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FEATURED Q&A

What is the Outlook for Pharmaceuticals in Brazil and Mexico?

Q Indian generic drug maker Lupin Ltd. plans to spend \$50 million to \$75 million on acquisitions in Brazil and Mexico, Bloomberg News reported June 25. What is the potential for the generic drug market in these countries? Is there room for acquisitions, and what companies could be targeted? What government policies are needed to improve the state of pharmaceutical manufacturing in Brazil and Mexico?

A Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach: "Mexico and Brazil are key markets in the region for a successful implementation of a buy-and-build strategy in generic drug manufacturing. Both countries are sure to lead the redeployment wave which is about to transform the structure of the industry. Indeed, as social demands for enhanced health coverage press governments to improve access through affordability, emerging markets have increasingly resorted to procurement of generic drugs. The World Health Organization estimates that between 1.3 billion and 2.1 billion people have no access to medicines. Generic drugs enhance access to treatments because their prices are much lower than those of branded medicines. In the United States, for instance, the average price for branded drugs is \$77.02 while for a generic drug equivalent is \$14.70. Pharmaceutical entrepreneurs in—among other emerging mar-

kets—India, Mexico and Brazil, have seen an opportunity to grow through generics by systematically manufacturing branded drugs that see their intellectual property rights expire. Thus, there is a myriad of very successful medium-sized pharmaceutical labs in both countries which can increase their value through consolidation. And as world industry leaders begin to migrate from chemistry-based medicines to genetically engineered medicines, these market entrants will take their place.

Continued on page 4



Venezuelan Opposition Leader Facing Explosives Charges

Alejandro Peña Esclusa, an opposition politician and former Venezuelan presidential candidate who the government arrested Monday night, was arraigned Wednesday in a criminal court that hears terrorism cases. See story on page 2.

File Photo: Fuerza Solidaria.

Inside This Issue

FEATURED Q&A: What is the Outlook for Pharmaceuticals in Brazil and Mexico?	1	Argentine Consumer Prices Up in June on Food, Clothing Costs	2
Mexico's Calderón Names Francisco Blake New Interior Minister	2	Peru on Schedule to Meet Goal of 1 Million Broadband Connections	3
Venezuelan Opposition Leader Arraigned on Explosives Charges	2	Subscriber Notice: Fernando Cordero, President of Ecuador's National Assembly	3

NEWS BRIEFS

Argentine Senate Approves Measure Allowing Gay Marriage

Argentina's senate on Wednesday approved legislation to legalize same-sex marriage, local daily *Clarín* reported. Approved by just six votes after 14 hours of debate, the measure has already passed the lower house and now heads to President Cristina Fernández de Kirchner, who is expected to sign it. The vote in the upper house came down to 33-27 for the proposal, with three abstentions. Thousands of demonstrators marched outside the legislative building in both support and opposition of the bill.

Guatemala: 53 Percent of Public Disapproves of President Colom

According to an opinion poll released Wednesday, 53 percent of Guatemalans disapprove of the way President Álvaro Colom is doing his job. In the *Vox Latina* survey, commissioned by Guatemalan daily newspaper *Prensa Libre*, 46 percent of Guatemalans approved of Colom, who marked 30 months in office Wednesday. The survey also said that 46 percent of Guatemalans consider security to be the main problem facing the country.

General Electric Oil & Gas Wins \$160 Million Petrobras Contract

General Electric's oil and gas unit on Wednesday signed a contract to provide services worth \$160 million to Brazilian national energy company Petrobras, the Associated Press reported. GE will supply gas turbine and compressor equipment to Petrobras. "With this contract, GE Oil & Gas continues to expand its presence across Latin America's oil and gas sector, with more than 1,000 gas turbines and compressors installed throughout the region." GE said in a statement.

Political News

Mexico's Calderón Names Francisco Blake New Interior Minister

Mexican President Felipe Calderón on Wednesday named José Francisco Blake as his new interior minister, the government said in a press release. Currently the secretary general of Baja California state, Blake will be Calderón's fourth interior minister in four years and replaces Fernando



Mexico's new Interior Minister Francisco Blake, left, President Calderón, center, and Mexico's outgoing Interior Minister Fernando Gómez Mont.

