

## Trade and health in east and southern Africa

*The growth of international trade has significant consequences for public health. The relationship between trade and health is not simple, nor is it unidirectional. In this brief we raise why trade issues need to be understood and managed to promote health and we highlight the main concerns arising from free trade agreements for public health. We draw attention to measures that governments and civil society in the region can take to achieve greater coherence between trade and health policies, so that international trade and trade rules maximize health benefits and minimize health risks, especially for poor and vulnerable populations.*

### Growing influence of trade in health

We live in a world where national policies are affected by global institutions and policies. Goods and services, capital, technology and information cross national borders and economic decisions are influenced by global conditions. The World Trade Organisation (WTO) now covers not only trade in goods, but also trade in services, in trade related investments and intellectual property rights. Trade agreements at the WTO are binding on national governments and can impact on health and health services.

The health problems in east and southern Africa arise largely from social and economic poverty and inequality. Trade policies can contribute to overcoming diseases arising from food insecurity, lack of access to basic safe water, sanitation, energy, transport and shelter and poverty. There is also a threat that trade practices may make these problems worse.

Structural adjustment programmes in the 1980's in the region liberalised trade, opened borders to the movement of capital and goods and promoted greater integration of the economies of the region into the global economy. While this led to new areas of trade in goods and services, it is recognised to have had an overall negative effect on health (Bremner and Shelton 2001). Market reforms led to

- increased cost recovery for health care
- a growth in private and voluntary provision
- falling public budgets for health
- a shift in spending from preventive to curative services;

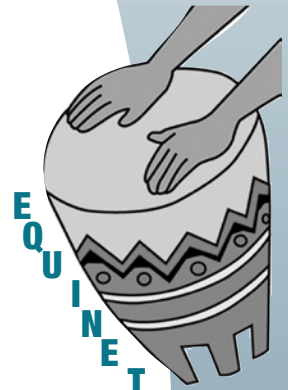
- increased commercialisation of public services and of out of pocket charges (fees) for public health services;
- a shift in government role away from direct provision, with more contracting out of services to provide providers;
- liberalisation of health insurance and a shift to insurance for different groups, pre paid plans and user charges, rather than tax-based financing.

While these changes may have created a wider spread of private providers, the benefits of new services were often limited to higher income groups able to afford the increased costs with barriers to uptake of health care in lower income groups. Global trade has further intensified these trends. Trade affects the cost and flow of goods and services that are important for health. Health issues are increasingly covered by bilateral and WTO trade agreements (see Table 1).

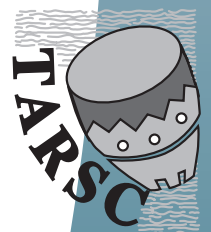
#### Definition

**Liberalisation:** reducing the state's role and increasing the role of the market in financing and provision. This creates an environment of commercialisation. Central to liberalisation are notions of private property, the free market and deregulation (Teeples, 1995).

**Commercialisation** has three dimensions: service provision, by market relationships, to those able to pay; associated investment in and production of services for cash income or profit; and health care finance derived from payment systems based on individual payment or private insurance (Koivusalo et al, 2004).



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**Table 1: Health issues and relevant World Trade Organisation agreements**

WTO rules	SPS	TBT	TRIPS	GATS
Health Issues				
Infectious disease control				
Food safety				
Tobacco control				
Environment				
Access to drugs				
Health Services				
Food security				
Biotechnology				
Information technology				
Traditional knowledge				

Key: SPS = Sanitary and Phytosanitary Measures TBT = Technical Barriers to Trade TRIPS = Trade Related Intellectual Property Rights GATS = General Agreement on Trade in Services

Source: Drager, 2004.

### Risks and benefits of trade in health

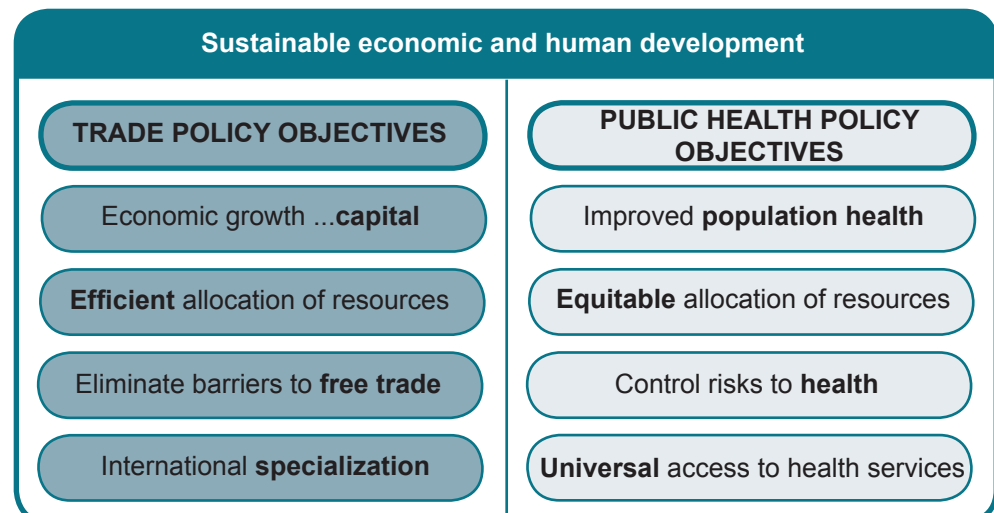
Global information flows, travel and trade spread health benefits or risks beyond national boundaries. There are clear benefits for health in the expansion of global knowledge, norms and resources. Global trade can, however, also lead to

- diseases, such as SARS, moving rapidly across countries;
- harmful products being advertised, marketed and sold, such as through internet sites;
- hazardous production processes being introduced into countries whose laws and systems are not adequately developed to prevent and manage those risks;
- commercialisation or privatisation of essential water, energy and other services;

- a shift from domestic, small scale producers to multinational corporations IN key areas of production of health inputs, such as in food production.

