

# Indian medicines find way into Pakistan

Due to a long history of rivalry and warfare, trade between South Asian neighbours India and Pakistan is minimal. However, pharmacists in Pakistan are supplying Indian medicines. **Ashfaq Yusufzai**, from the *Daily Dawn*, Peshawar, Pakistan, reports

High drug prices have allowed medicines smuggled from India to capture Pakistan's pharmaceutical market. Although Pakistan has 25,000 licensed medicines, the markets are replete with Indian medicines, which are selling like hot cakes.

Huge profits can be made, especially in rural areas, by selling all sorts of preparations smuggled from India and antibiotics, analgesics, sedatives, tranquilisers, hormones, anti-hypertensives and contraceptives are making their way across the border on such a scale that multinational corporations (MNCs) and local manufacturers are finding it hard to compete — 40 MNCs and 300 national companies supply medicines in Pakistan.

The pricing of medicines in Pakistan is lightly regulated. "The Ministry of Health allows the multinational drug manufacturing firms to raise the prices of their products every now and then," Mohammad Riaz, president of the Pakistan Pharmaceutical Association (PPA), told *The Pharmaceutical Journal*. Furthermore, in the past decade, prices have increased by about 200 per cent. MNC products are at least 10 times costlier than the ones smuggled from India, said Ghulam Sarwar Khan Mohmand, managing director of a pharmaceutical factory in Peshawar. According to one survey, a strip of 10 Zantac tablets costs Rs90 (Pakistani rupees) compared with Rs14 for the Indian version. Similarly legitimate ciprofloxacin is available for Rs520 whereas the smuggled version costs just Rs21. Diclofenac sodium is on sale for Rs50 but its Indian version costs Rs3 only. And the list goes on.

Drugs are cheap in India because of a 1970 law that allowed Indian manufacturers to get around international patents and grow rapidly. By the time India acceded to World Trade Organization (WTO) patent rules, last year, the country had built up the largest number of US Food and Drug Administration approved manufacturing facilities outside the US and these benefit from unbeatably low production costs. In addition, the Indian Government provides subsidies for some drugs in an effort to keep prices low.

## A blind eye

In Pakistan, a country where the gross national income per capita is just US\$520 and medical facilities are limited, patients' inability to purchase expensive drugs manufactured by the MNCs, compel them to buy the Indian alternatives, despite the bad blood between the two countries (three wars have been fought over Azad Jammu and Kashmir). Ikramullah Khan, a 40-year-old shopkeeper from Peshawar, whose mother is a cancer pa-



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## Many manufacturing facilities in India have low production costs

tient, says he buys smuggled drugs for injections from India because they cost only a fraction of locally made preparations.

Smuggling is particularly rife in the lawless rural parts of the North West Frontier Province (NWFP) that share borders with Afghanistan, which imports millions of dollars worth of drugs from India. These are then smuggled to border areas in Pakistan from where they make their way across the country. Many pharmacies in this region deal only in smuggled drugs from India. Some of the products on pharmacy shelves do not have information leaflets or details, such as expiry dates, but according to officials at the Federal Quality Control Board in Islamabad, most drugs smuggled in from India are safe for human use. In addition, studies have shown that smuggled anti-cancer drugs were as effective as those of the MNCs. There are even doctors who have been prescribing Indian medicines. For example, Peshawar-based doctor Gul Jamal claims to use an Indian brand for chronic stomach problems, finding it "quite effective".

Although smuggling medicines in Pakistan is a crime punishable by a maximum sentence of 10 years' imprisonment, according to a drug analyst at the Federal Quality Control Board, some authorities are reluctant to stop the illicit trade because that could mean denying the poor access to affordable drugs. Some regulatory authorities simply look the other way, whereas others receive hefty bribes from the perpetrators.

Under such conditions, pharmacists often recommend Indian medicines over legitimate ones.

## Shortages and safety

Pakistan's expensive legitimate pharmaceutical market is further marred by frequent drug shortages. A recent survey conducted by the Network for Consumer Protection (a non-governmental organisation that, among other things, works to discourage irrational use of drugs in Pakistan) showed that 47 out of 478 essential drugs (including antimalarials, antibiotics and immunosuppressants) were either unavailable or in short supply. Of these, 26 had been unavailable for at least six months. There have also been claims that some shortages are created in order to keep prices high.

