5.2 Details

(ii) BASIC CHEMICALS, PHARMACEUTICALS & COSMETICS EXPORT PROMOTION COUNCIL

Organisation : Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council

Objective : Chemexcil participation in the 6th Southeast Asian Healthcare Show 2001

Date : 25 to 27 April 2001

Countries : Kula Lumpur, Malaysia.

Summary Report

Chemexcil's participation in a 3-day International Healthcare Show 2001 at Kuala Lumpur, Malaysia, was to project capabilities and achievements of Indian pharmaceuticals, chemicals, and speciality chemicals. Also it was to establish Chemexcil as a single contact point for sourcing these products from India.

On this occasion, Chemexcil had brought out an exclusive exhibition catalogue highlighting its status as a Government of India set up. This catalogue covers India's entire pharmaceuticals, dyes, chemicals, cosmetics & toiletries, agarbattis and ayurvedic/herbal products industries for the purpose of exports and serving as a single contract point for overseas buyers for sourcing any of the above products form India.

The report covers important information for an exporter about Malaysia's import and export policy. There are few restraints. Most imports are admitted under open general licence. Import licences are required for arms and explosives, motor vehicles, dangerous drugs and chemicals, plants, soil, tin ore, tine stages or tine concentrates and certain essential foodstuffs. According to the regulations of Malaysian Government only the pharmaceutical and ayurvedic/homeophathic products registered with them are allowed to be imported or marketed into Malaysia.

Malaysia adopts the harmonised commodity description and coding system of classification of goods. The range of import duties varies from 5 per cent to 60 per cent and are generally levied on an *ad valorem* basis but may also be imposed on a specafic basis. Raw materials, machinery, essential foodstuffs and pharmaceutical products are generally non-dutiable or subject to duties at reduced rates. In addition to import duty, a sales tax of 10 per cent is levied on most imported goods.

Member of Delegation

1. Mr. Kishore Chokhairn, Chairman and Mr. S.G. Bharadi, Assistant Director, Chemexcil.

Conclusion

Participation in the Healthcare Show 2001 was to project capabilities of pharmaceuticals, chemicals, and speciality chemicals in Malaysia. India should also continue with this objective in different parts of the world.

Organisation : Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council

Objective : Chemexcil's participation in CPhI China 2001

Date : 10-12 July 2001

Countries : Shanghai, China

Summary Report

This report was prepared for Chemexcil's participation in a 3-day international fair to project the capabilities of Indian pharmaceutical and chemical industry. CPhI China 2001, which created a unique platform for foreign pharmaceutical ingredient suppliers to establish contact with Chinese companies. As China will continue to establish a pharmaceutical production and distribution system that fits the socialist market economy system, improve pharmaceutical enterprises ability of technological innovation and international market competitiveness, becoming a pharmaceutical power in 2001-2005.

After Chinese entry into the World Trade Organisation, it will be more market-oriented in administration. There are chances that China will become a main production base for bulk pharmaceuticals and drugs. Import and export will get a impetus and local market competition will be fiercer as there will not be much price difference between homemade and imported products.

Pharmaceutical companies are generally small sized in China. Thus in coming years enterprises will be more scale-oriented and with diversified business. Many listed companies and groups will turn up in the next-five years, which will realize resources gathering, increased value of assets and capital expansion in the way of alliance, merger and acquisition or restructuring.

Chinese pharma industry will be developed as a combination of traditional and modern medicine. Information and internet technologies will help this industry. New medicines enjoying independent Intellectual Property Rights (IPRs) will increase rapidly. Many powerful producers are paying attention to technology and product innovation and to establish a system of independent IPRs.

According to the present situation in Chinese pharma industry, following are the fields that are mostly likely to enjoy the rights: processed Chinese medicine, combination of Chinese and Western medicines, biochemicals, biological engineering medicines, genes pills, healthcare products, and updated medicine materials.

Price will become more reasonably based on the value of medicine. Problem of nominal price in this industry will be entirely solved in coming five years due to its centralised production and cost cut.

Reform will be done in new medicine approval system, resulting in fewer number of similar products, and those with independent IPRs, will be protected as patent products enjoying better prices.

