VeKommunicate

POLICY PULSE

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FIRST TAKE
OVERVIEW

The world is shifting its focus towards issues such as health, climate change, and sustainability. Trade policy updates reflect shifting dynamics in global commerce and regulatory frameworks. The new FTA, negotiated between countries, underscores the importance of strategic trade partnerships, particularly in critical minerals and sustainable development sectors. It also focuses on the large role of gender and local communities in economies.

At the WTO, MC14 has been proactively advancing the Dialogue on Plastic Pollution to enhance cooperation globally on trade measures to address plastic pollution. Members have discussed using HSN codes to address these challenges to understand trade and its supply chain.

On the economic front, the global economy reflects significant shifts driven by geopolitical tensions, market adjustments, and strategic policy updates across major regions. In response, nations increasingly diversify supply chains and focus on domestic resilience to reduce external vulnerabilities. These trends shape economic outlooks globally, with regions such as Sub-Saharan Africa and Latin America expected to see positive growth adjustments as they overcome sector-specific constraints.

This edition of Policy Pulse covers several important updates on issues ranging from the economy to trade and policy issues that will impact businesses.

IN THIS ISSUE

ECONOMY

GLOBAL ECONOMY

The world economy in October 2024

Since the beginning of the year, cyclical imbalances have been gradually easing with the recovery of economic activities in major economies. However, the recent eruption of geopolitical conflicts in the Middle East has introduced new challenges, further disrupting supply chains and exacerbating energy and food crises worldwide. To address these issues, governments are being compelled to take unprecedented actions. Many are focusing on diversifying supply chains to reduce dependence on volatile regions, while others are pivoting towards inward-looking growth strategies to build resilience within domestic markets. These measures aim to stabilize economies and reduce vulnerabilities amid global uncertainties.

Global Growth Outlook

After a strong post-pandemic rebound in 2022, growth in advanced economies slowed notably in 2023 and is expected to remain steady, with projections hovering between 1.7% and 1.8% until 2029.

World Output	2023	2024	2025
Advanced Economies	3.3	3.2	3.2
United States	1.7	1.8	1.8
Euro Area	0.4	0.8	1.2
Germany	-0.3	0.0	0.8
France	1.1	1.1	1.1
Italy	0.7	0.7	0.8
Spain	2.7	2.9	2.1
Japan	1.7	0.3	1.1
United Kingdom	0.3	1.1	1.5
Emerging Market & Developing Economies	4.4	4.2	4.2
China	5.2	4.8	4.5
India	8.2	7.0	6.5
Russia	3.6	3.6	1.3
Brazil	2.9	3.0	2.2
Mexico	3.2	1.5	1.3
Saudi Arabia	-0.8	1.5	4.6
South Africa	0.7	1.1	1.5

Source: IMF I October 2024

ECONOMY
GLOBAL ECONOMY

Advanced Economies

- **United States**: Growth expectations for 2024 have been raised to 2.8%, reflecting stronger-than-anticipated consumer spending and non-residential investments.
- **Euro Area**: After a low in 2023, the region's growth is set to recover modestly, reaching 0.8% in 2024, driven by improved export performance, particularly in goods—food and drink, Chemical products, raw materials, machinery, and vehicles.
- **Japan:** Economic growth is expected to decelerate in 2024 due to temporary supply issues and the fading of one-off boosts, such as the tourism surge seen in 2023.
- **United Kingdom:** Growth is anticipated to increase to 1.1% in 2024 and 1.5% in 2025, as falling inflation and interest rates support domestic demand.

