PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION

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GLOBALIZATION AND HEALTH

This document examines the impact of globalization in the countries of the Region and the opportunities that it represents, with a view to improving the health of the peoples of the Americas, increasing effectiveness and equity in national health systems, and reducing inequalities in access to health services. This analysis identifies strategic lines of work that should be implemented by the Pan American Health Organization (PAHO)/World Health Organization (WHO) to improve its response to the new demands for technical cooperation.

The document has been divided into five sections. The introduction presents a summary of the characteristics and dimensions of globalization that are relevant to the health sector. The second section summarizes the empirical evidence and the arguments on the positive and negative impact of globalization on the health of the population. The third section discusses the impact of globalization on the health services and health insurance, and the fourth examines the special case of drugs and medical equipment.

Given the economic and sanitary weight of the health sector, the last section proposes four strategic lines for PAHO cooperation within the context of globalization: (1) analysis of changes in health stemming from consumption and behavior patterns associated with globalization; (2) assessment of the impact of globalization on national health systems and the respective markets for goods and services; (3) collection of data on the goods and services trade, foreign investment, and the migration of professionals associated with the health sector, and (4) raising awareness to ensure that health priorities are included in integration and international trade agreements.

The Subcommittee is requested to examine the link between globalization and health analyzed in this document and the strategies that the countries should adopt in light of it, as well as PAHO/WHO cooperation with the efforts of the Member States in this field.

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Globalization and Health:
New Perspectives for Action by PAHO/WHO

Introduction

1. The Region of the Americas is immersed in the dynamic of globalization, which consists of the internationalization of production, consumption, values, and customs, through the movement of capital, health workers, technology, and information.[1] One of the dimensions of globalization emphasized in this document is the liberalization of trade, more than the movement of people (which can have an impact on the spread of disease) or the dissemination of information and communication (which has implications for the generation and dissemination of knowledge).

2. Globalization poses major challenges for the countries of the Region.[2] The liberalization of the markets for goods and services, the demand for more flexible labor markets, fiscal reforms, structural adjustments, and/or sectoral reforms are some of the features that have accompanied globalization and have sparked major changes in the organization, financing, and operations of the national health systems. National economies are currently more open and have modernized their productive structures, following their adoption of multilateral standards for trade in goods and services.[3]

3. Heightened trade flows in goods and services, including health services, and higher direct investment flows, including investments in the health sector, are some of the manifestations of the globalization process. Greater integration of the national economies into the international markets has produced changes in behavior and consumption patterns that are having a significant impact on the epidemiological profile of the countries of the Region.

4. The speed with which knowledge, medical products, technology, and medical practices are being disseminated is translating into new consumption patterns in terms of health products and services, the appearance of market niches for health services to meet consumer demands, and wider disparities in the health services accessible to the various population groups. Structural and sectoral reforms and the liberalization of trade have led

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[1] This concept attempts to summarize the vision of globalization held by international organizations, such as the Economic Commission for Latin America and the Caribbean (ECLAC), the World Bank, the Inter American Development Bank (IDB), the United Nations Educational, Scientific, and Cultural Organization (UNESCO), and PAHO itself

[2] CEPAL. *Una década de luces y sombras: América Latina y el Caribe en los años noventa.* March 2001. (Notas de CEPAL # 15).

[3] Abreu, S. "La conformación de las comunidades supranacionales y el derecho internacional". *Hacia la definición de una agenda de salud en los procesos de globalización económica*. Memorias de la reunión del 29-31 de julio de 1998, Montevideo (Uruguay). Serie de Informes Técnicos No. 67. Program on Public Policy and Health /Division of Health and Human Development (HDP/HDD), March 1999.

to an increase in the health products and services trade, private investment (national and international), and the supply and demand for health services, posing new challenges for the formulation of health sector development policies.

5. Gains from the economic growth associated with globalization have not been uniform among the countries, and social development objectives, such as the reduction of poverty and inequalities between human groups, have not been achieved. These gains are disproportionately benefiting limited population groups. The Latin America and Caribbean region is still the region of the world marked by the greatest inequities. Preventing these disparities from widening even further demands more equitable distribution of the economic and health gains deriving from our countries' participation in a globalized world open to international trade.

