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Whitepaper

Opportunities and Challenges in the Latin American Pharmaceutical Industry

Authored by

Miguel Lewis, Senior Regulatory Consultant, DLRC Group

Summary

Abstract

Latin American pharmaceutical industry faces competition from both local and international players. India has emerged as the world's leading exporter of generic medicines. The pharmaceutical market in the region has experienced a steady growth in recent years. India and China face intense competition from generic drug manufacturers.

This systematic comparison process aimed to ensure consistency and alignment in regulatory requirements across different markets, facilitating the development of a core dossier approach that could streamline the regulatory submission process for products in Latin America and the EU.

The regulatory landscape in Latin America (LatAm) presents a blend of challenges and opportunities for pharmaceutical investment and expansion. Despite variations in regulatory systems across the region, concerted efforts have been made to fortify regulatory frameworks, establish quality review mechanisms, and adopt risk-based approaches. Initiatives like the EU-MERCOSUR agreement and the development of a LatAm Technical Core Dossier are geared towards simplifying regulatory procedures and fostering harmonization, which in turn, benefits both pharmaceutical companies, national health authorities and patients. This streamlined approach not only reduces the complexity of dossier customization but also enhances efficiency, facilitating quicker market access for groundbreaking medicines and ensuring uniform regulatory adherence. Looking ahead, sustained collaboration between regulatory bodies and industry stakeholders remains pivotal in optimizing the deployment of LatAm Technical Core Dossiers and maximizing the potential of regulatory convergence within the EU-Latin America MERCOSUR Agreement. Through collective efforts, regulatory agencies and pharmaceutical enterprises can more adeptly navigate regulatory hurdles, ultimately advancing the well-being of patients and public health outcomes throughout the LatAm region.

Introduction

The Latin American pharmaceutical industry plays a significant role in the global scenario, albeit with some distinct characteristics and challenges. Lately, the pharmaceutical market in the region has experienced a steady growth over the years taking into consideration more than 660 million habitants are located in this region, the value of drug purchases increased dramatically from $34.3 billion in 2008 to more than $69.5 billion in 2017 (*Vargas, Rama, & Singh, 2022*). Factors such as population growth, increasing healthcare expenditure and rising incidences of chronic diseases contribute to the expansion of this market.

The Latin American pharmaceutical industry faces competition from both local and international players. Local companies often compete with multinational pharmaceutical corporations, especially in the branded drugs segment, majority of the multinational corporations operate in countries within the region commercialise their products but only in a few concentrated countries in the region, where these corporations have manufacturing and/or R&D facilities. Additionally, competition from generic drug manufacturers, particularly from countries like India and China, pose challenges for local producers.

From the point of view of consumption, in a group of countries where there is data on domestic production, multinational corporations have accounted for an average of 40 per cent of total sales in the domestic market (including imported goods), while domestic pharmaceutical corporations have accounted for the remaining 60 per cent. These shares differ in some market segments, depending on the type of product; In general, multinationals have a greater share of brand-name medicines. In Brazil, for example, in 2019, foreign multinational corporations accounted for 77 per cent of retail sales of patented medicines (innovative or original) and their share of generics and similar drugs was much lower (24 per cent and 20 per cent, respectively) (*Interfarma, 2020*).

While R&D investment in Latin America's pharmaceutical industry has historically been lower compared to developed countries, there has been a noticeable increase in recent years. Collaborations between academia, research institutions, and pharmaceutical companies are fostering innovation in drug discovery, development, and clinical trials. Governments and private investors are also incentivising R&D initiatives to drive long-term growth and competitiveness, but Latin America is a complex region where regulations governing the pharmaceutical industry vary across countries. While some nations have stringent regulatory frameworks like those in developed countries, others may have less stringent regulations. Harmonisation of regulations within the region and alignment with international standards remain areas for improvement which is starting to develop in some countries in the regions adopting the CTD format in their process of registration of their dossier by their local health authorities.

Furthermore, we have seen an increase of harmonisation of system within some Latin America countries applying to abbreviated, homologation, accelerated or mutual recognition procedures. This region and their local pharmaceutical industry are preparing to enter and exploit the true potential to compete in the global pharmaceutical arena.

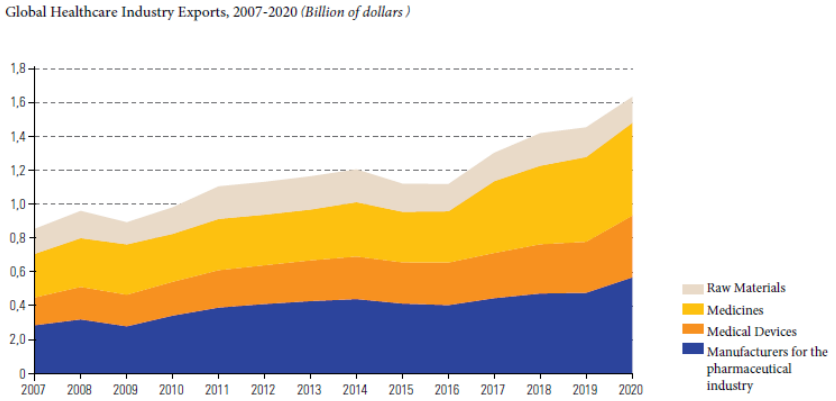
Dynamics of Healthcare Global Trade

In 2020, global exports of health industry products amounted to approximately $1.1 trillion, which represented about 6 per cent of the total global trade in goods for that year. This figure increased to $1.6 trillion when considering manufacturing directly linked to the pharmaceutical industry, which contributed $567 billion.

