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New ECIPE Policy Brief:
THE HEALTH OF NATIONS: Conceptualizing Approaches to Trade in Health Care

The forces of the *Wealth of nations* are not at work for the *Health of nations*. Economic and trade integration have progressed over the last fifty years and yet one sector remains conspicuously un-globalized: health care. Interest groups and international organizations, like the World Health Organization, have conveyed a picture of trade liberalization of health care as detrimental to developing countries. Yet it is developed countries that primarily resist opening their markets for trade in health care, say Lucy Davis and Fredrik Erixon in this new study. They examine the opposition to trade in health care and suggest ways of moving forward, expanding on the potential that trade could bring to this beleaguered sector. Countries as diverse as Brazil, China, Cuba, India and South Africa are already significant exporters of health care. Patients in developed and developing countries stand to gain from lower health costs, increased efficiency and better quality of service.

Trade spurs economic growth and promotes an efficient use of resources, Adam Smith taught in the Wealth of Nations. Yet there seems to have been a global collective decision not to apply this insight when it comes to health care and the health of nations. Governments, especially in the developed world, have locked national health services to international trade. Public-sector unions and NGOs in Europe have inflated fears of profit-seeking private firms, providing poor quality, high cost services with disregard of the public interest. Influential international bodies, like the World Health Organization (WHO), have endorsed such views, particularly in relation to developing countries. They either neglect or reject the notion of increasing trade in health care services.

Why should hospitals and patients be kept insulated from the benefits of trade? The truth is, a growing number of countries think they should not. Countries such as India, Thailand, the Philippines and South Africa are all knocking on the doors of Europe and the United States to sell their, competitively priced, health care services. Health tourism is exploding, as patients find cheaper, faster *and* high quality treatments abroad. In 2006, for example, Thailand treated 1.2 million health care tourists.

The potential benefits apply to developed and developing countries. Most (if not all) western governments preside over cash-strapped health services, unable to meet rising patient demand. If these patients receive treatment abroad, countries providing the services can plough revenue back into their own domestic health systems. Furthermore, it does not necessarily entail long-haul flights for patients. Technological advances, such as telemedicine, open up opportunities for all sorts of cooperation in medical care around the world. This has the added benefit of bringing much-needed medical expertise and experience to less-developed health services.

In the World Trade Organization (WTO), it is developing countries themselves that have signaled the strongest interest in freer trade in heath care. Europe especially has rejected the idea, yet Burundi, Gambia, Jamaica, Malawi and South Africa have agreed to fully liberalize trade in hospital services.

“Developing countries stand to benefit from further free-trade reforms. Western countries stand to benefit too. But more than anything else, they stand in the way of better and more affordable health care for all”, says Fredrik Erixon

Trade in health care does not mean the end of government regulation and oversight. Nationally-run health systems can be compatible with trade in a variety of ways, laid out in the study. As the first in a series of papers on trade in health care, this paper provides the beginnings of a fresh approach to health service delivery.

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The paper can be downloaded at www.ecipe.org