West China will become the production base of bulk pharmaceuticals. This region is rich in Chinese herbal medicine, biological and labour resources. It is also a large market worthy of exploration and exploitation.

Joint ventures and imported products accounted for about 30 per cent of the total market. Pharmaceuticals account for an estimated 60 per cent of all health care related costs in China (USA and Germany account for 80% and 12% respectively). Bringing down the costs, the Chinese Government has instituted a series of reforms such as the establishment of drug formulations or reimbursement lists, price caps, and strict marketing and advertisement laws. These restrictive measures account for nearly static sales growth for many multinationals.

Price *vs*. cost will probably remain one of the most important considerations in this market.

According to the Chinese State Pharmaceutical Administration, there are more than 1,000 foreign invested pharma enterprises. These seems to be stiff competition for both joint venture producers as well as importers. Potential exporters to the Chinese market should explore every possible niche of this sector. The actual market for foreign pharmaceuticals and products is only 10-15 per cent of total population.

New regulations regarding over-the-counter (OTC) drugs may present the greatest future market potential. Health foods and products, which fall into a category known as “Health Supplements, “ as well as skin and eye care products may hold greater promise than the current ethical drug market place for many exporters looking at China for the first time.

Also backed by favourable Government policy and enormous consumption the market for OTC drug is moving very fast in China. “The country represents the fastest growing OTC drug market in the world and is expected to be the largest market in the near future.” It is estimated, sales income of OTC medicine is expected to read RMB60 billion in 2005. Experts predict the Chinese market will expand by up to 30 per cent each year for the next five years.

There are nearly 2,200 different OTC drugs available, nearly half the 5,000 kinds of drugs in the country’s market. The Chinese Government started classifying OTC drugs and prescription ones in 2000. Most OTC drugs are for routine problems like colds and diarrhea, and the government carefully approves new OTC drugs to ensure dangerous medications are dispensed only at a doctor’s direction. Competition is coming to the OTC market, too, with chain drug stores offering lowering prices and better services being expected to proliferate.

Member of Delegation

1. Ms Asha Tulsiani, Director, Chemexcil, Mumbai.

Conclusion

China is the fastest growing over-the-counter (OTC) drugs market in the world. It is because of Chinese government favourable policy and enormous consumption of OTC drugs. The present situation of China pharma industry is combination of Chinese and Western medicines, biochemicals, biological engineering medicines, genes pills, healthcare products, and updated medicine materials. Health foods and products, which fall into a category known as "Health Supplements" as well as skin and eye care products may hold greater promise than the current drug market place for many exporters looking at China for the first time. There is stiff competition for both joint venture producers as well as importers. Potential exporters should explore every possible niche of pharma products in this country.

Organisation : Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council

Objective : Chemexcil's participation in Expomedica International Fair, Panama and CPHI Worldwide Exhibition, London (UK)

Date : Panama, 4 to 7 October 2001

Countries : Panama and UK

Summary Report

The market size for prescription drugs in Panama, El Slavador, Costa Rica, Honduras, Guatemala, and Nicaragua is estimated of US$617 million. In addition to it, medicines sold over the counter add up to about 15 per cent to 25 per cent of prescription drugs in value terms.

Panama's market-size is US$97 million. It does not have a domestic pharmaceutical industry. There are a couple of companies that produce finished products but the drugs are very basic and do not conform to GMP standards. Therefore, virtually all the medicines are imported in the country.

Principal exporters to Panama are: USA, Mexico, Guatemala, Europe, El Salvador and Costa Rica. Over 35 per cent of imports from these countries are routed through the Colon Duty Free Zone.

Traditionally, MNCs have been operating in Panama for a long time. Generic companies from El Salvador, Costa Rica, Colombia, and Argentina have gained a good foothold in the market. India's share in total imports of Panama is virtually negligible. Export of pharmaceutical products to Panama was $0.35 million.

As per the report, Indian exporters should concentrate on products, viz. textiles and garments, machinery, electrical and electronic equipment, chemicals and pharmaceuticals, footwear, precious/semi-precious metals & stones, plastic products and miscellaneous manufactured article comprise the bulk of imports into Panama and Colon Free Zone.

