

# CHAPTER I

## INTRODUCTION

### A. Background

Medical tourists are people who cross international borders for the exclusive purpose of obtaining medical services. The medical tourism industry has been growing worldwide because of rising medical costs in the west, cross border medical training and widespread air travel. It involves about 50 countries in all continents and several Asian countries are clearly in the lead. In Asia, medical tourism is highest in India, Singapore and Thailand making up 90% of the medical tourism market share in Asia.<sup>1</sup>

People in developed countries in the West are finding it difficult to rely on their own country's state health care systems are nonexistent and private treatments very expensive. In many countries where health care systems exist people have to wait far too long to receive medical treatment. Even simple procedures like dentistry are very expensive. Insurance companies do not cover elective procedures like IVF treatment and hence for many, Thailand offers a safe and affordable solution along with the fact that Thailand is renowned for its hospitality.<sup>2</sup>

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<sup>1</sup> *Why medical tourism in thailand.* (n.d.). Retrieved from <http://www.mymedholiday.com/country/thailand/article/39/why-medical-tourismin-thailand>

<sup>2</sup> Peramarajan Velasamy, (2014). ). *Medical Tourism Destination SWOT Analysis: A Case Study of Malaysia, Thailand, Singapore and India.* School of Business and Accountancy, University of Malaya, 50603 Kuala Lumpur, Malaysia. p.1(Access on 25-7-16)

Health insurers in the United States are offering packages with the option to receive cheaper treatment in overseas centers which is one of the factors helping medical tourism. Patients in the US are able to take advantage of the cost effective treatments outside their home country and the insurance companies have the advantage of paying less from their own pockets. Blue Cross Blue Shield of South Carolina has a deal with Bangkok's Bumrungrad hospital as well as three hospitals in Singapore and with hospitals in Turkey, Costa Rica and Ireland (2013).<sup>3</sup>

In Asia the new middle class are rich but ageing and they are able to afford high quality medical care and are willing to receive it if not available in their own country. Availability of cheaper budget airlines within Asia has made it easier for Asian medical tourism to expand. The traditional source of patients in Singapore in the past came from Indonesia and Malaysia, now patients are coming from other Asian countries like Bangladesh, Vietnam, and Myanmar with some patients coming from as far away as the Middle East and the Ukraine.<sup>4</sup>

Popular medical travel worldwide destinations include: Argentina, Brunei, Cuba, Colombia, Costa Rica, Hong Kong, Hungary, India, Jordan, Lithuania, Malaysia, The Philippines, Singapore, South Africa, Thailand, and recently, Saudi

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<sup>3</sup> *Asian medical tourism market forecast to 2015*. (2013). Retrieved from <http://www.eturbonews.com/38639/asian-medical-tourism-market-forecast-2015>

<sup>4</sup> Kee Mun Wong, (2014). *Medical Tourism Destination SWOT Analysis: A Case Study of Malaysia, Thailand, Singapore and India*. School of Business and Accountancy, University of Malaya, 50603 Kuala Lumpur, Malaysia. p.3(Access on 25-7-16)

Arabia, UAE, South Korea, Tunisia, Ukraine, and New Zealand. In Europe Belgium, Poland, Slovakia, and Ukraine are also breaking into the business. South Africa promotes medical tourism as medical safaris.

The Asian medical tourism market comprises India, Thailand, Malaysia, Philippines, Singapore, and Korea. Research and analysis have revealed that cost competitiveness is one of the major factors in making Asian countries a preferred destination for medical tourists. Also medical tourists are seeking alternative traditional treatments like Ayurveda, naturopathy, aromatherapy, homeopathy, meditation and yoga. The point of medical tourism is to provide medical treatment in a more relaxed and exotic surrounding. Other contributing factors are health-care standards convergence and the increasing adoption of sophisticated medical technology by hospitals in Asia. It also helps people to explore other nations' culture and its people

Joint Commission International (JCI) is an accreditation group in the United States that has been inspecting and accrediting health care facilities and hospitals outside of the United States since 1999. Many international hospitals obtain accreditation from them so as to be able to attract patients from the United States.

