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국제통상학과 학위논문

**The Liberalization of Thailand
Medical Services Industry**

Case Study between Thailand and South Korea

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The Liberalization of Thailand Medical Services Industry

Case Study between Thailand and South Korea

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Abstract

The medical service industry has emerged as one of the lucrative business services in the twentieth-first century due to the wave of medical tourism from the globalization across the globe. This research captures the essence on how the developing countries such as Thailand was able to use liberalization as its advantage for creating a competitive private sector in the medical service industry which make Thailand establish itself as the leaders in this sector. On the other hand, the study also compares such development toward the country with a closed system where it is trying to limit the role of private sectors and result to the medical service business in the country unable to compete with others.

Upon closer examination, the research found that Thailand's business was able to achieve such growth was due to development of private hospitals and government policy that help contribute to the strength of country medical care such as the quality and price competitiveness. Moreover, the diversification of private firms which did not only concentrate on hospital business but other health-related business has allowed the company to increase its value and diverse the risk. Furthermore, the government policy that adapted through the liberalization at both global and regional levels helps increase further attractiveness and strength toward the industry.

By comparing Thailand with South Korea which remained restrictive toward open up the medical service, the study found that South Korea was losing out and unable to compete at South Korea's subsidies into the industry has resulted into increase in real price for foreign patients. Although South Korea possess a high and advance medical

service, yet, to entering into global competition the country needs serious reform in its healthcare structure.

By using the qualitative and comparative approaches, this research was able to provide evidence and the prospect that could be recommended for countries that want to develop or entering this niche markets.

[Keyword]: Liberalization, Medical Services Industry, Medical Tourism, Medical Hub of Asia, General Agreement on Trade in Services (GATS), Regional and bilateral free trade agreements, qualitative and comparative approaches

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Chapter 1. Introduction

1.1. Background

Since the inauguration of trade in service agreement in the World Trading System, we have witnessed a series of expansion in services across the globe in many areas. For instance, the growth in transportation, communication services, construction services, education services and so forth. The movement of a business person from one country to another has contributed significantly to the country economic growth although at the early stage the developed countries such as those U.S or the EU were the only main driving force for the liberalization of trade in services. However, the developing countries such as those at the middle-income level have also received great benefit from the liberalization in service trade. This benefit is due to the liberalization, in service sectors that have allowed firms from developing countries to have easier access to the service sectors produced in the developed countries. For instance, the education provided in the advanced country can help nurture high-skilled labor for developing countries. The critical contribution from the liberalization in service trade was, nevertheless, the technological transfer from developed country to the developing country as well as the investment. Besides, there had been various demand from developed country pressuring developing countries to liberalize their service market.

After countries began to realize and familiarize themselves with the service trade, developing countries began to realize the importance of service trade in which can help increase and contribute to country economic growth.¹ As a result, the developing countries began to open up their market in services.

With the growth in service trade in recent year, many countries had begun to emphasize and invent new industries and business to cope with the demand for services around the globe. The trade in service is account for 13 percent of the global GDP.² Medical services industry was one of the industries that had been a focus by many countries around the world especially the developing countries. There are various factors which contribute to the growth in the medical services — first, the aging population phenomenon which is currently looming in many countries such as in Europe, and some Asian countries. This phenomenon prompted the increase in global demand for medical services. However, the medical costs have consistently been rising in the developed countries. Therefore, in order to reduce the cost of both by the insurance company and patient in the developed country, they began to look

¹ Hapsari, I. M., & Maclaren, D. (2012). The Growth Effects of Services Trade Liberalization in ASEAN. ASEAN Economic Bulletin, 29(2), 85-100.
doi:10.1355/ae29-2a

² World Bank Statistic, Trade in service percent per GDP retrieved from <https://data.worldbank.org/indicator/BG.GSR.NFSV.GD.ZS>

elsewhere for receiving medical care service, especially in those developing countries. Since the developing countries have much lower medical cost due to the difference in the economic gap between countries.

Furthermore, the developing countries have lower living cost than those developed countries resulting in labor wages to be comparatively low. Also, the medical services in many developing countries tend to be faster and to some extent even better than the advanced countries. The report by OECD showed that the average waiting time in Europe took more than a month, while in developing countries, a patient was able to be treated immediately.³ Thus, with the increase in demand for the medical care, globally, it is inevitable for the developing country not to shift their policy to support such a massive demand which can help contribute to the overall development of the country.

Thailand is one of the countries that are trying to become the leading countries in this niche market. We also need to note that not all developing countries were able to attract foreign patients to receive medical care. Thus, the industry was very selective, and the supplier country was required to have comparable medical standard similar to

³ OECD Report, Waiting time. Retrieved from <https://www.oecd-ilibrary.org/docserver/5k3w9t84b2kf-en.pdf?expires=1542060616&id=id&accname=guest&checksum=E5C0EE11F0E4F7FA639822CC5223CEDD>

those developed countries. In 2004, the Thai government sturdily announced its intention to make Thailand become the medical hub in Asia. It greatly emphasized an importance of the industry and laid down a plan for Thailand to be the medical hub in Asia. Since then various government agency began to conduct and study the feasibility of how to achieve such a goal.

Nevertheless, many studies only focus on the competitiveness and evaluation of medical industry while neglecting the impact of the liberalization from the WTO and regional free trade areas that have on the medical service industry in Thailand. This answer the question of why this research is significant as it will study the impact of liberalization at the global and regional levels to examine the contribution of the industry competitiveness. In addition, this research will compare the impact of liberalizations between two different health-care system and see which system is more competitive than the other.

1.2. Research question

To what extent does the global and regional trading regimes affect such development? Why Thailand's medical service industry policy is different from South Korea?

In answering the above question, the research question can be divided into three parts:

1. How the global and regional liberalization impact on Thai medical service industry?
2. What make the Thai medical service industry different from South Korea?
3. Which system is more competitive?

The research hypothesize that the global and regional liberalization has resulted in the increase in competitiveness for Thailand. Thailand and South Korea have taken different due to the different purpose in the development of medical service in each country. Thailand medical service industry is more competitive than South Korea.

This research will mainly focus on the Thai medical service industry. At first, we will be looking at the development of Thai medical services. Secondly, we will examine the liberalization impact from the WTO and ASEAN to see how Thai medical service has developed and strengthening. Then, we will be looking at the South Korean medical service and how the system works comparing it to Thailand to see the difference between the two countries. Next, this research will then apply the finding to the general implication for trade in service of Thailand. The last part of this research will be focusing on the prospect and limitation of this research.

1.3. Literature Review

As mention earlier, the growth in medical service across the globe has been given much attention. Yet, many studies had only focus toward government policy and its action such as medical tourism, which contribute to the growth of medical service industry (Cohen, E.,2006; Krassanairawiwong, 2008; Chun C. et al., 2009; Song, Y.,2009; Naranong A. et al., 2011; Wuttirakkajon N.,2017; Tangcharoensathien, V., 2018). Although it is true and undeniable that the government play a huge role in contributing to the growth of medical service. The country which has the policy to sanction the profit-based hospital such as Korea will have the government play a significant role in developing and maintaining medical care. Thus, these kinds of literature that emphasize on the government action will not be able to entirely illustrated the benefits and strengths of the country which employ the dual system in their medical services industry. Thailand is one of the countries which the private sector has led to the development of medical service industry while the government played a supplementary role in providing an environment that support the growth in medical service. For instance, providing easier access for the private firms to be able to accumulate financial resources and through the negotiation of liberalization at international stages at both multilateral and bilateral level.

Another attempt by scholars to address the growth in the medical service industry is by studying the medical tourism phenomenon itself. John Connell (2011),⁴ on “*Medical Tourism*,” explore the so-called medical tourism phenomenon which recently becomes popularize. The book dramatically explains the background and capture the reason why health and medical tourism able to grow. The author also explains the benefit and the challenge that medical tourism can bring toward local healthcare providers. Glenn I. Cohen (2015),⁵ provided us with the rationale why patient chooses to go aboard for medical care. By using legal and ethical analysis on medical tourism, the author provided us the factors that answer why is it possible for the patient to take medical care in another country and why medical tourism has been growing for the past decades. Connell and Cohen books were focusing only on the late development stage meaning they focus on the stage where the medical service industry has already matured and become competitive enough. However, the authors did not compare the different why one could success and other did not as the literatures lacked the development of the industry in each country. Therefore, this research will investigate on the development stage of medical services of the two countries.

⁴ Connell, J. (2016). *Medical tourism*. Wallingford (Oxfordshire): CABI.

⁵ Cohen, I. G. (2015). *Patients with passports: Medical tourism, law and ethics*. New York, NY: Oxford University Press.

In analyzing, the impact of the liberalization what we need to focus is the competitiveness of the medical service in the country and examine whether the impact of the liberalization on medical service leads to the positive or negative effect toward the competitiveness of medical service. Unfortunately, there were only a few literature that touched upon the impact of liberalization toward a specific industry. Nonetheless, Pocock and Phua (2011) had briefly mentioned on the effect of medical tourism policy that causes by the liberalization from the WTO and ASEAN when comparing Thailand, Singapore, and Malaysia. However, the author failed to address the private sector perspective in using such advantage to expand and make the firm to be competitive. Hoekman and Mattoo (2008)⁶, in the WTO publication on “*Opening Markets for Trade in Services: Countries and Sectors in Bilateral and WTO Negotiations,*” illustrated the impact of services trade liberalization had to the economy. The authors found that the technological effect that comes through the service liberalization can result in endogenous growth for the country. The empirical evidence offers by the authors proved that some sectors played more role than the other. However, the author analysis was mainly based on the banking, and the telecommunication sectors, whereby these sectors normally liberalized in comparison to other

⁶ Hoekman, B., & Mattoo, A. (2009). *Opening markets for international trade in services: Countries and sectors in bilateral and WTO negotiations* (J. A. Marchetti & M. Roy, Eds.). Cambridge: Cambridge University Press.

sectors and had yet to examine other service sectors. Hence, it is not unusual to see that these service sectors contribute to the growth of the company.

Furthermore, the categorization of the service trade by the authors was arranged and discussed in the WTO service categorization which was based on the supply of the service. However, in many industries, there are many service sectors embedded within one industry. For instance, in the medical service industry, there could be many service sectors, such as financial sectors, health-related issue, transportation, communication, tourism sectors, in the medical services industry. Thus, it would be challenging to see which service sectors contribute more toward the liberalization of trade in service in one industry. Instead, focusing on evaluating competitiveness will provide with better ideas in the medical service industry. Nonetheless, the general concept from Hoekman and Mattoo (2008) provided us with a platform for further analyzing the medical services industry more specifically.

1.4. Conceptualization

The focus of this study is to examine the medical service industry in Thailand and South Korea. Thus, the scope of the analysis will be focusing on the medical service industry especially in private sectors. That is because private medical service providers were the actors which

are strongly affect by the liberalization than the public sectors. The research will also be focusing not just only health-related issues but also tourism and investment which all play an essential role in creating competitiveness for the medical service industry. As the nature of the medical services are correlated with other sectors not just only the health-related issue but also other industry as well such as any medical treatments, hospitals, clinics, pharmaceutical, insurance company, and health-related workforce such as doctors, nurse, dentist, pharmacist. The medical service or treatment will also be including any medical treatment which was done by a medical professional as well as any health-related business including cosmetic surgery and medical tourism.

In this thesis, we will examine whether the impact of liberalization from WTO and regional trade agreements has an impact toward these factors.⁷ The comparison between Thailand and South Korea the factor that contributes to the competitiveness from the industry will also include: First, the medical-specific factor such as hospital facility, doctor's quality; Second, economic factors including medical cost, investment, market, and partnership. Third, is about the infrastructure and regulation factors which include geographical location, business environment. Moreover, the cultural factors which include

⁷ Lee J., Kim H. (2015). Success factors of health tourism: cases of Asian tourism cities. *International Journal of Tourism Cities*. 1(3).

language, races, and belief. From this framework will be helpful to see which country is more competitive than the other.

Medical hub and Medical tourism are an interrelated concept in which will also need for clarification. The medical hub, defined by Thai board of investment, is an idea of space whereby used by the government to promote Thailand as a regional center in medical-related development including hospitals, nursing homes, medical schools, pharmaceutical development and so forth. The medical hub was introduced into National Development Plan in the early 2000s because government finds the need to increase country revenue and to diversify the country economy as previously in past Thailand was heavily relies on the export of agricultural and manufacturing products which become very vulnerable during the economic downturn. The prominent player for Thai medical hub is nonetheless, lies in private sectors, especially the private hospitals who were becoming the forefront in developed themselves to be leaders in providing a high quality of medical service with the high-end facility and high-quality customer service. Nevertheless, the idea of a medical hub is not only just for Thailand but it actually shared in many countries

in Asia⁸. India is one of the big players in becoming medical hubs⁹. Interestingly, three of Southeast Asian countries which have also pursuing to be the leader in the medical hub of the region. The idea is actually contradicting to the idea that ASEAN has shared when it wants to create an economic community (one vision, one identity meaning trying to achieve the comparative advantage and specializing in industries between one another). Nonetheless, the competition was favorable it could produce a competitive environment for the whole region. evaluate

Medical tourism, as mentioned, is concise with the medical hub. The term medical tourism is the combination between medical plus tourism in which could be deemed as contradictory with one another. Is having medical treatment aboard can consider being leisure activity to be count as tourism? The answer is no. Medical tourism emphasizes on the recuperation period or the post-treatment after the medical treatment provided by the medical suppliers.¹⁰ It is a healing time after the post

⁸ Pocock S. N., Phua H. K. (2011). Medical tourism and policy implications for health systems: a conceptual framework from comparative study of Thailand, Singapore, and Malaysia.

⁹ Cohen, I. G. (2015). Patients with passports: Medical tourism, law and ethics. New York, NY: Oxford University Press.

¹⁰ Lunt, N., Smith, R., Exworthy, M., Green, S., Horsfall, D., & Mannion, R. (2011). Medical Tourism: Treatments, Markets and Health System Implications: A scoping review. Paris: OECD. DOI: <http://www.oecd.org/dataoecd/51/11/48723982.pdf>. And Lee J., Kim H. (2015). Success factors of health tourism: cases of Asian tourism cities. International Journal of Tourism Cities. 1(3). Connell, J. (2016). Medical tourism. Wallingford (Oxfordshire): CABI.

medical treatment. Nevertheless, Thai private hospital took one step further for the medical tourism by integrating hospital-like environment for the patient to relax in before and after surgery.¹¹ For example, the concierge and transportation for the patient, as well as the hospital facility such as significant food company brand available within the hospital and hotel-liked room which usually is a single-standard room where patient do not need to share the room with another patient.

1.5. Significant of a research

Although on the surface, the liberalization of medical service can be seen as allowing any service provider to be able to offer service for medical purpose. On the other hand, it is also the allowance for co-existence for private and public to offer medical services for a patient. In reality, there is a complex relationship on multi-level for analysis. At the international levels, every country has the different type of medical system where one has pro-business while another sanction it. However, both countries co-existed and lived under the same world trading regime where both have to conform to the rule. Besides, these two countries had similar interest to increase the revenue for the country. Thus, in this

¹¹ Cohen, E. (2006). Medical Tourism in Thailand. Antalya, Turkey: Alanya Faculty of Business, Akdeniz University. doi:10.1016/S1571-5043(07)00008-2. And also, Thinakorn N., Johanna H., Richard S. (2016). Medical Tourism in Thailand: a cross-sectional study. Bull World Health Organ. 94. Pp. 30-36.

current situation will the country directly compete for the market share between one another? What makes one become a loser in this industry? What is the implication toward the overall of trade in service? The situation between Thailand and South Korea is one of the examples that led us to ask those type of questions. Thus, making this research significant as it tries to incorporate the competitiveness of the medical service industry and examine whether or not the impact from the global initiative and regional initiative had any impact on the medical service industry. Also, due to the result of liberalization, we were able to see why it enable one country to be more competitive than the other. This research is also interesting as it explores the effect of trade liberalization through the external pressure that derives from the international trading regimes and how it had reacted to the particular industry of a country. By understanding this research, the country will have better standing on the strength and weakness in the respective country. Lastly, it could illustrate the general implication of the service trade of Thailand toward the international trading system and allow Thailand to be able to have a better understanding of the importance of the liberalization.

