

# India-Pakistan Trade

## A Case Study of the Pharmaceutical Sector



**SDPI**  
Sustainable Development Policy Institute

# Study Objectives

- Macro-level impacts of liberalizing pharmaceutical trade with India
- Assessment of apprehensions of pharmaceutical manufacturers in Pakistan
- Supply chain cooperation between India and Pakistan
- Prospects of cross-border investment-trade nexus in pharmaceutical sub-sectors

# Background

- Pakistan's pharmaceutical industry is the 10<sup>th</sup> largest in the Asia-Pacific region
- An impressive growth of 17% during 2013; more than the global pharmaceutical growth rate of 8%
- Share in global pharmaceuticals trade (2012):
  - Pakistan 0.08%
  - India 1.21%
- Products exported to multiple European markets

# Structure of Industry in Pakistan

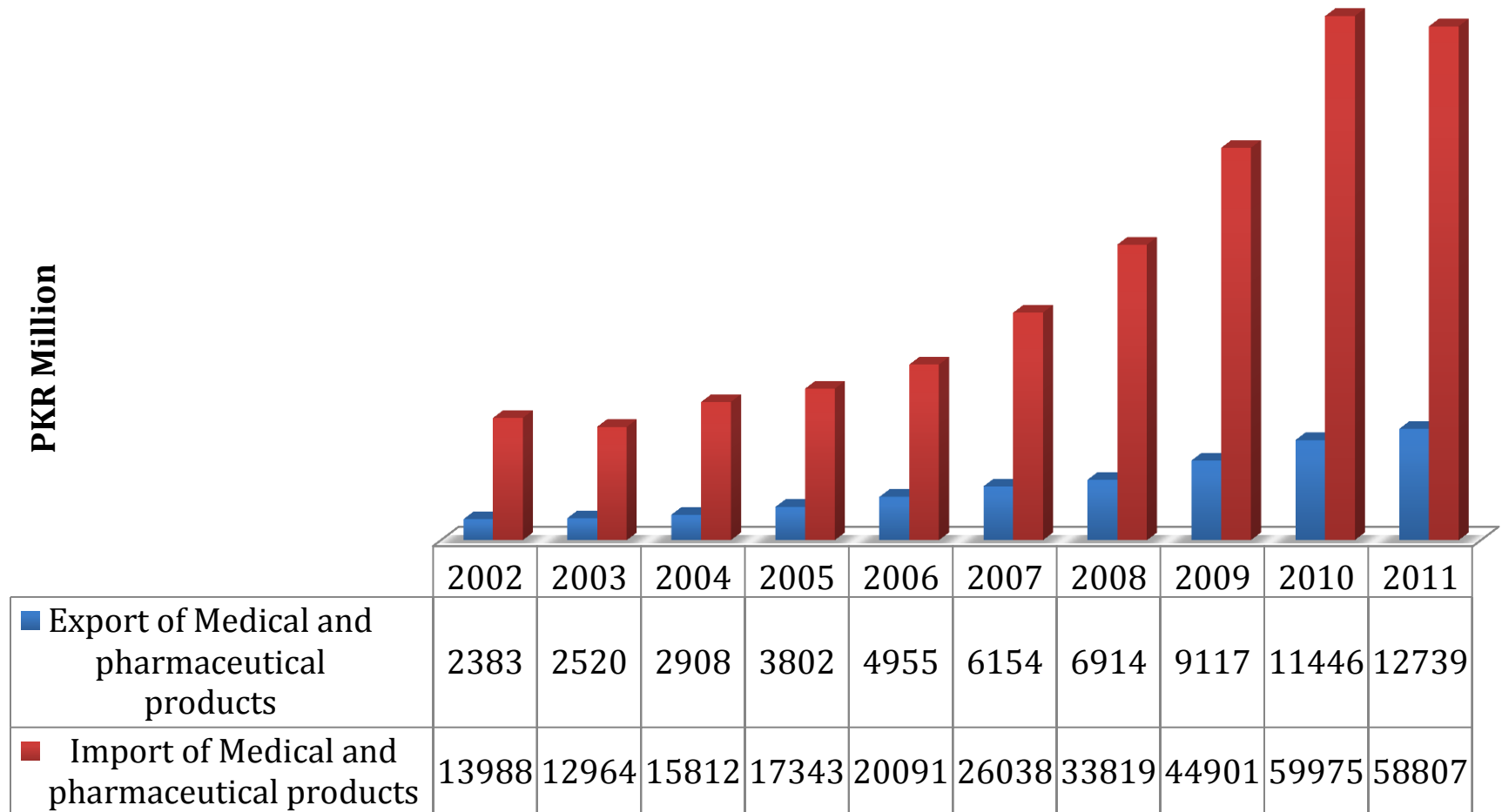
- Operational manufacturing firms grew from 5 in 1990 to 806 in 2012.
- 780 are domestic firms while rest are MNCs
- MNCs have a share of 53% in the pharmaceutical market
- Domestic production meets 80% of the demand
- 20% of the demand is met by imports from US, UK, Germany, Switzerland, Japan, Netherlands and France.

