



United Nations
Educational, Scientific and
Cultural Organization



International Institute
for Educational Planning

GATS and higher education: the need for regulatory policies

N.V. Varghese

GATS and higher education:
the need for regulatory policies

Other titles on higher education

Institutional restructuring in higher education in Asia: trends and patterns,
by *N.V. Varghese*

The National Accreditation System in Colombia:
experiences from the National Council of Accreditation (CNA),
by *José Revelo Revelo; Carlos Augusto Hernández*

Accreditation in the USA: origins, developments and future prospects,
by *Elaine El-Khawas*

Accreditation in the higher-education system of Hungary:
a case study for international comparison,
by *Tamás Kozma* in collaboration with *Imre Radácsi, Magdolna Rébay, Tamás Híves*

External quality assurance in Indian higher education:
case study of the National Assessment and Accreditation Council (NAAC),
by *Antony Stella*

Reforming higher education in the Nordic countries – studies of change in Denmark,
Finland, Iceland, Norway and Sweden,
by *Ingemar Fägerlind, Görel Strömqvist* (Eds.)

Growth and expansion of private higher education in Africa,
Edited by *N.V. Varghese*

In pursuit of continuing quality in higher education through accreditation:
the Philippine experience,
by *Adriano A. Arcelo*

Private higher education in Georgia,
by *George Sharvashidze*

Private higher education in Kenya,
by *Okwach Abagi, Juliana Nzomo, Wycliffe Otieno*
Edited by *N.V. Varghese*

Entrepreneurialism and the transformation of Russian universities,
by *Michael Shattock* (Ed.), *Evgeni Kniazev, Nikolay Pelikhov, Aljona Sandgren, Nikolai Toivonen*

Private higher education in Bangladesh (web only),
by *Mahmudul Alam, M. Shamsul Haque, Syed Fahad Siddique*
Edited by *N.V. Varghese*

Knowledge for the future: research capacity in developing countries (web only),
by *B.C. Sanyal; N.V. Varghese*

GATS and higher education: the need for regulatory policies

N.V. Varghese



United Nations
Educational, Scientific and
Cultural Organization



International Institute
for Educational Planning

The views and opinions expressed in this booklet are those of the author and do not necessarily represent the views of UNESCO or the IIEP. The designations employed and the presentation of material throughout this review do not imply the expression of any opinion whatsoever on the part of UNESCO or the IIEP concerning the legal status of any country, territory, city or area or its authorities, or concerning its frontiers or boundaries.

The publication costs of this study have been covered through a grant-in-aid offered by UNESCO and by voluntary contributions made by several Member States of UNESCO, the list of which will be found at the end of the volume.

This series of documents aims to share fresh results from IIEP's research programme with the educational planning community.

You are welcome to contact the authors directly with any comments:

nv.varghese@iiep.unesco.org

All the documents in this series can be downloaded at:

www.unesco.org/iiep/en/publications/pubs.htm

Ref.: iiep/web doc/2007.03

Typesetting and printing: IIEP's printshop

International Institute for Educational Planning

7-9 rue Eugène Delacroix, 75116 Paris

info@iiep.unesco.org

www.unesco.org/iiep

© IIEP 2007

Table of contents

List of abbreviations	6
Abstract	7
1. Introduction	8
2. From state to market in higher education	9
3. Reforms in financing higher education: a shift from institutions to students	10
4. The non-state sector and cross-border education in Viet Nam	12
5. GATS and trade in education	14
6. National regulations for trade in education	16
7. Concluding observations	19
References	21

List of abbreviations

GATS	General Agreement on Trade in Services
DESA	Department of Economic and Social affairs
FDI	Foreign direct investment
GDP	Gross domestic product
GER	Gross enrolment rate
HCC	Human capital contracts
IDP	IDP Education Australia
IIE	Institute of International Education
MFN	Most-favored nation
MOE	Ministry of education
NGO	Non-governmental organization
ODA	Official development aid
OECD	Organisation for Economic Co-operation and Development
PROAP	Principal Regional Office for Asia and the Pacific (UNESCO)
RMIT	Royal Melbourne Institute of Technology
UAE	United Arab Emirates
UNESCO	United Nations Educational, Scientific and Cultural Organization
WTO	World Trade Organization

Abstract

In 1995, education became a tradable commodity, amenable for trade negotiations under the General Agreement on Trade in Services (GATS). GATS represents a set of multi-lateral rules governing international trade in services. Trade in education under the GATS framework takes place according to four modes: a) cross-border supply of the service; b) consumption abroad; c) commercial presence of the provider in another country; and d) presence of persons in another country to provide the service. The permeation of the market process in education and full pricing of educational services by the private sector has paved the way for trading in educational services. In many countries, the private sector has become a convenient means to attract foreign collaborators to promote cross-border education and trade in education.