6. The new scenario created by globalization demands that the health sector reconcile its ultimate objective—protecting the health of the population—with the demands generated by the production and trade of health products and services at the national and international level, while attempting to optimize benefits throughout the process. In this new scenario, international competitiveness is replacing protectionism, and emerging economies are seeking to integrate themselves into the competitive international network, becoming centers of attraction for direct foreign investment and goods and services flows.[4]

7. To adapt to the globalization process, the countries are coordinating their efforts through a series of negotiating bodies. The World Trade Organization (WTO) is the cornerstone of the international trade structure. An outgrowth of the General Agreement on Tariffs and Trade (GATT), WTO negotiations entail a series of obligations related to the way in which countries structure and implement their trade policies, legislation, and the corresponding regulations. The agreements signed by the WTO have a direct and indirect impact on health and the work of specialized agencies such as WHO and PAHO (see Table 1 in Annex).

8. Protecting the health of the population is one of the areas explicitly addressed in negotiations within the framework of the international trade agreements. An important example of this is the recognition by the WTO Ministerial Conference in Doha, Qatar, in November 2001 that Trade-related Aspects of Intellectual Property Rights (TRIPS) can and should be interpreted to allow WTO Member States to protect public health and facilitate access to drugs. Furthermore, countries have the right to determine what constitutes a national health emergency or other circumstances that justify the compulsory granting of licenses for local drug manufacture. [5]

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[4] Abreu, *op. cit.1998.*

[5] OMS/OMC, *Los acuerdos de la OMC y la salud pública — un estudio conjunto de la OMS y la Secretaría de la OMC*, Geneva, 2002 < http://www.wto.org/spanish/res_s/booksp_s/who_wto_s.pdf>

9. Examples of other negotiating bodies are the multilateral agreements, regional agreements, customs unions, free trade agreements, temporary nonreciprocal preferential agreements, bilateral agreements, and general association and cooperation agreements (see Table 2 in Annex). When negotiating such agreements, the consideration of health priorities and their impact on the health sector are two areas of strategic importance for sectoral development and international cooperation in health.

Globalization and the Health of the Population

10. Globalization has led to the introduction of new products and services, the dissemination of new knowledge, and changes in the behavior and consumption patterns of the population. These developments have had both a positive and a negative impact on health profiles.

11. The positive impact of globalization can be observed in the case of food and other products for human consumption--major components of the international trade of PAHO's Member States. Progressive improvements in food hygiene and the hygiene of these other products can bring economic and health benefits to exporting and importing countries alike. Exporting countries benefit from their access to new markets and more effective protection of their population's health, and importing countries, from new opportunities to obtain products of the same or better quality at potentially lower prices.

12. The major health risks in the Region are a consequence of changes in behavior and consumption patterns associated with the globalization of culture and imports of products detrimental to health. One example of these risks is the marked increase in health problems associated with overweight and obesity, resulting from the cultural demonstration effect and the wider availability and lower prices of products low in nutritional content. Providing treatment for the diseases associated with overweight and obesity—diabetes, cardiovascular disease, and hypertension, for example—as well as other chronic diseases is having a significant adverse impact on household health expenditure and the resources of public health institutions. Greater knowledge is needed about the economic impact of these diseases, including losses in terms of productivity and life expectancy.

13. The increase in illicit drug use and the incidence of HIV/AIDS are other eloquent examples of these risks, to which can be added the risks associated with the mass movement of people, either forced or voluntary (including tourism), with the potential rise in communicable diseases and risk behaviors, as well as persistent environmental degradation.

14. Among the positive impacts is the possibility of acquiring new knowledge and technology to combat health problems that once could not be controlled and of spreading the notion that health is the right of every human being, as in the more developed countries. This argument would contribute to the promotion of national health policies aimed at securing more equitable access to health services. A second element is the resurgence of the concept of "global public goods (and services)," including those pertaining to health, which requires concerted action at the subregional, regional, or global level.

15. Finally, other areas little explored as yet are the relevance of the international trade in health products and services and the importance of the population's health as a determinant of the competitiveness of human capital. The first of these areas requires special attention due to its health implications and the growing weight of the health sector in the countries' economic activity, which involves production, employment, productivity, and competitiveness. The link between a population's health and the competitiveness of human capital is important for ensuring that health is a consideration in the economic growth and social development strategies of the countries.