## Province-wise registered pharmaceutical manufacturers (2008)

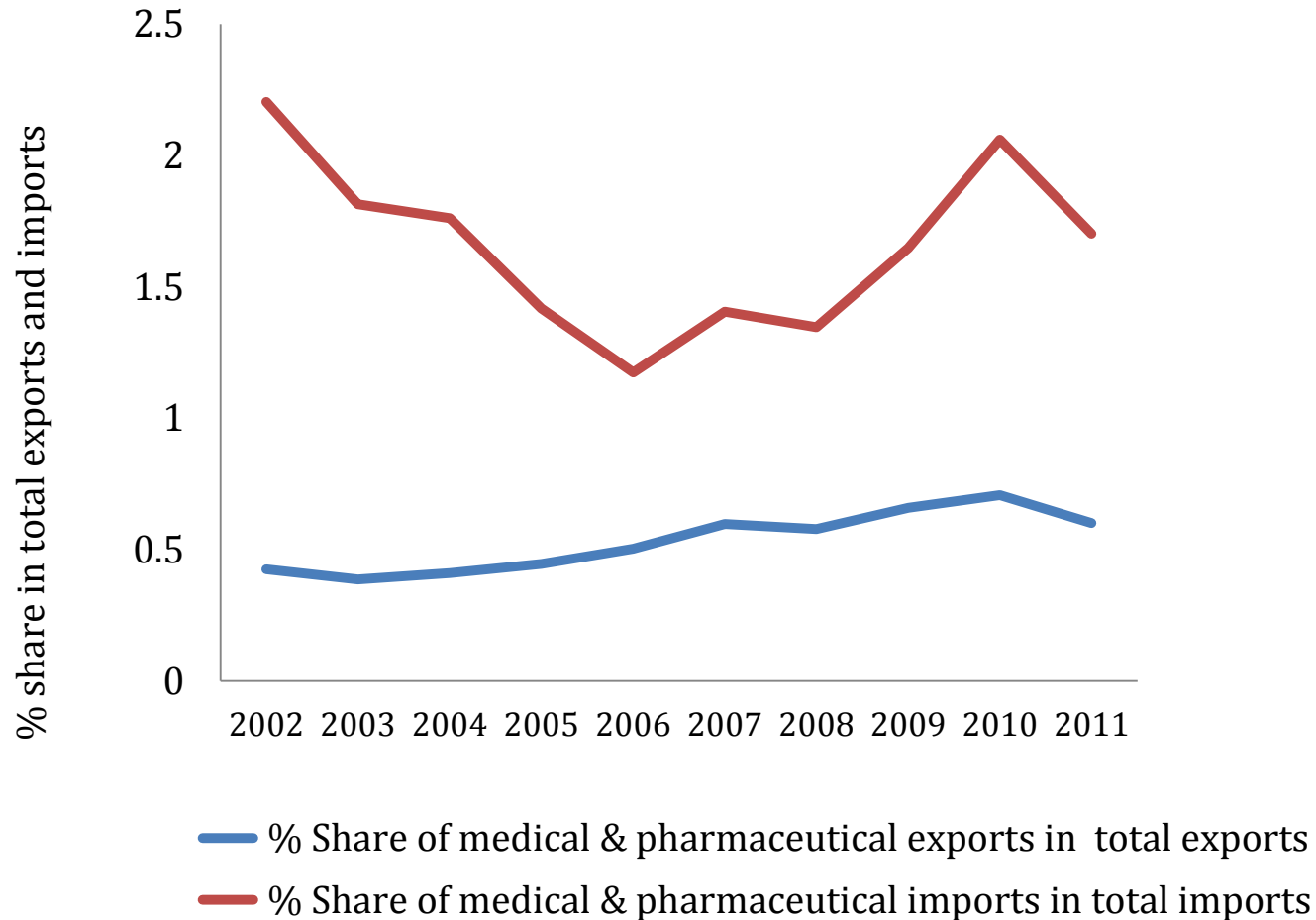
Province	Local	Multi-national	Total
Punjab	204	5	209
Sindh	92	23	115
Khyber Pakhtunkhawa	50	-	50
Balochistan	7	2	09
Azad Jammu and Kashmir	3	-	3
Total	356	30	386

