

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 1
RELEASED IN FULL
Channel: n/a

LIMITED OFFICIAL USE

PAGE 01 BRASIL 06146 01 OF 04 282046Z
ACTION STR-17

INFO	LOG-00	COPY-01	ADS-00	AID-00	INR-10	SS-00	CIAE-00
	EB-08	DINT-05	DODE-00	H-01	ARA-00	NSAE-00	COME-00
	L-03	LAB-04	CTME-00	TRSE-00	ITC-01	PA-01	CEA-01
	OMB-01	HHS-04	INRE-00	AGRE-01	FRB-03	OES-09	USIE-00
	JUSE-00	SP-02	PRS-01	E-01	T-01	/075 W	

-----060123 301737Z /41

R 281938Z MAY 87
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 5744

~~LIMITED OFFICIAL USE~~ SECTION 01 OF 04 BRASILIA 06146

USTR FOR JON ROSENBAUM

E.O.12356: N/A
TAGS: ETRD, EINV, BR
SUBJECT: RECENT DEVELOPMENTS IN THE BRAZILIAN
PHARMACEUTICALS SECTOR

REF(S): (A) BRASILIA 05806; (B) RIO DE JANEIRO
02132

THE FOLLOWING SAO PAULO 001361 SENT ACTION TO AMEMBASSY
BRASILIA BEING REPEATED FOR YOUR INFO. QUOTE
LIMITED OFFICIAL USE SAO PAULO 01361

E.O. 12356: N/A
TAGS: ETRD, EINV, BR
SUBJECT: RECENT DEVELOPMENTS IN THE BRAZILIAN
- PHARMACEUTICALS SECTOR
REF: (A) BRASILIA 05806; (B) RIO DE JANEIRO 02132
1. ECONOFF RECENTLY SPOKE WITH VARIOUS INDIVIDUALS
ACTIVE IN THE LOCAL PHARMACEUTICALS INDUSTRY/MARKET TO
OBTAIN AN UPDATE ON THE SITUATION IN THAT SECTOR.

PATENTS
~~LIMITED OFFICIAL USE~~

~~LIMITED OFFICIAL USE~~

PAGE 02 BRASIL 06146 01 OF 04 282046Z

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 1

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: NORMAN M. BOUTON
DATE/CASE ID: 19 DEC 2001 200000143

DECONTROLLED/UNCLASSIFIED

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 2

Channel: n/a

2. THE THREATENED FILING OF A SECTION 301 PETITION BY THE PMA HAS MOVED MEDIA REPORTS ON PHARMACEUTICALS FROM THE BACK PAGES (IF SUCH REPORTS EXISTED AT ALL) TO PAGE ONE OF THE MAJOR DAILIES HERE. MANY OF THESE ARTICLES CHARACTERIZE THE 301 FILING THREAT AS THE OPENING OF A "NEW FRONT" IN THE ONGOING SERIES OF TRADE DISPUTES WITH THE U.S. EVERY GOB OFFICIAL QUOTED HAS EXPRESSED OPPOSITION TO THE ADOPTION OF PHARMACEUTICALS PATENT PROTECTION.

