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POLICYPULSE

IN THIS ISSUE

FOREWORD

Looking Ahead, Taking Stock

The pandemic continues to rage across many countries and the second surge has been witnessed in a few. But nations continue to unlock as they realise the need to bring back economic growth. The challenge of saving lives or livelihood continues to dominate the deliberations across the globe.

The volume of global merchandise trade shrank by three per cent year-on-year in the first quarter according to a report prepared by the World Trade Organization (WTO).

Initial estimates for the second quarter, when the virus and associated lockdown measures affected a large share of the global population, indicate a year-on-year drop of around 18.5%.

The WTO's annual trade forecast in April 2020 set out two plausible paths: a relatively optimistic scenario in which the volume of world merchandise trade in 2020 would contract by 13%, and a pessimistic scenario in which trade would fall by 32%. As things currently stand, trade would only need to grow by 2.5% per quarter for the remainder of the year to meet the optimistic projection, the WTO said. “However, looking ahead to 2021, adverse developments, including a second wave of COVID-19 outbreaks, weaker than expected economic growth, or widespread recourse to trade restrictions, could see trade expansion fall short of earlier projections.” This has led to several trade facilitative and trade restrictive actions by several countries that has been covered in detail later in this newsletter.

Looking beyond the pandemic some of the developments across the globe include the new normal of virtual bilateral and regional meets. The India-US discussions and the India-EU Summit were held recently and both focused on the need for greater engagement and deepening the sectoral bonds. United Kingdom too has been looking to rebuild its trade ties following the Brexit and there is considerable progress in some and not so considerable in others. EU specifically seems to want more from the UK before signing up a bilateral trade deal.

As countries look to unshackle the economy and face the challenges several new approaches have been adopted. The common thread has been the special focus on developing a strong domestic manufacturing base that is both competitive globally and has the strength to withstand any future shocks. India’s response has been the launch of the Atmanirbhar campaign that looks to build a self-reliant India. But moving forward the government and industry will have to take care that the campaign does not in any way hurt foreign investors who have reposed faith in the country by investing heavily over the last few decades.

MACRO-ECONOMIC SNAPSHOT

Pandemic Effect on Global Economy Continues

While a majority of economies across the globe are opening up after the lockdowns owing to the COVID-19, the prospects for the world economy still remains highly uncertain. The economic crisis following the outbreak of the pandemic is hurting economies, regardless of their level of development. Recent data from UNIDO's Index of Industrial Production indicates that both lower and upper middle-income countries have been significantly impacted by COVID-19.

Average loss in % in the Index of Industrial Production (IIP) across countries		
High Income (30 Countries)	**Upper Middle Income (13 Countries)**	**Lower Middle Income (6 Countries)**
18%	24%	22%

Source: UNIDO

S&PGlobal Economics and Oxford Economics forecast global GDP to contract 3.8% in 2020, worse than the 2.4% contraction previously expected, mainly reflecting a deeper, longer hit to emerging markets, led by India and Brazil. However, they see a reasonably strong bounce back in 2021-2023 with global growth averaging above 4%. Economists believe that the bottom of the GDP's "V" shaped recovery will be located in the second quarter of 2020.

Global GDP Growth Forecasts					
(% Change)	**2019**	**2020**	**2021**	**2022**	**2023**
World	**2.8**	**-3.8**	**5.3**	**4**	**3.9**
USA	2.3	-5	5.2	3	2.8
China	6.1	1.2	7.4	4.7	5.3
Eurozone	1.2	-7.8	5.5	2.9	2
UK	1.4	-8.1	6.5	2.6	2.1
Japan	0.7	-4.9	3.4	1	0.9
India	**4.2**	**-5**	**8.5**	**6.5**	**6.6**
Brazil	1.1	-7	3.5	3.3	2.9

Source: S&P Global Economics and Oxford Economics

In the US, the spread of COVID-19 is slowing, but concerns remain. All states across the US have begun to reopen their economies, beginning with construction, manufacturing, and retail. Economists predicts the recovery of the US to be slow. It also expects a modest rebound of 5.2% in 2021, followed by a weak growth in subsequent years. Similarly, economists expect **Eurozone's** GDP to decline a deeper 7.8% this year and a rebound of 5.5% next year, because of contraction in business activity. S&P expects the COVID-19 pandemic to leave lasting wounds on Asia-Pacific countries. It projects that **Asia-Pacific** economy will contract by 1.3% in 2020 but will show a 6.9% growth in 2021. **Latin America** was among the last regions to be hit by the pandemic and is likely to be one of the last regions to exit the pandemic. S&P Global Economics has lowered its GDP projection to a contraction of roughly 7.7% in 2020 with a 3.9% recovery growth in 2021. S&P Global Economics forecasts **Canada's** real GDP will contract 5.9% in 2020 before rising 5.4% in 2021.

Economic Outlook- India

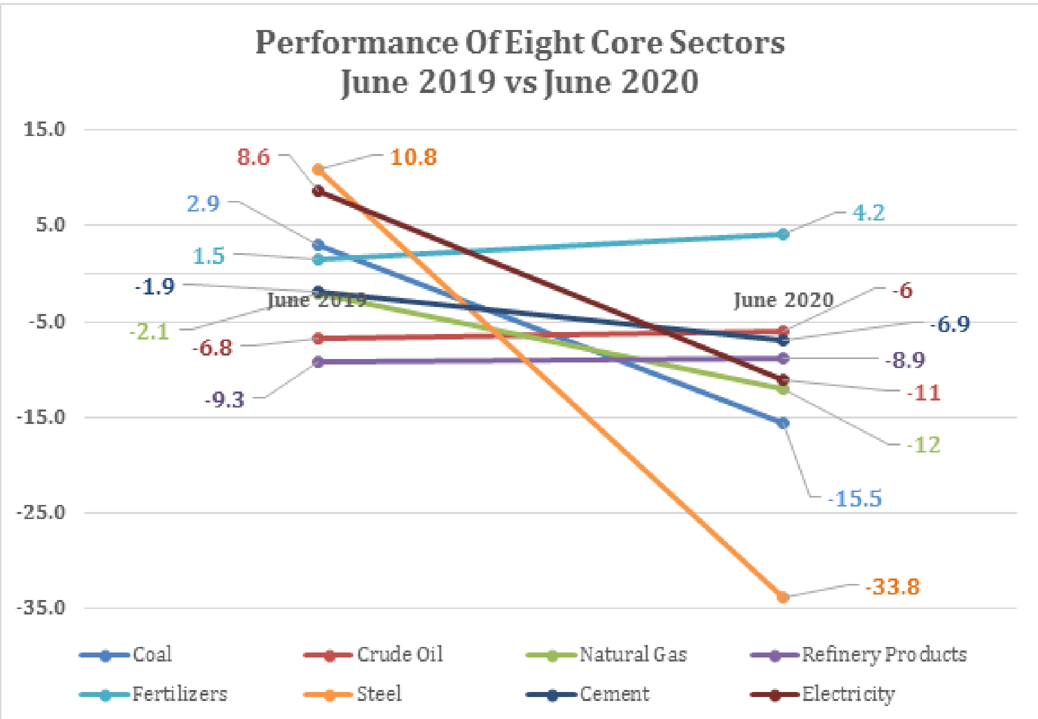
India has entered into 'Unlock Phase-III" from 1 August with resumption of services and businesses. Oxford Economics expects India's GDP to fall by 5% this fiscal (2020-21) before rebounding in 2021-22. The initial reopening push after the lockdown will fade due to re-imposition of fresh lockdowns in some areas and also due to a rise in cases. Oxford Economics also predicted India's economic recovery to pre-coronavirus growth levels will take the longest among major Asian economies. Localised shutdowns on account of Covid-19 outbreaks have prompted further lowering of GDP estimates. Ratings agency ICRA expects a 9.5% contraction in GDP in the current year. IHS Markit forecasts that the Indian economy will rebound as the impact of the pandemic recedes, with improving economic growth momentum in the second half of 2020 and positive GDP growth of 6.7% in the 2021-22 financial year. The Union Ministry of Finance, Government of India is of the view that India's economy will spring back to normal sooner than expected and may even make a sharp V-shaped recovery in the next financial year. Please find below the brief of performance of certain economic parameters:

- Direct and indirect tax collections in the April-June quarter were encouraging and daily e-way bill data was also showing a positive trend
- Goods and services tax (GST) collections of INR 910 billion in May were at about 70% of the year earlier and the Finance Ministry is expecting it to have improved in June as the pace of transactions have risen compared to the previous months of lockdown.

