

Executive Summary

Are Free Trade Agreements Bad for Health? Quantifying the impact of FTAs on health outcomes

Trade agreements such as the the Trans-Pacific Partnership Agreement (TPPA) have been criticised in Malaysia over fears that it would raise the cost of medicine and restrict the poor's access to healthcare.

Critics - including respected parliamentarians and prominent economists - often blame the intellectual property provisions embedded in Free Trade Agreements. In particular, they argue that the TRIPS-plus¹ - a provision that sets higher and tougher IP protection standards than the original TRIPS agreement - result in higher medicine prices and worse public health outcomes.

A study by authors Sreekanth Venkatamaran and Philip Stevens, published by Geneva Network², demonstrates that this is not the case. In fact, statistical analysis shows that:

1. there is a very clear association between trade openness (measured by ratio of trade to GDP) and improved health outcomes.
2. FTAs have not resulted in increases in out of pocket spending

The last 15 years have seen to the conclusion of a number of bilateral Free Trade Agreements (FTAs) that contain 'TRIPS-Plus' provisions. Many developing countries hesitate to sign FTAs - particularly with the US and EU - as these provisions include strong IP protection.

Impact of FTAs and Health outcomes

However, empirical data shows that **FTAs have in fact had modest positive impacts on health outcomes in the countries that concluded them**. These are measured in terms of

1. infant mortality - FTAs lead to a 0.157% decrease in infant mortality (one year after the FTAs has been adopted)
2. life expectancy and mortality from non-communicable diseases (e.g. cancer and stroke) - FTAs do not have a statistically significant effect on life expectancy and mortality
3. Health outcomes - overall trade openness is found to have a positive impact on health outcomes in countries

¹ The World Trade Organization's Trade-Related Aspects of Intellectual Property Rights Agreement

² Read the full paper at <http://geneva-network.com/>

Impact of FTAs on Health Expenditure

Contrary to popular views, increasing IP protection does not necessarily result in higher spending for healthcare. The authors analyse this in terms of:

1. Trade Openness and Health expenditure - Although there is a slight positive relationship between trade openness and health expenditure, it is statistically insignificant and does not have a significant effect on the cost of healthcare.
2. FTAs and Health Expenditure - there is a positive and statistically significant relationship between FTAs and public spending. But other factors are more importance such as per capita GDP, public health expenditure and proportion of population above 64 years.
3. Out of pocket payment - is statistically insignificant implying that people pay approximately the same amount for healthcare regardless of whether their country enters into an FTA.
4. Inflation and Health Expenditure - There is a possibility that the increase in health expenditure may be due to inflation.

Nevertheless, FTAs which serve to increase trade openness and subsequently wealth in a country can have a positive effect on overall health outcomes. Wealthier populations have better overall health outcomes since they have greater purchasing power to afford medical care as well as better medicines, sanitation and nutrition.

About the Authors

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