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International Trade in Health Services
A Development Perspective
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PREFACE

At the UNCTAD IX Conference held in Midrand, South Africa, in May 1996, it was recognized that UNCTAD's main role in the field of trade in goods and services was to help maximize the positive impact of globalization and liberalization on sustainable development by assisting the effective integration of developing countries into the international trading system so as to promote their development. Work pursuant to this objective was to focus, *inter alia*, on assisting developing countries to strengthen their capacities in the services sector, as well as to identify export opportunities by undertaking directly related sectoral analysis.

At the same time, efforts were made to streamline the intergovernmental mechanisms of UNCTAD. One of these new mechanisms was the expert meeting where experts, nominated by governments, but serving in their personal capacities, would meet to examine technical issues referred to them by the parent Commission. The expert meeting which led to the production of the material included in this book was one of the first held under this new mandate, and the first to deal with a services sector. It must be admitted that the initial reaction to the selection of health services was not favoured by all delegates; some felt that we had been assigned a sector of minor importance in international trade.

When we began to prepare the background note for the meeting, we soon discovered that we were dealing with a sector not only of major economic importance, estimated at more than US\$2 trillion in OECD countries alone and accounting for more than 8 percent of GDP in most OECD countries and up to 15 percent in the United States, but one where the process of globalization and liberalization was rapidly increasing the tradeability of services. Health services were being traded through all the GATS modes of supply, the most traditional being that of the movement of consumers, i.e. patients to be treated in facilities in foreign countries. However, the movement of natural persons as service suppliers was of particular importance as a "mode of supply" of health services; trade in health services was being particularly affected by technological advances and new business techniques, which differed from traditional forms of commercial presence. Telemedicine was making trade in health services possible through the "cross border" mode.

The problems of conflict between social and commercial objectives were an important consideration. Particular problems faced the least developed countries, which were suffering from a "brain drain" as the outflow of nationals could not be compensated by the inflow of foreigners.

As noted in the chapter prepared by the UNCTAD Secretariat, the health sector in almost all countries, including the most highly developed, is going through a period of restructuring. In countries where health was seen as a right for all, to be supplied, or guaranteed by the government, declining budgets and mounting costs have forced a reduction in government insurance coverage and opened up more scope to the private sector. This has increased the potential for international trade in health services. Given the evident labour intensity of health services, the developing countries could be expected to possess a comparative advantage in this sector. In fact, many developing countries are viewing trade in health services as a means of increasing revenues and strengthening and upgrading their national health service, while attempting to assess the impact which varies according to the particular situation of individual countries. Furthermore, there is a close relation between exports of health services and the liberalization of other sectors, such as insurance.

Thus, this sector incorporates all the aspects of trade in services that could be found in other services sectors. In retrospect, it was probably the best choice for the first expert meeting on trade in services.

The importance of having a technical discussion by experts on this issue was stressed by Mr Rubens Ricupero in his opening remarks at the meeting. The Secretary-General of UNCTAD highlighted the dual nature of the health services sector, being a commercially viable sector of the economy, with great export potential, and at the same time serving an important social function.

In preparing the background document for the meeting, we decided to rely largely on interviews with various persons, and visits to the facilities involved in trade in health services. In this respect, we built upon the experience of an earlier study conducted in the Caribbean region with the support of the Pan American Health Organization (PAHO) and UNDP. David Diaz, who has already been involved in the earlier study, conducted missions to the United Kingdom, Jordan, Malaysia, Singapore, Philippines, Hong Kong and Australia; Simonetta Zarrilli conducted interviews in Brazil, including with the famous plastic surgeon Ivo Pitanguí, as well as visiting, with Xiaobing Tang, a rather unique facility for exporting Chinese medicine in Switzerland. I took advantage of missions to China and South Africa to interview experts and firms in those countries. Mina Mashayekhi provided input on the GATS aspects, Michiko Hayashi undertook a study of new business techniques, and Jolita Butckeviciene analysed the new prospects opened by telemedicine. These colleagues, with the assistance of Rolf Traeger, Norbert Lebalé, Lorenza Jachia, Jocie Maximo, Sonia Deipenbrock and Jennifer Weeks, and under the direction of the Senior

Programme Manager of the Division, Jagdish Saigal, were involved in servicing the expert meeting.

However, the completion of the background note and the success of the meeting can be largely attributed to the support received from the World Health Organization and, in particular, its Task Force on Health Economics, chaired by Dr Fernando S. Antezana, Deputy Director-General a.i. The Organization provided us the support of its local offices in the countries we visited. Staff members, including Eric Goon, Orvill Adams, Guy Carrin and Colette Kinnon, participated with the UNCTAD team in drafting the background note and prepared the companion paper presenting the public health viewpoint. César Vieira of PAHO, who had participated in the earlier Caribbean study, provided us with invaluable advice. The OECD Secretariat also supplied us with useful material for the background note, which was finalized by Simonetta Zarrilli.

A major factor leading to the success of the expert meeting was the chairmanship of Mario Marconini of Brazil, who drew upon his long experience in the areas of trade in services and his diplomatic skills. The choice of an extremely knowledgeable Vice-Chairperson, Ann Kern of Australia, was another factor which contributed to the success of the meeting. The positive outcome of the gathering was also made possible by the availability of the experts who focused the discussion on clearly defined substantive issues.

This compilation of papers, produced with the generous support of WHO, is divided into two main parts. The first explores a broad range of questions that both developing and industrialized countries may wish to bear in mind as they weigh up the opportunities and drawbacks of fostering trade in health services. The second part focuses on the development perspective, and contains case studies from countries in the developing world.

To our knowledge, this document is the first one to address thoroughly the emerging issue of trade in the health services sector.

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