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# POLICYPULSE

## IN THIS ISSUE

# FOREWORD

## Free Fall

The economic figures for India released by the National Statistical Organisation (NSO) showed what many feared for long. The economy fell by over 23%. The worst performance in over two decades. The question everybody had is whether we have touched the bottom and would the economy get slowly back on its feet in the coming months.

The COVID-19 data which shows a huge increase in the number of infections has raised another question, when will the country touch the peak and when will the numbers start falling?

Regrettably, there are no clear answers to the questions. The experts on both issues are divided on the future. On the economy, there is no clear indication of when things will look up.

Prime Minister Narendra Modi announced the launch of the National Digital Health Mission (NDHM) at his Independence Day address and the pilot for this has already been launched. It is expected to help the country move towards the universal health care objective that has been in the works for a few years.

Globally, there have been developments on the WTO front where the countries are now moving towards the next phase of choosing the Director General. Many countries are also moving forward in signing bilateral trade agreements to help build stronger ties for economic growth.

In this edition of Policy Pulse we continue to focus on various issues of importance to corporates and policy makers.

# MACRO-ECONOMIC SNAPSHOT

## Global Economy: Looking Bleak, For Now

COVID-19 continues to ravage economies across the globe despite the best efforts by governments' to contain the spread of the disease and the economic fallout. Since the pandemic has hit the global economy, the contraction level has been gradually deepening month by month. The S&P Global Economics and Oxford Economics in their recent projection, expected the economy to shrink further by 4.5% compared to an earlier estimate of 3.8%

Global economy has had an unprecedented hit in the second quarter of 2020-21, with the US contracting by 9.5% and the Euro area by 12.1%. In the second quarter, Japan's real GDP fell 7.8% from the previous quarter, the biggest decline since 1955. The British economy contracted at a record pace in the second quarter. From the first to the second quarter, real GDP fell 20.4%. Real GDP in the second quarter was 21.7% below the year-earlier level. In China, economic activity nearly collapsed in the last quarter of 2019-20 and then rebounded very strongly in the first quarter of 2020-21. Now, as the second quarter is well under way, there are mixed signals about the strength of the economy.

S&P Global Economics and Oxford Economics expect the global economy to expand by nearly 5% next year. While this looks like a "V-shaped" recovery, the level of output is likely to remain depressed. The global economy's growth prospects will depend critically on the virus's future path, but ongoing policy support is also essential. There is little that monetary policy can do to directly influence the future path of output. But it can play an important supporting role by providing fiscal space for governments to support their economies.

**Key Drivers of Economy**

Supply Chain: COVID has caused large disruptions to the flow of goods that have forced businesses and policymakers to rethink how supply chains function today. Although past disruptions may not be the best instrument to measure the future ones, they provide some clues as to how businesses and policymakers may alter supply chains. Also, businesses will have to choose the best risk-mitigation strategies within their regulatory environment.

Labour considerations will also be a key determinant for where companies choose to relocate their production. Low labour costs will continue to attract suppliers to developing countries, such as Vietnam, India and Mexico, where wages are lower. However, finding workers with the requisite skills is also critically important. Research shows that increases in the share of skilled labor in a country lead to higher participation in global value chains. However, some companies and industry associations have successfully provided their training to overcome skills deficits in low labor-cost countries.

Regulatory issues will also affect how supply chains are reworked. Moving some production to a new country may change the status of the final good's compliance with free trade agreements. For example, rules of origin require a certain percentage of good's components to have been sourced from within the region. Moving one part of the production to a new region could therefore encourage other parts of the supply chain to move to the same region to take advantage of the lower trade costs when becoming compliant with the rules of origin. Other regulatory burdens and the general ease of doing business in a new country may add more challenges. For example, Indonesia, the Philippines, and Thailand all have more restrictive foreign direct investment regulations than China.