Thailand is the largest medical tourism market in Asia. In 2006, there were estimated to be 1.2 million international patients entering the country for health services, generating approximately US\$ 1.1 billion in revenue; approximately 9% of the total revenue from tourism overall, and 0.53% of overall GDP. The turning

point pushing Thailand into a flourishing medical tourism market came after the economic crisis in 1997.<sup>5</sup>

During the economic boom era, from 1991, the increase in the personal income of Thai nationals resulted in increased demand for high quality health services, particularly in the private sector. Many leading private hospitals expanded their capacity in order to cope with this increased demand. The proportion of beds in private hospitals increased from 10.6% in 1989 to 22.6% in 1997. After the economic crisis in 1997, domestic consumption of private health services declined considerably and many private hospitals closed down between 1998 and 2003. Some found new markets to compensate for this loss; principally marketing services to patients from abroad. This approach resulted in 470,000 international patients in 2001, an increase of 38% on the previous year.

In 2003, though the crisis in private hospitals had been relieved, the Thaksin government tried to push Thailand to be a center of healthcare in the region by 22 attracting foreign patients in order to increase national revenues. The policy “Thailand: Centre of Excellent Health Care of Asia” was launched. This policy focused on three main products; medical services, health promotion services and herbal products. Well-organized coordination among public and private agencies was established. There was collaboration between the Ministry of Public Health, the Ministry of Commerce, the Ministry of Tourism and Sports and the Ministry of

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<sup>5</sup> Crooks, V. A., Kingsbury, P., Snyder, J., & Johnston, R. (2010). What is known about the patient's experience of medical tourism? A scoping review. *BMC Health Services Research*, 10266-277. doi:10.1186/1472-6963-10-266

Foreign Affairs. Many strategies were used, such as an international road show and tax exemptions for investment in new international health facilities.<sup>6</sup>

However, the private sector remains the main driving mechanism to achieve the targets. At the end of this first phase, the Department of Export Promotion and the Ministry of Commerce deemed the policy a success, as there were more than 1.2 international patients annually and Thailand had become the foremost country in this market. During 2004-2008, the industry generated US\$ 7.5 billion, 60% more than was expected. During the political instability after the coup d'état in 2006, there was no apparent movement on this policy during 2007-2009. In 2010, the Ministry of Public Health planned to announce the second phase of the "Thailand Medical Hub" policy, planned for the period between 2010 and 2014.

However, there was concern in the wider Thai society about the negative implications of this policy, such as an internal brain drain of doctors and the possibility of generating a two-tier health system. This issue was placed into the third forum of the Thai National Health assembly in 2010. This is a public forum, convened once a year, to develop participatory public health policies. The second phase of the "Thailand Medical Hub" policy was then deferred to reconsider these possible undesirable impacts and how to mitigate them. In 2012, the new government of Prime Minister Yinglax pursued the second phase of the "Thailand

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<sup>6</sup> *Fertility tourism is taking large numbers of hopeful parents to thailand.* (n.d.). Retrieved from <http://www.mymedholiday.com/blog/2014/03/1360/fertility-tourism-istaking-large-numbers-of-hopeful-parents-to-thailand/>

Medical Hub” policy again. In this period, the scope of this policy was extended beyond health service arena. The new “Thailand Medical Hub” expanded to

- 1) The Wellness Hub – including health promotion service and spas,
- 2) The Medical Service Hub – serving foreign patients,
- 3) The Academic Hub – including research centers in the health arena and
- 4) The Product Hub – including drugs and other health products.

This movement included medical schools as 23 major stake-holders in order to establish the Academic Hub. The strategic plan for the second phase of the “Thailand Medical Hub” between 2014 and 2018 is being revised by multi-stake holders to ensure that concerns over undesirable implications are taken into account before government approval. The new phase aims to push Thailand to the status of a world class healthcare provider and a sophisticated academic hub. General patients, specialized care, dental procedures and services for older people are the main foci for medical services. It is also encouraging public hospitals to develop international standards of care to service both domestic and foreign customers. Total revenues of 814 billion THB (27 billion USD) are estimated to result from this policy during the period 2014-2018.

