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ASIA EDITION

Blanket ban on FDI in Indian pharma proposed

August 15, 2013 | News | By BioSpectrum Bureau

Singapore: An Indian parliamentary committee has suggested a 'blanket ban' on Foreign Direct Investment (FDI) in existing pharmaceutical companies. The committee opined that the policy in the sensitive sector should be dictated by public good.

The committee has emphasized that the Commerce Department take all measures to stop any further takeover or acquisition of domestic pharma units.

"The Committee is of the considered opinion that the Government must impose a blanket ban on any FDI in brown field pharma projects," the Department Related Parliamentary Standing Committee on Commerce said in its report on 'FDI in Pharmaceutical Sector'.

The panel that was headed by BJP member Shanta Kumar explained, "This necessity becomes more telling in view of the fact that the pharmaceutical industry is not like any other industry/business. It is one sector of the economy which has to be dictated by public good rather than foreign investments, profit and revenue."

The committee argued that FDI in brown field pharma projects would jeopardise the entire health and intellectual property framework of India in terms of access and affordability of medicines. It reiterated that FDI has failed to bring about any real change in the existing pharma R&D environment as domestic companies are still to gain the competence and capacity to achieve cutting-edge drug innovation by carrying a new compound through all stages of research up to marketing.

The report further stated that FDI in brown field pharma has encroached upon India's generics base and adversely affected the industry. It also said that collaboration between foreign and domestic pharma companies has served western markets more than the needs of the local population.

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The report has expressed fears that MNCs can change or tweak the product mix and can go from producing generics into branded or even more expensive patented medicines. The report said once a foreign company takes over an Indian firm, it gets the marketing network of the major domestic companies and through that it changes the product mix and pushes the products which are more expensive.

The report expressed deep concern over the spate of M&As and said the real danger of the 100 percent FDI is the decimation of competition as well as capabilities. The Committee cautioned the government to remain vigilant and recommended establishing mechanisms to prevent increase in prices of medicines.

The report suggested that to ensure availability of essential drugs to the common man, all forms of production, pricing and distribution of pharmaceuticals have to be effectively monitored by the Department of Health and Family Welfare themselves or through regulations or through an independent regulator.