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POLICY ADVISORY
& RESEARCH

POLICY PULSE

A MONTHLY NEWSLETTER

AUGUST 2026

VOL. 8 ISSUE 07

IN THIS ISSUE

GLOBAL ECONOMY

Global Growth Remains Resilient, but Divergence and Risks Intensify

The global economy has continued to absorb the effects of the Middle East conflict better than initially feared, but the available evidence points to a more uneven and fragile expansion. The IMF's July 2026 World Economic Outlook Update—the latest comprehensive global forecast available during August—projects global growth of 3.0% in 2026 and 3.4% in 2027, compared with an average of 3.5% in 2024–25. The IMF identifies two opposing forces: the drag from the energy shock and geopolitical disruption, and a technology-led investment cycle driven by artificial intelligence (AI). Economies integrated into technology value chains are benefiting from stronger investment and demand, partly offsetting the impact of the conflict.

The August commodity-price data reinforce the importance of the energy channel. UNCTAD's latest Commodity Price Index shows year-on-year commodity price growth accelerating from 17.9% in July to 27.3% in August 2026. Fuel-price growth increased to 29.6%, while minerals, ores and metals rose 31.8%. This indicates that higher energy and input costs remain a significant source of inflationary pressure, particularly for energy-importing economies.

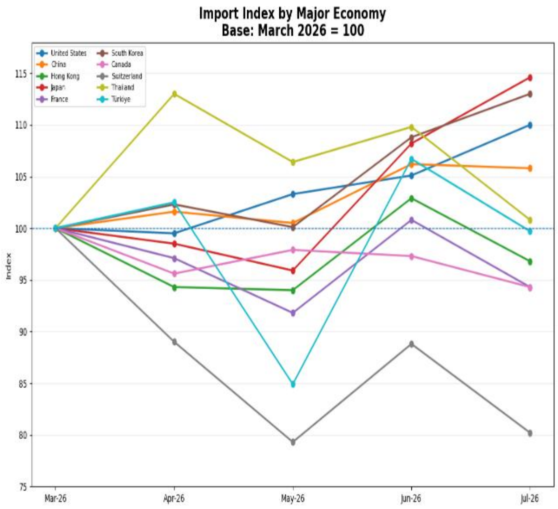
The outlook remains highly differentiated across economies. Energy exporters outside the conflict zone and economies embedded in technology value chains are relatively better positioned, while energy-importing economies with limited participation in the AI cycle face greater pressures. The IMF also highlights persistent structural constraints, including policy uncertainty, protectionism, weak productivity and limited fiscal space.

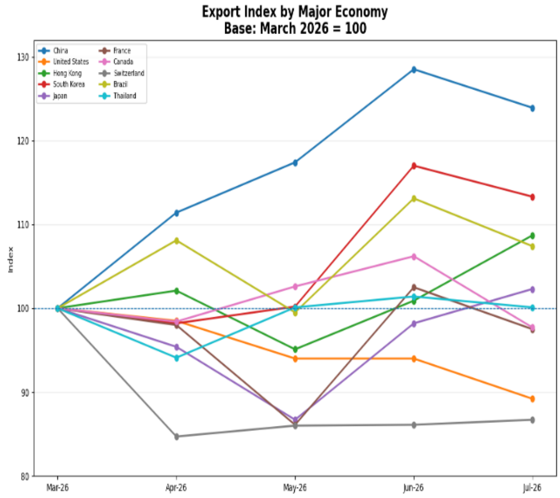
Risks remain significant. Renewed conflict, prolonged disruption around the Strait of Hormuz, further trade fragmentation, higher tariffs, elevated public debt and financial-market repricing could weaken growth. Conversely, faster AI adoption, stronger technology investment, stabilisation of energy markets and deeper international cooperation could improve the outlook. Overall, August developments suggest that global growth remains resilient, but increasingly dependent on technology investment, trade connectivity and economies' ability to absorb energy and geopolitical shocks.

Global Trade Show a Mixed Sign

Global import trends among the top 10 trading economies show a mixed but broadly resilient pattern between March and July 2026, with several major economies recording an increase in import activity relative to the March 2026 base. Japan recorded the strongest rise, with its import index reaching 114.6 in July, followed by the Republic of Korea at 113.0 and the United States at 110.0. China also remained above its March level at 105.8, while Thailand was broadly stable at 100.8. In contrast, imports of Switzerland declined substantially to 80.2, while France, Canada and Hong Kong also remained below the base. The five-month trend therefore indicates that global import activity was supported particularly by the major Asian economies and the United States, although the pace and direction of import growth varied considerably across countries.