Within the pharmaceutical industry's contribution, just over $700 billion was accounted for, with medicines comprising $549 billion (about 34 per cent of the total) and raw materials used in the industry amounting to $152 billion (approximately 9 per cent of the total). Medical devices contributed the remaining $364 billion, maintaining an average share of around 21 per cent over the past decade.

Despite the overall decrease of 7.5 per cent in the value of global exports of goods due to the COVID-19 pandemic, the healthcare industry saw a 9 per cent increase

in the value of its shipments. Specifically, the medical devices sector experienced a much higher increase of 21 per cent.

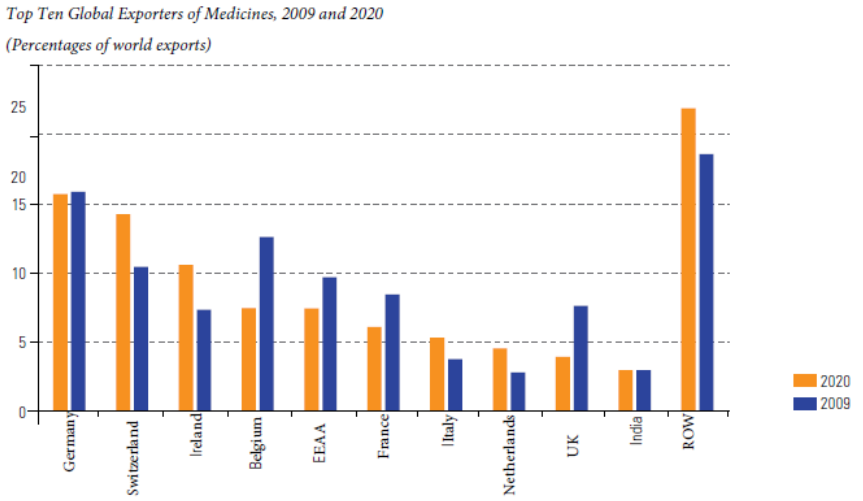


Reference: Comisión Económica para América Latina y el Caribe (CEPAL), sobre la base de Naciones Unidas, Base de Datos Estadísticos de las Naciones Unidas sobre el Comercio Internacional [en línea] https://comtrade.un.org/.

The list of the world's top ten exporters of medicines is largely composed of developed countries, with eight of them being European. This composition has remained relatively stable over the past decade, with the only significant change being India's entry into tenth place. Together, these top ten exporters hold a combined share of around 80 per cent of the market.

India has emerged as the world's leading exporter of generic medicines. Generic medicines, not protected by patents, face intense competition in the market, resulting in lower prices compared to innovative medicines. India's prowess in generic medicine production reflects its strategic positioning in the pharmaceutical landscape, capitalizing on cost-effective manufacturing processes to meet global demand. Other notable trends include Ireland's significant increase in global exports of active ingredients, doubling its weight over the last decade.

Among Latin American countries, Mexico is the sole representative among the top 40 global drug exporters as of 2020, holding the 34th position with a share of 0.15 per cent.



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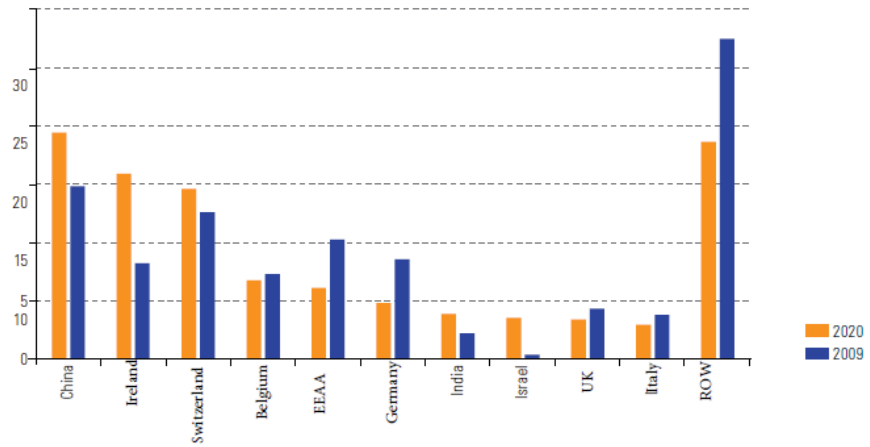
In the realm of raw materials and active ingredients for pharmaceuticals, the list of major exporters resembles that of finished medicines. However, a notable difference is China's prominent position as the top exporter, which has only strengthened over the past decade. China's ascendancy in this sector, coupled with its implementation of an ambitious industrial policy aimed at advancing the pharmaceutical industry, positions the country to potentially join the top ten exporters of medicines in the coming years. In 2020, China ranked 14th in pharmaceutical exports, with a share of 1.8 per cent.

