
“Trade in Educational Services: Trends and Emerging Issues”

By

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Globalisation is one of the great buzzwords of to-day. For some, it is a harbinger of great benefits to individuals and economies, for others it is a great scourge. Until recently, education has been absent from the debate on globalisation because it is essentially a non-traded service. But this is no longer the case. There is growing trade in certain education services (see below). In addition, negotiations on the General Agreement on Trade in Services (GATS) began in January 2000 under the auspices of the World Trade Organisation (WTO) in Geneva. Over 70 negotiating proposals on a wide range of service sectors have been submitted so far, including one for education services.

When OECD Education Ministers met in Paris in April, they discussed, among other topics, the issue of trade in education services. Their discussions revealed very divergent views about the benefits of trade in educational services, the desirability of including the sector in multilateral trade negotiations and the degree to which liberalisation initiatives aimed at expanding trade in educational services should be tolerated. However, they gave a mandate to the OECD to examine the implications of internationalisation in both the demand for competences and the supply of education and training services, including trade in educational services.

My presentation will focus on three main issues. First, I give a brief overview of what we know about the current size of trade in educational services on a global scale. Second, I describe the present state of play with the on-going negotiations on trade in educational services in the WTO. Finally, I will highlight some important policy challenges that arise from trade in educational services.

1. The scale of the international market in educational services

The first point to make is that we have very little reliable data about the levels and content of trade in educational services. The two main statistical sources are: (i) statistics on international trade in
educational services; and (ii) statistics on foreign students in tertiary education. One problem with the former source is that educational services are classified under several headings and are often combined with data on other services. Furthermore, many countries do not specify trade in educational services separately in their trade statistics. I refer you to the background note prepared by the OECD Secretariat for this meeting for further details on definitions and data sources.

(a) International services trade data

In the OECD database on international trade in services, seven countries have reported data on "Personal travel, educational-related activities": Australia, Canada, Mexico, New Zealand, Poland, United Kingdom and United States. These countries include four major "exporters" of trade in educational services, namely Australia, Canada, the United Kingdom and the United States.

However, it is important to bear in mind that data on "Education-related personal travel" underestimate the total trade in educational services. Such data do not include sales from companies and institutions delivering educational services abroad, e.g. cross-border corporate training or sales from cross-border e-learning (GATS mode 1). They also exclude the earnings from affiliated companies and institutions in educational services (off-shore activities, mode 3) and the travel of educators abroad to provide services (mode 4). Unfortunately, it is usually impossible to identify the size of these trade flows in educational services in the existing international trade statistics of OECD countries. However, evidence from several case studies suggests that trade flows in cross-border e-learning, cross-border corporate training, and off-shore education activities are growing significantly, although in many cases from a low level. There is only scattered evidence about these activities, e.g. 35 Australian universities reported 750 offshore programmes with 32,000 students in 1999. Seventy-five per cent of UK universities had at least one overseas validated course corresponding to about 140,000 students during the 1996/97 academic year.
Even allowing for the downward bias in the data, the partial picture shown in the background note is revealing. I would highlight four stylised facts. First, there is trade in education services at present even if the bulk of the output of the education sector in OECD countries is non-traded. Second, the vast bulk of this trade concerns the tertiary sector. Third, this trade has grown over the past decade, though it does not appear to have kept pace with the growth of total services exports in most cases. Finally, while the United States is the largest exporter of trade in educational services, it is not the leading OECD exporter if we put such trade flows into the context of total services trade. If we take the share of exports of educational services as a percent of total services exports as a rough indicator of “revealed comparative advantage”, Australia appears to be the most competitive exporter in this market followed by New Zealand, the United Kingdom and the United States in that order.

b) Data on the numbers of foreign students

The statistics on foreign students studying abroad are another useful indicator of the size of the international education market. Data from the OECD publication *Education at a Glance* show that five countries (Australia, France, Germany, the United Kingdom, and the United States) attract more than eight out of ten foreign students studying in the OECD area. The United States is the largest receiving country of foreign students with 32 per cent of the total, followed by the United Kingdom (16 per cent), Germany and France (13 and 11 per cent, respectively) and Australia (8 per cent).

The major countries sending students to study abroad, i.e. importing educational services, are often non-OECD countries. China (including Hong Kong) accounted for almost 9 per cent of all foreign students studying in OECD countries in 1998, followed by Malaysia (3.8 per cent) and India (2.8 per cent). Other South-East Asian countries are also very active in sending students to OECD countries: 5 per cent of all foreign students originate from Indonesia, Singapore, and Thailand. Among all foreign students studying in OECD countries, Greek, Japanese and Korean students comprise the largest proportion of
students from other OECD countries, each representing about 4 to 5 per cent of all foreign students, followed by Germans, Turks, French and Italians. Together, these countries account for 25 per cent of all foreign students in OECD countries.

2. WTO negotiations on trade in educational services

Contrary to some misconceptions that the whole of the education sector is likely to be subject to multilateral trade disciplines under the GATS, it is important to note that, if any liberalisation in trade in educational services is to occur, it appears that it will be confined to the higher education sector and adult education and training. Current indications are that most WTO Members prefer to not liberalise in basic education services. However, it is also important to note that, to date, only one detailed proposal on liberalisation of trade in educational services from the United States has been submitted at the negotiations at the WTO on trade in services. Further details on this are available in another background paper prepared by the OECD Secretariat.