- Income tax collections for the first quarter of the ongoing fiscal, which includes advance tax and tax deducted at source, were 80% of the year-ago level.
- Despite the negative short-term shocks from the pandemic, total foreign direct investment FDI) into India has remained buoyant. FDI by technology firms in the first seven months of 2020 has already reached around US$ 17 billion, boosted by the US$ 10 billion new investment announced by Google in mid-July. Facebook, Amazon, and Foxconn are among the other global technology firms that have committed large new investments into India this year.

Performance of Eight Core Industries

The growth rate of Index of Eight Core Industries for June 2020 declined by 15.0 % (provisional) compared to decline of 22.0 % (revised) in previous month of May 2020. Its cumulative growth during April to June, 2020-21 was -24.6 %. Out of the eight core industries, except fertilizer, all other sectors such as coal, crude oil, refinery products, cement, steel, natural gas and electricity sector have witnessed a negative growth in June 2020 in comparison to the rate of growth in June 2019. With a majority of sectors starting their operations and rapidly inching towards full capacity, the performance of crude oil, natural gas, refinery products, steel, cement and electricity sector have witnessed a growth in June 2020, in comparison to May 2020. However, coal and fertilizer sectors have shown a negative growth in June 2020 vis-à-vis May 2020.



Source: Ministry of Finance

(The economic updates have been prepared by Deepak Sahoo, Senior Regulatory Director)

WTO TRADE UPDATES

India Faces Two WTO Dispute Panels on ICT Products

Based on the requests of both Japan and Taiwan, the WTO dispute settlement body established two panels, respectively, concerning custom duty on certain ICT products [1]. In total, India is faced with three dispute panels on the same issue at the WTO.

The HS Codes covered in these disputes include for: 85171211, 85171219, 85171290, 85176100, 85176290, 85177010, 85177090[2], 85177001, 85177002, 85177003, and 85183001[3]. The countries that have agreed to join the dispute as interested parties in this dispute include US, Turkey, UK, Norway, Singapore, Thailand, Russia, Brazil, Korea, China, Canada and Indonesia.

Countries Question India Over Rice Subsidy

New Delhi says it does not distort global markets

Point of Contention: India notified at the Committee on Agriculture at the WTO on exceeding the de minimis level for rice for the marketing year 2018-2019. India categorically stated that it has breached in order to ensure food security in the country. Further, it invoked the Peace clause of Bali Ministerial Decision on Public Stockholding for Food Security Purposes. Further, it had submitted complete information as per the notification requirements. As invoking of peace clause is unprecedented, countries like the US, EU, Canada, Brazil, Japan, Paraguay and others raised questions on the methodologies, and subsequent impact on trade.

India's Position: In addressing the concerns raised by the member countries, India clarified that aforementioned period is the only year wherein it exceeded the de minimis support for rice. Further, with regard to requirement of information regarding other items which are covered by India's Public Stockholding Programme, the Indian side explained that only in case of rice, support has been provided beyond the limits. Hence, the details on domestic support for rice (2018/19) is provided (G/AG/N/IND/18 dated 31 March 2020). It also mentioned that further details on rice would be submitted to the Agriculture Information Management System. In addition, India also assured the member countries that such rice stocks are allowed only for the domestic market and exports are prohibited, thus ensuring no scope for trade distortions at the global market.

[1]https://www.wto.org/english/news_e/news20_e/dsb_29jul20_e.htm

[2]WT/DS584/9; [3]WT/DS588/7

As there have been quite a number of concerns on this issue, the Indian side requested the countries to submit their questions in writing and also mentioned that it is available for bilateral discussions to provide clarifications on this matter.

Eight Candidates Vie for WTO-DG Position

WTO Director-General Azevêdo announced in May 2020 that he would be stepping down on 31 August, a year before the expiry of his mandate. General Council Chair of WTO David Walker of New Zealand immediately began the process of determining his successor in accordance with the procedures for the appointment of the Director-General that were agreed by the General Council in December 2002.

As the deadline for nomination of candidates to occupy the Director- General's office of the WTO following the announced of early retirement of current DG Azevêdo closed on 8 July 2020, eight countries are nominated their candidates for the selection. Those are Jesús Seade Kuri from Mexico, Abdel-Hamid Mamdouh from Egypt, Ngozi Okonjo-Iweala from Nigeria, Tudor Ulianovschi from Moldova, Yoo Myung-hee from South Korea, Amina Mohamed from Kenya, Mohammad Maziad Al-Tuwaijri from Saudi Arabia and Liam Fox from UK.

Following the campaign period, which runs until 7 September, the final phase of the process will commence. During this third phase, the General Council will seek to narrow the field of candidates through consultations led by Amb. Walker. The objective is to choose a candidate by a consensus of all WTO members.

FTA UPDATES

A Progress Report on UK's Post Brexit FTAs

UK has been keen on building bilateral free trade agreements as it moves out of the EU later this year. Many countries have been holding these discussions and progress has been witnessed in a few. Please find below a progress report on the FTA discussions of Britain.

With Turkey: As the deadline of a December 2020 exit from the EU is getting closer, the UK is looking at several third countries to conclude a free trade agreement at the earliest. The post-Brexit era of UK is likely to be determined by its early conclusions of trade deals with its trading partners. In this scenario, the recently concluded ninth round of technical talks between the authorities of UK-Turkey on 28 July 2020 becomes crucial[4].

Five sectors including machinery, automotive, electronics, chemicals and food are identified to be export baskets of Turkey. Hence, these sectors are postulated to receive a boost under the proposed free trade agreement proposed between these two countries.

With Japan: Reports indicate that the countries are likely to sign an agreement in the coming month of September 2020 and the deal may take effect at the earliest. Earlier, the deadline for signing the pact was July 2020. Due to differences in terms of rules of origin, tariffs of industrial goods and agriculture remaining to be resolved, both the countries are at critical phase[5].

In all possibility, the UK is looking to close the free trade agreement with Japan to avoid tariffs during its post Brexit status starting 1 January 2021.

With New Zealand: UK began discussions with New Zealand for a free trade agreement. The first round of talks was held between 13 -24 July 2020[6].

The negotiations covered 27 areas of concern ranging from IPR, SPS, TBT, dispute settlement, labour, investment, procurement, telecommunications, transparency, indigenous trade, financial services, environment, etc and the focus on finding ways to benefit small and medium size enterprises from this agreement. The second

[4]https://www.aa.com.tr/en/economy/turkey-uk-very-close-to-free-trade-deal/1905885

[5]https://www.express.co.uk/news/politics/1316244/brexit-news-uk-eu-trade-deal-david-frost-michel-barnier-japan-trade-deal-no-deal-brexit

[6]https://www.gov.uk/government/news/negotiations-on-the-uks-future-trading-relationship-with-new-zealand-update

round of talks is scheduled for October 2020.

With EU: EU chief Brexit negotiator Michel Barnier said that the UK had shown no willingness to break the deadlock on fair competition and fisheries issues during post-Brexit negotiations with the EU, making a new trade agreement "unlikely". After the latest round of negotiations in London, Barnier said there had been no progress on key issues. The UK is set to break off all ongoing ties with the bloc in January

POLICY/REGULATORY BRIEF

Section I: Larger Policy/Regulatory Updates

Global Platform for AI
India joins a 15-member alliance

Artificial Intelligence (AI) is endorsed globally as a significant tool to enable governments, business entities and other to make informed decisions. It is leveraged to improve productivity and to address complex issues. AI experts have sought attention to its ability to drive economic growth at various levels.

For instance, AI's imprint may be seen in sectors like transport, R&D, health care, digital security, agriculture, financial services, marketing, advertising, environment, aviation, etc. However, factors including data sets, human skills, security, liability, patents, research in basic and applied sciences arena, digital infrastructure, linguistics, etc are important for leveraging AI.

As a result, countries across the globe are strategizing their position with regard to creation of an AI ecosystem. In this context, it is important to note that private equity investments in this sector are increasing, especially in countries like USA, China and EU. These three countries account for 93% of private equity investments made between 2011 and 2018 followed by Israel, Canada and others[7].

