



# IMPACT OF EXCESSIVE SUBORDINATION ON API EXPORT FOR INDIAN PHARMACEUTICAL INDUSTRIES

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**Abstract:** The Pharmaceutical industries have been the backbone of the health care system of our country since its initiation back in the year 1901. With around 2,400 registered pharmaceutical industries, India has made its presence felt in the pharmaceutical sector globally. However, the outburst of SARS CoV-2 pandemic which initiated from the city of Wuhan in China in late 2019 exposed the dependency of the Indian Pharmaceutical companies on China for the procurement of Active Pharmaceutical Ingredients. This over-dependence is seen as a threat to the health care system and thereby resulted in prompting the government of India to undertake several steps and also announce packages to overcome the dependency.

Key words: Pharmaceutical industries, SARS CoV-2, Over-dependence, Pandemic, Active Pharmaceutical Ingredients

## I. INTRODUCTION

Pharmaceutical industry in India came into existence in the year 1901, when Bengal Chemical & Pharmaceutical Company first started its operation in Calcutta. Since then, the pharmaceutical industries in India have been striving forward, largely in accordance with government policies. Commencing with repackaging and preparation of formulations from imported bulk drugs, the Indian industry has moved on to become a net foreign exchange earner and has been able to underline its presence in the global pharmaceutical arena as one of the top 35 drug producers worldwide. Currently, there are more than 2,400 registered pharmaceutical producers in India. [1, 5].

The pharmaceutical companies reached a figure of Rs 14 lakh crore (US\$ 20.03 billion) in the domestic domain in the financial year 2019 rising by 9.8 percent from the year 2018. Drugs made in India are known for their safety and quality and are exported to over more than 200 countries globally with US being the vital market. With all possibility of growth in the upcoming time, India currently is the world leader of generic drugs both globally and in the domestic market accounting for 20 percent of the global export in terms of volume. India also plays a crucial role in the production of vaccines as nearly 60 percent of the vaccines are manufactured here which comprises nearly about 40 to 70 percent of supply to the World Health Organization to combat several infectious diseases. Over 80 per cent of the antiretroviral drugs used globally to combat AIDS (Acquired Immune Deficiency Syndrome) are supplied by Indian pharmaceutical firms [2, 5].

## II. CHALLENGES

The current pandemic of COVID-19 has been affecting industries all over the world and the situation of the Pharmaceutical sector in India is no different. Though India has several manufacturers of APIs and also supplies approximately 30 percent of the total generic APIs utilized in US, it depends largely on China which is the top manufacturer and exporter of APIs in terms of volume across the globe [3]. According to Bloomberg,

70% of India's imports of APIs come from China, total \$2.4 billion of India's \$3.56 billion in import spending for those products each year [4]. This over reliance on China has been exposed by the SARS CoV-2 outbreak across the globe and hence has increased the threat to the health care system of the country as most of the APIs procured are extremely critical to alleviate the rising disease burden [5].

The supply chain and product exportation has been disrupted due to several policies adopted by the Chinese government for containment of the spread of the virus. Supplies were further wedged due to disruption of logistics and transportation due to the extended lockdown that has been implemented in India. As per the data compiled by the drug regulatory authority of India, if the lockdown in China is prolonged then 57 APIs of crucial antibiotics, vitamins, hormones and steroids could go out of stock [6].

### III. FUTURE PROPOSALS

Looking into the current scenario, the government is contemplating ways to encourage domestic manufacturing of APIs. The government has also restricted the sale and distribution of hydroxychloroquine to meet the requirements of any emergency arising due to COVID-19 pandemic [7]. As per Global Data, proposals like long tax breaks, exemptions for APIs and formulations made from such APIs from Drug Price Control Order and setting up of a corpus fund towards API industry development can help narrowing the gap between Indian and Chinese prices and thereby is likely to increase the preferences for local APIs. The Indian government earlier in the month of March 2020 approved a plan of providing a finance of INR 3,000 crore (\$394 million) for common infrastructure facilities over the next five years for three bulk drug parks so as to increase the domestic API production in India. Under the plan, the government of India will provide grants-in-aid to states with a maximum limit of INR 1,000 crore (\$131 million) for each bulk drug park [8].

A high-level meeting, between the Indian government and key representatives of India's pharmaceutical industry organized by NITI Aayog, a government think tank, raised suggestions such as speeding up approvals for building factories, including necessary clearances from the environment ministry, and for giving concessions on electricity, and the promotion of pharmaceutical manufacturing hubs [3].

### IV. CONCLUSION

The COVID-19 pandemic has caused a multitude of problems in the global pharmaceutical supply chain - particularly in China, which can be utilized as an opportunity by India and with support from the government by undertaking several steps like Regulatory relaxation especially to the APIs manufacturers, tax relaxation, providing with special economic zone etc., the Indian pharmaceutical industries can look to neutralize the Chinese dominance in the market.

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