Several other countries have also seen significant increases in their shares of global exports of active ingredients. Ireland, for instance, now ranks second and has doubled its weight in the last decade. Similarly, Israel's share increased ninefold between 2009 and 2020, propelling the country from twenty-third to eighth place during that period.

Among Latin American countries, Brazil stands out as the sole representative among the top 30 global exporters of active ingredients in 2020, holding the 24th position with a share of 0.3 per cent. Notably, global trade in active ingredients has become more concentrated in origin over the last decade, with the top ten exporters' combined share rising from 73 per cent in 2009 to 81 per cent in 2020.

Top ten global exporters of active ingredients, 2009 and 2020

(Percentages of world exports)



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The medical devices sector encompasses a wide array of product categories, resulting in a diverse distribution of world exports within the sector. No single category dominates, with each category accounting for less than a quarter of the total exports.

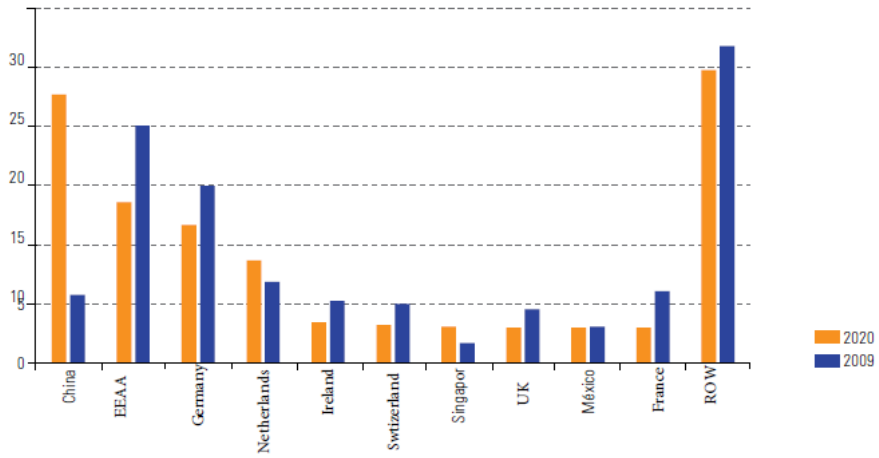
In the list of the world's top ten exporters of medical devices, significant overlaps with the pharmaceutical sector are observed. Notably, China's ascent from third place in 2019 to first place in 2020 is noteworthy, with the country's share doubling between those two years and quadrupling from 2009. In 2020, China became the world's leading exporter of essential products for combating COVID-19.

Other countries that have seen increases in their share of global medical device exports over the past decade include The Netherlands, Mexico (which rose from 11th to 9th place), and Singapore.

In Latin America, besides Mexico, Costa Rica stands out as the only other country among the top 30 global exporters of medical devices. Between 2009 and 2020, Costa Rica advanced from 29th to 18th place, with its share nearly tripling from 0.4 per cent to 1.1 per cent during that period.

Top Ten Global Medical Device Exporters, 2009 and 2020

(Percentages of world exports)



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Pharmaceutical Industry in Latin America

The pharmaceutical industry is considered to be one of the sectors with the highest productivity in Latin America and the Caribbean, creating well-paid formal jobs and contributing to economic dynamism more broadly. However, what is produced domestically and what is imported/exported differs considerably across countries. To understand the differences in pharmaceutical production and importation across Latin American and Caribbean countries, it's important to distinguish between various types of medicines:

Generic Medicines: are often produced domestically in Latin American countries, as they offer opportunities for local pharmaceutical companies to manufacture affordable alternatives to brand-name drugs. This can contribute to reducing healthcare costs and increasing access to essential medicines for the population.

Branded Medicines: Branded or patented medicines are developed and marketed by pharmaceutical companies under a specific brand name. These drugs are typically protected by patents, giving the originating company exclusive rights to produce and sell them for a certain period of time. Branded medicines are often imported into Latin American and Caribbean countries, as local pharmaceutical industries may not have the capability to produce them or may face barriers such as patent protection and licensing agreements.

Biologic Medicines: Producing biologic medicines requires advanced technology and expertise, which may be lacking in many Latin American countries. As a result, biologic medicines are often imported from countries with more developed biopharmaceutical industries, such as the United States, Europe, or Asia.

Over the Counter (OTC) Medicines: OTC medicines as well as generics may be produced domestically or imported, depending on factors such as manufacturing capacity, regulatory requirements, and consumer demand.

Specialty Medicines: Specialty medicines are used to treat complex or rare conditions and often require specialized handling, storage, and administration. These medicines may be imported from countries with specialized manufacturing capabilities or produced domestically by pharmaceutical companies that have invested in advanced technologies and expertise.

Moreover, the pharmaceutical industry in Latin America and the Caribbean presents a varied landscape, with some countries having more developed domestic production capacities than others.

Mexico and Uruguay: These countries have relatively robust pharmaceutical industries, with domestic manufacturing satisfying a significant portion of their internal demand for medicines. Mexico and Uruguay each produce around 46 per cent and 42 per cent of their domestic demand, respectively. This indicates a relatively high level of self-sufficiency in pharmaceutical manufacturing compared to other countries in the region.