The export trend shows stronger momentum in several Asian exporting economies, with China emerging as the most prominent performer. China's export index increased steadily from 100 in March to 123.9 in July, representing a 23.9% increase over the five-month period. The Republic of Korea and Hong Kong also recorded substantial increases, reaching 113.3 and 108.7, respectively, while Brazil rose to 107.4 and Japan to 102.3. In contrast, exports from the United States declined progressively to 89.2, while Switzerland fell to 86.7; France and Canada also remained slightly below their March levels. Overall, the data indicate that global export growth during March–July 2026 was increasingly concentrated in major Asian trading economies, particularly China and Korea, while export performance in the United States and some European markets weakened.





Inflation Risk to Continue Amid Energy Price Shock

The global inflation outlook became more challenging in August 2026, as renewed increases in energy and commodity prices added to underlying price pressures. The IMF's August 2026 global inflation update showed that annual global headline inflation had eased to 4.7% in June, after rising to 4.9% in May, but remained elevated compared with earlier in the year. The IMF's July World Economic Outlook continues to project global headline inflation at 4.7% for 2026, up from 4.1% in 2025, before easing to 3.9% in 2027.

August commodity-price developments point to renewed risks. According to UNCTAD, the global Commodity Price Index increased 27.3% year-on-year in August 2026, accelerating sharply from 17.9% in July. Fuel prices rose 29.6%, while minerals, ores and metals increased 31.8%. Food prices, by comparison, rose by around 6.6%. The World Bank also reported that its energy price index increased 8.8% month-on-month in August, led by a 5.7% increase in crude oil prices and a 10.1% rise in natural gas prices.

Overall, it is expected that renewed energy-price increases and commodity-market volatility could prolong price pressures and delay the return of inflation to central-bank targets. For emerging markets such as India, the key risks are higher imported energy costs, exchange-rate pass-through and rising transportation and production costs.

GLOBAL ECONOMY

Regional Divergence Continues

The outlook for major economies remained uneven in August 2026, with stronger near-term activity in several advanced economies contrasting with more moderate and differentiated performance across emerging markets. S&P Global's August assessment raised its 2026 global real GDP growth forecast to 2.4%, citing stronger-than-expected second-quarter performance and resilient business activity. The August flash PMI surveys showed the US, euro area, Japan and the UK recording their fastest combined expansion since early 2022. The euro area Composite PMI rose to 52.1 in August, its highest level since November 2025, while the US recorded a particularly strong acceleration in business activity.

The divergence is also visible within Asia. South Korea's 2026 growth forecast was raised to 2.8% by S&P Global, reflecting stronger-than-expected first-half performance and continued support from AI-related demand and the semiconductor cycle. China's growth forecast remained at 4.5%, although relatively weak domestic demand continues to constrain momentum. Japan also benefited from stronger manufacturing activity in August. These developments underline the increasing importance of technology-related investment and semiconductor demand in supporting growth in parts of Asia.

India remains one of the faster-growing major emerging economies, although its growth trajectory is also being shaped by energy prices, global trade conditions and domestic demand. The IMF's latest projection continues to place India's calendar-year 2026 growth at 7.0%, followed by 6.4% in 2027. Meanwhile, August global trade data point to an increasingly Asia-centred pattern of trade expansion: UNCTAD reported that East Asia was the main engine of global trade growth in the first quarter of 2026, supported particularly by China and the Republic of Korea, while trade performance across other Asian subregions was weaker.

Overall, August evidence points to a more differentiated global growth landscape rather than a synchronised global slowdown. The US and several European and Asian economies have shown improved near-term momentum, while emerging-market performance remains more varied. Technology investment, semiconductors and AI-related demand are providing an important growth impulse, particularly in Asia and the US. At the same time, geopolitical tensions, energy-price volatility, trade fragmentation and tighter financial conditions continue to create asymmetric risks across economies. This regional divergence is likely to remain an important feature of the global economic outlook through the remainder of 2026.

INDIAN ECONOMY

Indian Economy – Overall Trend

India's economic activity remained resilient through August 2026, with growth momentum strengthening across output, industry and external trade, although inflation and global risks remain important constraints. The RBI's August 2026 monetary policy review raised its FY2026–27 real GDP growth projection marginally to 6.7% from 6.6%, while lowering its CPI inflation forecast to 5.0% from 5.1%. The RBI retained the repo rate at 5.25%, noting that domestic economic activity remained resilient despite global trade uncertainty and geopolitical tensions. The August RBI Bulletin also highlighted buoyant domestic demand, rising manufacturing and services activity, improving liquidity conditions and a rebound in foreign capital inflows.

