

Exposure to Free Trade Agreements: Pressure Stimulus for External Competitiveness Improvement in Healthcare Industries

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Introduction. Industrial development history demonstrates the substantial role played by sectoral opening on competitiveness rise and global thrive or global decline due to relative advantage. Healthcare has been largely shielded from FTAs in the past, but technology development makes it more sensitive to economies of scale and knowledge concentration as market forces

Aim, Material and Methods. Comparative Economic Analysis; Institutional Analysis; Healthcare Policy Analysis were performed as part of the research.

Results. CETA (Canada-European Union FTA) market opening covers very high share of tradable – 99%, compared to only 26% for NAFTA. Therefore, bilateral investment treaties have severely impacted the conclusion of CETA. The TTIP (Transatlantic Trade and Investment Partnership) has even more complicated structure regarding the public procurement and investment relations. The action lines relative to Latvian healthcare system are universal public procurement and investment protection, inter alia, state aid rules. Since Latvia is a large recipient of EU Structural funds, state aid rules can include a wide range of cross-subsidies. Examples are research activities in the enterprises – the researcher and lab staff training should be separated from training of staff for commercial activities. Technological advancements, especially in cancer and cardiovascular disease management, allows for large-radius transportation of the patients. Opening of yet quota-based rationing systems can reveal their internal inefficiency and lack of economic strategies. The Latvian healthcare system, especially at the tertiary level, can be viewed as a typical public + private mix model, because there are co-payments and the public providers offer also commercial services beyond the quota. EU state aid regulation assumes that in systems of this type, substantial economic activity looking for profits is ongoing; therefore, competition should be possible. Here can emerge differences to systems in Estonia and Lithuania which are publically funded.

Conclusions. 1. Latvia can have substantial advantages – lower personnel costs, very high level professional education in health specialities. 2. Substantial risks remain due to economic and not-economic system internal competition in the EU, where the not-economic systems can be shielded from competition in frame of FTAs. 3. Foresight studies are necessary to model the possible advantages and disadvantages of Latvian healthcare system's exposition to new free trade agreements CETA and TTIP. 4. Healthcare industries pose the main difference to earlier FTAs processes, as research and education remain largely exempted from the opening process, but healthcare due to its sheer size cannot retain protectionist status.



VPP EKOSOC-LV Project 9.1.3.