Offensive and defensive interests of developing (DCs) and the least-developed countries (LDCs) in the health sector in relation with investments and technology transfers in the sector[1]

Presentation made by Prof. Dr Saner at the WTO Public Forum
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Importance of Health Sector worldwide

Health Sector is one of most rapidly growing sectors of the world economy with 4 Trillion USD/year (Chanda, 2001) but the gap between developed and developing countries is still very significant. Healthcare expenditures in OECD countries counted in 1998 for 3'500.- USD/capita/year while in comparison, it counted only for 5.- USD/capita in the LDCs (UNCTAD/WHO, 1998).

Trade in Health Services is still small as it represents only 0.4% total health expenditure of OECD countries (Lautier, 2005). However cross border trade and investment in this sector are growing considerably due to numerous factors (aging societies in Europe and Japan leading to increased health expenditures, increase of spending on health services, technological application of Health Services to remote areas, continued FDI liberalisation and a high and increasing demand for skilled medical personnel).

In 2008, 88 WTO Member Countries had committed to one or several agreements related to trade in Health Services accordingly to the WTO modes of trade (M1-Cross border Supply, M2-Consumption abroad, M3-Commercial presence, M4-Movement of natural persons). Like any other tradable service, a country can have Offensive Interests (e.g. requesting expansion of the scope of activities committed by other WTO member countries, and ensure their commitment towards greater market access and stringent national treatment,) as well as Defensive Interests (e.g. protecting national service providers and consumers) in Health Services.

The GATS Health Schedule of Hungary

Hungary, prior to joining the EC, had primarily no restriction in term of market access and national treatment when considering their health related specific commitment with Mode 1, 2 and 3 which list "none" in the schedule. Hungary did not take any specific mode 4 commitments on health services. Certain commitments were however taken horizontally to provide for the entry and temporary stay of natural persons under various categories. In terms of commercial presence, while there were no sector-specific restrictions on market access and national treatment, a number of horizontal limitations require the establishment of a limited liability company, joint stock company or representative office apply. The accquisition of state-owned properties is excluded from the scope of the commitments.

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In regard to Hungary's GATS commitments in the health sector and the EU common external tariff schedule, the following observation can be made. Commitments of Hungary on health services go further than the EU commitments however, the country has to apply European Common External Tariffs. The discrepancy leaves some sense of uncertainty as to possible claims for compensation by non-EU WTO member states. Within the EU common market, the health sector is still in the process of being harmonized and partially liberalized. Hence, also within the EU health sector, uncertainties remain for instance in regard to payment of health services purchased in another EU country by the patient's own national insurance company [2]

SWOT analysis of Hungary's current GATS health sector commitments

When applying a SWOT analysis to Hungary and their current GATS/Health commitments, the following can be suggested. The potential strengths in Hungarian Health Sector is its capacity to import health sector technology, the possibility to import external experts, the openness to an increase of the foreign investments, the promotion of exchange of knowledge and a high level of professional qualification of its health professionals and finally low labour costs.

As to the perceived weaknesses of the Hungarian health sector, the overall economic situation has been seriously undermined by the financial crisis and social services remain widely underdeveloped. There are not enough local doctors since a growing number of skilled doctors have emigrated (Komuves, 2008). This impacts the opportunities for ROI (high return on investments) staff working in the public health system are leaking into other sectors. In this context, high public investments are necessary to attract foreign investment. Finally, the average income levels do not leave much room for complementary or supplementary private health insurance.

