Rays of hope

Higher niche for pharmaceutical industry

by Inam Ahmed

IF ANY OF the industrial sectors excepting garments had grown with a positive vision in the last decade, it is the pharmaceutical industry. Bangladesh can now boast self-sufficiency in the manufacturing of essential drugs and it even exports some selected products to a number of countries.

At the same time, a number of local pharmaceutical companies have emerged with a vigorous growth to lead the top-selling company list. This is another great achievement from the pre-independence period when the industry was dominated by the foreign companies.

The industry has advanced to such an extent that the immediate past President of FICCI, AKM Shamsuddin who is also the Managing Director of multinational Rhone Poulenc Rorer says, "Compared to other industries, this sector maintained a positive growth trend for the past several years. In fact, industrial growth in Bangladesh has consistently been led by the pharmaceutical sector."

Industry insiders now view that the pharmaceutical sector has a tremendous growth future if current annual per capita spend on drugs, which at $ 2.4 is one of the lowest in the world, is taken into consideration. This indicates that given a good development of healthcare infrastructure and increase of purchasing power, the industry is expected to grow at a higher rate in the future.

In 1981, there were 166 licensed pharmaceutical manufacturers in the country, but local production was dominated by eight multinational companies who manufactured 75 per cent of the products. There were 25 medium sized local companies who manufactured 15 per cent of the products and the remaining 10 per cent were produced by other 133 small local companies. All these pharmaceutical companies were mainly engaged in formulation out of imported raw materials involving an expenditure of Tk 60 crore in foreign exchange. In spite of having 166 local pharmaceutical production units, the country had to spend nearly Tk 30 crore on importing finished medicines.

Currently, there are 207 licensed allopathic drug-manufacturing units in the country producing about 5600 brands of medicines. Of them, 156 units are on active production others having been closed down by their owners or by the licensing authority due to non-compliance with good manufacturing practices or drug laws.

The promulgation of Drug Control Ordinance, 1982 had a positive effect on the pharmaceutical industry by removing many harmful, useless and unnecessary drugs from the market and increasing competition which helped maintain prices of selected essential drugs at a minimum affordable level.

"A positive impact of the Drug Control Ordinance is that the limited available foreign currency is exclusively utilised for import of pharmaceutical raw material and finished drugs which are not produced in the country," says AKM Shamsuddin.

The value of locally prod ced medicines rose from Tk .10 crore in 1981 to Tk 1350 crore in 1997. At present, 95 per cent of the total demand of medicinal products is met by local production and local companies increased their share from 25 per cent to 65 per cent on total annual production between 1981 and 1997.

A most remarkable progress the local industry has made in recent time is the phenomenal increase in the local production of basic chemicals. There are now 13 drug-manufacturing units who also manufacture certain basic materials.

Unani, ayurvedic, homeopathic and biochemic drugs were brought under regulatory control of the Drug Control Ordinance which helped impose regulatory control for these drugs.

"But the most significant positive impact of the ordinance is the rapid development of local manufacturing capability. Almost all types of possible dosage forms are now produced in the country, in recent years, the country has achieved self-sufficiency in large volume parenterals, some qualities of which are also exported to other countries. This helped contain the dependence on the import of pharmaceutical products around pre-1982 level," said a report by AKM Shamsuddin and Humayun K M A Hye, a World Bank consultant.

However, the national drug policy and the regulatory control policies are yet to achieve best results for a healthy growth of the industry. Because of the limited capacity of the government's Drug Tes ing Laboratories, the quality of products manufactured locally can not be uniformly ensured and the restrictions on patent rights have made the market attractiveness relatively low for foreign investors, the report stated. Introduction of new research molecules has become difficult due to slow registration process and restrictions on patent protection.

