

POST-SECONDARY EDUCATION AND OPPORTUNITIES FOR INVESTMENT AND TRADE

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The Knowledge Society, Education and Trade

The era of knowledge in which we live today has been opening up vast prospects for the expansion of educational services. The new society that is emerging with this new era requires that all people have access to education throughout their lives. Thus, the demand for education has reached levels that are unprecedented in the history of humanity and is growing at an astounding rate.

Educational systems need to meet this new demand by creating conditions to offer continuous education. This implies important changes in the structure of the supply of education, which until now has been designed to offer educational services only during a certain period in people's lives.

On the one hand, basic education – encompassing elementary, middle and high school instruction – needs to be made universal and its goal should be to develop critical thinking and learning skills in youths. On the other hand, the post-secondary educational system must be broad, diversified and flexible in order to remain continuously up-to-date, keeping pace with the development of new knowledge and technologies, while enabling people to return frequently to educational institutions over the course of their lives.

The expansion of the post-secondary educational system, with these characteristics, should envisage an important role for distance learning, whether as courses or subjects offered by traditional educational institutions, or through specialized training institutions. Even though this mode of instruction can use traditional means of communication, it is undoubtedly true that the emergence of new information and communication technologies has created vast opportunities to increase the speed and effectiveness of responsive educational systems.

Therefore, new opportunities have arisen for investment and development of trade in educational services. Those countries that are better or quicker in developing methodologies and curriculum content for distance learning through the use of new technologies will be able to benefit from vast comparative advantages when offering educational services as export items. The innovative nature of this new “product” has stimulated a debate about how and whether it should be regulated as part of trade relations among countries.

* The opinions expressed in this article are those of the author and do not necessarily reflect the opinions of the Brazilian government regarding this matter, especially those related to international trade.

Educational services have characteristics that are unique among goods and services that can be traded. Development of cognitive skills and continuous advances in knowledge comprise merely part of the purpose of the educational process. Full development of one's ethical and philosophical dimensions, development of one's consciousness as a citizen, and the strengthening of one's national and cultural values are equally important educational goals. These aspects of education constitute natural barriers to the unrestricted advance of trade in educational services, as they are necessarily related to the national realities of each country involved.

Concerns that these aspects will not be taken into consideration have led to strong ideological reactions, especially in less developed countries, against any type of foreign investment or commercial transactions involving educational services. In addition to opportunities that could be lost in improving the educational system, efforts to promote isolation seem to be useless in a world where communications can break through any boundaries. This negative attitude may cause delays in facing this issue, which could result in a dangerous lack of regulation in this area and make such countries vulnerable to practices that would be difficult to revert.

We should recognize how potentially beneficial for our countries' education an expansion of trade in educational services would be, within an appropriate regulatory framework in which national interests are clearly protected – and even strengthened by improvements in the quality of the educational process. These considerations should guide the role of regulating educational services within each country, both for the purpose of trade and investments.

The mechanism that national educational systems have available to exercise their regulatory authority is the accreditation and certification of degree programs. In other words, the educational institutions that are licensed to issue valid diplomas and certificates in a certain country must follow the rules and regulations of that country or of international agreements that may exist among countries. Therefore, the accreditation processes for educational institutions acquire a new dimension within each country, and they should follow the rules established by each country's national legislation.

In this context, I see two main modalities for trade in international services: on the one hand, directly offering full continuing education courses in the areas of training and professional development; and, on the other hand, offering specific curriculum content for the various educational levels that could be included as part of the academic requirements of accredited educational institutions. In the latter case, in addition to issues that are purely commercial, such as those related to licenses and tariffs, regulation of such courses should ensure that they are in accordance with the requirements of national educational legislations.

However, it is necessary to prevent the expansion of trade in educational services from causing damages to genuine academic cooperation practices, which

would greatly undermine the institutional growth of higher education and research in countries with emerging markets. Expanding education, while ensuring quality, requires increasing public investment. Trade, with the necessary concern for regulation, may lead to the false notion that education for the purpose of qualifying professionals for growth and research may be dictated by the interplay between the interests of suppliers and consumers.