In India, AI strategy was published in June 2018 where it established #AIforAll approach. As a result, in May 2020, the National AI Portal for all was launched developed jointly by the Ministry of Electronics and Information Technology (MeitY) and Nasscom. This portal is 'one stop digital platform' for all AI related advancements in the country.

India's Global Footprint: On 15 June 2020, India along with 14 other co-founders issued a joint statement on the creation of Global Partnership on Artificial Intelligence (GPAI or Gee-Pay)[8].

[7]OECD
[8]https://meity.gov.in/writereaddata/files/Joint_Statement_on_Launch_GPAI.pdf

This platform has been built on the basis of OECD principles with respect to human rights, fundamental freedom and democratic values. It intends to nurture and support ‘responsible and human-centric development and use of AI’ in lieu of inclusiveness, diversity, innovation and economic prospects. By embracing innovation culture, it intends to foster R&D on AI.

The Co-founders of this joint declaration include Australia, Canada, France, Germany, Italy, Japan, Mexico, New Zealand, South Korea, Singapore, Slovenia, UK, USA and EU along with India. OECD holds the permanent observer of this group.

Focus Area of Work – GPAI: It has been scheduled to bring collaborations with partners and international organizations, industry, civil society, governments and academia to work on four themes such as ‘Responsible AI, Data Governance, The Future of Work and Innovation & Commercialization’.

Institutional Apparatus of GPAI: the flagship of GPAI, i.e. the Secretariat would be established in Paris by the OECD supported by two Centre’s of Expertise in Montreal and Paris. In addition, it would be supported by an online platform OECD AI – Policy Observatory. Montreal Centre has planned for annual meeting of working experts’ group in Canada during the month of December 2020.

Way Forward: Since GPAI has been initiated on the basis of OECD’s Recommendations on AI, the first intergovernmental standard on AI, the policy makers of the above-mentioned founding member countries may initiate matters in relation to the following arenas in their territory:

1. Securing/increasing (both public and private) investments in AI related R&D
2. Foster a digital ecosystem
3. Building an inclusive policy environment for AI
4. Gearing for labour market transformation including upskilling of human resources
5. Facilitating international co-operation

Positioning Key Countries in Global Scenario: Since G20’s has also adopted approach towards AI on the basis of OECD’s recommendations, the financial, regulatory and labour related schematic aspects concerning AI may most probably have similarities to GPAI’s position on AI matters. Hence, it is suggested that the interested parties and stakeholders of AI may also keep a close watch on countries including China, Brazil, South Africa, Saudi Arabia, Russia and Indonesia from ASEAN region as the ambit of business interests may receive a boost.

Make in India For Health Care Sector

Push for Domestic Manufacturing of Critical KSMs/Drug Intermediates & APIs and Scheme for Promotion of Bulk Drugs Park

With an aim of attaining self-reliance and reduce import dependence in critical APIs, the Department of Pharmaceutical (DoP), Government of India has issued a scheme called ‘Production Linked Incentive (PLI) Scheme for promotion of domestic manufacturing of critical Key Starting Materials (KSMs)/ Drug Intermediates (DIs) and Active Pharmaceutical Ingredients (APIs)’ on July 21, 2020. Total financial outlay of the scheme is INR 69.4 billion. Under this scheme, 53 APIs covering 41 products have been identified by the government, for which companies will be eligible for financial incentives for six years. It is only applicable for greenfield projects. Project Management Agency (PMA) will be the nodal agency for this scheme, providing secretarial, managerial and implementation support and carrying out other responsibilities as assigned by DoP.

Scheme for Promotion of Bulk Drugs Park: In order to bring down the manufacturing cost of bulk drugs by providing easy access to standard testing and infrastructure facilities, DoP has issued ‘Scheme for Promotion of Bulk Drugs Park’ on July 21, 2020. The total financial outlay of the scheme is INR 30 billion. Financial assistance will be provided to three bulk drug parks proposed by the State Governments and selected under the scheme. States will be selected through a challenge method after analysing some of the key factors like continuous supply of electricity, ease of doing business ranking of the state, incentive policies of the state applicable to the bulk drug industry, availability of technical manpower and availability of pharmaceutical/chemical clusters in the state. State Implementing Agency (SIA) will be the nodal agency for this scheme.

Domestic Manufacturing of Medical Devices and Promotion of Medical Devices Park

In a bid to boost domestic manufacturing of medical devices and to attract huge investments in the sector, DoP has issued ‘Production Linked Incentive (PLI) Scheme for Promoting Domestic Manufacturing of Medical Devices’ on July 21, 2020. Total financial outlay of the scheme is INR 34.2 billion. Under this scheme, financial incentive will be given to selected companies at the rate of 5% of incremental sales of goods manufactured in India and covered under target segments, for a period of five years. It is only applicable for Greenfield projects. PMA would extend its support similar to the above-mentioned scheme.

Scheme for Promotion of Medical Devices Park: To increasing availability and affordability of medical devices in the domestic market by providing easy access to standard testing and infrastructure facilities, DoP has notified this aforementioned scheme on July 21, 2020. Total financial outlay of the scheme is INR 4 billion. Financial assistance will be provided to four medical devices park proposed by the State Government and selected under the scheme. The SIA will be the nodal agency for this scheme.

(This article has been prepared by Kalyani Sharma, Policy Analyst)

UDYAM to Boost MSMEs

On 26 June 2020, the Ministry of Micro, Small and Medium Enterprises issued a gazette notification announcing the changes to the criteria for classifying micro, small and medium enterprises (MSMEs) and also on the process on registration of such MSMEs. The process is known as UDYAM Registration which is effective from 1 July 2020.

Classification of MSMEs: This scheme is applicable on both manufacturing and service enterprises and comprises of both investment and turnover as the criteria for classification.

- Micro units – enterprises with an investment of INR 0.01 billion and a turnover of less than INR 0.05 billion
- Small units - enterprises with investments of INR 0.1 billion and a turnover of less than INR 0.5 billion
- Medium units - enterprises with investments of INR 0.5 billion and a turnover of less than INR 2.5 billion

Procedure: Udyam registration is mandatory and it's an online process which requires Aadhaar and self-declaration. Companies having any other type of registrations like Udyog Aadhaar Memorandum, etc. must re-register under Udyam.

It's free of cost, one-time registration process and no third-party consultancy is authorized for Udyam registration services. Further, GSTIN and PAN details are required. Upon successful completion of registration, an on-line certification with permanent registration number and QR code will be provided. Existing registration under other schemes/provisions are valid only till 31 March 2021. In case of difficulties in filling for registration, the companies may contact 'District Industrial Centres' for assistance/clarification.

Facilities of Udyam: Benefits of Udyam registration may pertain to availing collateral free loans, concession in electricity, subsidies, government tenders, direct tax, concession in international exhibitions, support for patent registration, ISO process, etc.

India & US Plan a Limited Trade Deal

On 16 July 2020, the Indian Commerce & Industry Minister and the USTR had an informal tele-conference following the India-US CEO Forum on 14 July 2020. Both sides expressed interest to finalise a limited trade deal package. On realizing the potential of economic benefits, the two sides hinted towards a possible free trade agreement in the future.

India as part of the ask for the limited deal pointed to the hindrance faced by about 24 products due to the listing of these products under the Trafficking Victims Protection Reauthorization Act (TVPRA) as also due to issues with regard to US-India Social Security Totalisation Agreement.

Based on the Indian response regarding issues faced by marine products, the US agreed to look into its ban on import of wild shrimp from India and also address other concerns raised by India in a favourable manner.

The **Indo- US CEO Forum** sought certain reforms and policy recommendations at the meeting to increase collaboration between the two countries in specific sectors like Healthcare and Pharmaceuticals, Aerospace and Defence, Infrastructure and Manufacturing, Entrepreneurship and promoting small businesses, energy, water and environment, ICT and digital infrastructure, financial services, Trade and Investment, etc.

India & EU Work on a Bilateral Roadmap

The 15th India-EU summit held in July focused on strengthening their partnership and enhancing the collaboration at multilateral levels including the WTO, G20 and UN Security Council (UNSC). In addition, both sides decided to work closely to build a joint agenda for the 2021 UN Biodiversity Conference and fifth International Conference on Chemical Management in 2021.