Chapter 2. Development of Thailand medical services.

2.1. History of private medical services development in Thailand

With the emerging of private hospitals, the overall health of population began to increase in urban areas. The Thai government can alleviate its investment for health infrastructure in urban areas through private hospitals and instead focus on the rural areas around the countries. During the 1970s, the private hospital began to emerge mostly from the private clinic house in Bangkok. Around the 1980s with the government supported, the private hospital began to spread toward the rural area, the other big cities across the country. Between 1985 to 1996, this period was the period where private hospitals grew the most in Thailand. The growing of private sectors resulted from various factors. First, during this time Thailand experienced the highest GDP growth. Coming from foreign direct investment especially from the relocation of Japanese firms from Japan to the Southeast Asian countries.

The GDP growth of Thailand was around 7 to 9 percent throughout the decade. Some of the prominent private hospitals, during this period, also began to acquire their capital from selling the hospital

share in the stock market. Bumrungrad International entered the stock market in 1989, Samitivej Hospital in 1990, Bangkok Hospital, one of the biggest private medical services, entering into the stock market in 1991. Some others small and medium size hospital, mostly provincial hospital, also entered the stock market such as Aikchol Hospital in 1992 and Lanna Hospital in Chiangmai also open their IPO in 1994.¹² During this period, the Thai stock market was booming due to the economic boom from the relocation of the multinational companies especially from a Japanese firm that relocated into the country.

Furthermore, there were not many regulations that restricted investment both domestic and overseas. Furthermore, hot money or short-term borrowing was a widespread phenomenon for Thai investors. Thus, private medical care is very lucrative and prosperous by financing the hospital through the stock market. During this period, the majority of Thai people had grown richer meaning that the Thai public was able to choose to use a private hospital rather than a public one. Besides, the collaboration between the government's social security scheme and other private companies within the country allowed the employee to use the private hospital for their medical service. The social security scheme

¹² Thailand Stock Exchange, (2018). Company profile (IPO). Retrieve from <https://marketdata.set.or.th/mkt/sectorquotation.do?language=th&country=TH&market=SET§or=HEALTH>

by government work by cutting a certain amount of employee's salary, and combine with the company and government supports, employee, can get benefit such as a discount in medical cost. This scheme was popularized and has been used widely across the nation. For instance, giving birth, the annual medical check-up or other treatments.

Private insurance also played a crucial role in the Thai medical service industry as customers that had life insurance will be able to use medical service provided by the private hospital which partners with the insurance company. Therefore, people with insurance will go to the private hospital rather than a public one due to the service provided in private is faster and better. As a result, high income and middle-class people flow to use the private medical facility. Moreover, Thailand has significantly opened up its private insurance company to allow not just only Thai insurance but also foreign insurance company such as AIA, AXA and so forth to offer service in the country.

Due to new alternative choices for the patient to choose private hospitals during this period had grown at a faster pace. The average number of Thai private hospital between 1992 to 1997 was around 438 hospitals.¹³ At the peak of the private hospital, health professionals such

¹³ Thailand Ministry of Public Health, (2018). Private Hospital Survey (1992 and 1997).

as doctors, nurses, pharmacists, mid-wife also transfer from public to work in private hospitals as they have been offering higher wages and better working conditions. Thus, Thailand has experienced a phenomenon so-called “internal brain drain problem” occurring within the country. Nevertheless, despite this growing concern public hospital remain as the number one medical care provider across the country.

In 1997 when the economic crisis hit the country, private hospitals experienced a massive setback in their development. During the Asian financial crisis, many private hospitals, especially those small and medium-sized hospitals in rural areas and those with weak liquidity, has gone bankrupt. As the people choose public hospitals in order to save cost.¹⁴ In the economic downturn, to survive big medical institution such as Bangkok Hospital tried to sell company bond for only 100 baht (around 30 USD) in exchange lifetime medical care.¹⁵ The goal of the hospital is to increase its liquidity and keep its business running.

The crisis not only disrupts the overall country development but also force the private company including the hospital that survived to change and restructuring. It forces the company to be more prudent and

¹⁴ Wibulpolprasert, S., & Pengpaibon, P. (2003). Integrated strategies to tackle the inequitable distribution of doctors in Thailand: Four decades of experience. *Human Resources for Health*, 1(1), 1-17. doi:10.1186/1478-4491-1-12 f

¹⁵ Thaipublica News, BDMS Medical Empire retrieved from <https://thaipublica.org/2017/03/bdms-prasert-prasarttong-osoht/>

responsible in their finance and management. Additionally, the company realizes the importance of diversifying its business as well as make a qualitative change to improve its capacity and competition in the respected field. Thus, many private hospitals in Thailand tried to improve their medical service, setting the standard for the best practice for the industry to attract the customer.

All the major private hospitals did not only manage only the medical service business, but they extend to other health-related business in order to increase their values. For instance, Bumrungrad Hospital owned not just Bumrungrad Hospital but vitamin and hospital food business as well as medical training business. Moreover, the holding of the hospital and medical care providers overseas also led to reputation and further investment to the company. Bangkok Hospital is another example of how Thai medical service provider do not limit themselves to only owned hospital even though Bangkok Hospital owned various chain hospitals in the tourist cities and other populous cities outside Bangkok. Similar to Bumrungrad Hospital, it also managed the wellness center furthermore, Bangkok Hospital owner family is the biggest shareholder of Bangkok Airways, one of the regional airlines in the country. The story shows how much the medical supplier company went beyond the boundary of hospital services.

Moreover, due to the economic crisis, the private hospital also began to look outward for overseas and neighbouring countries' patients to increase their revenue. During the economic recovery period or the post-1997 era, we saw qualitative expansion from the private hospital in medical technology, well-train medical staff, experience doctors who graduated from abroad or top professor in Thai medical school. However, there was also a negative impact from the Asian financial crisis that was still lingering which created a wrong perception of the hospital to the consumer. For example, often consumer still views private hospital as irresponsible in helping medical care as they often charge expensively. Former healthcare workers were also unwilling to work in a private hospital as they saw the instability in their career that the private hospital went bankrupt. Thus, during this period there is healthcare worker quit their private hospital jobs and went to work for the public hospital instead during the economic downturn.¹⁶

The picture of a Thai hospital that we have seen today become much brighter when it is entering into the twenty-first century. At the

¹⁶ Wibulpolprasert, S., & Pengpaibon, P. (2003). Integrated strategies to tackle the inequitable distribution of doctors in Thailand: Four decades of experience. *Human Resources for Health*, 1(1), 1-17. doi:10.1186/1478-4491-1-12 and also Pagaiya, N., & Noree, T. (2008). Thailand's Health Workforce: A Review of Challenges and Experiences. *Health, Nutrition and Population (HNP) Discussion Paper*. Retrieved from <http://siteresources.worldbank.org/HEALTHNUTRITIONANDPOPULATION/Resources/281627-1095698140167/THLHealthWorkforce.pdf>

early 2000s, big private hospitals started to establish their branch in the tourist areas or those close to or around the borders. These cities are such Pattaya, Hua-Hin, Phuket and so forth had a well recognize private medical institution in the city in order to attract or care for both local and tourist. These tourist cities also happened to have many foreign residences live in the city. Therefore, the private hospital becomes the primary destination for the foreigner to visit for their medical treatments. The development of a private hospital is also concise with the government promotion of medical tourism in the country which began in the year 2004. Lastly, Thai hospital began to gain the international reputation by receiving the award from the Joint Commission International or the JCI which is the international recognize accredited body who provided accreditation to the medical service providers around the globe.

On the establishment of local branch hospital by the big private hospital, they began to use the so-called “referral system” where the leading and most equipped facility is located in Bangkok while the branch hospital function like regular hospital but for complex or those cases that required an advance medical equipment, they would refer the patient to the hospital in Bangkok. For example, for the full medical check-up program and those complicated surgical procedures such as brain surgery, heart surgery, and other treatments, the branch office will

refer patients to the main branch in Bangkok for further treatment. The most well-known hospital to adopt this system was none other than Bangkok Hospital Medical Center. This management styles were later duplicated to the international level where big private hospital cooperates or invested in other countries in term of medical service and travel agency to advertise and create a referral system which will refer patient from aboard to their main hospital in Bangkok. Thus, it creates a centralized management system whereby the main branch in Bangkok will have the highest level of prestige as well as the most sophisticated technology and conducting research and development to improve their medical service further to compete for not only domestic market but across the globe. Merging and acquisition other hospitals also occurred around this period where big hospital began to take over small and medium-size hospitals across the country. In 2010 Bangkok Hospital try to take over the share of other hospitals which made it one of the biggest hospital chains across the country.¹⁷

However, although Thais were able to use private medical service, there is still a huge gap in term of quality of each hospital, price control in which translated into the inequality within the country. Thailand's inequality ranked the highest overtaken Russia and India reported by

¹⁷ Bangkok Hospital, 2018 retrieved from <http://investor.bangkokhospital.com/th/general/company-background>

Credit Suisse Global Wealth Report.¹⁸ Only those top one percent in Thailand owned 66 percent of the land. The private hospital then was divided into tiers based on their quality of service, their technology, and experience of staff. The private hospital in Bangkok has become the medical center with advanced and sophisticated technology as well as high-quality service while those in provincial areas are for normal treatments in which of course the price is much cheaper in provincial area than in Bangkok.

With the emergence of the different tiers of the private hospital, the family whose possess a higher income will most likely choose to use the top tier hospital since their service is much better quality in term of facility and technology. Thus, in the end, the quality of health of people still concentrated a lot in urban areas rather than distribute to local areas especially those small provinces of Thailand. Moreover, some small and medium private hospitals' quality in the country were in even worse condition than the public hospital. On the other hand, for the public hospital, only those at the provincial and regional level are well-equip with the medical equipment. Nevertheless, the number of patients in local areas that visited the provincial hospital is much greater than the private hospital which translates into the waiting time and doctor

¹⁸ Global Wealth Databook 2018 (pp. 1-167, Rep.). Credit Suisse

appointment. It is also mean that those who did not live in Bangkok or around capital city areas, the health expectancy will be much lower. In addition, since the Thai government has a restrict rule in which the doctors and nurses are required to speak and use the Thai language. This created a competition between private and public to attract health professions from Thai medical school after they graduate. While private hospital remained profit-base management. Thus, an unequal access to healthcare is inevitable and difficult to solve despite the improvement of health infrastructure by the government. Further regulation by the government is required to regulate and reduce the inequality gaps.

2.2. Development of Thai medical service policy

With regard to the Thai government health's policy, the policy tends to change and adapt throughout the time. For the development of Thai medical care, the government has always wanted to bring the private company in to help and share its burden. Thus, the regulations did not occur until the country experienced a financial crisis. Nevertheless, the government still played a vital role in developing and nurturing its health care industry. For instance, the investment in infrastructure and development of supplier or the healthcare workers such as doctors, nurses, and so forth.

At the beginning of the country development plan, around 1960s-70s, Thai government emphasized on its country health care system by incorporating it into the country's national plan. The national plan was the first-time health issue was put into the national agenda. At the early stage of health care development, the government experience difficulty due to the lack of trust from the public in modern medicine. Combine with an increase in the demand of doctors in the US, Thai doctors began to move to work in the US resulting in the external brain drain problem. The study by Wilbulpolpraset in 1999 has shown that during around 1,500 of doctors had migrated which was around 25 percent of well-trained doctors of the country.¹⁹ The strategy of the Thai government during this period was trying to retain doctors. The government provided a contract agreement to the medical students where all the medical students will receive the scholarship in return to work in the public hospital for a certain period. The three-years compulsory public service that was introduced in 1967 is one of the examples of the government, to keep the medical students from flowing out of the country.²⁰

¹⁹ Pagaiya, N., & Noree, T. (2008). Thailand's Health Workforce: A Review of Challenges and Experiences. Health, Nutrition and Population (HNP) Discussion Paper, 10. Retrieved from <http://siteresources.worldbank.org/HEALTHNUTRITIONANDPOPULATION/Resources/281627-1095698140167/THLHealthWorkforce.pdf>

²⁰ Ibid.

The Thai government was not only tried to retain but also promote doctors to work in rural areas. In 1976, the government tried to recruit the medical student from the provincial area and trained them with community-oriented curriculum and provided an opportunity for them to work at their home district to help them feel the attachment with their home district. The government also provided financial incentive which equivalent to around 60-88 USD per month depending on the difficulty of a working environment.²¹ The implementation of various measures had resulted in the gradual decrease of the external brain drain problem. Nevertheless, the lack of a healthcare workforce remains.

Government focusing on supply side.

From 1976 to 1985 with the Fourth and the Fifth National Health Plan, the Thai government began to focus on the infrastructure of health care services such as creating a more medical school around the country. Furthermore, the government has also tried to produce more healthcare workforce into the system. In 1978 by forming the social network which later transforming into the so-called Rural Doctor Foundation plays an essential role in the development of rural health system and development of the health workforce. The implementation of the policy has resulted in the ratio between doctor per population gradually decreasing. The

²¹ Ibid. pp. 12

study by Pagaiya and Noree (2008), the statistic showed that in 1979 there were around 25,713 people per 1 doctor in the Northeast region of Thailand. However, the number has dropped to 8,116 people in 1999.²² Similarly, in other parts of the country, the ratio of population per doctor has also declined.

Focusing on Bangkok, the ratio of population per doctor had remained consistently low especially if compare it to other regions of the country. Since 1979 Bangkok's population per doctor ratio was at 1,210, and in 2004 the ratio was at 867 per doctors.²³ The improvement is because there is a lot of concentration of medical schools from both public and private located in Bangkok. Moreover, Bangkok was the center of the medical services since it is the most populous city as well as many hospitals located in the cities. With the concentration of people situated in Bangkok and metropolitan areas, the internal brain drain was inevitable as the private hospitals would try to attract public doctors, who work in the local areas, to come and work for private hospitals leading to the severe lack of doctors in other areas.

From 1986 to 1995 during the rapid economic growth, Thailand began to see more investment into the private hospitals. The focus of the

²² Ibid. pp. 13

²³ Ibid

private hospital was mainly in an urban area, pulling a vast majority of healthcare workers from the public to the private sector which resulted in the internal brain drain problem. The Ministry of Public Health reported the net loss of doctors in which the number rise from 8 percent in 1994 to 61 percent in 1996.²⁴ As a result, the government tried to invest in the medical facility across the country such as building the local hospital, upgrading facility at the provincial level to retain doctors and nurses in the public hospitals in order to help keep healthcare workers in public side.

Apart from providing medical infrastructure, in 1991 the government introduced a career advancement through rural retention for the doctors who worked more than 7-12 years. Nevertheless, the measures found it difficult to retain doctors from going to private because the private sectors had provided many compensation and benefit. To cope with the problem, the Ministry of Public Health (MOPH) decided to provide extra funding for doctors who work in the rural areas up to 400 USD per months and 500 USD per months for those who work in the remote area, to equalize doctor salaries with private sector

²⁴ Wibulpolprasert, S., & Pengpaibon, P. (2003). Integrated strategies to tackle the inequitable distribution of doctors in Thailand: Four decades of experience. *Human Resources for Health*, 1(1), 1-17. doi:10.1186/1478-4491-1-12

income.²⁵ Moreover, the government also allow doctors to be able to work in private medical care, as their clinic hour, outside their working schedule.

The Thai government always played a passive role when it comes to the liberalization of the medical industry. There had not been any significant changes in regulations, since 1961, to control the growth of private hospital, not until 1998 where many small and medium private hospitals faced the financial crisis and went bankrupt that the government began to implement measure to regulate the private hospital. This regulation was aimed to protect consumers and to make regulation more adapt to the current environment. The regulation in 1998 mainly focuses on registration of the hospital. From the 1998 regulation, it had resolved the previously private hospitals and turned them into a private clinic. Forty-three of private hospitals were required to reduce their beds to cope with the change in environment.