Emerging Markets and Developing Economies

- **India:** The GDP growth outlook shows moderation from 8.2% in 2023 to 7% in 2024 and 6.5% in 2025 as the economy gradually returns to its pre-pandemic growth trend.
- **China**: Growth is expected to slow only slightly to 4.8% in 2024, aided by strong export performance, despite ongoing challenges in the real estate sector and low consumer confidence.
- **Middle East and Central Asia:** Growth in this region is projected to rise from 2.1% in 2023 to 3.9% in 2025 as temporary disruptions in oil production and shipping subside.
- **Sub-Saharan Africa**: Growth is expected to rise from 3.6% in 2023 to 4.2% in 2025 as adverse weather effects lessen and supply constraints ease.
- **Brazil:** Growth forecasts have been revised upward for 2024 to 3.0%, supported by strong private consumption and investment, boosted by a tight labour market, government support, and fewer flood-related disruptions.

INDIAN ECONOMY

India's repo rate and inflation projection remain unchanged

The Reserve Bank of India's (RBI) monetary policy announced that the benchmark short-term lending rate (repo) would remain unchanged at 6.5%, maintaining the status quo since February 2023. In a notable shift, the monetary policy stance was revised to 'neutral,' signalling a balanced approach to managing inflation and growth.

The GDP growth projection for FY25 was retained at 7.2%, with specific forecasts for Q2 at 7%, Q3 at 7.4%, and Q4 at 7.4%. The inflation projection for FY25 remained at 4.5%. Additionally, the RBI announced enhancements to the UPI system, including doubling the transaction limit for UPI123PAY on feature phones to Rs. 10,000 and increasing the UPI Lite wallet limit to Rs 5,000, with a higher per-transaction limit of Rs. 1,000.

Foreign Reserve Exchange

India's growing economic strength has earned it a place among the nations with the largest foreign exchange reserves, securing the fourth position globally after China, Japan, and Switzerland.

However, recent RBI data shows a slight dip in India's reserves, which fell from US$688.26 billion on October 18 to US$683.13 billion as of November 1. This decrease of approximately US$5 billion is mainly due to a drop in foreign currency assets, which declined by US$2.8 billion over October. The country's Special Drawing Rights (SDRs) also saw a minor decrease, slipping by US$1 million to US$18.21 billion. In comparison, its reserve position in the International Monetary Fund (IMF) increased by US$4 million, reaching US$4.3 billion.

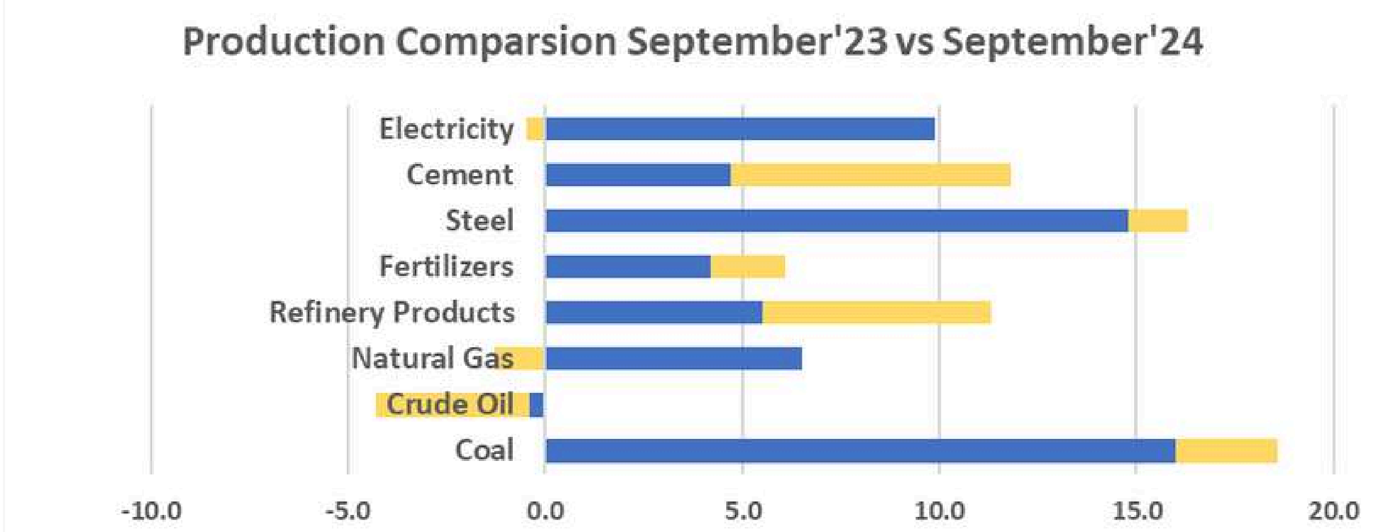
Items (in USD Million)	27 Sep - 4 Oct	4 Oct – 18 Oct	18 Oct – 25 Oct	25 Oct – 1 Nov
1 Total Reserves	701176	688267	684805	682130
1.1 Foreign Currency Assets	612643	598236	593751	589849
1.2 Gold	65756	67444	68527	69751
1.3 SDRs	18425	18271	18219	18219
1.4 Reserve Position in the IMF	4352	4316	4307	4311