3. REASONS ADVANCED BY VARIOUS GOB OFFICIALS AS TO WHY BRAZIL DOES NOT WANT TO RECOGNIZE PHARMACEUTICALS PATENTS, HOWEVER, ARE VARIED AND NOT ENTIRELY COHERENT. IN RECENT WEEKS, THE FOLLOWING OBJECTIONS TO DRUG PATENTS HAVE BEEN RAISED: A) CITING UNNAMED "OFFICIAL" SOURCES, THE DAILY "FOLHA DE TARDE" STATES THAT THE PRIMARY REASON FOR GOB OPPOSITION IS THAT "THE EVENTUAL PATENTING OF PHARMACEUTICAL PRODUCTS MAY BE EXTENDED TO BIOTECHNOLOGY AS A WHOLE, WHERE BRAZIL'S TECHNOLOGICAL BACKWARDNESS IN COMPARISON WITH THE U.S. IS TODAY MUCH WIDER THAN IN THE TRADITIONAL PHARMACEUTICALS FIELD"; B) OFFICIALS AT THE NATIONAL INSTITUTE FOR INDUSTRIAL PROPERTY PROTECTION HAVE BEEN QUOTED AS ARGUING THAT THE TIME IS NOT RIPE FOR RECOGNITION OF PATENTS SINCE LARGE, WELL CAPITALIZED NATIONAL PETROCHEMICAL COMPANIES ARE ON THE VERGE OF MAKING INVESTMENTS IN THE AREA, AND THESE PLANNED INITIATIVES WOULD BE PREEMPTED; C) A SLIGHT VARIATION ON THE ABOVE THEME IS SEEN IN VARIOUS NEWS REPORTS WHICH CITE THE "INFANT INDUSTRY" STATUS OF BRAZIL'S LOCAL DRUG SECTOR; VARIOUS OFFICIALS ARE QUOTED AS SAYING THAT THE INDUSTRY NEEDS THE LIBERTY OF NON-RECOGNITION OF DRUG PATENTS IN ORDER TO

~~LIMITED OFFICIAL USE~~

~~LIMITED OFFICIAL USE~~

PAGE 03 BRASIL 06146 01 OF 04 282046Z

MATURE; D) FREQUENTLY MENTIONED IS THE CLAIM THAT MULTI-NATIONALS ALREADY CONTROL ABOUT 80 PERCENT OF THE LOCAL DRUG MARKET (WE BELIEVE THIS FIGURE TO BE INCORRECT; THE CORRECT FIGURE IS 72 PERCENT), SO IT WOULD BE LUDICROUS TO CONCEDE TO THEM THE ADDITIONAL ADVANTAGE OF PATENT PROTECTION; E) "FOLHA" RECENTLY QUOTED UNNAMED OFFICIALS AS SAYING THAT SINCE INVESTMENTS IN THE CHEMICALS SECTOR (WHICH PRESUMABLY INCLUDES PHARMACEUTICALS) IS HIGH, THERE IS "NO NEED TO CHANGE A WINNING TEAM." (COMMENT: THIS ARGUMENT, WHICH WAS ALSO ADVANCED BY AN INPI OFFICIAL AT THE MARCH

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 2

DECONTROLLED/UNCLASSIFIED

DECONTROLLED/UNCLASSIFIED

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 3
Channel: n/a

BILATERAL MEETING IN RIO DE JANEIRO, APPEARS TO CONTRADICT ARGUMENT "D" IF A "WINNING TEAM" IS INTERPRETED AS A STRONG LOCALLY-OWNED PHARMACEUTICALS INDUSTRY. END COMMENT).

4. A LIKELY EXPLANATION FOR THIS LACK OF COHERENCE IS THAT PHARMACEUTICALS PATENTS IS A NEW AND SOMEWHAT ARCANE ISSUE TO THE MAJORITY OF GOB DECISION MAKERS. THIS ALSO HOLDS FOR THE LOCAL MEDIA. WE SUSPECT THAT MANY GOB OFFICIALS ARE FOR THE FIRST TIME FOCUSING ON THIS TOPIC AND FORMING THEIR OWN POSITIONS. NEWS REPORTS INDICATE THAT THERE HAVE BEEN TWO INTER-MINISTERIAL MEETINGS IN RECENT DAYS WHOSE TASK IS TO PREPARE THE GOB POSITION REGARDING PHARMACEUTICALS FOR REVIEW AND APPROVAL BY PRESIDENT SARNEY. AS A RESULT OF THESE MEETINGS, WE CAN EXPECT A MUCH MORE COHERENT PRESENTATION OF THE GOB POSITION ON JUNE 8.
5. MANY INDUSTRY LEADERS HERE ARE AWARE OF THE DRAFT

