

## PRICE CONTROLS

Traditionally, pharmaceutical prices have been tightly regulated to ensure a supply of low-cost drugs to the Mexican public. These controls were liberalized beginning in 1991, as part of the government's broad reforms designed to expand the role of market forces in the economy.

In 1991, the government implemented the *Programa de Modernización de la Industria Farmacéutica*, Modernization Program of the Pharmaceutical Industry. Part of this program was an initiative to widen profit margins and encourage capital spending on modernization and expansion. During the three years ending in 1994, prices rose 28 percent. Further price increases were allowed in 1995, to bring them into line with the cost of imported inputs, which had risen because of the peso devaluation beginning in December 1994.

## PHARMACEUTICALS AND NAFTA

Pharmaceuticals should be among the products that benefit most from the tariff reductions under the North American Free Trade Agreement (NAFTA). Third countries face tariffs set at Mexico's maximum of 20 percent. Tariffs on Canadian and American pharmaceuticals were 14 percent in 1995 and will be phased out entirely by 1 January 2003.

In spite of the tariff reductions, access to pharmaceutical markets in all three countries is limited by regulations intended to ensure the efficacy and purity of drugs sold to the public. Drugs approved for sale in one country do not automatically receive approval in the other two.

This situation has led to what is reportedly the first instance of a private suit against a government under the provisions of NAFTA. A Mexican drug

manufacturer has filed suit against the Government of Canada, claiming that Canada's drug regulations are more restrictive than those of the US or Mexico.

In March 1996, a complaint was filed against Canada under NAFTA by the Mexican company *Signa*, of Toluca, which produces fine chemicals and pharmaceutical intermediaries. *Signa* operates a joint venture with the Canadian company ACIC of Brantford, Ontario, also known as *Apotex*. According to media reports, the joint venture planned to produce a generic version of the pharmaceutical *Cipro*, for sale in Canada, as well as in other markets. The complaint alleges that Canada has impeded *Signa's* efforts to enter the Canadian market. *Signa* is seeking compensation totalling C \$50 million to make up for lost revenues. In a media interview, *Signa's* lawyer said that this is the first time an investor has brought a case directly against another government under NAFTA.

## MARKET ENTRY STRATEGIES

There are three principal approaches to selling pharmaceutical products in the Mexican market. Canadian companies can sell to the private sector through a distributor, enter into a joint venture with a Mexican drug manufacturer, or bid directly on public tenders for public sector procurement.

Contacts with distributors and potential partners are often accomplished through participation in trade shows. The leading trade show is *Expo Farma/Interphex*. The 1997 event will be held in Mexico City in May 1997.

Pharmaceutical distributors are included in the *Guía de Proveedores y Servicios en el Área de La Salud*, published by *Ediciones PLM*, of Mexico

City. Drug manufacturers are listed in the directory of the *Instituto Mexicano de Ejecutivos de Finanzas*. Help is also available from the Canadian Embassy in Mexico City and from the consulates in Monterrey and Guadalajara.

Procurements of pharmaceutical products by the *Sistema Nacional de Salud*, National Health Care System, are done primarily through public tenders. Mexican companies receive preference. Although these preferences will be eliminated under the North American Free Trade Agreement (NAFTA) by 2001, a joint venture with a Mexican firm is probably the most effective strategy in the medium-term for accessing this market. In spite of the preferences, more than 10 percent of public procurements are already directed to foreign firms. In most cases, this involves specialized products not produced in Mexico. The list of such products has expanded under more rigorous patent regulations introduced in 1994.

The *Ley de Adquisiciones Públicas*, the Public Procurement Act, governs all purchases within the *Sistema Nacional de Salud*. The health system and its procurement practices are described in detail in the Market Profile on Medical Equipment and Health Care Services which is part of the Department of Foreign Affairs and International Trade (DFAIT) Export *i* Mexico series and available through the InfoCentre.

## KEY CONTACTS

### CANADA

#### *Canadian Government*

#### *Department of Foreign Affairs and International Trade (DFAIT)*

DFAIT is the Canadian federal government department most directly responsible for trade development.