

Trade in education services: Market opportunities and risks¹

This article expands on the themes opened by Stephen Heyneman in the previous article. The internationalization of education services is a politically contested subject. Trade in education is debated between market liberalizers and protectionists and is played out within countries and their different stakeholders, for example between government ministries (e.g. ministry of trade versus ministry of education) and between government and the private sector (privately owned schools versus publically run schools). A balance needs to be struck between consumer protection and the rights of governments to pursue high quality education without falling into the trap of closing market access to foreign education service providers.

Aik Hoe Lim and Raymond Saner

INTRODUCTION

The educational market has grown in size with more exporters entering the field to satisfy growing demand worldwide. The education sector today truly operates in a global context with institutions, programmes and people supplying services across borders at an unprecedented scale.

This article will describe the educational service market, the key actors in this field be they importers or exporters and discuss the market opportunities and risks for countries interested in taking an active role and share of this growing market. The article is organised into three main parts. The first part provides some general observations on the sector's economic and developmental importance and discusses the important structural changes that have taken place in the market for education services globally. Following from this, the second part reviews the key trends in the internationalization of education services from a trade perspective, the factors behind the growth and the role played by international trade agreements. The third part examines the main barriers to trade in education services as well as the competing interests and tensions that underlie the internationalization of education services. Some thoughts are also provided on how these divergent interests and tensions could be managed through building consultative groups for trade negotiation. Finally, some concluding thoughts are provided on the implications arising from the internationalization of education services.

I. ECONOMIC AND DEVELOPMENTAL IMPORTANCE

Education is widely considered as a key factor in promoting economic growth and involves the use of significant resources. In APEC economies, for instance, total spending on education is at least US\$1,600 billion annually or 6.7 per cent of GDP (Centre for International Economics, 2008, p.8). Economic studies have shown that the impact of edu-

cation on growth varies according to an economy's level of development (Vincent-Lancrin, 2007, pp.62–63). Higher education has been shown to have an important impact on all economies, with primary and secondary education contributing the most to growth in low income economies (*ibid.*).

Economic benefits flow not only to the individual but also to society (OECD, 2009). For OECD members, the net public return from an investment in tertiary education exceeds US\$50,000 on average for each student (*ibid.*). In addition to economic effects, education has been shown to bring widespread societal benefits such as lower crime, better governance, better health and interpersonal trust (World Bank, 2003; OECD, 2009). Taking into account both public and private expenditure, OECD economies spent in 2009 on average 6.1 per cent of their collective GDP on education (OECD, 2009, p.215). In developing countries, public expenditure on education has consistently been within the range of 4.5 to 5 per cent over the period from 2001 to 2008 (OECD).²

The share of private expenditure in education is sizeable. In all OECD members, for which comparable data is available, private funding on educational institutions represents around 15 per cent of all expenditure (OECD, 2009, p.226).³ In Australia, Canada and the United Kingdom, as well as in Israel, private funds are reported to constitute around 25 per cent of all *educational expenditure*. The proportion exceeds 30 per cent in Japan, Korea and the United States and Chile (*ibid.*). In Australia, Canada, Japan, the United States and Israel private funding for *higher education* reaches above 40 per cent, and above 75 per cent in Korea and Chile. In Australia and New Zealand, the high proportion of private expenditure is reportedly accounted for by the large number of international students enrolled on university programmes.

In more than one-half of developing countries, private spending accounts

for more than 10 per cent of total education expenditure, with important variations.⁴ For instance, the share rises to one-third, or more, in Chile, Colombia and Indonesia (UNESCO). In general, most private spending goes towards private institutions, although a proportion is also spent on public schools (UNESCO, 2007, p.44). Private returns from education are high for both developed and developing countries, which is why individuals have an incentive to invest in education. In developing countries, the wage differential between a secondary school leaver and a university graduate has been estimated at about 200 per cent (OECD, 2009, p.63). Education is also generally a good insurance against unemployment, particularly in the context of economic downturns (*ibid.*, p.120). The growing size of private expenditure has important implications for the structure of the education market and its increasingly international nature.

II. STRUCTURAL CHANGES IN THE EDUCATION MARKET

In recent decades, significant change has taken place in the structure, governance and financing of public sector institutions, especially with respect to higher education (The Task Force on Higher Education and Society, 2000, p. 30).

At the same time, demand for education has grown. In that context, private education has taken a more prominent role, with growing numbers of for-profit institutions, as well as private philanthropic institutions, in the education sector.⁵ That being said, in most economies, education at the primary and secondary levels is still predominantly publicly provided. In the OECD area, for instance, on average 91 per cent of primary and 85 per cent of secondary school students are enrolled with public institutions. Similarly high percentages can also be observed in developing countries. Given its importance for human and social development, governments throughout the world tend to

consider instruction up to a certain level – commonly primary and secondary education – as a basic entitlement. It is thus normally provided free of charge, or with a nominal fee, by public authorities and, in most economies, participation is mandatory.

The situation changes, however, with respect to higher education. Although students enrolled at publicly funded institutions still outnumber those in private institutions, over the last decade, private providers have made significant inroads at both the national and international level. Today, private institutions globally account for some 30 per cent of all students in higher education (Altbach et.al, 2009, pp. xi-xiii). In some regions of the world, private higher education institutions are part of a fast growing international education market. The private sector represents slightly more than 10 per cent of total tertiary enrolments in Spain and France and about 30 per cent in Poland, the US and Mexico (Vincent-Lancrin, 2009b, p. 261). In Asian economies, such as Japan, Korea, Indonesia and the Philippines, over 75 per cent of enrolments are with private education providers, while in Mexico, Brazil, South Africa and Chile it is about 50 per cent (Altbach et.al). One of the most remarkable developments in the African continent's higher education system is the mushrooming of private colleges. However, the demand for access is still far from being fulfilled, with a total enrolment of rate of about 5 per cent of eligible school leavers in higher education (ibid.).