~~LIMITED OFFICIAL USE~~

NNNN

~~LIMITED OFFICIAL USE~~

PAGE 01 BRASIL 06146 02 OF 04 282047Z
ACTION STR-17

INFO	LOG-00	COPY-01	ADS-00	AID-00	INR-10	SS-00	CIAE-00
	EB-08	DINT-05	DODE-00	H-01	ARA-00	NSAE-00	COME-00
	L-03	LAB-04	CTME-00	TRSE-00	ITC-01	PA-01	CEA-01
	OMB-01	HHS-04	INRE-00	AGRE-01	FRB-03	OES-09	USIE-00

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 3

DECONTROLLED/UNCLASSIFIED

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 4
Channel: n/a

JUSE-00 SP-02 PRS-01 E-01 T-01 /075 W
-----060126 301737Z /41

R 281938Z MAY 87
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 5745

~~LIMITED OFFICIAL USE~~ SECTION 02 OF 04 BRASILIA 06146

USTR FOR JON ROSENBAUM

E.O.12356: N/A
TAGS: ETRD, EINV, BR
SUBJECT: RECENT DEVELOPMENTS IN THE BRAZILIAN

ARTICLE RECENTLY PREPARED BY THE SUBCOMMITTEE ON INDIVIDUAL RIGHTS OF THE CONSITUENT ASSEMBLY REF B). SEVERAL TOLD ECONOFF THAT THEY BELIEVE OFFICIALS OF THE NATIONAL INSTITUTE FOR PROPERTY PROTECTION (INPI) HAVE BEEN FOLLOWING THE MOVEMENT OF THE DRAFT ARTICLE THROUGH THE SUBCOMMITTEE. THEY OPINE THAT, ALTHOUGH THE CONSTITUTIONAL INITIATIVE IS WORTH PURSUING, THE SOLID OPPOSITION OF INPI, THE BRAZILIAN ASSOCIATION OF CHEMICAL INDUSTRIES (ABIQUIM), AND OTHER ENTITIES MAKES THE ADOPTION OF PATENT PROTECTION THROUGH THIS APPROACH PROBLEMATIC. THEY FEEL THAT A POTENTIALLY MORE FRUITFUL APPROACH WOULD BE FOR THE USG AND THE PMA TO PAY MORE ATTENTION TO THE CARROT SIDE OF THE CARROT-STICK DICHOTOMY THROUGH A STEPPED-UP EDUCATIONAL EFFORT. IN PART, THIS COULD BE DONE BY RESPONDING TO SOME OF THE MANY MISCONCEPTIONS CONCERNING A

~~LIMITED OFFICIAL USE~~
~~LIMITED OFFICIAL USE~~

PAGE 02 BRASIL 06146 02 OF 04 282047Z

PHARMACEUTICALS PATENT REGIME THAT ARE PREVALENT HERE. SOME OF THESE MISCONCEPTIONS, AND SUGGESTED RESPONSES TO THEM, WILL BE THE SUBJECT OF SEPTEL. PRICING

6. ON FRIDAY, MAY 23, ALL PHARMACEUTICAL PRODUCTS RECEIVED A 25.6 PERCENT PRICE INCREASE. THIS COMES ON THE HEELS OF OTHER PRICE INCREASES GRANTED EARLIER IN 1987 THAT AMOUNTED TO A CUMULATIVE 111.7 PERCENT OR 143.7 PERCENT (DEPENDING ON THE TYPE OF DRUG) FROM

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 4

DECONTROLLED/UNCLASSIFIED

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 5

Channel: n/a

MARCH 1, 1986 THROUGH APRIL 1, 1987. THUS, CUMULATIVE PRICE INCREASES SINCE MARCH 1 OF LAST YEAR NOW COME TO 140.3 PERCENT OR 180.5 PERCENT, WHICH COMPARE FAVORABLY WITH THE OFFICIAL INFLATION RATE FOR THE PERIOD OF APPROXIMATELY 107 PERCENT. PRICES ARE PRESENTLY STILL AT RELATIVELY HIGH LEVELS -- A DRUG THAT COST CRUZADOS 10 IN NOVEMBER OF LAST YEAR NOW COSTS AROUND CRUZADOS 28 -- AND MOST LABS ARE OPERATING AT A PROFIT. HOWEVER, INFLATION HAS BEEN RUNNING IN THE AREA OF 20 PERCENT PER MONTH (800 PERCENT ANNUALIZED) RECENTLY, SO THESE INCREASES ARE NOT AS GREAT IN REAL TERMS AS THEY MIGHT SEEM.