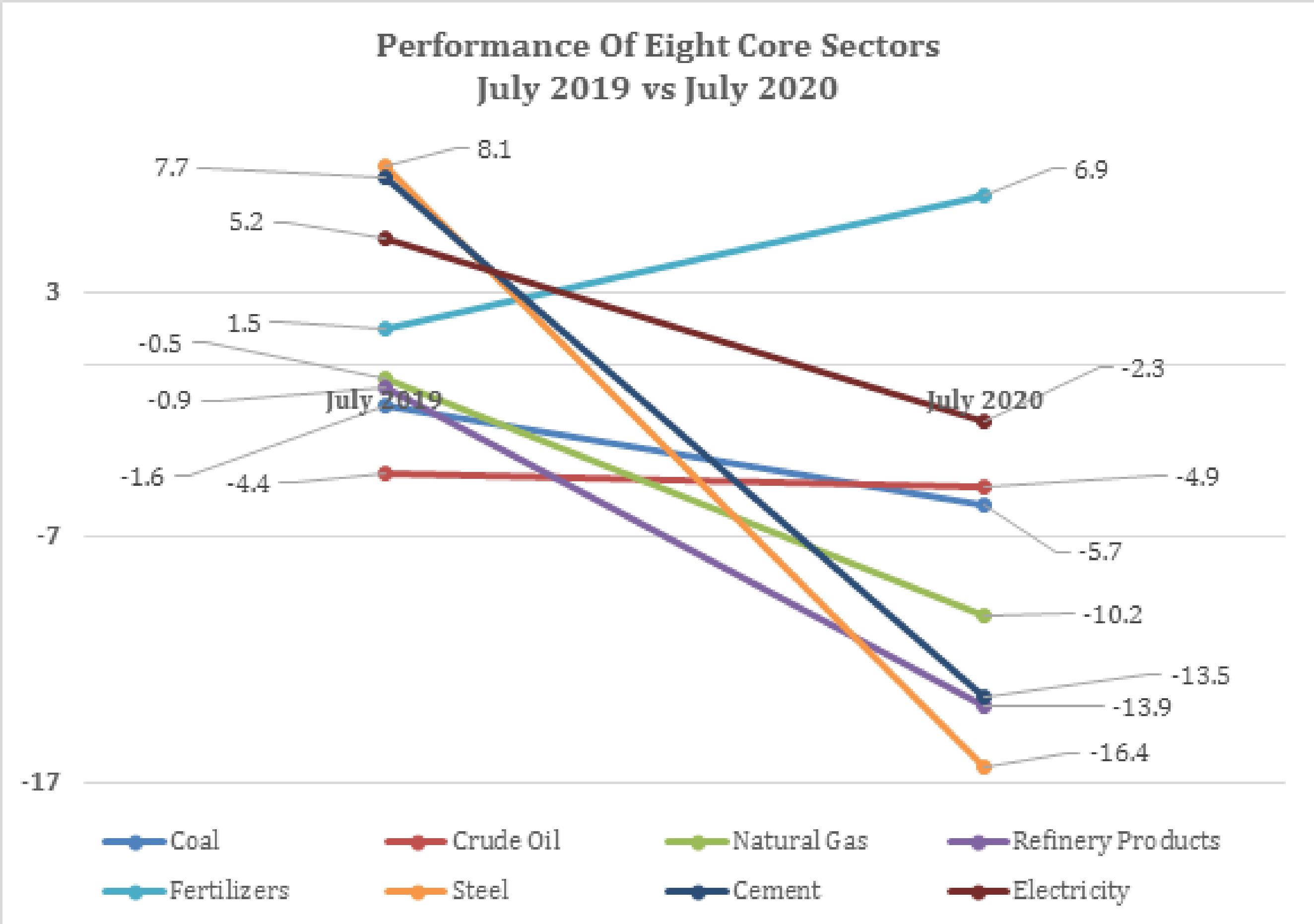
## Economic Outlook- India

India has entered into 'Unlock Phase-IV" from 1 September 2020 with the resumption of majorities of services and businesses. As per the Ministry of Finance, Government of India, India's GDP growth fall by 23.9% in the first quarter of 2020-21. The Reserve Bank of India (RBI) in its latest annual report stated that high-frequency indicators that have arrived so far point to a retrenchment in the activity that is unprecedented in history. Moreover, the upticks that became visible in May and June 2020 after the lockdown was eased in several parts of the country, appear to have lost strength in July and August 2020, mainly due to re-imposition or stricter imposition of lockdowns. The production side was pulled down by a deep contraction in manufacturing, construction, and trade, hotel, transport sectors while the expenditure side was pushed lower by heavy contraction both in consumption and investment. Going forward, given the gradual improvement in activity indicators, though it remains well below pre-COVID levels, the growth recovery will be gradual and contracting for all quarters in 2021. As per RBI, an assessment of aggregate demand during the year so far suggests that the shock to consumption is severe, and it will take quite some time to mend and regain the pre-COVID-19 momentum. Stated below are brief pointers of the performance of certain economic parameters in India:

- Goods and services tax (GST) GST collections have also provided some respite with YoY contraction falling from 38.2 percent in May 2020 to 14 per cent in July 2020.
- 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. Direct and indirect tax collections in July were encouraging and daily e-way bill data was also showing a positive trend
- India continued to attract robust foreign direct investment (FDI). Foreign Portfolio Investment (FPI) inflows also rebounded to a 15-month high in June 2020.This reflected the unshaken belief of foreign investors in India's macroeconomic fundamentals.
- Food inflation has remained high during first quarter of 2020-21 as well, at 9.2 per cent compared to 1.7 per cent in the corresponding period of last year.

**Performance of Eight Core Industries**

The growth rate of the Index of Eight Core Industries for July 2020 declined by 9.6% compared to decline of 12.9% in the previous month of June 2020. 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 negative growth in July 2020 in comparison to the rate of growth in July 2019. However, with the majority of industries have started their operations and rapidly inching towards full capacity, the performance of coal, crude oil, natural gas, fertilizer, steel and electricity sector has witnessed a steep growth in July 2020, in comparison to June 2020.




*Source: Ministry of Finance*

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

# GUEST COLUMN

## The Global Economic Impact Of The COVID-19 Pandemic
### With special reference to India

### Nihaarika Singh

The COVID-19 pandemic has spread across the world at an alarming rate. Millions have been infected and restrictions imposed by various governments have caused a partial or complete halt of any kind of economic

activities across the world. The June 2020 Global Economic Prospects report by the World Bank states that the global GDP will contract by 5.2% in 2020, which will cause a global recession not seen in decades. Almost all countries are expected to fall into a recession as a result of the pandemic.

The spread of the coronavirus has unveiled the fragility of the health as well as the economic systems across countries. Countries were forced to put major budget allocations into the health sector as they fought to control the spread of the disease. The economic shock experienced is considered to be the worst since the 2008 Global Financial Crisis and the 1929 Great Depression. Closure of factories and stoppage of the production of intermediary inputs have caused disruptions in supply chains, especially in China, which is the main manufacturing hub of the world. In Asia, restrictions and lockdowns have caused a massive fall in consumption, production as well as investment activities. If we are to look at Asia as a whole, all major regional economies have been impacted and have introduced measures to mitigate the negative impact of the pandemic.

If we look at India, the country was already experiencing an economic slowdown before the pandemic began. GDP growth had fallen from 8% in the fourth quarter of FY 18 to 4.5% in the second quarter of FY 20. Unemployment rate rose to almost 26% during the lockdown as companies were forced to downsize and cut salaries of their staff due to the lack of funds. Companies with large market caps across various crucial sectors, such as Larsen & Toubro, Aditya Birla group, Tata Motors etc temporarily suspended or reduced their operations. The startup ecosystem of India was also majorly impacted and many young start-ups were forced to cut costs as funding reduced a considerable amount. In April, the second month of the lockdown, India’s exports fell by almost 36% and imports by around 47%.

Another group that suffered majorly were the migrant workers and the daily wage labourers. As production in factories across sectors shut down, they were left with no work. Faced with no other choice, the workers had to return to their home states. But with the lockdown imposed restrictions stopping the movements of buses and trains, many workers were forced to walk back to their homes. Many died due to this reason, as well as due to the spread of the virus. Shramik special trains were allocated by the Indian Railways to transfer migrant workers back to their home states.

Countries like India have a rather fragile economy that has suffered immensely due to the COVID-19 pandemic. With the lockdown restrictions slowly relaxed from 31st May 2020, the country has seen some recovery. Offices were started off at one-third of their operating capacity as companies made plans to reopen and restart their operations. By mid-June, the unemployment rate returned to pre-lockdown levels. All sectors of the economy slowly saw their revival. But with weekend shutdowns still happening in many states, it is hard to discern whether India has recovered from the economic damage caused by the lockdown.

# WTO TRADE UPDATES

## Turkey, EU Faceoff on Steel Products

As consultations at the World Trade Organization (WTO) with the European Union (EU) did not resolve Turkey's concerns on the provisional and definitive safeguard measures on the importation of certain steel products, Turkey requested for the establishment of a dispute settlement panel to hear the arguments. Since the validity of the safeguard measures has a three year term, Turkey requested the panel for a decision at the earliest. India along with the US, Switzerland, Norway, UK, Ukraine, Russia, Argentina, Canada, China, Korea, Japan and Brazil have reserved their third-party rights in this dispute[1].