A related trend has been the increasing involvement of public universities in revenue generating activities.⁶ While higher education in the OECD area continues to be heavily subsidised for domestic students, universities are increasingly expected to generate new sources of revenue. The generation of funds from private sources has given rise to a new generation of government-dependent private institutions, as distinct from the traditional model of a fully government-dependent institution.⁷ One consequence of this trend has been greater competition for more

fee-paying students, especially international students. In this respect, Australia, New Zealand, United States and the United Kingdom are amongst the market leaders with public universities authorised to provide education services at non-subsidised rates to foreign students (OECD, 2004).⁸ Asian countries, such as Malaysia and Singapore have also started to enter the private education market, and serve as important regional hubs.

III. EDUCATION SERVICES: TRADE LINKAGES AND KEY TRENDS

An important feature of education services trade has been the increasing international mobility not only of students, but also of programmes and institutions. Abetting that mobility has been the innovative use of information and communication technologies providing alternate ways to deliver education services. New institutional arrangements involving a greater and more diverse number of partners, ranging from educational institutions to corporations, have also created new commercial opportunities such as the franchising and twinning of academic programmes. Under the WTO General Agreement on Trade in Services (GATS), services trade is defined as being conducted under four modes of supply. The four modes are mode 1 (cross-border supply), mode 2 (consumption abroad), mode 3 (commercial presence) and mode 4 (movement of natural persons). These four modes capture all possible means by which services can be supplied internationally.

Mode 2 (consumption abroad) has traditionally been the most common way by which trade in education services occurs. This mode covers the situation where a student moves abroad and consumes education services whilst in another territory. In recent years, mode 2 has been supplemented by mode 1 (cross-border supply of education). Under mode 1, services are supplied into a territory without the presence of the supplier. In education services, international distance education would fall under mode 1. The possibilities for such transactions have clearly expand-

ed with the advent of the internet, as well through the use of franchise/twinning arrangements between a foreign provider and local institution.⁹ Mode 3 (commercial presence) describes the situation where the service supplier establishes commercial presence in the territory in which it supplies services. The establishment of foreign campuses, for instance, would fall under mode 3. Mode 4 (movement of natural persons) reflects the situation where a natural person supplies services in a foreign territory. Situations falling under mode 4 would include the movement of teaching staff either as the direct supplier of the service or as employees of a foreign institution established in that territory.

Table 1 categorises the various ways by which education service transactions fall under the four modes of supply. It should be noted that some of the newer arrangements often involve a combination of two or more modes of supply and are difficult to categorise. For instance, twinning and franchise arrangements have similarities to a branch campus in terms of the face-to-face education provided, but no commercial presence (mode 3) is established by the foreign provider. All physical facilities are owned, and staff recruited, by the local institution while teaching formats, materials, quality control, supervision and evaluation are provided by the foreign institution

While statistics on international trade in education services are limited, various indicators suggest that the main trend over the past several decades has been the rapid expansion of the sector, especially at the tertiary level. This is demonstrated by the increasing international mobility of students, academics and researchers, institutions and programmes. Between 1999 and 2007, the number of international students doubled from 1.75 million to nearly 3 million (Vincent-Lancrin, 2009, p.65). Globally, East Asia and the Pacific accounted for over 33 per cent of all students abroad in 2007. In terms of host countries, the bulk of international students has traditionally been concentrated in only a few loca-

Table 1: Correspondence between modes of supply and forms of education services traded internationally

Mode	Education examples/ forms
1. Cross-border supply (mode 1)	Distance education Online education Commercial franchising/ twinning of a course
2. Consumption abroad (mode 2)	Students abroad
3. Commercial presence (mode 3)	Establishment of an educational institution or satellite campuses Branch campus, including joint venture with local institutions
4. Presence of natural persons (mode 4)	Professors, lecturers, teachers, researchers providing education services abroad

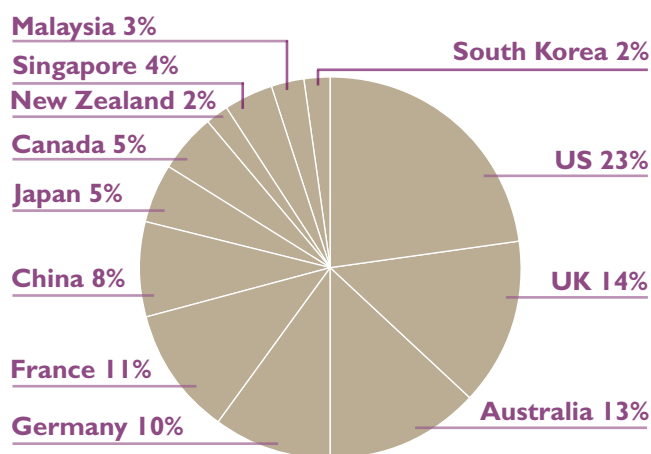
The taxonomy of people, programme and institution mobility is based on work by the OECD. See OECD (2004), Internationalisation and Trade in Higher Education: Opportunities and Challenges, p.20.

tions. Collectively, the United States, United Kingdom and Australia attract about 50 per cent of all students abroad (see Figure 1). Other destinations have also experienced significant growth with students increasingly choosing to study in destinations within the region. Although starting from a low base, numbers of foreign students hosted by China grew by 400 per cent between 1999 and 2008. Australia, already one of the top destinations, continued to grow by more than 200 per cent over the same period (de Wit, 2008, p.40).

Overall, the pattern of student mobility reflects two main trends. One consists of a heavy concentration of students from Asia and the Pacific studying in North America and Western Europe, as well as within the region. The other trend reflects intra-European Union student mobility where the Bologna Process of creating a European Higher Education Area has facilitated regional mobility.¹⁰ Much of this intra-European mobility constitutes a special situation as it is driven by policies and EU-sponsored programmes that are aimed at regional and economic integration. According to Bashir (2007, p.

12), the European Commission, through the ERASMUS programme, has promoted and financed almost all student flows within the European Union (EU) and into the EU from the candidate countries of Central and Eastern Europe.

“ERASMUS has financed all student flows within the EU and into the EU from Eastern Europe.”

Figure 1: Distribution of students abroad according to national destination, 2007

Source: Based on figures provided by the Observatory on Borderless Higher Education, June 2009.

China) has by far the most student nationals in higher education abroad, representing 17 per cent of the foreign students in the OECD area in 2007 (Vincent-Lancrin, 2009, p.69).