Source: RBI (Figures in USD Million)

INDIAN ECONOMY

Performance Index of Eight Core Industries (ICI)

The cumulative growth Index of Eight Core Industries (ICI) from April – September 2024-25 stands at 4.2%. In September 2024, ICI experienced an increase of 2% compared to September 2023, with positive growth recorded in Refinery products (+5.8%) and Cement (+7.1%). The ICI, which comprises Cement, Coal, Crude Oil, Electricity, Fertilizers, Natural Gas, Refinery Products, and Steel, accounts for 40.27% of the Index of Industrial Production (IIP).



	Coal	Crude Oil	Natural Gas	Refinery Products	Fertilizers	Steel	Cement	Electricity
Sep-23	16.0	-0.4	6.5	5.5	4.2	14.8	4.7	9.9
Sep-24	2.6	-3.9	-1.3	5.8	1.9	1.5	7.1	-0.5

Source: Ministry of Commerce and Industry (Figures in %)

WORLD TRADE UPDATES

Turkey puts 40% tariff on Chinese Electric Vehicles

After the USA, the EU, and Canada, Turkey put a 40% import tariff on electric vehicles originating from China in March 2023, with additional regulatory measures to restrict the import of Chinese EVs into the country.

China challenged Turkey's measures by filing a formal complaint with the WTO. The Chinese Ministry of Commerce labelled Turkey's actions as discriminatory and in violation of WTO rules, accusing Turkey of unfairly targeting Chinese products and engaging in protectionist behaviour. Specifically, China argued that Turkiye's tariff breached key principles of the GATT, particularly the Most-Favoured Nations treatment. In addition, China complained that Turkey had exempted imports from the EU and other countries with which it had FTAs from these additional duties. Furthermore, Turkey's new requirements for service infrastructure and local legal representation were viewed as additional barriers to entry for Chinese automakers.

The trade dispute related to the EV industry represents a significant moment in the evolving dynamics of global trade. Imposing tariffs and discriminatory measures also represents a trade risk for Chinese companies that is likely to grow.

DPP meeting advances discussion on challenges of plastic trade

In September, the Dialogue on Plastic Pollution (DPP) focused on capacity building and creating domestic inventories of trade-related plastic measures (TrPM). Last month's meeting furthered discussions on enhancing transparency in plastics trade flows, identifying best practices, and improving access to technologies and services.

Under transparency, delegations explored initiatives by organizations like the World Customs Organization (WCO) and UN Institute for Training and Research (UNITAR). UNITAR shared its initiative of developing statistical guidelines to track plastics through their lifecycle. Delegates also discussed using HSN codes to trace plastics entering and exiting domestic markets.

WORLD TRADE UPDATES

The WTO Secretariat shared insights from DPP meetings and a survey on TrPMs. Delegations also considered the benefits of voluntary TrPM inventories to improve coordination, transparency, and policy coherence. Other key discussions included identifying technologies and services for environmentally sound waste management and addressing trade barriers, especially for developing and least-developed countries (LDCs). Members discussed how the DPP could support access to these resources and enhance cooperation on trade measures to address plastic pollution.