In 2004, the government aimed to make Thailand become “medical hub of Asia” even though the government restricted the number of hospitals in the areas. It was nevertheless fully opened for an investor

²⁵ Pagaiya, N., & Noree, T. (2008). Thailand's Health Workforce: A Review of Challenges and Experiences. Health, Nutrition and Population (HNP) Discussion Paper, 16. Retrieved from <http://siteresources.worldbank.org/HEALTHNUTRITIONANDPOPULATION/Resources/281627-1095698140167/THLHealthWorkforce.pdf>

to invest in hospitals. Thai government realizes this from the liberalization of GATS and AFTS that the service sectors will inevitably need to be open as a result it needs private firms to be prepared and take advantage of it. During this period, the government tried to emphasize on universal coverage scheme in preparation for the influx of foreign patients and investor that could tilt the balance between public and private medical care. The government at this time encourage private hospital to attract foreign patient as well as targeting neighbouring patients. The government relaxed its visa policy especially the long-stayed type visa to make the plan succeed. Furthermore, the government also established a new department under the Ministry of Public Health to focus on promoting healthcare service. Other ministries also have to collaborate in carry-out the promoting medical care service to foreign patients. For example, the Ministry of Commerce always promoted and advertised the hospitality and care service in the international market.

The policy in the early 2000s has paved the way for the current medical service within the country. The result of “medical hub of Asia” had led to the boom in medical service once again. However, the difference between this medical service boom and the boom in 1985-1996 is the fact that the current growth of medical service was strengthened by strong government support as well as prudent regulations in term of financial resource for a private hospital. Since

1997 Thailand's financial sector consists of many mechanisms to keep financial inflow and outflow in-check while allowing free flow of capital. Moreover, public medical service has also grown and become more service friendly and quality, thus, create a semi-competition between public and private sectors. Also, the government has also input various measure to enhance better access for the citizen to healthcare and medical service such as the introduction of universal healthcare coverage in 2004, and free medical emergency service at any hospitals. Therefore, the booming of the medical service industry in Thailand has resulted in a fierce competition in attracting health profession. Thus, the government started to ease its restriction in term of allowing foreign healthcare profession to be able to work in a hospital within the country.

Entering into the 2000s, the regional cooperation in services also began to take shape as Thailand had set its commitment in its Mutual Recognition Arrangements (MRAs) to liberalize its service sectors by allowing for eight professions to freely move and work in ASEAN freely. Although the progress seems to be too slow the main concern by Thai government is the language barrier which could cause a problem in the miscommunication since medical service is closely related to people health. Nevertheless, in term of investment, the Thai capital market remained pro-business for investment. Therefore, the promotion of the medical hub of Asia allowed the private hospital to accumulated their

financial resources in stock market exponentially. Thus, in the financial market, we would see numerous private hospitals listed in the Thai stock market. Thus, many private hospitals also groups together in order to show its stability as well as networking which will allow the hospital to be trustworthy for the consumer in buying their stock. The investment has also allowed hospital in rural areas to accumulated their financial resources in which make them grow further. By allowing the private hospital to enter stock market and grow, the government, in a way, allowed healthcare service in those areas to grow as the private hospital can use the money to invest in hiring staff and technology to their hospital. Meanwhile, the government can function as regulators and overlooking the big picture such as controlling the prices or setting a price ceiling in order to protect customers.

2.3. Becoming the Medical Hub of Asia

The medical hub of Asia policy was inaugurated in the National Plan of 2004-2008 aimed at attracting foreign patients to take medical-related procedure in Thailand. The policy was aimed to solve the decline in the country's exports after the 1997 Asian financial crisis. Moreover, due to the financial crisis, the purchasing power of consumers to the private hospital has been in declined resulting for the consumers to visit other medical institutions for lowering their cost. The decline of

customer led to private hospital need to change their marketing plan and choose to attract foreign patients which coming from high purchasing power countries. These countries are Japan, Europe, and the Middle East. This policy tried to use the advantage from the well-known of Thai healthcare services such as massage and spa to further advertise on its medical care. In addition to attracting patients from high purchase power country. The Thai government also tried to encourage retirees from those countries to stay in Thailand.

The declining of export in manufacturing products for Thailand has prompted the government to find an alternative to fill in the gap as well as diversify country's production. Thailand has to focus on the growth in its service sectors to fill in the gap. The medical service sector is one of the niche markets that could bring in revenue considerably for the country. Furthermore, not only medical service sectors will bring in additional profit to the hospital, but it will also increase the demand in other industries. For example, the visit into hospitals by the foreign patient will increase revenue for the Thai aviation industry, increase in domestic consumption, an increase in the demand of hospitality service, for instance, hotels for patient's guest. To some extent, all the industry related to tourism and medical service will experience growth from this medical hub of the country.

Medical hub of Asia

Before discussing on the medical hub of Asia policy, we also need to keep in mind that the policy was not an entirely new idea. Thailand needs to compete with many countries in the region. For example, Singapore which has a very strong and well-known for its medical service, India also popularize its medical industry and is well-known for cardiothoracic surgery. Thus, Thailand needs a good strategy to successfully compete in being the hub of medical service in the region. The first strategy which the government aimed is to made Thai medical service to be the international standard. The medical service needs to be at least on par with the country that has a well-developed medical industry such as in Europe or the U.S. Furthermore, the government also in support in research and development which has been done by both public and medical school. Moreover, the government also promote and organize an international conference in the health-related business to benchmark and exchange dialogue between domestic and international standard.

For the private sectors, it needs to become specialized in a certain area so that it could compete with other countries. For example, Bangkok Medical Center is expertise in cardiothoracic surgery and heart-related disease. Samitivej Hospital is well-known for its pediatric care.

Furthermore, the private sector needs to increase the quality of service to be fast, efficient and hospitality to make the most comfortable experience for patients who have visited the hospital. The move done by the private hospital has created a positive image to communicate with foreign patients who required information for their decision making before willing to receive the treatment in another country. The hospital also needs to be able to exchange the patient information with its counterpart for the post-treatment when the patient went back home. This process is needed in order for Thai hospital which is considered to be the latecomers in this industry to be able to create trust and reduce misinformation for overseas patients.

Since the implementation of the policy, many private hospitals have already experienced the growth and revenue from the industry. From the report of Thailand's Department of Business Development (DBD) found that in 2017 there had already been 610 legal entities registered for health-related business, a 62 new registered and 11 percent increase from 2016. In term of sector-wide, around 42 percent is private clinics, 11 percent is for private hospitals, and another 11 percent is elderly care. Interestingly, there is 1.35 increased for elderly care which implied the issue of the aging society that Thailand is going to face

soon.²⁶ With the growth in the industry, there is also a growing trend for people began to focus on taking care of their health. The study by Krungsri Bank, one of the leading merchandise banks in Thailand, showed that there had been a constant increase in health expenditures since 2012. In 2012, around 310-million-baht 4.8 percent of GDP was spent on health, and in 2016 the spending has almost reached 400 million baht which his almost 6 percent of the GDP.²⁷

2.4. Competitiveness and Attractiveness of Thai medical services industry

To understand why Thailand medical service was able to compete at an international level. When talking about competitiveness at the global level, it is inevitable to include the medical tourism phenomenon which is currently happening across the globe. By competition, this research will be looking at how the country able to attract patient from overseas to have medical treatment in the country. This research will be looking into factors that contribute to global

²⁶ Thai Department of Business Development, (2017)

https://www.dbd.go.th/download/document_file/Statistic/2560/T26/T26_201711.pdf

²⁷Ninkitsaranont P., (2017), Private hospital business, Industry and Business prospect 2018-2020. Krungsri Report. Pp. 3. Retrieved from

https://www.krungsri.com/bank/getmedia/3308e1d8-3dd5-4799-848c-b9ffea862dbe/IO_Private_Hospital_2017_TH.aspx

competitiveness. There are four major factors which made Thailand be able to compete at the global level.²⁸

The first factor is the medical-specific factors which focus look into the medical treatment and medical facility. This factor contributed to the reputation of the hospital at the international level which leads to the attractiveness for the patient to the country.²⁹ Second, economic factors including the price competition such as the medical cost, and the cost of living. The price played an important role that contributes to the decision-making of customers especially foreign customers.³⁰ The third factor is the cultural factors which are related to the familiarity of the producer to customers. This factor includes the language and diversity as well as religious belief.³¹ The fourth and the last factor is the infrastructure and regulation where the focus is about the geographical location, the partnership of the private firms and the business

²⁸ Lee, T., & Kim, C. (2015). Republic of Korea health system review (S. Kwon, Ed.). Geneva, Switzerland: World Health Organization.

²⁹ Adam & Wright, (1991); Blyth and Farrand, (2005); Choi et al., (2004); Gooding, (1999); Heung et al., (2011); Herrick, (2007); Pennings, (2002); Shenfield et al., (2010); Smith and Forgione, (2007); Veerasoontorn et al., (2011); Ehrbeck et al., (2008); Wallace et al., (2009) literatures assert these factors are contributing to the growth of medical services industry.

³⁰ Al-Hinai et al., (2011); Burkett, (2007); Connell, (2006); Forbes, (2007); Hall, (2011); Heung et al., (2011); Horowitz et al., (2007); Howze, (2007); Kangas, (2007); Marlowe & Sullivan, (2007); Pennings, (2002); Smith & Forgione, (2007); Taylor, (2007); Turner, (2007); Wood, (2007) viewed that price also influenced the patient's decision to move to other countries for medical services.

³¹ Connell, (2013); Goodrich & Goodrich, (1987); Horton & Cole, (2011); Inhorn & Fakh, (2006); Lee et al., (2010); Turner, (2007); Ye et al., (2011); Moghimehfar & Nasr-Esfahani, (2011) emphasized on cultural attachment between country in the medical services.

environment that result to the promotion of investment and government support of the policy.³²

Medical specific factors

Thailand possesses a high quality of medical services. Most of the doctors in big private hospitals graduated from the top medical school in Thailand and some training in the U.S and EU for their specialist. Thai medical education also based on the international standard, and the government actively collaborate with an international organization such as the World Health Organization (WHO). Furthermore, private hospitals usually hired doctors that normally a specialist with a high reputation such as a clinical professor who taught in the top medical school in the country to work with the company. Thus, there is a share of health personnel who can work in both private and public where doctors who work from the public hospital can work part-time outside his or her office schedule in a private hospital.

It could be said that the skill and knowledge of doctors in Thailand are not mediocre to other countries. The evidence proved from the various medical treatments which Thailand able to successfully operate within Asia such as the stem cell procedure, and those complex

³² Blyth & Farrand, (2005); Connell, (2006 and 2013); Heung et al., (2011); Inhorn & Fakih, (2006); Jones and Keith, (2006); Pennings, (2002); Shenfield et al., (2010); Ye et al., (2011); Singh, (2008).

medical procedures. Earlier this year, Thailand was successfully to become the first country in Asia that performed three organs transparent consist of heart, liver, and kidney into one single male body which took only 12 hours for the total operation.³³

Concerning the medical equipment, Thailand possesses similar level medical equipment like any advanced countries. Most of the big private hospitals possess advanced technology, such as MRI (3 Tesla) and PET Scan, that is ready for service. Furthermore, almost two-thirds of medical devices were imports 40 percent is from Japan, 16 percent from the U.S, and 10 percent from Germany and France. Thus, the medical equipment is at a similar standard as an advanced country. The report by Thailand board of investment also showed that there are also many medical equipment producers reside within the country including: 3M, Bausch & Lomb, Baxter Healthcare, Boston Scientific, Carl Zeiss, Diethelm, GE Medical Systems, Guidant, Johnson & Johnson, Medtronic, Philips Electronics (Medical Systems), Roche Diagnostics, Siemens (Medical Solutions) Surgical Instruments and Tyco Healthcare.³⁴ Moreover, many hospitals in Thailand also have a highly intensive referral system which allows for faster transaction time for

³³ Thairath News (2018). Retrieve from <https://www.thairath.co.th/content/1271551>

³⁴ Thailand Board of Investment (2012), Medical Industry. Retrieved from <http://www.thinkasiainvestthailand.com/download/Medical.pdf>

sending patient from one hospital to another in the case that the hospital lack medical equipment that need to diagnose the disease.

The recognition by the Joint Commission International Accreditation (JCI) proved the reputation of Thai medical service industry. The JCI is the internationally recognized accreditation body that assess the quality of the medical care around the globe. Thailand had received 65 recognition awards for its medical care institutions.³⁵ Most of the award went to the hospital level. In comparison to other countries, the JCI only recognize around 38 organizations in India. Japan and South Korea's medical institutions only received 26 awards by the JCI.³⁶ For South Korea, only six is award to the hospital level and only the public hospital. For countries located in South East Asia which have similar adopted similar policy like Thailand for becoming the medical hub of Asia like Singapore and Malaysia. They have only received 22 and 13 recognitions respectively from the JCI.³⁷ This evidence suggests that Thailand possess a much higher standard for its medical quality compares to other countries in Asia.

³⁵ Joint Commission International Accreditation. Retrieved from <https://www.jointcommissioninternational.org/about-jci/jci-accredited-organizations/?c=Thailand>

³⁶ Ibid.

³⁷ Joint Commission International Accreditation. Retrieved from <https://www.jointcommissioninternational.org/about-jci/jci-accredited-organizations/?c=Singapore>

The result of recognition from the reputation of the Thai medical service can be seen from the increase in the number of foreign patients which grown from 6 percent from 2007 to 2010.³⁸ Around 2 million foreign medical tourists visit Thailand annually³⁹. Most foreign patients visited Thai private hospitals are usually for general check-ups, dental care, hip replacement, laser eye surgery, kidney transplants, and heart surgeries. Such cases proved that Thai doctors consisted of high quality and considered to be expert in their respective field. Besides, private hospitals in Thailand has also provided health-related personnel that was able to speak multi-languages in a department to help ease communication between patient and medical care provider.

Economic Factors

Another factor that needs to discuss is for the price and the cost for the medical treatment. The medical treatment does not only mean cost of medical treatment but also including transportation and lodging fee that would come when the patient decides to visit another country for the treatment. In the Table 1 below, the table compared the real price of medical cost between medical tourism countries in the year 2017. In Asia, the price competition was between India, Thailand, Malaysia, and

³⁸ Thailand Board of Investment (2012), Medical Industry. Retrieved from <http://www.thinkasiainvestthailand.com/download/Medical.pdf>

³⁹ Ibid. pp. 2

Singapore where Singapore medical cost ranked the highest followed by Thailand and Malaysia. India has the lowest medical cost within medical tourism country in Asia. South Korea did not take into consideration as the medical price in South Korea is relatively high compared to the above mentioned countries. For instance, heart bypass in Singapore would cost around 17,200 USD for the patient, Thailand's heart bypass is around 15,000 USD, and India is 7,900 USD. It is good to note that this is an average medical cost for a particular type of treatment. There is also some treatment that will cost more in Thailand than in Singapore. The point here is that even though Thailand medical cost is not low when comparing to other countries but it was still below the average of what patient from the developed countries needs to pay at their home country.

What then led the patient to visit Thailand for medical treatment? The answer lies in the living cost in Thailand which is exceptionally low compared to other countries. Thailand average cost of food in the business district is around 5 USD per meal while in the U.S the cost of food is around 15 USD per meal which is 60 percent different. In South Korea, the different is slightly less where South Korean lunch meal is around 10 USD per meal. Thailand had around 39 percent cheaper in meal price than South Korea. In term of lodging, Thailand house rent is

around 400 USD while in the US the house price is over 1,000 USD. South Korea rent price is around 600 USD.⁴⁰

Nonetheless, critique still able to point out that although the cost of living in Thailand is comparatively low than most of the advanced country. However, it was not that different to other middle-income countries like Malaysia where the living cost is similar to Thailand. Nevertheless, such claim did not take into the account of the reputation. In term of economic factors, the partnership that Thai companies able to create a network with other foreign companies and the hospitality of the services which offered by the Thai private hospitals are all playing a significant role for Thailand to have the advantage than other middle-income countries like Malaysia in the medical service industry.