Recent high-frequency indicators reinforce this assessment. India's real GDP grew by 7.8% in Q1 FY2026–27, compared with 6.9% in Q1 of the previous year, providing a stronger starting point for the year.

Domestic economic activity also showed considerable resilience. Gross GST collections stood at ₹1.998 lakh crore in August 2026, 14.8% higher year-on-year, with domestic GST revenue increasing 9.3% and GST from imports rising 29%. The August labour-market data also remained supportive: the overall labour force participation rate increased to 55.6%, while the worker population ratio rose to 52.8% and the unemployment rate remained at 5.0%.

Inflation, however, emerged as an important area to watch. Consumer price inflation increased to 4.82% in August 2026, while food inflation rose to 5.95%. Wholesale price inflation was considerably higher at 9.92%, driven in particular by fuel and power prices, for which inflation reached 22.93%. This indicates that while demand and trade activity remain supportive of growth, input-cost and energy-price pressures could become an important constraint.

Overall, the August 2026 picture is one of continued economic resilience, strong export momentum and sustained domestic activity, but with rising inflation and energy costs requiring close monitoring. The combination of strong exports, near-₹2 lakh crore GST collections and improving employment indicators provides a positive foundation for growth, while the sharp increase in wholesale prices and the widening merchandise import base underline the risks to margins, inflation and the external balance.

Growth Becomes Uneven Across Manufacturing and Services

India's manufacturing and services sectors continued to expand in August 2026, but the pace of activity remained uneven across the two sectors. The HSBC India Manufacturing PMI declined to 52.8 in August, indicating the weakest expansion in manufacturing in five years. Growth in output and new orders slowed amid softer demand and challenging market conditions, while manufacturing employment recorded a marginal decline. Nevertheless, the PMI remained above the 50-point threshold, indicating that manufacturing activity continued to expand rather than contract. At the same time, easing input-cost pressures provided some relief to manufacturers.

The services sector provided a stronger counterweight. The HSBC India Services PMI Business Activity Index increased to 54.1 in August, reflecting a modest strengthening in business activity and new orders. Services employment recorded its fastest growth in 15 months, supported by increased staffing in customer service, sales and digital operations. However, the pace of services expansion remained relatively subdued, with the August reading still among the weakest recorded in more than four years and below the sector's long-run average.

The August data therefore point to continued but more moderate private-sector expansion, with services activity offsetting the sharper slowdown in manufacturing. The HSBC India Composite PMI stood at 54.3, remaining above the 50-point expansion threshold. The divergence between the two sectors suggests that services are currently providing greater momentum to private-sector activity, while manufacturing faces softer demand and more cautious production and employment decisions.

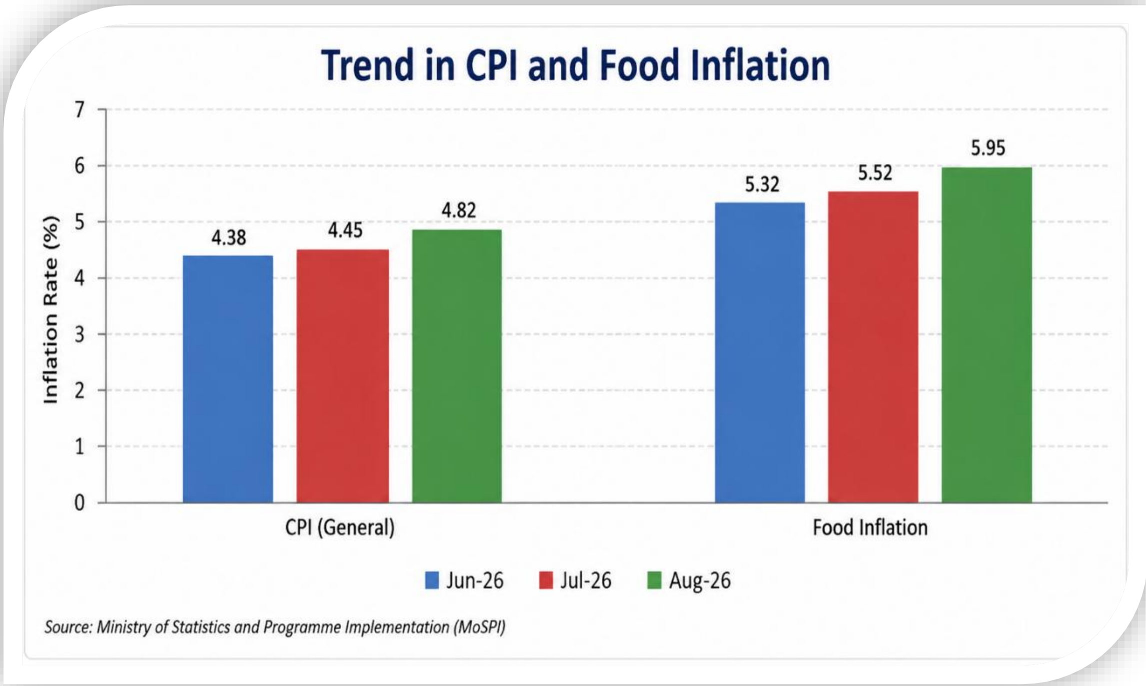
Overall, the August indicators suggest resilience rather than contraction, but also a moderation in the breadth and pace of expansion. For manufacturing, easing input-cost pressures and continued growth in output provide some support, while for services, stronger hiring and new business offer positive signals. Sustaining broad-based growth will depend on strengthening demand, investment and business confidence in the coming months.