One of the most important innovations in higher education has been the growth of offshore programmes either in a pure distance learning format or by way of a franchise/twinning arrangement with a local partner. It is difficult to estimate the number of such programmes as data is often not systematically collected. The few studies available suggest that there are as many as 2,000 such programmes operating internationally with about 500,000 students enrolled, mostly in Asia.¹³ The main providers are institutions from the United Kingdom, Australia and the United States. Other significant providers include Japan, Singapore, Canada, France and Germany. Offshore programmes also account for a growing share of the tertiary education sector in Asian economies, as well as in the Middle East.

In recent decades the scale of international branch campuses has expanded and there is now greater focus on revenue generation. Since 2006, the number of international branch campuses in the world has increased by 43 per cent, according to a report published in 2009 by the Observatory on Borderless Higher Education (OBHE) (Becker, 2009, p.1).¹⁴ In the report, the OBHE identified 162 international branch campuses in the world, most of which were found in Asia-Pacific and the Middle East (*ibid.*, p.6). The rate of growth has been high, since of all existing campuses, only 35 campuses (22 per cent) were in operation before 1999 (*ibid.*). Branch campuses are being established not just by institutions from developed economies, but also by developing country institutions. A number of Asian higher education institutions, notably those from India, China, Malaysia and Singapore have established joint ventures in other Asian economies as well as in Africa (Bashir, 2007, p. 32). In 2006, only five such cases were recorded as compared to the 26 such campuses in 2009.

In terms of foreign direct investment (FDI), developed economies still account for the majority of inward and outward flows in the education sector. In 2007, developed economies inward FDI stock in

education was US\$7.8 billion, while the outward stock was US\$1.5 billion (UNCTAD, 2009, p.218–219). For developing economies, the inward stock was US\$874 million, while the outward stock was US\$29 million. Thus, while international branch campuses have been expanding in developing country locations, FDI would suggest that mode 3 flows are largely between developed economies. Another important and related trend has been the acquisition of private education institutions by large corporate groups. In these acquisitions, universities and colleges are brought together under common ownership but each institution maintains its own nationally-accredited programmes.¹⁵ The US Group of Laureate International University is reported in 2009 to be operating 40 campuses throughout the world (Vincent-Lancrin, 2009, p.72).¹⁶ The Apollo Group, which owns the University of Phoenix has campuses in India, Mexico and a number of locations in South America, as well as in Eastern and Western Europe.¹⁷

While the establishment of branch campuses has been growing in terms of numbers and location, they have not expanded as quickly as franchise and twinning arrangements in which the education programme is offered through a local partner without requiring a ‘bricks and mortar’ investment by the foreign institution. In general, host economies that have provided support, funding or infrastructure, have experienced the largest growth in branch campus developments and account for the highest number of (new) establishments. The setting up of a branch campus requires heavy initial investment in land, infrastructure and equipment, as well as the recruitment of staff. In addition, branch campuses require a clear policy and regulatory framework providing sufficient stability to encourage the provider to invest capital for long term operations.

IV. FACTORS DRIVING INTERNATIONAL TRADE IN EDUCATION SERVICES

Growth in trade in education services has been driven by a combination of

demand and supply factors. These include advances in information and communication technologies, the emergence of new private actors in the provision of education services, government policies towards improving access to post-secondary education, new revenue generating strategies by education providers, individual student choices and requirements of employers for higher level qualifications and language skills.¹⁸

On the demand side, increasing numbers of secondary school graduates seeking entry to tertiary level education has been a consistent trend over past decades. The expansion has been particularly intense since 2000, with 51.7 million new tertiary students enrolled around the world in just seven years (UNESCO, 2009a). In OECD economies, tertiary enrolment rose by 43 per cent between 1995 and 2003. A study by UNESCO and the OECD found that for a selection of 17 developing countries from Latin America, Asia and Africa, the increase during the same period was 77 per cent (Teixeira, 2009, p.239). The Global Student Mobility 2025 Report foresees that the demand for international education will increase to 7.2 million in 2025 (Böhm et al, 2002).¹⁹ For many economies, the demand for tertiary level education far exceeds domestic capacity.

Other factors that have played an important role in fuelling the demand for international education are the returns that accrue from further education (Bashir, 2007, p.51). The labour market is demanding new and changing competencies such as adaptability, knowledge of latest technologies, and the ability to acquire new skills independently (Hopper, 2007, p. 109). The number of jobs requiring high-level skills has grown faster than those requiring only basic skills, thus further stimulating demand for higher education (*ibid.*). In an increasingly global economy, English-language qualifications confer a certain competitive advantage, since international transactions are mainly conducted in that language (OECD, 2004, p.30). Study abroad also facilitates international migration and is sometimes supported by

” *Education services remains one of the least committed sectors under the WTO/GATS.*

host governments as part of a skilled migration policy (ibid., p.27).

On the supply side, due to technological developments and changes in the structure of the education market, a greater number and variety of study programmes and courses are being offered internationally. Technological progress, for instance, has improved and facilitated various forms of distance education. Due to changes in the financing of higher education, institutions from major education provider economies have put increased emphasis on revenue generation (ibid., p.26). This has resulted in a drive to offer education services to international students at commercial rates through student mobility programmes and/or by opening branch campuses and offshore programmes. Demand and supply factors have also combined with deliberate national capacity building objectives, as demonstrated by some South-East Asian economies (Vincent-Lancrin, 2007, p.49).

V. EDUCATION SERVICES IN INTERNATIONAL TRADE AGREEMENTS

One of the anomalies in the education sector is that much of the growth in cross-border education has so far been achieved in spite of a low level of national commitments undertaken in trade agreements. Under the WTO the General Agreement on Trade in Services (GATS), education services remains one of the least committed sectors under the agreement. Fifty-one Members of a total of 153 members have taken commitments in one or more education sub-sectors amounting to approximately 30% of total WTO membership. Since the schedules of Austria, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic and Slovenia have not yet been

consolidated into that of the European Union and their Member States, they have been counted independently. Cyprus, Finland, Malta, Romania, and Sweden have not taken any commitments on education services.