In terms of health care, both called for co-operation in pharmaceutical sector, increase in funding for developing diagnostic tools, treatments, vaccines and ensuring the availability of those at an affordable price and strengthening the supply chain of raw materials, goods and services of the two nations.

The two partners committed to formulate a mutually beneficial trade and investment agreement and also agreed to establish a ministerial level dialogue to address mutual concerns of bilateral trade and other economic agreements. Both sides affirmed their commitment to the Paris Agreement and took a note on the developments under the Clean Energy and Climate Partnership. Further, both are looking to strengthen their partnership on International Solar Alliance (ISA) and to source private capital for environmentally sustainable investments. Further, the EU showed interest in co-operating with India on Coalition for Disaster Resilient Infrastructure (CDRI) which addresses infrastructure challenges in terms of climate change. Besides, the two sides appreciated the European Investment Bank and its upcoming investment in the Pune and Bhopal Metro Rail Projects.

Take-Away: As both sides are determined to increase co-operation in various sectors, the following areas may be receive special focus: clean energy, ICT, transport, space, health security, smart and sustainable modernization, data security, 5G and AI.

New Pesticide Regulation to Harmonise With Trade Partners

New Delhi proposes a hazard-based approach

The term “pesticide” covers a wide range of compounds including insecticides, fungicides, herbicides, rodenticides, molluscicides, nematicides, plant growth regulators and others. These substances are widely used in agricultural practice due to certain benefits including pest control and increased agricultural output. However, the rampant use of these chemicals has made known some harmful effects on human health as well as the environment.

India is among the leading producers of pesticides in the world. Over the years, with the growing incidences of farmers' health being affected by the use of pesticides, concerns have been raised over the presence of spurious pesticides, imitation of labels of standard brands, aggressive marketing tactics leading to misuse and the lack of reliable information given to farmers. These issues, among others are expected to be addressed in the upcoming Pesticides Management Bill, 2020.

Noting that India continues to use agrochemicals which have been banned, restricted or withdrawn in other countries, the Ministry of Agriculture and Farmer's Welfare had constituted an Expert Committee (Dr. Anupam Varma Committee), to review 66 such pesticides.

Recommendations of this committee have so far led to the ban of 18 pesticides in India. Now, in May 2020, the Department of Agriculture, Co-operation and Farmers Welfare notified a draft order, proposing to ban the use of an additional 27 pesticides in India.

As per this draft order, the list of prohibited pesticides is as follows:

2,4-D	Deltamethrin	Oxyfluorfen
Acephate	Dicofol	Pendimethalin
Atrazine	Dimethoate	Quinalphos
Benfuracarb	Dinocap	Sulfofulfuron
Butachlor	Diuron	Thiodicarb
Captan	Malathion	Thiophanate Methyl
Carbendazin	Mancozeb	Thiram
Carbofuran	Methimyl	Zineb
Chlorpyriphos	Monocrotophos	Ziram

Reasons for Ban: The Draft Order has provided details of the reasons for proposing the ban of each of these 27 pesticides. An analysis of this order suggests that these reasons can be broadly classified as the following:

1. **Toxicity Concerns:** For nearly all of the pesticides included in the draft order (except sulfosulfuron), the Central Government identified toxicity concerns. Three of these belong to Class Ib (highly hazardous) of the pesticides classification of the World Health Organisation (Carbofuran, Metholyl and Monocrotophos). The classification is based on acute toxicity of pesticide active ingredient and Class I pesticides can be fatal at a very low dose. A majority of the toxicity concerns were for aquatic organisms including fish (16 substances), followed by concerns for mammals such as rats and humans (six substances) and honeybees (five substances).
2. **Endocrine Disruption Potential:** Out of the listed 27 substances, concerns related to the Endocrine Disrupting (ED) properties were noted for 20 substances. The exceptions are Benfuracarb, Butachlor, Dinocap, Mancozeb, Pendemethalin, Sulfosulfuron and Thiodicarb. Of the 20 pesticides, the ED concerns for three substances (Acephate, Atrazine and Carbendazim) are based on reports available in the public domain. For the remaining 17 substances, their inclusion in either the European Union prioritization of Endocrine Disrupting Chemicals list or the Endocrine Disruption Screening Program (EDSP) of the Environmental Protection Agency (EPA) of the U.S. were cited as reasons for concern.
3. **Incomplete Data:** Except sulfosufuron, incomplete data was cited as one of the reasons for proposing the ban of all these pesticides. The nature of the requisite data is identified for each of the substances.
4. **Banned in other countries:** For 24 pesticides (all, except Deltamethrin, Thiophanate methyl and Ziram), the draft order states the number of countries each particular substance is banned, restricted or withdrawn from. This is a strong motivator, as trace amounts of such restricted pesticides affect the trade of food commodities. Among these 24 substances, Monocrotophos, Carbofuran and Dicofol were the most widely banned substances, with them being banned in 112, 63 and 45 countries, respectively. It is noteworthy that the two most banned substances in this list are both a part of the WHO Class Ib classification. Previously, in an article from the February 2020 edition of this newsletter, the pesticide usage in India was assessed vis-à-vis the pesticide regulation in the European Union (EU). The article had identified 105 pesticides which were authorised for use in India, but which were either banned or restricted in the EU (as of 2019).

Notably, the draft order claims that there are alternatives available for each of the 27 identified pesticides. However, in our understanding, there seems to be concerns on the efficacy and economic viability of such alternatives.

Expectedly, since this order was notified, it has faced opposition from the pesticide manufacturing industry, which had raised concerns over the fact that these 27 chemicals are used in more than 130 pesticide formulations and that such a ban would impact India’s export capabilities by nearly 50 percent. Additionally, the Ministry of Chemicals and Fertilizers registered its objection which noted that the banning of pesticides should be based on risk evaluation rather than a hazard-based approach and, further added that prohibition in other countries do not suffice the proposal of a similar ban in India.

Importantly, the Chemicals Ministry has also stated that all the pesticides in this draft order are generic and affordable as compared to their alternatives. Besides, as per reports, the industry has begun the process of submitting the relevant data to the Agriculture ministry. This could lead to a potential review of the draft order by the ministry. Meanwhile, the Ministry of Agriculture and Farmer’s Welfare lifted the ban on export of these 27 molecules on 10 June by taking into account of the concerns registered by the pesticides industry and shall now allow export of these substances on a case-by-case basis.

Considering these oppositions and developments, the nature of future proceedings related to the draft order stands uncertain. Nevertheless, the trajectory of this draft order shows the Indian government approach towards pesticides market in the country. Further, it is crucial to note that the Pesticide Management Bill, 2020 and this draft order have shed light on the Indian government’s position on farmer’s welfare, protection of human health vis-à-vis interests of the respective industry. Given this scenario, the interested parties are suggested to keep a close watch on further developments from the concerned Ministries.

(This article has been prepared by Aishwarya, Research Associate)

Section II: Region/Country Updates

Australia Announces New Scheme for Industrial Chemicals

In the recent years, Australia had been focusing on revamping its regulatory structure concerning chemicals. As a result, it enacted the Industrial Chemicals Act 2019 under which the Australian Industrial Chemicals Introduction Scheme (AICIS) has been devised and it took effect on 1 July 2020. AICIS replaces the existing National Industrial Chemical Notification Assessment Scheme (NICNAS). This new system intends to facilitate the introduction of low-risk industrial chemicals to use and places responsibility on the manufacturers/importers of such chemicals as the claim of low-risk must be supported by technical evidence. Further, it intends to promote the introduction, use and promote innovation of safe and green chemicals against the existing high-risk industrial chemicals.

Paradigm Shift in Regulatory Approach: The focus of the regulatory apparatus would now include monitoring of the post marketing stage of chemicals along with the pre-introduction of risk assessment of industrial chemicals. Given this development, AICIS provides six categories for introduction of new industrial chemicals as follows:

- Listed introductions
- Exempted introductions
- Reported introductions
- Assessed introductions
- Commercial evaluation
- Exceptional circumstances

This categorization of chemicals is intended to ease the manufacturers and importers adherence to the regulatory process. That is, such categorization determines the level of required technical data for the introduction of new industrial chemicals. It seems beneficial to the chemicals of the low-risk category. However, this categorization stresses on the exercise of pre-introduction of risk assessment of high risk new industrial chemicals. In addition, it is to be noted that with this commencement, the listed chemicals in the Australian Inventory of Chemical Substances (AICS) may be considered for evaluation as the post-market condition of such industrial chemicals seems to be of high concern for the regulatory authorities.