## DDG Wolff Stresses on Non-Discrimination


In his speech to American Association of Exporters and Importers (AAEI), Deputy DG of WTO Mr. Alan Wolff pointed out that global trade operates on the principle of non-discrimination in spite of existence of various trade agreements[2]. He added that 52% of world imports of goods take place at MFN duty free level (2015 statistics). It may be due to the possibility of low tariff rate for a product and the need to meet the criteria of various rules of origin whose design differs depending on the agreement partners. He stated that the future of trading agreements depends on the interests of the global traders and political interests of the countries. However, given the complexity of global value chains and countries' position, the WTO is still the platform where everyone gathers to address an issue at large. Currently, the following subjects are negotiated among the members: e-commerce, domestic regulation of services, investment facilitation, support for enhanced participation of MSMEs and the empowerment of women in trade.

[1] *https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds595_e.htm*
[2]*https://www.wto.org/english/news_e/news20_e/ddgaw_11aug20_e.htm*

# FTA UPDATES

## China – Cambodia FTA

Recently, China and Cambodia announced the conclusion of negotiations to launch a new bilateral trade agreement. Both sides are looking at signing the agreement in the last quarter of 2020. Interestingly, the negotiations took only six months to reach its conclusion. This FTA includes the provision with regard to Belt and Road Initiative (BRI) along with other elements of FTA. Through this arrangement, China is ensuring a market for its intermediary products whereas Cambodia's focuses on export of raw materials to be part of the supply chain in the region. Importantly, China is the largest investor holding 43% in total investment received by Cambodia in 2019. Also, it is China's third bilateral engagement after Singapore and Thailand although China has an agreement with the whole ASEAN trading bloc[3].

## RCEP Misses India

In the month of August, the Regional Comprehensive Cooperation Agreement (RCEP) negotiating countries stated that 'RCEP is open to India' and hence, requested New Delhi to consider rejoining the RCEP negotiations[4]. India has withdrawn from the RCEP negotiations stating that the trade agreement would not be in the larger interests of the country. RCEP member countries are looking to hold the concluding summit in November 2020 and sign the agreement.

## India- ASEAN FTA- Review

Both the trading partners have agreed for a review of the existing agreement between India – ASEAN during recently held the 17 ASEAN- India Economic Ministers Consultations. India registered its concern in terms of 'rules of origin' as products of Chinese origin are flooding the Indian market through ASEAN. The review is expected to focus on all areas of the agreement with a strong emphasis on tariff preferences. This provides an opportunity for sectors that have been complaining of the lop-sided agreement to seek higher access into the ASEAN countries or revise their existing tariff preferences provided to ASEAN member countries.

*[3]https://www.bilaterals.org/?what-s-the-deal-with-cambodia-and,*
*https://www.globaltimes.cn/content/1195137.shtml*
*[4]https://www.japantimes.co.jp/news/2020/08/27/business/economy-business/rcep-states-make-significant-progress-trade-talks-without-india/*

## US- EU Announce Trade Deal

In the mid of August, the EU and the US reached an agreement in which the countries would reduce tariffs on certain products under the MFN rule for a period of five years. Such tariff reduction for products is slated to be applicable from 1 August 2020. Products including prepared meals, crystal glassware, surface preparations, propellant powders, cigarette lighters and lighter parts, live and frozen lobster products, etc.

## No Deal in Sight on Brexit

The Seventh round of trade talks between the EU and UK has not made the expected progress although the deadline to conclude the deal between them is close by (October 2020). The point of contention is fisheries policy and state aid rules which needs to be addressed between the negotiators[5]. As a result, EU-UK negotiations may be discussed in the upcoming EU Ambassadors meeting. In the meanwhile, an informal session between EU-UK has been scheduled in the coming weeks before an upcoming formal negotiation meeting[6].

*[5]https://edition.cnn.com/2020/08/21/business/brexit-trade-negotiations/index.html*

*[6]https://www.express.co.uk/news/politics/1329133/Brexit-news-boris-johnson-no-deal-EU-trade-talks-david-frost-Michel-barnier-latest*

# POLICY/REGULATORY BRIEF

## Section I: Larger Policy/Regulatory Updates

### NITI Aayog: Fostering a Responsible AI Ecosystem


Niti Aayog notified the document titled as 'Towards Responsible #AIforAll' which is a work in progress draft for a discussion in the month of August 2020[7].

Given the postulations on economic benefits of AI, the National Strategy for Artificial Intelligence (NSAI) outlined the mode of adoption of AI which is visible in various recent activities of government, private sectors, startups, and academia. However, this Niti Aayog draft draws attention to the recent incidents across the globe with respect to ethical concerns of AI. Considering AI's relevance in the economic sphere of the country's progress, it proposed to look into the challenges of AI at two levels including system and societal aspects. In other words, it attempted to map the impact at both direct and indirect level, thus looking into the creation of an ecosystem fostering the growth and development of responsible AI in India.

**Challenges of AI:** Under the 'Systems Considerations', this draft analysed the following aspects: understanding AI systems functioning for safe and reliable deployment, post deployment – whether the users of AI may understand the rationale behind the system's specific decision, consistency across stakeholders, results of any incorrect decisions of AI leading to exclusion of services/benefits, accountability in AI decisions, privacy risks, security risks, and impact on citizens' rights.

This draft examines the existing legal protection mechanisms and recognizes the need for sector specific mechanism. By comparing such existing legal mechanisms of India to Singapore, EU and USA, it

*[7]https://niti.gov.in/sites/default/files/2020-08/Responsible_AI_05082020.pdf*

identified the regulatory gaps in Indian context. In terms of societal considerations, it analysed AI's impact on jobs and malicious use causing disruptions to state's harmony, democratic process and its security.
This draft acknowledged the NSAI's recommendation of using technology to address risks emerging from the use of AI. It mentioned the technically available best practices to mitigate the risks. However, it mentioned that AI is an evolving field and further stressed on the need for international multi-disciplinary research in the field for solutions.

**Ethical Principles:** As there are multiple stakeholders in the ecosystem of AI including the government, citizens, regulators, private sector, research community, and standard setting bodies, the draft stressed on identifying 'common set of principles' to make AI beneficial for all. It emphasized that such principles must be identified based on AI incidents, Indian constitution and international standards for AI. It proposes seven different principles, however, categorically states that such principles need updation as the technology evolves. Those are:

- Principle of Safety and Reliability
- Principle of Equality
- Inclusivity and Non-discrimination
- Privacy and Security
- Transparency
- Accountability
- Protection and Reinforcement of positive human values

This draft further looks at the possibilities of incorporating such principles at two levels: sector and institution specific. Further, it concludes by emphasizing on the importance of research for having responsible AI. It lays out the term of reference and compositional requirements for the formation of ethical committee.