One of the reasons behind the relatively low level of trade commitments has been the concern over how such commitments might affect the public provision of education services. Relating to this concern has been a rather widespread misconception amongst the education services community of how GATS commitments work and what their implications might be (See Lim and Honeck, 2009). Of the 51 WTO member countries who did take commitments, a large number limited their commitments to privately funded education excluding thereby publicly funded education. The two main ways by which Members have sought to explicitly limit the sector scope is by taking commitments which cover only: (i) privately funded education services; or (ii) non-compulsory education. Indeed in the collective request made in the Doha Development Agenda negotiations, it was clearly specified by the WTO members behind the request that their interest was on private education services.

Amongst the benefits of GATS commitments is that it can help attract foreign direct investment by providing predictability and certainty for investors. This can also be very important for domestic investors. It gives solid assurance against any sudden policy changes, and facilitates future planning, which are necessary for infrastructure based investments such as the establishment of an education campus. For this reason, GATS commitments, which are backed by the dispute settlement system, can serve to signal a government resolve towards maintaining a particular policy path.

VI. DIVERGENT AND CONVERGENT INTERESTS OF IMPORTERS AND EXPORTERS (SANER & YIU, 2008)

The internationalization of education services has been a politically contested subject. While the majority of the pri-

vately held schools in OECD countries are concerned mostly with regulations which potentially restrict purchasing of educational services, others have invested abroad and are keen on improving investment conditions especially with regard to unhindered market access and non-discriminatory investment conditions in foreign countries. Lobbying groups representing private sector actors with FDI interests in education services have actively attempted to influence governments' negotiation positions on GATS.

Some of the better known groups like GATE, Sylvan Learning Systems and QA are close to privately held schools and universities with business interests and subsidiaries in multiple countries. While many of these lobby groups emanate from the USA, some are also based elsewhere as, for instance, Monash University of Australia with its many off- and onshore campuses in East Asia. Monash University, like the majority of Australian universities, has developed an interesting strategy as it is a public institution inside Australia but becomes a private provider as soon as it exports its educational services abroad.

The large majority of publicly held schools and universities, particularly in Europe, have lobbied strongly against trade in education services and the negotiations taken under the framework of the GATS. On September 28, 2001, the presidents of the European University Association (EUA), the Association of Universities and Colleges of Canada (AUCC), the American Council on Education (ACE), and the Council for Higher Education Accreditation (CHEA) signed a joint declaration on higher education and trade in education services strongly expressing opposition to the inclusion of higher education services in the GATS negotiations. The joint declaration asks all actors in the GATS negotiations not to make commitments in education services. At the same time, the signatories expressed a willingness to reduce obstacles to international exchange in higher education using conventions and agreements outside of a trade policy regime.

As illustrated in the figure 2, the negotiation oscillates between stakeholders pushing for the liberalizations of educational market versus other stakeholders wanting to keep education out of any market access negotiations at the WTO, or for that matter, under any other trade regime. The opposition between market liberalizers and protectionists is played out within countries, between government ministries (e.g. ministry of trade vs. ministry of education), between government and private sector (privately owned schools versus publically run schools), between professional groups and public actors (teachers and student associations versus ministries of finance, education and trade).

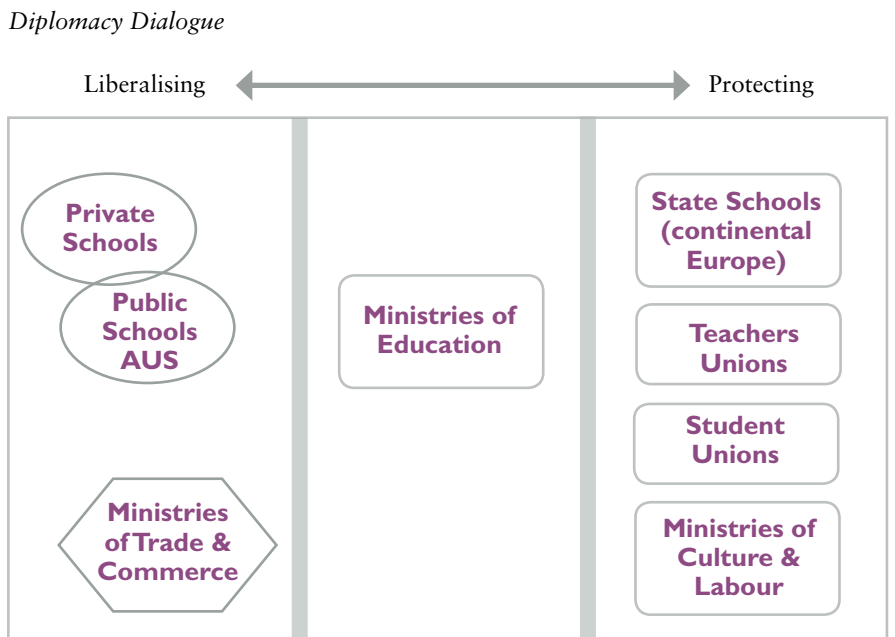
Based on these complex interests, coalitions have been formed for or against such positions (liberalization vs. protectionism) within countries, at the WTO and outside the WTO eg. at UNESCO, OECD or Council of Europe. Figure 3 below, illustrates the different coalition clusters of selected countries and their respective preferred institutional governance environment.

VII. COMPETING INTERESTS: WHAT'S AT STAKE?

Tensions over trade in education services, at risk of oversimplification, are typically between private suppliers and public providers, especially in non-English speaking European countries. For most of these countries, education is a public good which should not be supplied on a commercial basis in order to guarantee equal access to education for all citizens of a country, no matter of their background or financial means. Along with this view goes the expectation that the quality of the education provided should be comparable for all students independent of their origin and endowment. Stakeholders like teachers and student unions to a large majority reject trade in education services in general fearing that market access commitments under a trade agreement would open the backdoor to privatization and deregulation, and eventually lead to the dismantling of education as a public service.