Ban on Animal Testing: The data generated from testing on animals are prohibited with the application seeking approval for registration. Such ban pertains to the chemicals meant only for use in cosmetic products. Industry Concern: The products that are expected to be impacted by this regulation Include cosmetics, cleaning and such products meant for domestic uses, mining products, fuel and oil, printing and photography products, surface coating products, plastics and engineering products.

Brussels Looks Within and Outside to Focus on Economic Governance

In the 'New Industrial Strategy' (March 2020), the European Commission (EC) has laid out inputs for the EU to direct the industry to lead the green and digital transitions. In order to facilitate such transitions, the EU adopts the model of open strategic autonomy i.e. focusing on economic governance. However, to reap the benefits of green

economy in the future, the EU finds that unfair practices like protecting companies from competition through granting access to certain markets, licensing and investment restrictions, subsidies have the potential to affect its internal single market. In particular, the EU finds that the emergence of non-EU member countries and their dominance in certain sectors within their territory and current global practice of foreign subsidies has led to disruption of their internal market. In addition, it has categorically identified that the foreign subsidies from countries which has closed or provide limited access to its domestic markets has huge potential to cause market distortions in the EU market. Hence, the EU lists 'foreign subsidies' as a crucial element in internal market distortions, which needs to be addressed to maintain a balance in its internal market.

EU State Aid Rules: The EU State Aid rules enables the protection of its internal market. These rules check and balance the subsidies provided by the EU member states. However, there are no rules to maintain checks and balances on the subsidies provided by the non-EU member countries to the businesses operating in the EU territory. Hence, the limited scope of the State Aid rules has been recognized.

Issue of Foreign Subsidies: Along with distortions to the general market operations within the EU, the impact of foreign subsidies on the acquisition of EU businesses and public procurement are also identified as an area of concern. EU holds the view that such acquisitions have the potential to influence the rate of transfer of technology outside of EU at a cheaper price. Further, 'foreign subsidies in the context of access to EU funding' has also been marked as a concern.

Lacuna in Regulatory Mechanism: The EU acknowledges that the tackling of foreign subsidies distorting the market has "become a huge concern" due to the lack of information on foreign subsidies. Such lack of information have been attributed to the low degree of transparency and non-adherence to the WTO- Agreement on Subsidies & Countervailing Measures (SCM Agreement). Further, the scope of this agreement is limited only to goods. And the EU points out the absence of rules governing foreign subsidies on services in spite of provisions drawn in WTO-GATS. In addition, it finds that the FDI Screening Regulation covers only FDI's in critical infrastructure, critical technology, critical inputs and so on. Its scope does not cover foreign subsidies. Given these gaps in the regulatory apparatus to address the issues caused by foreign subsidies, the EC has adopted a white paper on foreign subsidies in June 2020[9].

Proposed Regulatory Framework - Foreign Subsidies: As mentioned above, the EC has published a white paper titled as "on levelling the playing field as regards as foreign subsidies[10]" in which the following definition for foreign subsidies has been put forth with an explanation: "a foreign subsidy refers to a financial contribution by a government or any public body of a non-EU state, which confers a benefit to a recipient and which is limited, in law or in fact, to an individual undertaking or industry or to a group of undertakings or industries"[11].

In this white paper, the EU proposes a framework to address distortions resulting from foreign subsidies effectively. The framework is presented in three Modules.

Module 1: General Instrument to capture foreign subsidies

Module 2: Foreign subsidies facilitating the acquisition of EU targets

Module 3: Foreign subsidies in public procurement

[9]This white paper is open for comments till 23 September 2020.

[10]https://ec.europa.eu/competition/international/overview/foreign_subsidies_white_paper.pdf

[11]Refer Annex 1: Definition of Foreign Subsidy in the white paper.

Under Module 1, the EU may look into distortion practices due to foreign subsidies given to a business operator in the EU. A fixed threshold value (€ 200000 granted over a consecutive period of three years) may become the criteria to consider a foreign subsidy as unproblematic. Further, in this module, if a subsidy is provided to a business outside of the EU, then the economic derivatives to the EU business would be considered to determine whether the foreign subsidy poses economic distortions in the EU market. Module 2 specifically looks into distortions of foreign subsidies facilitating the acquisitions of EU businesses, directly or in an indirect mode. The scope of this module includes provisions for looking into foreign subsidies which results in acquisitions even at a level of non-controlling minority rights or shareholdings. A threshold of quantitative and qualitative value would be established at a certain level and the Commission may review the acquisition of EU assets notified by the business that receives foreign subsidy through prior notification system. Until the Commission's decision, such actions would remain pending. It is to be noted that, in case of both the modules, the EC would apply the EU 'interest test'. Based on the examination as per modules, the EC may impose remedial measures accordingly.

In Module 3, both the direct and indirect mechanisms of foreign subsidies affecting the public procurement process would be taken into account. In other words, the bidders may have received foreign subsidy, or the economic capability of a bidder may have been strengthened to bid for below market price. As per this module, any bidder must notify the competent authority during bidding process on whether they or affiliations, sub-contractors or suppliers have received any financial contributions in the last three years or may receive such contributions within the execution of the project from any non-EU countries. The competent authority may examine and notify the results to the concerned businesses having access to foreign subsidies in public procurements. In addition, this paper looks into mechanisms to address the issue of foreign subsidies in the context of EU funding.

As the above-mentioned approach is being developed in a full legal mechanism to tackle the issues of foreign subsidies in near future. Experts aver that it may have far reaching implications.

(This article has been prepared by R. Manonithya, Senior Research Analyst)

OFFBEAT

Mumbai Port Moves up on Performance Index

Mumbai port secures 24th position with an overall score of 55.8 points in the list led by Singapore in terms of its performance as per the report of the 2020 – Xinhua – Baltic International Shipping Centre Development Index. This evaluation report measured ports performance on the basis of supply chain nexus, logistics hub and modern high-end shipping services. Mumbai port's scale up in ranking on comparison to its ranking in previous year is attributed to the constant effort and economic status of India.

In terms of particular parameters like competitiveness in shipping services, which includes shipping finances, brokerage, maritime legal services, business services and ship engineering, Mumbai features at 8th position in the list of Top 10 centres following London, Singapore, Shanghai, Hong Kong, Dubai, Athens, and Hamburg. However, Mumbai port ranks fourth in regard to shipping operation and management services following Singapore, Tokyo and Hong Kong.

Telemedicine: Regulatory Analysis

The July edition of Policy Pulse focused on overview of Telehealth and Telemedicine across the globe and India. This article will elaborate on the regulatory aspect of Telemedicine as recommended globally with emphasis on the regulatory framework in India.

International Guidelines on Telemedicine: International Society for Telemedicine and eHealth (ISfTeH) was founded in 2011. It is a nongovernmental and not-for-profit society that services primarily as the umbrella association for national Telemedicine and eHealth organizations. It functions in official relations with World Health Organisation (WHO) advising on international standards and best practices for telemedicine. The ISfTeH has 33 national members, 23 institutional members, 15 corporate members and 5 associate members. India's Apollo Telemedicine Networking Foundation and KREAD Foundation are a part of ISfTeH as institutional members.

In January 2019 the ISfTeH published an article "Teleconsultation Services for the Mobile Workforce- Considerations and Guidelines for the Provision of Global Services in Compliance with Regulations and Best Practice Clinical Standards of Care."

ISfTeH defines telehealth as, “the provision of healthcare at a distance using communications technology”. The article focuses on “legal and regulatory compliance across multiple international jurisdictions” for direct-to-patient telehealth services (also called “direct to consumer telemedicine services” or “teleconsultations.”) in which the “physician delivers clinical services directly to the patient, often by interactive audio-video, but also interactive audio or asynchronous telemedical technologies” such as secure messaging.

The main three sections of the white paper include Teleconsultation & Licensing, Teleconsultation and the Standard of Care and Global Best Practices. Regardless of jurisdiction, the identified best practices are nearly universal in nature, and are recommended for any global teleconsultation service by the International Society for Telemedicine & eHealth.

