

Thematic Session 6

Innovation Policy in the Health Industrial Complex

Liberalization reforms during the 1990s, in special trade reforms, were a “competitive shock” to Brazilian health industry, and initiated a series of transformations. It is worth mentioning, amongst these reforms, the higher articulation of the industry with foreign agents to the detriment of domestic production, and the technological efforts associated to its manufacturing. According to the Ministry of Health, the balance of trade deficit raised from US\$ 700 million in the end of the 1980s to US\$ 7,13 billion in 2008. More than the increase of external vulnerability, what has also worsened was the Brazilian dependence on imports of technological more sophisticated items. In 2008, for instance, US\$ 1,4 billion was spent to import vaccine, serum, and hemoderivatives.

More recently the Health Industrial Complex was taken as a strategic area to be promoted by federal policies to industry and innovation, such as the Productive Development Policy launched in 2008. This policy is part of the recovery process that Federal Government is undertaking in order to regain the lead of the planning and implementation of industry and technology explicit policies. Health Industrial Complex is also contemplated by other important federal programmes, such as “More Health” – the “Health PAC”, the BNDES Program to support the development of the Health Industrial Complex (BNDES Profarma) and the Economic Subvention Program to innovation from FINEP.

In PDP Health Industrial Complex is part of the “Mobilizing Programs in Strategic Areas”, posed to overtake the challenges related to science, technology and innovation. Amongst the challenges posed to the Health Industrial Complex it is worth mentioning the reduction of Health National System vulnerability and the increase of investments in innovation. The former is related both to the dependence of the Health Industrial Complex to imports of knowledge and technology more intensive products, and to the high balance of trade deficit. The latter is related to the small innovative capacity of the sectors that comprise the Health Industrial Complex – chemical and biotechnological based industries, mechanics, electronics and materials based industries, and services sectors -, as the pharmaceutical Brazilian industry. In 2009, national pharmaceutical market earned around US\$ 17,2 billion and had a trade deficit of US\$ 4 billion, approximately 70% of the total trade deficit (US\$ 5,7 billion) of the chemical and biotechnological base subsystem of the Health Industrial Complex.

This configuration of high external and technological dependence of the Health Industrial Complex has repercussions in the capacity to formulating and implementing health public policy in Brazil – particularly in the realm of the Single Health System (SUS). The diminished innovative capacity of the Health Industrial Complex may be considered, based on a broader perspective, as a sign of the immaturity of the Brazilian national system of innovation. Changing this situation requires the

strengthening of the national health industry, not only in what concerns its productive but also its innovative capacity. Some underdeveloped countries have been implementing innovations in health care with focused on addressing specific epidemiological profile of its population. For example, the search for vaccines for neglected diseases, the development of equipment designed to lower cost and to greater portability. It is thus emphasized here the role of the State in the implementation of explicit industrial policies that consider innovation as a systemic phenomenon.

In Brazil, health-industrial industry policies are based in the health-industrial complex (HIC) with perspective of the systemic approach. This is due in part to the strong influence that the approach of health-industrial complex has in the formulating and implementing of policies for this area. The difference between 'area' and HIC 'approach' must be reinforced. The first refers to government action in the industrial area of health. The second is a political economy approach to the health industry (including services), which adopts a systemic perspective of innovation. In general, HIC aims to provide a theoretical-political and analytical framework to guide the articulation of health policies with national industrial and technological development with focus on innovation, giving health a central role in developing technological, economic and social development of Brazil.

The thematic session **Innovation Policy in the Health Industrial Complex** intends to discuss the main policies to production and innovation in the Health Industrial Complex area, aiming at overcoming the external vulnerability of the health national system, and the diminished innovative capacity of the Brazilian health industry. In addition the role of the State to change this frame and the place of health to national development should also be brought into debate.

Guiding questions:

1. What is the role of the State (in special of the Ministry of Health) in the articulation, formulation and implementation of favorable policies to the maturation of the Brazilian health national system of innovation?
2. How can the State act in order to reduce – or even overcome – the external vulnerability and technological dependence in the health area?
3. What is the role of public procurement to foster innovation in the Brazilian health industry?
4. How is the national healthcare industry perception of the current policies for production and innovation? Are the governments programs able to strengthen the industry and especially its innovative capacity?