For these stakeholders, the worst

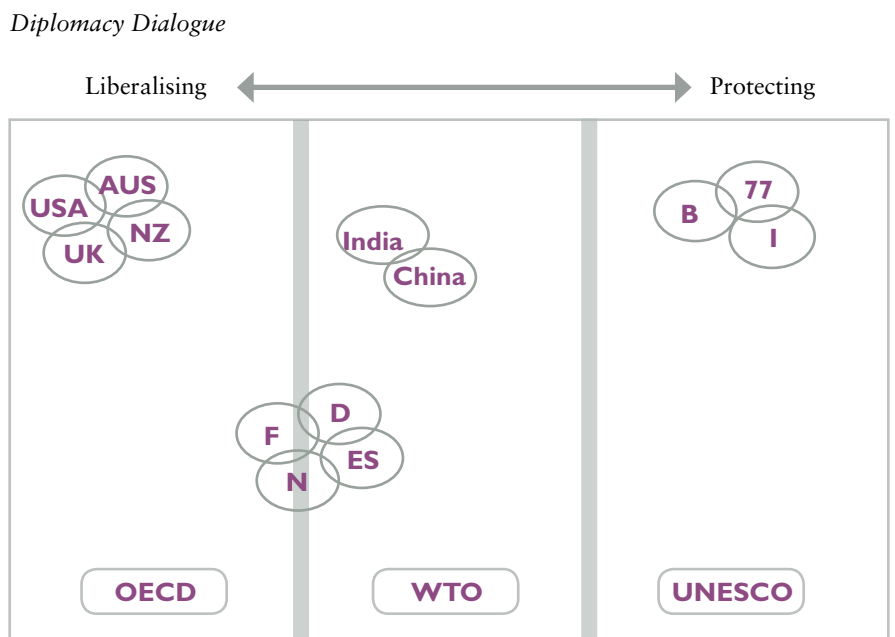
Figure 2: Coalition Clusters of Stakeholders involved in ES trade favoring liberalization vs protectionism (based on Saner & Fasel, 2003)



Copyright, DD/CSEND, 2006

Wilton Park 2006

Figure 3: Coalition clusters of selected countries and their respective preferred institutional governance environment (based on Saner & Fasel, 2003)



Copyright, DD/CSEND, 2006

Wilton Park 2006

- F=France
- N=Norway
- ES=Spain
- D=Denmark
- B=Belgium
- 77= Group of 77, developing nations
- I=Italy

case would be to see that governments lose regulatory control or flexibility to regulate and implement national policies, and that the education sector, once opened, would be dominated by foreign and/or private suppliers. Interestingly, while this might arguably be a significant policy concern for developing countries with underfunded education systems, much of the anxiety has arisen in certain developed countries with traditionally strong public education providers. Refuting such claims, parties in favour of trade in services highlight the fact that services supplied in the exercise of governmental authority are specifically excluded from the scope of the GATS (Articles I.3 [b] and [c]). Thus, even if commitments had been undertaken on education services, this exclusion would still apply. Moreover, there has, so far, been no legal challenge in the WTO with respect to the scope of the carve-out for governmental services.

For many developing countries, the consideration of whether to undertake commitments and the level of openness to provide will often depend on the

“*Trade in education is feared to lead to privatization and deregulation.*”

country’s assessment of its own social and economic development path, and the extent to which it sees trade as being critical to developing the domestic human resource and knowledge base. Market liberalization, however, also requires competence and institutional capacity in regulation and policy implementation. These crucial elements are all too often lacking in many parts of the developing world and have acted as obstacles to either engaging in trade negotiations, or in fully reaping the benefits of liberalisation. That being said, today, some of the most dynamic actors in the internationalization of education services are developing countries, particularly those in Asia-Pacific. There are also growing education markets in other regions, such as the Middle East

and Latin America, with middle income developing countries seeking to act as educational hubs offering internationally recognised degrees through franchise or twinning arrangements with developed country institutions.

In contrast, high income OECD countries, such as the US, EU and Switzerland, are more likely to restrict their trade commitments to privately funded education especially in primary, secondary and higher education. This stands in stark contrast to the often virulent criticism by domestic stakeholders in many of these countries, which have accused their respective governments of jeopardizing the monopolies of their public education. Nevertheless, faced with fewer financial resources, a growing number of OECD countries are exploring possibilities of delegating or outsourcing parts of education to private providers who are more cost-efficient service providers. However, in order to ensure continued delivery of high quality education services by private (national or foreign) education providers, governments need to increase their regulatory supervision.

In terms of negotiations, a strategic assessment of opening or protecting their education sectors needs to be done by stakeholders responsible for their respective country’s negotiation position on trade in education services. Stakeholders also need to understand the request and offer mechanism of WTO negotiations, as well as the modalities used in free trade agreements, and develop short-term and long-term solutions to key strategic challenges. These might include exporting/importing and/or aggressive/defensive liberalizing strategies. Once sectoral stakeholders have done their homework, internal consultations with their respective national WTO negotiation team might be called for in order to reach a common view and position.

An example of national strategic thinking can be found in China’s coastal provinces where private schools (domestically owned) are given permission to offer secondary education to students who failed the entrance exams to the public schools. Since education is a highly esteemed investment in their

children’s future, Chinese parents are willing to pay the relatively high tuition fees. The private schools are regulated by the authorities in charge of education, they pay taxes and lower the pressure on the governments to provide more remedial education. Foreign schools offering higher education degrees are highly regulated and requested to include local teachers in their teaching faculty, their tuition fees are regulated, the student intake limited, and the authorities often require that higher education degree programmes provided by foreign schools be complemented by a one to two year academic programme in their respective home country. Such one to two years of academic studies offer Chinese students opportunities to become familiar with a foreign country, learn a foreign language, and potentially qualify for jobs in developed countries.

Successful strategic assessments of threats and opportunities of education services and possible opening of trade in education services to foreign providers requires: (i) the formulation of adequate strategies focusing on the future development of the respective national education sector; (ii) the identification of possible export opportunities of national education services and their market access opportunities in other countries; (iii) the corresponding assessment of how to prepare their domestic market for foreign competition; (iv) the clarification of how a country wants to define the role of government – either as a provider or regulator of education services; and (v) concomitantly an agreement with national stakeholders on the flexibility for the education sector, i.e., in terms of activities, measures and policies that should not be brought under the purview of the trade agreement.