With a gross enrolment rate (GER) of around 10 per cent, there is scope for expanding the higher education sector in Viet Nam. The reform agenda proposes to expand the system to three or four times its current size by the year 2020. It is expected that the government will be relying on private sector and cross-border educational provision, in addition to public institutions, to achieve this target. It has introduced privatization measures such as cost recovery (tuition fees) in public institutions and has been encouraging the establishment of private higher education institutions. At present, cross-border higher education is a fast-growing sector in the country.

The present paper is an attempt to analyze the implications of GATS for the national education systems in developing countries such as Viet Nam, and it discusses mechanisms for regulating cross-border trade in higher education.

1 Introduction*

Economies have experienced a sectoral shift in the share of contributions to gross domestic product (GDP) and employment. It is estimated that the service sector now accounts for more than 60 per cent of the global output, nearly 75 per cent of the employment, and 25 per cent of the merchandise exports (Chanda, 2002). Although services emerged as an important sector in production and exports, they were never part of trade negotiations until the establishment of the General Agreement on Trade in Services (GATS) in 1995. It represents a set of multi-lateral rules governing international trade in services. It concerns all internationally traded services, and in total covers 12 different service sectors including education. Within the education sector, GATS covers five categories of education services: primary, secondary, higher, adult and other.

This paper argues that the permeation of market processes in education necessitated the reform of financing arrangements. The financing of higher education has moved from institution-based to student-based financing. The student-based financing system has enhanced individual purchasing power to buy educational services, and opened avenues for the emergence and expansion of the private sector and the promotion of cross-border higher education and trade in education. Education which used to be a public good has become an internationally tradable commodity, and the for-profit organizations that have entered the scene have become enthusiastic providers. However, trade is motivated by profit whereas educational concerns are not. Therefore, trade policies at times conflict with national concerns in promoting education. Based on experiences in different countries, this paper highlights the need for developing regulatory frameworks for trading in education.

The paper is organized as follows: *Section 2* will discuss the entry of the market process in education, followed by a discussion on the new financing arrangements for higher education in *Section 3*. *Section 4* analyzes higher education in Viet Nam as an example of private and cross-border education in developing countries. *Section 5* highlights certain aspects of cross-border education and GATS. *Section 6* discusses aspects of a regulatory framework for trading in education, and the final section makes some concluding observations.

* Revised version of the paper presented at the International forum on WTO entry and Viet Nam higher education reform, National Convention Center, Hanoi, Viet Nam, 11-12 December 2006.
The opinions and views expressed in this paper are of the author and hence should not necessarily be attributed to the institution where he is employed

2 From state to market in higher education

The state played a dominant role in financing economic development and educational progress in the second half of the past century. Consequently, public universities became the predominating mode for expanding higher education in most countries of the world. The economic crisis of the 1980s reduced the fiscal capacity of states for continued funding of an expanding higher education system. Furthermore, structural adjustment programmes included policies that favoured reduced public expenditure on education and diversion of public investment from the higher levels to the primary levels of education (World Bank, 1986). The share of budgets allocated to higher education declined in developing countries during this period and enrolment ratios stagnated at very low levels in many countries.

The social demand for higher education, however, continued to increase. The inability of the state to support this growing demand resulted in new financing arrangements for higher education. The recent reforms in this area could be broadly divided into two categories: the privatization of public institutions and the establishment of private institutions of higher education (Varghese, 2005). Privatization implies the application of market principles in the operation of public institutions, while ownership rests within the public domain. Promotion of the private sector implies the growth and expansion of the non-state sector in higher education, and very often this sector does not rely on state funding for its growth and expansion. Both of these measures have paved the way for market operations in higher education.

Privatization measures have led public institutions to adopt cost-recovery and cost-sharing methods and to initiate income-generating and profit-oriented commercial ventures to mobilize resources needed for the operation of universities. Private universities, in many instances, levy fees to recover the full cost (if not full cost plus), especially in the for-profit sector. The presence of the for-profit private sector in higher education has given scope for market speculation and resultant speculative investment in education. Some of the agencies have established educational institutions or corporations driven by profit motives (Ruch, 2001). The for-profit providers treat education just like any other commodity traded for profit. Some of them appear in the stock market selling shares and equities. The expansion of private higher education has depended on the capacity and willingness of students/households to pay for their education.

3 Reforms in financing higher education: a shift from institutions to students

As noted above, higher education traditionally belonged to a domain where public financing was the dominant mode. However, with the entry of markets and the private sector in higher education, it became necessary to have the educational cost paid by the students and households. The channels of fund flow have moved away from institutions to students to a system where the flow is from students to institutions.

The two most important financing strategies are income diversification and cost-recovery. Income diversification strategies target beneficiaries or consumers of the products of the education sector to mobilize resources for education. The contribution from the industrial sector is an example of the consumers of university products contributing to higher education.

