RVeKommunicate

POLICY PULSE

A Monthly Newsletter

FIRST TAKE

Small businesses are facing a tough time due to the pandemic. A meeting of the Committee on Trade and Development of the World Trade Organization identified the challenges in attracting foreign investment – particularly amid the COVID-19 crisis.

The meeting identified the importance of FDI regulatory frameworks and investment facilitation policies. Officials at the meeting cited the importance of efficient authorization procedures, notably through the use of electronic means.

The International Trade Centre in Geneva is helping Mongolia, Mozambique, Zambia and other developing countries identify and implement investment facilitation measures and strategies. The representative touched upon the plight of small businesses – notably the challenges of identifying and screening investment flows and the lack of access to finance – and highlighted the significant revenue source that FDI represents for developing countries and LDCs.

An UNCTAD representative at the meeting said that small economies' global share of FDI inflows account for only 1.3 per cent of the total. He added that investment flows into small and vulnerable economies declined by 17 per cent during the first half of 2020, dropping from USD 9.8 billion to USD 8 billion.

This issue of Policy Pulse looks at issues that impact industry ranging from developments in the WTO to new FTA's and policy and regulatory issues.

IN THIS ISSUE

MACROECONOMIC SNAPSHOT

Global Economy

Breaking Through?

As per recent projections by International Monetary Fund (IMF), global growth is projected at −4.4% in 2020, a less severe contraction than forecast in the June 2020. It reflects a better- anticipated second quarter GDP outturns, mostly in advanced economies, where activity began to improve. Global growth is projected at 5.2% in 2021, a little lower than in the June 2020 projection. It reflects a more moderate downturn projected for 2020 and consistent with expectations of persistent social distancing. Following the contraction in 2020 and recovery in 2021, the level of global GDP in 2021 is expected to be a modest 0.6% above that of 2019.

Global GDP Projection (%)				
	2019	2020F	2021F	2025F
World	2.8	-4.4	5.2	3.5
USA	2.2	-4.3	3.1	1.8
EU	1.3	-8.3	5.2	1.4
Japan	0.7	-5.3	2.3	0.6
China	6.1	1.9	8.2	5.5
India	4.2	-10.3	8.8	7.2
UK	1.5	-9.8	5.9	1.6
S Korea	2	-1.9	2.9	2.4
Canada	1.7	-7.1	5.2	1.7
Australia	1.8	-4.2	3	2.5

Source: IMF

The improved outlook for 2020 has been on account of better GDP outcomes in the US and Euro area. The USA economy is projected to contract by 4.3%, before growing at 3.1% in 2021. US is expecting a quite recovery in 4th quarter. Gains in consumer spending will be limited, but may accelerate again in 2021. Some key variables that will drive the economy include the amount and timing of government stimulus, number of new COVID-19 cases, the pace of labor market recovery and the degree of volatility following the US presidential election.

European economies are the worst-impacted among all mature economies. A sharper contraction of 8.3% is projected for Euro Area in 2020 with a growth bounce back of 5.2% in 2021. GDP levels may return to their pre-pandemic levels only by the end of 2021. However, such a trajectory is not certain: a new series of government restrictions on the supply side, or a loss of confidence and jobs on the demand side, could weaken the recovery.

n Gulf region, the dual shock of the COVID and the subsequent collapse of global oil demand and prices is expected to result in a 5% contraction in 2020.

East Asian economies with large industrial sectors such as China, Taiwan and South Korea are recovering faster. Chinese industrial production over the first eight months of 2020 has exceeded the figure for the same period last year. However, the domestic demand recovery remains incomplete as it will take longer for SMEs in the services sector and for low-income households to repair their balance-sheets. Industrial production and export volumes in these economies have already exceeded pre-pandemic levels whereas in Europe, US and Japan are still 5-10% below pre-pandemic levels.

"This crisis is however far from over. In our latest World Economic Outlook, we continue to project a deep recession in 2020. Global growth is projected to be −4.4 per cent, an upward revision of 0.8 percentage points compared to our June update,"
Gita Gopinath, Chief Economist IMF

INFLATION

Global Inflation Projection (%)				
	2019	2020F	2021F	2025F
USA	1.8	1.4	2.2	2
EU	1.7	1.6	1.2	1.8
Japan	0.6	0.3	0.3	0.4
Other Advanced Economies	1.4	0.5	1.2	1.9
Emerging and Developing Asia	3.3	3.2	2.9	3.1
Emerging and Developing Europe	6.6	5.2	5.2	5.3
Latin America and Caribbean	7.7	6.2	6.7	4.3
Middle East and Central Asia	7.8	9.3	9.3	6.5
Sub-Saharan Africa	8.5	10.6	7.9	6.1

Source: IMF

Inflation in advanced economies remains below pre-pandemic levels. In emerging market and developing economies inflation declined sharply in the initial stages of the pandemic. However, recently it has picked up in some developing countries like India, reflecting supply disruptions and a rise in food prices.

Indian Economy

Road To Recovery

As per IMF's projection, India's real GDP growth is expected to contract 10.3% in 2020, which is the highest contraction among the 10 emerging markets. India is also the only economy with a double-digit contraction. IMF predicts India's per capita GDP is set to slip below Bangladesh's in 2020. India might experience the most significant implications of global warming, considering the high temperatures. The domestic demand has plunged following a very sharp compression in consumption and a collapse in investment.

