

The economic policies we create and implement have profound impacts on health. Creating healthier societies and realising the right to health for all requires addressing the wider polices that impact on it. This briefing outlines the basic principles of free trade, discusses the impacts of trade on health and health systems, and outlines why trade is a fundamental issue for health.

Issues of international trade impinge on health, often in significant ways.
This is an especially challenging area for foreign diplomacy.

DR MARGARET CHAN Director General, World Health Organisation 13 February 2007

What is free trade?

Free trade is a core tenet of neoliberal economics. It is based on the principle that a market responding to individual choices with minimal government regulation, will allocate resources in the most efficient way. It requires the reduction or elimination of trade barriers such as quotas, tariffs and regulation. This is supposed to lead to an increase in foreign investment and increased competition amongst companies leading to cheaper prices. These principles have been become

cemented in mainstream economic thinking and pursued by international organisations such as the World Bank and the IMF. However, the links between free trade and poverty reduction are disputed. Countries need to trade, no doubt, and liberalised trade has created vast wealth for some. At the same time, it has also created unsustainable resource use; a race to the bottom in environmental and labour rights regulation; the inequitable distribution of wealth; and unequal access to services such as water, health and education. Power imbalances that put the needs of big businesses above

those of the poorest communities are inherent within the global trade system. Further, the tendency to pursue economic growth as an end in itself, leads us to peruse wealth accumulation regardless of its contribution to, and often at the expense of, human wellbeing.

Direct impacts of trade on health

Trade polices have both a direct and indirect impact on health. These include:

Privatisation of health services

Trade agreements are closely linked to the privatisation of health services. The General Agreement on Trade in Services (GATS) was brought into force in 1995 and is the legal framework through which members of the World Trade Organization (WTO) liberalise trade in services. In health this includes personnel, hospital, ambulance, physiotherapeutic and paramedical services, allowing healthcare to become a commodity.

Under GATS, countries can choose which services they liberalise. To date, 50 have made some type of commitment on health services. GATS cover four modes of service delivery: cross-border supply of services such as e-heath; consumption of health services abroad; foreign commercial presence i.e. opening up of the health sector to foreign companies; and movement of natural persons – the temporary migration of health workers.

The second mode is particularly problematic in terms of inequality as it is associated with locking in privatisation of health services; internal brain drain from the public to the private sector;² and the creation of a two tier health system.³ Privatisation of health services has very clear impacts on the right to health. I 00 million people are dragged into poverty to pay for healthcare each year, the equivalent of three people every second.⁴ This can lock people into a cycle of poverty and poor health from which they may never recover. Others are simply denied the health care they need.

Whilst countries do not have to decide to liberalise the health sector under GATS, if they do, GATS commits countries to specific rules on market access under terms that are legally binding and effectively irreversible, permanently locking in privatisation and inequality.⁵

II havel been hearing some serious concerns that the Trans-Pacific Partnership, the biggest trade agreement ever, may adversely affect the market for generics and biosimilars and increase the cost of medicines.

DR MARGARET CHAN Director General, World Health Organisation 12 November 2015

Access to medicines

One third of people in the Global South are denied access to essential medicines.⁶ Whilst it is predominantly wealthy countries and international financial institutions who advocate trade liberalisation, when it comes to intellectual property, they tend to support the opposite – for increased government intervention. This is due to the influence of forces such as the pharmaceutical industry who advocate for stronger patent protection for their drugs to keep prices high to fund research and boost profits. In 2014 1.5 million people died from TB.⁷ A course of treatment for some forms of the disease can cost up to US\$ 250,000.⁸ These high prices mean governments and patients can afford fewer drugs, and in many instances the poor are not able to afford them at all.

Provisions in trade agreements include patent protections which restrict access to cheaper, generic medicines. In the US, the Food and Drug Administration reports that the cost of a generic drug is 80 to 85 percent lower than the brand name product.9 The Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) introduced in 1995 is binding on all members of the World Trade Organization. TRIPS establish a common set of global standards to protect intellectual property including 20 years patent protection, and shielding test data against 'unfair commercial use'. The result is that a patent can give the originator company a market monopoly for 20 years, allowing it to push up prices and stifle competition. The balance between the interests of pharmaceutical companies who hold the patents and the people who rely on the medicines are severely skewed.

The group of Least Developed Countries have pushed to be exempt from enforcing patent protection on pharmaceutical products required under the TRIPS Agreement, but opposition from the USA resulted in an extension to the deadline rather than full exemption.