Photo: Mexican Government.

Gómez Mont. Calderón also named Gerardo Ruiz Mateos, now economy minister, to be chief of staff to the president, and Bruno Ferrari, who headed the country's investment promotion authority known as Promexico, to replace Ruiz Mateos. Blake, 44, will handle security matters as well as negotiations with other political parties in his position. His previous experience as an attorney prosecuting crime in Baja California "will be of great help in carrying out the fight against organized crime," Calderón said.

Venezuelan Opposition Leader Arraigned on Explosives Charges

Alejandro Peña Esclusa, an opposition politician and former Venezuelan presidential candidate who the government arrested Monday night, was arraigned Wednesday in a criminal court that hears terrorism cases, local daily *El Universal* reported. A 1998 presidential candidate and political opponent of leftist Venezuelan leader Hugo Chávez, Peña was

arrested at home by agents from the nation's intelligence service, the official ABN news service reported Monday. Minister of the Interior Tarek El Aissami said on Tuesday that "suspected explosive material, documents that are being investigated, electronic detonating devices, documents with information about destabilizing and terrorist plans to be carried out in the coming days," were found at Peña Esclusa's house. Opposition groups say Peña Esclusa was arrested for political reasons and that the incident exemplifies a worsening trend of political persecution ahead of the country's September 26 legislative elections. [Editor's note: See related Q&A in the July 7 [issue](#) of the *Advisor*.]

Economic News

Argentine Consumer Prices Up in June on Food, Clothing Costs

Argentina's consumer price index rose 0.7 percent in June, driven mostly by higher food, clothing and education costs, the country's National Institute of Statistics and Censuses (INDEC) said Wednesday, local daily *Clarín* reported. Compared to June 2009, the CPI increased by 11 percent last month. For the first half of the year, CPI ended with a cumulative price rise of 5.9 percent, according to the data. Wholesale prices grew 0.9 percent in the month of June compared to the month before, an increase of 15.2 percent compared to June 2009. Official inflation figures in Argentina differ from those estimated by private economists, who have lately forecast a price increase nearly twice as high as INDEC of between 1.2 and 1.8 percent, *Clarín* reported. According to a monthly survey by Buenos Aires-based Torcuato Di Tella University, Argentines expect prices to rise 25 percent over the next year, Bloomberg News reported. In a press release this week announcing its upgrade of Argentina's bond and currency ratings out of default status, **Fitch Ratings** cautioned that "weakened credibility of official data, particularly with regards to GDP and inflation" is undermining investor confidence in the country. [Editor's note: See related story in Monday's [issue](#) of the *Advisor*.]

Report: Brazil Plans Restrictions on Foreigners' Land Ownership

Brazil is planning to increase restrictions on foreign investors owning land, according to a report Wednesday in Britain's *Daily Telegraph*. Land intended for agricultural use is particularly at issue. Brazil's agrarian development minister, Guilherme Cassel, has said that President Luiz Inacio Lula da Silva has asked ministers to tighten laws on foreign ownership of land out of concerns over food supplies, according to the report. "Because of food security, Brazilian lands must remain in Brazilian hands," he said. "I am not a xenophobe but our land is finite. The population grows and demands food." Demand for land plots in Brazil has increased significantly over the last decade. In 2008, some 10 million acres of land in Brazil had been registered as owned by foreigners, the report states.

Peru on Schedule to Meet 1 Million Broadband Connections Goal

Peru is on track to meet its goal of 1 million broadband connections by the end of 2010, Peru's Ministry of Transport and Communications said Wednesday. That goal was set three years ago, in 2007, shortly after President Alan García took office. Some 40,000 new broadband connections a month are being created in Peru, state news agency Andina reported. "If connections continue growing at 30,000 or 40,000 a month, they will easily



Jorge Luis Cuba Hidalgo.

Photo: Andina.

surpass 1 million by the end of the year," said Peruvian Deputy Communications Minister Jorge Luis Cuba Hidalgo. With

Subscriber Notice

An Inter-American Dialogue Discussion

with

Fernando Cordero
President of Ecuador's National Assembly

Friday, July 16, 2010

8:30 – 10:00 a.m.