Telemedicine Practice Guidelines – India: In March 2020, the MoHFW along with NITI Aayog issued the “Telemedicine Practice Guidelines: Enabling Registered Medical Practitioners to Provide Healthcare Using Telemedicine”. The guidelines provide information on various aspects of telemedicine including technology platforms, tools that are available for medical practitioners and assistance for integrating technologies to provide health care delivery. As per the guidelines, telemedicine is used to denote clinical service delivered by a Registered Medical Practitioner (RMP). A RMP is a person who is enrolled in the State Medical Register or the Indian Medical Register under the Indian Medical Council Act 1956 (IMC Act).

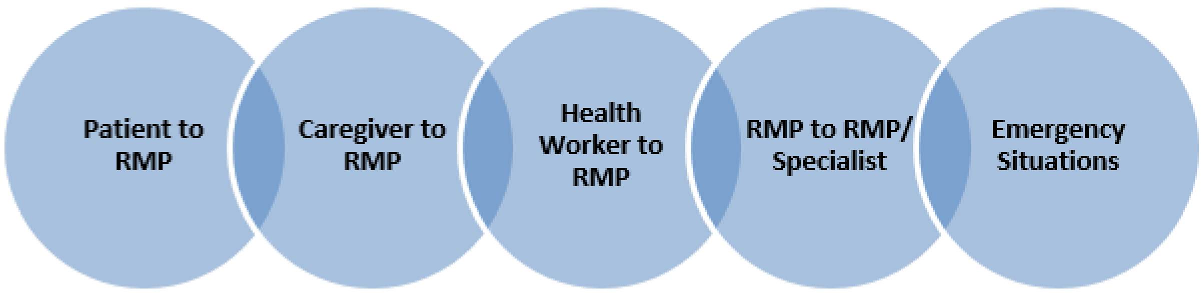
Tools and Technologies for Telemedicine: Multiple technologies can be used to deliver telemedicine consultation. Majorly there are three modes namely, Video, Audio or Text. Each of these has their own strengths and weaknesses for an appropriate proper diagnosis. Various telemedicine tools may be used by the RMP suitable for carrying technology-based patient consultation. The tools may include telephone, video, devices connected over the LAN, WAN, Internet, Chat platforms like WhatsApp, Facebook Messenger, Mobile Apps or internet based digital platforms for data transmission like Skype, email, fax etc.

Classification of Telemedicine Applications: The telemedicine applications can be classified into four basic types i.e. mode of communication, timing of the information transmitted, purpose of the consultation and interaction between the individuals involved.

Telemedicine Consultation Process: While the professional judgement of a RMP should be the guiding principle for all telemedicine consultations, there are seven elements which need to be considered before any telemedicine consultation begins. Those are RMP, patient, mode of telemedicine, patient consent, consultation and management.

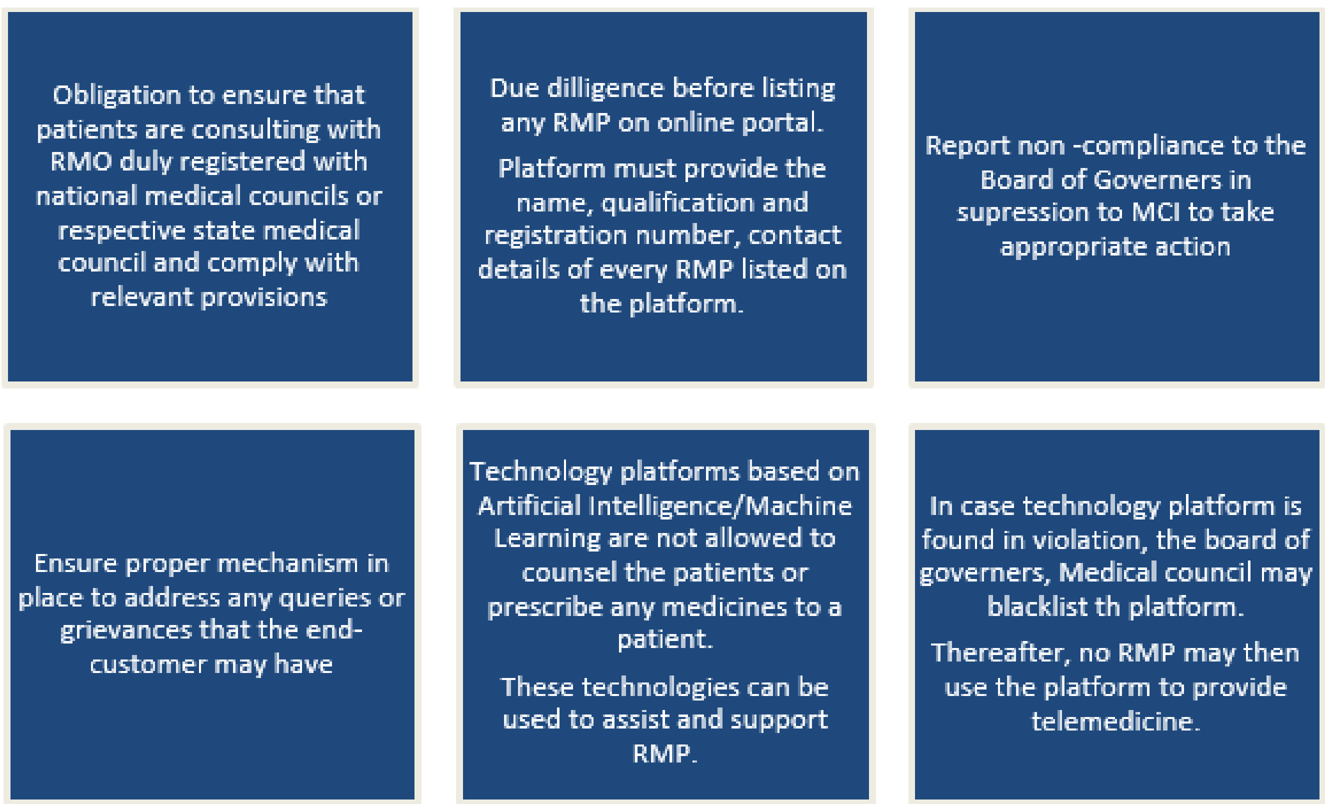
Framework for Telemedicine: The telemedicine can be practiced in majorly five scenarios (Figure 1).

Figure 1: Telemedicine Framework



Guidelines for Technology Platforms Enabling Telemedicine: In the MoHFW guidelines there is a section that focuses on the guidelines that need to be followed by the technology platforms (mobile apps, websites etc.) enabling patients to consult with RMPs through the platform (Figure 2).

Figure 2: Guidelines for Technology Platforms

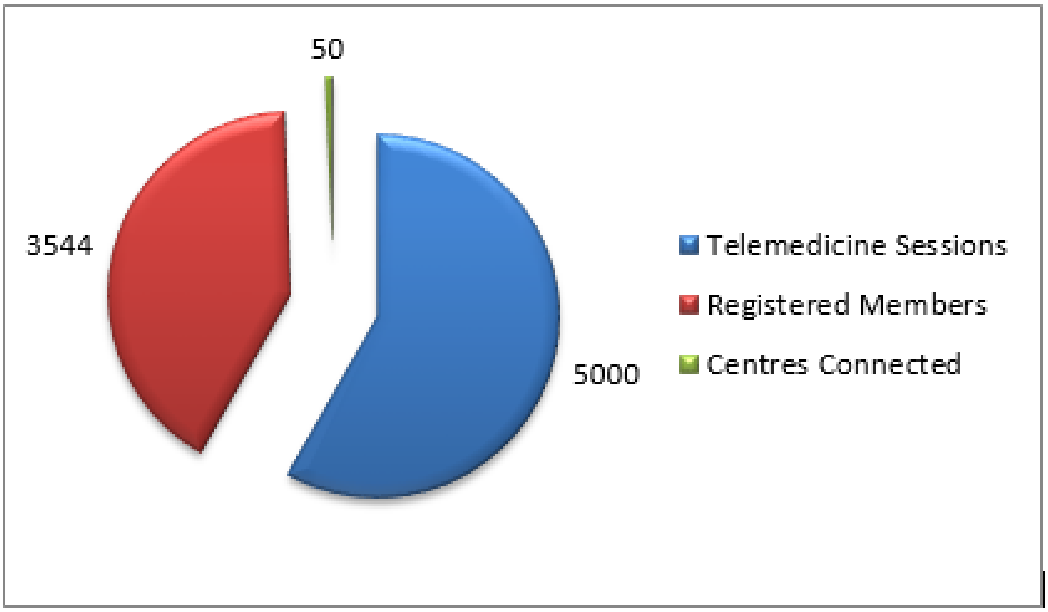


National Telemedicine Portal: The MoHFW has oriented its initiatives with the Sustainable Development Goals (SDGs) for ensuring healthy life and well-being of the citizens. The initiatives aim universal outreach of healthcare services in an affordable manner. MoHFW has taken a leap to utilize the effective use of ICTs with existing health infrastructure in meeting the challenges of healthcare delivery to rural and remote areas. The major initiatives of the MoHFW in this direction include National Medical College Network, National Telemedicine Network, use of Space Technology for Telemedicine, etc.