VIII. CONCLUSION

By way of a conclusion, the following observations would appear salient. Faced with budget cuts and limited spending power, many governments might want to consider participation by private sector providers including foreign investors through foreign direct investment. Private sector providers

“It would be unwise to opt solely for ‘free trade’ positions.”

could alleviate the financial pressures on governments. However, this does not mean that governments should abdicate responsibility. Regulating education at a national level also includes providing students with the highest possible and equal access to education for the benefit of social cohesion and for the most effective development of a skilled manpower potential to meet the economic and social challenges of the next generation.

Education is a multi-faceted undertaking characterized by a multitude of convergent and divergent interests of multiple stakeholders. Education policy cannot be limited only to the consideration of free choice and price efficiency criteria. Social cohesion and good citizen behavior such as democracy and ethical values are as important as top level scientific research or lucrative business degree programmes. It would be unwise to opt solely for ‘free trade’ positions since important private sector providers might not be willing to invest in low revenue education services such as civics, liberal arts education or basic professional skills training. Governments cannot opt out of such responsibilities.

Similar to the concept of multi-functionality in the agricultural sector, education requires a multi-faceted approach in order to guarantee adequate provision of education services for various target groups, and to ensure access to education for the less-privileged. Such a multi-developmental perspective is even more necessary for developing countries which often lack financial resources and technical know-how in the field of education. The GATS framework has sufficient flexibility to safeguard the multi-functional diversity of education, as well as the fundamental different needs of developing countries without falling into the trap of ‘managed trade’ immobility in education

services.

A balance has to be achieved between legitimate requests for consumer protection and the sovereign rights of governments to pursue high quality education without falling into the trap of closing market access to foreign education service providers. A central objective of the GATS is to progressively liberalize trade in services. It is not the intention of the agreement to regulate trade nor is it to deregulate service sectors. The agreement’s focus is on improving market access and to discipline discriminatory measures between countries, as well as between domestic and foreign service suppliers. In short, trade agreements provide the opportunity to a reduction of trade barriers due to a myriad of different norms, standards and requirements which often result in higher transactions costs affecting particularly developing country exporters who might have neither the technical know-how nor the necessary resources to deal with such measures. No doubt there are risks in opening markets but there also many new opportunities. The challenge is to move from what has been a sterile debate on ‘private vs. public’, to one which seizes the potential of trade as a tool for capacity development.

ENDNOTES

- ¹ It should be noted that a number of sections in this article on key trends in trade in education services and commitments in trade agreements are drawn from an unpublished education services background note prepared by Aik Hoe Lim for the WTO.
- ² UNESCO database available at http://www.uis.unesco.org/ev.php?ID=2867_201&ID2=DO_TOPIC.
- ³ Data includes economies with OECD partner status. OECD (2009), p. 226.
- ⁴ UNESCO Global Education Digest database available at http://www.uis.unesco.org/ev.php?ID=7628_201&ID2=DO_TOPIC
- ⁵ Private philanthropic institutions are not-for-profit institutions that rely on a combination of gifts and fees.

- ⁶ Besides tuition fees, universities also generate income from research funds, as well as consulting and research fees.
- ⁷ For statistical purposes (see OECD, 2009) a public education institution is defined as one controlled and managed directly by a public education authority or agency, or is controlled and managed either by a government agency directly or by a governing body, most of whose members are appointed by public authority or elected by public franchise. The source of funding is another distinguishing factor. The OECD defines a government-dependent private institution as one where more than 50 per cent of funding comes from government sources. While a fully independent private institution receives less than 50 per cent.
- ⁸ OECD (2004), p. 26. Other examples in the OECD area include universities in Austria, Belgium, Canada, Ireland, Netherlands and the Slovak Republic.
- ⁹ In a franchise/twinning arrangement, the student is enrolled by the foreign institution but completes a substantial part of the study programme at a local institution. In most arrangements, in order to complete the programme the student has to travel abroad and undertake the final year of study at the foreign institution. The local institution, provides the physical facilities and teaches the programme of the foreign institution, but does not confer any degrees or academic qualifications. The foreign institution may ensure quality through on-site supervision and/or the direct involvement of its faculty staff. Through such franchise/twinning arrangements a local institution can dramatically increase the choice of courses available to students in their country of origin. The student has the advantage of obtaining a foreign qualification at significantly reduced cost.
- ¹⁰ See <http://www.coe.int/T/DG4/HigherEducation/EHEA2010/BolognaPedestriansEN.asp>

- ¹¹ These figures are based on information available to the WTO Secretariat and provided to the authors.
- ¹² No figure was reported for China.
- ¹³ The estimate on the number of programmes and student is based on a survey by Bashir (2007).
- ¹⁴ Becker (2009), p. 1. The OBHE is one of the few organizations which systematically collects data on international branch campuses. While there is no universally agreed definition of an international branch campus, the OBHE report refers to the off-shore entity of a higher education institution operated by the institution or through a joint venture. Upon successful completion of the course programme, which is fully undertaken at the unit abroad, students are awarded a degree from the foreign institution. Some of the international branch campuses listed in the OBHE survey are small centres, rather than extensive campuses.
- ¹⁵ Based on unpublished research by Christopher Ziguras of the Royal Melbourne Institute of Technology.
- ¹⁶ The Laureate International group is a company listed on the NASDAQ stock exchange. In 2004, universities owned by the group enrolled 155,000 students and generated 80 per cent of their revenue outside of the US.
- ¹⁷ Marginson and Wende, van der (2007), p. 41. The Apollo Group owns the largest private university in the United States, the University of Phoenix, as well as the Western International University. Based on unpublished market research by Christopher Ziguras of the Royal Melbourne Institute of Technology other examples include: Kaplan Higher Education, a subsidiary of The Washington Post Company owns; Kaplan University and the Concord Law School in the US; the Dublin Business School, Ireland; and the FTC Business School in the UK; Tribeca Learning in Australia; and the Singapore-based Asia Pacific Management Institute with operations in China (including Hong Kong), Singapore and Chinese Taipei.
- ¹⁸ See OECD (2004), pp. 25–31 for a discussion of the policy rationales and drivers of cross-border education.
- ¹⁹ Böhm, et.al (2002) assumes that based on worldwide economic and demographic growth, the number of international students will rise at a compound rate of 5.8 per cent.