Inflationary Pressures Re-emerge, Driven by Food and Energy Costs

Inflationary pressures strengthened in August 2026, marking a clear firming in the price environment. Consumer price inflation (CPI) rose to 4.82% in August, while food inflation, measured by the Consumer Food Price Index (CFPI), increased to 5.95%. Rural inflation stood at 5.23%, compared with 4.31% in urban areas, indicating relatively stronger price pressures in rural markets. Although headline CPI remained within the RBI's 2–6% tolerance band, it moved above the medium-term target of 4%, signalling that the earlier disinflationary trend has weakened.

The more significant concern is the broadening of upstream and input-cost pressures. Wholesale price inflation (WPI) increased to 9.92% in August, with inflation in manufactured products reaching 8.37% and fuel and power inflation rising sharply to 22.93%. Food-related wholesale inflation also increased to 7.05%. The August WPI data indicate that higher energy, food, mineral-oil, metals and chemical prices are increasingly feeding into production costs. These pressures could eventually transmit to consumer prices if they persist.

The RBI's August 2026 monetary policy assessment therefore adopted a cautious approach. The Monetary Policy Committee kept the repo rate unchanged at 5.25% and retained a neutral stance, while revising its FY2026–27 CPI inflation projection to 5.0%. The RBI assessed that underlying inflation pressures remained relatively contained but identified food prices, weather conditions, energy prices and geopolitical developments as important risks to the inflation outlook.



Overall, the August inflation data point to a re-emergence of price pressures rather than a broad-based inflation surge. Retail inflation remains within the RBI's tolerance band, but the acceleration in food prices and the sharp rise in wholesale fuel and manufactured-product prices warrant close monitoring. The combination of higher food costs and elevated energy prices could make the inflation trajectory more volatile in the coming months, particularly if geopolitical disruptions continue to affect global commodity and supply-chain conditions.

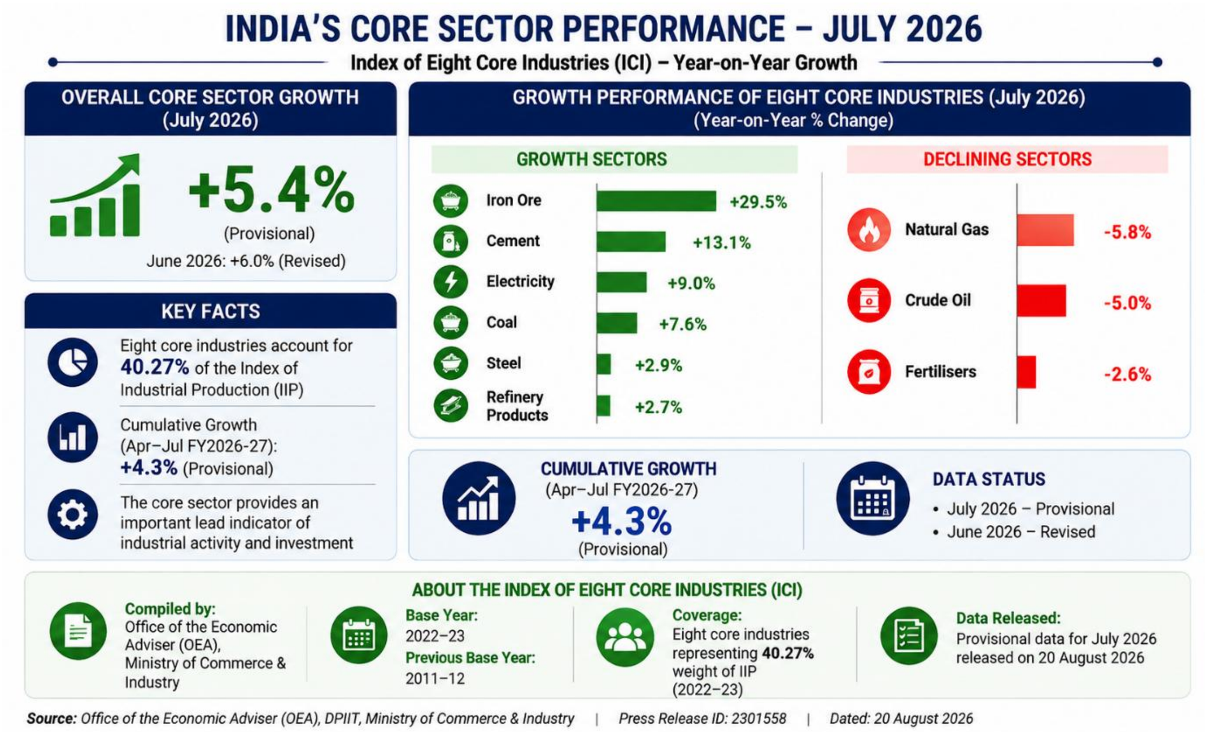
Industrial Activity Remains Resilient, Supported by Strong Demand