Educational services are already covered in the GATS\(^1\). However, education remains one of the sectors where WTO Members have been least inclined to schedule liberalisation commitments. To date, 49 countries (counting the European Union as 15 countries) have made commitments for at least one education sector. Most of the commitments have been made in higher education and adult and other education.

Several negotiating sessions at the WTO on trade in services are scheduled for the rest of this year (July, October, December), with a view to assessing negotiating progress in March 2002. Until now, no formal sectoral negotiating groups have been established nor have any deadlines for requests and offers.

\(^1\) All services are covered under the GATS except those supplied in the exercise of governmental authority (the so-called “public services carve-out provision” in article 1(3)). Allowing private operators to co-exist with public
been set in the WTO negotiations on trade in services. It is therefore possible that the WTO members will start to form informal groups by sector. This will allow countries with a particular interest in specific proposals to meet to address that sector in greater detail. It is difficult to judge at this stage whether such discussions will actually take place for trade in educational services and when.

3. Policy challenges posed by trade of educational services

In sum, any multilateral liberalisation of trade in educational services is unlikely to involve the compulsory schooling systems. In addition, further multilateral liberalisation of trade in higher education services, adult education and training, if it does occur, is still a long way off. But this does not prevent exporting countries taking unilateral or bilateral initiatives to expand their market shares which involve liberalisation, e.g. by reducing barriers to the temporary stay of students, still the principal means of trade in the education sector.

In conclusion, I would like to highlight four major policy issues arising from trade in educational services:

(i) Absence of an international quality assurance and accreditation in higher education. There is no agreed international quality framework for higher education. There has been several attempts to establish one but so far only some regional agreements are in place in order to define international standards for providers of higher education and at the same time guarantee some consumer or learner protection. The Bologna declaration and the recent meeting of European Education Ministers in Prague on a European Higher Education Area are clearly steps towards the establishment of a common quality framework in an enlarged European Union. However, the underlying issues are very difficult and a common quality framework is not.

services providers in the same sector does not bring those public services into competition with private suppliers, hence they remain outside the purview of the GATS.
still a long way off, even within the EU Member States let alone among the wider OECD community. Behind the very different national assurance and accreditation systems across OECD countries are often different cultural values and understandings of what is important in higher education. Nevertheless, there needs to be some general international quality framework in order to ensure that foreign students, their parents and tax payers can be confident that they are getting a quality higher education. It is notable that this particular issue was highlighted by OECD Education Ministers on all sides of the debate about trade in education services.

(ii) Impact of e-learning providers on the established higher education market. The potential of cross-border e-learning could be very large. Much has been said and written about the huge market potential of e-learning, but in reality it has proven to be much more difficult and costly to produce high-quality e-learning courses which can attract a significant number of students and make a profit for their providers. Nevertheless, the cross-border e-learning market is growing fast but from a low starting point. E-learning will, without any doubt, influence the future development of trade in educational services. First, it will increase the number of students taking courses abroad. Second, it will certainly accentuate the need for an agreed international quality framework for higher education. Finally, it might reduce the rate of growth in international student mobility.

(iii) The regulation of foreign providers of post-secondary education. As long as there is no agreed international quality framework and/or rules governing trade in for post-secondary education and training services, there will be national concerns to regulate providers of post-secondary education from other countries. The growing cross-border e-learning activities will accentuate national concerns to regulate these activities. But any regulation of foreign providers of services raises issues of equal treatment with domestic providers of these services².

² It is important to note in this context that the GATS explicitly recognises the sovereign rights of governments to regulate in order to meet national policy objectives. In addition, the flexibility inherent in the way the Agreement is
(iv) Intellectual property rights of learning material. With growing trade in higher education services goes increased international competition between universities and other institutions of higher education across borders. In this situation, universities may be tempted to seek to protect their learning materials and reputation through intellectual property rights. In this regard, I would like to draw your attention to an important precedent set by MIT recently. MIT has decided to make available nearly all their course materials on the Internet free of charge over the next ten years. This initiative is an interesting way of attracting prospective students to MIT. But note that this initiative does not give access directly to an MIT degree. Students will still have to be enrolled and pass the prescribed exams to get an MIT degree. Nonetheless, it is a very promising way of sharing knowledge and learning on a global scale.

4. Concluding remarks

In sum, whether one likes it or not, there is growing trade in higher educational services. The forces of comparative advantage have already identified some OECD countries that are leading net exporters of such services and other countries can reap the potential gains from such trade. Technology is also likely to have a major impact on this trade in the future. At the same time, there are very real concerns about the potential threats posed to cultural values and national traditions by such trade. In addition, both sides to the debate -- those countries calling for more open trade in higher education services and those who wish to minimise it -- agree on the need to develop new and more appropriate quality assurance frameworks world-wide.

Education Ministers and the education community as such are often not very much involved in the discussions and in the public debate in general on these issues. The OECD Education Ministers have asked the OECD to play a broker role in bringing the education community more "up to speed" on what is structured allows Members to not only choose the sectors and modes of supply for which they want to grant market access, but equally the conditions of market access, or in the case of unequal treatment post-establishment, conditions
happening on this issue. In the long run, the active involvement of the whole education community will be needed if progress is to be made in obtaining a balanced international agreement on trade in educational services. It is our hope that this meeting will contribute to this process. It is our intention at OECD to organise further meetings for the education community on this topic as the situation evolves.