7. THE HISTORICAL PROBLEM WITH THE INDUSTRY HAS BEEN THAT THE GOB PRICING AUTHORITIES HAVE REFUSED TO ACCEPT THE OFFICIAL INFLATION INDEX IN SETTING PHARMACEUTICALS PRICES. PRICES TYPICALLY WERE SET LOWER, AND THE CUMULATIVE "LAGGING" EFFECT HAS RESULTED IN NET LOSSES FOR THE INDUSTRY AS A WHOLE FOR 5 OF THE LAST 6 YEARS. THIS PROBLEM COULD SOON BE RESOLVED WITH THE SIGNING OF A PROTOCOL ESTABLISHING A SO-CALLED "TRIGGER MECHANISM" THAT, WHEN INFLATION ATTAINED A CERTAIN LEVEL, WOULD AUTOMATICALLY RAISE DRUG PRICES BY A CORRESPONDING

~~LIMITED OFFICIAL USE~~

~~LIMITED OFFICIAL USE~~

PAGE 03 BRASIL 06146 02 OF 04 282047Z

AMOUNT. IN FACT, THE LATEST 25.6 PERCENT INCREASE WAS ESTABLISHED USING THE BASIC TRIGGER CONCEPT, I.E., THAT OF USING INFLATION AS THE BASIS FOR PRICE ADJUSTMENTS. USING THE TRIGGER FORMULA, THE BRAZILIAN PHARMACEUTICAL INDUSTRY ASSOCIATION (ABIFARMA) ASKED FOR A 33 PERCENT INCREASE. THE INTER-MINISTERIAL PRICE COUNCIL (CIP) GRANTED A LOWER PRICE INCREASE, ARGUING THAT THE LABOR COMPONENT OF ABIFARMA'S REQUEST CONSISTED OF THE SALARY INCREASE TRIGGER THAT WAS ONLY ACTIVATED MAY 1 AND AS SUCH WAS NOT INCURRED IN THE PERIOD FOR WHICH THE PRICE INCREASE IS INTENDED TO COVER.

8. ALTHOUGH OPINIONS DIFFER WITHIN THE INDUSTRY AS TO WHETHER SUCH A TRIGGER PROTOCOL WILL EVENTUALLY BE SIGNED, ON BALANCE PROSPECTS ARE PRESENTLY CONSIDERED NEGATIVE. RUMOR HAS IT THAT SOME OTHER PENDING TRIGGER PROTOCOLS WITH OTHER INDUSTRIAL SECTORS HAVE BEEN CANCELLED. SEVERAL LEADING OFFICIALS OF THE GOB'S PRICING AUTHORITY REPORTEDLY RESIGNED THIS WEEK OVER DIFFERENCES WITH THE GOB'S FINANCE MINISTER. ALSO, THERE IS NOW TALK OF BASING ANY TRIGGER FORMULA ON ONLY

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 5

DECONTROLLED/UNCLASSIFIED

DECONTROLLED/UNCLASSIFIED

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 6
Channel: n/a

80 PERCENT OF THE CONSUMER PRICE INDEX. WITH BRAZIL'S
VERY HIGH INFLATION, SUCH A FORMULA WOULD LEAD TO RAPID

~~LIMITED OFFICIAL USE~~

NNNN

~~LIMITED OFFICIAL USE~~

PAGE 01 BRASIL 06146 03 OF 04 282048Z
ACTION STR-17

INFO	LOG-00	COPY-01	ADS-00	AID-00	INR-10	SS-00	CIAE-00
	EB-08	DINT-05	DODE-00	H-01	ARA-00	NSAE-00	COME-00
	L-03	LAB-04	CTME-00	TRSE-00	ITC-01	PA-01	CEA-01
	OMB-01	HHS-04	INRE-00	AGRE-01	FRB-03	OES-09	USIE-00
	JUSE-00	SP-02	PRS-01	E-01	T-01	/075 W	
						-----060127	301738Z /41