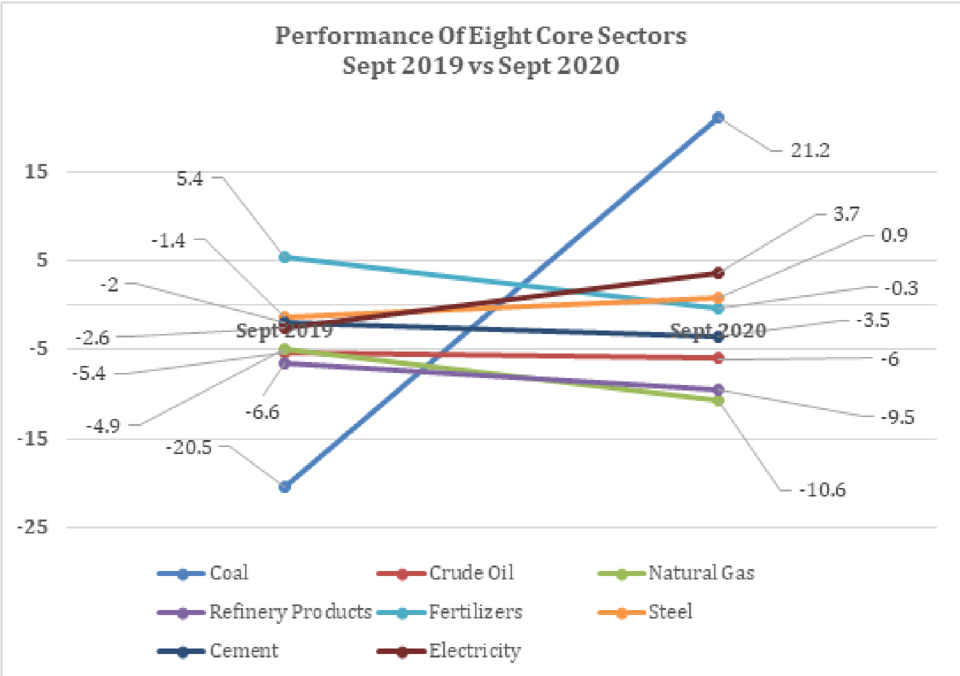
At 4.9%, retail inflation in 2020 will be the highest in India. Inflation has eased in most of the emerging economies, except India. Average inflation during the nine-month period of 2020 has more-than-doubled in India, while in most of the emerging nations it was lower than the same period in 2019. The data till August also shows that India is one among the emerging countries which saw a higher decline in merchandise exports. However, in September, India has witnessed a growth in both merchandise imports and exports. Oil imports declined marginally, whereas, value of non-petroleum and non-gems and jewellery exports showed a positive growth.

Performance of Indian Economy Indicators (%)						
		2018	2019	2020	2021	2022
Gross domestic product, constant prices	% Change	6.1	4.2	-10.3	8.8	8.0
Inflation, average consumer prices	% Change	3.4	4.8	4.9	3.7	3.8
Imports of goods and services	% Change	4.3	-4.3	-17.4	17.1	11.0
Exports of goods and services	% Change	4.9	-2.1	-10.9	12.0	7.7
Current Account Balance	% of GDP	-2.1	-0.9	0.3	-0.9	-1.6

Source: IMF

Performance of Eight Core Industries

The combined Index of Eight Core Industries stood at 119.7 in September,2020, which declined by 0.8% as compared to the Index of September, 2019. Its cumulative growth during April to September, 2020-21 has been -14.9%. Out of the eight core industries, except coal, steel and electricity, all other sectors such as crude oil, natural gas, refinery products, fertilizer and cement sectors have witnessed a negative growth in September 2020 in comparison to the rate of growth in September 2019. However, with majority of industries have started their operations and rapidly inching towards full capacity, the performance of coal, refinery products, steel, cement and electricity sector have witnessed a steep growth in September 2020, in comparison to August 2020.



Source: Ministry of Finance

``In a V-shaped recovery, it is possible that the slope (of rise) actually may not always be the same exactly as that of the fall, which is a drastic one."
Krishnamurthy Subramanian, Chief Economic Advisor

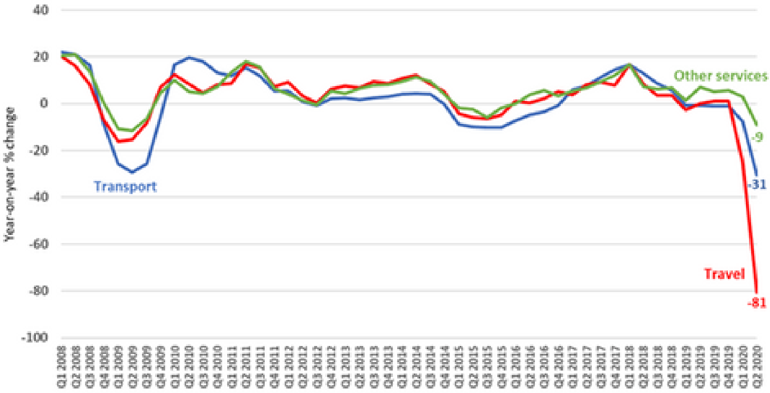
WTO UPDATES

US Blocks Consensus on WTO DG Candidate, Voting Likely

After the third round of consultations, the Nigerian candidate, Dr. Ngozi Okonjo- Iweala emerged as the most favoured to lead the WTO among the Members of the WTO. The 'troika' mentioned that the candidate enjoyed a support from all geographic regions of the world. Thus, based on a consensus, they have recommended this candidate as the next Director General (DG) of WTO to the General Council. However, the Council has to take a formal decision based on recommendations of troika and the meeting is slated for 9 November 2020. Notably, the US still maintains that it would support the Korean candidate and not the Nigerian candidate.

Digitization leads IT Services Trade to Register Growth

In general, services trade has taken the worst hit in the ongoing pandemic situation[1]. The WTO reports that the services exports in the second quarter of 2020 have been down by 32% in North America, 29% in Asia and 26% in EU. Also, the worst hit is feared for the Latin American and Caribbean region.



Source: WTO-UNCTAD-ITC estimates

The tourism and transport which makes 43% of the services trade has been adversely impacted by the situation along with construction, R&D, etc. However, computer based sector has posted a 4% increase in growth due to digitalisation factor.

Indonesia- Safeguard Investigation on Articles of Apparel and Clothing Accessories

Indonesia has announced at the WTO that it has launched a safeguard investigation on articles of apparel and clothing accessories on 1 October 2020. The Indonesian authority, Komite Pengamanan Perdagangan Indonesia (KPPI) has initiated the investigation with regard to the import of products falling under the HS codes- 6101, 6012, 6103, 6104, 6105, 6106, 6109, 6110, 6111, 6117, 6201, 6202, 6203, 6204, 6205, 6206, 6209, and 6214[2].