Brazil and Argentina: Both Brazil and Argentina have sizable pharmaceutical industries but rely on imports to meet a larger portion of their domestic demand. They each produce approximately 35 per cent of the pharmaceuticals consumed domestically. While their manufacturing capacities are significant, they still require imports to supplement their supply and meet market demands.

Chile and Peru: These countries have lower levels of domestic pharmaceutical production compared to the aforementioned nations. Chile produces around 15 per cent of the pharmaceuticals consumed domestically, while Peru produces approximately 12 per cent. This indicates a higher reliance on imports to meet their healthcare needs.

Pharmaceutical imports constitute a significant portion, approximately 70 per cent, of the local demand for medicines. This suggests a heavy reliance on foreign sources to meet the medical needs of the population. Such a high dependency on imports for essential medicines indicates potential vulnerabilities in terms of supply chain disruptions, geopolitical factors, and economic fluctuations.

Pharmaceutical imports also make up a substantial fraction of total country imports. Nonetheless, the fact that it's described as a "non-negligible fraction" implies that pharmaceutical imports have a noticeable impact on the overall import economy of the region. The median value of the fraction of pharmaceutical imports across the region is 12.6 per cent. This indicates that while some countries may have a higher dependency on pharmaceutical imports, others may have a lower one. About half of the pharmaceutical products imported originate in Western Europe. This suggests a strong pharmaceutical industry presence from European countries and potentially reflects high-quality standards and innovation in drug manufacturing.

The United States and other Latin American countries contribute roughly 20 per cent each to the total pharmaceutical imports. This highlights the diversity of import sources within the region itself.
China and India collectively account for the remaining 10 per cent. This indicates the growing role of Asian countries, particularly China and India, as major suppliers of pharmaceutical products globally.

Pharmaceutical exports from the region are primarily concentrated in two distinct geographical areas: Mexico plus Central American countries, and South America. These two areas contribute roughly the same export value, indicating a balanced distribution of pharmaceutical export activity across the region. Central American countries such as Costa Rica, Guatemala, and El Salvador are identified as significant exporters of pharmaceutical products from the region. This highlights the presence of a pharmaceutical industry in these countries and their ability to manufacture and export pharmaceutical products to international markets.

South America is also a major contributor to pharmaceutical exports from the region. Leading exporters in South America include Brazil, Argentina, Colombia, and Uruguay. These countries possess well-established pharmaceutical industries and have the capacity to produce and export a wide range of pharmaceutical products.

The fact that both Mexico plus Central American countries and South America contribute roughly the same export value suggests a balanced distribution of pharmaceutical export activity across the region. This balance may indicate complementary strengths and capabilities in pharmaceutical manufacturing and export among countries within the region.

Most pharmaceutical products exported by countries in Latin America and the Caribbean are generics products. This suggests that these countries have established capabilities in generic drug manufacturing.
Generics are typically lower-cost alternatives to brand-name drugs, and their export indicates a focus on affordability and accessibility in healthcare both domestically and regionally. These generics pharmaceutical products are primarily sold to other countries within the region. This highlights the importance of intra-regional trade and collaboration in the pharmaceutical sector. Intra-regional trade in pharmaceuticals can foster regional integration, strengthen supply chains, and promote access to essential medicines among neighbouring countries.

Apart from generics, Active Pharmaceutical Ingredients (APIs) are identified as another significant export item. The main market for APIs worldwide is found in China. This suggests that countries in Latin America and the Caribbean are involved in the production and export of raw materials used in pharmaceutical manufacturing. While generics and APIs dominate pharmaceutical exports, biological medicines, vaccines, and other drugs account for a much smaller share.

Taken together, their annual export value is less than US$ 1 billion. This indicates that while these products may represent areas of growth and specialization, they currently constitute a relatively small portion of pharmaceutical exports from the region.

The LatAm Region Deficiency in the Trade of Pharmaceutical Products

Latin America and the Caribbean have struggled to significantly contribute to global pharmaceutical exports, accounting for an average of only 1.1 per cent between 2018 and 2020. This share is considerably lower compared to the region's share of global exports of all goods, which stood at 5.5 per cent during the same period. The region's pharmaceutical exports have experienced a downward trend since the early 2010s, with their value declining from a peak of $9.845 billion in 2012 to just over $7 billion in 2020, marking a decrease of 28 per cent.

One of the key challenges facing the region's pharmaceutical trade is persistent deficits. In 2020, the value of pharmaceutical imports was nearly five times that of exports, indicating a significant trade imbalance. This trade deficit in the pharmaceutical sector is a common phenomenon across almost all countries in the region.

Several factors contribute to this situation, including limited research and development capabilities, weak intellectual property protection, regulatory barriers, inadequate infrastructure and manufacturing capacity, and trade imbalances. Addressing these challenges requires concerted efforts from governments, industry stakeholders, and international organizations to foster innovation, improve regulatory frameworks, enhance manufacturing capabilities, and promote international trade partnerships.

By addressing these issues and implementing effective strategies to support the pharmaceutical sector, Latin American and Caribbean countries can work towards reducing trade deficits, increasing exports, and enhancing their competitiveness in the global pharmaceutical market.

Raw materials and active ingredients constitute a significant portion of the region's pharmaceutical exports, representing a quarter of the total. Additionally, they make up just over a fifth of pharmaceutical imports, accounting for 22 per cent of the total. Despite this, the majority of the region's trade deficit in the pharmaceutical sector is concentrated in medicines.