**Take Away:** This draft indicates that there may be an increase in public spending on AI related research work. It may be at two levels: AI – technological level and societal level. In other words, as AI evolves, its interaction pattern with society would perhaps determine the level of the requirement of an overarching regulatory process. Hence, along with multi-disciplinary branches of engineering and technology, social sciences may also receive funding to undertake research activities. The proposal to the formation of ethical committee based on the principles indicates fairness and its openness to any updation of principles in relation to the advancements of AI.

Any start-ups in its attempt to find solutions to the problems of the society, must be prepared to address concerns as it advances in deploying its solutions in the real world at three level from its beginning: technological, financial and societal challenges wherein the ethical concerns may rise. For instance: the design and operationable parameters concerning Health Card ID for all under the National Digital Health Mission. In other words, the products that would be developed by the health information users/providers to take part in the national digital health ecosystem must pay attention to such above mentioned concerns which may arise in innovative ways depending on the deployment and marketing of IT products in the health ecosystem.

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

## PM Launches National Digital Health Mission

With an aim of creating a national digital health ecosystem that supports universal health coverage in an efficient, accessible, inclusive, affordable, timely and safe manner, PM Modi in his address on 74th Independence Day announced National Digital Health Mission (NDHM). The scheme comprises of sex key building blocks: HealthID, DigiDoctor, Health Facility Registry, Personal Health Records, e-Pharmacy and Telemedicine. The core building blocks of NDHM shall be with the government of India. Private stakeholders will have an equal opportunity to integrate with these building blocks and create their own products for the market like is cases of Personal Health Record (PHR) and Electronic Medical Record (EMR) solutions in line with guidelines that will be issued. NDHM is ‘citizen-centric’ scheme with the health records “ownership” lying with the individual.

Every Indian citizen will get a health ID which will store their medical records. The health ID will be voluntary and applicable across states, hospitals, diagnostic laboratories and pharmacies. The National Health Authority (NHA), the apex agency responsible for the implementation of Ayushman Bharat Pradhan Mantri Jan Arogya Yojana has been given the mandate by the government to design, build, roll-out and implement the NDHM in the country. The mission will keep two separate arms – one for regulation and other for implementation and operational management.

The Mission Steering Group will be chaired by the Union Health Minister and will guide/oversee the NDHM. In addition, an empowered committee would be set up with the health secretary as the chairperson. The constituent members for both the group and committee are listed in the NDHM.

**Implementation Phases:** In Phase-1 of NDHM, directory of all health facilities (hospitals, diagnostic centres, pharmacies, and clinics), doctors, nurses and paramedical directory and health workers, allied professional’s directory will be created. Phase 2 will be taking forward the pilot in additional states and Phase 3 will target nation-wide roll-out, operationalisation and converging with all health schemes across India.

**Developments:** The pilot launch of the scheme has already been rolled out in six union territories: Chandigarh, Ladakh, Dadra and Nagar Haveli and Daman and Diu, Puducherry, Andaman and Nicobar Islands and Lakshadweep. This will be under observation for atleast three months. Phase-1, phase 2 and phase 3 will be implemented on the basis of the success of the pilot launch.

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

## Health Data Management Policy (HDMP)

As a gradual progression towards the implementation of NDHM and creation of digital infrastructure with regard to HealthCard for all, the NHA has notified the Health Data Management Policy (HDMP). This draft policy establishes the guiding principle by setting out minimum standard for data privacy protection. HDMP is the first step in the creation of digital health ecosystem with inherent principle of ‘security and privacy by design’. It is applicable on everyone in the ecosystem. It provides insights into data collection, processing, sharing and storage covering the aspects of data privacy, consent management, data sharing and security of data. Data collection is confined to the necessary details required and must be clearly stated by the users of the data. Further, such data users must have strict security policies which must in compliance with the international standards, or guidelines as notified by the NHA.

Data storage is handled as per the principle of minimality: central, state, UT and health facility. That is, data storage is encouraged at the local level and is governed by the Data Retention and Archival Policy. It also establishes the Office of the Data Protection Officer (DPO) along with responsibilities. Any data breach incidents must be reported and the same would be notified to the Cert-In under the IT rules. It is to be noted that the data protection must comply with the draft Personal Data Protection Bill, 2019.

To ensure the data interoperability and independence in the digital health ecosystem, the NDHM has notified the “Guidelines for Health Information Providers, Health Repository Providers, Health Information Users and Health Lockers”. Click the following for details: https://ndhm.gov.in/assets/uploads/HIP_HIU_Policy.pdf. This guideline states that the health care provider’s software must undertake a compliance with the NDHM. Only when the compliance of software is established, they may participate in digital ecosystem. Details are available at https://ndhm.gov.in/assets/uploads/HIP_HIU_Policy.pdf .

**NDHM Sandbox:** The NDHM has set up sandbox which enables any health care provider/users to check their digital set up to collect, process, share and store their data with the national digital ecosystem. It is intended to facilitate to ensure the compatibility of such digital platforms/software's with NDHM guidelines and digital health standards. This sandbox provides an opportunity to test run the software's in order to integrate with the national digital ecosystem. Access to Sandbox is open to all. Guidelines can be found in https://ndhm.gov.in//assets/uploads/Sandbox_Guidelines_v6.pdf. Portal of Sandbox can be accessed at https://sandbox.ndhm.gov.in/.

# Section II: Region/Country Updates

## Italy Seeks Disclosure of Public Funding of Pharma R&D

On the account of transparency, Italy has become the first country in the EU which requires the pharmaceutical industry to disclose data on the receipt of public funding for any of their products during submissions to the Italian Medicines Agency – AIFA. This action from AIFA is crucial as Italy is considered to be one of the significant markets in the EU for drug makers.

In a decree published in its gazette on 24 July 2020[8], the application for negotiations on drug pricing and reimbursement must contain the details on the public funding that may have been received for the development of their drugs, costs incurred during marketing, data on revenue , patents and prices in other countries. This decree is largely regarded as the follow-up action on World Health Assembly resolution on the improvement of transparency of markets for medical products in 2019[9]. Following the lead from Italy, the other countries may soon propose changes in the drug pricing policy.