[1]https://www.wto.org/english/news_e/news20_e/serv_22oct20_e.htm
[2]https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx? filename=q:/G/SG/N6IDN36.pdf&Open=True

FTA & OTHER UPDATES

Bangladesh to Move Out of LDC Status

The LDC status of Bangladesh is scheduled to expire in 2024 and as a result, the provision to benefit from duty-free exports to other countries would come to an end. Hence, the Bangladeshi government is looking at signing free/preferential trade agreements with its trading partners. Hence, it is updating its 'Policy Guidelines' for PTA/FTA 2020. Currently, it is negotiating with Nepal, Bhutan, Indonesia and Sri Lanka. With its cabinet giving its nod for the draft PTA with Bhutan, Bangladesh is likely to sign the agreement with Bhutan in near future. Besides, it is also exploring the option of entering into such agreement with countries like Vietnam, Thailand, Morocco, Malaysia, the US, Japan, Canada, Senegal, Nigeria, Kenya, South Korea, India, Saudi Arabia, South Africa, Mexico and Egypt, and also with three regional blocs include the Gulf Cooperation Council, the Eurasian Economic Commission and MERCOSUR.

SCO Trade Ministers Meet

The 19th meeting of the Shanghai Cooperation Organisation (SCO) for ministers in charge of international trade of the member countries was hosted by India in October 2020. The Ministers from Kyrgyz Republic, Kazakhstan, Pakistan, Russia, Tajikistan and Uzbekistan along with the Secretary General of SCO attended the virtual meeting. The meeting resulted in the adoption of four documents including statements with regard to multilateral trading system, IPR, and MSMEs[3].

UK Signs Trade Deal with Japan

Signing of this trade deal with Japan marks as a significant achievement for UK to benefit from tariff reductions in the post-Brexit era. It is to be noted that 99% of UK's exports to Japan would fall under the tariff-free regime as per the deal. This deal is set to benefit the industry sectors including financial services, digital and data, food and beverages, auto, etc. Also, this signing is seen to be opening doors for UK to enter the Comprehensive Trans-Pacific Partnership.

Mongolia Joins APTA

With Mongolia becoming a member of the regional preferential trade pact, Asia-Pacific Trade Agreement (APTA), the membership increases to seven[4]. The existing members are China, India, Bangladesh, Sri Lanka, Laos, and South Korea. The reduction in tariff lines would be rolled out by 2021. Mongolia would reduce tariffs by an average of 24.2% on 366 items including seafood products, vegetables, fruits, animal and vegetable oil, minerals, chemicals products, woods, cotton yarn, machinery, etc[5].

[3]https://pib.gov.in/PressReleasePage.aspx?PRID=1668141
[4http://www.koreaherald.com/view.php?ud=20201030000173
[5]https://www.globaltimes.cn/content/1204742.shtml

POLICY/REGULATORY BRIEF

India Defers Compliance Date For Chemicals

Extension on Compliance to BIS Standards: The Department of Chemicals and Petrochemicals has issued gazette notifications postponing the commencement of Quality Control Orders for the following chemicals substances - Aniline, Acetic Acid and Methanol. As per the Orders, the listed substances are mandated to comply with the respective BIS standards by November 2020. Currently, an extension of six months has been provided and hence, these Orders take effect from 3 May 2021.

India Releases Consolidated FDI Policy

The Department for Promotion of Industry and Internal Trade (DPIIT) has released circular updating the FDI policy document. The 'Consolidated FDI Policy Circular of 2020' has taken effect from 15 October 2020[6]. It is a compilation of decisions taken in various ministries with regard to FDI matters.
FDI Policy – Clarification for Digital Media: has clarified the applicability of 26% FDI Policy to entities engaged in uploading/streaming of news and current affairs through Digital Media. It has listed digital media, news agency and news aggregator catering digital platform as beneficiary of this FDI policy and are directed to seek clearance from the central government within one year (October 2021) upon satisfying three conditions[7].

Transport Of Automobiles To Nepal Eases

Chitpur railway yard of Kolkata division has been identified to handle the loading of automobiles which would be transported to Nepal via Nautanva. As a part of increasing its share in modal transportation, the Indian railways have developed seven yards to facilitate the transport of automobiles. As Chitpur is designated to cater the Nepal market, the other yards are assigned to cater the Bangladesh market. This initiation is expected to bring down the cost of logistics involved in automobile transportation[8].

India Steps up Its Bilateral Trade With Bhutan

India has granted market access for five agricultural products to its landlocked neighbour, Bhutan. In order to facilitate, the Ministry of Agriculture and Farmers Welfare, Government of India has published a Gazette notification updating its Plant Quarantine (Regulation of Import into India) Order, 2003 during the month of October 2020. The products which have received the approval are Areca nut, Mandarin, Apple, Potato and Ginger. With this, the total number of products of Bhutan with market access has increased from two (asparagus, cardamom) to seven. Further, India is establishing a plant quarantine centre at Jaigaon to facilitate the trade of the Bhutanese products to India.

Indian Cabinet Gives Nod To Natural Gas Marketing Reforms

The Cabinet Committee on Economic Affairs (CCEA) gave its approval to 'Natural Gas Marketing Reforms' which is seen as a step towards gas economy. This policy intends to provide a standard procedure for sale of natural gas and to streamline the bidding process to facilitate the ease of doing business. This reform is expected to attract investments in the domestic production of natural gas under the Atmanirbhar Bharat initiatives.

[6]https://dipp.gov.in/sites/default/files/FDI-PolicyCircular-2020-29October2020_0.pdf
[7]https://dipp.gov.in/sites/default/files/Digital-Media-Clarification-Scanned-16Oct2020.pdf
[8]https://timesofindia.indiatimes.com/business/india-business/chitpur-earmarked-for-transport-of-automobiles-to-nepal/articleshow/78609497.cms

The domestic production of natural gas has been given a boost via the provisions of freedom in marketing and pricing aspects of natural gas. As a result, its positive implications are considered to contribute to gas consuming sectors and environmental aspects[9].

India Amends Patent Rules

The amendments are in the context of streamlining the requirements related to submission of statement regarding the working of a patented invention on a commercial scale in India (Form 27)[10]. The Patent (Amendment) Rules, 2020 provides the flexibility of filing a joint patent form, extension of timeline for filing forms and the requirement and submission of verified English translation of priority documents.

