Global Trade In Education Services

Session: Liberalizing Trade In Social Services
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http://www.ifc.org
Overview

- Background – Global Education Market
- Fiscal Pressures – in a growing global market for education services
- Globalization & Internationalization
- GATS – and its implications
- Discussion – Questions & Issues
The Global Market

- **$2.2 trillion+ total**
  - one third of market in USA
  - approx 15% only in the developing world

- **Teachers** – 5% of global labor force

- **Primary & Secondary Education**
  - substantially public funded

- **Tertiary & Adult Education**
  - changing landscape - free provision diminishing
  - regulatory - governments more liberalized
  - private sector participation growing

Sources: Merrill Lynch 2000; OECD 2000; World Bank; IFC
Students Studying Abroad

- Over 1.6 million international tertiary students abroad in OECD countries (est $30 billion market)

- Over 580,000 in USA 2001/02 – or around 35% of OECD total (6.4% inc from Yr 2000)

- UK had 14% of OECD total in 2001 – students from China increased by 67% from previous year – 31% increase from India

- Other significant OECD share – Germany (12%) – Australia (10%) – France (8%) – and NZ (5%)

- ERASMUS program – over 120,000 students a year
International Students – Big Business

- **Australia**
  160,000+ foreign students in Yr 2001– growing from 160,000 to 560,000 by Yr 2025 – double again in distance programs
  – 50%+ from Singapore and Hong Kong are distance

- **% of Total Exports**
  – 11% and 4% respectively of Australia and NZ’s in Yr 2000
  – 3.5% and 3.2% respectively of US and UK’s

- **China & Russia**
  – 44,700 foreign students in China Yr 2000 – of which 70% from Asia, 12% from Europe, 11% from the USA
  – 90,000 foreign students (40,000 from CIS countries) Russia

Sources: Report commissioned by IDP Education Australia; China Education Yearbook, 2002; Oxford Analytica, Russian Government Starts Reform of Higher Education, 13 April 2004
Balancing Education Sector Needs... With Fiscal Realities

- Economic decline – education resources shrinking
- Governments reconciling and balancing education fiscal realities and demographic trends
- Education For All – a global priority
- Unmet demand and supply is creating new opportunities for cross-border trade in education services – happening now!
Global Giants – Lack of Supply

in the world’s most populous countries

China:
- 11% gross enrollment
- 26 m students currently in high school
- 15 m students to enroll over next 4 years

India:
- 6% gross enrollment
- 10,900 HEI’s (includes 237 Deemed Universities)
- over 8 m students enrolled
- some programs - 5000 applicants per place

<table>
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<tr>
<th>Total Population approx</th>
<th>India</th>
<th>China</th>
<th>LAC</th>
<th>UK</th>
<th>USA</th>
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<td>520</td>
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<th>Public Expenditure on Education ($B)</th>
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<td>16</td>
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<td>94</td>
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<tr>
<th>% Global Budget</th>
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<th>China</th>
<th>LAC</th>
<th>UK</th>
<th>USA</th>
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<tr>
<td></td>
<td>0.7%</td>
<td>2.0%</td>
<td>4.2%</td>
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<table>
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<th>Per 10 m Population</th>
<th>India</th>
<th>China</th>
<th>LAC</th>
<th>UK</th>
<th>USA</th>
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<td>$0.16 b</td>
<td>$0.36b</td>
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People are crossing borders in record numbers:

• Each year nearly 3 million people emigrate

• The majority go to just four host countries: – USA, Germany, Canada and Australia

• Remittances (the money migrants send to their home countries) – more than $75 billion a year

• 50% more than total official development assistance
International Human Capital Circulation

• World increasingly becoming one globally integrated market
• Highly educated and trained people are key element of competitiveness
• Increasing international mobility of skilled people
• Increasing importance of tertiary education
• Increasing competition in provision of tertiary education and training
Impact of Globalization

- Global market for higher education and training – and emergence of global labor market
- Demand for internationally recognized qualifications
- National & Foreign providers – filling demand gap
- Appropriate ‘enabling’ systems and frameworks – less the ‘controller’, with flexibility to respond – can bring order & help preserve traditional sectors – can advance country-specific culture & education
Internationalization can be a pre-determinant for commercial initiatives

