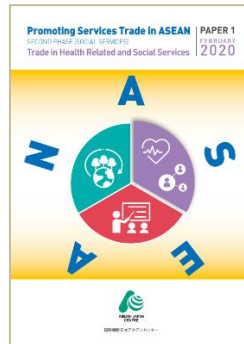


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ASEAN-Japan Centre

Only 82% of ASEAN potential Human Development Index (HDI) is realized due to existing socio-political rigidities, AJC says in a new study on trade in health related and social services in ASEAN



The ASEAN-Japan Centre (AJC), an intergovernmental organization of ASEAN and Japan based in Tokyo, just issued a paper on Trade in Health Related and Social Services. The paper provides an in-depth analysis on trade in health related and social services in ASEAN and some practical advice for relevant government policymakers on how to strike a balance between promoting equitable and affordable access to a set of basic health and social services, and modernizing the health and social services sector with recent technologies through trade liberalization.

AJC found that only 82% of ASEAN potential Human Development Index (HDI) is realized due to existing socio-political and institutional rigidities. In other words, ASEAN Member States (AMS) could improve their HDI by 18% without increasing their resources, but through effectively using them with the appropriate reform measures. Therefore, it is imperative first to raise the mean HDI from its current level. The study also shows that there is the need for further liberalization in trade in health related and social services.

The paper, entitled as “Trade in Health Related and Social Services”, is one of a three-paper series on Promoting Services Trade in ASEAN: Second Phase (Social Services). The other two papers on education services and environmental services will be produced subsequently. In the first phase (2017-2018), AJC has already issued the papers on a wide range of trade in services, including professional services; research & development services; telecommunication services; computer and related services; courier services; maritime, air, rail and road transport services; and tourism services.

To download the paper, please visit the AJC website at

https://www.asean.or.jp/en/trade-info/pst2_papers/

Major findings of the study on ASEAN trade in health related and social services include the following:

- ◆ Despite recent favourable factors such as poverty reduction, a rise in the middle-class population, sharp reductions in the infant mortality rate, longer life expectancy, among others, health related and social services in most of the AMS are still underdeveloped and inadequate. Therefore, the industry is facing challenges to meet current and future demand, from both within and outside the region.
- ◆ In terms of the health related and social services exports, the largest services provision is through Mode 2, accounting for \$1,196 million or 71%, whereas the supply of services is the smallest in Mode 3, which occupies only \$26 million, or 2%. On the other hand, the imports give a contrasting picture. The receipts of health related and social services are the most substantial in Mode 3 at approximately \$515 million (43%), while Mode 4 demonstrates a very limited share (\$64 million or 5%).
- ◆ Trade in Mode 1 of health related and social services seems underused in most of the AMS possibly due to underinvestment in technology and research and development (R&D) and low degree of liberalization of such services in the region. However, there have been efforts from AMS to boost the trade volume during the past decade
- ◆ Mode 2 has a large presence in ASEAN both in terms of exports and imports as health services, such as medical tourism, play a significant role in inducing the growth in such services trade. The great ambition of ASEAN to become an Asian medical hub helps promote inter and intra-regional trade in Mode 2 of health related and social services
- ◆ Different from other modes, the AMS all record deficits in health related and social services trade, with receipts being greater than the volume supplied to the world in Mode 3. In other words, the presence of foreign companies in ASEAN is significantly larger than ASEAN's commercial presence abroad.
- ◆ Mode 4 is the least active among all modes of services. In part, the presence of natural persons for the supply and the receipt of cross-border health related and social services is not well documented. Moreover, barriers such as the laws and regulations of health-related occupations (e.g., doctors and nurses, among others) as well as language and communication largely prevent natural persons from moving across borders.
- ◆ The empirical result shows that the further liberalization of education and healthcare services has the potential to contribute to a significant improvement in HDI and, thereby, to the economy. The result reveals that the liberalization measures could have been more effective, as the member countries on average have realized only 82% of their potential HDI.

**Estimated value and share of health and social services supply in ASEAN,
by mode of supply, 2017 (Millions of dollars and per cent)**

Mode of Supply	Receipts from the world (imports)				Supply to the world (exports)			
	Health and social services		Total services		Health and social services		Total services	
	Value	Share	Value	Share	Value	Share	Value	Share
Mode 1	222	18	260 689	41	360	21	232 353	40
Mode 2	399	33	98 711	15	1 196	71	126 920	22
Mode 3	515	43	253 285	40	26	2	199 466	34
Mode 4	64	5	24 685	4	96	6	22 307	4
Total	1 200	100	637 370	100	1 678	100	581 046	100

Source: AJC, based on data from World Trade Organization (Trade in Services data by mode of supply (TISMOS)) and UNCTADStat.

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The ASEAN-Japan Centre is an intergovernmental organization established by the ASEAN Member States and Japan in 1981. It has been promoting exports from ASEAN to Japan while revitalizing investment, tourism as well as people-to-people exchanges between the ASEAN Member States and Japan.

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