## Brazil  Sets up Data Protection Agency

Data protection, the buzzword of the digital era is finding its position in regulatory system across the globe. Most importantly, the EU's General Data Protection Regulation (GDPR) is credited to be influencing the mechanisms. Following the global trend, Brazil had passed the Lei Geral de Proteção de Dados Pessoais, aka General Data Protection Law (LGDP) in August 2018 and scheduled to commence from August 2020. The LGPD establishes rules for data collection, processing, storing, privacy rights of Brazilian citizens and the obligations for businesses in data processing and related activities to comply with the provisions listed. Due to Covid pandemic, the question loomed over its enforcement.

However, the Senate has approved the immediate enactment of the law and it has been sent for the President's approval which takes 15 business days, in general. So, in all probability, the LGDP would become effective in the coming days. However, the provisions of sanctions and penalties would be enforced from 1 August 2021. In the meanwhile, the President has issued a decree establishing a regulatory authority known as the Brazilian Data Protection Authority (ANPD). It has the

*[8]https://www.gazzettaufficiale.it/eli/id/2020/07/24/20A03810/sg*

*[9]https://apps.who.int/iris/bitstream/handle/10665/329172/A72_ACONF2Rev1-en.pdf?sequence=1&isAllowed=y*

responsibility to carry out data protection measures, develop relevant guidelines, enforcing LGDP provisions, promoting co-operation with their counterparts in the other countries. It functions under the supervision of President's Office.

Therefore, the business must keep a close-watch as ANPD is expected to design and roll-out the National Plan for Data Protection and other guidelines in the coming months.

## Evolving Policy Landscape in China

With its economic might and geopolitical status, over the years, China has transformed to become central to the story of regional and global development. Crucial to this growth trajectory has been its acceptance of a market-based system and the introduction of reforms through new laws and policies. However, a spate of international disputes in recent times (including a trade war with the U.S last year), rising costs and the debacle over its handling of the initial cases of COVID 19 - which later spread to a worldwide pandemic – have created a cesspool of prolonged uncertainty and heightened risks for businesses and its supply chain. This pivot away from China has fuelled the need for diversification of supply chains to other Asian markets like Vietnam and India. However, China seems to be taking measures to retain its strategic position as the manufacturing hub of the world.

It is evident from the targeted policies which China has introduced in recent times which are aimed to sway investors and retain its monopoly as a powerhouse for trade in goods. This includes the following noteworthy new laws as well as amendments to existing legislation:

**Significant Amendments:** The most crucial changes to the existing laws and regulations which have taken effect are listed below:

- Foreign Investment Law- Drafted also in response to international criticism from the US and others about China's lack of openness to foreign businesses, this law seeks to give foreign investors a level playing field with their domestic counterparts. However, this legislation is read to be falling short from meeting the expectations/interests of the businesses. This law replaced three previous laws, namely the Wholly Foreign-Owned Enterprises Law (also known as the Foreign-Capital Enterprises Law), the Sino-Foreign Equity Joint Ventures Law, and the Sino-Foreign Contractual Joint Ventures Law. It took effect from 1 January 2020.

- Amendment of Trademark Law – This introduced harsher penalties for trademark infringement. It is in force from 1 November 2019.
- Amendment of the Anti-Unfair Competition Law- Notable changes in the definition of trade secrets which now includes all “trade information”, not just technical information and “business information”.
- Amendment of Administrative Licensing Law- No agency is authorized to make the grant of a license conditional on the transfer of the applicant’s technology and is prohibited from disclosing an applicant’s “trade secrets, undisclosed information, or confidential business information” without the applicant’s consent.
- China’s National Development and Reform Commission (NDRC) and the Ministry of Commerce also shortened the negative lists enumerating the industries where foreign investment will either be prohibited or restricted. It came into effect from 23 July 2020.

**Draft Proposals/Legislations:** The following are the changes that have been proposed or in the pipeline to have effect in the coming months.

- Regulations on Supervision and Administration of Cosmetics – This proposes to streamline the market-entry procedures for new investors and introduces a simplified filing system. It is scheduled to take effect from 1 January 2021.
- Draft of the 2020 edition of the Catalogue of Encouraged Industries for Foreign Investment- This encourages more foreign direct investment (FDI) in the areas of high-end manufacturing and Production-oriented service industries. Comments were solicited till 30 August 2020.
- Amendments to the Copyright Law
- Draft Amendments to the Patent Law- Importantly, this introduces provisions for Patent Term Extension, Patent Term Adjustment and a Patent Linkage system. However, the draft lacked key details regarding these provisions. Comments were solicited until 16 August 2020.

The amendments to bolster hitherto inadequate Intellectual Property safeguards are consistent with the Chinese National Intellectual Property Administration’s IP Action Plan for 2020-2021. This Action Plan is part of China’s commitments under the Phase 1 Trade Agreement between China and the USA, signed earlier this year.

Thus, it is clear that China has undertaken numerous endeavours to attract foreign businesses and efforts to shore up supply chains have been stepped up. These are all a part of the Chinese government's multi-pronged efforts to stature its position in the global trade and to reinforce itself as an attractive investment destination. In light of the trade tensions, socio-economic concerns brought on by the pandemic and counter proposals and alternatives presented by countries like India, it remains to be seen whether these efforts shall bear fruit.

(This Article has been prepared by Aishwarya Raman, Research Associate)

## Defence Ministry Announces Promotion Policy

In order to boost self-reliance in defence sector under AtmaNirbhar Bharat, the Ministry of Defence has notified a draft policy titled as 'Defence Production & Export Promotion Policy (DPEPP) 2020'[10]. It intends to achieve a turnover of US$ 25 billion including 5 billion US$ from exports in aerospace and defence products by 2025. Also, it aspires to facilitate the Indian defence sector into global defence value chains in line with Make in India. This policy lists the focus areas as procurement reforms, indigenization & support to MSMEs/Startups, resource allocation, investment promotion, FDI, ease of doing business, innovation/R&D, IP ownership, conformity assessment infrastructures, and export promotion.

## Auction Process of Coal Mines

In June 2020, the Ministry of Coal had initiated the activities with regard to auction process of coal mines for commercial coal mining in India. In the notified tender, the FDI Policy of 2017 which was amended via Press Note 4 of 2019 by the Central Government which allowed 100% FDI through automatic route in coal mining activities and other related activities in accordance with other applicable laws. However, the FDI Policy is further amended via Press Note 3 of 2020 which clarified the criteria and process of bringing FDI investments into India. Hence, the corrigendum incorporating such changes and notified with regard to the tender document.