FTAS/ BILATERALS

Australia- UAE agreement to boost exports and drive investment in critical minerals

Australia signed an FTA with UAE to open opportunities for exporters to expand into the Middle East. The agreement will come into force by next year. This FTA will eliminate 99% of tariffs on Australian goods entering the UAE. In 2023, two-way investment between Australia and the UAE reached $20.6 billion AUD (US$13.5 billion), with expectations for significant growth. The agreement will yield an estimated $135 million AUD (US$89 million) in tariff savings in its first year, increasing to $160 million AUD (US$106 million) annually once fully implemented.

Key Australian exports such as alumina, meat, dairy, seafood, steel, and agriculture products will remain essential to the trade relationship. The agreement is expected to save $50 million AUD (US$33 million) annually for Australian food and agriculture exports. The agreement will also attract significant investment from the UAE's Sovereign Wealth Fund into Australia's critical minerals, supporting its goal of becoming a renewable energy superpower. It will include commitments to labour rights, environmental protection, and sustainable development.

NZ secured the Treaty of Waitangi under the NZ – GCC FTA

New Zealand (NZ) and the Gulf Cooperation Council (GCC) have concluded a trade agreement, opening significant opportunities for New Zealand exporters in the Gulf region. The agreement grants duty-free access for 99% of NZ's exports over the next decade, with 51% of exports becoming tariff-free immediately when combined with the NZ-UAE CEPA. The deal enhances trade valued at over US$3 billion annually, covering key sectors such as dairy, meat, horticulture, and tourism services, and is the GCC's first trade agreement with a major agricultural exporter.

This agreement provides preferential market access for NZ's primary sector, along with streamlined customs, reduced trade barriers, and a commitment to fair opportunities for Kiwi service businesses. It includes chapters on intellectual property, transparency, and sustainable development, covering labour standards, climate, and women's economic empowerment, with New Zealand's Treaty of Waitangi exception secured.

INDIA

Textile sector in Gujarat aims to be a global leader

The Gujarat Textile Policy 2024, launched by Chief Minister Bhupendra Patel, aims to establish Gujarat as a global leader in the textile sector, with a focus on technical textiles. The policy targets an investment of Rs. 30,000 crore (US$3.6 billion) and encourages sustainability through incentives for water and energy conservation, quality certification, and the adoption of advanced technologies. Key financial incentives include capital subsidies ranging from 10% to 35%, interest subsidies of 5% to 7% on loans for up to 8 years, and a ₹1 per unit power tariff subsidy for energy-intensive units. Additionally, the policy supports employment generation by offering payroll assistance of Rs. 2,000 to Rs. 5,000 per worker and provides extra support for female employees and Self-Help Groups (SHGs) in textile production.

The policy also emphasizes the development of integrated textile parks, including a significant project under the PM MITRA initiative in Vansi, Navsari, to enhance Gujarat's competitiveness in the export market.

A notable aspect of the policy is its focus on technical textiles, essential for industries like automotive, healthcare, and infrastructure. The Gujarat Textile Policy 2024 is expected to create over 500,000 jobs, attract both domestic and foreign investments, and promote the growth of MSMEs, all while fostering sustainable practices and broadening the scope of Gujarat's textile industry.

Chhattisgarh unveils industrial policy to boost growth in backward regions

Chhattisgarh's industrial policy, effective 1st November 2024, aims to foster balanced industrial development across the state, focusing on disadvantaged areas and specific sectors. The policy divides the state into three categories—developed, backward, and extremely backward blocks—each receiving tailored investment incentives. It targets sectors such as steel, cement, thermal power, aluminium, pharmaceuticals, textiles, food processing, and IT/ITES, offering subsidies on interest and capital alongside VAT and transport reimbursements.