## **B. Research question**

Based on the background and the understanding of the background problems above, the research question is formulated as follows:

*Why did Thailand government propose a medical hub policy?*

## **C. Theoretical framework**

### **1. Foreign policy**

To analyze the problem, it then takes a theory. Mas'oad (1990) explains that the term of theory came from the Greek which means to see or to show. Here, theory can be simply understood as a view or perception of what has happened. Mas'oad (1990) further argues that theory is the most common form of explanation that of why things happen and when something predictable will happen.<sup>7</sup> One of the theory concepts processed by Mas'oad (1990) stated that international relation is shaped though the development of proposition. For instance, rational behavior is based on a dominant motive such as power. That sort of theory is established to describe the political behavior of rational actors<sup>8</sup>.

To analyze the problem, the background and research question are seen, then decision-making theory and foreign policy are used as the theory framework.

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<sup>7</sup> (Mas'oad,1990)(Access on 30-7-16)

<sup>8</sup> Ibid.,p.22(Access on 30-7-16)

Decision-making theory is a kind of important theory and is presumably quite right in analyzing the action of a state. In this case, it results in the phenomenon of foreign policy of medical tourism in Thailand.

### **1. Decision-making theory**

Dougherty and Pfaltzgraff (1992) further explain that decision-making theory directs attention, not to state called as metaphysical abstractions, or to government, or even to such broadly labeled institution as "the executive", but instead seeking to highlight the behavior of the specific human decision-makers who actually shape government policy. In addition, the acts of the decision-makers, to all intents and purposes, are the acts in the name of state so that those, as Snyder, et al (1992) said, are the acts of the state.

Foreign policy is an action and commitment of a state to the external environment. It is also the basic strategy to achieve the objective of national interest to be achieved beyond the borders. Furthermore, the basic strategy is applied in a number of decision made in the foreign policy of a state. The actors and decision-makers of foreign policy will consider the factor that affects the process of foreign policy decision of the individuals that in this sense a group of people who have capacity to decide policies or decision-makers are actually not able to decide policies without any consideration influencing it.



This basically corresponds with the description of Coplin (1992) on the factor that influence the decision makers in deciding policy. According to Coplin (1992) if we want to analyze the foreign policy of a state, then we have to question the state's leaders in making foreign policy. It is quite wrong to assume that the leader of a state acts without consideration.

The foreign policies, as Coplin (1992) seen is a result of her explanation, of the there considerations that affect foreign domestic policy makers. First, the political conditions of the state, including cultural factor that underlies the human political behavior. The second is economic and military condition of the state, including the geographic factor that has always been a major consideration in the defense/security. Third is international context, the circumstances of a state that has been the goal and the foreign policy influence of other states relevant to the foreign policy faced problems<sup>9</sup>.

To more easily understand the interaction of factors that influence the foreign policy decision-making process, the researcher tries to describe it into an illustration of chart form as follows:

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<sup>9</sup> William D.Coplin,Pengantar Politik International:Suatu telaah teroris [Introduction to international politic; A Theoretical Overview]1992,Mersedes Marbun,Tran.,2 nd Edition,Bandung :Sinar Baru, p.30.