This new reality also creates vast prospects for foreign direct investment in the education area. Such investment can occur in association with local entities, or through the establishment of a local subsidiary of a multinational entity. It is important to note that, in either case, investment can occur through a local entity, established in accordance with the laws and regulations of the country and subject to all accreditation and evaluation processes established in the national legislation regarding educational matters.

Another issue to be considered is economic in nature and involves the country's trade policy as it seeks to achieve a trade balance in the educational services area. The developed countries are undoubtedly in a better position to achieve initial and perhaps permanent competitive advantages in the area of trade in educational services. In many cases, governments in developed countries invest heavily to subsidize the production of educational services and the creation of agencies to promote exports of such items. For the countries that are potentially net importers of educational services, now is the time for immediate action before free import practices are established without any regulation, which would be difficult to revert later on. The protectionist practices that have been widely used by developed countries in the areas of agriculture, raw materials, semi-manufactured products and services suggest that we should adopt a cautious attitude regarding the regulation of trade in educational services. The growth potential in this area may be an important bargaining tool in the trade negotiation process both bilaterally and multilaterally in the World Trade Organization.

The Specific Characteristics of the Brazilian Educational System

Efforts undertaken in Brazil towards making basic education universally available for children of ages seven through fourteen have produced great results by the end of last decade. From 1991 to 2000, the net enrollment rate, which measures the actual proportion of children in this age group that attend elementary and middle schools, jumped from 84% to 96.3%. In the year 2001, we estimated that this figure grew to nearly 97%. This represents an extraordinary growth, when we consider that Brazil was able to reach ahead of schedule – and later surpass – the goal established with UNESCO for the Ten-Year Education for All Plan, which was to increase the access of school-age children education to at least 94% by 2003.

These advances were not merely quantitative. There were significant improvements in student performance rates, which substantially raised the graduation rates in elementary and middle schools, as well as in high schools.

Over the last seven years, the number of students enrolled in high school has increased 71% and the number of graduates at this educational level has doubled.

The Brazilian educational sector includes more than 60 million students from preschool to graduate school. Some research studies prepared by investment banks have noted that the sector accounts for about R\$90 billion per year, constituting approximately 9% of the Brazilian GDP – which is the equivalent of the telecommunications, electric power and oil sectors combined. Public spending on education corresponds to about 5.5% of the GDP. Despite this fact, while those other three sectors combined have received R\$ 32 billion in private investment over the last two years, Brazilian educational institutions have had to rely on their own financial resources in order to grow, resulting in a growth pattern that was much slower than what would have been possible had they had easier access to capital. The financing model that is available often hinders economic returns on investment, given high cost of financing in Brazil.

Moreover, society has been increasingly demanding regarding the quality of education and its application in practice. Competition among schools has been growing and the requirements from the Brazilian Ministry of Education and other governmental agencies have become increasingly rigorous. Thus, the need for investment in the educational sector has been increasing over the last few years.

Vocational Education

Vocational education has undergone a few changes that are emblematic of the dramatic turnaround of quality and universal access to education that are being achieved in Brazil. Vocational education is featured prominently in the new Law of National Guidelines and Tenets for Education, which was enacted in 1996, because it is considered to be a strategic factor in promoting competitiveness in a developing country.

The first great change that arose as a result of the new law was making vocational education independent from high school education. Vocational training is now intended to supplement basic education, meaning that it neither replaces nor competes with basic education.

The reforms overseen by the Brazilian Ministry of Education were aimed at improving and expanding vocational education based on the demands of the productive economic sectors and the development needs of the country, society and its citizens. In addition to being separate from high school education, vocational educational now relies on courses that are aimed at meeting the needs of the local and regional job markets, with a modular curricular structure that provides students with access to continuous education with a flexible curricular contents. Today, vocational education in Brazil is much more in tune with the realities of the world of production.

An important instrument in this process is the Program for Expanding Professional Education (PROEP), which has been developing and implementing reform initiatives related to innovations introduced by the new law. A contract signed by the Brazilian government and the Inter-American Development Bank (IDB), in the amount of US\$ 250 million plus the same amount provided by Brazil as matching funds, has allowed 300 projects to be approved for the creation of new Training Centers for Vocational Education, to meet the needs of the federal, state and community levels. When all these projects are implemented, we will have doubled the supply of openings in post-secondary vocational education in Brazil.