India Initiates Ratification Of Seven POPs Of Stockholm Convention

The Cabinet has given its nod to ratification of seven chemicals listed under the Stockholm Convention following which the Ministry of External Affairs and Environment, Forest and Climate Change would undertake measures accordingly. As a signatory to the Convention and on its commitment to safe environment, India had notified the 'Regulation of Persistent Organic Pollutants Rules' on March 2018. This rule has prohibited the manufacture, use, sale, and trade of seven chemicals, i.e.:

- Chlordecone
- Hexabromobiphenyl
- Hexabromodiphenyl-ether and Heptabromodiphenylether (Commercial octa-BDE),
- Tetrabromodiphenyl ether and Pentabromodiphenyl ether (Commercial penta-BDE),
- Pentachlorobenzene
- Hexabromocyclododecane, and Hexachlorobutadiene

These were already listed as POPs under Stockholm Convention[11]. This ratification process would open doors to leverage Global Environment Facility (GEF) financial resources to upgrade its National Implementation Plan (NIP) for chemicals

India Establishes Regulator For Ships Recycling

As per the Ship Recycling Act of 2019, India has set up the Directorate General of Shipping as the National Authority for Recycling of Ships. With this establishment, the regulator would carry out activities including promotion and compliance to standard norms related to ship recycling. Further, the office of the national authority will be established in Gandhinagar, Gujarat.

India Strengthen Ties With Myanmar

In the first week of October 2020, India has signed 'Coastal Shipping Agreement' with Myanmar which was envisioned during the regime of the then late PM Vajpayee. It is touted as another milestone reached between the neighbours to strengthen their bilateral engagements. Through this agreement, the Indian ships may reach Mizoram via Myanmar's Sittwe Port on the Bay of Bengal and the Kaladan river multi-modal link[12].
This can be seen as another cap in the Act East Policy (AEP) and a boost to initiatives to develop the resourceful North Eastern Region (NER) of India. With India's first multi modal logistics park is being built in Assam for which the foundation stone has been laid recently[13], the changing landscape of connectivity in NER seems lucrative for the investments in various sectors in the region.

[9]https://pib.gov.in/PressReleasePage.aspx?PRID=1662325
[10]https://pib.gov.in/PressReleasePage.aspx?PRID=1668081
[11]https://pib.gov.in/PressReleasePage.aspx?PRID=1662335
[12]https://southasiamonitor.org/region/india-myanmar-finalise-discuss-regional-security-finalise-coastal-shipping-agreement
[13]https://www.business-standard.com/article/economy-policy/gadkari-lays-foundation-stone-of-first-multi-modal-logistic-park-in-assam-120102000891_1.html

India – US 2+2 Ministerial Dialogue

The dialogue was held between the Minister of Defence Rajnath Singh and Minister of External Affairs Dr. S. Jaishankar from the Indian side and Secretary of Defense Dr. Mark T. Esper and Secretary of State Michael R. Pompeo from the US side. Both sides emphasized to strengthen partnership in medical sector particularly on vaccines, therapeutics, diagnostics, ventilators and other essential medical equipment. Citing the possible MoU between the health regulatory agencies, both sides emphasised on enhancing on co-operation in health sector at multiple levels. The Ministers noted the progress made on the front of partnership in the energy sector. They appreciated the virtual meeting of the US- India ICT Working Group and stressed on the model of multi-stakeholder of internet governance[14].

China Proposes Draft Personal Data Protection Law (PDPL)

This draft is considered to be comprehensive and has resemblance to the EU's General Data Protection Regulation. The salient features ingrained in this draft include transparency, fairness, data minimization, limited retention, data accuracy and accountability. It seems to be applicable on foreign entities if it undertakes any activity related to people living in China. Such entities may need to appoint a legal representative or any relevant personnel of the entity in China. It is said to be provide clarity on the term – consent of the data subject. It directs data localization and any transfer of data must undergo security assessment and prior approval from Chinese regulatory agency.

Is The Toy Sector Becoming Highly Standardised?

The global toy market is flourishing despite challenging economic circumstances. The toy segment is propelled by increased e-commerce activity, changing consumer preferences, high-quality and eco-friendly toys, and fierce price competition among key players. The global trend towards personalisation is driving force for innovation and demand for customised toys. Increase in demand is also increasing the burden on the regulators of ensuring safety in children's products. There has been significant shift towards regulating the toy sector strictly. Policy developments, standards and technical regulations ensuring stricter compliance and safety of toys are being developed across the globe.

At the WTO, the notifications by member nations in the toy sector have seen a remarkable increase as compared to the previous year (Figure 1 and 2). The countries who have notified in this segment in 2019 include Brazil, Chinese Taipei, Côte d'Ivoire, Ecuador, Egypt, Montenegro, Thailand, Trinidad and Tobago, Turkey and United States of America and in 2020 include Australia, Brazil, Chinese Taipei, Denmark, Egypt, European Union, Georgia, India, Indonesia, Republic of Korea, Russian Federation, Trinidad and Tobago, Ukraine and United States of America.

Figure 1: Notifications issued by WTO Member Countries in toy sector

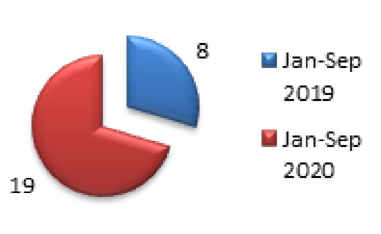
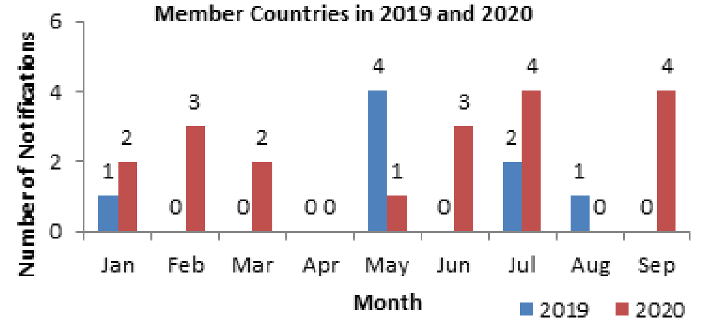


Figure 2: Comparision of Notifications issued by WTO Member Countries in 2019 and 2020



[14]https://www.state.gov/joint-statement-on-the-third-u-s-india-22-ministerial-dialogue/

Countries are expanding the scope and upgrading their standards and technical regulations concerning mandatory certifications, inspections, stricter limits for migrating chemical elements and physical safety among others.

