste streams.

From a business perspective, the policy introduces higher compliance requirements and initial investment needs but offers long-term gains through cost optimization and new revenue streams. It is expected to create opportunities in recycling, waste processing, and circular services, while strengthening ESG alignment and attracting green investments. The policy also supports supply chain transformation by encouraging the use of secondary raw materials.

POLICYAND REGULATORY NEWS

Tamil Nadu Urban Greening Policy: Advancing Climate-Resilient



Tamil Nadu has introduced its Urban Greening Policy (2026) to integrate green and blue infrastructure into urban planning and address challenges such as heat stress, air pollution, and declining biodiversity. The policy mandates that urban local bodies (ULBs) systematically expand and manage green spaces, aiming for a minimum of 15% green cover within municipal limits, while aligning with the state's broader goal of increasing overall green cover to 33%.

The policy emphasises nature-based solutions, including urban forests, wetlands, parks, and biodiversity corridors, supported by GIS-based mapping, carbon accounting, and real-time monitoring dashboards. It shifts focus from plantation numbers to ecological outcomes such as canopy cover, climate resilience, and accessibility, while promoting citizen participation and the use of native, climate-resilient species.

From a governance and business perspective, the policy drives integration of ecology into urban infrastructure and planning processes, requiring departments and projects to allocate resources for greening. It creates opportunities in urban forestry, landscaping, green infrastructure, and climate-tech solutions, while strengthening ESG alignment and enabling climate-resilient urban development frameworks.

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: info@vekpolicy.com
Website: www.vekpolicy.com