Globalization and the Health Services Trade

16. Globalization increases the international production and consumption of health products and health services, direct foreign investment in the health sector, and the movement of health workers between countries. The wider availability of information about the medical technologies and treatments available internationally puts greater demands on the national health systems.

17. Managing the health sector, in a context in which the production and consumption of services and the population's health are heavily influenced by external factors, poses a new challenge for our countries. The growth of the international services trade, which includes health services, has led to the need for specific guidelines for the different modalities of the services trade negotiated under the General Agreement on Trade in Services (GATS). These challenges, moreover, require greater capacity on the part of PAHO and the countries to implement and evaluate health and sectoral development policies within the new context of openness and competitiveness.

18. Up until a short time ago, experts in international trade regarded services in general, including health services, as nontradable goods. Experts in the health sector also considered health care delivery a strictly local, internal activity. Little by little, however, the two groups have realized that the technological and organizational development of the health sector is making it increasingly possible to market services on an international scale.

19. A pioneering study by PAHO and the United Nations Conference on Trade and Development (UNCTAD) has revealed four manifestations, or modes, of the international health services trade in our Region:

- Mode 1: cross-border service delivery
- Mode 2: movement of patients
- Mode 3: commercial presence of foreign service providers
- Mode 4: temporary migration of professionals.[6]

20. The growing use of telecommunications and information technology has facilitated the rapid expansion of cross-border telemedicine and health services management (Mode 1). Several countries in the Region attract foreign patients, who travel to them for medical care (Mode 2). Patients from Latin America and the Caribbean seek treatment in neighboring countries or the United States, where the health sector is among the eight sectors with the highest exports of business, professional, and technical services. According to the PAHO/UNCTAD study, there appear to be two very different cases among the Latin American and Caribbean countries that export health services. The first is that of Cuba, whose health service delivery capacity is so great that it can export services without affecting domestic coverage. The other is that of Brazil, whose marked disparities in health care coverage could be exacerbated by the export of services.

21. Countries that export health services in the Region may be receiving more income and bolstering their economies. However, it is important to ask whether, given the domestic demand, the services that are exported constitute an actual surplus or, rather, a factor that further limits service coverage. It is essential to seek a balanced definition of the exportable supply of health products and services in terms of the unmet needs of our countries' populations for these products and services.

22. Another more recent PAHO study has detected the presence of foreign insurance companies and health service providers in many Latin American countries (Mode 3).[7] However, we still know very little about the magnitude of foreign investment in the health sector or about the volume of health services management and health insurance services in the countries of the Region.

23. Latin American and Caribbean health professionals emigrate to other countries in the region or to the United States, Canada, or Europe (Mode 4). The sectoral work force

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[6] D. Diaz y M. Hurtado, *Comercio Internacional de Servicios de Salud*, Serie de Informes Técnicos # 33, Program on Public Policy and Health, PAHO/WHO, 1994.

[7] *PAHO/WHO, Trade in Health Services in the Region of the Americas.* In*: PAHO/WHO, Trade in Health Services: Global, Regional and Country Perspectives*, Washington, 2002.

in the developed countries is increasingly dependent on foreign workers.[8] To date, it is not clear whether this migration constitutes a net gain for the exporting countries because of the foreign exchange remittances that emigrants send back, or whether it represents subsidy from the importing countries to the exporting countries, who, in the final analysis, were those who shouldered the high cost of training these professionals. It is highly probable that health care inequities have worsened in the countries of origin of many migrant health workers, due to the export of services.

24. Although the economic and health impact of these modes of trade in services is still not known in the Region, some hypotheses can be formulated. One is that the presence of foreign health professionals or health enterprises increases the availability of health resources in the importing countries, providing better coverage of their respective populations. However, it is also possible that the additional resources are being concentrated in the privileged segments of the population without increasing coverage of the more disadvantaged sectors.

Drugs and Medical Equipment

25. At the end of the last decade, the Hemisphere disbursed nearly US$ 1,185,000 million annually in health products and health services, a figure close to half the world expenditure.[9] Latin America and the Caribbean accounted for $115,000 million of this expenditure—7.3% of GDP, or $240 per capita-- 41% of which was financed with public resources and 59% with private resources. Per capita expenditure ranged from $795 in Argentina down to $9 in Haiti. In contrast, the United States disbursed $3,858 per capita and Canada, $1,899. In addition to the extreme differences between countries, several studies have revealed major disparities in health expenditure among social groups and areas of a single country. In the year 2000, the per capita expenditure on drugs and medical equipment in the Americas (including Canada and the United States) was $33. The average for Latin America and the Caribbean was estimated at $15 per capita. The figure in this group of countries ranged from $6 in Bolivia to $104 in Barbados.