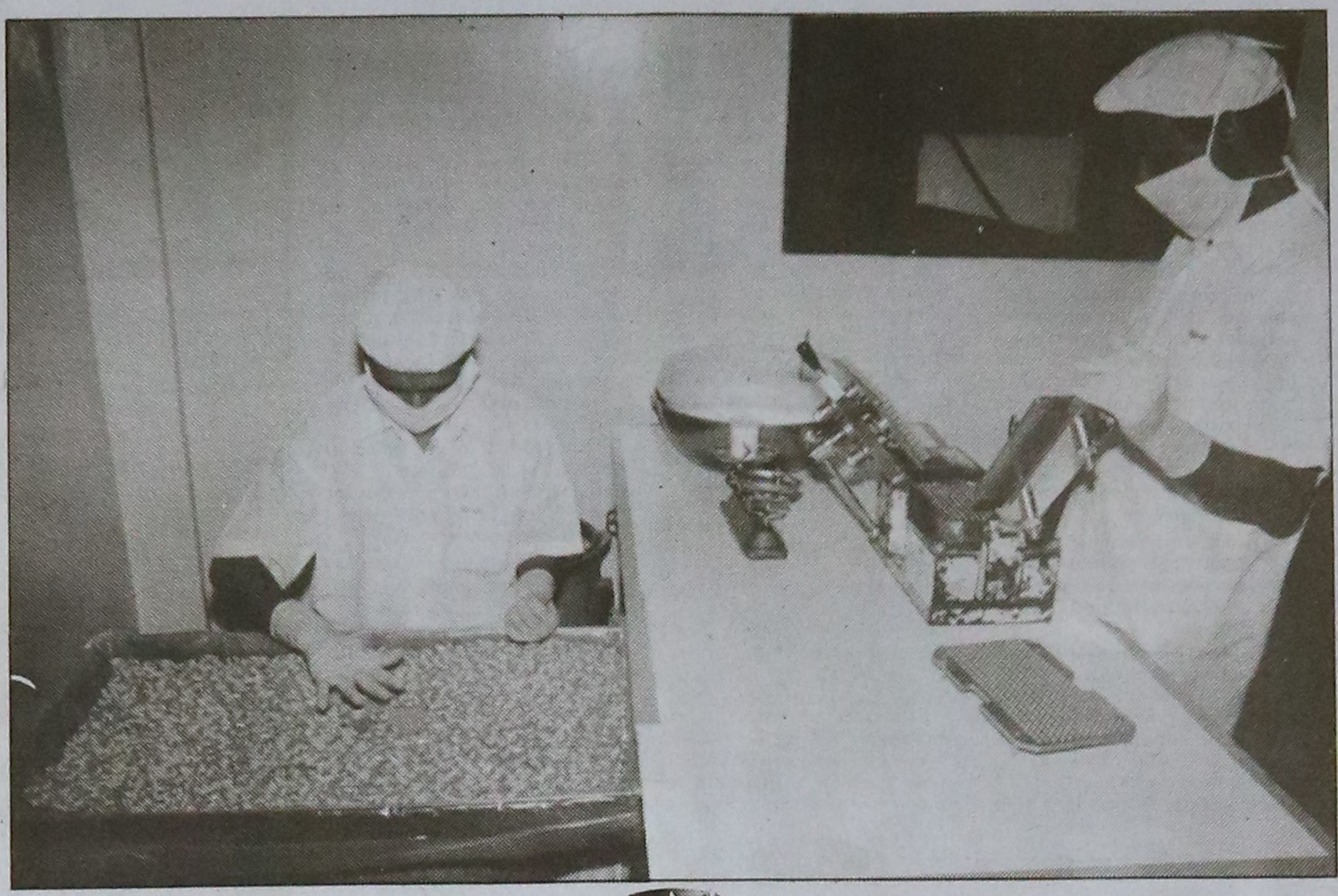
Bangladesh pharmaceutical industry has already been foraging foreign markets for its products. It has exported basic materials and finished products to Vietnam, Singapore, Myanmar, Bhutan, Nepal, Sri Lanka, Pakistan, Yemen, Oman, Thailand, Central Asia and some African countries as well.

"We are one of the cheapest manufacturer of pharmaceutical products for which our export potential is also very good," says Shamsuddin. "We have tremendous technical competence and we can manufacture quality products at cost-effective rates. At least, there are now seven industries which have achieved the economy of scale. Our main competitor is India and to compete with her, Bangladesh needs to change its tariff structure and reduce cost of business."

For example, industry sources point out that there is a ban on import of some raw materials which are produced domestically. But the locally produced raw materials do not have price elasticity which seriously hamper exports of pharmaceuticals.

On the other hand, realisation of 15 per cent advance VAT has increased the working capital requirement of the industry, for which it has to foot bank interest bill.

The pharmaceutical industry in Bangladesh is today in a well-shaped stage and all it needs is a little bit of push from the government to make it enter the world market in a big manner.



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RMG can cross the hump

by M Shamsur Rahman

TEXTILE SECTOR FORMS the economic backbone of the country by contributing about 70 per cent of total export earning.

The sector employs over four million people. While industrialisation has been identified as key to development, ready made garment industry has already established itself as the engine of economic growth.

The export-oriented textile industries experienced fantastic growth during the last two decades whereas the overall scenario in other sectors remained more or less gloomy.

With political unrest in most of the South Asian countries in late 1970s and with change of price in the labour market of South East Asian counties, Bangladesh came into limelight as a potential RMG manufacturer.

Bangladesh garments made tremendous progress and gained confidence of buyers in short time with the support of government, which adopted new policies at the right time. The annual growth of the sector is 25 per cent.

But with the implementation of the Agreement on Textiles and Clothing (ATC) by the World Trade Organisation (WTO) for globalisation of trade and phasing-out of multi-fibre agreement regimes like quota, GSP etc. have left export-oriented textile sector facing serious challenge.