REFERENCES

- Adlung, R. (2005). *Public Services and the GATS*. Staff Working Paper ERSD-2005-03, July, 2005, Retrieved from http://www.wto.org/english/res_e/reser_e/ersd200503_e.doc.
- Agarwal, P. (2006). *Higher Education in India: The need for change*. Working Paper, No. 180, ICRIER, Retrieved from http://www.icrier.org/pdf/ICRIER_WP180_Higher_Education_in_India_.pdf.
- Agarwal, P. (2010). A New Direction for Private Higher Education in India. *International Higher Education*, Number 58, Winter 2010. Retrieved from <http://ideas.repec.org/p/ind/icrier/180.html>.
- Altbach, P. & Knight, J. (2006). The Internationalization of Higher Education: Motivations and Realities. *The NEA 2006 Almanac of Higher Education*, pp.1–11.
- Altbach, P., Reisberg, L. & Rumbley, L. E. (2009). *Trends in Global Higher Education: Tracking an Academic Revolution*. A Report Prepared for the UNESCO 2009 World Conference on Higher Education, Paris, UNESCO.
- APEC (2001). *Measures Affecting Trade and Investment in Education Services in the Asia-Pacific Region*. Singapore, APEC.
- APEC (2009). *Measures Affecting Cross-Border Exchange and Investment in the Asia-Pacific Region*. Singapore, APEC.
- Bashir, S. (2007). *Trends in International Trade in Higher Education: Implications and Options for Developing Countries*. Washington D.C.: The World Bank.
- Becker, R.J.(2009). *International Branch Campuses: Markets and Strategies*. September 2009, The Observatory on Borderless Higher Education.
- Böhm, A, D., Davis, D., Mearesand & Pearce, D. (2002). *Global Student Mobility 2025: Forecasts of the Global Demand for International Higher Education*. Canberra, IDP Education Australia.
- Catherwood, V. & Taylor, L. (2005). *Offshore Education: Stocktake and Analysis*. Wellington: Education New Zealand.
- Centre for International Economics (2008). *APEC and International Education*. Retrieved from www.TheCIE.com.au.
- Chang, A. (2010). India gives foreign schools the green light to expand reach. *Wall Street Journal*, 16 March 2010.
- de Wit, H. (2008). Changing Dynamics in International Student Circulation: Meanings, Push and Pull Factors, Trends and Data, in de Wit, H. et.al (2008). *The Dynamics of International Student Circulation in a Global Context*. Rotterdam: Sense Publishers.
- Dong, X. (2008). Development of Transnational Education in P.R China, presentation given at APEC Capacity Building Seminar on Transnational Education Services, Retrieved from http://hrd.apec.org/index.php/Capacity_Building_Seminar_On_Transnational_Education_Services.
- dos Santos, S.M. (2002). Regulation and quality assurance in transnational education. *Tertiary Education and Management* 8, 2, 97-112.
- Fielden, J. & LaRocque, N. (2009). *The Evolving Regulatory Context for Private Education in Emerging Economies: Discussion Paper and Case Studies*. World Bank Working Paper No.154. Washington. D.C., World Bank.
- Garrett, R. (2004). Foreign Higher Education Activity in China. *International Higher Education*, Winter, 21–23.
- Garrett, R. (2005). *The Global Education Index 2005 – Part 2:*

- Public Companies relationships with non-profit higher education.* London, Observatory for Borderless Higher Education.
- Geloso-Grosso, M. (2007). Developing Capacity in Tertiary Education through Trade Liberalisation and the GATS in OECD (2009). *Cross-Border Tertiary Education: A way towards capacity development.* Paris: OECD.
- Hatakenaka, S. (2004). *Internationalisation in Higher Education: A Review*, Higher Education Policy Institute, June 2004. Retrieved from www.hepi.ac.uk.
- Hayhoe, R. & Lin, J. (2009). China's Private Universities: A successful case study, in *International Higher Education*, Number 51, Spring 2008. Retrieved from http://www.bc.edu/bc_org/avp/soe/cihe/newsletter/Number51/p6_Hayhoe_Lin.htm.
- Hopper, R. (2007). Building the Capacity in Quality Assurance: The Challenge of Context, in OECD, *Cross-Border Tertiary Education: A way towards capacity development.* Paris: OECD.
- Ip, C. (2006). Quality Assurance for Transnational Education: A Host Perspective, in J. Baird (Ed.). *Quality Audit and Assurance for Transnational Higher Education.* Melbourne: Australian Universities Quality Agency.
- Keegan, D. (2005). *Mobile Learning: The Next Generation of Learning.* Distance Education International. Retrieved from <http://www.groupe-compas.net/wp-content/uploads/2009/09/book1.pdf>.
- Knight, J. (2002). The Impact of GATS and Trade Liberalization on Higher Education, in S. Uvalic-Trumbic (Ed.). *Globalization and the Market in Higher Education: Quality, Accreditation and Qualifications.* Paris: UNESCO.
- Knight, J. (2006a). Internationalisation: Concepts, Complexities and Challenges in J. Forest and P. Altbach (Eds.), *International Handbook of Higher Education.* Dordrecht, The Netherlands: Springer Academic Publishers.
- Knight, J. (2006b). Cross-Border Higher Education: Issues and Implications for Quality Assurance and Accreditation. *Higher Education in the World 2007 – Accreditation for Quality Assurance – What is at stake ?* Global University Network for Innovation, Barcelona, Spain.
- Lim, A.H. and Honeck, D. (2009). GATS and Education Services: Current commitments and future prospects, in Basset, R.M and Alma Maldonado-Maldonado (2009). *International Organizations and Higher Education Policy: Thinking globally, acting locally?* New York and London: Routledge.
- Roy, M., Marchetti, J. & Lim, A.H. (2007). Services liberalization in the new generation of preferential trade agreements: How much further than the GATS. *World Trade Review*, 6 (2), pp.155–192.
- Marginson, S. & Wende, van der M. (2007). Globalisation and Higher Education. *OECD Education Working Paper, No. 8, EDU/WKP(2007)3*, 6 July 2007.
- McBurnie, G. & Zигuras, C. (2001). The Regulation of transnational higher education in Southeast Asia: case studies of Hong Kong, Malaysia and Australia. *Higher Education* 42, 1: 85–105.
- McBurnie, G. & Zигuras, C. (2007). *Transnational Education: Current Issues and Future Trends in Offshore Higher Education.* London: Routledge Falmer.
- McBurnie, G. & Zигuras, C. (2009). The Future of Transnational Higher Education: Contemporary Trends and Future Scenarios in Programme and Institution Mobility Across Borders, in OECD (2009), *Higher Education to 2030, Volume 2: Globalisation.* Paris:OECD.
- Middlehurst, R. & Woodfield, S. (2004a). *International Quality Review and Distance Learning: Lessons from Five Countries.* Washington DC, Council for Higher Education Accreditation.
- Middlehurst, R. & Woodfield (2004b). *The Role of Transnational, Private, and For-Profit Provision in Meeting Global Demand for Tertiary Education: Mapping, Regulation and Impact.* Vancouver: Commonwealth of Learning and UNESCO.
- Newman, F., Couturier, L. & Scurry, J. (2004). *The Future of Higher Education: Rhetoric, Reality, and the Risks of the Market.* San Francisco: Jossey Bass.
- OECD. (2002). *GATS: The Case for Open Services Markets.* Paris, France: Organisation for Economic Co-operation and Development.
- OECD. (2004). *Internationalisation and Trade in Higher Education. Opportunities and Challenges.* Paris: OECD.
- OECD. (2005). *E-learning in Tertiary Education*, Policy Brief, December, 2005. Paris: OECD.
- OECD. (2009). *Education at a Glance 2009.* Paris: OECD.
- QAA. (2006). *UK Higher Education in China: An Overview of the Quality Assurance Arrangements.* Mansfield, UK: The Quality Assurance Agency for Higher Education.
- Rudner, M. (1997). International Trade in Higher Education Services in the Asia-Pacific Region. In *World Competition*, 1997, (21) No.1., 88–116.
- Saner, R. & Yiu, L. (2008). Business – Government- NGO Relations: Their Impact on Global Economic Governance in A. Cooper, B. Hocking & W. Maley (2008). *Global Governance and Diplomacy: world apart?* (pp.85–103). London: Palgrave Macmillan.
- Saner, R. & Fasel, S. (2003). Negotiating Trade in Educational Services within the WTO/GATS Context. *Aussenwirtschaft.* Zürich: Rüegger Publ, 85-103.
- Smeby, J. & Trondal, J. (2005). Globalization or Europeanization? International Contact Among University Staff. *Higher Education*, Vol.49, 449–466.
- Task Force on Higher Education and Society (2000). *Higher Education Developing Countries: Perils and Promise.* Washington, D.C: World Bank.
- The Observatory on Borderless Higher