[8] According to the American Medical Association, in 1999 25% of physicians in the United States had been trained abroad. (AMA Physicians Statistics, 2001. www.ama-assn.org).

[9] PAHO/WHO, *Health in the Americas - 2002,* Washington, 2002

26. The exact share of the regional health products and services market that corresponds to international transactions is still unknown, but it *is* known that much of the drugs, equipment, and other supplies utilized by the health sector are imported from other Latin American countries or outside the Region. Preliminary estimates of the trade flows for drugs, supplies, and medical equipment in the 1990s indicate that they represent a growing share of the countries' imports and health expenditure.

27. Between 1994 and 2000, the total imports of drugs and medical equipment by the countries of the Hemisphere soared from $19,400 million to $43,000 million. These imports have grown at an average rate of 14% annually, a figure significantly higher than the countries' economic growth rate and the growth of national health expenditure during the period. Similar trends have been observed in the volume of exports, which jumped from $18,000 million in 1994 to $32,700 million in 2000 (see Figure 1 in Annex).

28. The wide variations in the value of exports and imports of drugs and medical equipment among the countries of the Region point to significant differences in the impact of the respective trade policies (or of their absence). In formulating national drug policies, the countries need to have a better idea of the impact of drug and medical imports on the availability and use of drugs. Developing investment plans and policies to rationalize the availability of medical equipment requires greater knowledge about the quantities and quality of imported medical equipment. Building and maintaining a database on international trade flows for health products and health services, monitoring trends, and evaluating the implications of these trade flows for the structure of health markets are one area of technical cooperation that could be developed by PAHO.[10]

29. Given the scarcity of drugs for treating common diseases like tuberculosis and malaria in the developing countries and the high cost of the drugs for treating diseases with a virtually global impact, like AIDS, these drugs are beginning to be considered "global public goods." The international community has therefore created the Global Fund to Fight AIDS, Tuberculosis, and Malaria, whose objective is to facilitate both the development of new drugs to fight these diseases and access to them.

30. The TRIPS debate during the WTO Ministerial Conference in Doha, Qatar, clearly illustrates the impact of patents on drug prices. Great expectations were aroused about the outcome of the Conference, for it was the first time in 50 years of multilateral trade negotiations that the issue had been debated.[11] Trade policies deriving from the

[10] There are excellent databases on regional trade, developed by entities such as the Latin American Integration Association (LAIA), the Organization of American States (OAS), the Institute for Latin American and Caribbean Integration of the IDB (IDB/INTAL), and the U.S. Department of Commerce.

[11] World Trade Organization, *Declaration on the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) and Public Health.*, Ministerial Conference, Doha, Qatar, 2001.

TRIPS—for example, the negotiated setting of price scales, the compulsory granting of licenses in health emergencies, and the transfer of technology to countries with smaller productive capacity--can help to reduce the existing gaps in access to drugs between developed and developing countries.

Guidelines for International Cooperation in Health and Globalization

31. To adapt to globalization, the countries have been developing a series of mechanisms for consensus building and international or supranational action, such as the GATS, TRIPS, GATT, and the Agreement on the Application of Sanitary and Phytosanitary Measures. Regional negotiations are under way on the Free Trade Area of the Americas (FTAA) to give it the consequent weight in the structure of the Inter-American System. Some of the subregional agreements have specialized health agencies, some of them specifically created to debate issues connected with the harmonization of standards, as in the case of the Southern Common Market (MERCOSUR), and some which are part of systems that are far broader in scope and deal not only with economic issues but social issues as well—for example, the Andean Community deal (see Table 3 in Annex).

32. "Open regionalism," as ECLAC has called the integration process in the Region of the Americas, demands that the countries of the Hemisphere demonstrate considerable negotiating capacity if they are to participate in the negotiating forums created for every issue in the different bodies. For example, the issue of drugs has been debated by the LAIA member countries in six different forums in the past two years.[12] Despite its complexity and apparent inefficiency, "open regionalism" offers our countries a rare opportunity to strengthen their regulatory capacity in health and at the same time harmonize it within the framework of the trade and integration agreements.