International Organization for Standardization (ISO) also amended its standard ISO 8124-3: Migration of certain elements in March 2020 followed by a spike in countries notifying their updated standards including the amendments as per the international standard.

India also came up with a Quality Control Order (QCO) in February 2020, specifying the conformity of toys with the respective Bureau of Indian Standards (BIS) and compulsory use of standard mark as per Scheme-I and Scheme-II of BIS. This indicates India's move towards high quality and safer toys. This also backs the Prime Minister's message to boost domestic manufacturing under Atmanirbhar Bharat initiatives.

The trend in the global toy sector projects strong growth in the coming years with high standard set up and no room for unbranded and counterfeit toys.

OPINION COLUMNS

India at Global Hunger Index 2020: Scores Reiterates the Need to Revamp the Delivery of Services

Policy Beat

Kalyani Sharma

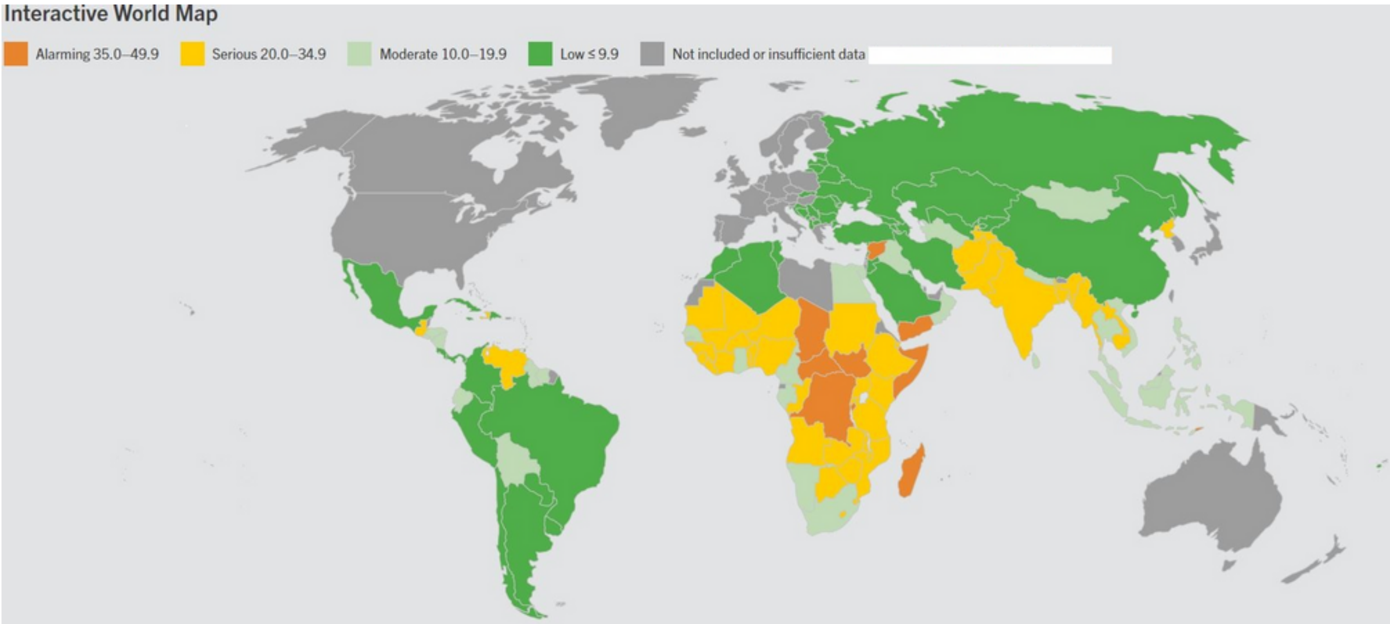
The annually published Global Hunger Index (GHI) which is jointly published by Concern Worldwide and Welthungerhilfe, comprehensively measure and track hunger at the global, regional, and country levels. The aim of the GHI is to trigger action to reduce hunger around the world. The design of the GHI is to raise awareness and understanding of the struggle against hunger, provide a way to compare levels of hunger between countries and regions, and call attention to those areas of the world where hunger levels are highest and where the need for additional efforts to eliminate hunger is greatest.

Scoring and GHI calculation: The GHI scores are calculated each year to assess progress and setbacks in combating hunger. Based on the values of the four indicators, the GHI determines hunger on a 100-point scale where 0 is the best possible score (no hunger) and 100 is the worst. Data from the United Nations and other multilateral agencies are used for the calculation. Each country's GHI score is classified by severity, from low to extremely alarming. The four indicators are mentioned below:

- Undernourishment: Share of the population with insufficient caloric intake.
- Child Wasting: Share of children under age five who have low weight for their height, reflecting acute undernutrition.
- Child Stunting: Share of children under age five who have low height for their age, reflecting chronic undernutrition.
- Child Mortality: The mortality rate of children under the age of five.

Ranking of India at GHI 2020: India ranked 97thposition out of 107 countries, lower than most of its South Asian neighbors: Pakistan (88), Nepal (73), Bangladesh (75), Sri Lanka (64) and Myanmar (78) – and only Afghanistan fares worse, at 99th place.

India's Initiatives to Combat Hunger and Malnutrition: To address issues of all forms of malnutrition and in order to balance country's nutrition transition, the government has launched various initiatives, listed below:
POSHAN Abhiyaan: Launched by the Ministry of Women and Child Development in 2018, it targets to reduce stunting, undernutrition, anemia (among young children, women and adolescent girls).
Pradhan MantriMatruVandanaYojana: A centrally sponsored scheme executed by the Ministry of Women and Child Development, is a maternity benefit programme being implemented in all districts of the country with effect from 1st January, 2017.



