

Europe should not resist free trade in healthcare

Print

By Fredrik Erixon

Published: June 12 2008 19:13 | Last updated: June 12 2008 19:13

Global trade and investment has surged in the past 50 years. Almost all countries and all sectors today participate in a global division of labour. Yet one sector remains conspicuously unglobalised: healthcare.

European governments in particular have **ringfenced healthcare provision** and rejected virtually all attempts to open this sector for cross-border exchange. Resistance has been so fierce that the European Commission now hesitates to table a new directive that would simply codify a ruling from the European Court of Justice: to ensure free movement for patients and the right to get reimbursed for treatments abroad if the national health system cannot provide the treatment within a reasonable period of time.

This proposal has been due since last December and there is a new deadline later this month. But the directive seems far away as new versions constantly appear with ever more diluted free trade credentials.

Why is free trade in healthcare so resisted? Outdated notions of how to organise healthcare systems lie behind the core ideological opposition. False concerns for healthcare in developing countries have also become expedient handmaidens for healthcare protectionism in the developed part of the world.

The truth, however, is that many developing countries want to liberalise trade in healthcare. In the World Trade Organisation, it is developing countries that have made the strongest commitments. Countries as diverse as India, Cuba, China, Thailand, Jordan, South Africa and the Philippines have all developed export strategies to supply health services to foreign markets. They are knocking on the doors of Europe and the US to sell their healthcare services. Similarly, patients from the developed world increasingly buy treatments in developing countries. In 2006, Singapore treated half a million patients from abroad. India claimed 600,000 foreign patients and Thailand as many as 1.2m healthcare "tourists".

According to a study by McKinsey, the consultancy firm, medical tourism by 2012 could bring an annual \$2.2bn (€1.4bn, £1.1bn) to India alone. This figure may not sound impressive considering the \$3,000bn value of global trade in commercial services. However, Indian revenues from export of software, services and business-process outsourcing – the much talked-about success story of India – amounted to \$20bn as recently as three years ago (but grew to \$31bn in 2007) and export of healthcare is still only in its infancy.

Reforms opening up trade would lead to much greater benefits. Western patients, and governments, could save huge resources by receiving treatments from developing countries. Modern technology, such as telemedicine – procedures carried out under the instruction of distant specialists – allows production networks to be created among hospitals in developed and developing regions.

Today healthcare represents only 0.2 per cent of all foreign direct investment in services but the price differences tell us something about the potential. Open heart surgery in India, for example, costs only an eighth of the price in the US (travel, accommodation and medicines included). A hip can be replaced in Thailand for only a sixth of the cost in the UK.

These price differences should appeal to cash-strapped healthcare systems in Europe. In spite of high tax revenues in recent years, European governments have to ration healthcare to slow down rising expenditure. Hospitals lack resources to invest in new technology. Many new drugs do not get covered by health insurance. But these policies to contain cost do not really work; mostly they target marginal spending but neglect the overall inefficient use of resources. Economy drives that prohibit the purchase of gene scanners, or prevent reimbursement of the cost of a new cancer drug with limited side-effects, have a very small impact when healthcare productivity overall is falling. Furthermore, they cannot hold back expenditure as demand for healthcare is increasing.

Free trade in healthcare is no panacea, but it would certainly help European governments use resources more efficiently and improve accessibility and affordability of healthcare. Substantial liberalisation is unlikely to emerge from WTO trade negotiations, at least in the foreseeable future. Governments should therefore opt for autonomous reforms, tailored to their needs, and stronger regional trade and investment co-operation.

The writer is director and co-founder of the Europe Centre for International Political Economy (Ecipe), a world economy think-tank based in Brussels

Copyright The Financial Times Limited 2008

"FT" and "Financial Times" are trademarks of the Financial Times. [Privacy policy](#) | [Terms](#)
© Copyright The Financial Times Ltd 2008.