

India's Import Tariffs (1992-1997)

Year	Import Tariff
1992	130%
1993	85%
1994	65%
1995	40-50%
1996	30-40%
1997 (projected)	25%

Aside from tariffs, some special restrictions also apply. Some products which require fermentation are protected by special import regulations. The reasoning is that because fermentation is capital intensive and therefore expensive for domestic producers, special protection should be granted. For example, importers of penicillin G and rifampicin intermediates are required to buy 85 tonnes of product from domestic producers for every 15 tonnes they import.

e) **Research and Development**

The drug industry's R&D to sales ratio is 1.5%. This is well below the rate of 12-15% for multi-national companies located in their home countries and the Canadian rate of 11.3% (1994). The 1.5% R&D to sales ratio is low considering that input costs in India are lower than in the developed world. The cost of inventing a new molecule in India is estimated to be only one seventh of the total cost of discovering a new drug in the developed world. India's low labour cost (both skilled and unskilled) is estimated to be one tenth of the cost of that in the western world.

One possible explanation for this lack of R&D is the state of India's patent laws which do not recognize product claims. Only new processes can be patented. Consequently, it seems, Indian companies have been concentrating on developing new processes for existing drugs rather than investing time and research in the development of new innovative drugs.

In hopes of increasing the amount spent on R&D for new drugs by pharmaceutical companies, India has taken steps towards patent harmonization with the rest of the world. The current Indian government intends to abide by the patent agreement as outlined in the TRIPS/GATT documents.