In regards to opportunities, trade of Health Services could alleviate current impasses of the Health Sector in Hungary. Firstly, The dental care sector provides high quality care at competitive prices. Its success could be extended to other sectors and Hungary could easily serve as a destination for international medical tourism. In this purpose, Hungary could market its healthcare services to foreign tourists. Numerous countries such as Malaysia have already developed partnerships between government, healthcare facilities, insurance groups and travel organization in order to become regional centres for healthcare services (Lim, 2008). Hungary could follow the path and formulate its own profitable strategy for health tourism. There are also opportunities for Hungarian medical personnel to gain experience abroad and to improve the quality of diagnosis & treatment within their country of origin. Secondly, Hungary could be considered attractive for foreign investors who might want to profit from the low production cost of treatment and

[2] The legal basis for the implementation of the EU internal market of health is the 1998 Kohll and Decker and 2001 Smits-Peerbooms rulings of the European Court of Justice; and Regulations EC No. 1408/71 and 574/72. See European Commission, 2001. "The internal market and health services. Report of the High Level Committee on Health" (http://ec.europa.eu/health/ph_overview/Documents/key06_en.pdf) pages 4 and 9 (.legal basis Article 3 of the EC Treaty (broad policy mandate for health) and Article 152 between others, containing specific tasks)

good equipment/infrastructure. This could help create new employment possibilities as well and raise standards and education levels of health professionals. Third, developing social service sector could create new employment opportunities. Finally, complementary or supplementary private health insurance could be developed significantly

Increasing Trade in Health Sector could also represent threats for the Hungarian Health Sector. With the economic situation deteriorating, trade of health services could negatively impact employment of Hungarian medical personnel and lead to overrepresentation of foreign doctors in the high revenue segment of patients could occur. Brain drain is also of major concern in Hungary' health sector today and increased outward migration of medical professions could have negative consequences on the Hungarian health care system. At present, the on-going reform debate is creating insecurity and it could worsen if no serious policy decisions are undertaken. To improve the situation, Hungary could establish trade limitations in the future in the Health Sector and putting at the risk of losing of attractiveness (high unemployment, inadequate infrastructure etc.) for foreign investors to invest in Hungary's healthcare.

Conclusion

In term of GATS/Health possible Strategy, Hungary could request other countries to liberalise M4 for Hungarian health professionals which would provide more job opportunities for Hungarian health professionals thereby increasing their income and most likely leading to higher remittances. Hungary could also try to convince other countries, especially EU members, to allow their citizens to consume health services in Hungary which in turn would mean to get wealthy foreign countries to let their respective Health Insurance pay for their citizen's health care provided by Hungarian Health Professionals.

The main offensive interest of a country like Hungary should be to push in the EU for the full implementation of the free movement of doctors complementing the free movement of patients.[3] On the defensive side, Hungary could request foreign health providers moving to Hungary to learn Hungarian and to spend X days in sharing know-how with Hungarian health professionals.

When considering the defensive interests of a WTO member country, one has to take into consideration the fact that the health market is not a typical market subject to the competitive model because Member States must ensure equitable access to health care across to their populations.[4] Thus, it is important to clarify what constitutes a barrier to trade in health services and who defines it as such. [5]

[3] European Commission. 2001. "The internal market and health services. Report of the High Level Committee on Health" http://ec.europa.eu/health/ph_overview/Documents/key06_en.pdf, page11.
[4] European Commission. 2001. "The internal market and health services. Report of the High Level Committee on Health" http://ec.europa.eu/health/ph_overview/Documents/key06_en.pdf, pages 7 and 8.
[5] For the most in-depth study identifying trade barriers in the health sector or conversely of establishing the openess of a Member Country's health sector see Smith, Richard 2006 (p.12),

Hungarian Health Policy needs to ensure equity and competitiveness of Hungarian Health Sector. This could be done by ensuring minimum standards of health care for citizens with limited income, by investing in education and training of Health professionals to ensure adequate domestic supply at home. At the same time, it might be useful for Hungary to invest in developing a pool of qualified health professionals for temporary work abroad ensuring thereby high revenue and continuous learning. At the same time, it might be useful to draft and implement a law which would result in a quota system to ensure medical covered in the country side (non discriminatory) to ensure adequate supply in rural areas and finally by supporting national health professionals abroad to ensure remittance and reverse brain drain in future.

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