

13 percent during 1995, in spite of a 7 percent drop in total GDP.

The industry benefits from relatively low labour costs, even though pharmaceutical workers earn from two to three times the national average wage. The industry invests about 3 percent of sales in training programs, according to one estimate.

FOREIGN TRADE

Mexico is a net importer of pharmaceutical products. The domestic industry exports dosage forms to Central and South America, but this trade is more than offset by imports of pharmachemicals and other inputs. In the medium term, the North American Free Trade Agreement (NAFTA) should create opportunities for the export of Mexican pharmaceuticals to the United States and Canada. But in the short term, sales are limited by investigation and approval procedures by the US Food and Drug Administration and by similar regulations in Canada. Another problem is that Mexican pharmaceutical companies are not set up for American and Canadian distribution.

In 1995, Mexico imported about US \$203 million worth of pharmachemical and pharmaceutical products, which is about 6 percent of the total Mexican market. Imports declined by 9.2 percent in 1995, as a result of the economic crisis spawned by the peso devaluation beginning in December 1994. The US Department of Commerce has predicted that imports from the US will rise by 20 percent in 1996, mainly on the strength of intra-corporate transfers by multinational firms.

The US accounts for about one-quarter of the import market. The other major foreign competitors are Switzerland, Germany and the United Kingdom, which together claim almost half of the import market. Canada's import

market share is estimated at 1.7 percent for 1995.

Mexico depends upon imported raw materials and intermediate pharmaceuticals for many of the products it produces. Nonetheless, about 85 percent of pharmaceutical imports by value are in dosage forms packaged for retail sale.

CUSTOMERS

There are two principal market segments in the Mexican pharmaceutical industry. Private sector distributors account for about 90 percent of the value and 64 percent of the volume of pharmaceutical sales, according to estimates by *Grupo Financiero Bancomer*. These distributors concentrate on the products of the multinational drug companies which satisfy 85 percent of private demand.

The public sector accounts for the remaining 10 percent of value and 36 percent of volume. The *Instituto Mexicano del Seguro Social (IMSS)*, Mexican Institute for Social Security, is the largest customer in this group, followed by the *Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (ISSSTE)*, Institute of Social Security and Services for Public Employees, and pharmacies operated for employees by large public sector employers. This segment is serviced mainly by small-to-medium sized Mexican companies. Sales are generally through public tenders.

Pemex is the largest public sector employer supplying drugs to its employees. It operates 46 pharmacies, as part of its internal health care system. The company conducts an annual tender for all of its pharmaceutical needs. The 1996 contract was awarded to *Grupo Casa Autrey* in a deal worth US \$28 million. *Autrey* is also a major supplier to the *IMSS* and the *ISSSTE*.

The size of the public sector market is probably underestimated. Public agencies are often forced to buy products from commercial distributors because of long delays in the public procurement process.

The annual market for pharmaceutical products in Mexico is estimated at more than US \$3.5 billion. This implies per capita consumption of just over US \$35, which is much lower than in developed countries. This is partly because only a small proportion of the population is covered by private health care insurance.

Medicines for human consumption are distributed directly to public and private health institutions and large retail chains by the pharmaceutical companies. But an estimated 90 percent of private sales are handled through distributors. *McKesson Corp.*, the largest pharmaceutical distributor in North America, holds a 23 percent interest in *NADRO*, which has a 25 percent share of the Mexican pharmaceutical market. Other national distributors are *Grupo Casa Autrey*, *Casa Marsam* and *Drogueros de México*. There are four semi-national and 15 regional distributors. There are 14 major drugstore chains, with about 16,000 branches and about 20,000 drugstores overall. Mexico's largest drugstore chain is *Farmacías Benavides*, which had 445 stores in 1995.

THE PUBLIC HEALTH CARE SYSTEM

The *Sistema Nacional de Salud*, National Health Care System, is divided into separate systems for those who are employed in the formal economy and for those who are not. Mexicans who can afford to pay have the third alternative of using private health care facilities, which tend to offer faster service.

The body responsible for health care policy and regulation throughout