The partnership and synergy between companies can help reduce the transaction cost. Thailand was a major destination that was recommended by various medical tourism companies to a foreign patient⁴¹. Thailand ranked second in Asia and first in East Asia as a place where medical tourism companies (MTC) offer medical treatment for their patient. In 2011 around 37 agencies offered their patient for medical treatment in Thailand. In Asia, India ranked first in Asia as a destination

⁴⁰ Expatisan (2018). Cost of living. Retrieve from <https://www.expatisan.com/cost-of-living/comparison/washington-d-c/seoul?>

⁴¹ Connell, J. (2016). Medical tourism. Wallingford (Oxfordshire): CABI. Appendix pp. 186

offered by medical tourism company for the medical treatments. However, it should be noted that for India the medical cost is the lowest in Asia. Therefore, it is normal for the MTC to recommend their customers to receive medical treatment in India. Meanwhile, by comparing Thailand with other countries except for India, Thailand is a popular destination for the MTCs. South Korea only received around 11 MTCs, Malaysia received only 16 recommendation, and Singapore only had 13 offer destination by the MTCs.⁴²

⁴² Ibid.

Table 1 Medical Tourism prices (in selected countries)

Medical procedure	USA	Mexico	Poland	Turkey	India	South Korea	Thailand	Vietnam	Malaysia	Singapore
Heart Bypass (CABG)	\$123,000	\$27,000	\$14,000	\$13,900	\$7,900	\$26,000	\$15,000		\$12,100	\$17,200
Angioplasty	\$28,200	\$10,400	\$5,300	\$4,800	\$5,700	\$17,700	\$4,200		\$8,000	\$13,400
Heart Valve Replacement	\$170,000	\$28,200	\$19,000	\$17,200	\$9,500	\$39,900	\$17,200		\$13,500	\$16,900
Hip Replacement	\$40,364	\$13,500	\$5,500	\$13,900	\$7,200	\$21,000	\$17,000	\$9,250	\$8,000	\$13,900
Hip Resurfacing	\$28,000	\$12,500	\$9,200	\$10,100	\$9,700	\$19,500	\$13,500		\$12,500	\$16,350
Knee Replacement	\$35,000	\$12,900	\$8,200	\$10,400	\$6,600	\$17,500	\$14,000	\$8,000	\$7,700	\$16,000
Spinal Fusion	\$110,000	\$15,400	\$6,200	\$16,800	\$10,300	\$16,900	\$9,500	\$6,150	\$6,000	\$12,800
Dental Implant	\$2,500	\$900	\$925	\$1,100	\$900	\$1,350	\$1,720		\$1,500	\$2,700
Lap Band	\$14,000	\$6,500	\$6,700	\$8,600	\$7,300	\$10,200	\$11,500		\$8,150	\$9,200
Gastric Sleeve	\$16,500	\$8,900	\$9,400	\$12,900	\$6,000	\$9,950	\$9,900		\$8,400	\$11,500
Gastric Bypass	\$25,000	\$11,500	\$9,750	\$13,800	\$7,000	\$10,900	\$16,800		\$9,900	\$13,700
Hysterectomy	\$15,400	\$4,500	\$2,200	\$7,000	\$3,200	\$10,400	\$3,650		\$4,200	\$10,400
Breast Implants	\$6,400	\$3,800	\$3,900	\$4,500	\$3,000	\$3,800	\$3,500	\$4,000	\$3,800	\$8,400
Rhinoplasty	\$6,500	\$3,800	\$2,500	\$3,100	\$2,400	\$3,980	\$3,300	\$2,100	\$2,200	\$2,200
Face Lift	\$11,000	\$4,900	\$4,000	\$6,700	\$3,500	\$6,000	\$3,950	\$4,150	\$3,550	\$440
Liposuction	\$5,500	\$3,000	\$1,800	\$3,000	\$2,800	\$2,900	\$2,500	\$3,000	\$2,500	\$2,900

Tummy Tuck	\$8,000	\$4,500	\$3,550	\$4,000	\$3,500	\$5,000	\$5,300	\$3,000	\$3,900	\$4,650
Lasik (both eyes)	\$4,000	\$1,900	\$1,850	\$1,700	\$1,000	\$1,700	\$2,310	\$1,720	\$3,450	\$3,800
Cornea (per eye)	\$17,500	N/A	N/A	\$7,000	\$2,800	N/A	\$3,600		N/A	\$9,000
Cataract surgery (per eye)	\$3,500	\$2,100	\$750	\$1,600	\$1,500		\$1,800		\$3,000	\$3,250
IVF Treatment	\$12,400	\$5,000	\$4,900	\$5,200	\$2,500	\$7,800	\$4,100		\$6,900	\$14,900

Source: <https://medicaltourism.com/Forms/price-comparison.aspx> (not include hotel and transportation and insured price in 2018); cross checking with the OECD publication). The

author has also cross check with the OECD website. <https://www.oecd.org/els/health-systems/48723982.pdf> (2011)

- Prices are approximate and not actual prices and do not include airfare travel or lodging costs for patient and companion.

The quality of service is another element that led to Thailand industry competitiveness. The services, here, is not the medical service but the hospitality service that was offered by Thai private hospitals. In Thailand, the private sectors are very excelled in its hospitality service as the country promote itself as tourism country for many decades. Big private hospitals of the country such as Bangkok Medical Center, Samitivej, Bumrungrad International tried to integrate a hotel like service where it gave the patient a sense of comfort, and relaxation to the patients. The service was such having concierge, providing all-day complimentary coffee or other drinks. Moreover, most of the hospital bedrooms in the private sectors were a single bedroom which gave the patient privacy. However, there are the so-called value-added services which gave the patient a better trade-off when comparing Thailand with other countries medical treatment.

Moreover, most of the hospital bedrooms in the private sectors were a single bedroom which gave the patient privacy. Thus, although the price of the medical cost in Thailand was not necessarily cheap compare to other countries. However, there are the so-called value-added services which gave the patient a better trade-off when comparing Thailand with other countries medical treatment. Not only focusing on the service side, but investment also played a significant role in keeping all of these expenditures. Simply speaking, Thai private hospital

gathered their financial resources from three ways. First, is a traditional way, through a banking transaction where the hospital used its asset to leverage for financial resources from the bank. Second, through capital markets where the hospital is selling its company share in the stock market in return for the financial resources. The former way is the safest way for the hospital from any change in the market. However, the private hospital who adopted the first system will not be able to expand quickly and will face a tremendous burden to maintain the quality of the service especially during the low season. The later which is through the access of capital market contained certain risks from the market vulnerability. However, the return tends to be higher, and the hospital will be able to expand or developed at a much fast pace than the former path. The last paths are much more direct where the hospital was co-invested between Thai and another party especially from foreign investor which could increase not just the capital but also those technological transfer which foreign investor can bring and introduce to the domestic market. However, it could also be a risk-taking as it could not be determined when the counterpart will decide to pull out their investment.

Most of the private hospitals took the second path by entering the stock market since 1980s big private hospitals in Thailand has already found the financial resources through financial capital. The Thai private hospitals also group themselves with one another in order to increase the

companies' values. For example, Bangkok Dusit Medical Service (BDMS), the biggest private hospital group in the country, has managed the total of 47 private hospitals across the country, 13 of them are the hospital with more than 100 beds. This account for around 76.5 of the biggest size hospitals in the country. The hospitals under BDMS alone already account for the total of 9,057 beds.⁴³ Other big medical corporations which also listed in Thai stock exchange are Bumrungrad International Hospital, Samitivej Hospital Groups, Bangkok Chain Hospital and so forth.⁴⁴ Furthermore, the hospitals also diversify its business into other health-related business such as nutrition foods, hospital management services, and hospital foods so the company able to increase company values.⁴⁵

With the used of the capital market, Thai hospital was able to find the resources that it needs to expand its service. Thus, it is allowing the Thai hospital to keep growing and become very competitive. Moreover, due to its experience from the financial crisis, Thai business has become more prudent and managed its business in a way that it would have

⁴³ <https://thaipublica.org/2017/03/bdms-prasert-prasarttong-osoith/>

⁴⁴ Thailand Stock Exchange (2018). Company profile (IPO). Retrieve from <https://www.set.or.th/set/mainpage.do?language=en&country=US>

⁴⁵ Bumrungrad International Hospital. (2019, January 18). Company Profile. Retrieved January 18, 2019, from http://investor-th.bumrungrad.com/company_profile.html.

enough liquidity to withstand the future crisis. This practice allows the company to have more liability for the investor.

Cultural factors

Culture played a role in creating a familiarity environment for the foreign patient to feel reassured and comfortable in choosing to have medical treatment abroad. In the case of Thailand, it was well-known as the popular tourist place in the world. In 2017, Thailand has received 35.4 million tourists from all over the world (CNN, 2018)⁴⁶. It is also well-known for the hospitality service as well as the wellness industry such as spa, and massages. Thailand ranked in tenth place by the CNN ranking. Another aspect in terms of culture is diversity. Bangkok population consists of many different nationalities including Thai, Chinese, Japanese, Korean, Arabian, European. In terms of belief and races, Thai people have three major religions in the country which are Buddhist, Muslim, and Christianity. In Bangkok alone, the population consists of Buddhist, and many Muslims as well as Sikh, Hindu, and Christianity. With this combination, it made Thai culture to be very diverse which allowed Thai private hospitals to be able to find the

⁴⁶ CNN (2018), Most popular tourist destination. Retrieved from <https://edition.cnn.com/travel/article/world-most-popular-destinations-2017/index.html>

connection and linkage which create the sense of belonging and identity through its cultural diversity to attract foreign patients.

One crucial aspect that can be analysed is the fact that the location of the where the hospital located tend to attract the foreign patient that had the same culture or belief similar to that community. For instance, Bumrungrad International Hospital was located in the Muslim and Hindu community areas in Bangkok. Thus, the top three majorities of its foreign patient come from Myanmar, United Arab Emirates (UAE), and Oman.⁴⁷ On the other hand, Samitivej Hospital which located near the Japanese community had received around 140,000 Japanese patients per year. The hospital was also certified by the Japan Council for Quality Health Care (JCQHC). It was the first oversea hospital to be certified by the JCQHC.⁴⁸

On the other hand, when compared to Malaysia where Islam has heavily influenced society, thus, Malaysia tend to receive the foreign patient from those Islamic countries. However, Malaysia faced trouble when trying to attract customer from Western countries. India was also having many of its culture's ties with the United Kingdom. Thus, it able

⁴⁷ Bumrungrad International Hospital. (2019, January 18). Company Profile. Retrieved January 18, 2019, from http://investor-th.bumrungrad.com/company_profile.html

⁴⁸ Samitivej Hospital. (2017, September 11). News: Samitivej was certificated by Japan Council for Quality Health Care (JCQHC). Retrieved January 18, 2019, from <http://www.samitivejsriracha.com/news/?lang=en&id=22>

received a much cultural attachment to the United Kingdom. Furthermore, Indian used the English language as a primary language to spoke, therefore, a Western country able to feel more assured. In term of language, although Thailand did not possess any considerable advantage in languages.

Nevertheless, many private hospitals also provide accommodate by opening the international medical service department to help for all the translation, coordinate with the international insurance company, visa for the foreign patient. Some hospitals have already taken into consideration in hiring a foreign nurse to work exclusively for that particular department. Many big private hospitals also hired working staff that could speak at least bilingual and multilingual.

Infrastructure and regulatory factors

Thailand possesses a considerable advantage in its geographical location. Thailand located at the center of the South East Asia mainland. There are four neighbouring countries surrounded Thailand which consist of Myanmar, Lao PDR, Cambodia, and Malaysia. Except for Malaysia other countries still have a low quality of medical care. Due to its location, Thailand was deemed to become a connection hub and Southeast Asian. Thailand also possesses a vast road network which allow transportation to be much more comfortable than other countries.

Moreover, through the air network Thailand has 11 international airports in 10 major provinces across the country (Two major airports in Bangkok). Furthermore, it has 24 domestic airports that able to connect all the air network throughout the essential tourist cities in the country. With this large infrastructure connectivity, patients can able to travel to receive medical treatment anywhere in the country. Many private hospitals also spread throughout the countries. From the Ministry of Public Health 2012 survey on “private hospital status,” the report showed that there are around 321 private hospitals all over the country 30.5 percent situated in Bangkok, 32.4 percent located in the central region, 14.9 percent was in the country’s southern region, 12.5 percent was in northeast, and 9.7 located in the northern part of the country.⁴⁹ Within this number, there is also a hospital that was acquired by a prominent private hospital from Bangkok such as Bangkok Hospital Udon Thani or Bangkok Hospital Hua Hin. Consequently, many private hospitals that located outside of Bangkok also situated in most tourist areas and where there is a high concentrate population.

It was inevitable that the medical service industry will have a strict regulation by the government as the industry is dealing with the life of the people. Nevertheless, unlike many countries Thailand had been

⁴⁹ Thailand Ministry of Public Health (2012), Survey on Private Hospitals Status.

very open in term of a certain type of medical treatment which prohibited in other countries. For example, gender transformation surgery as well as stem cells treatment in which in some countries were still under the restriction. This type of procedure allowed the country to attract more patient and provided the service that other countries could not provide. Thai private hospital would not be able to develop this far without the support of the government policy such as the medical hub of Asia and also allowing the company to free establish a network with foreign companies.

Moreover, Thailand has gradually opened up its restriction for the investor for the country to create a pro-business environment. For example, it has increased the shareholder limit for the foreign investor from 25 percent to become 49 percent. Although the country still has restricted regulation for investors, nevertheless, it tried to compensate the investors by providing an investor-state dispute settlement by signing the Bilateral Investment Treaties or BIT with many developed countries. Furthermore, with the liberalization of service trade at both global and regional level, the Thai government had been reforming its domestic policy to be concise with the free trade regulation as well. For example, the creation of ASEAN Economic Community in Southeast Asia had led to the agreement to increase the shareholder for ASEAN citizens to be able to hold up to 70 percent share of the company in Thailand.

Unlike other countries, the competitiveness of the medical service industry in Thailand constitute a strength that it had more than other countries. Thailand may not rank first in certain factors of competitiveness. Nevertheless, when combining all the factors, the overall strength of the Thai medical service industry had turned into very competitive and able to compete with other countries at a high level. Nevertheless, although Thailand possesses very high competitiveness, however, it would not be possible for the country to possess this strength without the help of the liberalization. The change in the global environment, primarily through the liberalization, has resulted in the competitiveness of Thai medical service industry to achieve a greater height. Thus, this research will explore the liberalization that significantly help improve the strength of Thailand medical service industry to compete at a global level.

Chapter 3. WTO regulation on trade in service

3.1. General Agreement on Trade in Services (GATS)

The service agreement in the world trading system also known as “GATS” was brought into the negotiation table during the Uruguay Round in 1986-1993. GATS became a part of the WTO Agreement in 1994. Before the establishment of GATS, trade in service has long been excluded from the trade agreement since the service sectors considered to be the so-called non-tradable goods. That is because of the nature of service trade which used to produce only in the local area and cannot trade between the countries. That is because in the past for customer to experience services from another country, they were required to be in that country, as things cannot be transferred easily unlike what we have seen today. Services such as hotels, restaurant, and personal services were thought to be for the domestic activities and did not influent or related to any application of trade policy concepts. Around the 1980s the introduction of internet and digitalization has resulted in service trade to be able to transfer across the country quickly. Combine with the decrease in the price of transportation and communication across the globe which allows people to move across the territory easier than before. Thus, the advanced country which have a significant amount of service industries

like the U.S or EU pushed forward the idea of liberalizing trade in services during the Uruguay Round.⁵⁰

However, the negotiation for liberalizing service sector touched upon many politically sensitive issues. First, some services were normally a part of government responsibility. Health, education and basic insurance services are the product people used to think as public goods. Secondly, some of the services were used to be controlled by an oligarchy or even monopoly. Transportations and communications services are one of the examples of what used to be considered as government properties and to some extent monopolies. Nevertheless, things began to change as the government had distributed some of the services to be privatized. Moreover, the emergence of the new technology had transformed and invented the new service products that was tradable from one country to another. For example, the e-banking, and online learning course were one of the new products that was invented and popularized. Trade statistic in 1980, showed that trade in service was around 20 percent (in the balance of payment account) and had risen to 24.5 percent in 2000. In 2010, the trade in services had

⁵⁰ Marchetti, J., & Roy, M. (2009). Opening markets for international trade in services: Countries and sectors in bilateral and WTO negotiations (J. A. Marchetti & M. Roy, Eds.). Cambridge: Cambridge University Press.

reached 31 percent.⁵¹ In term of GDP, trade in service was amount to around 8 percent at the beginning of GATS and has risen to around 13 percent in 2017.⁵² As a result, this made the current trade in services become one of the most dynamic sectors in international trade.

