

## *International Trade Implication in Health*

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### INTRODUCTION

**H**ealth is a concept to explain the 'state of well being' of an individual or group of individuals. This may be in the field of physical, social, mental or psychological health. There is however no definite bench mark on what constitutes 'perfect health'.

The spectrum of health does lay down parameter on what constitutes positive health. To achieve positive health of an individual or society, measures have to be taken at various levels including the socio-political level and economic level. The relationship of health to economics is thus direct. The individuals or the State have to spend a certain portion of their income in maintaining a state of positive health. This is not to say that only income governs the state of positive health as other factors are equally important.

The World Health Organisation (WHO) & its member states have a commitment to ensuring "Health for All by the year 2000". The means to achieve the goal may not be well defined in many countries.

Thus, where the industrialized nations/developed nations have increased their overall investment in the field of health as a proportion of the GDP (Gross Domestic Product), the developing nations, in their attempts to gainfully utilize their scarce resources, in development of infrastructure, appear to have progressively decreased their actual spending in the field of health as a proportion of the GDP.

The growth in real income by way of increase in GDP is therefore expected to enhance the funds available for investment in the field of health.

It is also being recognised that plurilateral &

multilateral trading arrangements between nations are very essential for improving the level of economic activity in a country. The nation states have been slowly recognizing that lowering of trade barriers to facilitate International trade between different countries is beneficial to all nations.

In order to promote trade there have been in the past trading arrangements directly or between a small group of nations. There is also a growing recognition of the advantages is having multilateral agreements which may be equally applicable to the majority of nation states in the world. The most recent in this regard has been the Uruguay round of multilateral trade negotiations held under auspices of GATT.

The Uruguay round of the multilateral trade negotiations were concluded in April, 1994. During these negotiations it was also agreed to set up the world trade organization (W.T.O.), to replace the GATT administration structure.

The Principles contained in GATT - as originally adopted in 1947 was to promote trade with a view to raising standard of living and to ensuring a growing volume of real income. Thus International trade through the various agreements have always had direct or indirect implication in health. While earlier GATT negotiation were primarily centered around issues relating to tariff, the last round launched in 1986 (popularly known as Uruguay Round) had a much broader scope including issues on how to eliminate the non tariff barriers to trade. The conclusion of Uruguay round in 1994 therefore established the WTO, which now serves as an umbrella for all agreements, understandings and ministerial decisions. Out of the 13 multinational agreements, more than one agreement have implication in health and in health related matters. For example, the **General Agreements of Tariffs and Trade (GATT), 1994** is expected to further liberalize trade, thereby resulting in improvement of income. A part

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of this income is expected to be utilized in protecting the health of workers and in environmental health. Similarly the **Agreement of Technical Barriers to Trade** is expected to encourage setting up of international quality standards for products which are traded including pharmaceutical products.

### GATT 1994

This General Agreement on Tariff & Trade, 1994 is a set of principles, for governing trade between the contracting parties, with the underlying philosophy of according MFN (Most Favoured Nation) status to the contracting parties. GATT 1994 is thus expected to improve market access by reduction of tariff and non-tariff barriers to trade.

The liberalisation of International trade, through improved access to markets is estimated to increase the annual income in developing economies by many folds. This growth in income will provide an opportunity to improve the living conditions throughout developing countries, provided the income generated is gainfully utilized & is fairly & efficiently distributed, by good governance. Further since govts. and state enterprises in developing countries continue to dominate and regulate the state economy including the health economy, it may be imperative to ensure a stable political environment; honest bureaucracy & sound socio-economic policies.

For a developing economy, say India, there is tremendous scope of channelising a portion of the incomes from international trade into the health sector, especially, considering the relatively declining contribution of planned govt. expenditure to the health sector. The positive implication of international trade in improvement of health status in the developing countries therefore cannot be missed. This may however require certain policy changes like treating health sector as an infrastructure sector to attract investment, especially foreign investment.

Considering the very large global trade market which exists in the field of health, the developing economies like India, China, Brazil etc., should also seriously consider giving more priority to the **Health Sector** as an area for attracting investment.

Of interest is Article XXI (b) of the agreement which allows the contracting parties to adopt or to enforce measures "necessary to protect human, animal or plant

life or health", in so far as they neither unjustifiably discriminate between countries where the same conditions prevail, nor act as a disguised restriction to trade. It is quite possible that through these provisions some countries may impose stricter conditions on imported goods as compared to domestic goods. The member countries need to be alert to the same & should consider taking up the matter for dispute settlement/arbitration in W.T.O. as & when the need arises. This would require imparting education to the general public on the scope of the trade agreements so ratified by each member State.

### AGREEMENT TO TECHNICAL BARRIERS TO TRADE

The agreement on technical barriers to trade, which was negotiated in the Tokyo round of GATT was aimed at encouraging the formulation of International Standards and certification schemes.

In the Uruguay round in 1994, it was recognized that International Standards, technical regulations & conformity assessment systems would all go to further facilitate trade.

