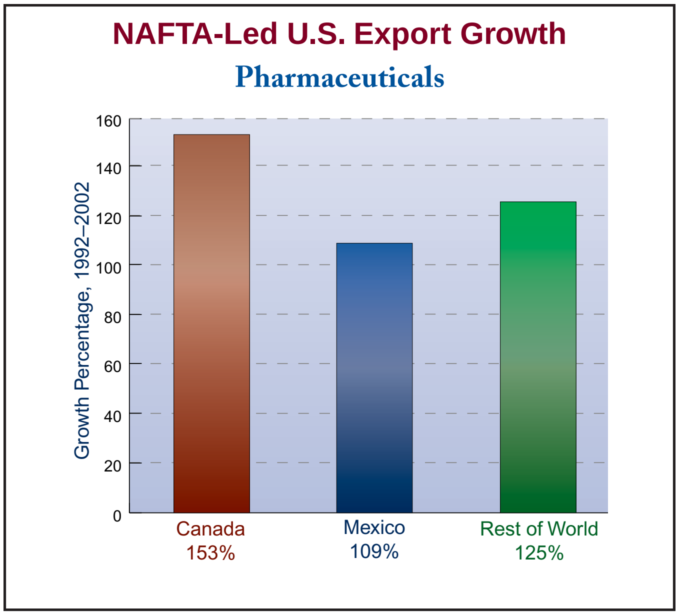
NAFTA 10 YEARS LATER

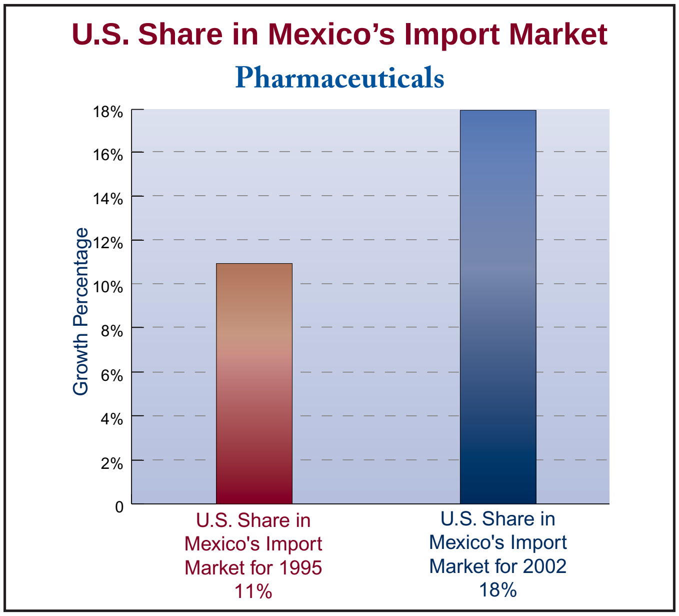
PHARMACEUTICALS

Export Highlights

U.S. firms exported a total of $26.4 billion in pharmaceutical products in 2002, including $3.5 billion to Canada and $748 million to Mexico. Together, our NAFTA partners account for 16% of total U.S. pharmaceutical exports.



From 1992 to 2002, U.S. pharmaceuticals firms increased exports to Canada by 153% and increased exports to Mexico by 109%.



The U.S. share of Mexico's pharmaceutical import market increased from 11% in 1995 to 18% in 2002. U.S. firms captured nearly half of Canada's pharmaceutical import market in 2002.

Industry Facts

- Lower NAFTA tariffs on pharmaceuticals have fostered greater choices for the inputs needed for pharmaceutical production. A world-class patent regime in Mexico, bolstered by NAFTA's patent provisions, gives innovators a favorable environment to launch new compounds.
- U.S. pharmaceutical exports to Canada and Mexico combined increased 144% from 1992 to 2002, which is higher than the 125% growth in exports to the rest of the world.
- U.S. pharmaceutical firms account for nearly half of world production, or $197.4 billion.
- From 1992 to 2002, Mexico and Canada increased pharmaceutical exports to the U.S. market by 78% and 487%, respectively. However, the United States had a trade surplus of $2.6 billion with these countries in 2002.
- The United States and Canada are important bilateral trading partners in pharmaceuticals. Canada imports nearly half of its pharmaceuticals from the United States, while 81% of Canada's pharmaceutical exports go to the United States.
- U.S. investment in the Mexican pharmaceutical market is $1.1 billion, up 164% since 1994.

Trade Barrier Elimination

NAFTA has eliminated Mexican and Canadian tariffs on U.S. pharmaceutical exports, which faced an average tariff of 15% in Mexico before NAFTA went into effect. Today, NAFTA tariff elimination gives U.S. pharmaceutical firms a price advantage over competitors facing an average tariff of 18% in Mexico. NAFTA also helped to eliminate nontariff barriers in Mexico and Canada. Today U.S. pharmaceutical exporters benefit from greater transparency in government rule-making and stronger intellectual property laws and enforcement.

Key Exporting States

California, New Jersey, North Carolina, Illinois, Indiana, Michigan, Missouri, New York, Pennsylvania, Texas

Success Stories

- **Wyeth Pharmaceuticals, of Princeton, New Jersey,** has benefited from NAFTA-driven tariff elimination, stronger patent laws and enforcement, and transparency in government decision-making in Mexico and Canada. Wyeth now enjoys increased flexibility in sourcing bulk intermediate inputs and faster approval of new products than previously existed.

- **"Before NAFTA, we had to deal with smaller markets, and servicing them as separate markets was more costly,"** says R. Scott Miller, director of national government relations for Proctor and Gamble, based in Cincinnati, Ohio. Before NAFTA took effect, the business units of P&G in the United States, Mexico, and Canada were separate. After NAFTA, P&G merged the three national units into one. Sales in Mexico doubled, and sales in Canada rose 50%.

Employment Opportunities

The pharmaceutical industry employs nearly 300,000 people throughout the country. During the past decade, pharmaceutical employment has increased 33% while wages have increased 45%.

The Sector

The pharmaceutical industry includes drugs and medicaments, vaccines, blood and blood by-products, live cultures, and diagnostic equipment and reagents for medical use.

Prepared by the U.S. Department of Commerce, International Trade Administration, Office of Industry Trade Policy.
For more information, please contact the Office of Trade and Economic Analysis/Industry Trade Policy at 202.482.3703.