Source: Ministry of Health (2008), Pakistan Business Review (2013)

# Export and import of medical and pharmaceutical products of Pakistan



# Share of pharmaceutical exports and imports in total exports and imports of Pakistan



# Major pharmaceutical trade partners of Pakistan, FY 2012

<b>Major export destinations of Pakistani pharmaceutical products</b>	<b>Values in 000 US\$</b>	<b>% share in total Pharmaceutical export</b>	<b>Major pharmaceutical Import partners of Pakistan</b>	<b>Values in 000 US\$</b>	<b>% share in total pharmaceutical import</b>
Afghanistan	24291	18.8	Switzerland	48983	13.5
Sri Lanka	15900	12.3	Hong Kong	45835	12.6
Philippines	13506	10.4	Germany	30815	8.5
USA	13151	10.2	China	25832	7.1
Vietnam	7249	5.6	Belgium	24852	6.8
Nigeria	6453	5.0	South Korea	20439	5.6
Sudan	5038	3.9	UK	19946	5.5
UAE (Dubai)	4004	3.1	Singapore	17003	4.7
Singapore	2984	2.3	USA	15820	4.3
India	2889	2.2	Italy	14338	3.9

# Pakistan-India pharmaceutical trade specifications (2012)

Pakistan	Values in US\$ Million	Indian	Values in US\$ Million
Pakistan's pharmaceutical export to India	2.89	India's pharmaceutical export to Pakistan	21.46
Total exports to India	333.45	Total exports to Pakistan	1,542
% share of Pharmaceutical in total exports to India	0.87	% share of pharmaceutical in total exports to Pakistan	1.39

# Negative List - Comparison

- Pakistan has 49 items from the pharmaceutical sector with restriction on import from India
- Out of total pharmaceutical products in the negative list, 24 fall directly under Chapter 30
- 428 items are from pharmaceutical sector in India's negative list. These items not specific to Pakistan.

# Pharmaceutical items in the negative list for India

Code	Pharmaceutical Products	Code	Pharmaceutical Products
30023000	Vaccines for veterinary medicine	30049030	Dextrose & saline infusion solution
30029030	Saxitoxin	30049040	Dextrose & saline, w/o saline infusion set
30029040	Ricin	30049050	Eye drops
30031000	Containing pencillins or derivatives thereof	30049060	Ointments, medicinal
30032000	Containing other antibiotics	30049070	Aspirin, medicinal
30034000	Containing alkaloids or derivatives thereof but not containing hormones	30049080	Sulpha drugs
30041010	Ampicillin, Amoxicillin and Cloxacillin capsules/ syrup	30049091	Cough syrups medicinal
30041090	Other	30049092	Paracetamol
30042000	Containing other antibiotics	30051010	Surgical tape in jumbo rolls
30043100	Containing insulin	30051090	Other
30043200	Containing corticosteroid hormones, their derivatives	30059010	Acrynol pad
30045090	Other	30059090	Other

# Informal Flow of Pharmaceutical Items from India

- SDPI survey reveals that daily turnover for Indian medicines in Khyber Pakhtunkhwa province and Lahore city is \$0.15 million and \$15000 respectively
- Some of the medicines included in the negative list (Aspirin and Paracetamol) are also imported in bulk through informal means
- In Khyber Pakhtunkhwa these medicines are prescribed by doctors due to their lower prices
- Some of the Indian medicines easily available in local Pakistani markets include Aspirin, Amoxilin, Ampicillin, Vasograin, Pramipexole Dihydrochloride, Cimetidine, famotidine, Co-trimaxazole, Ciprofloxine, Laxotanil , and Rentidin (Liv 52, Serpina, Mentat, Herbdax).

