

SOCIETY

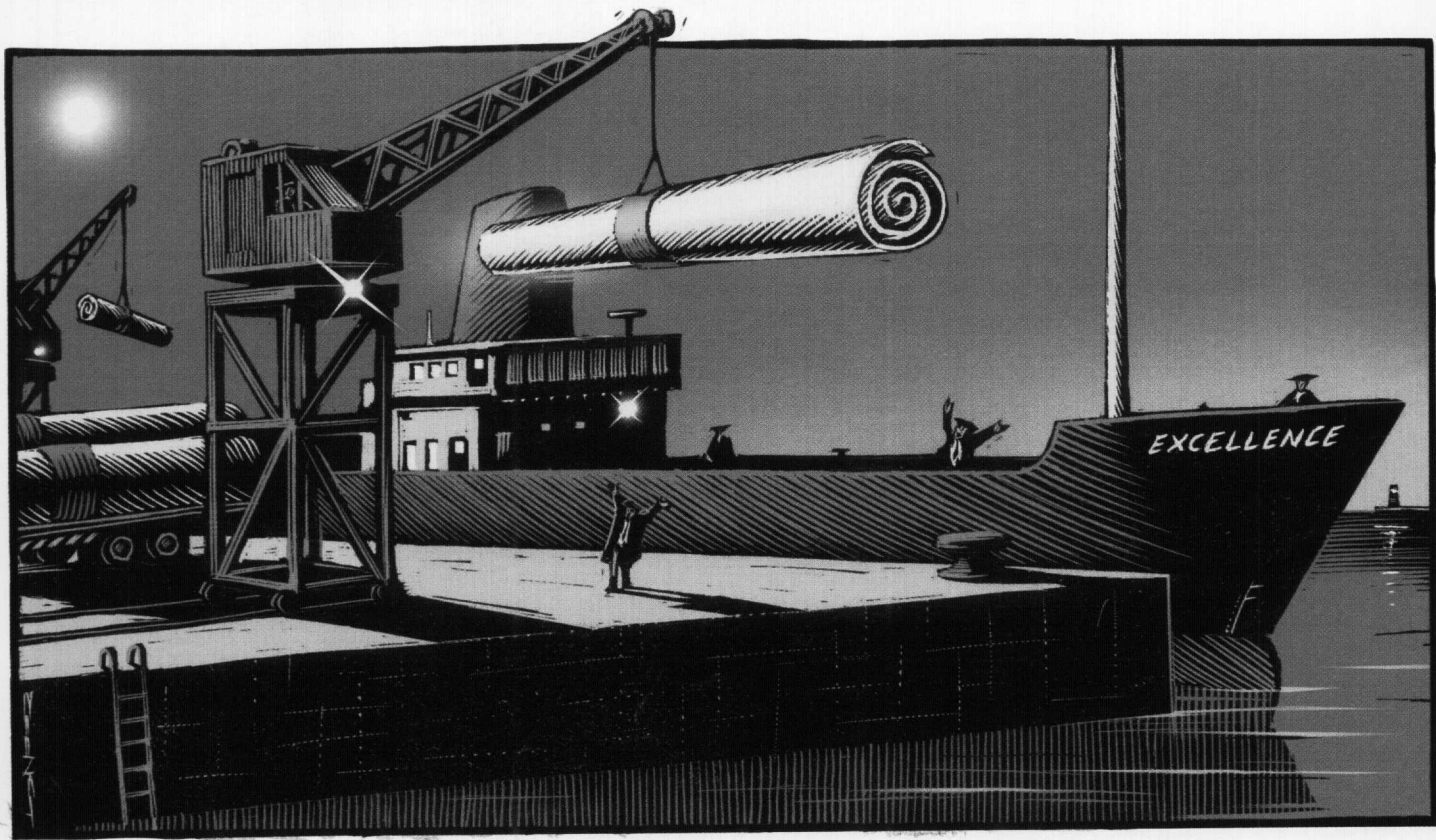
Education

# The learning business

## Can trade in international education work?

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Education is largely a national affair, but it is fast becoming a worldwide service industry too, even for publicly-funded systems. Does trade in education help and can education be traded on the global market without compromising on issues like cultural independence or quality? These questions raise important challenges for governments, educators and students alike that will grow in the years ahead.



Until recently, it would have been incongruous to refer to international student mobility as international trade in educational services. Today in some OECD countries, there are clearly business motives as well as traditional cultural and political rationales behind policies to internationalise higher education. These two separate approaches have fuelled the growth in trade in educational services over the past

decade. The current talks on “educational services” in the General Agreement on Trade in Services (GATS) negotiations in the World Trade Organisation (WTO) highlight the importance of these trends, as well as raising awareness of issues, especially in relation to post-secondary education.