*[10]https://www.ddpmod.gov.in/dpepp*

## GoI Mandates Standards for Certain Products

In accordance with the Bureau of Indian Standards Act, the Department of Chemicals and Petrochemicals has notified 'Quality Control Orders[11]' mandating the adherence to respective BIS standards and the subsequent requirement of standard mark for the following substances: N-Butyl Acrylate, Ethylene Glycol, Toluene, Ether and Terephthalic acid.

In addition, the Department for Promotion of Industry and Internal Trade (DPIIT) has notified the quality control order concerning 'Malleable Iron Shots and Grits' for use in foundries. It mandates the adherence to BIS standard and use of mark on the product. It takes effect from 16 February 2021[12].

## Action Plan of Ministry of Agriculture towards Agri Export

It's no surprise that agriculture and allied activities are receiving attention under Atmanirbhar Bharat as self-reliance in food products is essential for an economy that still has its base on agriculture. This sudden disruption caused by Covid-19 pandemic across the globe has brought forth the attention on the need to have a robust infrastructure of agricultural production and food supply chain. While countries looked at food crisis, India continued its agricultural exports during the difficult months of COVID-19 covering March to June 2020. The data on exports of agricultural products between the aforementioned periods have witnessed an increase of 23.24% in comparison to the same duration of 2019. While, the production data of various agricultural food products like wheat, vegetables, and fruits puts the country in the top spots, India lags behind in terms of global position in exports.

In order to bridge the lacuna between production and export level, the Department of Agriculture Co-operation and Farmers Welfare (DAC&FW) has devised a comprehensive action plan for promotion of export of agricultural products. It specifies a twofold approach working towards increasing agricultural exports based on value addition and action plan for Import Substitution. Action plan for exports focuses on three issues: brand India, top export markets, niche products with the following products – grapes, mango, pomegranate, onion, potato and cucumber-gherkin has received special attention to increase exports. To reach the spot of self-reliance, the second approach looks into import substitution plan with regard to edible oils and other products.

*[11]https://chemicals.nic.in/bis-standards-mandatory*

*[12]https://dipp.gov.in/sites/default/files/Egazette-Malleable-Iron-Shot-and-Grits-21Aug2020.pdf*

## APEDA Provides Strategic Boost to Agricultural Export Policy

As per the strategic recommendations outlined in the Agricultural Export Policy (AEP), APEDA - the nodal agency within the Ministry of Commerce and Industry for promotion of export of agricultural and other products has signed MoUs with AFC India Limited and National Cooperative Union of India (NCUI)[13].

APEDA through these MoUs with such stakeholders intends to leverage their expertise in their specific area of function in agriculture and allied sectors in order to increase the exports of agricultural food products. This MoU is likely to enhance APEDA's focus on clusters as it has been already working with the respective State governments. As a result, clusters have been identified at districts level in various states and respective cluster level committee have been set up for products- potato, orange, pomegranate, banana, grapes, mango, dairy products, rose onion and fresh vegetables.

The AEP clearly identified the hurdles faced by the small-scale farmers and realized the potential of well-supported farmer producer organizations (FPO) role in equipping a farmer to increase their production, and thereby leading to reaping of economic benefits. Also, it stipulated to find institutional mechanisms to provide innovative solutions, to equip FPOs and in turn, enabling farmers within the perimeter of such afore-mentioned clusters in accessing technology, funds, innovative methods in agricultural practices, etc. Given this context, APEDA signing MoUs with the above-mentioned institutions may foster the clusters towards becoming the Agri Export Zones (AEZ) in future. The areas identified for cooperation between the agencies covers the entire value chain of production, processing, transport and logistics of agricultural products, certifications of products, increasing farmers' income, international marketing, etc.

## UP State Govt Announces Electronics Manufacturing Policy 2020

Currently, UP accounts for more than 60% of the mobile phones that are manufactured in India and it is largely attributed to the UP Electronics Manufacturing Policy of 2017. To develop an ecosystem for electronics manufacturing in the state, this policy established Noida, Greater Noida and Yamuna Expressway area as "Electronic Manufacturing Zone". Following its success, the UP state has announced the new Electronics Manufacturing Policy 2020 extending such incentives to the manufacturing units setting up bases in any part of the state.

*[13]https://pib.gov.in/PressReleasePage.aspx?PRID=1648415*

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Additional facilities have been granted for those investing in Bundelkhand and Purvanchal regions. It is set to attract Rs 40000 crore as investment, establishing 3 clusters of electronics manufacturing (specific cluster for defense and medical electronics manufacturing) and 3 Center of Excellence (CoE) in the state with a focus on semiconductor industries. This policy is valid for five years and it contains a list of eligible products covered under this policy[14]. Post Covid, the state is set up to become a hub for ESDM industries in the country.

*[14]http://www.uplc.in/docs/UP%20Electronics%20Manufacturing%20Policy%202020%20-20English.pdf*

# OFFBEAT

## MeitY Announces Swadeshi Microprocessor Challenge

Under the Microprocessor Development Programme, the MeitY has rolled out two microprocessors named as SHAKTI (32 bit) and VEGA (64 bit)[15]. These microprocessors are developed by IIT Madras and Centre for Development of Advance Computing. Such developments of indigenous microprocessors are intended to boost the IT related ecosystem in the country. To further boost the electronics related innovations, the Ministry has devised a plan encouraging the use of such indigenously developed microprocessors. Under the Atmanirbhar Bharat, the Ministry has announced the 'Swadeshi Microprocessor Challenge'. It seeks the innovators, startups and students to use these microprocessors in developing their products. It's open from 18 August 2020 till June 2021.

## Toy Industry falls under the Radar of Atmanirbhar Bharat

Recently, PM Modi held a meeting with government officials to explore the possibilities of revamping the revamping the Indian toy industry. He mentioned that Indigenous toy products created by artisans spread across the country displays a cultural imperative content. Also, such toys are acknowledged to play a vital role in the development of psychomotor and other skill sets that are considered to be essential for the growth and development of children. Hence, he suggested using toys reflecting Indian ethos to be used as a pedagogical tool in Anganwadi Centres and Schools.

He emphasized that innovative methods must be used to promote toys and artisans. Further, this industry is touted to benefit from 'Vocal for Local' policy under the Atmanirbhar Bharat. The PM mentioned leveraging technology to manufacture products exhibiting Indian values as per the global standards. He pointed out that the regions known for handicrafts of toys may be promoted under tourism.

Most importantly, the PM wants the digital gaming industry to develop games based on Indian culture and folklore as it may inculcate the Indian ethos and values and kindle the Indian spirit in the young minds of India.