Between 2018 and 2020, the pharmaceutical trade deficit in Latin America and the Caribbean surpassed $20 billion. This deficit is nearly four times larger than the deficit in the commodity sector, highlighting the magnitude of the challenge faced by the region in pharmaceutical trade.

The concentration of the trade deficit in medicines suggests a reliance on imported pharmaceutical products, potentially due to limited local manufacturing capabilities, insufficient investment in research and development, and regulatory barriers that impede domestic production. Addressing these challenges and promoting local pharmaceutical manufacturing and innovation could help reduce the region's trade deficit in the pharmaceutical sector and enhance its competitiveness in the global market.

The region's trade pattern reflects the main characteristics of its pharmaceutical market and the role that the pharmaceutical industry plays in it. The demand for innovative medicines, including biopharmaceuticals, is met mainly through extra-regional imports by transnational corporations. In the period 2017-2020, 65 per cent of total sales made by pharmaceutical companies in six countries in the region (Argentina, Colombia, Chile, Ecuador, Peru and Mexico) corresponded to extra-regionally owned companies. In addition, 14 of the 20 companies with the highest sales are of extra-regional origin, led by Bayer, Novartis and Pfizer.

The pharmaceutical sector in the Latin American and Caribbean region, like many other parts of the world, is experiencing a trend towards concentration. This trend is evidenced by various acquisitions and mergers, as well as the purchasing of production rights by major pharmaceutical companies. For example, Hypera Pharma, the third largest pharmaceutical company in Brazil, acquired production rights from Japan's Takeda and Boehringer Ingelheim for an estimated value of $825 million and $320 million, respectively. Similarly, *EMS*, Brazil's second-largest pharmaceutical company, acquired *Multilab*, a smaller Brazilian company. Similar consolidation operations have occurred in other countries such as Colombia and Uruguay.

In contrast to innovative medicines, generic drugs in the region are primarily produced by local companies. However, these companies are increasingly reliant on imported active ingredients. Over recent decades, there has been a notable trend of decreasing domestic production of active ingredients, contributing to the region's dependence on imports for both active ingredients and patented medicines. This reliance on extra-regional supply explains the persistent trade deficit in the pharmaceutical sector.

The region's minimal share of global pharmaceutical patents further underscores its dependence on imported pharmaceutical products. Despite quadrupling since 1990, the region's share of global pharmaceutical patents remains less than 1per cent. This limited share is indicative of the region's focus on drug formulation processes, galenic research, and small-scale clinical trials, rather than significant research and development (R&D) activities aimed at innovation and patenting.

R&D spending in the region is notably low, representing just 0.56 per cent of GDP in 2019. This percentage is significantly lower than that observed in leading economies in the pharmaceutical sector. Addressing these challenges requires increased investment in R&D, fostering innovation, and promoting domestic production of active ingredients and patented medicines. These efforts can help reduce the region's dependency on imports and enhance its competitiveness in the global pharmaceutical market.

The primary destinations for pharmaceutical exports from Latin America and the Caribbean are the region itself and the United States, which collectively absorbed a significant portion of the total value of shipments. Specifically, the region itself accounted for 46 per cent of pharmaceutical exports, while the United States accounted for 25 per cent during the 2018-2020 period.

However, the evolution of shipments to these markets has been mixed over the past decade. While exports to the region experienced a decline of 19 per cent compared to the average for the 2010-2012 period, exports to the United States increased by 27 per cent during the same timeframe. This notable increase in exports to the United States is primarily attributed to the reorientation of pharmaceutical exports from Mexico and the Dominican Republic towards this market.

This shift in export destinations underscores the dynamic nature of pharmaceutical trade in the region and the strategic decisions made by pharmaceutical companies to target specific markets based on various factors such as demand, regulatory environment, and market access opportunities. Additionally, it highlights the importance of diversifying export markets to mitigate risks and capitalize on emerging opportunities in the global pharmaceutical industry.

The Latin American and Caribbean region is experiencing a growing demand for pharmaceutical and parapharmaceutical products derived from natural sources, particularly plant extracts with medicinal or nutritional properties. This trend is driven by several factors, including the exceptional geographical characteristics of the region and its rich biodiversity.

The region's unique geographical features, including abrupt transitions between coastal zones, mountain ranges, rainforests, and diverse climate zones, contribute to its status as one of the most biodiverse regions on the planet. This biodiversity provides a vast array of plant species with unique secondary metabolites, such as alkaloids, flavonoids, tannins, terpenes, and essential oils. These secondary metabolites are responsible for the therapeutic properties of plants and are highly valued in pharmaceutical and health-related industries.

More developed countries increasingly prioritize natural products over chemically synthesized ones, recognizing their potential therapeutic benefits and lower environmental impact. This trend presents an opportunity for the Latin American and Caribbean region to leverage its abundant natural resources and biodiversity to develop new high-value-added products.

By harnessing its unique natural resource base and investing in research and development, the region can capitalize on the growing demand for natural pharmaceutical and parapharmaceutical products. This not only offers economic opportunities but also contributes to sustainable development and conservation efforts by promoting the sustainable use of biodiversity resources. Moreover, partnerships and collaborations with international pharmaceutical companies and research institutions can facilitate knowledge exchange and

technology transfer, further enhancing the region's capacity for innovation and product development in the natural health products sector.