3.2. Purpose of GATS

The purpose of the trade agreement in service was stated in the preamble of GATS in which the WTO Members wanted to further contribute to the expansion of trade whereby:

“...under conditions of transparency and progressive liberalization and as a means of promoting the economic growth of all trading partners and the development of developing countries...” - Preamble of GATS 1994.

From the introductory clause, the general agreement of trade in services will be a part of promoting growth and development. Furthermore, the GATS also want to increase in the participation of developing countries to the services trade and for the special economic

⁵¹ WTO Trade in Service Divisions (2013), General Agreement on trade in services explanation. retrieved from https://www.wto.org/english/tratop_e/serv_e/gsintr_e.pdf

⁵² World Bank (2018), Statistic on trade in service per GDP. Retrieved from <https://data.worldbank.org/indicator/BG.GSR.NFSV.GD.ZS>

situation and development as well as recognize the needs of the least-developed countries. GATS principle rests on the three main pillars which are (1) to ensure increased transparency and predictability of relevant rules and regulations, (2) providing a common framework of disciplines governing international transactions, and (3) promoting progressive liberalization through successive rounds of negotiations. For the last pillar, GATS directly represented the foundation of the WTO agreement 1994 which is to improve market access and to expand the national treatment to the area of foreign services and service suppliers across various sectors.

Under Article 1 paragraph 2 of the GATS Agreement, it defined the service trade based on the four categories of supplied depending on the territorial presence of the supplier and the consumer at a time of the transaction. These categories are consisting of:

(a) from the territory of one Member into the territory of any other Member (Mode 1 - Cross-border trade);

(b) in the territory of one Member to the service consumer of any other Member (Mode 2 – Consumption abroad);

(c) by a service supplier of one Member, through commercial presence, in the territory of any other Member (Mode 3 - Commercial presence); and

(d) by a service supplier of one Member, through the presence of natural persons of a Member in the territory of any other Member (Mode 4 - Presence of natural persons).

This mode of supplies has further provided the WTO Member with their commitment to be input into their schedule for liberalizing the products on trade in service.

In addition to the mode of supplies, GATS also classify the trade in service into 12 core service sectors including Business services (including professional services and computer services); Communication services; Construction and related engineering services; Distribution services; Educational services; Environmental services; Financial services (including insurance and banking); Health-related and social services; Tourism and travel-related services; Recreational, cultural and sporting services ; Transport services; And other services not included elsewhere. These sectors are further subdivided into a total of 160 sub-sectors.

In contrast to market liberalization, GATS achievement has little to do with market liberalization. Since many services sectors remained protective toward the free market. Only a few exceptions such as financial services, telecommunication services, and tourism service that were able to achieve significant commitment by Members for the

liberalization. The reason that GATS was able to achieve significant commitment in these sectors was due to the nature of these services which required the cross-border movement for the market to expand. Thus, many countries were willing to provide a specific commitment for such sectors. For the financial services and telecommunication services, these sectors were the critical parts for investment and the developed country leading by the US and EU put a considerable amount of effort during the negotiation process. Thus, making the sectors able to achieve a significant number of specific commitments from many countries.

Provision related to medical service in GATS

Concerning the medical service industry, there is a potential benefit from the liberalization of the medical service into GATS can be illustrated as follow:

In mode 1, The liberalization of the medical service at GATS can result in an increase in international cooperative agreements through the use of telemedicine and information sharing on the health services. For mode 2, the increase in medical tourism by the foreign patient would create new revenue for the government in which the policymakers may want to ensure that this benefit from liberalization will put into helping the national health system. For example, the government may restrict the provision of health services to foreigners to private clinics, tax the profits

of these clinics, and earmark the revenue for the public health system. Follow by the success and method of liberalization of education where the government tends to relocate the education by an international student to help subsidize another domestic student. Health service can also provide service to foreign patients by public hospitals, and input the administrative mechanisms to ensure that the additional revenue generated from the treatment of foreign patients subsidizes the provision of services to other patients. For Mode 3, to take advantage of new services offered by the foreign providers and make these services available to all income groups, the government may focus on individual patients and provide subsidies through insurance program for types of treatments that are not available in the public system but are available in private foreign-owned establishments. Furthermore, the additional resources generated by foreign investors may be harnessed to subsidize the public health system by taxing the profits of foreign providers. Mode 4, in addition to the improvement of skills, one of the key benefits for developing countries of health service exports through Mode 4 is the potential for remittances and a way to harness the private flows of remittances for the development of the health system.⁵³

⁵³ Sáez and Lanoszka *Liberalization in the Trade in Services: A Negotiation Exercise* pp.142

Nevertheless, it is difficult to determine that this potential benefit from the liberalization could capture by country as there still many factors involved such as the accountability of the government. Moreover, there is no specific sector in GATS that could entirely describe and capture the essential part of the medical services industry. As the medical service industry involved not just one but many sectors that help contribute to the creation of medical services. For instance, the financial service sector, tourism, and travel-related services are all plays a critical role in shaping and contribute to the growth of the medical service industry. Thus, in order to understand whether GATS have a significant impact on the medical services or not we need to apply GATS to the competitiveness of the industry in which will give us the answer.

3.3. Impact of GATS to the liberalization of Thai medical service industry

Thailand as a developing country was hesitated to commit itself for the liberalization in trade in service fully. One of the significant concerns that Thailand continuously expresses, at the early years of GATS, was the fear for its domestic service sector will unable to compete with the incoming foreign company which had more capital and more experience than the domestic firm in the country. Thus, Thailand has put its limit on foreign ownership in the country not to exceed 25 percent at

the early stage and later on it increase to 49 percent. Despite this concern, Thailand also realized the opportunity and potential of service trade that it could bring to the country. In the Table 2, the able illustrated the share of Thailand trade-in service which accounts for almost half of the country total GDP. Moreover, the employment in service sectors of the country has reached around 30 percent, and Thailand ranked within the top twenty service trader in the World.⁵⁴

Table 2 Share of Thailand services per real GDP from 1970-1993 (US\$ million)

	1970	1980	1990	1991	1992	1993
Services	50.2	51.2	49.7	48.7	48.6	48.3

Source: WTO Secretariat Report, Trade policy review Thailand, The Economic Environment, (WT/TPR/S/9).⁵⁵

Thus, even though the Thai government did not have that many specific commitments on GATS, but Thailand did not try to keep protecting its domestic industry. Instead, Thailand tried to use the early period of GATS for privatization especially in those power generation and telecommunications. The major reform of the government occurred when the country faced the financial crisis in 1997. During this time, the government has accepted the IMF conditional program. During the reform, Thailand has started to privatize the previously state-owned enterprise such as the national airline, phone company to be privately

⁵⁴ Ibid, page 15.

⁵⁵ WTO. (1995). Thailand Trade Policy Review (Vol. 9-1, pp. 1-15, Issue brief No. S9). WTO.

owned and increase a share of foreigner ownership in the country. Thailand has also allowed the foreigner to be able to hold a de facto majority in owning Thai maritime vessels. In addition to GATS, Thailand has included a large number of business services in GATS specific commitments. Thailand has also allowed the foreign presence through the joint ventures where foreigner took the minority shareholder (can hold up to 49 percent). Lastly, the government tried to improve the transparency and accountability which was lacking and led the country to the Asian financial crisis.⁵⁶

Entering into the year 2000s, the Thai government has taken dual-track approach development whereby it tried to strengthen the domestic economy while integrating country's economy to the global economy. The country was able to unilaterally open up more of the service trade such as allowing higher foreign equity in banking. Another important service is the lodging or the hotel service in which the Thai government has trying to accommodate foreign company by allowing the foreign company that invests in the hotel business to be the majority shareholder upon approval by the Director General of Thai business development department.⁵⁷ In 2007, Thai service sectors received a

⁵⁶ WTO. (1999). Thailand Trade Policy Review (Vol. 63-0, pp. 1-15, Issue brief No. S63). WTO.

⁵⁷ Thai Department of Trade Negotiation, Ministry of Commerce (2018). Retrieved from http://www.dtn.go.th/images/86/services/touring_sec0960.pdf

massive benefit from limited liberalization and reform efforts by the government in line with GATS commitments which amount for almost half of the 160-odd services sector under the GATS⁵⁸. In this regard, the Thai government began to liberalize service sectors which already strong enough to compete with foreign competitors. For example, allowing foreign ownership in telecom operators from 25 percent to between 49 percent and 100 percent depending on the type of business⁵⁹.

Although the Thai service market was not entirely freely open, the country still employed a limited liberalization strategy in order to provide an incentive and leverage for the domestic company. Nevertheless, we also see the change by the government to become more open and follow the international standard. Thailand has also trying to restructure its country to be in line with the commitment that the country has provided to the WTO.

In term of the medical services industry although within health-related service sectors the government did not provide any specific commitment to GATS on the health-related professions. With the loose commitment by GATS, Thailand was able to take advantage from the lack of commitment by employing a limited liberalization to help nature

⁵⁸ WTO. (2007). Thailand Trade Policy Review (Vol. 191-0, pp. 1-15, Issue brief No. S191). WTO.

⁵⁹ Ibid., pp. 12.

its service industry while reforming the business to be more internationalize and competitive. GATS was able to influence Thailand to reform its regulatory to be more standardized. For instance, the increase in foreign shareholder since 1995 until today. The foreign shareholder used to be limited only 25 percent and was increased to 49 percent. The U.S was the exception as there was Thailand and the U.S has signed the Treaty of Amity and Economic Relations in 1966 which provided an exception for the U.S company to be able to hold the majority shareholder in Thailand. To some service sectors that Thailand already becomes competitive, the government was able to remove the cap limited. Hospital business is one of the examples where the investor will not invest in building a new hospital instead, they will most likely invest in becoming a shareholder in hospital management as the industry was already competitive that the new hospital would not be able to attract customer away from the current hospital.

The medical hub of Asia is another policy for the government in response to the liberalization of service trade. As the country want to look and create a business-friendly environment, the government encourage for the foreign investor to invest into the hospital through stock-exchange as well as increasing the capacity of the domestic industry such as allowing major medical equipment producers to base in

the country. To create an ecosystem to help and nurture the growth of the medical business.

In examining Thai medical service's competitiveness in the WTO context, we can see that GATS has some significant impact in constructing the competitiveness of medical service in Thailand. There are two primary competitiveness that receive the benefit from the GATS. The first is the medical-specific factors, the agreement on trade in service provided great access for developing countries to access to service market from developed countries. The U.S and other advanced countries were the groups that provided a specific commitment to most of the service sectors with the exception on no commitment on the postal-courier and audiovisual and one-third had abstained for the health services ⁶⁰. Thailand was able to gain access to technological development as well as medical education which had easier access due to GATS. Thus, doctors in Thailand was able to study overseas in the U.S or the EU where it has a high-quality medical school.

The second benefit is from economic factors. GATS helped increased the financial capitals, as a Thai company took the advantage of limited liberalization, Thai private hospital was able to utilize foreign

⁶⁰ Marchetti, J., & Roy, M. (2009). Opening markets for international trade in services: Countries and sectors in bilateral and WTO negotiations (J. A. Marchetti & M. Roy, Eds.). Cambridge: Cambridge University Press. (Pp. 63 Service Trade and Growth)

borrowing as well making a joint venture investment with the foreign investor. Moreover, the management company in the top hospital was led mostly by the CEO hiring from overseas. Bumrungrad International Hospital is one of the examples of the hospital that utilize the investment from the foreign financial resources to expand. GATS also allowed Thai private hospital to be able to invest in other countries. Bumrungrad International had been invested in the hospital and other business related to health in other countries such as in Ulaanbaatar in Mongolia where the company was able to acquire Ulaanbaatar Songdo Hospital (UBSD) in 2014.⁶¹ Many big medical corporations in Thailand has also utilized the liberalization in tourism-related services to be able to establish referral offices or agency to advertise and promote patient to across the globe. Many Thai companies has targeted many patients from Middle East countries due to people are having a high purchasing power. Not only limited to referral office, a big corporation such as Bumrungrad and Bangkok Hospital were also selling their hospital management services along with other health-related business in other countries. For example, in 2007 Bumrungrad was able to sign a four-year contract with the health authority Abu Dhabi to operate Al Mafrag Hospital in UAE.⁶² In 2008

⁶¹ Bumrungrad International Hospital, website, (2014) retrieve from <https://www.bumrungrad.com/About-Us/What-People-Say-About-Us/What-s-New/Bumrungrad-International-Invests-in-One-of-the-Top>

⁶² Bumrungrad International Hospital, (2007), Press Release. Retrieved from http://bh.listedcompany.com/newsroom/PR_AI%20Mafrag_EN_Final.pdf

Bumrungrad International invested around 318 million pesos to Asian Hospital, one of the leading private hospitals in the Philippines. This investment by Bumrungrad was the company business strategy to expand the portfolio and values⁶³. Thailand also allowed the presence of foreign insurance company within the country. Thailand has many multicorporate insurance companies that established its commercial presence to sell their insurance product such as AIG, Allianz, Axa.⁶⁴

Moreover, these hospital companies have collaborated and partner up with other private medical institutions, to further enhance the development of the company business and allowing its service to be accessible worldwide and attracting more patients to use their services. As there are more competitions in the insurance market, the price of insurance also began to decline which lead to further accessibility for the people to go to the hospital.

Limitation of GATS

Although the WTO has incorporated the liberalization of trade in service, however, the commitment of the WTO Members depend varies on the country interest. This result for the creation of GATS to become a compromise. The WTO Members was able to have their discretion to

⁶³ Bumrungrad International Hospital, (2008). Press release. Retrieve from http://bh.listedcompany.com/newsroom/20080214_BHe1.pdf

⁶⁴ Samitivej Hospitals, List of international insurance company

choose to enter in any specific-sectors that they want to make liberalize commitment (positive list approach). However, once they signed up, and unless otherwise, the Member specifies in the list of reservation under the specific disciplines of the services chapter and the general agreement of trade, the discriminatory measures affecting all the included sectors must be liberalized unless it was indicated in the list of reservation (negative list approach). The system made many countries hesitated to make any commitment in any sensitive sectors. Even if the Members was willing to participate in certain sectors, it still does not necessarily mean the country allowed the full market access and treated them equally like their national treatment for foreign service and the service suppliers. Marchetti and Roy (2009) show that the average of all Member to provide a full market access only account for 37 percent in cross-border (mode 1), 53 percent consumption aboard (mode 2), 20 percent commercial presence (mode 3) while in full national treatment commitment only account for 33 in mode 1, 44 percent in mode 2, and 13 percent in mode 3.⁶⁵ Thus, it makes the liberalization in service trade to be very shallow and lack of quality especially the level of market access for foreign service and the service suppliers. As a result, the

⁶⁵ Marchetti, J., & Roy, M. (2009). Opening markets for international trade in services: Countries and sectors in bilateral and WTO negotiations (J. A. Marchetti & M. Roy, Eds.). Cambridge: Cambridge University Press.(Pp. 70, Service Trade and Growth)

commitment under GATS progress in a relatively slow manner in comparison to other WTO commitment.

Regarding the medical service industry, which related to the health-related services, in GATS the sector itself was still under government protection and is still under many restrictions. The restriction is because of the nature of the industry involving the health of the consumers. The issue of asymmetrical information where service providers have a huge advantage over the consumer. In health issue, the information is very crucial as the lack of correct information may cause injury and danger to the people — for example, the Peritoneal Dialysis First policy in Thailand, in which the government wanted the private hospital to use the renal displacement therapy as a treatment method. The government viewed that the Peritoneal dialysis was more cost-effective and internationally recognized as the best efficient method in renal displacement therapy.