In addition, despite TRIPS flexibilities being a legal and legitimate means to protect the right to health, some pharmaceutical companies have previously been exposed trying to prevent their application. ¹⁰ The USA and European countries have pushed for even stricter intellectual property rights than those under TRIPS¹¹ in so called TRIPS plus agreements¹² which introduce additional measures such as extension of patents, and data exclusivity provisions giving companies exclusive rights not to reveal data on drug safety and efficacy. ¹³

Diet

The changing diets of many people in the Global South are attributed to factors that include trade liberalisation, foreign direct investment, the expansion of transnational food companies, and liberalization of media advertising. Foreign imports and the expansion of processed food markets brings increased access to processed food that is calorie rich but nutrient-poor. ¹⁹

These changes in diet have health implications. Several studies of the diets of Pacific Islanders found a positive correlation between increased consumption of imported food and a rise in rates of obesity and chronic diseases. ²⁰ Another study examining the impact of the reduction of barriers to food imports in Central America found trade liberalisation was one of the factors contributing to increased consumption of processed foods including processed cheese, whey, French fries and snacks, with an associated increase in obesity and non-communicable diseases. ²¹



Stop TTIP protesters gather outside the European Commission in Belgium, February 2015. © Jess Hurd / NoTTIP

Case study: TTIP

The Transatlantic Trade and Investment Partnership (TTIP) currently being negotiated between the US and EU will transfer yet greater power to transnational capital and undermine rules and regulations that promote public health, workers' rights, and consumer and environmental standards. TTIP would reduce EU food safety regulations to US standards causing concerns over food safely. Health, education and water will each face exposure to increased privatisation pushing them out of the reach of the poor, and trade rules will be extended beyond the WTO's TRIPs agreement, further impeding access to medicines.¹⁴

Although TTIP is being drawn up between the EU and the US, it is seen as a blueprint for all trade deals and if agreed, countries in the Global South will come under huge pressure to apply TTIP standards to avoid losing trade. Indeed, the pro TTIP business lobby have talked about TTIP in terms of "global convergence toward EU-US standards." ¹⁵

Perhaps most worryingly, TTIP contains provision for an Investor State Dispute Settlement Mechanism (ISDS). ISDS is a legal system, which allows corporations to sue governments if they think legislation will impede future profits. The risks of this are illustrated by the example of Dutch private health care provider Achmea, which sued the government of Slovakia for €23 million when Slovakia renationalised part of its health sector.¹6 The threat of costly legal action has the potential to sway government polices¹7 posing a grave threat to democracy.

Trade and the wider determinants of health

As well as the immediate impacts on health, trade also has a bearing on the wider determinants of health.

Food security

One of the most contentious areas of trade policy relates to agriculture:

Whilst countries in the South have often been forced to liberalise agriculture under policies of the World Bank and IMF, the countries of the North often subsidise their exports. This results in low-cost foreign exports flooding markets in the South and pushing local producers out of business. For example, In 1993 Ghana produced 80 percent of its poultry needs.²² Following the the 'dumping' of chickens from the US and Europe, today Ghana needs to import 90 percent of its poultry.²³

IWe Ashaninkasl are not used to eating the kinds of food donated. The kids don't like it, the food makes them sick and creates health problems...In the end the government is spending money just to spend it. They don't go to indigenous communities to figure out what foods would be best.

ASHANINKA COMMUNITY MEMBER. PERU

Dependency on imported food results in food insecurity as countries are more vulnerable to global price fluctuations. As global food supplies were hit by poor harvests in 2007-08, food prices in many countries soared. The World Bank estimated that this drove an additional 44 million people into poverty.²⁴ This was one of the main drivers of food riots in countries across the globe, from Mozambique to Egypt, Indonesia and Yemen.²⁵

At the WTO, the 'Group of 33' developing countries have proposed the 'public stockholding for food security agreement' which would allow them to hold stocks of food to mitigate against global price fluctuations and shortages driven by climate change, amongst other things. This has been resisted by rich countries, meaning that the agreement is currently only temporary and may soon be abandoned.

Worldwide, indigenous communities rely on the forest as the basis of their diet. However, over time access to traditional food sources such as wild meat has decreased as a result of forest degradation. To counter this many governments and international organisations sponsor market-led, nutrition and food aid programmes that focus on the provision of foodstuffs, rather than implementing polices that would give back control of the production of food to communities. This can result in food that is both culturally inappropriate and unsustainable.