Industrial activity remained resilient in July 2026, although the pace of expansion moderated from the previous month. The Index of Industrial Production (IIP) grew 6.7% year-on-year, compared with 7.3% in June. Manufacturing expanded by 7.3%, while electricity and gas supply recorded stronger growth of 8.7%. Mining and quarrying, however, contracted by 0.9%. Within manufacturing, 19 of 23 industry groups registered positive growth, led by electrical equipment (28.3%), motor vehicles, trailers and semi-trailers (22.2%), and machinery and equipment (12.1%).

The composition of industrial growth also points to continued investment and infrastructure activity. Capital goods production increased by 16.1% in July, while intermediate goods grew by 10.0% and infrastructure and construction goods by 6.9%. Consumer durables also recorded strong growth of 10.5%, although consumer non-durables declined by 1.0%. The strength of capital and intermediate goods production suggests that investment-related activity continued to provide an important support to industrial growth.

The Index of Core Industries (ICI) also remained firmly in expansion territory, growing 5.4% year-on-year in July, although this was somewhat lower than the revised 6.0% growth recorded in June. Iron ore expanded by 29.5%, cement by 13.1%, electricity by 9.0%, coal by 7.6%, steel by 2.9% and refinery products by 2.7%. Natural gas, crude oil and fertilisers, however, recorded declines. During April–July 2026, the core sector grew 4.3%, substantially higher than the 1.5% growth recorded in the corresponding period of the previous year.

Overall, the July industrial data released in August indicate continued industrial resilience despite some moderation in momentum. Strong growth in manufacturing, capital goods, electrical equipment, infrastructure-related goods and electricity points to sustained domestic investment and demand. At the same time, the slowdown in headline IIP growth and weakness in mining and some consumer non-durables suggest that the expansion is becoming more uneven. The industrial sector therefore continues to provide an important foundation for economic growth, while the forthcoming August IIP and Core Industries data will be important for assessing whether this resilience has been sustained.



Significant Rise in Forex, Though External Risks Rise from Energy and Logistics Disruptions

External risks remained significant in August 2026, particularly from geopolitical tensions, energy prices and disruptions to global maritime trade. The Government continued to monitor the implications of the West Asia situation through an inter-ministerial mechanism involving the Department of Commerce, Ministry of External Affairs, Ministry of Ports, Shipping and Waterways, Ministry of Petroleum and Natural Gas, RBI and other agencies. The mechanism has been assessing developments in maritime trade, shipping and logistics and coordinating measures to address emerging supply-chain risks.

Energy and logistics remain important vulnerabilities for India because of its dependence on imported crude oil and exposure to international shipping routes. The Government has continued to monitor petroleum-product availability, fertiliser supplies, shipping movements and other critical supply chains. A Cabinet Committee on Security review also emphasised measures to ensure uninterrupted supplies of petroleum products and fertilisers and to protect Indian citizens and seafarers from the effects of the continuing West Asia conflict.