Food Fortification: Food Fortification or Food Enrichment is the addition of key vitamins and minerals such as iron, iodine, zinc, Vitamin A & D to staple foods such as rice, milk and salt to improve their nutritional content.

National Food Security Act (NFSA), 2013: It legally entitles up to 75% of the rural population and 50% of the urban population to receive subsidized food grains under the Targeted Public Distribution System.

Integrated Child Development Services (ICDS) Scheme: Since 1975, this scheme offers a package of six services (Supplementary Nutrition, Pre-school non-formal education, Nutrition & health education, Immunization, Health check-up and Referral services) to children in the age group of 0-6 years, pregnant women and lactating mothers.

Need of the hour: While there are quite a number of schemes in place to combat hunger and malnutrition in the country, strengthening and training of the resources under such schemes along with higher focus on the reach is the need of the hour. Allocation of resources in nutrition is not expenditure but an investment. An investment that would give high results as time goes by. It will not only help tackling severe acute malnourishment but will also address various Sustainable Development Goals i.e., eradicating extreme poverty & hunger, achieve universal primary education, promote gender equality & empower women, reduce child mortality, improve maternal health, develop a global partnership for development. Synergy of all these will reduce our Hunger power index.

(The writer is a Policy Analyst)

EU's Carbon Neutral Goal at the Cost of International Shipping

Policy Matrix

Manonithya

The Shipping sector plays a significant role in the globalised world of trade. The international maritime industry provides a linkage to global value chain through the movement of raw materials, semi-finished and finished products. Without this industry, the possibility of bulk transportation of products in any form is near impossible. The connectivity offered by this industry is essential for the countries to operate in the international trade arena. In other words, export oriented economies develops and succeeds due to the possibility of the global maritime industry. In 2018, 40.5% of total international maritime trade was constituted by coal, LNG, LPG, crude oil, petroleum products, etc.

As the pollution and environmental concerns became a focal point in social awareness spectrum, shipping industry was also inevitably fell under the radar of politically, socially, economically driven agenda of countries, civil organizations, and/or any interested parties. It needed to become more environmental and energy efficient industry. However, the industry is regulated by the rules and regulations of International Maritime Organization (IMO), thus the shipping lines are need to comply with ballast water management, global sulphur cap, and upcoming GHG control requirements. Hence, this industry has been regarded as one of the front runners in devising, adopting and implementing international standards.

In addition to international standards, this industry falls under the purview of the respective national regulations. As a result, the nuances resulting from adherence to the specific country's regulation has a higher chance of its reflection being felt across the globe. For instance: the European Parliament's nod to include GHG emissions from ships to the Emission Trading System (ETS) by 2024 (September 2020)[15]. Under this EU's proposed action, the Indian shipping lines may have to pay the EU for its carbon emissions.

EU – ETS: It is the largest ETS in the world focusing on emissions and it is set to enter the fourth phase from January 2021. From its inception in 2005, it is acknowledged to have played a significant role in driving EU's economy towards a cleaner one. It gave the direction in transitioning from emission –intensive industry sectors like coal to natural gas based and focus on renewable sources for energy production from non-renewable sources. In other words, it is the driving force of the EU- green deal & circular economy in the larger context towards low-carbon economy 2050.

The EU's ETS has been aimed solely to decarbonise its economy by 2050. However, it finds that the current applicability of this scheme is not sufficient to achieve its carbon neutrality goal by 2050. As a result, the EU has proposed to apply this scheme on shipping sector.

[15]https://eur-lex.europa.eu/resource.html?uri=cellar:749e04bb-f8c5-11ea-991b-01aa75ed71a1.0001.02/DOC_1&format=PDF

EU Intents to Drive International Shipping: As mentioned earlier, the IMO spearheads the activities in reducing the maritime pollution through its various strategies. Therefore, emission from maritime industry falls under the ambit of IMO. It is to be noted that IMO has a strategy in place to reduce GHG emissions from ships to at least 50% and it is scheduled for a revision in 2023. However, the EU finds a gap between its 2050 target and IMO's strategy. So, it has proposed to include applying ETS on international shipping sector[16].

Critical Juncture: Taxing the emissions on international industry by the EU would not only seem to be undermining the international agency – IMO, but also the position of third countries. The regional agenda towards the reduction of carbon footprint must be noted as it intends to cross the jurisdictional space of applicability. The developing countries and LDCs which has set a target for carbon reduction in their territory depending upon their scale of development under international arrangements, such a move by the EU may have a consequence on such countries plan for pollution control actions. Further, if the EU proceeds, its implication may be far reaching as the 'cap and trade' mechanism may lead to an increase in the cost for freight which would eventually fall on the MSMEs. Hence, the government of India and the India industry must keep a close watch at the EU legislative space and act immediately to the policy developments at the IMO.

(The writer is a Senior Research Analyst)

[16]https://www.spglobal.com/platts/en/market-insights/latest-news/electric-power/102220-eu-carbon-market-to-move-into-fourth-gear-from-2021

Applicability of EU-ETS:

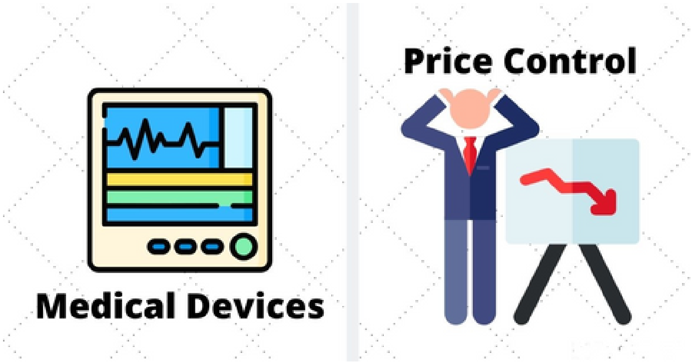
Sectors: power generation, intra-EU aviation, heavy industries – refinery, metals, chemicals, cement, ceramics, bricks, glass, cement clinker, pulp, paper& board, petro chemicals, etc.