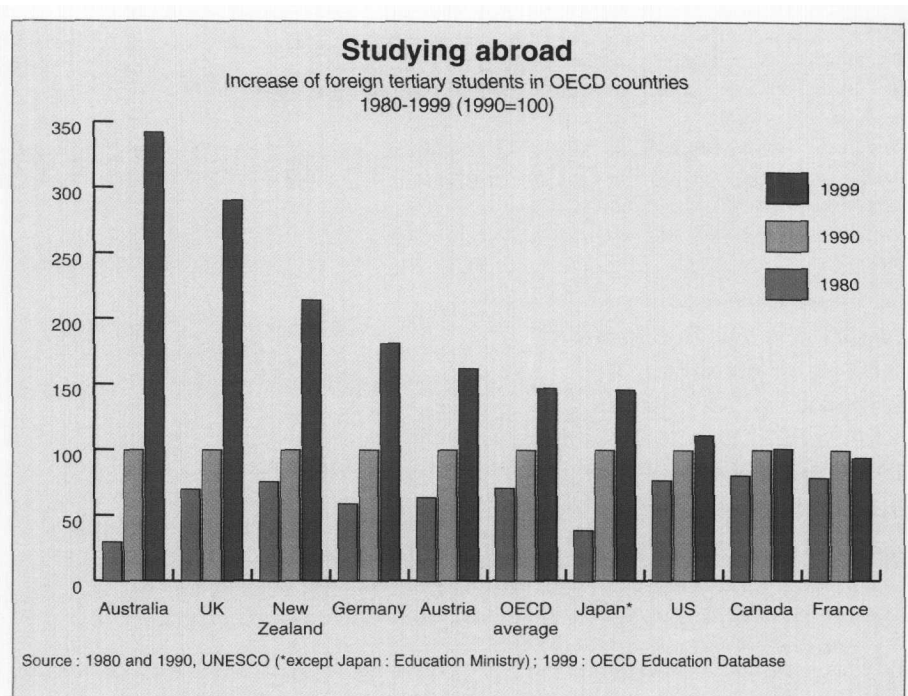
International student mobility to OECD countries has doubled over the past

20 years. Between 1995 and 1999, the number of foreign students rose almost twice as fast as the total number of tertiary-level students in OECD countries (9% for the former as against 5% for the latter). Most international trade in higher education services takes place within the OECD area, which received 85% of the world's foreign students. Foreign students represent an important source of export revenue in some OECD countries. They incur large expenditures for their travel expenses, education costs and living expenses. Export revenue in education services amounted to an estimated minimum of US\$30 billion in 1999, not much less than the financial services sector.

Every OECD country finances student and teacher mobility to some extent via university bursary schemes, bilateral or multilateral agreements and, increasingly, ambitious regional schemes. However, in recent years, problems have mounted in the funding of higher education, largely as a result of greater scale and demand. This situation encouraged some countries to look for commercial solutions.

Although the extent to which higher education is subsidised varies considerably across countries, higher education is largely publicly funded in the OECD area; domestic or home students pay over 30% of the real cost of their tertiary education in only three of the 22 OECD countries for which data are available (Korea, Japan and the US). The main feature of the commercial approach is to offer educational services to students from abroad at unsubsidised rates, with the students covering at least the cost of their education. Australia and New Zealand have rules that actually prevent universities from providing subsidised educational services to such students. But, as with any other marketed service, the commercial challenge is how to attract a large number of international students or corner a large share of the market.

International trade in educational services has not only increased substantially in the OECD area, in some cases it has also taken new forms, including educational institutions operating abroad, and educational services being supplied across borders through e-learning. Australia is a striking example of a



country whose exports of post-secondary educational services are increasingly delivered in the student's home country: between 1996 and 2001, such "offshore" enrolments increased from 24% to 37% of all international students enrolled in Australian institutions. Most of these students attended offshore campuses (28% of all international students in 2001) and fewer (9% of all international students) were enrolled offshore in distance education, although this number is growing. More than half of the international students from Singapore and Hong Kong-China studying in an Australian educational institution are enrolled in offshore courses. This involves lower personal costs than studying abroad, and although such services might not offer the same cultural and linguistic experiences as foreign study, they are likely to meet a growing demand in the future. The international market for educational services has to a large extent been demand-driven, particularly by students from the rapidly emerging countries of north and south-east Asia. These students may face capacity constraints in their home countries, while there is the appeal of more widely recognised qualifications, in mainly high-income and English-speaking countries.