At the same time, August trade data indicate that India's external sector remained resilient despite these risks. Total exports of merchandise and services were estimated at US$82.68 billion, registering 25.4% year-on-year growth, while total imports increased 18.8% to US$92.09 billion. The combined trade deficit consequently narrowed to US$9.41 billion, from US$11.62 billion in August 2025. Merchandise exports rose 26.1% to US$43.81 billion, with strong growth in electronic goods, petroleum products and engineering goods. Electronic-goods exports increased by 89.8%, petroleum-product exports by 63.3% and engineering-goods exports by 24.9%.

India's external buffers also strengthened considerably during August. Foreign-exchange reserves reached a record US$740.8 billion in the week ended 28 August, up from US$729.3 billion a week earlier. The increase was supported by foreign-currency assets and gold reserves, as well as strong capital inflows associated with measures introduced to encourage foreign-currency inflows.

Overall, the August assessment is therefore more balanced than the earlier external-risk picture. Geopolitical tensions, elevated energy costs and potential disruptions to shipping continue to pose risks to India's import bill, logistics costs and supply chains. However, strong export growth, a narrowing combined trade deficit and record-high foreign-exchange reserves provide important buffers against external shocks. The key challenge will be to sustain export momentum while containing the impact of energy and logistics disruptions on domestic costs and the external balance.

WTO UPDATES

WTO Reform Discussions Move Forward

The WTO's reform process remained an important focus in August. On 4 August 2026, the Chair of the WTO General Council circulated an updated report from the reform facilitators, reflecting continued work on strengthening and modernising the multilateral trading system. The reform discussions are particularly significant as members seek to address issues around decision-making, dispute settlement, transparency and the ability of WTO rules to respond to emerging areas of trade.

Why it matters: WTO reform is becoming increasingly important as trade policy becomes more fragmented and members rely more heavily on unilateral measures, regional agreements and industrial-policy instruments.

UK Launches Safeguard Investigation on PET Imports

On 5 August 2026, the United Kingdom notified the WTO that it had initiated a safeguard investigation into imports of certain polyethylene terephthalate (PET). The investigation will examine whether increased imports are causing or threatening serious injury to the UK domestic industry. Interested exporters and other stakeholders were invited to participate in the investigation and submit evidence.
Why it matters: The development highlights the continuing use of trade-remedy instruments amid changing global trade patterns. For exporters, safeguard investigations can create uncertainty even before any definitive measure is imposed.

EU's Anti-Dumping Duties on Indonesian Fatty Acid

On 28 August 2026, the WTO Dispute Settlement Body adopted the panel report in DS622: European Union – Anti-Dumping Measures on Imports of Fatty Acid from Indonesia. The panel found that the EU had acted inconsistently with the WTO Anti-Dumping Agreement in one specific aspect concerning the exchange rate used for converting certain export transactions. The EU indicated that the finding concerned a limited aspect of the investigation and said it would not appeal the panel's findings.

Why it matters: The case illustrates the continuing relevance of WTO dispute settlement in addressing the application of trade-remedy measures and provides an important reference point for exporters facing anti-dumping investigations.

WTO Puts AI and Digital Trade at the Centre of Its August Agenda

On 3 August 2026, the WTO announced its first World Trade and Tech Day, scheduled for September, focusing on "AI and Trade: Turning Potential into Progress." The initiative will examine how AI can reduce trade costs, facilitate developing-country participation in global value chains, support digital trade and services, and influence standards and intellectual-property policy. The WTO noted, drawing on its World Trade Report 2025, that AI could substantially increase global GDP and trade by 2040 if challenges such as unequal adoption and labour-market disruption are addressed.

Why it matters: The initiative signals the growing importance of AI, digital technologies, services and standards in the future WTO trade agenda and the need for developing economies to participate in emerging technology-enabled value chains.

FTAs/ BILATERALS

FTA Progress: Key Developments in August 2026

1. India–EU FTA Moves into Finalisation Phase

The India–EU Free Trade Agreement (FTA) moved into an important implementation-preparation stage in August 2026, with the legal scrubbing of the agreement completed. The completion of legal scrubbing follows the conclusion of negotiations announced in January 2026 and means that the focus has now shifted towards final translations, internal approvals and other formal procedures required before signature and ratification.

The agreement is expected to provide preferential market access across a wide range of goods and services while also addressing areas such as rules of origin, standards, sustainability and professional mobility. With legal scrubbing complete, the immediate priority is to complete the remaining institutional processes and prepare Indian exporters to effectively utilise the agreement once it enters into force.