33. The ministries of health have traditionally been absent from trade and integration negotiations and from the design of policies to regulate the quality of goods and services marketed internationally. This process is usually overseen by the ministries of trade and industry, finance, and foreign affairs. A prerequisite for reconciling health objectives with the economic dimensions of the sector in the face of globalization is to give the ministries of health a greater role nationally and in the different integration plans and free trade agreements. The negotiators for the sector should play a dual role: to ensure that at least the minimum levels of quality are respected, and to secure competitive advantages for their respective countries. Health sector capacity must be strengthened to meet these challenges and to promote ties with the ministries of trade and foreign affairs as the agencies that oversee the international trade in goods and services.

[12] These forums are the Southern Common Market (MERCOSUR), the Andean Community of Nations, the Latin American Integration Association (LAIA), the Free Trade Area of the Americas (FTAA), the WTO, UNCTAD, PAHO, and WHO.

34. Globalization and the regional integration that arises as the countries' response to it generate new demands for technical cooperation from multilateral and bilateral agencies that cover a wide range of economic, epidemiological, financial, information, and communication issues. Some of the demands stem from new challenges that can be addressed through conventional cooperation with each individual country. Others require collective support from countries engaged in consensus-building and the development of supranational policies and instruments.

35. PAHO has been analyzing the health implications of globalization, trade, and integration for some time, promoting health sector participation in the negotiations of the FTAA, MERCOSUR, Andean Community, North American Free Trade Agreement (NAFTA), Central American Integration System (SICA), Caribbean community (CARICOM) and Association of Caribbean States (ACS).[13] PAHO has closely followed the dialogue between governments and private-sector entities connected with the international trade of health products and services. The Organization's experts in drugs, vaccines, food, technology, informatics, human resources, health services, sanitation, and environmental protection are participating more and more in similar activities in their respective fields.

36. PAHO must adapt its technical cooperation modalities to the new realities of globalization, adjusting its guiding principles and goals to meet the following criteria:

- It should act to facilitate the processes, providing support from Headquarters and the Representative Offices to assist the countries in their efforts to enter the supranational negotiating arena for trade and integration agreements.

- It should employ a comprehensive approach that involves all the pertinent agencies of the global, regional, subregional, and bilateral agreements, without centering exclusively on health agencies.

- It should promote regional health plans in which all stakeholders participate.

- The Representative Offices in the host countries of each of these agencies should create channels of communication for the joint effort and keep them open.

37. Given the situation described in the sections above, this document proposes strategic lines for PAHO cooperation to guarantee that health becomes an integral part of regional and subregional trade and integration plans. These activities will ensure that

[13] It has maintained working relations in these areas with the WTO, UNCTAD, and the European Union. It has participated in the Ministerial Conferences in Denver, Colorado (United States), Belo Horizonte, Minas Gerais (Brazil), San José (Costa Rica), and Seattle, Washington (United States).

trade and integration agreements incorporate health priorities in their programs and that aspects of trade that affect the health sector will be addressed. These strategic lines include the following:

(a) Studies to document the health impact of changes in consumption and behavior patterns linked with globalization, such as:

- Obesity and overweight; alcohol, tobacco, and illegal drug use;
- The link between the health of the population and the competitiveness of human capital and its impact on the long-term growth potential of the countries.

(b) Training to analyze and assess the impact of globalization and integration on the health products and services market and on the operation and financing of the national health systems. Two areas requiring special attention are:

- Efforts to ensure that health issues are considered in the policies regulating the international trade of goods and services, including goods and services in health (food, vaccines, drugs and medical equipment, and investments in the sector);
- Development of pricing and tariff policies to reduce imports of products detrimental to health, and other policies that cut the cost and increase the availability of essential drugs, vaccines, medical equipment, etc.

(c) Development of databases on the direction and intensity of international flows of health products and services, of foreign investment in the health services and health insurance sectors, and of health professionals between countries.

(d) Activities to promote the explicit inclusion of health dimensions in:

- Negotiations on the international goods and services trade and on health services;
- The economic and social development strategies of the countries.

