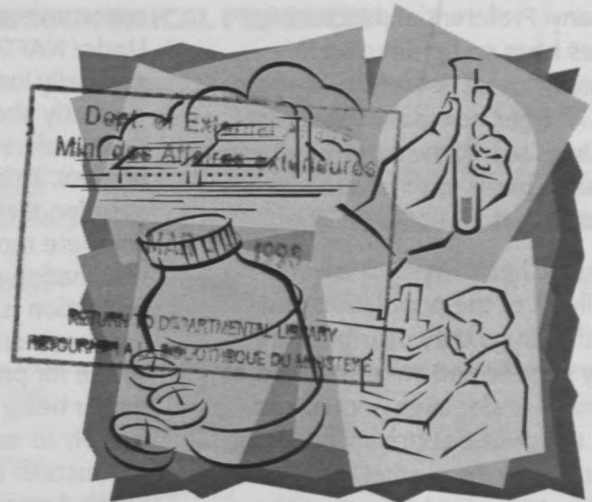


Pharmaceutical Products



THE OPPORTUNITY

The Mexican pharmaceutical industry offers emerging opportunities for Canadian companies.

- Mexico has the world's tenth largest pharmaceutical industry, with a well-trained labour force.
- Intellectual property legislation has been tightened, creating markets for previously copied drugs as well as generic pharmaceuticals.
- Price controls have been liberalized and there have been substantial price increases, widening the profit margins of Mexican producers.
- Preferential purchasing by the public health system will be phased out under the North American Free Trade Agreement (NAFTA).
- Mexican drug manufacturers will eventually gain access to American and Canadian markets.
- Mexico lacks the research infrastructure needed to develop new drugs.

US \$3.5 billion. For many years, the government regulated the industry with the principal goals of displacing imports and making cheap drugs available to the public. Tariffs were high. Intellectual property laws were weak, allowing for widespread copying of foreign-developed drugs. And prices were regulated to keep profit margins thin.

The organization of the Mexican pharmaceutical sector reflects these traditional policies. About sixty multinational pharmaceutical companies set up operations in Mexico to supply the local market, using raw materials imported from affiliated firms in other countries. These companies account for some 90 percent of the private sector market, but none of them claims more than a 6 percent market share. In contrast, a small number of relatively large Mexican-owned companies cater to the public health system. This system is comprised of the *Instituto Mexicano del Seguro Social (IMSS)*, Mexican Institute for Social Security, the *Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (ISSSTE)*, Institute of Social Security and Services for Public Employees, and a number of private health plans run by large government-owned enterprises such as *Petróleos*

SUMMARY REPORT

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THE ROAD TO DEREGULATION

Mexico's pharmaceutical industry is the tenth largest in the world, with a domestic market of some

