

India's trade in drugs and pharmaceuticals

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ABSTRACT

The buoyancy in exports witnessed by the pharmaceutical industry was commented on by the department of chemicals and petrochemicals earlier this year thus: 'The country is showing excellent performance in the pharma export front Indian exports are destined to more than 200 countries around the globe including highly regulated markets of us, Europe, Japan and Australia'. This article unravels the problems faced in understanding the magnitude of India's exports and imports of pharmaceutical products.

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The impact of various policy reforms post – 1991 on drugs and pharmaceuticals trade is an issue that has been discussed widely. This discussion has also been linked to the debate sparked off by the changes in the patent regime that was expected to adversely affect the generic producers dominating the Indian pharmaceutical industry. It was argued that the introduction of the product patent regime would restrict the generic producer's scope of operations, particularly their ability to export to preferred destinations. Imports would get a fillip not merely because of the parallel process of lowering of tariffs. Furthermore, the removal of the regulations, which insisted on local production to some extent and the abolition of restrictions on foreign firms were expected to encourage imports of pharmaceutical products into India. Recent studies and reports seem to suggest that the Indian pharma sector's performance has been contrary to expectations. According to Dhar and Gopakumar (2007), the integration of the Indian economy with the global economy provided an opportunity for the generic pharmaceutical industry to seek foreign markets. Consequently, the leading firms in this industry became considerably more outward oriented as compared to those belonging to other industries. The buoyancy in exports witnessed by the pharmaceutical industry was commented on by the department of chemicals and petrochemicals

earlier this year. Thus, the country is showing excellent performance in the pharma export front. Indian exports are destined to more than 200 countries around the globe including highly regulated markets of U.S., Europe, Japan and Australia. This article unravels the problems faced in understanding the magnitude of India's exports and imports of pharmaceutical products.

Significantly, all recent studies on India's trade in drugs and pharmaceuticals have glossed over the above – mentioned data problems by relying on data either from the annual reports of the department of chemicals and petrochemicals or from the annual reports of IDMA or OPPI. For instance, Dhar and Rao (2002) used the data of the department of chemicals and petrochemicals and OPPI to argue that the Indian pharmaceutical industry has turned into a foreign exchange net earner on its trade account in 1988 – 89, and this surplus has been increasing. Chaundhuri (2005) and Lanjouw (1999) have used the IDMA trade figures to arrive at the same conclusions.

Exports and imports of drugs and pharmaceuticals: Drugs regulations in India:

Trade in drugs and pharmaceuticals in India, using the definition given in the Drugs and Cosmetics Act, 1940. Section 3 (b) of the Act (1940), which covers all aspects of drug regulation in India, defines a drug to include:

- All medicines for internal or external use of human beings or animals and all substance intended to be used for or in the diagnosis, treatment, mitigation or prevention of any disease or disorder in human beings or animals, including preparations applied on human body for the purpose of

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