The recent policy has special provisions for MSMEs, Special provisions for MSMEs, large service enterprises, and initiatives like the Entrepreneurship Kranti Yojana, which provides subsidized loans to youth entrepreneurs. Additionally, the policy also included incentives for Naxal-affected, marginalized, and third-gender entrepreneurs. In addition, establishing an industrial corridor linking Korba, Bilaspur, and Raipur is a key component to integrating the region more effectively into the national industrial framework. Through these initiatives, the policy aligns with the Amritkal Chhattisgarh Vision@2047 to create a self-sustaining and inclusive industrial ecosystem.

Rajasthan Aims to Become a Manufacturing Hub

Under the Rajasthan Investment Promotion Scheme (RIPS) 2024, the state to become a Manufacturing Hub with a US$ 350 Billion Economy by 2029. The scheme is designed to attract private investments by offering enhanced financial incentives and reducing entry barriers, focusing on fostering green growth and boosting exports.

The minimum investment required for incentives has been lowered from Rs. 50 crores to Rs. 25 crores and Rs. 10 crores for tourism units. On top of existing subsidies, it has also introduced additional financial incentives, including a 25% additional sunrise booster for the first three units in new sunrise sectors.

The scheme targets both traditional industries and emerging sectors such as aerospace, drones, semiconductors, agri-tech, and waste recycling, fostering innovation and future economic growth. It also supports women-led startups with additional incentives, promoting gender inclusivity. RIPS lists thrust sectors for manufacturing within the state, such as RE manufacturing, construction equipment, glass, textiles, electrolyzer manufacturing, chemicals and petrochemicals, etc.

WORLD

South Korea to introduce Virtual Asset classifications

South Korea is preparing to implement new regulations for cross-border digital asset transactions, such as cryptocurrency, by late 2025. The framework, announced by the Ministry of Finance, aims to enhance digital asset businesses involved in international crypto trades. Companies facilitating these transactions will be required to register with relevant authorities and submit monthly reports to the Bank of Korea. This move is driven by the need to address illegal activities linked to cryptocurrencies, as a significant portion of foreign exchange-related crimes in South Korea—around 81.3% of 11 trillion won ($7.97 billion)—has involved virtual assets, according to the Korea Customs Service.

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WORLD

The proposed regulations will also introduce a new classification for digital assets, establishing a separate regulatory category for "virtual assets."

Deputy Prime Minister and Minister of Strategy and Finance Choi Sang-mok stated that digital assets will be classified as a third type of asset, separate from foreign exchange, payment systems, or capital transactions. This is part of South Korea's broader effort to tighten control over the crypto sector and safeguard the financial system from potential risks from illicit crypto activities.

OPINION COLUMN

AI in Agriculture—A Pathway to Global Food Security

Pragya Prakash

In a world grappling with the complexities of climate change, population growth, and dwindling natural resources, ensuring food security has emerged as one of humanity's greatest challenges. Traditional agricultural practices, while foundational, are increasingly unable to keep pace with the rising demand for nutritious food. The pressing question remains: how do we feed a growing global population while safeguarding the environment? The answer may lie in the transformative power of AI.

AI is not just a buzzword; it is becoming a critical tool in reshaping agriculture. Its ability to collect, analyze, and act upon vast amounts of data offers a new frontier for optimizing the food system, from crop cultivation to supply chain management. Precision agriculture—enabled by AI-driven technologies—allows farmers to make informed decisions about when to plant, irrigate, fertilize, and harvest, reducing resource waste while increasing yields.

By leveraging AI's capacity for predictive modeling, farmers can anticipate weather changes, pest outbreaks, and disease infestations. These capabilities are essential in mitigating the uncertainties that often plague agriculture, particularly in regions vulnerable to climate change. For instance, AI's ability to process satellite imagery and soil data allows farmers to pinpoint areas of stress in their fields, enabling targeted interventions that preserve crop health and improve productivity.