Poverty

Poverty has profound impacts on health. It is linked to poor nutrition, overcrowding and lack of adequate sanitation, as well the inability to pay for health services. Despite having opened up their markets, many countries still have large number of their citizens living in poverty. Between 1999 and 2008, the poorest 60 percent of people received just 5 percent of all the income generated by global GDP growth.²⁶ For this reason, the impacts of trade liberalisation on growth, as well as the subsequent impacts on health and poverty are increasingly contested. Most researchers now agree that trade liberalisation alone is not enough to boost economic growth and a number of other factors such as good infrastructure, a stable macroeconomic environment, and solid fiscal policies are important.²⁷ A study by the UN Development Programme showed little relation between trade liberalisation and growth.²⁸ Even if trade does boost growth, this does not necessarily mean it will reduce poverty. Even the World Bank themselves concede that "Both theoretically and empirically, the impact of trade openness on poverty is ambiguous."29

How growth is distributed is key in whether or not it reduces poverty. Alongside increased growth at an aggregate level, the last 30 years have also seen soaring inequality, which has its own impacts on health.³⁰ Despite this, economists continue to see growth and GDP as the primary measure of a country's success, despite the increasing emphasis on the development of a range of alternative tools that measure factors other than GDP.

Inequality

Inequality is being allowed to soar. In 2013 Oxfam highlighted that seven out of 10 people lived in countries where economic inequality was worse than 30 years ago. In 2014 just 85 people owned as much wealth as half of the world's citizens.³¹

The Gini coefficient is one measure of inequality. It ranges from 0 (when everybody has identical incomes)

i Whilst GINI is a more conventional measure of inequality others have argued the Palma which divides the ratio of the richest 10 percent of the population's share of gross national income by the share of the poorest 40 percent provides a more robust measurement of inequality. Eg see http://oxfamblogs.org/fp2p/on-inequality-lets-do-the-palma-because-the-gini-is-so-last-century/

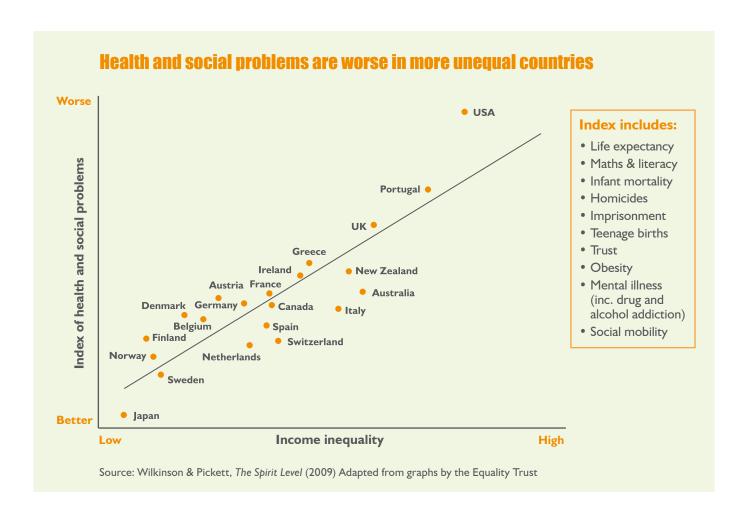
to I (when all income goes to only one person). In the mid 1990s the average Gini coefficient across countries of the OECD was 0.29. By the late 2000s, it was 0.316, an increase of almost 10 percent.

Dismantling barriers to trade can increase inequality in a number of ways. It can lead to differentials in wages, with increased in demand for skilled at the expense of unskilled labour.³² It can result in large multinational companies dominating local credit markets, holding a monopolistic position and using tax incentives to push local firms out of business.³³ It also allows multinationals to engage in 'rent seeking', employing their power to influence government policies in their own interests,³⁴ undermining democracy. The EU's lobby register shows a nearly €40 million declared spend on lobbying by pharmaceutical companies, their associations and the top ten lobby firms. With problems of underreporting and the voluntary nature of the register, the real figure is likely to be much higher than declared.³⁵

Liberalisation is often implemented alongside cuts to or privatisation of public services (see below) which erodes the basic opportunities and services that people need to prosper, and further widens the gap between the rich and poor. As well as being a consequence of growth, a range of recent studies show that inequality itself actually damages growth. Evidence from the OECD shows that the average increase of 3 Gini points in the OECD would reduce economic growth by 0.35 percentage point per year for 25 years. Rising inequality is estimated to have knocked more than 9 percentage points off growth in the UK by hindering human capital accumulation, undermining education opportunities and inhibiting the development of skills.³⁶

Inequality has a number of impacts on health, both physical and psychosocial. A 2009 study in the British Medical Journal found that people living in regions with high income inequality had an excess risk for premature mortality independent of their socioeconomic status, age, and sex.³⁷ Inequality also increases stress. Stress is linked to a range of health issues including hypertension, heart disease, mental health disorders, accidents, ulcers, and cirrhosis.³⁸

The Equality Trust's Index of Health and Social Problems combines 10 indicatorsⁱⁱ into a single variable to describe the overall "health" of a society. They show a positive correlation between inequality and health and social problems, mental illness and infant mortality.