*[15]https://innovate.mygov.in/swadeshi-microprocessor-challenge/*

## COVID – Import Restrictions Hit South Korean Products

As the world fell under the grip of Covid pandemic, countries across the globe imposed lock down to protect their territory. It resulted in impose of various forms of import control measures. In the light of this situation, KOTRA – Korea Trade- Investment Promotion Agency has published in its report that the Korean products are facing an all-time high of 226 import restrictions in various markets[16].

It has projected that such import restrictions are likely to continue throughout this year. It has been mentioned that countries enforce such import control measures to manage their economic losses. Anti-dumping, countervailing duties and safeguard measures are noted against South Korean products. It reports that USA, India, China, Turkey and Canada as crucial countries covering mostly products of steel, metal and chemicals sector. Further, the report attributes concentration of measures specifically to steel and chemical sectors as the importing countries are looking at policies boosting local manufacturing like India and Thailand.

## 2020: Time to Oblige MINAMATA Convention

This year 2020 marks a milestone in the chapters of Minamata Convention as it requires the signatories of the Convention to make changes in their regulatory apparatus to cease the manufacture, import and export of mercury and various mercury containing products as listed in the Convention. In other words, countries would propose/implement amendments to their import/export rules, waste management rules, etc concerning the ban of specific mercury containing products. Recently, New Zealand has proposed changes to the domestic laws/regulations to align with the Convention (July, 2020). Such changes are scheduled for enforcement in 2021. Whereas Taiwan has notified the standard revision to hot cathode fluorescent lamps pertaining to mercury in January 2020, changes to import and sale of mercury added products like switches and relays, etc. in February 2020. Given the significance, this article attempts to provide a brief of the Convention and the present scenario on the compliance status of the countries.

*[16]http://www.businesskorea.co.kr/news/articleView.html?idxno=50214*

**Brief:** The Minamata Convention on Mercury is a global treaty under the United Nations Environment Programme (UNEP). It was adopted to safeguard human health and the environment from the adverse effects of mercury. It was adopted in the year 2013 and entered into force on 16 August 2017. The Convention was named after the Japanese town, Minamata which suffered from the industrial release of mercury tainted wastewater resulting in the causal of severe ill-health symptoms leading to be termed as "Minamata disease" in the 1950s. Due to the toxic nature of mercury and its severe impact on human health and the environment, this substance became one of the major public health concerns of UNEP. The Convention includes the following:

- A ban on new mercury mines,
- The phase-out of existing ones,
- The phase-out and phase-down of mercury use in several products and processes,
- Control measures on emissions to air and on releases to land and water,
- The regulation of the informal sector of artisanal and small-scale gold mining.
- Addresses interim storage of mercury and its disposal once it becomes waste, sites contaminated by mercury as well as health issues.

**Member Countries:** 128 countries are signatories and 123 countries are parties of the Minamata Convention. The countries which are parties include 32 African countries, 30 Asia Pacific, 15 Central and Eastern Europe, 24 Latin America and the Caribbean and 22 Western Europe and other countries.

**Products Concern:** Mercury and mercury-added products were identified for restrictions to manufacture, import and export between parties and non-parties to this Convention. As per the Convention, the following products shall not be allowed to manufacture, import or export i.e., these products must be phased out in 2020.

- Elemental mercury and mercury compounds
- Batteries, except silver oxide button cells with a mercury content of less than 2% and batteries of zinc-air button with a mercury content of less than 2%.
- Switches and relays
- Compact Fluorescent Lamps (CFL) for general lighting purposes with a powerless than or equal to 30 watts with a mercury content greater than 5 mg per lamp burner.
- Linear fluorescent lamps (LFL) for general lighting purposes

- High-pressure mercury vapor lamps (HPMV) for general lighting purposes.
- Mercury in cold cathode fluorescent lamps and external electrode fluorescent lamps (CCFL and EEFL) for electronic displays
- Pesticides, biocides and antiseptics for topical use.
- The non-electronic measuring devices such as barometers, hygrometers, manometers, sphygmomanometers, pressure gauges and thermometers.
- Cosmetics, dental amalgam

Also, the productions of various substances like chlor alkali, vinyl chloride monomer polymer, sodium, potassium, methylate or ethylate, production of polyurethance using mercury containing catalysts, etc are listed along with the phase out timelines.

**Global Position:** As signatories to the Convention, countries have imposed a ban on mercury containing products. For instance: countries like Japan, Switzerland, Argentina, Chinese Taipei, and India have taken measures to ban the trade of mercury containing products. However, the Convention has provided the option of seeking exemption in complying with the fixed phase-out dates. As a result, countries including Argentina, Botswana, Canada, China, India, Iran, Ghana, Peru, Thailand and others have sought exemptions for various products till 2025. In the case of non-parties, the Convention has outlined additional implications that include a certification from the non- Party in the trade of banned/restricted products. The certification will specify that country has adopted measures to protect human health and the environment and will comply with relevant provisions to the Convention.

**Indian Scenario:** India has submitted its ratification to the Minamata Convention on 18 June 2018 and became the 93rd party to the Convention. However, India has sought flexibility for the continuous use of mercury-based products and processes until 2025 as mentioned earlier. The Ministry of Environment, Forest and Climate Change has implemented a Global Environment Facility (GEF) funded project titled as 'Improve Mercury Management in India'. It is carried out to make an inventory of mercury usage and other details, technological and economic feasibility for bringing changes in the production process and products using mercury and mercury-based substances.

As of now, India has initiated regulatory changes to be in line with Minamata Convention. In this context, the Department of Chemicals and Petrochemicals has issued a quality control orders on Caustic Soda. As per this order, Chlor Alkali (Caustic Soda) production with mercury or mercury compounds should be phased out by 2025. Hence, this order mandates the adherence to BIS standard-IS 252:2013 to ensure the use of caustic soda with less mercury content.

As a concluding remark, it is to be mentioned that signatories to this Convention would implement regulatory measures prohibiting the entry of mercury and mercury based substances from entering their territory as the year 2020 marks the phase out the products mentioned above. The business operators may want to pay attention to shelf life or exhausting their stocks, in cases wherein a transition time had been availed from complying with the requirements.