With its new profile, vocational education has been attracting youths who really want to work as skilled workers. Thus, we have successfully corrected a distortion from the past, when, due to their widely recognized high quality, there was fierce competition for vacancies offered in vocational schools at the high school level often by hundreds of students who were not really interested in working as skilled workers, but rather wanted to prepare themselves better for higher education.

Higher Education

Among countries with the same level of economic and social development, Brazil is particularly noteworthy for its highly complex and well-developed higher education system, especially its public universities. However, access to this system was previously limited to those who had managed to pass through the basic education funnel that was mainly beneficial to the middle and upper classes.

With the advances achieved recently in Brazilian basic education, and also as a reaction to changes in the labor market, new social groups have begun knocking on the university doors. In order to meet this new demand, which is a fair one from a social standpoint, higher education in Brazil had to undergo changes.

The Cardoso administration in Brazil has given careful attention to the restructuring of higher education policies, bearing in mind the challenges of the knowledge society. Just as rapid economic changes have created a need for reliable basic education and well-educated citizens, the accompanying technological and organizational changes call for highly specialized personnel who can play an active role in the economy, politics, culture and the labor market, in accordance with certain standards and values. In order to consistently meet the demands of the knowledge economy, Brazil needs to guarantee that the supply of higher education will expand, by promoting institutional specialization and greater diversity in course offerings.

Therefore, the policies developed and carried out by the current Brazilian government have been – and continue to be – aimed at expanding the system and promoting quality improvements, with results ensured through a broad and rigorous process of evaluating educational institutions. The system for evaluating undergraduate degree programs was created during this period, while that for

evaluating graduate degree programs has been completely reformulated. Moreover, the accreditation system for degree programs and educational institutions has been redesigned, today being completely transparent, with rules that are both clear and linked to the evaluation process.

Our public universities are distinguished among Brazil's educational institutions for their high quality. They produce the professors for Brazil's higher education system and the researchers and scientists who make knowledge advance in various areas of research and produce – and should continue producing – the technology that is required in these modern times. But as the knowledge economy advances, other higher education needs will also arise that cannot be met by university institutions that are required to associate education with research.

There is a clear need for cooperation between the public and private sectors in meeting the demand for higher education in Brazil. In fact, this cooperation already exists. The number of students in the Brazilian higher education has grown by more than 70% over the last seven years and most of this growth has occurred in the private colleges and universities. Today, about 71% of the higher education enrollment in Brazil are offered by private institutions. In order to meet this growing demand for higher education, this public-private cooperation has to be intensified.

In order to increase the supply of high quality higher education in Brazil, it was imperative to impose discipline on the process. Toward this end, the National Education Council was reconstituted so as to become an agency that applies rules, standards and discipline on the educational system. In addition, the Brazilian Ministry of Education developed and carried out other complementary actions, including the following:

- It encouraged greater flexibility in the curricula and structures of higher education degree programs;
- It promoted a substantial curricular reform, replacing rigid minimum curricula with curricular parameters;
- It created a higher education evaluation system to monitor the quality of the education offered in both the public and private sectors;
- It restructured teacher's careers and the system for financing the federal public universities;
- It reorganized the system to provide loans for students in private institutions.

The aim of the curricular reform was to replace rigid minimum curricula with more flexible parameters, so as to allow the various institutions of higher education to offer degree programs better suited to the needs of society and the economy, both locally and regionally. Also, degree programs that are shorter and structured more flexibly were facilitated. Current trends and economic prospects would suggest an accelerated growth of demand for higher education. This demand that is highly differentiated not only for bachelors programs and other academic degree

programs, but also for technological degree programs and other forms of work-related training aimed at directly satisfying the various needs in the areas of production and labor, through both long-term traditional degree programs and short-term and continuing education courses. Flexibility and diversification are key concepts that will be characteristic of higher education in the knowledge society.

Quality is another key concept that is also inseparably linked to the education that is necessary in order to participate in the knowledge society. So as to ensure that the rapid expansion of Brazil's higher education system is carried out with high quality, one of the most comprehensive evaluation systems in the world has been established, at every level of instruction, including both the undergraduate and graduate levels.