2. India–Chile CEPA negotiations advance

A major development in August was the further advancement of negotiations for the India-Chile Comprehensive Economic Partnership Agreement (CEPA). Commerce Secretary Rajesh Agrawal met Chile’s Vice-Minister for International Economic Relations, Paula Estévez Weinstein, in Santiago on 26 August. Both sides reiterated their commitment to advancing the negotiations, with the objective of concluding the CEPA by the end of 2026. The agreement is intended to deepen trade and investment ties and create greater market-access opportunities for businesses in both countries.

Overall, August 2026 indicates that India's FTA strategy is entering an implementation-and-expansion phase. The key policy challenge is to ensure that the growing network of FTAs translates into higher utilisation by Indian exporters, greater product diversification and deeper integration into global value chains.

3. EU Businesses Push for a High-Quality Malaysia–EU FTA

European businesses called for a high-quality Malaysia–EU Free Trade Agreement that goes beyond tariff liberalisation and delivers practical improvements in market access, investment and the regulatory environment. During meetings in Kuala Lumpur on 4 August 2026, representatives of nearly 30 European companies, led by the EU–ASEAN Business Council, urged Malaysia to maintain momentum towards the targeted conclusion of negotiations in 2027. Business representatives highlighted opportunities in advanced manufacturing, digital transformation, energy transition, sustainable infrastructure, and healthcare and life sciences, while emphasising the need for clearer rules, reduced regulatory barriers, streamlined customs procedures and stronger investment conditions.

4. Egypt–Qatar to Launch Comprehensive Economic Partnership Negotiations

Egypt and Qatar are set to begin the first round of negotiations on a Comprehensive Economic Partnership Agreement (CEPA) in October 2026, marking a new phase in their bilateral economic relationship. The decision was announced during preparations for the seventh session of the Egypt–Qatar Joint Higher Committee in August.

The proposed CEPA comes against a backdrop of rapidly expanding bilateral economic ties. Trade between Egypt and Qatar increased by 80% in 2025, while Qatari investment in Egypt has continued to grow.

Recent cooperation includes Qatari investment in the Ras El Hekma area and a sustainable aviation-fuel production project in the Suez Canal Economic Zone.

5. Ghana Pushes for Greater Caribbean Integration into AfCFTA

Ghanaian President John Dramani Mahama pledged during his August 2026 visit to Jamaica to champion the closer integration of Caribbean countries with the African Continental Free Trade Area (AfCFTA) when Ghana assumes the African Union chairmanship in 2027.

The proposal, however, would require consultations and agreement among African Union member states, the AfCFTA Secretariat and Caribbean partners, as AfCFTA currently covers the 55 African Union member states. Ghana and Jamaica also agreed to accelerate work on a Bilateral Air Services Agreement and explore new maritime links, potentially providing practical infrastructure for greater transatlantic trade and investment.

6. Somalia Accelerates Customs Reform to Unlock AfCFTA and EAC Trade Opportunities

Somalia has intensified efforts in August 2026 to modernise its customs and trade framework as it prepares to translate its participation in the African Continental Free Trade Area (AfCFTA) and its membership of the East African Community (EAC) into greater market access. The reform agenda focuses on addressing longstanding customs and border-management constraints, including improving procedures, strengthening institutional capacity and reducing the administrative costs and delays faced by traders. These reforms are particularly important because tariff preferences under regional agreements will

have limited practical value unless businesses can efficiently meet customs, rules-of-origin and documentation requirements.

The reforms could open opportunities for Somali exports, particularly in livestock, agriculture, fisheries and services, while improving the country's integration into regional value chains through the EAC and the wider African market. The experience also highlights a broader lesson for AfCFTA: customs modernisation, trade facilitation and effective rules-of-origin implementation are essential for converting formal market access into actual intra-African trade.

FTAs/ BILATERALS

7. Ghana and Morocco Deepen Economic Cooperation to Advance Intra-African Trade

Ghana and Morocco signed 11 cooperation agreements in July 2026 covering aviation, customs, standards, education, scientific research, mining, vocational training, scholarships and other areas. The agreements were concluded during the second session of the Ghana–Morocco Permanent Joint Commission for Cooperation and are intended to strengthen bilateral economic ties while contributing to wider African economic integration. Particularly relevant to trade are the Air Services Agreement, the Mutual Administrative Assistance Agreement in Customs Matters, and the MoU on Standardisation, Conformity Assessment and Metrology, which can help improve connectivity, facilitate customs procedures and address technical barriers to trade.

The agreements also provide a broader framework for developing African value chains and investment partnerships. Cooperation in mining and geological research could support greater value addition in mineral resources, while collaboration in renewable energy, agriculture, fertilisers, pharmaceuticals and technology could create opportunities for sectoral partnerships.

