ABSTRACT

Drug manufacturing by the transnational corporations (TNCs) in India began essentially after India's independence. The development of the drug industry in India before independence was primarily due to indigenous efforts. With the therapeutic revolution of the 1930s-40s, the TNCs abroad started developing new drugs which the indigenous firms except in a few cases failed to do. But the latter continued to do research for developing processes and to manufacture drugs. The government, however, did not protect the indigenous firms when the TNCs started manufacturing drugs in India. It, in fact, encouraged the TNCs to invest in India. The government's licensing and pricing policies and the patent system adversely affected the indigenous firms.

Technology is not a bottleneck for the indigenous firms to replace most of the manufacturing activities of the TNCs. The indigenous firms actually had manufacturing technology to produce at least 76.8 per cent of the value of the bulk drugs produced by the TNCs during 1976/76-77 and 1977/77-78 and at least 97.5 per cent of the value of formulations sold by the TNCs during 1977 and 1978. There is no evidence to suggest that the drugs of the indigenous firms are of inferior quality compared to the TNCs'. The latter, in fact, conveniently utilize products manufactured by the indigenous firms. As a result, it may not be possible for the TNCs also to ensure proper quality, if the
indigenous firms are incapable of doing so. Analysis on the basis of small samples shows that the indigenous firms are capable of manufacturing drugs which are bio-equivalent to those manufactured by the TNCs and also can manufacture drugs more efficiently (in terms of cost of production) than the TNCs. The cost of production of the TNCs, in general, may not be lower because they over-price imports into India. But even if the TNCs, on the whole, are economically more efficient, the benefits of such efficiency, in any case, are not passed on to the users of the drugs since they, in general, charge prices higher than those of the indigenous firms.