A National Evaluation System

Over the last seven years, Brazil has established a National Evaluation System overseeing the Brazilian educational system. The goal is to ensure that targets and objectives regarding quality improvements are met. The results of these evaluations are widely disseminated to the public.

The ongoing evaluation of quality at all levels of education is now a concrete reality in Brazil. This addresses one of society's demands and constitutes a tool for exercising citizenship. Somewhat complex topics, such as evaluation criteria and methods, which were previously restricted to academia and a few specialized publications, are now discussed in editorials and articles published by the mass media.

Regarding higher education, changes are monitored through the Higher Education Census. There are two other evaluation processes linked to this one: the National Evaluation of Degree Programs and the Evaluation of Teaching Conditions.

The National Evaluation of Degree Programs, known as *Provaõ* (the "big test"), has become a tool for evaluating higher education in Brazil. This is a set of mandatory tests that all students are required by law to take upon completion of their undergraduate degree programs, which are then evaluated every year. The number of graduates taking these tests has been increasing steadily since 1996 – when the test was administered for the first time. A more effective linkage was established between higher education evaluation systems, on the one hand, and the process to revamp the certification of degree programs and the accreditation of education institutions, on the other. Degree programs that repeatedly have the worst performance lose their certification and are prevented from continuing in operation.

Through the work of specialized peer review committees, the Evaluation of Teaching Conditions carries out on site evaluation of conditions regarding the

educational backgrounds and work performed by teachers, the didactic and pedagogical organization of degree programs and the appropriateness of the facilities in which the courses are taught.

Brazilian graduate degree programs are evaluated every two years by the Office for Coordinating the Improvement of Higher Education (CAPES), which is a well-established agency linked to the Brazilian Ministry of Education, with a very positive reputation throughout the Brazilian academic community in terms of its performance.

All these surveys and evaluations use advanced methodologies. They are reliable and transparent. They are not limited to aspects that are merely pedagogical and educational in nature; they are followed by extensive research questionnaires that assess the socio-economic characteristics of students in all respects that have a bearing on the learning and teaching process. Additionally, all such surveys and evaluations are thoroughly analyzed and compared with data from previous years.

In addition to making information broadly available, facilitating inspection and society's control, as well as highlighting pitfalls, these results will serve as the basis for decisions to be made by the Brazilian Ministry of Education regarding the accreditation of educational institutions and degree programs.

The application of these evaluation mechanisms has had a very positive effect on the quality of the higher education that is being supplied in Brazil. In general, new degree programs, created after the new evaluation criteria were implemented, have higher quality than degree programs offered by some traditional schools

Conclusions

Over the last few years, Brazil has undergone a true revolution in education. There has been a complete restructuring in educational legislation, with significant effects on the processes of certifying and accrediting educational institutions at every levels of education. Today, such process are fully transparent and subject to computerized procedures that make previous practices based on favors and personal relationships impossible in this area.

From an institutional standpoint, Brazil is now ready to establish appropriate rules and regulations so that international exchanges in the areas of educational services can provide important benefits for Brazilian education. However, it is necessary to begin a debate as soon as possible for the purpose of establishing a national strategy to address this issue.

It is necessary to establish procedures that are not a threat to the organizational structure already created regarding the accreditation of educational

institutions and degree programs, the certification of students and degrees, as well as of educational evaluation. These are important achievements, especially for a country at the same level of development as Brazil.

Regarding investment in education, the existing Brazilian legislation does not need to be changed because it does not prevent the entry of foreign capital and it establishes clear rules for the creation of national educational institutions that need to be accredited and subject to the existing evaluation process in Brazil.

As for trade in distance learning, it will be necessary to regulate its practice in order for Brazil to achieve a balance in its trade relations with the rest of the world in this area, and so as to safeguard the national characteristics of the aims of educational guidelines. Imports of educational services should also be the subject of specific regulations.

Moreover, trade in educational services also opens up new opportunities for countries like Brazil to participate in the market as exporters. It will be necessary for the government to take charge in order to establish a strategy for this purpose. Greater participation by Brazilian public and private educational institutions will also be needed, as is now the practice in developed countries.