Since 1980, there has been a rapid growth in trade in services. This can bring health services to remote and under-served areas, expand health knowledge and training and alleviate some shortfalls in skilled health workers (Drager 2004). It can also divert resources from basic preventive and curative services, and lead to outflows of foreign exchange and health personnel (Drager 2004).

Trade policy objectives cannot simply be assumed to be in harmony with public health policy objectives. Indeed, as shown below, they differ, and may sometimes be in conflict.



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In EQUINET policy brief 16 we outline the problems that the agreement on Trade Related Intellectual Property Rights Policy (TRIPS) can pose for access to medicines. In EQUINET policy brief 17 we describe the problems for health that may occur in regional trade agreements such as the Economic Partnership Agreement between the European Union and East and Southern Africa.

The WTO General agreement on Trade in Services (GATS) regulates trade in services, including in health services. Generally countries can if they wish, liberalise their health sectors, but are not obliged to do so. Countries are under no legal obligation to make commitments in services under GATS. However, when a country does commit health and health related services under GATS, they make specific obligations to liberalise the sector and limit national authority to regulate services. Further information on GATS can be found in EQUINET policy paper 12. The opportunities and risks of making commitments in different aspects of health services are summarised in Table 2 below.



**Table 2: Opportunities and risks of trade in health services**

Area of Trade	Opportunity	Risk
Mode 1: Cross-border supply (of health services)	Increased care to remote and underserved areas	Diversion of resources from other health services
Mode 2: Consumption (of health services) abroad – ie of domestic services by non nationals	Much-needed foreign exchange earnings for health services	Crowding out of local population and diversion of resources to service foreign nationals
Mode 3: Commercial presence – ie commercial and private service provision	Opportunities for new employment and access to new technologies	Development of a two-tiered health system with an internal brain-drain
Mode 4: Presence of natural persons – ie migration of health workers	Economic gains from remittances of health-care personnel working abroad	Outflows of health personnel, with lost skills and investment in education of personnel

Source: World Health Organisation 2006

## Promoting and protecting health

As globalisation creates new challenges to health, countries need to develop new capacities and strategies to deal with them. All countries in east and southern Africa are WTO members and are thus bound by the framework of global trade rules. Most, however, have least developed country (LDC) status. This gives countries some flexibilities in dealing with new trade rules, as discussed, for example, in Policy Brief 16 on the flexibilities LDCs have in implementing TRIPS.

Trade rules and agreements, including those at WTO, should not, in principle, conflict with

actions to meet public health. In a conflict between trade agreements and public health obligations, the state must respect and honour public health obligations. To do this, however, governments, parliaments and civil society need to be informed of and able to scrutinise proposed trade measures and agreements, to identify and deal with any possible areas of conflict with a country's public health obligations or with regional and international health protocols and conventions.

Procedurally, this means that health and trade officials communicate, that health officials are included in trade negotiations and that health impact assessments are



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carried out where relevant. WHO advises health ministries to identify a focal point for trade in health-related services and to establish contacts and systematic interactions with trade and other key ministries and with representatives from private industry and civil society.

In some cases, where there is a reasonable presumption of negative impacts on health, there may be insufficient evidence to predict the size of the health impacts. In this situation, states need to apply the precautionary principle, assuming that risk does exist and providing the greatest authority and policy flexibility for protecting health or protecting access to health services within trade agreements. This principle is best applied during negotiations, before commitments are made. Hence, for example, EQUINET policy brief 17 outlines issues for countries in the region to ensure are included in the negotiations on the EU-ESA EPA before signing.

EQUINET, together with other civil society and academic groups, have cautioned countries about making commitments under GATS due to the potential negative impacts outlined earlier. EQUINET recommends that countries in the region that have not yet done so make no GATS commitments in health or health-related services; and that those who have made such commitments collect and evaluate information on the effect of trade in health-related services to raise and take action on negative impacts.

Even after agreements are signed, while trade measures may limit national authorities, states are also obliged by international human rights treaties and by their constitutions to protect and safeguard public health, and to respect these obligations over trade measures. For example, Article 12 of the International Covenant on Economic, Social and Cultural Rights, 1966, confers 'the right of everyone to the enjoyment of the highest attainable standard of physical and mental health'. Policy brief 17 on TRIPS gives examples of how countries can use these public health obligations to protect access to medicines.

Health can, and should be proactively promoted through trade. The issues and measures described in this brief calls for greater policy awareness and attention, increased oversight by parliaments, increased social advocacy by media and civil society, backed by technical and legal support for monitoring of health impacts and for measures that promote and protect health.

## **FURTHER RESOURCES AND REFERENCES**

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Authors: R Loewenson, R Tayob, H Wadee, P Makombe, A Mabika

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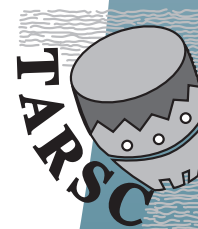
Contact EQUINET at Secretariat, c/o TARSC Box CY2720, Causeway, Harare

email: [admin@equinetafrica.org](mailto:admin@equinetafrica.org)

Contact SEATINI at [seatini.zw@undp.org](mailto:seatini.zw@undp.org)

Fur further information on EQUINET see [www.equinetafrica.org](http://www.equinetafrica.org)

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