Beyond the farm, AI's potential extends into supply chains, reducing food loss and waste through enhanced inventory management, logistics, and quality control. Predictive algorithms can forecast demand with remarkable accuracy, ensuring that food reaches markets efficiently, minimizing spoilage. In a world where nearly one-third of food is wasted, such innovations are not just a convenience—they are a necessity for global food security.

While AI offers these significant benefits, it is crucial to acknowledge the challenges. The digital divide remains a formidable barrier, particularly for smallholder farmers in developing countries who lack access to the infrastructure needed to adopt AI solutions. Governments, international organizations, and the private sector must collaborate to ensure that these technologies are inclusive, accessible, and affordable. Ethical concerns about data privacy and the potential displacement of agricultural workers also demand careful consideration as AI becomes more entrenched in the sector.

As we look toward the future, the integration of AI in agriculture represents not just a technological revolution, but a societal one. It is a tool that can help us meet the challenge of feeding the world, sustainably and equitably. If harnessed correctly, AI can serve as a cornerstone for a resilient global food system, capable of nourishing both people and the planet.

By embracing AI in agriculture, we are not just transforming farming practices—we are planting the seeds for a more food-secure future.

OPINION COLUMN

Environment Equity

Saloni Goyal

Creating Circular Economy with AI

The circular economy model is gaining momentum as industries and governments recognize the urgent need to combat climate change and minimize environmental impact. By prioritizing resource efficiency, waste reduction, and the sustainable use of materials, the circular economy offers a pathway to a more sustainable future. Artificial Intelligence (AI) is emerging as a transformative force in this movement, providing tools to optimize resource adequacy, enhance recycling processes, and foster innovative approaches to sustainable production and consumption.

AI has the potential to transform the circular economy across several key areas. By analyzing vast amounts of data, AI can identify patterns and insights that might go unnoticed by human analysts. AI-driven innovations help optimize resource management, reduce waste, and extend product lifespans by enhancing efficiencies at every stage of production and consumption. For example, AI-powered predictive maintenance can minimize equipment failures, allowing companies to proactively address issues, thereby extending machinery life and reducing replacement needs. Similarly, AI's predictive algorithms improve supply chain efficiency by managing inventory, reducing overproduction, and minimizing transportation emissions.

AI also contributes to more sustainable product design, suggesting durable and recyclable materials, and even predicting when products will need maintenance or upgrades based on usage data. Additionally, AI-powered sorting systems revolutionize recycling, using image recognition to separate plastics, metals, and other materials, enhancing speed and accuracy in waste processing. AI also facilitates product-as-a-service models, which shift away from product ownership and encourage sharing and leasing. Through asset tracking and demand forecasting, AI allows companies to optimize the utilization of these shared products, contributing to a longer product life and reduced waste.

From a waste management perspective, AI improves recycling through advanced sorting technologies. Image recognition and robotic sorting systems allow recycling facilities to more efficiently separate materials, increasing both the quality and quantity of recovered resources. This supports circular economy objectives by keeping valuable materials out of landfills.

Policymakers play a crucial role in developing an AI-powered circular economy. Regulations and incentives can encourage industries to adopt circular practices, such as extended producer responsibility, which compels companies to manage their products' entire lifecycle and prioritize durability and recyclability. Collaboration among industry leaders, academics, and government officials is vital to building an ecosystem where AI enhances sustainable business practices.

Investing in AI-driven circular initiatives can open up significant economic opportunities. New business strategies will emerge—such as product-as-a-service models, where companies retain ownership and lease products to consumers. This shift promotes sustainability and opens new revenue streams while reducing environmental impact.

In summary, integrating AI into the circular economy substantially benefits both industry and policymakers. By harnessing advanced technology to boost resource efficiency, refine product design, and streamline recycling, can embed sustainability into all levels of production and consumption. Through collaboration and innovation, globally countries can build a circular economy that supports a healthier planet and a resilient economy for future generations.

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