# Tariff & Non-tariff Barriers to Trade

- India imposes basic duty of 10-12.5% while other additional duties include: CVD 6%-16% and SPL CVD.
- Unlike Pakistan, weak central regulatory body for pharmaceuticals in India
- State-level registration allowed; State-specific levies not accurately documented and updated
- Pakistani Pharma exports to India have been subject to a more detailed testing and registering with Central Drug Standard Control Organization
- Standards control relatively strict for Pakistan
- Pakistani manufacturing units still require FDA approval

# Comparative Advantage (2011)

## Pakistani Pharmaceutical Sector

### RCA > 1-Product wise (4 digit level)

- Medicament mixtures
- Dressings packaged for medical use-3005

### RCA > 1-Product wise (6 digit level)

- Medicaments nes , in bulk
- Harmones nes,
- Antibiotics, nes, formulated in bulk
- Penicilins or streptomycins and their derivatives
- Dressings and other articles with adhesive layer
- Penicilins or streptomycins and their derivatives, in dosage

## Indian Pharmaceutical Sector

### RCA > 1-Product wise (4 digit level)

- Medicament mixtures-3003
- Medicament mixtures, put in dosage-3004

### RCA > 1-Product wise (6 digit level)

- Penicilins or streptomycins and their derivatives-300310
- Insulin, formulated, in bulk-300331
- Alkaloids, their derivs, formulated, nt cntng antibiotics/harmones, in bulk-300340
- Antibiotics nes, in dosage
- Insulin, in dosage
- Vitamins and their derivs, in dosage
- First aid boxes and kits
- Appliances identifiable for ostomy use

# Case for Supply Chain Integration

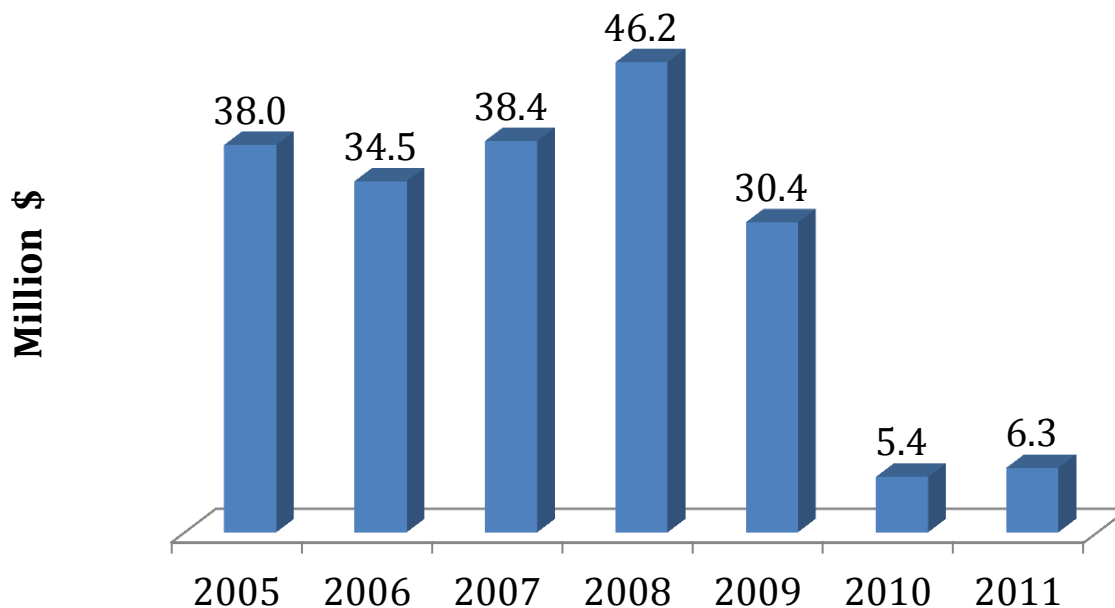
- India exports only half of the same pharmaceutical products which Pakistan imports from the rest of the world
- Supply chain integration through presence of MNCs on both sides
- Pakistan → alternative medicines, plant biotechnology, veterinary medicines, surgical goods
- India → design, R&D infrastructure, process intensification technologies
- Technical support from Diaspora of India and Pakistan

# Case for Supply Chain Integration-II

- 4 types of drug manufacturing licenses
  - Formulation
  - Basic manufacturing
  - Semi-basic manufacturing
  - Repacking
- Challenge
  - Regulated prices
  - Limited revision in prices since past decade

# Case for Indian Investment in Pakistan's Pharmaceutical Sector

## FDI in Pakistan's Pharmaceutical Sector



- FDI low in recent past
- Pakistan has allowed Indian FDI
- India will be able to import native raw material

Source: State Bank of Pakistan

# Way Forward

- Chinese medicine already in Pakistani markets
- Pakistan's generic medicine export to 18 countries already competing with India
- Import of Indian pharmaceutical intermediate inputs, medical equipment, packaging, machinery and medicines not manufactured in Pakistan may be allowed
- Indian JVs with Pakistan can help latter achieve FDA compliance

# Thank You



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