R 281938Z MAY 87
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 5746

~~LIMITED OFFICIAL USE~~ SECTION 03 OF 04 BRASILIA 06146

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 6

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 7
Channel: n/a

USTR FOR JON ROSENBAUM

E.O.12356: N/A
TAGS: ETRD, EINV, BR
SUBJECT: RECENT DEVELOPMENTS IN THE BRAZILIAN

DETERIORATION IN MARGINS.

9. THE INDUSTRY FEARS THAT CONSUMER RESISTANCE -- AND RESENTMENT -- TO THE HUGE INCREASES AT THE DRUGSTORE THAT HAVE ALREADY BEEN GRANTED MIGHT COMPEL THE GOB TO REVERT TO ITS OLD PRICE DEPRESSING POLICIES. THERE ARE SIGNS SUGGESTING THAT SUCH A PUBLIC REACTION MAY ALREADY BE OCCURRING. THE MAY 19 EDITION OF THE DAILY "O ESTADO DE SAO PAULO" CARRIED AN ARTICLE HEADLINED "MEDICINES, ONLY FOR THE PRIVILEGED." THROUGH INTERVIEWS WITH MANAGERS OF PHARMACIES IN POORER SAO PAULO NEIGHBORHOODS, THE AUTHOR MAKES THE POINT THAT IN THE WAKE OF THE LATEST PRICE INCREASES MANY WORKING CLASS INDIVIDUALS CAN NO LONGER AFFORD ESSENTIAL MEDICINES.

10. ONE EXAMPLE CITED IN THIS ARTICLE SHOULD SUFFICE TO GRASP ITS TONE: "IN SANTO AMARO, AT THE LARGO 13 DE ~~LIMITED OFFICIAL USE~~

~~LIMITED OFFICIAL USE~~

PAGE 02 BRASIL 06146 03 OF 04 282048Z

MAIO, A SPOT THROUGH WHICH A LARGE PART OF SAO PAULO'S LOWER INCOME POPULATION PASSES, THE NOSSA SENHORA APARECIDA DRUGSTORE IS ALREADY FEELING THE EFFECTS OF THE PRICE ADJUSTMENTS. GIROTI, THE MANAGER OF THE PHARMACY, REPORTS THAT HIS SALES HAVE FALLEN 30 PERCENT IN VOLUME IN THE LAST MONTH. 'THE MIDDLE AND UPPER MIDDLE LEVEL CLASSES CONTINUE TO BUY, BUT THE LOWER INCOME GROUPS HAVE FEW ALTERNATIVES', HE SAID." SUCH ARTICLES HAVE AN UNDENIABLE EMOTIONAL IMPACT WHICH COULD AFFECT FUTURE GOB PRICING DECISIONS.

11. PFIZER DIRECTOR RICHARD DOBE REPORTS THAT HIS COMPANY HAS YET TO FEEL ANY FALL-OFF IN DEMAND. IN ANY EVENT, HOWEVER, DUE TO THE NATURE OF THE MEDICINES DISTRIBUTION SYSTEM HERE A DROP IN DEMAND AT THE RETAIL LEVEL WOULD NOT BE FELT AT THE MANUFACTURER FOR AT LEAST 2 MONTHS.