Key Issues for the Discussions of the Subcommittee on Planning and Programming

38. Based on the analyses and proposals presented in the preceding sections, it is suggested that the Subcommittee concentrate its discussions on the following areas:

(a) The positive and negative impact of globalization on the health of the population and the health sector in the Region;

(b) What the countries of the Hemisphere can do—through the health sector and other development sectors—to minimize the negative impact and maximize the positive impact of globalization on both the health of the population and the health sector; and

(c) The cooperation that PAHO/WHO must provide to assist the efforts of its Member States to minimize the negative impact and maximize the positive impact of globalization on health.

Action by the Subcommittee on Planning and Programming

39. The Subcommittee on Planning and of Programming is requested to analyze the strategies that the countries can adopt, given the link between globalization and health, and PAHO/WHO cooperation with the efforts of the Member States in this field.

Annex

ANNEX

Figure 1. The Americas: Imports of drugs and medical equipment, 1994-2000 (in millions of US$)

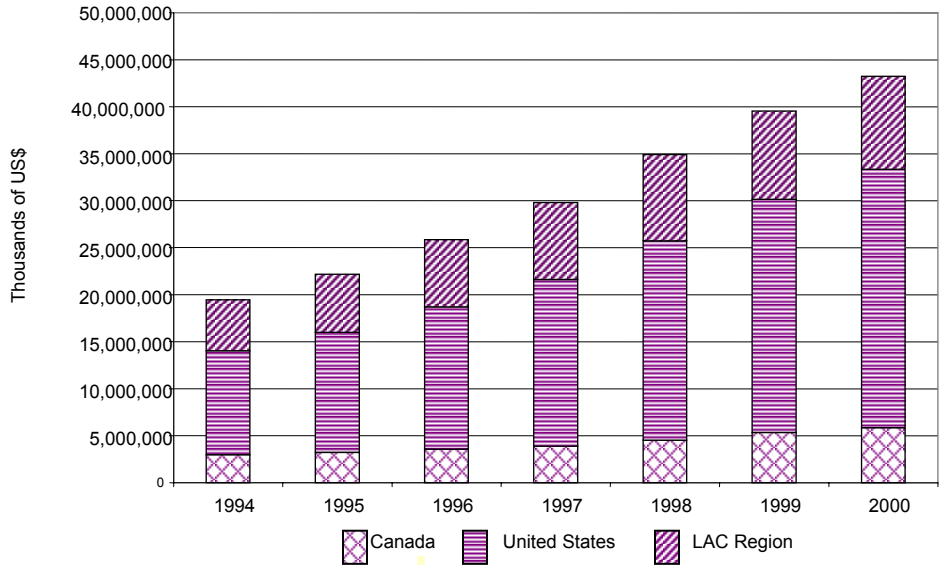

Table 1. Agreements that Constitute the Final Act of the Uruguay Round

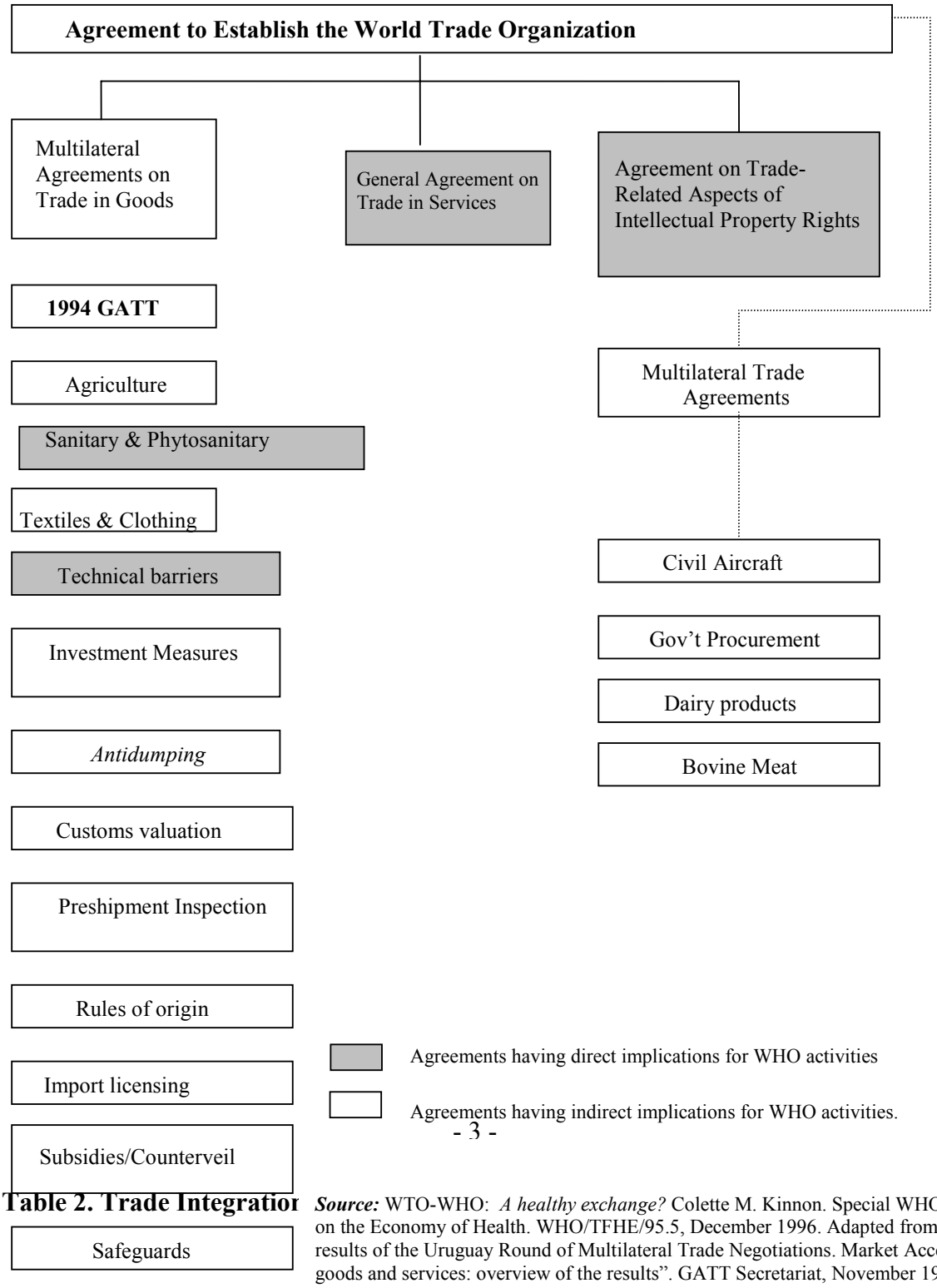

Table 2. Trade Integration

Source: WTO-WHO: *A healthy exchange?* Colette M. Kinnon. Special WHO Group on the Economy of Health. WHO/TFHE/95.5, December 1996. Adapted from "The results of the Uruguay Round of Multilateral Trade Negotiations. Market Access for goods and services: overview of the results". GATT Secretariat, November 1994.