MoHFW is implementing a green field project on e-health including Telemedicine on National Medical College Network (NMCN) for interlinking the Medical Colleges across the country with the purpose of e-Education and National Rural Telemedicine Network for e-Healthcare delivery. Under this initiative a virtual layer of specialty/super specialty doctors from these medical colleges is created for providing online medical consultation facility to citizens similar to OPD facility through a web/ portal.

As per the National telemedicine Portal, Telemedicine Division, Ministry of Health & Family Welfare, Government of India there are 50 connected centers, 3544 registered members across the country and 5000 sessions have been conducted since 2016 till date. These sessions include tele education sessions, webinars and conferences (Figure 3).

Figure 3: Telemedicine Statistics



Way Ahead: Virtual healthcare has become an extremely important tool as COVID-19 has taken the entire world in its grip. The current status quo due to pandemic situation has brought the focus on telehealth and telemedicine. As there is a tremendous potential for growth in this telemedicine sector in the coming years, the development of a regulatory apparatus is inevitable. Hence, as a concluding remark, it can be stated that there is a need for a specific legislation on telemedicine as the guidelines and other mechanisms have limited scope.

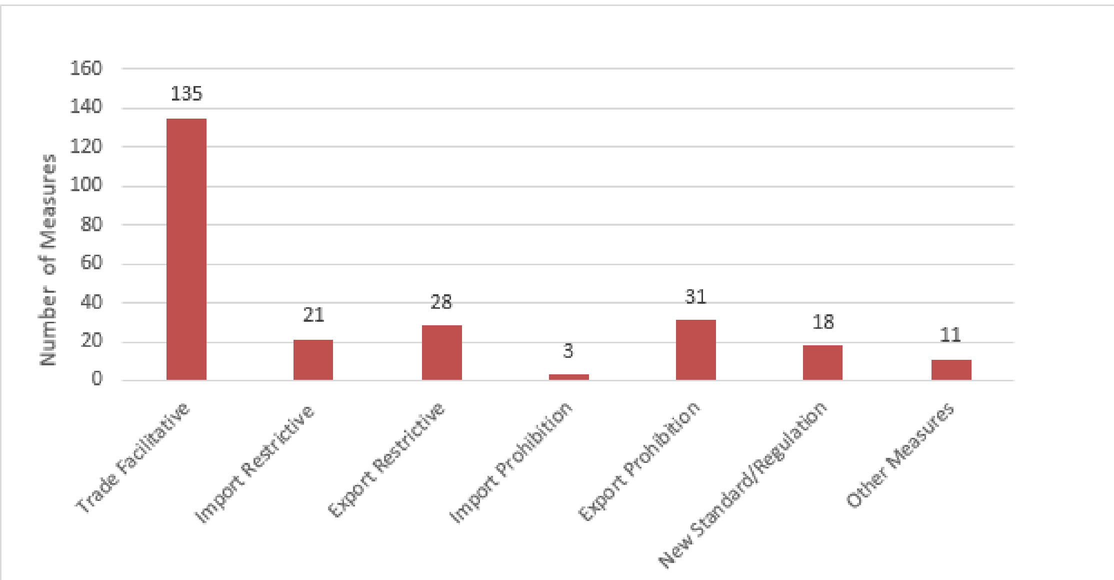
(This article has been prepared by Anjali Chauhan, Research Analyst)

Fighting COVID-19: Global Measures

COVID-19 has become a major global crisis. Globally, measures have been taken by countries against the pandemic to fight for health safety, and food security, financial security and economic growth. Ever since, this pandemic has come into picture, a total of 247 measures (as of 16 July 2020) have been taken by the member countries of World Trade Organization (WTO), concerning export or import ban or restrictions, additional measures to ensure safety of the consignment or has removed certain measures in order to facilitate the trade.

This article intends to shed light on the nature of measures taken by the WTO member countries by classifying and analyzing the various measures into multiple categories like trade facilitative, import restrictive, export restrictive, import prohibition, export prohibition, new measure (standard/regulation) and other measures. See the below chart for details.

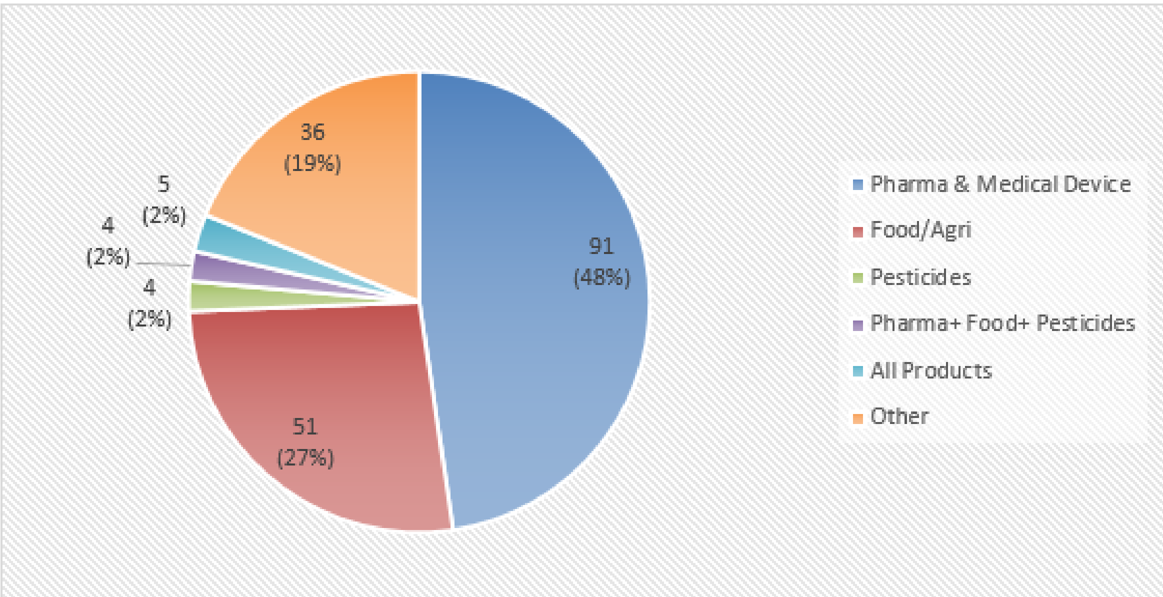
Figure 4: Types of Measures



Most of these measures are observed to be temporary in nature as their applicability is valid only till the declaration of the ending of the pandemic. Further, the majority of these measures covering around 55% of the total measures are identified to facilitate trade. In such cases, countries have either permitted submission of compliance certificates through E-certificate mechanisms, eliminated tariffs and duties or eased the import authorization process.