Latin America Regulatory Landscape

Today, the emerging markets of Latin America (LatAm) present significant opportunities for pharmaceutical investment and growth. However, challenges persist for regulatory agencies to establish quality review systems within their submission and review guidelines and practices, and for companies to navigate the diverse requirements and expectations of these agencies.

Over the past decade, LatAm regulatory agencies have made concerted efforts to enhance their capabilities and align their practices with international standards. These initiatives aim to streamline the regulatory process, improve the efficiency of drug approvals, and ensure the safety and efficacy of pharmaceutical products entering and possibly exiting the market.

Key aspects of this journey include:

Strengthening Regulatory Frameworks: The diversity in regulatory systems across the LatAm region is evident, with disparities in capacity and capability among different countries. While efforts such as those led by the Pan American Network for Drug Regulatory Harmonization (PANDRH) aim to promote regulatory convergence, national regulations still largely govern processes such as marketing authorizations and post-approval changes for pharmaceutical products. This patchwork of regulations creates challenges for the pharmaceutical industry, leading to inefficiencies and delays in product registration. LatAm agencies have worked to update and modernize their regulatory frameworks, incorporating best practices and guidelines from international organizations such as the International Council for Harmonisation (ICH) and the World Health Organization (WHO). These efforts are aimed at harmonizing regulatory requirements and facilitating smoother interactions between regulators and pharmaceutical companies.

Building Quality Review Systems: Regulatory agencies in LatAm have focused on building robust review systems to assess the quality, safety, and efficacy of pharmaceutical products. This involves investing in training programs for staff, enhancing infrastructure and resources, and implementing rigorous review processes to ensure compliance with regulatory standards.

Implementing Risk-Based Approaches: LatAm agencies have increasingly adopted risk-based approaches to regulatory oversight, focusing resources on products with the greatest potential impact on public health and safety. This enables agencies to prioritize their efforts and allocate resources more efficiently, ultimately expediting the approval process for critical medicines.

The Need for Streamlined Processes: Recognizing the need for more efficient regulatory processes, there is an opportunity for alignment and convergence within the framework of the EU-MERCOSUR Agreement. By harmonizing regulatory requirements and adopting internationally recognized standards, the agreement can facilitate smoother access to medicines across participating countries. This is particularly crucial for pharmaceutical companies operating in both the EU and MERCOSUR regions, as it can reduce duplication of efforts and streamline the regulatory pathway for product approvals.

Developing Core Dossiers: to address the challenges posed by divergent regulatory requirements, the concept of core dossiers has emerged as a promising solution. A core dossier serves as a standardized template containing essential information about a pharmaceutical product, such as its quality, safety, and efficacy data. This dossier can then be customized to meet the specific requirements of individual countries, thereby reducing the burden of developing multiple dossiers from scratch.

Enhancing Collaboration and Communication: Agencies in LatAm have recognized the importance of collaboration and communication with stakeholders, including pharmaceutical companies, healthcare professionals, and patient advocacy groups. By fostering open dialogue and engagement, regulators aim to better understand industry needs and concerns, leading to more effective regulatory decision-making.

Impact on Regulatory Efficiency: the development of core dossiers has the potential to significantly improve regulatory efficiency in Latin America. By establishing a common framework for product registration, pharmaceutical companies can streamline the submission process and expedite the review and approval of their products. This not only benefits manufacturers but also enhances access to medicines for patients across the region.

Additionally, LatAm countries have been actively aligning their regulatory activities regionally, primarily through the initiative of the Pan American Health Organization (PAHO) via the Pan American Network for Drug Regulatory Harmonization (PANDRH). This collaborative effort aims to reinforce harmonization and promote consistency in regulatory practices across the region.

Furthermore, the recognition of four out of six LatAm countries by PAHO as Level 4 national regulatory authorities underscores their competent and efficient performance in regulatory oversight. These countries include Mexico (2012), Brazil (2010), Colombia (2010), and Argentina (2009).

Key areas of alignment efforts in LatAm have focused on sharing safety data, developing a common pharmacopeia, and establishing reciprocal acknowledgment of clinical site and Good Manufacturing Practice (GMP) inspections. These initiatives aim to enhance transparency, facilitate regulatory decision-making, and ensure the quality and safety of pharmaceutical products throughout the region.

Overall, the ongoing efforts to harmonize regulatory requirements and strengthen collaboration within the LATAM region are essential for addressing the growing regulatory burden and promoting the efficient development and approval of new medicines. By working together, regulatory agencies and pharmaceutical companies can navigate regulatory challenges more effectively, ultimately benefiting patients and public health in the LATAM region.

The EU-MERCOSUR Agreement

The European Union (EU) has engaged in negotiations for a trade agreement with the four founding member countries of MERCOSUR – Argentina, Brazil, Paraguay, and Uruguay. This comprehensive trade deal holds significant implications for both the EU and MERCOSUR countries, impacting various sectors and fostering closer economic ties.