Anti-retroviral drugs for HIV/AIDS are in particularly short supply and Pakistani manufacturers do not make them. About six months ago, the World Health Organization started importing these drugs to Pakistan from India under special arrangements. They are prescribed to patients in five treatment centres in the major cities by specially trained doctors. To deal with concerns that the anti-retrovirals might get into the wrong hands or find their way on to the open market, the WHO has put stringent measures in place. Distribution is strictly monitored and patients are not allowed to take their medicines home. However, "there is no guarantee that [anti-retrovirals] would not be smuggled from India," Quaid Saeed. The WHO's professional

medical officer for HIV/AIDS in Pakistan, said.

### Trade barriers and agreements

A national study of 439 drugs from 37 therapeutic classes manufactured by 41 companies found that policies restricting trade from India have a direct impact on prices of pharmaceutical products in Pakistan because the country is bound to purchase expensive medicines made by MNCs. In addition, "Pakistan-based MNCs are importing raw materials from their mother countries, which causes increase in prices", said Ghulam Sarwar Mohmand, former president of the Frontier Chamber of Commerce and Industries. The issue of Indian drugs being sold in Pakistan is not a new one. It has been debated several times in the National Assembly of Pakistan but with no tangible outcome.

About 10 years ago, under WTO guidelines, India granted Pakistan "most favoured nation" status. This means that Pakistan is granted all trade advantages (eg, low tariffs) that other countries receive. Members of the WTO accord this status to each other. Pakistan, however, did not reciprocate. More recently, the South Asia Free Trade Agreement (SAFTA) came into effect. This aims to reduce tariffs for intraregional trade and both India and Pakistan were among the seven countries to ratify the agreement. Notwithstanding this ratification, Pakistan has still not accorded

India most favoured nation status but some remain hopeful that trade will open up. "When SAFTA and WTO rules are fully implemented and there are no trade barriers there will be a sharp reduction in the smuggling of medicines from India to Pakistan," said a local pharmacist. In addition, according to Ayyaz Kiani, executive co-ordinator at the Network for Consumer Protection, although Pakistan has not granted most favoured nation status to India the trade tariffs that it applies on imports from India are much lower than those it applies to sectors bound under the WTO. "These tariffs would apply to any additions made in Pakistan's positive list [items which can be imported] for India under SAFTA," he said. It has been suggested, however, that once SAFTA is implemented and there are more Indian medicines on the market, it may be more difficult to keep the sale of smuggled Indian medicines in check.

For their part, Indian pharmaceutical companies are keen to gain a toehold in Pakistan's pharmaceutical market, which is estimated to be worth US\$140m. Currently, MNCs control 60 per cent of the market with the rest going to about 100 drug importers and the 300 licensed manufacturers.

According to the Indian Drug Manufacturers Association, Pakistan imports drugs in bulk from all over the world, except India, which is a leader in exporting bulk drugs. Working through the Federation of

Indian Chambers of Commerce and Industry (FICCI) Indian pharmaceutical companies have been putting pressure on the Indian foreign ministry to get Pakistan's trade barriers against India removed, at least in the drug sector. "We have been holding a series of discussions with officials on specific sectoral trade relaxation," Amita Sarkar, a director at FICCI, said.

There may be hope in the composite dialogue process through which Pakistan-India ties have been steadily improving over the past two years. Bilateral trade between Pakistan and India now exceeds US\$800m against \$334m in 2004. However, contraband trade is believed worth more than twice that figure.

Another alternative is circular trade. This is carried out through third-party countries (such as Dubai and Singapore, and now Afghanistan), which import goods then re-export them to Pakistan. A number of Indian products, such as truck tyres are indirectly, but legally, imported into Pakistan in this way, but this is costly. "Keeping in view the competitive pharmaceutical market, low prices for medicines in India and rising pharmaceutical demand in Pakistan, exporters from India and importers in Pakistan cannot gain maximum profit from legal trade, mainly due to tariffs and hindrances in trade facilitation," said Mr Kiani. For now, "Smuggling remains the best option to avoid tariffs, standards and documentation issues," he said.

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