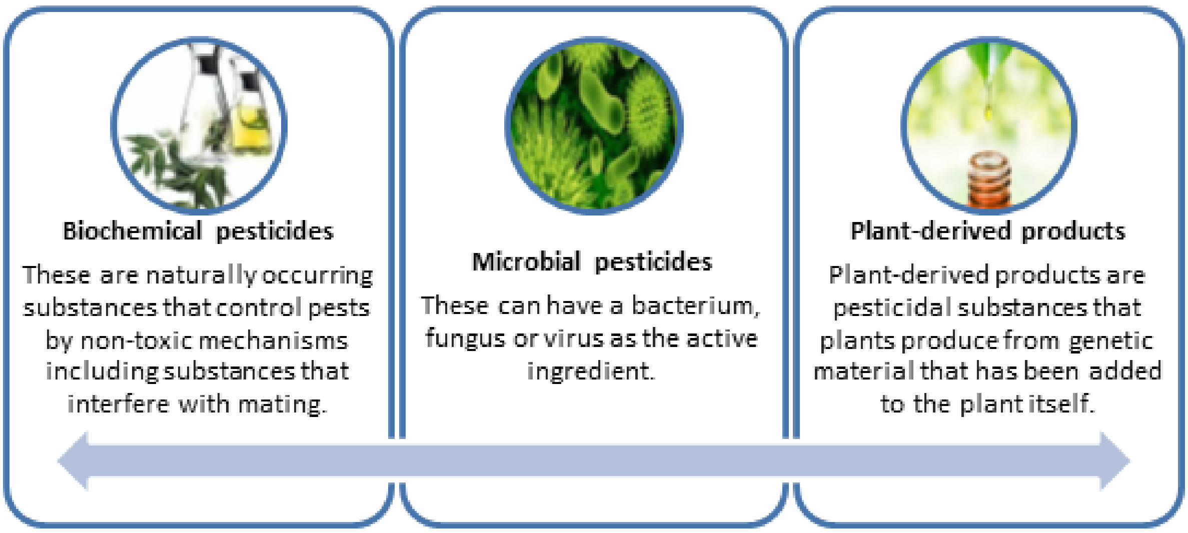
(This article has been prepared by Himani, Research Analyst)

## Biopesticides: The New Normal?

**Introduction:** With growing sensitivity about residues harmful effects on human being, environment, plants, animals and aquatics, alternative pest management techniques is gaining momentum. In this context, biopesticides are being viewed as possible efficient alternative to synthetic chemical based plant protection products – pesticides. Biopesticides are pest management agents which are based on living microorganisms or natural products and also considered to viable option for the production of sustainable agricultural products. These are now being actively used across the world.

**Biopesticides:** As given by Codex Alimentarius, 'biopesticides are a type of pesticide derived from natural materials including animals, plants, bacteria and some minerals'. Biopesticides are considered to be safer for the environment, people and animals. It can be classified into three major categories, biochemical, microbial and plantderived (Figure 1).

Figure 1: Types of Biopesticides




*Source: Codex Alimentarius*

Current Status of Biopesticides across the Globe: Given the intrinsic nature of biopesticides being less toxic and functioning as a target based mechanism, the global use of biopesticides is witnessing a tremendous growth. North America occupies the top spot with 44% market share with European Union and Oceania each having a 20% followed by Latin and South American countries at 10% and Asia and India at approximately 6% each[17] in the global biopesticides market. Certain biopesticides that dominate the global markets include Bacillus thuringiensis (Bt), neem, Baculoviruses and Trichoderma (fungicide).

Consumer demand for improved food safety, reduced environmental issues, organic production, greenhouses along with its ease of application methods are considered to the primary influence for growth of the biopesticides market. However, its ability to compete with or cause disruption in the use of synthetic chemical substances is limited due to the expensive production methods, poor storage stability, susceptibility to environmental conditions, efficacy problems and others.

Developments in Biopesticides: With the mounting pressure from regulatory agencies on chemicals based plant protection products and their level of usages, the biopesticides seems to be gaining momentum. US have been spear heading the field, however, Brazil has been making significant advances based on its recent notifications at the WTO. For instance: it has proposed resolutions concerning active ingredients: Clonostachys rosea, Bacillus subtilis, Habrobracon hebetor and Allium sativum.

International Standard: Unlike chemical pesticides that have an international standard established by Codex Alimentarius Commission (CAC) in which residue levels of various pesticides on multiple products are listed, residue levels for biopesticides is yet to be established. However, on the account of biopesticides being considered as substances of low risk concern, the CAC acknowledged the need to establish definitions and guidelines in order to identify such substances that may be exempted from the establishment of MRLs. Such an action would facilitate the use of biopesticides in the pest management[18]. Also, FAO/WHO in its Guidelines for Personal Protection when handling and applying pesticides

*[17] Source: https://thescipub.com/pdf/ojbsci.2020.66.76.pdf*

*[18]http://www.fao.org/fao-who-codexalimentarius/sh-proxy/it/?lnk=1&url=https%253A%252F%252Fworkspace.fao.org%252Fsites%252Fcodex%252FMeetings%252FCX-718-51%252FREPORT%252FFinal%252520Report%252FREP19_PRe.pdf*

(2020) have advised the use of minimal equipment in using biopesticides as a good agricultural practice[19].

Indian Context: The situation in India is no different from other countries including rise in public awareness on adverse effects of convention chemical pesticides and demand for low risk along with economic and technically feasible substances like biopesticides is gaining momentum. The annual growth rate of biopesticides is estimated to be 2.5 per cent.

As per the data available, till 2019, 12 types of biopesticides based on bacteria, fungi and viruses have been registered under the Insecticide Act, 1968 and this Act has been amended to ease the process of registration and also to encourage development and production of biopesticides in a swift mode. The National Farmer Policy 2007 has strongly recommended the promotion of biopesticides for increasing agricultural production, sustaining the health of farmers and environment. The following are the major biopesticides that are registered for use which includes Bacillus thuringiensis (Bt), Baculoviruses, Neem, Trichoderma and Trichogramma.

Way Forward: As biopesticides has been agreed to be products of low risk concern on its use in the integrated pest management, the need of the hour is providing a conducive environment for the innovation, formulation, and commercialization of such substances. Their integration in the sustainable production of agricultural products along with regulatory support and financial incentives may the need of the hour in addressing the problems in agricultural system of the country.

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

*[19]https://apps.who.int/iris/bitstream/handle/10665/330917/9789240000223-eng.pdf*

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**VeKommunicate**
**1212 12th floor**
**Tower B, Emaar Digital Greens**
**Gurugram 121202**

**For Further Information, Please Contact:**

**Neha Jindal**
**Senior Account Director**
**Mobile: +91 9871569300**

**Deepak Sahoo**
**Senior Regulatory Director**
**Mobile: +91 9953834771**

**R Manonithya**
**Senior Research Analyst**
**Mobile: +91 7042980852**

**E-mail: info@vekommunicate.com**
**Website: www.vekommunicate.com**