

Private Virtual Roundtable: U.S.-Mexico Relations and Global Pharmaceutical Supply Chains

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On October 27th, the Center for Commerce and Diplomacy and the Center for U.S.-Mexican Studies at the UC San Diego School of Global Policy and Strategy hosted a virtual roundtable to discuss U.S.-Mexico relations and global pharmaceutical supply chains. The objective of the roundtable was to bring together business, policy, and academic leaders to discuss the state of U.S.-Mexico Relations and the prospect of cooperation on pharmaceutical supply chain resilience.

The current world order has been affected by COVID, the war in Ukraine, and several new geopolitical tensions that profoundly impact how the world operates. The recent passage of the CHIPS Act has drawn attention to the semiconductor industry, infrastructure, and workforce needs. Drug manufacturing and medical supplies are other critical products that need to be similarly rethought. COVID has heightened the awareness of what can happen if a strategic supply channel breaks down or if politics shapes the landscape of global goods. Panelists discussed prospects for the U.S. and Mexico to coordinate policies to enable a more robust global pharmaceutical supply chain.

Panelists included Charles Dadswell, Senior Vice President & General Counsel at Illumina, Kyle Handley, CCD Associate Director and Associate Professor, at the School of Global Policy and Strategy, University of California San Diego, and Christopher Landau, Of Counsel at Ellis George Cipollone LLP and Former United States Ambassador to Mexico.

Panelists discussed the prospect of not depending on China as heavily in the future for supply chain stability. Going forward, expanding the capacity for production within North and South America is one strategy to diversify supply chains. Although one panelist suggested that we should only partially produce everything close to home, diversification is always an excellent strategy to ensure security of critical products.

After addressing the motivations for moving business away from China, the panelists delved into the current issues of doing business with Mexico. History, current events, and the current political environment paint a bleak picture for the prospect of U.S.-Mexico cooperation on pharmaceuticals.

First, moving across the border between Mexico and the United States is inefficient. Due to these difficulties, one panelist said that Mexico needs to make itself a more attractive destination for business. Along with this, they mentioned that companies should also begin to think of Mexico as a potential market, not only a supplier.

Another panelist suggested a border zone with special rules and protections (physical and investment) to improve the ease of doing business. They also mentioned the Smart Border

Coalition, an effort to make travel and trade more manageable and efficient through the ports of entry between San Diego County and the Tijuana Metropolitan Area¹. The mission of the Smart Border Coalition is “A border managed to bring the people of San Diego County and the Tijuana Metropolitan Area closer together in shared success and prosperity, setting a world standard for border innovation.”² Currently, other issues with crossing the border include information gaps and sensationalization. These issues could be addressed by a wider-reaching policy analogous to the Smart Border Coalition.

Second, economic growth can only be achieved by addressing security. Major concerns about organized crime still exist concerning Mexico. While some are real, such as the risk of shipping physical goods that could be stolen, others are based on outdated information. There are U.S. companies that are very successfully operating across the border, and the issue of personal security is often conflated with business security issues that businesses know how to handle.

The third issue with reshoring is the challenges posed by regulatory concerns. The pharmaceutical industry is very exposed to government regulation and is very sensitive to the availability of key inputs. Many of these issues lie with Mexico’s COFEPRIS (Comisión Federal para la Protección contra Riesgos Sanitarios) or the Federal Committee for Protection from Sanitary Risks. COFEPRIS has seen substantial leadership turnover in recent years, leading to regulatory unpredictability. There is also a significant backlog of medicines waiting for approval that have been long-approved internationally.

¹ <https://www.smartbordercoalition.com/about-us>

² <https://www.smartbordercoalition.com/about-us>

While it is clear that the Mexican government will need to do the heavy lifting, one panelist argued that the United States also needs to play a part. The ease of doing business will improve by taking a practical approach and allowing flexibility with how specific standards are applied. Some examples of these regulations include the protection of worker rights and classification of inputs.

Overall, while the current infrastructure in Mexico is insufficient to meet the United State's complete pharmaceutical needs, panelists agreed that there are talented individuals that could improve the situation if given the proper resources.