Countries: EU member states, Norway, Iceland, Liechtenstein, Swiss (from January 2020)

Price Monitoring and Control Mechanism of Medical Devices

Anatomy of a Regulation

Aishwarya



In the current climate of the world battling a pandemic, the need for affordable and quality healthcare has been well acknowledged and documented. This has also long been a target of United Nations' Sustainable Development Goals, which includes, under the third goal to ensure healthy lives and promote well-being for all, a target to provide "access to safe, effective, quality and affordable essential medicines and vaccines for all". How the governments have gone about trying to achieve this goal is the crux of this article- price control, price monitoring, and a combination of both.

Prices work as an incentive mechanism for manufacturers. As a general rule, capping prices tends to suppress supply, increase demand and thus create shortages. Striking a balance between giving value to innovative medical device developers and catering to the needs of the populace dependent on under-funded health programmes is the key underlying struggle towards designing and sustaining a viable, quality healthcare system. On one end of the spectrum is the system in the US, which ascribes a high value to innovations, while on the other end is the hard-line stance of the Indian system which imposes strict price controls in order to curb the medical costs, majority of which are paid out-of-pocket by consumers. Lying somewhere in between is the value-based pricing mechanism of the UK, which limits the profits of manufacturers rather than the prices themselves.

Due to the constraints placed on R&D and other aspects, price controls more often than not result in decreased production and a demand-supply mismatch. Alternatively, manufacturers may be forced to cut costs and/or use inferior quality inputs to sustain their business. Neither of these outcomes is the intention of the regulatory mechanism. This brings us to the second type of regulation- price monitoring. This primarily involves a disclosure of the prices actually practiced in the market. The goal is to ensure that there aren't severe fluctuations in the prices. A side effect is that due to this level of transparency, regulatory authorities are able to assess and judge the appropriate price benchmarks for critical devices based on relevance to public health.

Recently, Brazil notified to the WTO its intent to begin 'economic monitoring' of medical devices. This decision could have two reasons behind its genesis. One, Brazil is one of the countries worst-hit by the COVID-19 pandemic. That this decision was taken during the pandemic could be indicative of ANVISA (Brazilian Health Regulatory Agency) wanting to ensure greater control over the possible price fluctuations in the market. Two, this decision could have been in the pipeline for some time and is simply reflective of another country's policymakers believing that price monitoring and eventually price control is the answer to issues of universal access. Though the initial proposal is restricted to price monitoring and does not intend to cap the prices for devices, however, once the ball has been set rolling, the final stop would inevitably be price controls.

In India, the National Pharmaceutical Pricing Authority (NPPA) is the body which regulates prices of drugs and medical devices scheduled as drugs. Currently, it controls the prices of scheduled classes of medical devices which have been notified and regulated as drugs under Drugs and Cosmetics Act, 1940 and Drugs and Cosmetics Rules, 1945. The remaining non-scheduled medical devices have been notified and regulated as drugs from April 1, 2020, thereby opening them up to the purview of NPPA's authority under the provisions of the Drugs (Prices Control) Order, 2013.

Consequently, NPPA now monitors the Maximum Retail Prices of these medical devices (now regarded as drugs) to ensure that no manufacturer and importer can increase the price more than ten per cent in the period of the preceding twelve months.

However, with a Draft Medical Devices Bill ready to be finalized, one presumes that the definition of devices in the country would change and as a result, so would the regulatory overview of NPPA.

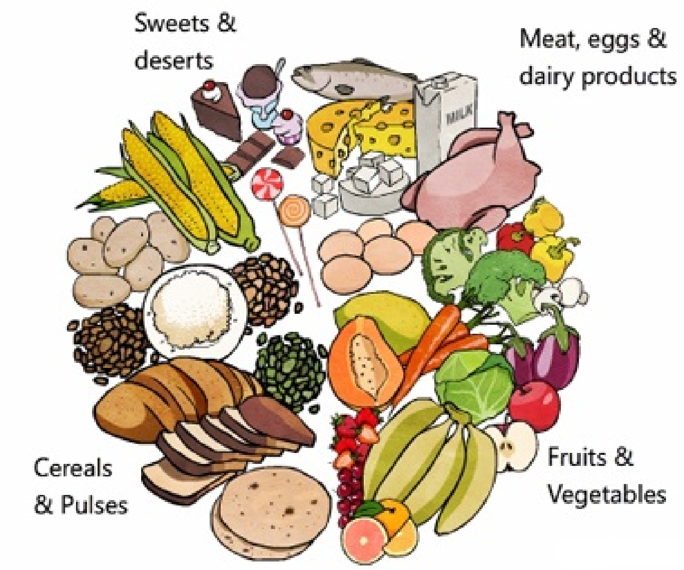
The final level of control over the prices of devices remains to be seen. In conclusion, both these types of regulatory mechanisms- price control and price monitoring have their associated benefits and drawbacks. With experts arguing for price rationalization and government procurement in bulk, the perfect solution for both government and industry may yet be found.

(The writer is a Research Associate)

The (New)trition

Between The Lines

Anjali Chauhan



Over the last decade, with economic and nutrition transition, dietary patterns have also changed. This transition has led to evident double burden of malnutrition in India. These transitions have raised the necessity for reviewing the nutrient requirements with respect to change in food intake, access and lifestyle. Therefore, creates a need for basing the requirements on recent data with respect to energy expenditure, protein metabolism and for vitamins and minerals, data on absorption and losses are need to be explored. Recently, the Union Health Minister launched National Institute of Nutrition's (NIN) revised 'Nutrient Requirements for Indians' which provides revised Recommended Dietary Allowances (RDA) and Estimated Average Requirements for Indians[17]. The revised requirements define the nutrient requirements for Indians based on concepts related to the distribution of requirements in normal individuals of all ages. These recommendations form the basis for defining the nutrient policies and programmes.

With evolution in food science, nutrition and technology, various foods are now being fortified with nutrients which generate the need to define the tolerable upper limits (TUL) of intake of nutrients. In this edition there has been a shift from the previous edition, and two distinct nutrient requirements, the EAR and RDA are presented. Further, nutrients are also toxic when ingested at very high doses. This has resulted in the definition of the TUL. For the first time, the NIN has included EAR to calculate TUL in mapping nutrient requirements for Indians.

