

**OECD/US Forum on Trade in Educational Services
23-24 May 2002, Washington, D.C.**

**Opening Remarks by the Honourable Donald J. Johnston,
Secretary-General of the OECD**

Under-Secretary Hickok, Deputy Assistant Secretary Baker, Assistant Special Trade Representative Papovich, Ladies and Gentlemen,

It is a great pleasure for me to be with you this morning to open the OECD/US Forum on Trade in Educational Services. I had the honour to welcome the US First Lady Laura Bush, just a few days ago, when she addressed this year's OECD Forum 2002 on the Importance of Education Around the World. Her speech stressed that education is one of the most important keys to development and to alleviating poverty. Education is critical to how well individuals, communities and nations fare. In the past, we might have been tempted to stop there and see education as a matter confined within our own, regional, national and institutional boundaries. But today education has gained an important, growing international dimension.

This is - I think I am right in saying - the first-ever international conference on "Trade in Education Services" where we gather all the major stakeholders, including the providers of education services, policy-makers in education and trade, and not least the students and learners themselves. When OECD Education Ministers met in Paris about a year ago, they asked the OECD to play the role of "broker" in bringing stakeholders together to discuss the implications of the growing internationalisation of education. How can we foster benefits for both developing and developed countries? This is the aim of this Forum.

My opening remarks will focus on three themes:

i) facts on some trends in international trade in education services; (ii) the potential benefits from expanding this trade and the possible role of the WTO in this process; and (iii) some key policy issues arising from trade in education services.

I. Trends in the international market for education

First, let me stress that there is already an important international market for education services, which has grown substantially over recent years. This trade responds to an increasing demand for education worldwide, particularly for tertiary education. There are currently around 1.5 million foreign post-secondary students in OECD countries, and this number is growing rapidly. Between 1995 and 1999, the number of foreign post-secondary students increased by 11% - almost double the growth of post-secondary student numbers in OECD countries.

The size of the market is already impressive. Cross-border student exchanges alone amount to about \$ US 30 billion or 3% of OECD countries' total trade in services. This market will continue to grow as both developed and developing countries and citizens appreciate that human capital is the key source of growth and development. Indeed, a recent projection shows

the number of students worldwide in higher education growing from 45 million in 1990 to 150 million in 2025.

Over half of foreign students enrolled in higher education in OECD countries are citizens from non-OECD countries. Many of these non-OECD countries have great difficulties in meeting the rising demand for learning, diplomas and advanced skills. The demand in these countries will certainly increase. I hope that these countries will be able to build their own national or regional universities to meet this demand. But, in the medium-term, financial constraints, and constraints imposed by small absolute numbers of students acceding to higher education, as well as constraints imposed by high levels of specialisation, imply that national universities will not be the full solution for many countries. New complementary ways of meeting this increased student demand, and of organising and delivering higher education must be found.

The enhanced mobility of students is a fundamental response to the growing international demand for education. But it is not the only one. Not only students but also programmes and providers are moving across borders. Traditional universities, distance-learning institutions and private education and training companies are taking diverse initiatives, some of them supported by governments. Initiatives in distance-learning programmes linked with educational infrastructure in other countries may be a cost-effective means of meeting some of the demand, as examples from China, India and elsewhere show. The potential of cross-border e-learning could be very large. It is growing fast - albeit from a low starting point. In short, we need to understand the changing nature of the international market for education and discuss what this implies for our policies -- as we will be doing in this Forum.

II. The possible role of the GATS

Increasing trade in educational services will bring important economic benefits. Greater international student exchanges and educational exchanges also generate significant non-economic benefits, such as the better understanding of different cultures, academic and personal networks, exchanges of knowledge, and so forth.

The growth in the international market for education services I have described has happened largely independently of negotiations on trade in services at the WTO. Indeed, the bulk of these developments predate the General Agreement on Trade in Services (GATS), which only entered into force in 1995. Moreover, much of cross-border trade and investment in education services continues to take place outside the WTO framework and is not reflected in the liberalisation commitments of WTO Members under the GATS. This Forum will explore whether and how this situation may change in the coming years.

Increasing international competition to provide post-secondary education raises a number of issues for OECD governments in their direct or indirect roles in funding, monitoring and delivering post-secondary education. In some countries, NGOs, university and student associations, and trade union representatives have voiced serious concerns about the increasing level of international competition, trade and foreign direct investment in post-secondary education. The current GATS negotiations on the possible further liberalisation of trade in education services have generated heated public policy debates in many OECD countries.

I recall that the GATS provides WTO Members with a highly flexible framework for addressing, if they so desire, a range of issues arising from - and potentially standing in the way of - the internationalisation of trade and investment in education services. Under the GATS, and despite much rhetoric to the contrary, countries retain full freedom to determine at the national level whether or not they wish to undertake liberalisation commitments in education services (as in all other service sectors). I sincerely hope that this international forum, which brings together all the stakeholders to discuss the broad range of issues linked to trade in education services, can identify both the many benefits flowing from international education and ways to minimise any possible downsides.

III. Policy Questions for the Future

I would now like to turn to two policy issues that Education Ministers raised when they discussed trade in education services at a meeting at OECD in Paris last year.

The first issue concerns quality assurance in tertiary education. How can international students be sure that the courses they take abroad are of high quality, and that the resulting qualifications they receive will be recognised at home or in third countries? With new types of education providers, new forms of delivery such as e-learning, and new opportunities for cross-border learning, national approaches to quality assurance may need to be supplemented with international initiatives. Can we secure better consumer protection against “degree mills”? Can we enhance transparency in the international post-secondary education market, without stopping the growth of the international market in educational services? I hope that our discussions over the next two days will indicate some answers to these questions.

The second issue relates to e-learning. Much has been asserted about its huge market potential. But so far it has proved to be difficult and costly to produce high-quality e-learning courses that can attract a significant number of students and be profitable for their providers. Consequently, e-learning does not yet present any serious challenge to campus-based higher education. But what might be the long-term impact? A growing e-learning supply will inevitably raise issues about regulation, especially of foreign providers by national governments. This brings me back to the question of the role of GATS, that I mentioned a few moments ago.

Concluding remarks

Many of the questions which you will discuss at this Forum over the next two days are controversial, and may even make us feel uncomfortable. But these are not reasons why they will go away. We can serve education and students everywhere by trying to grasp new developments in the international environment of higher education, and by thinking about how best to maximise the positive benefits -- for the students themselves, for national education systems, and for economic and social development. We are all better served by listening to, and engaging with, the other major stakeholders in this important international market.