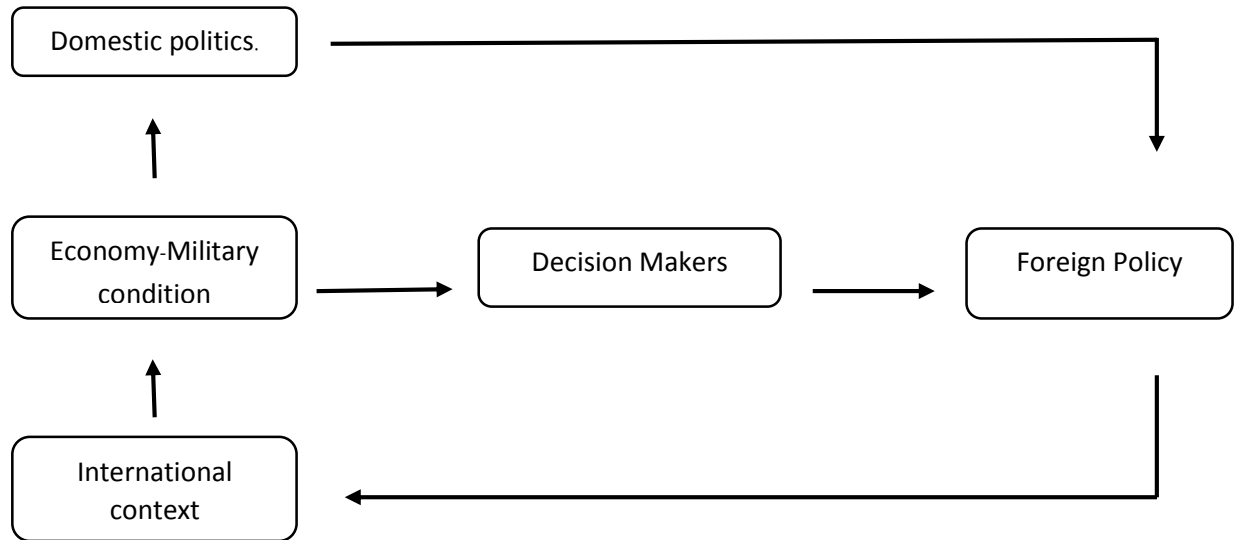


Figure 1.1 Foreign Policy Decision-making Process, according to William D.Coplin<sup>10</sup>

The chart describes that foreign policy of a state can be influenced by domestic conditions, particularly the domestic politics, and the condition of domestic politics can be simply understood as a system of governance adopted by the concerned state. Furthermore, the factor that influences foreign policy decision is the economic and military capacities. The long debate about which is more important between economic and military capabilities of a state makes both the influential factors in a foreign policy decision-making process. Finally, Coplin

<sup>10</sup> Ibid.,p22(Access on 30-7-16)

(1992) mentions that the international context is the third factor to be considered by the actors and decision-makers of foreign policy<sup>11</sup>.

The illustration can be explained based on the following theory:

### **1. Domestic politics**

The domestic politics is one factor that influences foreign policy of decision-making. Also it becomes the consideration of the leader of a state, for instance, in conducting international agenda. Domestic politics is even considered as inextricably interrelated with the international relation realm. Furthermore, a country's international position exerts an important impact on its internal politics and economics.

On the other hand, its domestic situation shapes its behavior in foreign relation<sup>12</sup>.

Political stability is the durability and integrity of a current government regime. This is determined based on the amount of violence and terrorism expressed in the nation and by citizens associated with the state. A stable society is one that is satisfied with the ruling party and system of operations and is not interested in revolutionary or despotic ideas. A stable political scene is one where the ruling government is favored by the population and does not experience strong indicators

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<sup>11</sup> Ibid.,23(Access on 1-8-16)

<sup>12</sup> Halen v. Milner, Interest, Institution, and Information; Domestic politics and international relation,1997,New Jersey, Princeton university press,p.3(Access on 1-8-16)

of social unrest. While there are problems within any nation, and times of war or hardship are common, a stable political system is one that can withstand these occurrences without major societal upheaval and ongoing endurance of these circumstances.

Much of the ability of a political system to sustain itself relies on how leaders respond to crises. People must be satisfied with how their rulers handle problems and the solutions they create or else the fallout from these events results in destruction of hierarchies and government agencies. Revolutions, terrorism and public violence are associated with failed political stability. Political stability requires that the public interacts freely and openly with legislators on a regular basis. People say that a nation can develop.

