Interview: Rogelio Garza Garza – Undersecretary of Industry and Commerce, Ministry of Economy of Mexico



24.06.2015

Tags: government, association, regulation, access

The pharmaceutical and medical devices industries are both classified as emerging sectors by the Ministry of Economy. The undersecretary of industry and commerce discusses the importance of the sectors to the Mexican economy and how the government is interested in transforming Mexico from a prevalently manufacturing-based into a more innovation-driven country.

According to information from the National Institute of Statistics and Geography (INEGI) in Mexico the pharmaceutical sector represents approx. 0.6 percent of GDP and 3.4 percent of manufacturing GDP, second in importance in the chemical industries. What is the strategic importance of the sector to the Mexican economy?

Before clarifying the importance of the pharmaceutical industry, it is important to take a step back and understand where the country stands today. Over the past 30 years, economic growth in Mexico has averaged only 2.4 percent per year, mainly as a result of structural problems of our economy. The country's performance is well below potential due to a number of reasons, such as scarce financing to business, expensive energy costs, insufficient regulation of economic competition and a lack of highly qualified human capital. Scarce productivity also comes as a consequence of a lack of innovation: many companies have not updated their equipment in the last 30 years, thus have slacked because of this technological lag. The magnitude of the challenges we faced required a transforming impulse, which culminated in the eleven structural reforms implemented by the current government.

The pharmaceutical industry plays a key role for the Mexican economy. Besides the percentage of GDP it represents, the industry is closely related to labor productivity and human capital formation, as it contributes to improving population's life expectancy and quality. According to a study conducted by Lichtenberg in 2003 on the relationship between pharmaceutical innovation and health conditions, the introduction of a new drug into the market increases, in average, 5.8 days in human life expectancy at birth. As we all know, the epidemiological profile of Mexico is undergoing dramatic changes, which are affecting productivity and resulting in enormous costs for the government.

At the Federal Commission for the Protection against Sanitary Risk (Cofepris), Mikel Arriola told us that he has made it his personal priority to offer companies 'predictability and transparency' to create the conditions to drive growth in the pharmaceutical industry and attract investment. What are the priorities of the Ministry of Economy for the sector?

The objective of the current government is to transform Mexico from a prevalently manufacturing-based into a more innovation-driven country. We are interested in positioning Mexico not only as a cost competitive manufacturing hub, but also as a country, which develops value-added products. With this new mentality and thanks to the implementation of specific industrial policies, we are migrating from a traditional model leveraging manufacturing cost competitiveness to a model fostering R&D tailored to fit the needs of the country. The automotive sector is a flamboyant example: an increasing share of industrial processes is carried out at local plants and many specialized tools and machinery for the industry are manufactured in Mexico.

For the Ministry of Economy, the pharmaceutical industry is classified as an emerging sector and is no exception to this scenario. In case of R&D-driven multinational companies, we are not only interested in having their new products on the market, but also want them to conduct specialized protocols and research according to the country's specific needs. This will bring the creation of new molecules and drugs made-to-measure for the Mexican population. Likewise, there are national companies that are showing a increasing interest in product R&D and innovation and one of our missions is to support them by facilitating the collaboration with local universities, providing the necessary means and specialized human capital.

What measures are you taking to bring the Mexican pharmaceutical industry to the next level?

We have separated the industry into two big branches to develop specific solutions: multinational companies and national laboratories. In Mexico, as in other countries, multinational labs specialize in the production and marketing of innovative products, a result of R&D of new chemical entities and therapeutic applications. Here, the question we need to answer is: “How do we generate an ideal environment for them to develop and grow?” The negotiation Mexico is currently embracing for the Trans-Pacific Partnership (TPP) is a good example, as topics such as patent protection and intellectual property rights for the pharmaceutical industry are in the spotlight.

By the same token, we need to create the right conditions for Mexican companies to develop innovation: we don’t want our country to stagnate and decline by exclusively being a manufacturing hub for foreign companies. To do so we are generating funds to support local companies in their operations and are currently in talks with the World Health Organization (WHO) to allow product developments made in Mexico to have international recognition; this will clear the path for many small companies to reach other areas of the globe in a much easier way.

The industry of medical devices is also playing an increasing important role. What are your priorities for this sector?

In Mexico, the medical device industry is mainly composed of small and medium enterprises that have had a successful performance in manufacturing and assembly processes, and have the potential to develop higher levels of integration in the supply chain. Also the medical device industry is classified as an emerging sector by the Ministry of Economy. Hence, a priority is to encourage the sector through an agenda of industrial development policy that will result from updating the medical device roadmap prepared by the government agency ProMéxico in 2011. The update of the roadmap (currently in development) will allow us to see first-hand the needs of the industry, but also consolidate a portfolio of projects (or policy action lines) with other agencies of the federal and state government to carry out projects that promote the development of the industry.

What are Mexico’s competitive advantages to attract investment in the pharmaceutical industry?

Mexico offers three important aspects. First, competitive costs. The hourly cost of a doctor or an engineer is lower than in many other countries. Second, human capital. We have made serious investments in education to generate the skills required by the market. Ten years ago, we lacked thousands of engineers and specialized personnel. Now, in 2015, the government has been able to generate a huge amount of fresh talent to tackle the challenges that come, as we become a more

developed country. Third, the openness of the Mexican economy. Over the past years, the country has signed a number of trade agreements, which allow companies based in Mexico (foreign as well as local) to have access to a wider marketplace.

Why should companies look at Mexico to invest?

Mexico is an attractive country for investment in the pharmaceutical and medical devices sectors, as we have basic and medical infrastructure, human capital, regulation, trade relations, access to international markets and a strong legal framework for investors wishing to establish business partnerships with Mexican companies. I am convinced that Mexico is becoming a modern country offering an increasing share of added value. This needs a lot of effort and technology, but today all ideal conditions are provided to succeed.

Click here to read more articles and interviews from Mexico, and to download the latest free pharma report on the country.

See more interviews