Nevertheless, the private hospital association vehemently oppose the policy as it made them lost profit from another type of renal displacement therapy such as hemodialysis which can increase more profit for the hospital.⁶⁶Thus, the conflict between the government and

⁶⁶ Tangcharoensathien, V., Witthayapipopsakul, W., Panichkriangkrai, W., Patcharanarumol, W., & Mills, A. (2018). Health systems development in Thailand: A solid platform for successful implementation of universal health coverage. *The Lancet*, 391(10126), 1205-1223. doi:10.1016/s0140-6736(18)30198-3

those private providers often occurred. Therefore, the problem on how to balance between the regulation and liberalization is essential in medical service. The case example is a piece of evidence to show that without the government interference and regulated the consumer may face unnecessary treatment which is costlier, and less effective treatment due to the asymmetrical information as the information is very technical and complicated for ordinary people to understand. Thus, making the government to hesitated to commit in opening their market in this area.

Due to the limitation from GATS, it is normal for many people to think that GATS did not have any impacts on the medical service industry as well as the trade in service in general. Moreover, with the collapse of Doha Development Agenda, trade in service would remain still and no progress. Thus, countries began to look toward the plurilateral agreement, where there seems to be more progress in comparison to the GATS. Nevertheless, we also need to praise GATS as it has provided a provocative idea and creating the framework for the trade in service where the regional trade agreements have borrowed the GATS structure in order to liberalize the service trade between plurilateral or bilateral partners.

Chapter 4. Plurilateral and Bilateral

Arrangements

4.1. ASEAN Framework Agreement on Services (AFAS)

Thailand has tried to be active at the WTO level. Nevertheless, the country was hesitated in giving its commitment to open its market at the WTO level, since that would mean the country could lose out to foreign competitors because its domestic firms were not ready to compete at that level. Therefore, Thailand looks toward both bilateral and plurilateral free trade arrangements in order to help nurture and gradually open its market to the global market. Follow by the WTO GATS agreement, in 1995 the ASEAN Member States officially launched the ASEAN Framework Agreement on Services (AFAS) to work on creating the free flow of trade in services within ASEAN. The AFAS goal is to eliminate the restriction of foreign suppliers for providing the services and allow the creation of companies across the national border in ASEAN⁶⁷. AFAS has followed the guideline and consistent with the GATS of the WTO. Moreover, the ASEAN commitment in liberalizing the service trade will be a GATT plus principle or beyond the achievement that the ASEAN Members commit

⁶⁷ ASEAN economic community blueprint. (2008). Jakarta, Indonesia: ASEAN Secretariat. Retrieve from <https://asean.org/wp-content/uploads/archive/5187-10.pdf>

to the GATT. The AFAS was, later on, incorporate into the AEC blueprint during the Bali Summit in 2003 which set the goal for ASEAN to establish the regional economic integration by 2020.

The incentive for Thailand to participate in liberalizing its service sectors in ASEAN was due to various reason. Firstly, the Thai government wanted to expand the market for its domestic company. Thailand wants to increase its export to other ASEAN countries. The second reason was due to the non-binding principle in ASEAN where there is no regional court for the members country to force the Member to compile with the agreement directly. Thirdly, for the government want to gradually open the market. Therefore, ASEAN was a perfect platform for the Thai private sectors to become more mature and be able to compete at an international level.

With the implementation of AFAS, ASEAN used the progressive liberalization by gradually liberalizing the service sector throughout the series of package commitments where each member had to provide the specific-commitment schedule. Currently, ASEAN was at the ninth package of commitments, and the tenth package is under the negotiation by all the Members. Follow by the AEC Blueprint which set the baseline that countries need to allow ASEAN Members to allow to have more

than 51 percent shareholder and up to 70 percent.⁶⁸ Thus, the ninth package of commitments is significant for Thailand due to the increase in allowance in the commercial presence (mode 3). The Thai government allowed ASEAN Members national to be able to invest up to 70 percent of the company as the horizontal commitment meaning apply to all the sectors.

4.2. Provision related to medical services

Another implication of AFAS which has a significant impact on the Thai medical industry is the Mutual Recognition Arrangement in services (MRAs). That is because the MRAs aimed at facilitated trade-in service for the professionals who are authorized, license by other members within the arrangements. The profession that recognizes within the MRAs are consist of MRA on Engineering Services (9 December 2005); MRA on Nursing Services (8 December 2006); MRA on Architectural Services and Framework Arrangement for the Mutual Recognition of Surveying Qualifications (19 November 2007); MRA on Medical Practitioners and MRA on Dental Practitioners (26 February 2009); MRA Framework on Accountancy Services (26 February 2009)

⁶⁸ ASEAN Secretariat, (2015), 9th Package for Thailand Schedule of Specific Commitments. Retrieve from <http://agreement.asean.org/media/download/20160329160515.pdf>, and also <http://www.fap.or.th/upload/9414/O2bwu6WLGK.pdf>.

and subsequently as MRA on Accountancy Services (13 November 2014); and MRA on Tourism Professionals (9 November 2012).

The MRAs allowed the recognize profession to be able to work in another country without the need of retaining or take another exam, as long as the participant received certificated or license by an authorized body of their home country, they would be able to work. However, it needs to note that the MRAs is not mandatory and ASEAN countries still maintain their discretion to have a further qualification or examine for each profession. For foreign doctors, Thailand allowed ASEAN doctors who have the professional license issued by the Professional Medical Regulatory Authority (PMRA) in the home government and graduated from the medical school recognized by the Medical Council of Thailand to be able to take an examination for the full license in Thailand. Since 2014, the written exam for a full license in Thailand is in the English language. Nevertheless, in practical exam section, it will be conducted in Thai due to the need for communication with Thai patient.

Under the seventh package of the AFAS on the General Medical services (CPC 93121) and Specialize medical services (CPC 93122) section, around doctors to work in only outpatient clinics. For the dental services and service provided by the nurse (CPC 93123) can only be part of the department of the hospital and can only provide service in one

sanatorium.⁶⁹ The arrangement by the Thai government in AFAS was trying to help solve the scarcity of healthcare workers for both public and private as well help to maintain the competitiveness for the hospital services in the country. Moreover, by allowing ASEAN healthcare workers the hospital able to have staff who able to speak more than one language which could help in attracting patients not just from other ASEAN country but beyond ASEAN boundary. Thus, the arrangement has allowed the room for Thai hospitals to remain competitiveness in becoming a medical hub of Asia.

In term of the economic element as mention before the increase in shareholder for ASEAN nationals will attract more investment from ASEAN countries such as Singapore, Indonesia, and Malaysia to invest in Thailand. From 2005 to 2017, ASEAN foreign direct investment was around 1,136 million USD. Singapore ranked number one as top ASEAN country to invest in Thailand in 2017 with 1,735 million USD, followed by Malaysia with 58 million USD and Indonesia with 23 million USD⁷⁰. From Department of Business Development (DBD), the report shows that in 2017, around 2,320 million baht or equivalent to 2.01 percent was

⁶⁹ Illustrated by the Thailand Department of Trade Negotiation, Ministry of Commerce. Retrieve from <http://www.dtn.go.th/images/authorname/H/2.pdf> and <http://www.fap.or.th/upload/9414/O2bwu6WLGK.pdf>.

⁷⁰ Bank of Thailand (2018), Foreign Direct Investment Statistic. Retrieve from <http://www2.bot.or.th/statistics/BOTWEBSTAT.aspx?reportID=654&language=ENG>

invested by the foreign investors. Hong Kong, Singapore, and Malaysia were the top investors to invest in this business which is equivalent to 259 million baht or 0.24 percent, and the rest was the combination of the investment by other nations in which invested around 2,061 million baht or equal to 1.79 percent **(DBD, 2017)**.⁷¹

On the other hand, other advantages provided by the AFAS is the opportunity to invest abroad especially investing in other ASEAN markets. That is because some ASEAN countries did not have any restriction for ASEAN Members to invest in the country such as Singapore or the Philippines. Some countries did allow the investor to hold the majority shareholder while at least having the national of the host country as a joint venture. Many Thai companies have gone out to invest in other ASEAN countries especially in Cambodia, Lao PDR, Myanmar, Vietnam or the CLMV countries. In recent years, the Thai companies had already begun to move to ASEAN countries. Intra-investment rose to around 24 billion USD in 2016 which account for almost 25 percent of the total investment in ASEAN.⁷² Thailand was one of the top three investors to invest in ASEAN after Singapore and

⁷¹ Thai Department of Business Development, (2017). Health care service business. pp.2. Retrieve from

https://www.dbd.go.th/download/document_file/Statistic/2560/T26/T26_201711.pdf

⁷² ASEAN Investment Report 2017 - UNCTAD. Pp. 27. Retrieved January 18, 2019, from

http://unctad.org/en/PublicationsLibrary/unctad_asean_air2017d1.pdf<https://asean.org/storage/2017/11/ASEAN-Investment-Report-2017.pdf>.

Malaysia). The statistic provided by the Bank of Thailand (BOT) also reported that in 2016 Thailand's outward direct investment or TDI was equivalent to 759,000 million USD dollars in which 28.2 percent of the investment went to ASEAN countries. Singapore is the number one destination for Thai investors. Followed by Cambodia, Lao PDR, Myanmar, Vietnam or CLVM countries was the second destination of Thai investors.⁷³ We also need to keep in mind that AFAS not only help facilitated an intra-investment among ASEAN but it is also creating a better environment for investor outside of ASEAN to be able to invest in the country.

Within the regional framework, Thailand was the main players in exporting its medical service to other ASEAN countries especially to Cambodia, Laos, and Myanmar. Thailand major competitions in the medical service industry are Singapore, and Malaysia in ASEAN. However, in term of competitiveness, Thailand is considered one of the most leading country in the medical service field. The big private hospitals from Thailand were already gone aboard for investment and management of health-related services. For instance, the creation of Royal Phnom Penh Hospital which was directly managed by Bangkok

⁷³ Bank of Thailand. (2017). Foreign Direct Investment Statistic. Retrieved from Bank of Thailand https://www.bot.or.th/Thai/FinancialMarkets/ThaiDirectInvestment/TDI_3/Pages/TDI_Statistic1.aspx

Dusit Medical Services Public company (BDMS), the management company under the Bangkok Hospital brand to oversee and manage all the hospitals for the company. The Royal Phnom Penh Hospital was opened in 2014 after the closing down of the previous facility named Royal Rattanak Hospital and was rebrand to become the current Royal Phnom Penh Hospital. The staff who worked in Royal Phnom Penh Hospital not only consist of Cambodian but also from many nations such as Swiss, American, Norwegian, Indian and so forth.

Nevertheless, all the employees were trained under the BDMS company.⁷⁴ The Royal Phnom Penh Hospital also manage itself as a referral branch which will send the patient to have a further diagnosis at the main branch in Bangkok. For Bumrungrad International Hospital, it also opens its clinic named Bumrungrad Clinic in Yangon, Myanmar.⁷⁵ The importance of opening this medical facility is not only to expand and promote market but also act as a referral office which will bring the patient from abroad to visit the main branch in Bangkok.

Another impact from the AFAS is the fact that Thailand has become the center of logistics in the mainland of Southeast Asia which

⁷⁴ Julie Masis (2014), Royal Phnom Penh Hospital Opens Today. Khmer times. Retrieve from <https://www.khmertimeskh.com/news/6334/royal-phnom-penh-hospital-opens-today>

⁷⁵ Bumrungrad International Hospital (2018), Group Structure. Retrieve from http://investor.bumrungrad.com/group_structure.html

makes Thailand become a favorable candidate as the center of the medical hub and other services. As the AFAS reduce the barrier of trade in service that means the free flow of service provider would be inevitable and as the central location in the Southeast Asia continent Thailand benefits from such liberalization. For instance, the tourist visa exemption in which all the Members able to travel to another country without the visa at the minimum for 14 days. In the case of Thailand only, Cambodia and Myanmar have the 14 days visa exemption while the rest have 30 days.⁷⁶ With this exemption, it would be effortless for any patients from ASEAN countries to be able to visit the hospital in Thailand for diagnosis and treatment and travel or rehabilitation from the medical treatment. Furthermore, ASEAN has discussed in implementing a new service agreement so-called ASEAN Trade in Service Agreement (ATISA) instead of AFSA.⁷⁷ This agreement will form a real agreement where the reduction of the barrier in the service sectors will be significantly eliminated and make ASEAN able to achieve the goal for eliminating all the barrier in service sectors in 2020.⁷⁸

⁷⁶ Thai Ministry of Foreign Affairs (2018), Visa exemption list.

⁷⁷ Thailand Department of Trade Negotiations. (2018). ASEAN Trade in Services Agreement (ATISA). *International Trade Journal*, 3(20), 5th ser., 17-19. Retrieved January 18, 2019, from http://www.dtn.go.th/images/103/Minky/DTN_magazine_pdf32.pdf

⁷⁸ The Business Time. (2018, August 29). Deepening services and investment integration in the region. Retrieved January 18, 2019, from <https://www.businesstimes.com.sg/hub-projects/deepening-asean-economic-integration/deepening-services-and-investment-integration-in>

4.3. Thailand and ASEAN plus Members and Bilateral Partners

Not only with ASEAN but Asian market as a whole, Thai medical service industry has significantly received the benefit from ASEAN and its plus agreement as well as the additional bilateral treaty which Thailand has signed with other countries. The study from the Kasikorn Bank research center, one of the renown commercial bank in Thailand, showed that there is a significant increase of Chinese patient who chooses to come to Thailand. Japanese patient has always been a constant customer to the major private hospital in Thailand as there is a lot of Japanese firms invested in Thailand and Southeast Asia. For ASEAN-China FTA did not have open market access in hospital service for China, but China allowed ASEAN hospital to invest in joint ventures in China.⁷⁹

Bilateral agreement also plays a significant role in increasing investment in Thailand. For example, Thailand-Chile FTA, Thailand has unilaterally open market access for Chile in a specialized department to serve in the private hospital and rehabilitation center. For the US although both Thailand and US do not have free trade agreement the U.S was able to invest in this hospital service sector in the Thai market due

⁷⁹ Thai Department of Trade Negotiation, Ministry of Commerce, (2018). Health Professional Services (Doctors and Dentists). Pp. 4 Retrieve from http://www.dtn.go.th/images/86/services/doctorservice_sec0960.pdf

to the Treaty of Amity Economic Relations in 1966.⁸⁰In other areas such as the investment, Thailand has also signed the Bilateral investment treaties (BITs) with many advanced countries. For example, with Germany, Canada, Israel, and many others have signed the BITs where it included the investor-state dispute settlement (ISDS). The BIT helps create the pro-business environment where it assured the investors to have protection when investing Thailand.

As a result, at the regional and bilateral levels, Thailand has played an active role in trying to liberalize its service sectors which made Thai company competitive. For Thai medical service which has been growing exponentially and expands into to other countries, the regional and bilateral trade arrangement has helped the firms to gain market access in other ASEAN countries. Moreover, Thai medical service has benefit from the increase of patients from the easier access of people to move across the border. The business environment from the signing of many trade agreements had also made the investor be assured for the protection allowing medical service to have greater access in the financial capital not just through the domestic but also from outside the country. With the development of trade arrangement at these regional

⁸⁰ Ibid.

levels, Thailand was able to become the leading player in the medical service field and made Thailand integrate into the global market.

Chapter 5. Comparison between South Korea and Thailand

5.1. South Korea medical service industry

To better understand the competitiveness of Thailand, this research will compare the Thai medical service with South Korea medical service industry. South Korea medical service industry is the opposite of Thailand where it adopted the dual system by allowing both public and private medical service providers to operate freely in the market. Moreover, patient, in Thailand, has the option to choose which service they want. However, South Korea medical service was a centralized system and was control by the government. The health insurance system through a quasi-governmental agency called National Health Corporation was in charge of managing the National Health Insurance Service (NHSI). With the South Korean system, the country has adopted the so-called profit sanction approach which did not allow the medical service provider to have a profit. Instead, the NHSI is the one who will set the medical cost through negotiation and consultation with the industry's representative annually. By comparing the two systems, we will able to see which system is more competitive in the current world trading system.

5.2. Sanction of profit hospital

South Korea medical service industry was mainly driven by its public welfare program or the National Health Insurance Service (NHIS) under the Ministry of Health and Welfare. The NHIS has a significant role in the management of beneficiaries, collect the money and pay to health-care providers. The NHIS has the authority to negotiate and control the price for all the medical-related treatment in the country. NHIS negotiates with the representatives from all the health service providers annually for setting the fee levels for next year.