NEW DRUG/PRESENTATION REGISTRATIONS

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 7

DECONTROLLED/UNCLASSIFIED

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 8
Channel: n/a

12. THE GOB'S TRADITIONAL DRUG/PRESENTATION REGISTRATION ORGAN, THE MEDICALS DIRECTORATE (DIMED), IS REPORTEDLY IN THE PROCESS OF REORGANIZATION UNDER NEW LEADERSHIP. INDUSTRY OFFICIALS REPORT THAT THE NEW DIMED LEADERSHIP IS MUCH MORE COOPERATIVE AND IS TRYING TO SPEED UP NEW PRODUCT REGISTRATIONS. LETTERS WERE RECENTLY SENT TO ALL DRUG COMPANIES ASKING THEM TO PRIORITIZE THEIR PRODUCTS AWAITING REGISTRATION. ANOTHER EXAMPLE OF THE NEW ATTITUDE AT DIMED IS THAT THE LONG-STANDING REQUIREMENT THAT ALL DRUGS BE RE-REGISTERED ANNUALLY WAS WAIVED THIS YEAR IN ORDER TO CONSERVE DIMED STAFF TIME FOR MORE PRESSING PRIORTIIES.
13. THE RECENTLY CREATED NATIONAL HEALTH COUNCIL (CNS),
~~LIMITED OFFICIAL USE~~

~~LIMITED OFFICIAL USE~~

PAGE 03 BRASIL 06146. 03 OF 04 282048Z

WHICH APPEARS TO BE VESTED WITH SUPERIOR POWERS THAN DIMED (AT LEAST IN THE FIELD OF NEW DRUG REGISTRATIONS), IS SLOWLY BEING STAFFED. BESIDES THE 13 CHIEF COUNSELORS, PERSONNEL FOR VARIOUS SUBCOMMITTEES HAVE BEEN APPOINTED, AND THE COUNCIL IS SCHEDULED TO MEET FOR THE FIRST TIME IN JUNE. ARRANGEMENTS FOR HOW DIMED AND THE CNS WILL DIVIDE RESPONSIBILTIES FOR NEW DRUG/PRESENTATION REGISTRATIONS ARE LIKELY TO BE AT THE TOP OF THE AGENDA. IN THE MEANTIME, THERE HAVE BEEN NO NEW DRUG REGISTRATIONS, ALTHOUGH A FEW NEW PRESENTATIONS REPORTEDLY HAVE BEEN APPROVED BY DIMED. MOST INDUSTRY OBSERVERS EXPECT NEW DRUG/PRESENTATION REGISTRATIONS TO GET UNDERWAY IN THE NEXT TWO OR THREE MONTHS.
SHORTAGES

14. THE SHORTAGES OF MANY DRUGS THAT HAVE PLAGUED BRAZIL SINCE THE SECOND QUARTER OF 1986 CONTINUE, ALBEIT AT A SLIGHTLY LESS SEVERE LEVEL THAN THAT WHICH OCCURRED IN THE FOURTH QUARTER OF 1986. THE PRESIDENT

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 8

DECONTROLLED/UNCLASSIFIED

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 9
Channel: n/a

~~LIMITED OFFICIAL USE~~

NNNN

~~LIMITED OFFICIAL USE~~

PAGE 01 BRASIL 06146 04 OF 04 282048Z
ACTION STR-17

INFO	LOG-00	COPY-01	ADS-00	AID-00	INR-10	SS-00	CIAE-00
	EB-08	DINT-05	DODE-00	H-01	ARA-00	NSAE-00	COME-00
	L-03	LAB-04	CTME-00	TRSE-00	ITC-01	PA-01	CEA-01
	OMB-01	HHS-04	INRE-00	AGRE-01	FRB-03	OES-09	USIE-00
	JUSE-00	SP-02	PRS-01	E-01	T-01	/075 W	
					-----060130 301738Z /41		

R 281938Z MAY 87
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 5747

~~LIMITED OFFICIAL USE~~ SECTION 04 OF 04 BRASILIA 06146

USTR FOR JON ROSENBAUM

E.O.12356: N/A
TAGS: ETRD, EINV, BR
SUBJECT: RECENT DEVELOPMENTS IN THE BRAZILIAN

OF THE SAO PAULO STATE PHARMACEUTICALS PRODUCTS
WHOLESALE ASSOCIATION TOLD ECONOFF THAT ONLY ABOUT 20
PERCENT OF THE DRUGS THAT DISAPPEARED DURING THE LATTER