In the revised requirements, the basis for deriving values for energy, protein, dietary fiber, carbohydrates, various minerals and vitamins have been reconsidered and used much detailed and extensive methods to arrive at appropriate values. New data are incorporated for bioavailability of nutrients, wherever available.
The reference Indian adult man and woman have been redefined and modified with regard to age (19- 39y instead of 20-39y) and a body weight of 65 kg and 55 kg respectively are fixed for a normal Body Mass Index (BMI). This was earlier 60 kg and 50 kg for man and women respectively. More recent data has been considered for calculation of reference body weights.

As per section 22 of the Food Safety and Standards (FSS) Act 2006, Genetically modified foods, organic foods, functional foods, proprietary foods, etc. shall have minerals or vitamins or proteins or metals or their compounds or amino acids (in amounts not exceeding the RDA for Indians). Also, the Food Safety and Standards (Health Supplements, Nutraceuticals, Food for Special Medical Purpose, Functional Food and Novel Food) Regulation, 2016 specified addition of nutrients in quantities not exceeding RDA as specified by ICMR.

[17]https://www.icmr.gov.in/pdf/press_realease_files/ICMR_Press_Release_Recommended_Dietary_Allowances_for_Indians.pdf

For the industry, these revised requirements based on terms of nutrition adequacy may mean alteration in the current practices. The limits of the nutrient being added in the food products, labelling and claims made on the food products may in future require to be modified based on the new requirements. However, several questions arise on how the calculations will now be based on for addition of nutrients in different food categories? Will the RDA be considered for this or the EAR would be which has been introduced in this new edition?

(The writer is a Research Associate)

Ready Reference

- ***RDA refers to the daily dietary nutrient intake level that is sufficient to meet the nutrient requirements of nearly all (97–98%) healthy individuals in a particular life stage and gender group.***
- ***EAR refers to the average daily nutrient intake level estimated to meet the requirements of half of the healthy individuals in a particular life stage and gender group. It is used primarily to evaluate populations or groups.***
- ***TUL refers to the highest average daily nutrient intake level that is likely to pose no risk of adverse health effects to almost all individuals in the general population.***

India- A New Investment Hub for Electronics

Policy Dimension

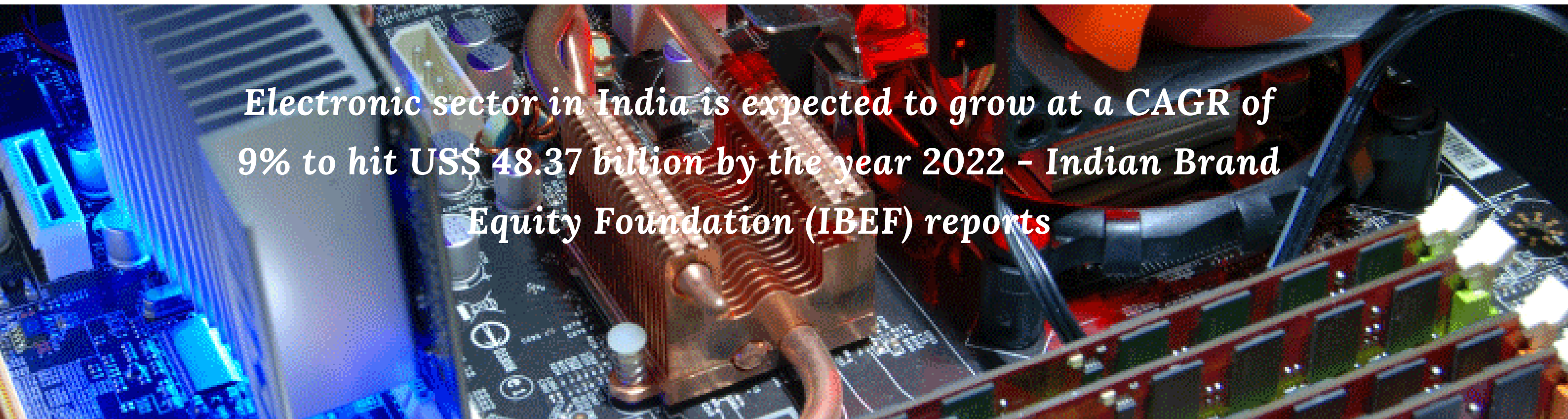
Himani

Electronics sector is the basis of technology advancement in any country. The sector can mainly be categorized into consumer electronics, electric utilities, and general electronics. Among these, consumer electronics acquires the largest growth share of the sector. The reports predicted global market for electronic parts to register a Compound Annual Growth Rate (CAGR) of about 4.8% between the years 2020-2025[18].
India is one of the countries aggressively moving towards technology driven region, thus leading to the tremendous growth of the electronics sector in India. As per the reports, India is the third most attractive investment market for technology transactions across the globe[19]. The key factors for the growth of electronic sector include growth of India's middle-class population, increasing disposable income of the consumers, drastic lifestyle changes and shift in preferences towards smart appliances.
Despite this scenario, the major concerns for the Indian electronics sector are its heavy dependency on the imports from China, which takes upto 32% of the total imports from China. This created a major trouble during the pandemic as it impacted the global companies operating in India considerably. The Indian Government has already taken the steps to broaden the supply of electronic parts to India together with the promotion of its domestic industry so that situation like this pandemic would not cause a short supply of inventories in the domestic market.
The Ministry of Electronics and Information Technology (MeitY) of India in order to promote domestic production of electronics has launched the following three new schemes on 1 April 2020:

- ·Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing,
- Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS) Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme

These schemes will attract and boost investments in the value chain and promote domestic value addition and exports. Further, the big picture programs initiated by the Indian Government like "Make in India" and "Digital India" will further lay

[18] https://www.investopedia.com/ask/answers/052515/what-growth-rate-electronics-sector.asp
[19] https://www.ibef.org/industry/science-and-technology.aspx



the larger investments to the Indian market. Besides, these schemes, the pandemic has resulted a major shift in interest of investors from Chinese market to Indian market, which will be beneficial for the domestic manufacturers in terms of new investments.

Henceforth, the Indian electronic market will not only reduce the over dependence on imports for electronic parts/ raw material, but will also support its domestic industry while providing a new investment hub to the foreign companies.

(The writer is a Research Analyst)

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