- Faculty exchange / Student exchange
- Preparing students for a new global world of work
- New types of knowledge and skills required
- More adaptable global workforce
- Local and international affiliations
  - joint degrees & programs
  - identify & optimize areas of compatibility
  - develop common curriculum strategies
Lifelong Learning
Changing Student Profiles

• Adults with tertiary qualifications – increased from 22% to 41% today in OECD countries

• Over 40% of undergraduates in US & 30% of Canada’s undergraduate students are over 25 yrs

• Yr 2000 – over 20% of first year university students were over 27 yrs – in Australia, NZ, Denmark, Norway & Sweden

• Lifelong learning attracting new learners – more diversified – older and part time students

On-Line Education

Difficult to regulate transnational delivery

- UMUC; Univ of Illinois; Univ of Phoenix On-Line; DeVry Univ; Jones Univ; 60 Chinese Universities; Bilgi University Istanbul; ITSEM enrolls 95,000 students, 3,500 are outside of Mexico
- ‘Blended’ models growing (combining trans-national with local delivery)
- E-learning – likely future mode of greatest impact
- Yr 2002, 19% of corporate training in US was on-line – up from around 7% three years earlier
- Example – Motorola has 30% of its training on-line
- $150 billion industry by 2025

Sources: IDC; Van der Wende, Journal of Studies in International Education Summer, 2003; OECD 2001
The I.C.T. Revolution

- Use of ICT’s – revolutionizing global education

- Technology changing pedagogy – supplementing traditional modes of instruction, learning & research

- Growing effectiveness in uses of I.C.T.’s
  – advance curriculum delivery & research
  – create new delivery models, including cross-border
  – can expand access – national and foreign

- Govts fostering creativity in distribution models
The Parallel Training Universe

- New players in higher education offering education and training in more advanced technologies.

- Global I.T. companies / I.T. training providers (NIIT; SSI/Aptech;) – operate outside certified higher ed credentials and accreditation – but some affiliations

- In Yr 2000, global I.T. companies certified 1.6 million students worldwide with 2.4 million certificates in Information Technologies.

- Cisco provides certificated training for 400,000 students in 150 countries
Trade in Educational Services

• Globalization and advances in ICT are leading to a global market for educational services

• Global annual trade in OECD higher education in 2000 was 3% (or $30 b) of total services trade – this year international student earnings alone exceed this sum

• How Can We Optimize the Gains?
  ✓ Access to high quality international faculty and programs
    • Increasing potential for local students to achieve higher qualifications
    • Increased potential to attract foreign students

  ✓ Joint programs / degrees / international affiliations

  ✓ Affiliations & Partnerships – can enhance international competitiveness and quality
GATS

- GATS covers primary, secondary, higher ed / adult education and 4 modes of supply:
  - Cross-border;
  - Consumption abroad;
  - Commercial presence;
  - Natural persons rendering services)

- 144 countries – remove barriers to entry for foreign providers

- Equal treatment for national and foreign providers – includes subsidies – unless countries note special limitations

- Qualifications/ Research/ Property Rights (TRIPS) – still blurred

- UNESCO & OECD have constituted Global Forum on GATS
Regulations – Implications For Local & Foreign Providers

• Three types of competition:
  ✓ Institutions that set up physical local facilities
  ✓ Institutions that provide degrees to local students through distance / use of ICT’s
  ✓ Institutions that attract local students to study abroad

• First type easiest to regulate; second and third types much more difficult:
  ✓ What type of licensing/accreditation of cross border suppliers should be put in place? (Concern that most regulations burden or disadvantage local providers)?
  ✓ How to develop recognition and transfer of credits?
Some Issues To Resolve

If further liberalization of education is to be effective –

1. Importance of meeting quality standards – how will it be determined?

2. How will governments ensure national and foreign programs meet certain national policy and cultural objectives?

3. Changing role of government – how to become more the ‘enabler’ and less the ‘controller’ in advancing local higher education?

4. How will ‘smothering’ regulations give way to market-based systems of institutional autonomy and greater academic freedom?

5. How will foreign programs accommodate local Social and Cultural sensitivities?

6. Which are the education services to be covered or exempted?

Sources: OECD 2001; Knight 2002:
Two Questions!

**Question 1:**
To what extent is importing education services from abroad a good solution for addressing lack of access to high quality education in developing countries?

**Question 2:**
Will GATS lead to increased commercialization of education in developing countries? And – will this be a good or bad thing for future development of education?