The Countries which have notified maximum number of measures are as follows: Brazil (31), India (16), Kuwait (16), Colombia (13) and Philippines (11). Among these countries, Brazil and India have occupied the top spots in the list of worst affected countries due to Covid-19. It has been noticed that these measures were taken around major critical product categories involving pharmaceuticals, medical device, food and agricultural products, chemicals and disinfectants. These can be evident from the following figure:

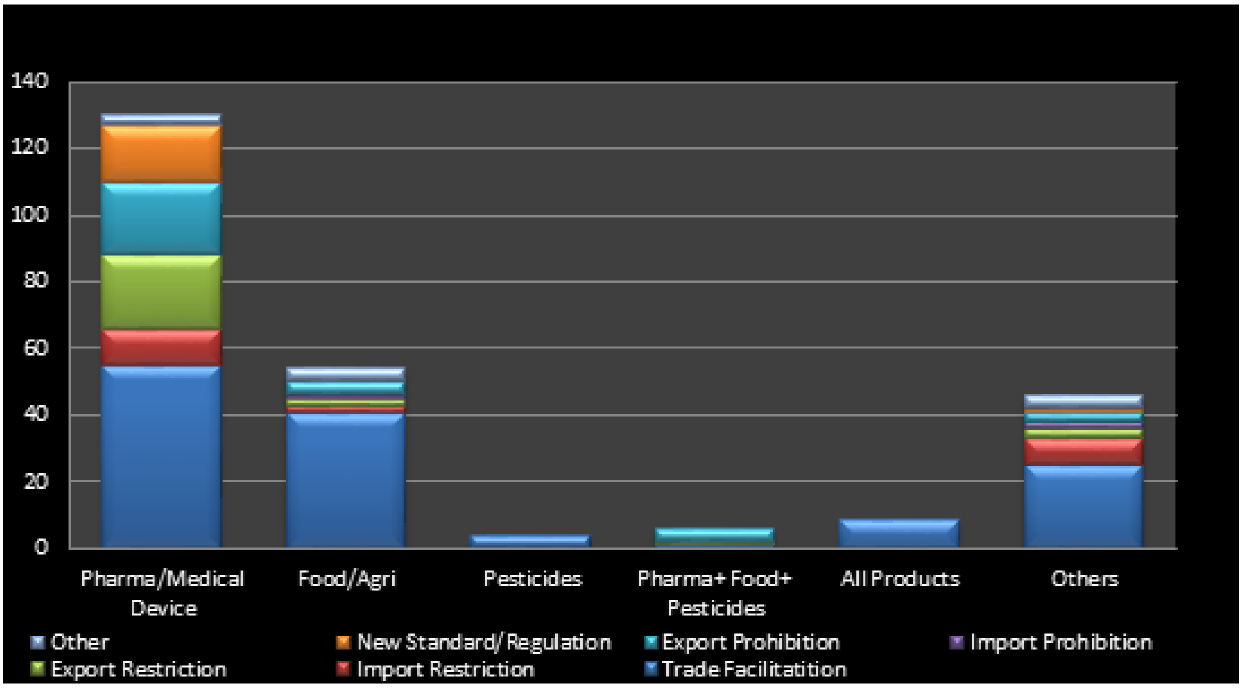
Figure 5: Identification of Sectors



Prominent Sectors: Among the notified measures, most of them concern pharmaceuticals and medical devices totaling around 135 with majority of them being trade facilitative in nature as shown in Figure 6, which are found to be specifically on temporary elimination of custom duties on these products, granting easy authorization and elimination of certain import procedure requirement. Besides, countries like Canada and Hungary have made amendments to certain sections in their patent policy. Particularly speaking, Canada has amended the Patent Act to authorize its government or another specified person to supply a patented invention to others to the extent necessary to respond this pandemic. Whereas, the Hungarian Intellectual Property Office has now permitted the issuance a public health compulsory licence for the exploitation of a medical product, an active substance, any procedure or equipment required in production of a healthcare products, which are under patent protection, in order to have better patient access to health facilities.

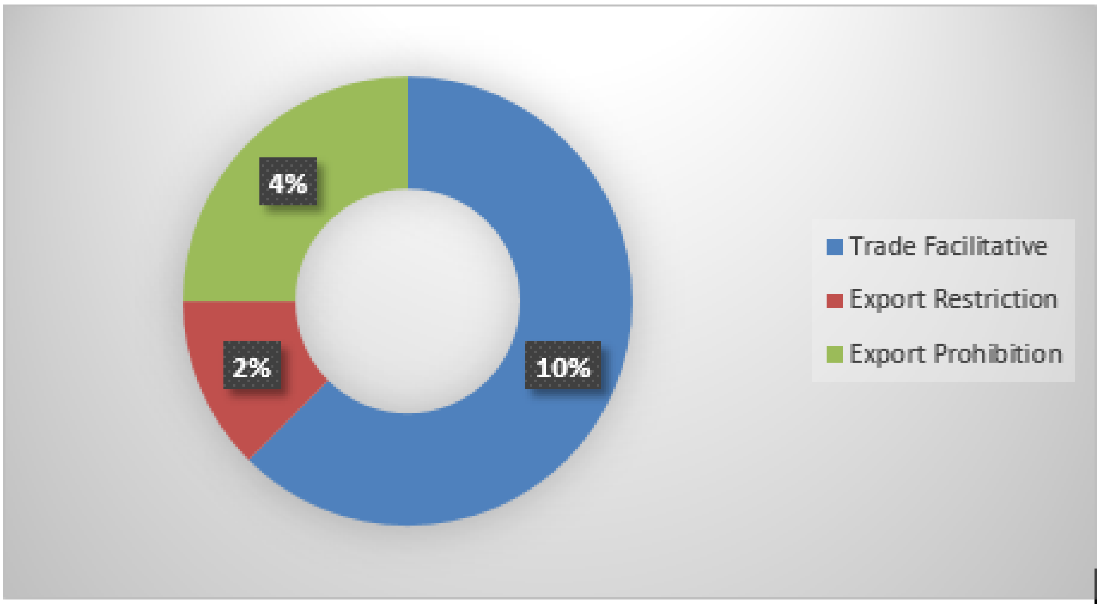
In addition to this, 44 measures are identified to be taken by the notified countries in relation to export restriction or export prohibition measures. It is crucial to note that the measures irrespective of its nature of trade facilitation, export restriction or export prohibition pertains to those products that are considered as essential items to tackle the pandemic situation in their territory.

Following pharmaceuticals and medical devices, measures concerning food and agricultural sector occupy the second position with 54 notifications (Figure 6). These measures are commonly observed to be trade facilitative in nature with maximum countries allowing imports of these products with an e- certificate for proving compliance to the requirements of the importing country. However, few countries have issued additional import requirements or guidelines on certain products. For instance: Brazil has issued additional guidelines concerning necessary actions to be observed by business operators, during the process of production in the slaughter and processing industry of meat, meat products and dairy products intended for human consumption in order to prevent or control transmission of COVID-19 in production process. In case of Philippines, additional requirements are established in the guidelines on the approval of Sanitary and Phytosanitary Import Clearance (SPS IC) for meat commodities as the cold storage warehouses reached its full capacity due to the stagnation in demand for meat products in their territory.



India and its Measures: India, being one of the worst affected countries in the world has notified 16 measures during the early phase of the pandemic. The classification of the measures taken by India are as follows:

Figure 7: Classification of Indian Measures



As it can be seen in the above figure, India has notified 10 trade facilitative measures concerning pharmaceuticals and medical devices, food and for all products. In pharmaceuticals and medical device sector, India has taken measures like exemption of health cess in relation to medical and surgical instruments, expeditious issuance of environmental clearance for activities related to Active Pharmaceutical Ingredients (APIs) and bulk drug intermediates and acceptance of scanned copies of pre-registration and other documents under European Union Generalised System of Preferences. In food category, India has extended the expiry of All Sanitary Permits (SIPs) for import of SPF shrimp broodstock and other agriculture inputs for a period of 3 months.

Besides this, India has undertaken export restrictive or prohibitive measures concerning products required for healthcare management amid COVID-19 involving mask, personal protective equipment, certain drugs effective against COVID-19 and ventilators. All these measures were taken to ensure optimum stock of these essential goods and further for better access of these products to its citizens.

Looking Ahead: In most of the notified measures which concerns patent licensing, drugs, medical devices and food products are temporary in nature. Such measures are valid only till the countries declare an end of pandemic situation in their territory. However, some countries have notified measures concerning acceptance of E- certificate to facilitate trade and to avoid human contact during the importation process. Although, the mechanism of e-certification already exists, the pandemic situation has only given a boost resulting in the utilization of such services to a greater extent among the countries. Given this trend, it can be stated that countries move towards a ‘Paperless’ affair in trade services is closer than ever.

(This article has been prepared by Himani Mainali, Research Analyst)

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