## **2. Economic and military capabilities**

Economic and military capabilities of a state greatly influence the result of the foreign policy decision making<sup>13</sup>. Economic condition of a state is also able to become a deception of the domestic condition of the state. As previously explained, the international position of a country is strongly influenced by its internal political and economic condition<sup>14</sup>. Coplin (1990), however, sees that the economic and

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<sup>13</sup> Sidik jatmika, As penghambat Demokrasi: Membonkar politik standar Ganda Amerika Serikat; US the inhibitors of democracy: dismantling double state politics, 2000, Yogyakarta, Bigraf, p.161 (Access on 3-8-16)

<sup>14</sup> Helen V. Milner, loc.cit. (Access on 3-8-16)

military capabilities influence the process of foreign policy decision making, regardless the long debate about which one is more important between both economic and military capabilities.

Thailand long was characterized as the land of smiles: friendly people, warm climate, and informal atmosphere all beckoned backpackers and businessmen alike. However, politics has become less hospitable in recent years. The junta inherited a lagging economy, with policymakers hindered by years of political instability. Macroeconomic indicators showed Thailand underperforming much of the region, though this year it is estimated that first-quarter growth of 3.2 percent was stronger than expected.

### **3. International context**

There are three important elements in the impact of the discussing that is international context of the foreign policy of a country geographically, economically, and politically. International environment of each country consists of the location it occupies in relation to the countries. According to this case, international context.

AEC 2015' is no longer a slogan but a reality that the region's governments, businesses and people will have to embrace before the year is out. On paper, no one doubts the potential of a single market with a combined gross domestic product (GDP) of \$2.5 trillion and intra-regional trade of \$1 trillion. However, reaching the

full potential the AEC offers could take many years. The goal of Asean economic integration is to become a single production base where goods can be manufactured anywhere and distributed efficiently to anywhere within the region.

ASEAN needs to work towards the goal of freer movement of labor and capital, but in reality, integration and the free flow of resources will only be gradual, step by step, sector by sector. Thailand can also benefit from economic integration by increasing outbound investment. The market the region presents is huge but the flexibility of Thai businesses is still limited. Small and medium-sized enterprises (SMEs) in Thailand haven't been exploring opportunities in the region as much as they should. They need to at least broaden their perspective and be looking for allies, partners and connections in Asean so they have more competitive advantage once integration happens.

#### **D. Hypothesis**

Based on the theoretical frameworks, the hypothesis is as follows: Thailand is one of the most popular medical tourism destinations and becomes a medical hub of ASEAN because;

1. Thailand has more competitiveness on medical service especially in price than other ASEAN states.
2. Thailand has strategic position in connecting medical tourism in ASEAN.

## **E. Objectives of the Research**

The objectives of the research are:

1. As the requirement to fulfill one of the subjects in international relations studies.
2. To describe and explain the medical tourism in Thailand.
3. To implement the political concept of international relations directly to explain the case that is relevant to the problem.

## **F. Method to collect data**

In this writing, the writer uses several ways to collect the data in order to discuss the problem. They are as follows:

1. Media of research

The data were collected the from media like the internet in order to find references and sources to accomplish the explanation of the problem.

2. Library research

This method was used to study the relevant sources in order to discuss the problem and by using the qualitative research the writer will also get secondary data.

3. Data analysis

The data gained from the internet and library (books), are checked for the relevance in order to be used as the sources in the final paper arrangement.

#### 4. Proving hypothesis

It is derived from the meaning of the title, the discussion of the problem, and data analysis.

### **G. Scope of research**

It is very important to limit the range of the research. This undergraduate thesis is focusing more on the topic strategy of Thailand that becomes a medical hub of ASEAN explaining about the Medical Tourism Destination: A Case Study of Thailand tourism development strategy. The data of this thesis are taken from the beginning of the Thai medical tourism started since the 2004s until 2015. The writer also collects the data which are relevant to be used in this research.

### **H. System of writing**

CHAPTER I will be explaining about the Problem Background, Research Question, Purpose of Research, Theoretical Framework, Hypothesis, Method of Research, Scope of Research, and System of Writing.

CHAPTER II will discuss dynamic of Thailand and hub policy

CHAPTER III will discuss medical tourism in Thailand



CHAPTER IV would answer the research question and reasons of Thailand in proposing medical hub policy in Southeast Asia

CHAPTER V will give the conclusion from all of the chapters.