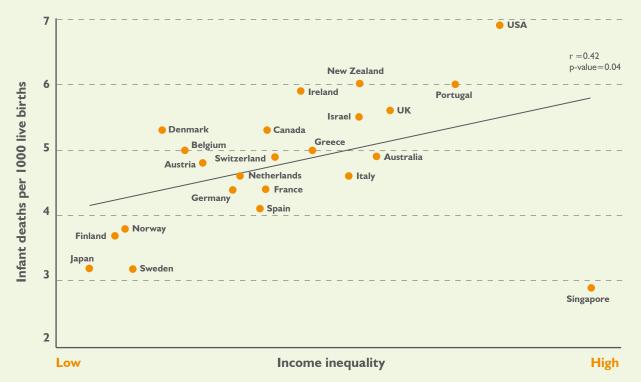
ii These are: life expectancy; proficiency in maths and literacy; infant mortality; homicides; imprisonment; teenage births; trust; obesity; mental illness, including drug and alcohol addiction and; social mobility

The prevalence of mental illness is higher in more unequal rich countries



Source: Wilkinson & Pickett, The Spirit Level (2009) Adapted from graphs by the Equality Trust

Infant mortality rates are higher in more unequal rich countries



Source: Wilkinson & Pickett, The Spirit Level (2009) Adapted from graphs by the Equality Trust

Power

As with most global issues, many of the main problems with free trade are a result of an imbalance in power relations. The World Trade Organisation is the institution through which global trade policy is made and implemented. Whilst the WTO is based on the principle of one country one vote (although a vote has in fact never taken place), the system has been structured to favour those with the greatest capacity to participate. The average WTO delegation from low-income countries consists of two staff. By contrast, the European Union sends over 140 staff in addition to member-state capital-based trade officials.³⁹

The World Health Organisation (WHO) has a mandate to work towards greater policy coherence between trade and health policy to minimise risks to health, yet its influence in the setting of trade policy is limited. The WHO has observer status in a number of committees but it cannot officially be involved in decisions. The 2008 report of the WHO Commission on the Social Determinates of Health called for greater participation of health actors in economic policy negotiations; the institutionalisation of health equity impact assessments to be incorporated in national and international economic agreements and; reinforcement of the primary role of the state in the provision of an regulation on basic services essential to health.⁴⁰

Creating a healthier trade system

The global trade system is one of a range of structures that poses a threat health and development. Changing the trade system means stopping trade agreements which pose a threat to health; challenging the power

imbalances thorough reform of the global institutions; and rejecting the persistent obsession with growth, towards a focus on what really matters – human wellbeing. In particular, a fairer trade system requires the following:

- Least Developed Countries to be given a permanent exception to TRIPS and trade agreements must not contribute to increasing barriers to access to medicines, particularly for the poorest.
- The rejection of damaging and inequitable trade deals including The Transnational Trade and Investment Partnership (TTIP), The Comprehensive Economic and Trade Agreement (CETA), The Trans-Pacific Partnership (TPP) and The Trade in Services Agreement (TISA).
- Preventing the strengthening of intellectual property rights through any future WTO or bilateral trade agreements.
- Giving countries the policy space to shape their own healthcare systems, with no presumption of a move towards private provision.
- Allowing countries to design their economies to ensure adequate provision of food to their populations, including measures to manage price fluctuations and support local production.
- Working towards a food sovereignty policy framework, developing local agricultural and food production using local resources to achieve self-sufficiency.

By bringing expertise in health and its determinants, the health community can play an important role in galvanising and progressing this agenda.

This is one of a series of briefings looking at how the structural causes of poverty impact on health.

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Cover photo: Protesters perform street theatre outside the London Headquarters of the European Commission and the European Parliament as part of the NoTTIP day of action, July 2014. Photo: Global Justice Now Design: www.revangeldesigns.co.uk

Trade Justice Movement



Health Poverty Action works to strengthen poor and marginalised people in their struggle for health.