Multilateral Agreements	GATT, GATS, TRIPS, Agreement on the Application of Sanitary and Phytosanitary Measures
Regional Agreements	FTAA, LAIA
Customs unions	CARICOM, Andean Community, CACM MERCOSUR
Free trade agreements	NAFTA: Canada, United States, and Mexico G3: Colombia, Mexico, and Venezuela; Bolivia-Mexico Canada - Chile Central America – Dominican Republic Costa Rica - Mexico Mexico- Nicaragua
Temporary non-reciprocal preferential agreements	CARICOM - Colombia CARICOM – Venezuela
Bilateral agreements:	Partial scope, Economic complementation Free trade and preferential trade
Signed by: Argentina Bolivia Colombia Costa Rica	Chile Dominican Republic Ecuador Guatemala Honduras
	Mexico Nicaragua Panama Peru Venezuela
General association and cooperation agreements:	Association of Caribbean States Third Declaration of Tuxtla

Source: Organization of American States. Trade unit. www.sice.oas.org

Table 3. Health Agencies in the Trade Agreements of the Hemisphere

Trade Agreements	Health Agencies
CARICOM	Conference of Ministers of Health Health Office
Andean Community	CHU/(joined 1998)/REMSAA
Central American Common Market Central American Integration System	SISCA (RESSCA), INCAP, OIRSA, CPEREDENAC, COCISS
Association of Caribbean States	Committee for Science, Technology, Health, Education, and Culture - Health Official
MERCOSUR	Meeting of Ministers of Health - SGT 11 Health (Products, Surveillance, and Services Committees)

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