- Education (2002). *Online Learning in Commonwealth Universities: Selected fate from the 2002 Observatory Study, Part 2*, Briefing Note No. 8, London.
- Teferra, D. (2008). African Higher Education: Projecting the Future, in *International Higher Education*, Number 51, Spring 2008. Retrieved from www.bc.edu/bc_org/avp/soe/cihe/newsletter/Number51/p9_Teferra.htm.
- Texeira, P. (2009). Mass Higher Education and Private Institutions, in OECD (2009). *Higher Education to 2030, Volume 2: Globalisation*. Paris: OECD.
- Tham, S.Y. & Ji, A.K.Y. (2007). *Trade and Investment Linkages in Higher Education Services in Malaysia*. UNESCAP Asia-Pacific Research and Training Network on Trade, Working Paper Series, No. 43, September 2007.
- UNESCO (2006). *Global Education Digest 2006*. Paris, OECD.
- UNESCO (2006b). *UNESCO-APQN Toolkit: Regulating the Quality of Cross-Border Education*, Bangkok, UNESCO. Retrieved from http://www2.unescobkk.org/elib/publications/087/APQN_Toolkit.pdf.
- UNESCO (2007). *Global Education Digest 2007*. Paris: OECD.
- UNESCO (2009a). *Global Education Digest 2009*. Paris: OECD.
- UNESCO (2009b). *Trends in Tertiary Education: Sub-Saharan Africa*. UIS Factsheet, July 2009, No.1.
- Vincent-Lancrin, S. (2006). *What is Changing in Academic Research? Trends and Future Scenarios*, draft paper. Paris: OECD.
- Vincent-Lancrin, S. (2007). Developing Capacity through Cross-Border Tertiary Education in OECD. *Cross-Border Tertiary Education: A way towards capacity development*. Paris: OECD.
- Vincent-Lancrin, S. (2009a). Cross-Border Higher Education: Trends and Perspectives, in OECD (2009), *Higher Education to 2030, Volume 2: Globalisation*. Paris: OECD.
- Vincent-Lancrin, S. (2009b). Finance and Provision in Higher Education: A shift from public to private?, in OECD (2009). *Higher Education to 2030, Volume 2: Globalisation*. Paris: OECD.
- World Bank (2003). *Closing the Gap in Education and Technology*. Washington, D.C.: World Bank.
- Yang, R. (2009). International Organizations and Asian Higher Education: The case of China, in R.M. Basset, R.M & A. Maldonado-Maldonado (2009). *International Organizations and Higher Education Policy: Thinking globally, acting locally ?* New York and London: Routledge.
- Ziguras, C. & McBurnie, G. (2008). The impact of trade liberalization on transnational education, in L. Dunn and M. Wallace (Eds.). *Teaching in Transnational Education: Enhancing Learning for Offshore International Students*. London: Routledge.



AIK HOE LIM

Aik Hoe Lim is Counsellor in the Trade in Services Division of the WTO, where his responsibilities include trade in education services. The views expressed in this article are of a personal nature and do not necessarily reflect those held by the WTO, its Members or the Secretariat.



RAYMOND SANER

Raymond Saner is Professor at Basle University and Sciences Po, Paris and was member of the Swiss delegation to the OECD/UNESCO Fora on trade in educational services.

CONTACT

Director.
DiplomacyDialogue, CSEND
C.P.1498, MontBlanc
1211 Geneva, I, Switzerland
Tel.: +41-22-906-1720;
Email: saner@diplomacydialogue.org
Web: <http://www.diplomacydialogue.org>