Although South Korea was implementing the single insurance health system and sanction of the profit system. The majority of the health service provider in South Korea still run by the private medical service providers. The development of South Korea medical service system actually can be traced back to the early period when South Korea become the republic, the country still adopted a private-dominant health-care delivery system. Not until the 4th Economic Development Plan (1977-1981) where the government introduced the social health insurance and tax-based Medical Aid program which targeted the employee and their dependents in for the company with more than 500

employees.⁸¹This program has enhanced access to the health services where the poor had largely been excluded from the cost. Since then the coverage was expanded to the different groups in the society such as the government employees, the private school teachers and so forth.⁸²In 1989, the implementation of public medical insurance enabled South Korean to have a nationwide medical insurance system.

Nevertheless, the government was in a huge dilemma to choose to gear toward more decentralize approach which will allow the public to be able to choose the private voluntary health insurance system or to have a state-administered health insurance system. Later on, this has become a debated issue within Korean society, on whether to have a unified system or separate system. At the end of the day during President Kim Dae-Jung term, he chose to go with the unify insurance system and allowing National Health Insurance (NHI) to be the sole actor in centralizing all the medical care for the public. With the enact of the Unified Health Insurance Act has automatically provided all Korean national to be eligible to all medical care provided in the country.

⁸¹ Lee, J., Dr.PH. (2003). Health Care Reform in South Korea: Success or Failure? *American Journal of Public Health*, 93(1), 48-51. doi:10.2105/ajph.93.1.48

⁸² Kwon, S., Lee, T., & Kim, C. (2015). Republic of Korea health system review (4th ed., Vol. 5). World Health Organization. Retrieve from http://apps.who.int/iris/bitstream/handle/10665/208215/9789290617105_eng.pdf?sequence=1

Furthermore, NHI can control the medical cost which made the medical institution in South Korea to become a non-profit base system.

With the implementation of the NHI, the private health-care providers in the country were designated to be a provider for NHI customer or all Korean and the NHI did not allow the opt-out option, meaning all private health-care providers would subject to the price control by NHIS. To ensure the quality of care, NHIS has a working body called Health Insurance Review and Assessment Service or HIRA that assess the quality of health care service provided by the private company. As a result, the health-care system in South Korea is a closed system where the medical service providers were under heavily control system and do not have the freedom to operate in comparison to a country like Thailand. The only way for the private medical care providers to make money is through the negotiation. By the negotiation and representative from each associate group consists of the Professional associations such as the Korean Medical Association, the Korean Hospital Association and the Korean Pharmaceutical Association in which they will meet separately with representatives of NHIS to negotiate the fee level of the services that their members provide for the upcoming year.⁸³

⁸³ Ibid. pp. 17.

5.3. How South Korea private medical institution operate?

As mentioned in the above, the sanction of profit-based system and establishment of National Health Insurance has created a single-payment system where NHIS negotiate the price and will cover the subsidize cost base on the price negotiate between NHIS and provider association annually. This result in the cost-sharing system. The rate of subsidizing cost is illustrated in the Table 3.

From Table 3, we can see that under the insurance coverage, the medical service providers can only charge patients only the amount list on the table which is set by the NHIS. The NHIS will cover all the left-over cost which is the price that NHIS and the representative group negotiate. Thus, the amount of revenue that the medical care provider received will be at the minimum rate as the NHIS set the price. To make more money, the medical service providers in South Korea tend to introduce uninsured service to the patient because of those kinds of services will allow the medical service provider to set their price.⁸⁴As a result, the patient becomes the sole responsibility for that uninsured

⁸⁴ Kwon, S., Lee, T., & Kim, C. (2015). Republic of Korea health system review (4th ed., Vol. 5, pp. 47). World Health Organization. Retrieve from http://apps.who.int/iris/bitstream/handle/10665/208215/9789290617105_eng.pdf?sequence=1.

treatment or service and have to pay the higher price than the standard price.

Table 3 User Charge for health service in South Korea National Health Insurance Service in (cost-sharing)⁸⁵

Health Service	Type of user charge in place	Exemptions and/or discounted rates	Cap on OOP spending	Protection mechanisms for children and the elderly	Other protection mechanisms
Public Health Center	Fixed rate: 30%	Flat amount (1100 KRW + prescription fee 500 KRW) when total expenditure is less than 120,000 KRW	Cap on OOP payment for 6 months - for lower income percentile		Reduced Copayment Rate - Severe disease patients (e.g. cancer) in hospital, outpatients and prescriptions are subject to 5% co-payment for 5 years from registration - for chronic renal failure: 10% - for cardiocerebrovascular patients getting operations: up to 5% (maximum length of inpatient stay: 30 days) - for severe burns: up to 5% - for “unregistered” cancer patients: 20% - for “unregistered” rare and incurable disease: 30–60%
Physician Clinics (Primary care)	Fixed rate: 30%		50%: 2 million KRW - for middle income percentile 30%: 3 million KRW - for higher income percentile	For the elderly over 65 years, flat amount (1500 KRW) if total expenditure is less than 15,000 KRW	
Outpatient care units of hospitals (Outpatient specialist visit)	Fixed rate: 40% (hospital), 50% (secondary hospital), 60% (tertiary hospital)	For rural areas, fixed rate is reduced by 5% (i.e. 35% for hospital, 45% for secondary hospital in rural areas)	20%: 4 million KRW		

⁸⁵ Ibid. Source from NHIS, 2014 and 2018. See also from South Korea National Health Insurance. Website. Retrieve from <https://www.nhis.or.kr/static/html/wbd/g/a/wbdga0405.html>

Outpatient prescription drugs	Fixed rate: 30%	Higher rate (40% for secondary hospital, 50% for tertiary hospital) for minor diseases that do not require upper-level hospital care		For those over 65 years, flat amount (1200 KRW) if total expenditure is less than 10,000 KRW	
Inpatient stay	Fixed rate: 20%			For children under 6, fixed rate: 10%	

Another way for the medical service provider to make more money is to attract more patients due to the payment mechanisms where the health insurance pays to the health-care providers base on fee-for-service. The system operates by looking at the quantity of patient by counting the number of patients. This system has resulted in an increase in the volume and intensity of services as evidence from the competition between the large hospital including the private and university hospitals that compete for an increase in in-patient beds. The data provided by the Ministry of Health and Welfare (MOHW) in 2003 and 2013 showed an increase in the number of hospital beds from 235,032 in 2002 beds to 505,544 beds in 2012. Private hospitals took around 88.1 percent of the share of hospital beds (445,280 beds) while public hospitals took 11.9 percent of share (60,264).⁸⁶This competition is essential as it reflects the

⁸⁶ Ibid.

number of patients use the hospital service which means the hospital will receive more payment by NHI.

Investment funding also another source of financial resources for the private medical care provider. South Korea government has used an international loan to finance the expansion of the medical facility. For example, between 1978-1985 about 67 private hospitals were built through international loans, 20,000 hospital beds were built by from the 50 percent of capital investment. The government also provided around 90 million USD annually from the securing bank loans. During the 1994-2012 period, the government provided around 700 million USD as the special public funding raised by a special tax to subsidize the construction and renovation of the health facility.⁸⁷ Nevertheless, not until recently that the government began to allow the private medical care provider to acquire the fund from profit company. In the past the medical care provider only able to receive fund from non-profit sources. Through the financial arrangement and market competition, South Korea medical service providers have to vigorously compete to attract more patient and provide the uninsured service which would allow the service provider to increase the price. To that extent, it is still constrained for the private medical service provider to make revenue. Therefore, the foreign

⁸⁷ Ibid.

market and the foreign patient is another alternative way for South Korea medical service providers will be able to gain more money. That is because, by invest outside of the country, the company will not be subject by South Korean law which significantly limited its medical cost. For the foreign patient, it would allow South Korean hospital to be able to provide a non-insurance service where the company can charge more and increase the price.

One of the particular industries which allowed the private medical service providers to invest in Korea heavily is, none other than, the cosmetic surgery. The cosmetic surgery and dermatology treatment were not cover by insurance and popularized through South Korea's pop culture from the Korean idol and Korean drama. The plastic surgery is considered to be a cash cow for private clinics as the treatment is fast and the company was able to set the price. Domestic speaking, the cosmetic boom was also derived from the social environment where having a cosmetic surgery such as a double-eyelid procedure could result for a better opportunity in finding jobs and making a career. South Korea holds one-fourth of the world market share in plastic surgery. Korean plastic surgery market is estimated to be around 4.5 billion USD in annual value. The plastic surgery market in South Korea is equivalent to almost 25 percent of the entire global market value. There is around 650,000 plastic surgery operation performed annually in South Korea,

and by converting into the per-population ration, South Korea ranked first with 13.5 plastic surgery operations performed for every 1,000.⁸⁸ Through cosmetic treatment private clinics are able to make a full profit as any insurance did not cover it. Thus, it is inevitable to say that the cosmetic surgery businesses were one of the most lucrative businesses that made Korea medical service to be able to attract many customers and patients from different countries. Nevertheless, when comparing the price of the treatment that is not covered by the NHIS, it is interesting to see that the price of those uninsured services in South Korea, especially in the cosmetic surgery service, is very competitive at international level.

Another lucrative medical industry in Korea is the dental clinics where the most interest topic for the dental clinic is the tooth whitening, orthodontics, and second jaw (orthognathic) surgery. The dental treatment is profitable because the NHI only have a limited cover and some dental service could consider being a cosmetic dentistry treatment. Thus, dental clinics were able to get profit from those uninsured treatments much easier than general clinics. Korea cosmetic dentistry

⁸⁸ Korea Tourism Organization and Korea Health Industry Development Institute, Visit Medical Korea. Website. Retrieve from http://english.visitmedicalekorea.com/eng/medicalTreatments/medicalTreatments01_1.jsp

businesses are boosting rapidly in the share of the global market in which 40 percent of the share was the result by Chinese customer.⁸⁹

Due to the vigorous enforcement by the South Korean government, although the all the people including both citizens and foreign residents able to benefit from this welfare benefit. Nevertheless, the government needs to spend much money to subsidize and cover all of the cost. Currently, South Korea's health expenditure is around 7.4 percent per GDP in 2014, which is a 3.4 percent increase from the year 2000.⁹⁰ The trend will keep growing since the Korean population is experiencing the aging population meaning people will become older while there will be less replacement for children due to the decline infertilities. The future implication is the fact that the working population in South Korea will shrink while the government needs to find a way to support the aging population which is the majority of the country. Thus, the government needs to create a new market for new revenue. The medical service industry is one of the new markets that can help South Korea in finding a new source of revenue to help subsidize its welfare program. Thus, in 2015 South Korea passed the law known as "The Act on Support for Overseas Expansion of Healthcare System and Attraction

⁸⁹ Ibid.

⁹⁰ World Bank (2018). Current Health Expenditure per GDP. Website. Retrieve from <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=KR>

of International Patients.⁹¹” The regulation was aimed to enable foreigners to be able to receive safe and quality health and medical services which will contribute to the development of the nation’s economy and society, through supporting overseas expansion of medical services and enhancing international patients’ rights and interest and their convenience in using domestic medical services.

Moreover, the act allows the profit-based hospital to be able to operate in the industrial free economic zone such as in Incheon, Busan, Jeju-do. In Jeju-do, the opening of the Greenland International Hospital was Korea's first profit-based hospital which will provide the medical services for four departments - plastic surgery, dermatology, internal medicine, and family medicine.⁹² However, the hospital is only allow to provide service available to foreign patients. Thus, making it still lack a huge incentive for investors to invest when compare to other countries.

The act also included foreign investor to be able to own or establish their hospital regardless of nationality in South Korea. Nevertheless, there was given a little attention by the foreign investor. That is because there are still various legal hurdles that constrain the

⁹¹Act on Support for Overseas Expansion of Healthcare system and Attraction of International Patients 2015. (ROK.). Retrieve from

http://elaw.klri.re.kr/eng_mobile/viewer.do?hseq=38861&type=new&key=

⁹² Lee, H. (2018, December 05). Korea to open 1st for-profit hospital in Jeju.

Retrieved January 18, 2019, from

<http://www.koreabiomed.com/news/articleView.html?idxno=4703>

hospital to return the profit. There is also strong opposition by the domestic non-governmental organization which argued that this liberalization would result in further liberalization of the whole medical service sectors across the country.

However, we can see that there is still a limit for South Korea medical service provider to grow and expand. That is because the country has adopted the closed system which did not allow the medical service provider to benefit from the liberalization at multilateral and regional levels. Although the hospital received a significant amount of support from the government, nevertheless, it could not freely operate in order to gain more customers and capital to gain profit as it is a very politicized topic. There are a lot of opposition groups especially from the labor union who are against the liberalizing medical service, as they are afraid of moral hazard. In this sense, South Korea's competitiveness is lacking in comparison to other countries who adopted more liberal approaches such as Thailand which is considered to be the pioneer in providing the medical service for the international market from the medical tourism phenomenon.

5.4. Comparison between South Korea and Thailand medical service

Using the same framework that we used from explaining Thailand industry competitiveness, we can compare South Korea medical service industry to Thailand as follows:

In medical-specific sectors, although both Thailand and South Korea possess a high-quality medical service provider. Both countries also possess high-advance medical equipment such as CT Scanner, PET Scan machine, Mammography machine, MRI and others. However, when looking into the reputation and how famous of medical-specific sectors, Thailand looked to be more recognized when talking about the general treatment or those health-related treatment. On the other hand, South Korea was well-known on those medical sectors which remain open and competitive such as in the cosmetic surgery. However, regarding health-related treatment which mostly under the insurance coverage by NHIS, was not able to compete at the global level. One of the benchmarks that we can be looking is through the recognition of the organization by the JCI. The JCI is the essential accredited body that assesses the medical service industry across the globe. The JCI has recognized 65 medical institutions in Thailand, and the majority of that awards goes to the hospital or tertiary-care level. In contrast, South

Korea was given awards by the JCI to 26 organizations, and mostly those go to dermatology care as well as to the primary care level such as clinics. The rest of the award went to the university hospital.

On the economic factors, the closed system of South Korea did play a significant role in increasing the real medical price that the insurance did not cover. The point here is that the real medical cost for South Korea is more expensive when the insurance does not cover the cost in comparison to other countries. The increase in real price for the medical cost is inevitable considering South Korea system is a closed system where the government heavily subsidize and control the medical price under the insurance service. From table 1, we can see that average heart bypass treatment price in Korea cost around US\$26,000 in 2018 price while in Thailand it only cost 15,000 and 17,200 in Singapore. Therefore, the real medical price would be higher than the average price. Looking into those medical services such as the cosmetic surgery that is uninsured in South Korea, the cosmetic surgery price in those areas is in a competitive range with other countries. When comparing to countries like Thailand which adopted dual-approach and open to the liberalization in the service sectors, Thailand was able to take advantage of the liberalization and make its medical service industry to be more competitive.

For the cultural aspect, both South Korea and Thailand were very different as South Korea is very homogenous society while Thailand consists of many different races and belief. The majority of Thai was Buddhist, but there is also a vast minority with different belief in Islam and Christian. Both countries have their native language Korean and Thai both countries offer the English language in their medical service industry. Nevertheless, to be competitive as the company was able to accumulate financial resources for profit making, Thai hospitals can increase its hospitality and offer more service, for instance, the establishment of the international medical service center in the big private hospitals, especially in Bangkok. The Thai hospitals had also offered translation services, visa extension, insurance services and provide any assistance that the patient needs. On the other hand, this service only offered in limited scope and mostly witness from the cosmetic surgery clinics that were not cover by the insurance. Thus, we can see that the closed system has made South Korea even losing out in the hospitality services.

Infrastructure and Regulatory factors South Korea have a very high standard regarding the service sectors. South Korea has considerably degree of liberalization in many sectors as well as investment. South Korea has signed free trade agreements with all of its major trading partner and all three biggest economies of the world

including U.S, China. EU. South Korea has a pro-business environment. Moreover, it has strong enforcement in its regulation and is transparency.