RMG has grown tremendously, driven primarily by cutting and sewing of fabrics into finished items in absence of sound backward linkage industries.

The country currently imports almost 90 per cent of its woven fabrics needs and 35-40 per cent of knit fabrics from counties like India, Pakistan, China, Hong Kong, Indonesia, Korea and the Philippines who enjoys quota in EU, USA and Canada.

The impact of quota-free regime in Bangladesh will be understood after these quotas are removed in 2005. Bangladesh will lose market unless it proves competitive once the quotas regime is ov r.

Based on the export of RMG in 1997-98, the total requirement of fabrics for export-oriented RMG was 1767.50 million metres (M/M) of which 1180.62 M/M was woven and 586.88 M/M was knitted. Beside this, a total of 16.71 M/kg of terry towel and home textiles was also exported during the same year.

The requirement of export-oriented yarn, on the basis of export of RMG during 1997-98, was 361.08 M/kg for woven fabrics, 113.45 M/kg for knitted RMG and 19.38 M/kg for terry towel and home textiles.

Development of backward linkage industries of the RMG, high value-added items, upgradation of manufacturing technology in all factories with modern machinery and tec'nical know-how; effective marketing; improvement of infras-

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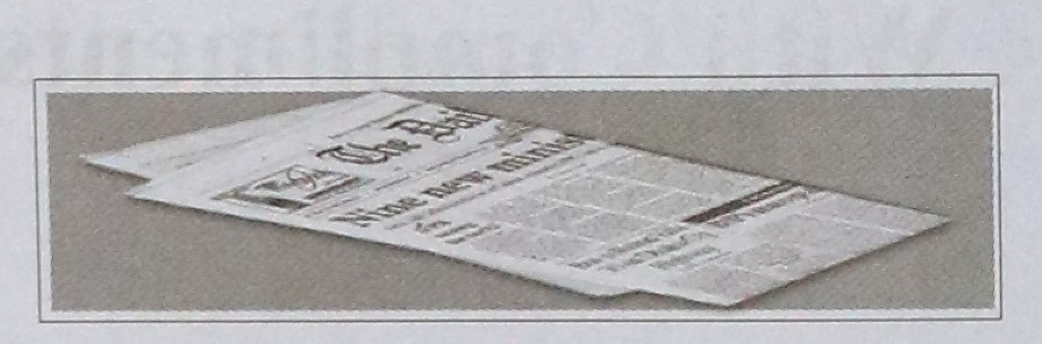
Development of backward linkage industries of the RMG, high value-added items, upgradation of manufacturing technology in all factories with modern machinery and technical know-how; effective marketing; improvement of infrastructure such as port facilities; better banking system; and, more importantly, end to political crisis will boost the country's RMG export.



Our best wishes for

The Daily Star

On the eve of its entering into the

10th year of its publication

Sonali Bank

Leather industry: Sky is the limit

Continued from page 27

216.85 million in 1996-97 and US$ 233.75 million in 1997-98 financial year.

A good number of tanneries have been modernised and several new units have been set up. Presently there are about 200 recognised tannery units in Bangladesh. Of these, 28 units are well equipped for processing crust and finished leather and their total processing capacity is about 85.50 million sft.

Export of crust and finished leather is dominating the country's leather export. Finished leather constitutes about 20 per cent of the total leather export.

According to World Bank statistics, the country ontributes about two per cent to the global production of leather.

Supply of quality hides and skins, the basic raw materials for leather industry and availability of a large pool of easily trainable educated cheap labour force are the major advantages of Bangladesh over the other exporting countries.

The leather industry, manufacturing of footwear and leather goods in particular, is highly labour intensive and the production cost is greatly dependent on labour wage.

Being highly labour-intensive, the competitive strength of leather industry is directly related to labour cost, which is one of the lowest in Bangladesh.

The GSP facility available for Bangladesh leather and leather products in many potential importing countries is an added advantage for Bangladesh leather industry.

The first-ever Dhaka International Leather Fair (DILF) was organised last year. As many as 59 local participants displayed footwear, leather bags and other leather goods, crust and finished leather while 14 foreign companies from Germany, Italy, Singapore, Australia, India and Pakistan exhibited high-tech manufacturing options.

According to official sources, more than three hundred foreign importers and visitors from 23 countries attended the fair.

The second Dhaka International Leather Fair (DILF) 2000 kicked off in the city on January 27.

"After holding the first international leather fair in January last year, the fair is expected to be more focused in South East Asia region this time," said Sattar Bhuiyan.

"In a bid to attract more foreign buyers, we have already started campaign abroad much earlier for this year's fair and we are organising the fair in a more planned way this time," he said.