But high demand leads to supply pressures, whether on traditional universities, distance-

learning institutions, or private education and training companies. Initiatives are being taken, and providers are joining together in partnerships to meet demand more effectively.

### Trade issue

But is liberalisation the answer? Not according to the 2002 Porto Alegre Declaration, which was signed by Iberian and Latin American associations and public universities. The Declaration is radically opposed to international trade in educational services. The signatories maintain that promoting international trade would lead to deregulation in the education sector with the removal of legal, political and fiscal quality controls, that national governments would abandon their social responsibilities, and that other outcomes would include an increase in social inequalities, the weakening of ethical and cultural values, and a standardisation of education, thus negating the sovereignty of the people.

The Joint Declaration on Higher Education and the GATS, signed by four associations representing 5,500 American, Canadian and European institutions, takes a cautious, though more ambivalent stance: rather than coming out against international trade in educational services, the signatories call for a



freeze on WTO trade negotiations on educational services. In their view, there is no need for trade negotiations, particularly since they might significantly jeopardise the quality, accessibility and equity of higher education and restrict the right of national authorities to regulate and publicly subsidise

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their higher education systems. Meanwhile, student representatives from OECD countries see trade and market competition in the education sector as a threat to public funding and intellectual freedom in higher education.

There is clearly uncertainty about the repercussions that open trade and direct competition among educational service providers will have on national higher education systems, especially as far as funding, cost, quality, diversity and stability are concerned. But as international trade in educational services has had no need of the GATS to achieve high growth in the past, the WTO negotiations will probably not have a major impact on growth in the near future. They may accelerate the development of international trade in educational services with no student mobility (offshore campuses, e-learning, etc.), but not in trade involving student mobility. More important there are the potential barriers from host-country visa and immigration policies, and these do not fall within the scope of the GATS. Nor does the assurance of quality in international educational services, which is one of the major brakes on the expansion of trade in education (see below).

Most requests for market opening under GATS concern educational services in the private sector. The United States, for instance, has confined its request for market opening to private post-secondary education, making it explicit that it does not apply to public higher education.

### Education for all

One of the notions of the last ten years has been the need to close the so-called knowledge divide between rich and poor countries. Undeniably, international trade in post-secondary education could help improve access to post-secondary education in the developing world. In most developing countries, less than 5% of the population currently has access to post-secondary education. The number who wish to enrol is bound to increase substantially in the coming years as the internationally-driven goal of providing basic education for all is progressively achieved.

Clearly, many developing countries will have difficulty meeting this demand in the near future. Initiatives in distance-learning programmes that are linked with educational infrastructure in other countries can help. Offshore campuses of foreign educational institutions are another means, and they might also help contain the "brain drain" caused by students leaving their home country. Programmes currently underway in China and India show that widening access in these ways can work.

But the growth of international trade in educational services also raises a number of questions for OECD governments. What should their direct or indirect roles be in funding, regulating, monitoring and delivering post-secondary education? They must respond to a more complex environment with a wider range of education and training providers becoming involved, increased connectivity and interdependence among national education systems, and pressure for greater coherence among the national frameworks of post-secondary education. Moves towards greater coherence are already evident, for instance, with the European Higher Education Area, but the challenge is just beginning.

### Quality battle

Quality is another hotly debated subject. At present, very diverse quality assurance and accreditation mechanisms for higher education are in place in different OECD countries. Almost all current quality assurance models are confined to the

educational activities of institutions within national boundaries. These are supplemented by international initiatives such as the UNESCO/Council of Europe Lisbon Convention and the European Bologna process to secure better consumer protection against low-quality programmes and to enhance transparency. However, the prospects for convergence or even compatibility between these models are still as remote as they are uncertain. Most student mobility programmes and existing schemes of credit recognition and transfer do not involve any quality control.

Some international procedures for validation, and sometimes even accreditation, of programmes and institutions have been established by professional organisations such as in engineering and accounting, and within the information and communication technology sector. The importance of such accreditation procedures will undoubtedly grow, and with it, the pressure to co-ordinate quality assurance and accreditation across borders.

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A comprehensive international quality assurance system is unlikely to be developed in the near future that could substitute national policies and procedures. But given developments in transnational education, including e-learning, a new global educational market may emerge that will challenge current national quality assurance and accreditation systems. Pressure would then mount for education to become more global. ■

#### References

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- Larsen, K., and Vincent-Lancrin, S. (2002), "International trade in educational services: good or bad?", *Higher Education Management and Policy*, vol. 14, No.3, Paris
- See [www.oecd.org/education](http://www.oecd.org/education)