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Chinese Aid Norms Hit Indian Drug Biz

China's conditional lending curbing Indian pharma exports to some markets in Africa, Asia & eastern Europe

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Hyderabad: The stipulations increasingly being made by China while extending financial aid to several developing economies to buy medicines produced by their manufacturers have of late begun denting the exports of Indian drugs to these countries.

A senior commerce ministry official said India currently exports around $15-billion worth medicines and the stipulations of China are probably affecting India's drug exports in nearly a fifth in some markets in Africa, Asia and eastern Europe.

China has been steadily accelerating aid to several developing economies towards capacity building in infrastructure, goods, materials, technical, human resources, agriculture, medical and health sectors. As against the $10-billion assistance extended between 2009 and 2012, Chinese President Xi Jinping announced doubling the aid to $20 billion during 2013-15.

Cautioning the Indian drug makers on such adverse results, Director General of Indian Pharmaceuticals Export Promotion Council (Pharmexcil) PV Appaji said the domestic pharmaceutical companies were advised to step up their marketing efforts. "China has been increasingly insisting on several African, eastern European and a few Asian countries to buy its medicines while extending financial aid. As a result, there has been a dent in Indian drug exports to these economies," Appaji told **ET**. "We are advising our medicine manufacturers to take note of this and accordingly sharpen their strategies for these markets to regain the lost ground and improve market share."

Dragon Squeezes India's Drug Exports

Country	EXPORTS IN 2013-14	2014-15
South Africa	561	508
Ethiopia	146	124
Bangladesh	158	138
Ukraine	115	86
Sudan	81	79
Kazakhstan	59	58
Syria	30	20
Tajikistan	19	14
Belarus	16	15
Angola	64	62

THE FIGURES ARE IN US $ MILLION SOURCE:- PHARMEXCIL

India exported $15.2 billion (₹95,000 crore) medicines in 2014-15 and around 15% of these medicines were sold in economies that are availing concessional loans from China. Pharmexcil, in consultation with Union commerce ministry, is currently devising strategies to help the Indian drug makers improve their exports, said Appaji.

At present, China is the third-largest pharmaceutical market with over $100-billion size, striving to narrow the gap with its rivals US and Japan, the two top players with a size of $300 billion and $110 billion, respectively. As part of its efforts, China, the world's largest player in active pharmaceutical ingredients (APIs), or raw material that goes into medicines, has stepped up investments in pharmaceutical formulations or finished medicine dosages.

A senior banker with exposure to foreign lendings said China Development Bank (CBD), China Import-Export Bank (C-EXIM) and state-owned export credit insurance giant Sinosure were known to often structure their financing package where the concessional loans were usually linked to awarding contracts to the Chinese firms.

Terming them as 'tied-lending', the banker, who did not want to be named, told **ET**: "Depending on the sector to which the concessional loans are being extended, China prescribes loan conditions that require 50-70% of loan proceeds be spent on availing Chinese goods and services."

The same banker said: "While extending $200-million loan to Nigeria, the CBD of China had earlier insisted on using the proceeds to buy products from Chinese telecom giant Huawai. While lending to Angola, the Chinese banks had insisted on spending over 70% of it on buying goods and services from the Chinese firms."

ExPm.