Nevertheless, South Korea remained protection in its health-related service. The liberalization in this service sector has not been emphasized in any of South Korea trade agreement. In contrast, Thailand's regulation is mediocre when compared to South Korea in this factor, Thailand has a weak enforcement mechanism, and corruption is a critical problem in the country. However, Thailand has compensated by the lack of strong regulatory enforcement through signing various investment agreements to include the investor-state dispute settlement or the ISDS. For the medical service industry, the Thai government showed its tremendous efforts in promoting the medical service industry such as the medical hub of Asia policy. South Korea has only recently been able to change its regulation to allow a private company to create a profit hospital, but it was in a constrained manner.

Moreover, with the open access and less restrictive environment in the medical service industry, it has allowed Thai company to be able to establish a partnership with other foreign companies that help increase its connection and attract more customer. The partnership shows a stark contrast between South Korea and Thailand where South Korea only has been offering as a treatment destination by 11 medical tourism

companies while Thailand has been offered by 37 medical tourism which is the second highest destination in Asia. Thailand has also had 15 Medical tourism company bases in the country while Korea only has 5 company.⁹³ The South Korean government had also recently allowed South Korea private medical care providers to invest aboard, but it was still ineffective since the government put on many restrictions and evaluation before Korean medical firms can invest overseas.

The result of the regulation in both Thailand and South Korea led to different methods for the company to work and attract customers as we can see from the majority of foreign patients that choose to come to South Korea and Thailand. For South Korea, the primary customer usually consists from Chinese patients while Thailand's foreign patients come from many different nations such as ASEAN (CLM), US, UK, China, Japan, Germany.⁹⁴ Geographical location also played an important role where Thailand situates in the middle of Southeast Asia and the surrounding countries were consist mostly of newly emerging countries that sill lack quality of medical care. The region is also very peaceful. On the other hand, South Korea is located between China,

⁹³ Connell, J. (2016). Medical tourism. Wallingford (Oxfordshire): CABI. Appendix pg 186

⁹⁴ Ninkitsaranont P., (2017), Private hospital business, Industry and Business prospect 2018-2020. Krungsri Report. Pp. 3. Retrieved from https://www.krungsri.com/bank/getmedia/3308e1d8-3dd5-4799-848c-b9ffea862dbe/IO_Private_Hospital_2017_TH.aspx

Japan, North Korea. However, the relationship between the three is not that friendly.

In conclusion, although having a different approach in regulating the healthcare system both medical service industry had received a boost from the increase in the number of foreign patients due to the rise in demand of the medical tourism. After comparing the two countries, it was clear that Thailand comes out more competitive than South Korea. The centralized system in health care services in South Korea has resulted for the country to lose out in competing at the global level. On the other hand, Thailand which welcomes the liberalization in the medical service sectors has taken advantage, and its medical business is booming and can compete at a very high level.

Chapter 6. Conclusion

6.1. Implication toward the general service industry of the country

Thailand has consistently put in tremendous effort to participate in the discussion of liberalizing the service trade at both global and regional level. Thailand was the Member of Enchilada group in WTO in participating on the discussion of service trade. In the trade policy review by WTO Secretariat, the report shows the effort by the Thai government where it has been trying to reform its service sectors since the establishment of the WTO. For instance, the change in regulation of the investment for the foreign investor. The unilateral liberalization by allowing the higher foreign equity in the banking sector. Thailand also allows the increase in foreign ownership in Thai company. It also reduces many barriers in the financial service sectors, especially for the insurance company. Not only through the WTO, but Thailand has also played an active role in engaging in the liberalization of service trade at the regional level. It has participated in liberalizing through framework from ASEAN. To many extents, the ASEAN Secretariat recognized that Thailand and Singapore were the only two countries in ASEAN that able to achieve the commitment as it provides in its schedule packages.

The liberalization of medical service industry represents one of the service industries in which Thailand possess very high competitiveness against other countries. The service industry has been one of the highest growing sectors in international trade. Thailand's trade in service alone contribute to around 60 percent of the country GDP.⁹⁵ Due to the systematic issue which results into voluntary commitment by individual Members country, Thailand able to use the limited liberalization strategy, and nurturing its medical service industry is becoming very competitive at the global level. The medical service industry is one of the examples of the complex nature of the service industry where each service sectors classify under the GATS can involve many sectors in one industry.

6.2. Benefit of the liberalization

In the FTA negotiation, Thailand has also tried to open up the market access with its partner country as well as improve its regulations for foreign investment. For example, the Thailand-India FTA was unable to move forward because India side was too trade restrictive in its service sector. Thus, the Thai government wants to demand more opening for

⁹⁵ ASEAN Secretariat (2016). Trade in Service ASEAN. Website. Retrieve from <https://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/>

the market access of India.⁹⁶ Concerning the medical service provider, Thailand took a significant reform in 2009 during the 7th Commitment packages, where the government allowed the qualified ASEAN medical specialist and nurse that pass the national qualification exams to be able to work in the country, although only in outpatient clinics in private hospital. Nevertheless, it is still quite challenging for Thailand to attract medical service provider from abroad due to the wages of the medical service provider is quite low in comparison to other countries. On the other hand, exporting of medical service personnel is very restrictive due to the government afraid of losing Thai doctors and Thai nurse whose wages were much lower in comparison to foreign doctors and nurse wages. Around the year 2000s, Thailand has signed various investment treaties with other advanced countries such as Sweden, Switzerland, United Kingdom, Germany, Canada, and others. In the case of Germany and Canada, the Thai government even allowed investor-state dispute settlement in the case where the dispute occurs between investors and states.⁹⁷ At the regional level, with economic integration in ASEAN and the ASEAN plus Members, Thailand was one of the members who favor

⁹⁶ Thai Department of Trade Negotiation, Ministry of Commerce (2009). Thai-India Free Trade Agreement. Retrieve from <http://www.thaipta.com/ThaiFTA/Home/FTAbyCountry/tabid/53/ctl/detail/id/38/mid/480/usemastercontainer/true/Default.aspx>

⁹⁷ UNCTAD, (2018). International Investment Agreement Navigator (Thailand). Retrieve from <http://investmentpolicyhub.unctad.org/IIA/CountryBits/207#iiaInnerMenu>

any agreement that would further liberalize the service trade for all the parties. For instance, the renegotiation of ASEAN Framework on Service Trade has been negotiated and to transform it into a standardize service agreement. Moreover, Thailand has strongly shown a great interest in becoming part of RCEP as well as CP-TPP. In the case of CP-TPP, it dramatically shows the tremendous willingness of the country to open its market to join the mega-FTA structure which has significantly have greater liberalization in all areas of trade.

With no progress in the negotiation of the trade in service at the international level and the collapse of Doha Development Agenda, we were able to experience how country used the regional and bilateral arrangement to supplement the lack of global agreement. For instance, Thailand has used the ASEAN Framework Agreement on Service to liberalize the service sectors further. The agreement includes a wide range of service sectors even though Thailand did not have that much commitment to the GATS and WTO. One of the critical trade measures which have vigorously been used by Thailand was none other than the promotion of foreign direct investment (FDI) where the country has always expressed its happiness for the FDI. Thus, the country has established a lot of free economic zones and developed an infrastructure plan to help to attract investors to the country. Medical services industry represents one of Thailand industry that the country wants to diversify

its economy in order to attract another investment from the foreign company. The industry also allows us to experience how the country tries to create a new service product to create a new market in order to produce a new government revenue. The medical service and tourism used to be in different context and separate from one another where one focus on domestic while the other focus on foreign customers. However, now it was perfectly combined and service product in which developed from two industries such as medical service and tourism.

The increase in consumption of medical services also reflects the aging of the population which has become a trend in many advanced nations. In Asia, the problem could post a severe problem for the future of medical care and the country economy to be shrinking. Thus, by having an early move in creating a well-institutionalized of health system with the high quality and global standard of medical care in the country allow Thailand to be able to help Thailand not to worry about the quality of medical care that Thai citizens will receive as most of them would be in a very high standard. On the other hand, the state was able to receive new revenue from external funding by the foreign patient which will return to improve the health of Thai citizens. With the strong medical service industry, it has represented the readiness for Thailand to liberalize its market especially in the service trade and use this

opportunity to solidify its position as one of the primary service providers in the global stage.

6.3. Externality

The Thai government need to be prudent and remain to vary to the grow of the medical service as it will also bring some adverse effect resulting from the effect it has on the society. First, the inequality problem from the medical services provider which is a lucrative business where the big business company or rich people mostly run it by allowing the free flow of investment hospital will keep growing and keep making the profit. With the ability to control the market, they may neglect the conditions of the country as they do not need to depend on the domestic financial resource. On the other hand, as the Thai population is also aging, people will need to use the medical services in their everyday life even more than before. Therefore, the disparity between the social class will keep increasing without the strong regulatory enforcement and good tax system by the government.

Another problem is the brain drain problem which can be separated into two types, the external and internal. For the external brain drain problem, the liberalization of medical service at the global level could result in the movement of health professionals which was already sacred and in high demand around the globe. The liberalization could

result in the domestic medical service provider to move to other countries as there are higher wages available. The outflow of health professionals could result in an outflow of the country health profession which will result in the lack of the experienced workforce for the medical service and lead to the decline of health services. Countries that experienced the outflow of healthcare workers are mostly from those developing countries as they choose to work in Europe or the U.S as they offer higher income — for instance, the Philippines, Brunei, and Malaysia. Thailand is also experiencing the external brain drain problem during the 1960s and 1970s.⁹⁸ Nevertheless, it is unlikely for Thailand to experience another external brain drain due the government had consistently introduced the program to retain doctors and nurse to work in the country. However, the future concern will be how the government will able to support the increase in medical service provider wages.

Another type of brain drain problem is the so-called internal brain drain whereby private sectors pulled healthcare worker from public sectors which resulted in the lack of public healthcare workforce to work in public hospitals. As private sectors have more resources from investors, they can provide a better income, better working environment

⁹⁸ Pagaiya, N., & Noree, T. (2008). Thailand's Health Workforce: A Review of Challenges and Experiences. Health, Nutrition and Population (HNP) Discussion Paper, 10.

and welfare to healthcare workforce while public sectors only provided lower income and harsh working condition. Thus, with the liberalization and privatization of medical care, there is a very high tendency for private medical care providers to attract a high and skilled workforce from public sectors. The problem will lead to a lack of healthcare workers to work primarily in rural areas where the district hospital lack staff to provide primary medical care to those people who lived far away from the city. To a certain extent, the doctors who work in those areas will probably lack experience, unlike those doctors who work in a private hospital as a private hospital tend to hire high-skilled or experienced doctors. Therefore, the doctors who worked in public will tend to be fresh graduate and make many mistakes which lower the trust between rural people and district hospital. This scenario translated into unequal access to medical care between rural and urban people. In the bigger picture, it also reflects the inequality of population across the country. Thus, the government must ensure to balance on how to allow the liberalization as well as maintaining the workforce in public sectors. In the case of Thailand, the government tried to alleviate the pressure of public sectors by increasing production of healthcare workers such as by allowing the private university to establish the medical school as well as try to allow the foreign worker to work as nurse or health workers. So that the private

hospital has to choose and recruitment to choose to hire these workers instead of trying to pull from public sectors.

This adverse effect required early intervention by the government in order to prevent such problem to escalate which can tilt the balance of socio-economic status of the people within the country. For Thailand, realizing these problems, the government has initially implemented the plan by implementing universal health care coverage to all the citizens in order to minimize the negative impacts caused by promoting the private hospital. This universal healthcare coverage allowed Thai citizens to have the necessary access to the medical care and was able to use in some private hospital. Furthermore, the government also enforce regulation for the right to be hospitalized in any hospital in case of an emergency which has always been neglect in the past.⁹⁹

Overall even though the liberalization has allowed the medical service industry for Thailand to thrive in becoming the hub of the medical center. The government should be aware of the social problem that could erupt from too supportive toward the private sectors. It should let private sectors to act on their own while monitoring in the distance.

⁹⁹ National Health Security Office. Website. Retrieve from <https://www.nhso.go.th/frontend/index.aspx>

The functionality of government is essential for the effect of liberalization to work effectively while able to distribute the wealth to everybody in the country and not only concentrated on the group of people. The government has to be prudent in preventing market failure problem and the externality that could come from the liberalization. Finally, the government played an essential role in balancing the trade-off between benefit and welfare for its citizen from the liberalization in medical service industry.

6.5. Future prospects

With the collapse of the Doha Development Agenda, the reform and future liberalization of GATS at the multilateral negotiation level can only be done similar to what WTO had done in 2003, the Bali package. The prospect to further reduce the trade barrier in GATS seem to be very difficult to achieve. Thus, countries that are already becoming competitive in particular sectors should voluntary commit in liberalizing because a comparative advantage and great benefit are awaiting to those countries that liberalized. The most effective way is probably joining and negotiating at a smaller scale such as in those regional trade agreements which could be more effective. However, Members within the regional agreements should set higher standard and commitment for opening their market.

In the case of Thailand, as reported by ASEAN Secretariat as one of the two countries, with Singapore, which had achieved the liberalizing goal set by ASEAN in service sectors, Thailand should be willing to lead the ASEAN community to develop and drive them to open up the market. Since the upcoming year in 2019, Thailand will host the ASEAN chair, and the country should look for leaving a tangible result as a symbolic gesture for ASEAN for further integration. Since, the Bangkok Declaration in 1967 and the creation of AEC, ASEAN did not have that many remarkable commitments that could show to the outsider that ASEAN has achieved the harmonize and peace community. Therefore, as one of the founding fathers, Thailand should take this opportunity to lead ASEAN to push for the effectiveness of the ASEAN Trade in Services Agreement (ATISA). Apart from ASEAN, Thailand should also join mega-FTA arrangement by joining CP-TPP which it has always been considering to join since the TPP negotiation. This joining of CP-TPP will help Thailand to be able to accelerate the level of liberalization in the country as well as open Thai market for more investors and creating an opportunity for the Thai business to invest and compete with the global market. Thailand should not hesitate by remaining passive, like in the past, in engaging with the international community when its industry has already matured. Because that will lead the country to lose

an excellent opportunity to incorporate into the international market and in the end, it would be difficult to catch up in the future.

In the case of South Korea, in contrast with Thailand, this research provided a shred of evidence for government and policy-makers to rethink for reexamining its approach on the country's healthcare system. It was evident that in the future South Korea and taxpayers would face a severe financial burden to support this health care coverage as the country is moving toward the aging population. Moreover, even the existence of national healthcare coverage, people still choose to have private insurance as their additional package to help cover other costs which result in the patient to pay extra apart from insurance fees. Thus, either way, the out-of-pocket payment by Korean people are increasing. Meanwhile, the closed system of South Korea did not allow private companies to be able to help create extra revenue to cover the government health expenditure as the firms cannot compete internationally with other countries. Therefore, it could be a time for the government and policy-makers to rethink whether the approach that the country has committed into is suitable in the current environment.

In conclusion, Thailand could not come this far without the help of the medical service liberalization from the domestic and international environment which has strengthened the competitiveness in this sector.

The liberalization of service sectors in the WTO has helped create market access and help the country gain technological transfer and the financial resources to enhance its competitiveness. Moreover, the WTO has provided a framework and laid down a foundation for further discussion at the plurilateral and bilateral levels. Furthermore, the liberalization in the WTO acts as a wake-up call for the government in need of the regulatory reform its domestic structure to be able to integrate its economy into the global market. The impact of regional integration helps Thailand accelerated its liberalization process further which result in help strengthening the medical services of Thailand which make Thailand become the leading country in the medical service provider surpassing many countries.

6.5. Limitation of research

This research is significant as it incorporated the competitiveness of the medical service industry and examined whether or not the impact of the global initiative and regional initiative had any impact on the medical service industry. Moreover, due to the result of liberalization, we were able to see why it enable one country to be more competitive than the other. This research has tried to be comprehensive by incorporating all the major factors that contribute to create the competitiveness for the Thai medical service industry. Nevertheless,

future research may need to explore further in what aspect should the medical services moving forward. An interesting point for the future study would be to what extent South Korea can catch up to Thailand and how. It also projects the light toward reexamining the South Korean medical service policy in which whether or not the country should maintain the closed system and why? Another question that could be interesting is to find the answer is how to facilitate the trade in service at the regional arrangement and incorporated into the multilateral level.

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