POLICY AND REGULATORY NEWS

India's New Inventory-Based Cross-Border E-Commerce Framework: Expanding Global Market Access for MSMEs

The Government of India has operationalised a new Inventory-based Cross-border E-Commerce Export Framework under the Foreign Trade Policy (FTP), 2023 through DGFT Notification No. 27/2026-27 and Public Notice No. 25/2026-27, dated 5 August 2026. The framework enables eligible e-commerce entities to undertake export-oriented inventory operations through a registered Exporter-on-Record (EOR). Under the model, Indian manufacturers and other eligible Sellers-on-Record (SORs) supply Indian-origin goods to the EOR against confirmed overseas orders, while the EOR manages export documentation, customs, logistics, destination-country compliance, fulfilment and returns. This division of responsibilities can substantially reduce the export-related compliance and infrastructure burden on MSMEs, artisans and smaller manufacturers seeking to reach international consumers.

A key feature of the framework is its export-only and digitally traceable architecture. Goods must be of Indian origin, speculative inventory accumulation is not permitted, and transfer of title from the SOR to the EOR is linked to a confirmed overseas order. Export inventory must be separately identified and cannot be diverted to the domestic market. The EOR is required to pay the SOR within seven days of acceptance or deemed acceptance, irrespective of whether payment has been received from the overseas customer. Eligible export rebates and refunds attributable to the seller must also be passed on to the SOR, while the EOR assumes responsibility for destination-market testing, certification, labelling, customs and other regulatory requirements.

The framework could therefore become an important instrument for broadening India's exporter base and integrating MSMEs into global value chains. The proposed E-Commerce Export Hubs can provide shared warehousing, customs clearance, packaging, fulfilment, logistics and returns infrastructure, reducing the fixed costs of international market entry. The framework also provides greater market visibility to sellers through access to information on final sale prices, order status, shipment tracking and destination markets. However, its effectiveness will depend on the emergence of capable EORs, efficient logistics networks, recognised testing and certification facilities, digital systems and appropriate financial support.

India–Japan Cooperation to Strengthen Manufacturing, Semiconductors and Clean Energy Ecosystem

India–Japan economic cooperation entered a more investment- and technology-focused phase in August 2026, with Commerce and Industry Minister Piyush Goyal's visit to Japan aimed at accelerating Japanese investment, strengthening industrial partnerships and building resilient supply chains. Discussions with Japanese government agencies, financial institutions and more than 30 major companies focused on manufacturing, capital goods, automobiles, semiconductors, AI, startups, infrastructure and clean energy. The engagement also advanced the objective of mobilising JPY 10 trillion in Japanese private investment in India over the next decade, with opportunities identified across manufacturing, infrastructure, financial services, technology and next-generation industries.

Semiconductors and Advanced Technology

Semiconductors and AI emerged as a major pillar of the cooperation. India outlined its six-pillar semiconductor strategy, covering chip design, semiconductor machinery and materials, fabrication, ATMP/OSAT, R&D and talent development. Japanese companies expressed interest in expanding their presence in India across semiconductor materials and equipment, power semiconductors, electronics, AI and related technologies. Discussions also addressed the supporting ecosystem required for semiconductor manufacturing, including reliable power, ultra-pure water, skilled manpower and social infrastructure in emerging clusters such as Dholera and Sanand. India's semiconductor demand is projected by the Government to reach US$150 billion by 2032.

POLICY AND REGULATORY NEWS

Manufacturing and Supply Chains

The engagement also focused on strengthening India's manufacturing ecosystem by connecting Japanese companies with Indian Tier-II and Tier-III suppliers and MSMEs. A business roundtable covering capital goods, machinery and automotive sectors explored opportunities for technology partnerships, investment and business-to-business collaboration. The India–Japan Next Generation Economic Partnership roadshow in Nagoya brought together more than 80 Japanese companies from the Chubu region, with discussions spanning automobiles, aerospace, machine tools, semiconductors, electronics and auto components.

Clean Energy and Next-Generation Industries

Clean energy and infrastructure were identified as important areas for future industrial cooperation. India highlighted its expanding renewable-energy capacity and robust national power grid as enabling infrastructure for semiconductors, AI and data centres, while discussions with Japanese stakeholders covered opportunities in clean energy and other next-generation industries. The broader partnership is therefore moving beyond conventional manufacturing towards technology-intensive and energy-intensive sectors where India's market and talent capabilities can complement Japan's engineering, technology and manufacturing strengths.

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