The trade agreement between the EU and MERCOSUR offers several benefits to the MERCOSUR countries:

- Easier Access to the EU Market: The agreement will facilitate MERCOSUR exports to the EU by reducing trade barriers if MERCOSUR countries adhere to EU standards. This easier access can lead to increased trade volumes and economic growth.
- Integration into EU Value Chains: By aligning with EU standards and regulations, MERCOSUR industries can integrate more effectively into the EU's advanced value chains. This integration can enhance competitiveness and promote the production of higher value-added goods and services in MERCOSUR countries.
- Expansion of Service Sector Opportunities: The agreement opens up opportunities for MERCOSUR citizens to provide services in the EU market, either on a temporary basis or through business contracts. This can benefit professionals and independent contractors, expanding their access to EU markets and opportunities.
- Improved Business Climate: MERCOSUR governments commit to enhancing the business climate by simplifying procedures, increasing transparency, and providing better access to markets. These measures aim to attract more investment from Europe and other parts of the world, fostering economic development and job creation.
- Alignment with Global Trade Standards: Both the EU and MERCOSUR seek to shape global trade rules in line with their shared values of democracy and the rule of law. By collaborating on trade agreements

and rejecting protectionism, they send a powerful signal to the international community about the importance of open and rules-based trade. This alignment can contribute to greater stability and predictability in global trade relations.

Streamlining Regulatory Submissions in the EU-Latin America MERCOSUR Agreement: The Role of a LatAm Technical Core Dossier

The Latin America and Caribbean (LatAm) region is characterized by diverse health systems and varying levels of patient access to innovative medicines. National and regional regulatory frameworks play a crucial role in addressing these challenges. Navigating regulatory requirements for marketing authorization in multiple countries within the EU-Latin America MERCOSUR Agreement can be complex, especially when regulatory standards differ across jurisdictions. Traditionally, pharmaceutical companies have relied on producing customized dossiers tailored to meet each country's specific requirements, leading to inefficiencies and resource-intensive processes. However, the concept of a LatAm Technical Core Dossier could offer a promising alternative, aiming to standardize regulatory submissions while addressing country-specific needs.

Challenges of Traditional Approaches

The conventional approach to filing marketing authorizations involves creating multiple customized dossiers, incorporating standard components from regulatory bodies like the FDA or EMA, alongside country-specific requirements withing the LatAm region. This method is labor-intensive and prone to errors, particularly in the Quality section (Module 3), where significant variability exists across regulatory frameworks.

The Concept of a LatAm Technical Core Dossier

A LatAm Technical Core Dossier serves as a centralized repository of essential regulatory information, designed to generate country-specific dossiers as needed. This approach minimizes the variability in the chemistry, manufacturing, and controls (CMC) components, offering a standardized template for regulatory submissions across the region and possible exporting countries.

Regulatory affairs professionals play a pivotal role in the development and implementation of a LatAm /EU Technical Core Dossier. Leveraging their expertise in regulatory requirements and technical dialogue with regulators, these professionals analyse national regulatory frameworks to identify commonalities and convergences. By synthesizing diverse requirements into a unified core document, regulatory affairs professionals facilitate the creation of standardized dossiers for multiple country submissions.

The adoption of a LatAm /EU Technical Core Dossier offers several benefits for pharmaceutical companies operating within the EU-Latin America MERCOSUR Agreement. Standardization reduces the burden of dossier customization, streamlines regulatory submissions, and enhances efficiency throughout the product lifecycle. Moreover, a standardized approach fosters consistency in regulatory compliance and accelerates market access for innovative medicines, ultimately benefiting patients across the region and exporting countries.

Possible Method of Regulatory Harmonisation

The development and utilization of a LatAm Technical Core Dossier represent a significant advancement in regulatory harmonization within the EU-Latin America MERCOSUR Agreement. By promoting standardization and efficiency in regulatory submissions, this approach supports the overarching goal of facilitating access to safe and effective medicines across diverse jurisdictions. Moving forward, continued collaboration between regulatory authorities and industry stakeholders will be essential to optimize the implementation of LatAm Technical Core Dossiers and unlock the full potential of regulatory convergence within the EU-Latin America MERCOSUR Agreement.

In scenarios where Latin American Pharmaceutical companies are looking to get a marketing authorization in the European Union (EU) or intra-regional in Latin America that does not adhere to harmonized regulatory requirements like the International Council for Harmonization of Technical Requirements for

Pharmaceuticals for Human Use (ICH) Common Technical Document (CTD) standards, the typical approach should involves creating customized dossiers tailored to meet each country's specific requirements. These dossiers consist of a hybrid set of components, with some sections taken directly from standard CTD submissions used in the EU, while other components are customized to meet country-specific requirements not covered by standard CTD sections when submission are intra-regional.

This approach is resource-intensive due to the need for numerous customizations for each dossier and the ongoing effort required to update them throughout the product lifecycle. Generally, standard sections from the Clinical (Module 5) and Nonclinical (Module 4) CTD sections are used "as is," while customizations are primarily made in the Quality section (Module 3) to accommodate the variability observed in this section across different country regulatory requirements.

An alternative approach would be to utilize a core dossier, which could generate multiple dossiers as needed for country submissions. This approach aims to standardize the customized sections by reducing variability in the chemistry, manufacturing, and controls (CMC) components of Modules 2 and 3.