Inter-American Dialogue
1211 Connecticut Ave., NW, Suite 510
Washington, DC

Please include your name and affiliation when registering, and note that this session will be conducted in Spanish.

RSVP to meetings@thedialogue.org

the current rate of increase, connections will reach 1.3 million in 2011, he stated. Peru has a population of approximately 28 million people. Rural penetration of broadband service, a problem in even developed countries, remains an issue in Peru. Hidalgo stated that Lima and the other major cities of the country have the highest level of broadband growth. A "Multi-Sectoral Commission" charged with expanding the country's National Broadband Development Plan is expected to deliver final proposal for expanding nationwide connection services on July 20, according to the report.

Company News

Ecopetrol Plans \$80 Billion in Investments Through 2020

Colombian state oil company **Ecopetrol** on Wednesday confirmed plans to produce 1 million barrels of oil per day by 2015, and said that it will invest some \$80 billion through the year 2020 to more than double daily output to 1.3 million barrels of crude, the company said in a

Web site release. Ecopetrol currently produces 586,000 barrels of oil equivalent per day. Of the \$80 billion, 79 percent will be dedicated for exploration and production, with the remaining 21 percent destined to refining, transport, marketing and biofuel areas. The board of the company said it hopes Ecopetrol will become "one of the 30 largest oil companies in the world by 2020." The plan also sets production goals for "clean barrels," which means the production of crude without accidents or environmental incidents and "in harmony with interested parties," referring to civil society stakeholders such as indigenous groups and environmentalists. Colombia's government last month completed a generally successful round of bids for oil sector development, with companies pledging to invest more than \$1 billion. In the medium term, experts suggest the country will need to consider economic factors, such as the currency pressure that an increase in oil exports could trigger. An oil stabilization fund could ease peso revaluation, RoseAnne Franco, an analyst at **PFC Energy**, told the *Advisor* last week. [Editor's note: See related Q&A in the July 5-9 [issue](#) of the *Energy Advisor*.]

Featured Q&A*Continued from page 1*

Statistics are quite telling. By 1990, generics production in low income countries represented 43 percent of the market. This proportion had grown to 50 percent in 2000 and it is estimated to be around 53 percent today. In high income countries, on the contrary, production of generics dropped from 36 percent to 26 percent between 1990 and 2000."

A Adrian Cruz, chief executive officer of PharmaProspect International in Austin, Tex.:

"According to *Datamonitor*, the use of generics in Latin America ranges from a 56 percent penetration rate for generics in Argentina, to Mexico where generics make up just 2 percent of pharmaceutical market sales. The significantly lower level of generic uptake in Mexico is largely attributed to the high level presence of similares, which are priced even more cheaply than generic drugs, and are often confused with real bioequivalent generics, thus hampering generic penetration. Generic firms in the region often market similares—generics that lack bioequivalence data, facilitated by weak intellectual property laws. These have taken an important share of the market, and pose a barrier to innovative drugs as well as the uptake of bioequivalent generics. As local boards of health have recognized the health risks of similares, in addition to the threat they pose to the growth of the pharmaceutical industry, new laws to eliminate similares by enforcing bioequivalence testing have been enacted. The resulting trend is that generics will have to meet bioequivalence standards in order to be granted approval, so all similares will either become generics or be eventually removed from the market. Consequently, many local players are abandoning similares in favor of generics, making the Latin American market more attractive for multinationals, although some smaller domestic generic compa-

nies may find it difficult to fund the additional bioequivalence tests needed to secure approval for their drugs. Although domestic manufacturers dominate the generics market in Latin America, Indian generics firms have shown a growing interest in Latin America, especially the Brazilian market. The opportunity to circumvent the cost of importing products, coupled with the low cost of manufacturing, has attracted most multinational generics companies operating in Latin America to set up their own manufacturing facilities there. Within this environment, an ever-increasing number of multinational labs (both innovators and generic firms) are expanding their pres-

“Many local players are abandoning similares in favor of generics, making the Latin American market more attractive for multinationals.”

— *Adrian Cruz*

ence in the region since it offers significant opportunity for growth for generics, and is presently showing stronger growth than the mature generics markets. Many multinationals are entering into acquisitions and partnership deals with innovator companies buying up domestic generic players in order to expand their footprint in the Latin American emerging market."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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