This trade agreement has many direct implications in health e.g. World Health Organisation (WHO) is entrusted with the task of setting standards for pharmaceuticals, biologicals & similar products. The use of manufacturing norms set by WHO is also expected to improve the quality of pharmaceutical products & to enable the developing countries to export pharmaceuticals in larger volumes.

### SANITARY & PHYTO SANITARY MEASURES

The trade agreements on the application of sanitary and phyto sanitary measures also have direct implications in health. It is possible that in future, with the liberalization of trade & with reduction of other barriers to trade, this agreement may serve protectionist purposes to some nations and give rise to trade disputes. Efforts are however under way to harmonize the measures and to make reference to international standards, guidelines e.g. in the case of food safety, the agreement expressly stipulates that these reference standards will be those established by the **Codex Alimentarius Commission** relating to food additives, veterinary drug & pesticide residues, contaminants etc.

It would therefore make good economic sense for the poor & developing countries dependent on export of



agricultural, animal and other primary products, to set up **national health standards** comparable to the Codex Standards, guidelines & recommendations. In the long run these measures are meant to ensure better standards of trade goods. The impact of national health standards which are universally accepted would only be for the betterment of society. However, countries need to be aware of the disguised restriction which may be imposed by some nations. The legal set up in some of the developing nations have been catalysts in ensuring framing of suitable laws on acceptable standards for import/export e.g. laws to prevent dumping of wastes & toxicants into the terrain of other nations. It is felt that nations states should quickly take up this issue as a national agenda to formulate environmental protection laws & health laws which are acceptable by international standards.

### PATENT PROTECTION

The World Intellectual property organization, set up in 1967 to protect Intellectual Property rights has not always been successful in strict enforcement of right especially with respect to trade in counterfeit goods. **The WTO Agreement on the trade related aspects of Intellectual Property rights is therefore** aimed at establishing minimum standards and enforcement measures of patents, copy rights, trademarks etc.

There have been intense debate on various aspects of this agreement with some of the industrialised countries taking a view somewhat dissimilar to the developing countries especially on the issue of patentability of manufacturing processes. The impact of patenting on pharmaceutical formulation is a fear of increase in prices of newly developed drugs due to the patent protection laws. This may also have indirect implication in the health programmes of developing nations as the cost of Primary Health Services could go up on this account. The agreement, however, allows certain exclusion to patentability in areas concerning protection to human, animal or plant like or health or to any serious environmental damage. Member States may also exclude methods of treatment of humans or animals from the agreement. The positive side to the controversy is that more than 90-95% of the commonly prescribed drugs are out of the patent list and are thus not effected.

Another area of concern is the possibility of traditional

systems of medicine such as Ayurveda, Unani, Homeopathy & Naturopathy suffering on account of the patent laws. It would be advisable to immediately shape up the patent laws in these areas of traditional medicine, especially by countries which have for long been using these systems of medicine. This could help avoid patent related disputes in future. A case in point is the recent controversy developing patent on certain properties of **turmeric/ neem** in the U.S.A. whereas it is fairly common knowledge that the herbal properties of turmeric/ neem have long been used in the traditional systems of Indian medicine.

The patent clause is however a useful too for developing the wider base for the pharmaceutical industries especially by the developing countries which may have the advantage of low costs of production countries which may have the advantage of low cost of production. Since majority of drugs consumed are off patent there can be potential to export bulk drugs & other formulations by the developing countries which are already having an established manufacturing base.

### GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

The international trade agreements and resolutions have been concerned with **trade in goods** and in efforts to improving trade in goods, by reduction of tariff/non-tariff barriers.

It is felt that the principles of MFN (Most Favoured Nation) status & of non-discrimination are equally applicable to trade in services.

In this context the W.T.O. General Agreement on Trade in services is expected to facilitate such trade in services. The service sector has however been much protected by the individual countries for fear of large scale cross-border movements of population and for other social reasons. There is ample scope of trade in services especially in the health sector e.g., investment of **capital resources & man power resources** in setting up of international standard health centres & hospitals in other countries; supply of skilled manpower to other countries (doctors, nurses & other trained health professionals etc.).

### CONCLUSION

International trade therefore has wide implication in



the field of health. The removal of non-tariff barriers to trade is expected to result in a manifold increase in volume of trade between countries. The fallout of above would be on improving the socio-economic conditions of the society including in the field of health.

The multilateral trading arrangements under GATT and now W.T.O., have its advantages in helping the member nations to improve their trading volumes and also the standards for international trade. The nation states however need to be alert in ensuring that some of the

trading agreements like the agreement on sanitary and phyto sanitary measures, trade related intellectual property rights (TRIPS) etc. are not misused for protectionist puposes by some countries.

The nation states must also bring up their **national health standards** in production/manufacturing of pharmaceutical goods & of health services to acceptable international standards. If required, they may make suitable amendment in their own laws in order to achieve the full benefits.