Identification of Similarities

The comparison of Chemistry, Manufacturing, and Controls (CMC) components from CTD Modules 2 and 3 for New Chemical Entities (NCEs) across different markets involved assessing regulations from the European Union (EMA), Brazil (Agência Nacional de Vigilância Sanitária – ANVISA), Mexico (Comisión Federal para la Protección contra Riesgos Sanitarios – COFEPRIS), and Argentina (Administración Nacional de Medicamentos, Alimentos y Tecnología Médica – ANMAT).

Upon analysing the total number of components required per market, regulatory representatives noted several discrepancies, particularly when comparing the requirements against Argentina and Mexico. However, there was greater uniformity across the region regarding the requirements for the EU and Brazil. As a result, the EU and Brazil can be chosen as the reference market authorities to identify any discrepancies requiring further discussion within the internal regulatory team.

This systematic comparison process aimed to ensure consistency and alignment in regulatory requirements across different markets, facilitating the development of a core dossier approach that could streamline the regulatory submission process for products in Latin America and the EU.

Conclusion

In summary, the regulatory landscape in Latin America (LatAm) presents a blend of challenges and opportunities for pharmaceutical investment and expansion. Despite variations in regulatory systems across the region, concerted efforts have been made to fortify regulatory frameworks, establish quality review mechanisms, and adopt risk-based approaches. Initiatives like the EU-MERCOSUR agreement and the development of a LatAm Technical Core Dossier are geared towards simplifying regulatory procedures and fostering harmonization, which in turn, benefits both pharmaceutical firms and patients.

The introduction of a LatAm Technical Core Dossier signifies a significant stride in regulatory harmonization, offering a standardized pathway for regulatory submissions amidst diverse jurisdictions. This streamlined approach not only reduces the complexity of dossier customization but also enhances efficiency, facilitating quicker market access for groundbreaking medicines and ensuring uniform regulatory adherence.

Looking ahead, sustained collaboration between regulatory bodies and industry stakeholders remains pivotal in optimizing the deployment of LatAm Technical Core Dossiers and maximizing the potential of regulatory convergence within the EU-Latin America MERCOSUR Agreement. Through collective efforts, regulatory agencies and pharmaceutical enterprises can more adeptly navigate regulatory hurdles, ultimately advancing the well-being of patients and public health outcomes throughout the LATAM region.

Work With Global Regulatory Experts

DLRC team have a strong advantage in navigating regulatory landscapes across Europe, the United States, and Latin American countries. This multidisciplinary approach, supported by experienced regulatory professionals in the UK and Europe, allows for seamless coordination of projects and comprehensive support for clients seeking regulatory pathways between these regions.

Key strengths and benefits of the DLRC team's approach include:

- ***Robust Knowledge Base:*** With expertise spanning the UK & Europe, the United States, and Latin America, the DLRC team is well-equipped to handle the complexities of regulatory frameworks across multiple regions. Their robust knowledge enables them to provide informed guidance and support to clients.

- ***Coordination Support:*** The involvement of experienced regulatory professionals in the UK & Europe facilitates effective coordination of projects spanning multiple regions. This coordination ensures smooth communication, alignment of strategies, and timely execution of regulatory activities.

- ***Comprehensive Services:*** By leveraging the expertise of a multidisciplinary team, the DLRC team can offer clients an extensive range of services. This may include regulatory consulting, compliance assessments, registration support, and strategic guidance tailored to the specific needs of each client and market.

- ***Regulatory Pathway Development:*** The DLRC team's ability to provide a regulatory pathway between Latin America, Europe, and the US is a significant advantage for clients seeking to navigate global markets. This involves understanding each region's regulatory requirements and processes and developing strategies to streamline approvals and market access.

- ***Efficiency and Effectiveness:*** With support from regulatory professionals in Europe, the DLRC team can deliver efficient and effective solutions for clients operating or seeking to enter markets in Europe, the US, and Latin America. This saves clients time and resources while ensuring compliance and market success.

Our experts are here to assist you every step of the way. To work with our regulatory experts or for support with any topics explored in this whitepaper, contact the DLRC team.

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Abbreviations

ANMAT: Administración Nacional de Medicamentos, Alimentos y Tecnología Medica
ANVISA: Agência Nacional de Vigilância Sanitária
API: Active Pharmaceutical Ingredients
CMC: Chemistry, Manufacturing, and Controls
COFEPRIS: Comisión Federal para la Protección contra Riesgos Sanitarios
COVID: Coronavirus disease
CTD: Common technical document
DLRC: Diane Lee Regulatory Consultancy
EMA: European Medical Agency
EU: European Union
FDA: Food Drug Administration
GDP: Gross domestic product
GMP: Good manufacturing practice
ICH: International Council for Harmonisation
LATAM: Latin America
MERCOSUR: El Mercado Común del Sur
NCEs: New chemical entities
OTC: Over the counter
PAHO: Pan American Health Organisation
PANDRH: Pan American Network for Drug Regulatory Harmonisation
R&D: research and development
US: United States
WHO: World Health Organisation

DLRC

Contact Us

UK: +44 (0)1462 372 472

EU: +49 (0)89 44489 311

US: +1 617 851 1438

hello@dlrcgroup.com

www.dlrcgroup.com

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