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 9

DECONTROLLED/UNCLASSIFIED

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 10
Channel: n/a

HALF OF 1986 HAVE NOW RETURNED TO THE MARKET. THE BIGGEST REASON FOR THESE CONTINUING SHORTAGES, HE OPINES, IS THE TIGHT CONTROL OF IMPORT LICENSES FOR RAW MATERIALS AND PACKAGING MAINTAINED BY THE FOREIGN TRADE OFFICE OF THE BANK OF BRAZIL (CACEX). SUCH TIGHT CONTROLS HAVE BEEN PROMPTED BY BRAZIL'S EXTERNAL BALANCE OF PAYMENTS CRISIS WHICH SURFACED IN LATE 1986. IMPORT RESTRICTIONS ARE PARTICULARLY CRIPPLING, NOTES FAUSTO SPINA, PRESIDENT OF THE SAO PAULO PHARMACEUTICALS PRODUCTS ASSOCIATION, DUE TO THE FACT THAT "BRAZIL HAS TO IMPORT 70 PERCENT OF THE RAW MATERIALS INDISPENSABLE FOR THE PRODUCTION OF MEDICINES."

~~LIMITED OFFICIAL USE~~

~~LIMITED OFFICIAL USE~~

PAGE 02 BRASIL 06146 04 OF 04 282048Z

15. PFIZER'S DOBE REPORTS THAT HIS FIRM'S QUOTAS FOR IMPORTS OF RAW MATERIALS HAVE BEEN REDUCED BY 20 PERCENT FROM ITS 1986 QUOTA, AND THAT SALES ARE STILL LIMITED BY CAPACITY TO PRODUCE. FRANZ SCHONING, MANAGER OF BAYER'S PHARMACEUTICALS DIVISION, CLAIMS THAT HIS COMPANY'S IMPORT QUOTAS "ARE FAR BELOW THE NEEDS OF THE MARKET." THIS YEAR BAYER WILL BE ALLOWED TO IMPORT THE SAME QUANTITY OF RAW MATERIALS AS 1985. SINCE BAYER'S PHARMACEUTICALS SALES EXPANDED BY 60 PERCENT IN 1986, SCHONING REASONS THAT 1987'S IMPORT QUOTA WILL BE SUFFICIENT FOR ONLY ABOUT HALF OF BAYER'S PRODUCTION NEEDS.

16. SHORTAGES OF PACKAGING MATERIALS SUCH AS SMALL BOTTLES AND ALUMINUM TUBES ARE PERSISTING FOR THE SAME REASON -- IMPORT RESTRICTIONS. BRAZIL IS CURRENTLY IMPORTING THESE ITEMS FROM ARGENTINA, MEXICO, AND WESTERN EUROPE, BUT IN INSUFFICIENT QUANTITIES.
OTHER ISSUES

17. THE ANGLO-U.S. PHARMACEUTICAL MANUFACTURERS ASSOCIATION (CIFAB) HERE RECENTLY HIRED A LOBBYIST TO WORK ON CONSTITUTIONAL ISSUES WITH THE FEDERAL CONGRESS IN BRASILIA. CIFAB IS NOT PUBLICIZING THIS ACTION OWING TO AN EARLIER PLEDGE MADE TO ABIFARMA THAT IT WOULD KEEP INDEPENDENT LOBBYING EFFORTS TO A MINIMUM. PRIORITY ITEMS ARE COMBATTING ANY WORDING IN THE NEW CONSTITUTION THAT MANDATES NATIONALIZATION OF THE PHARMACEUTICALS SECTOR AND/OR MARKET RESERVE, AND WORKING FOR RECOGNITION OF PHARMACEUTICAL PATENTS.

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 10

DECONTROLLED/UNCLASSIFIED

Current Class: ~~LIMITED OFFICIAL USE~~
Current Handling: n/a
Document Number: 1987BRASIL06146

Page: 11
Channel: n/a

DACHI UNQUOTE
FERRER

~~LIMITED OFFICIAL USE~~

NNNN

Current Class: ~~LIMITED OFFICIAL USE~~

Page: 11

DECONTROLLED/UNCLASSIFIED