Popularising of Indian products/brands will help in increasing of export volume in this market. In this regard, brochure/catalogue on products should be in

Spanish language. Also measures should be taken for promotion of "Made in India" brand and other popular Indian trademarks in this region. Participation in major international trade fairs held in Panama will help the exporters.

Ranbaxy Ltd. and Aurobindo Pharma have established their presence in this region.

Conclusion

"Made in India" brand and other popular Indian trademark should be taken for promotion in this country. Brochure/Catalogue of products should be in Spanish language.

Organisation : Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council

Objective : Study-cum-Sales Team to provide a window to showcasing India's capabilities in chemicals and allied products using technologies comparable to the best in the world.

Date : FCE Pharma Fair, 24-26 July 2001
Study Team, 22 July –13 August 2001

Countries : Brazil, Chile, Colombia, Venezuela, and Mexico

Summary Report

The Latin America is a market of 465 million people across 33 countries, with a combined GDP of US$2 trillion. The stability and growth of the individual countries have been reinforced by the trend of regional integration in the continent.

India's exports to Latin America are chemicals, pharmaceuticals, bulk drugs, dyestuff, incense sticks, etc. Chemicals have the largest share in India's exports to this region. These chemicals go into industries such as food, leather, plastics, mining, etc. Earlier these chemicals were imported through European traders, but now over the years are being directly imported from India.

India has established its name as a reputed supplier of bulk drugs. Finished formulations from India are being registered in some countries of Latin America. Ranbaxy, Core Health Care and Reddy Laboratories have established joint ventures in this region, where the prices for medicines vary from three times to twenty times the price of medicines in India. Profit margins are obviously very high.

A major constraint in India-Latin America trade has been the long distance and consequential high freight costs. Air shipments are expensive and make offers non-competitive. Sea shipments are time-consuming. This makes credit terms offered by Indian companies unattractive in real terms. High local interest rates, and high banking costs have resulted in almost all business being done on 90-180 days credit and on open terms. In Brazil, the cost of opening an L/C can be up to 6 per cent of the invoice, and requires extensive paperwork in addition to high margin money. As interest rates are low in Europe/North America, companies there routinely offer long-term credits and their exposure to the payment risk as well as the foreign exchange risk. This is disadvantage to Indian exporters.

Indian exporters ought to focus on establishing warehouses in the region for offering prompt deliveries. Free Trade Zones in Uruguay offer good hub for Argentina and Brazil. Miami or Panama are convenient for the northern parts of Latin America.

Members of Delegation

1. Ms. Asha Tulsiani, Director, Chemexcil.
2. Dr. A.R. Sabharwal, Managing Director, M/s. Dr. Sabharwal's Mfg. Labs. Ltd., Kanpur
3. Mr. E.J. Babu, Senior Manager (Export), M/s. Ipca Laboratories Ltd., Mumbai.
4. Mr. Rajiv N. Sheth, Managing Director, M/s. Metropolitan Eximchem Ltd., M/s. Sunbeam Monochem Pvt. Ltd., Mumbai.
5. Mr. M.K. Kunder, Director, M/s. Kunder Chemicals Pvt. Ltd., Mumbai.
6. Mr. Sardarmal Chordia, Managing Director, M/s. Medopharm, Chennai.
7. Mr. Pradeep S. Shetye, Chairman, M/s. Pradeep Shetye Pvt. Ltd., Mumbai.
8. Mr. Gautam Shah, M/s. Shah Industries, Ahmedabad.
9. Mr. Jamalbhai U. Chhipa, Executive Director, M/s. Textile Colour and Chemical Industries, Ahmedabad.
10. Mr. Bipin Patel, Partner, M/s. Unique Dye-Chem, Ahmedabad.

Conclusion

Sponsoring/conducting product-specific trade delegation and product-specific market survey will help Indian exporters. Not only participation in specific trade fairs/exhibitions in this region but also organising "Made in India" shows will help the exporters. Exploring possibility of joint ventures/partnership in R&D may give additional impetus to the pharma & bulk drug trade in the Latin American region.