3.1 Cost recovery

The cost-recovery strategy, on the other hand, targets the direct beneficiaries of education, namely the students. Under this strategy, the students are made to pay for their education through tuition fees. Both strategies are justified on the grounds that both of the groups – firms and individuals – benefit from the education provided by the institutions. Since the rate of return to higher education continues to be high, households/students are willing to invest in education.

The introduction of student fees was resisted in many instances, and in many countries the fee levels were low to start with. In the late 1980s and early 1990s, student fees accounted for a low share of recurring expenditure on higher education in most of the countries. By the 1990s, many more countries, especially those from Asia and Africa, joined the group with fee-levying institutions of higher education (World Bank, 1994). More importantly, fee levels were increased in many countries in the 1990s. For example, at the University of Hong Kong, the authorities increased fees to 12 per cent in the 1980s, and then to 18 per cent of recurring expenditure by 1997. The authorities were considering increasing fees further to 20 per cent (Bray, 2000).

Australia provides a good example of the abolition of student fees in 1974 in order to expand enrolment in higher education, and the reintroduction of fees in the 1980s. It reintroduced fees first among the foreign students in the early 1980s, which covered only 20 per cent of the cost. In 1988, the policy further changed and the fee rate was increased to the equivalent of full fees for foreign students and to 20 per cent for Australian students. In the 1990s, the domestic students were paying as high as 25 per cent. The case of the UK illustrates a similar pattern of introducing fees first for the foreign students and later for the domestic students. The non-European students in UK universities pay fees equivalent to the full cost of education.

3.2 Financing students: student loans

Payment of tuition fees became an acceptable practice in the 1990s. While the fee rate was low when the system was dominated by public institutions, it later became high, equivalent to the full cost of education in not-for-profit institutions, and was more than the full cost in for-profit institutions. It became difficult for many families to support the cost of higher education for their children, and

it became difficult for students to self-finance their education. Various student support schemes were introduced to overcome this problem.

In the traditional frame of analysis, the student support system took the form of subsidies and scholarship grants – merit-based and means-based. In the new system, these were increasingly replaced by student loans schemes (Ziderman, 1999). The student loans of the 1990s were different from similar schemes in the 1970s. In the earlier schemes, the government essentially provided the loan amount at a very low (or zero) interest rate to be paid back by the student at a later stage in life when the student became employed.

The current wave of student loans schemes are intended to support students who pay high fees, and very often the loan amount covers the tuition and living expenses of students. These loans are more often offered by banks and other commercial organizations than by the governments. Student loans can be either income-contingent or mortgage-type. Mortgage loans very often have a fixed monthly repayment amount, whereas the income-contingent loan repayments are relative to the income earned by the individual. Income-contingent loans tend to be more equitable although mortgage loans are more common partly due to their easy administration. Many countries that have introduced loans schemes, including the most advanced countries, have not succeeded in recovering the loans fully. In some developing countries, the cost of loan recovery exceeds the amount recovered.

3.3 Financing students: human capital contracts (HCC)

The most recent development in student financing is yet another shift from student loans to human capital contracts. Human capital contracts (HCC) are contracts in which an individual commits part of his future income in exchange for financing higher education in the current period (Lleras, 2004). It requires students to commit future income for a specified period. The future income committed is based on the expected earnings of the individual after the studies. However, the investor's demand for a percentage of the income depends on the amount of capital provided as well as the risk of the investment. HCCs are now moving from individual contracts to group contracts where financial markets pool resources to fund a large number of students and to issue securities against these pools. The investor benefits from the diversification that pooling creates since, as long as the correlation between incomes of students is less than one, the risk-adjusted return will be higher. The students benefit as the chances of abuse by the investors are lower for groups than for individuals.

A major implication of this changing financing strategy is a shift from the financing of institutions under public financing to a system of financing students directly (Lleras, 2004). Despite all of their limitations, student loans and HCCs serve one purpose, namely they improve the fee-paying capacity of students to the full cost levels. This has contributed to the growth and expansion of private higher education institutions, including the cross-border type, which levy a fee rate higher than that of public institutions.

4 The non-state sector and cross-border education in Viet Nam

In the mid-1980s, Viet Nam transitioned from a centrally-planned system to a socialist market economy. This transition encouraged the flow of foreign direct investment (FDI) initially in the form of joint ventures, and later mainly as 100 per cent foreign-owned projects. The FDI in 2001 was around US\$2,100 million. The flow of FDI has an influence on the country's economic growth (Bin and Haughton, 2002). The country doubled its GDP in the 1990s, reduced its poverty to 20 per cent, and youth today are more educated than their parents (World Bank, 2007). The country has been reforming its trade-related policies and procedures to join the WTO and has been liberalizing trade in many sectors of the economy including higher education.

The higher education system in Viet Nam expanded considerably in the 1990s. During the decade ending in 2003, enrolment in higher education institutions increased from 0.62 million in 1992-1993 to 1.04 million in 2002-2003 (Hayden and Thiep, 2006). The reform agenda envisages that the enrolment will be three to four times that of the current levels by 2020. It is expected that, by 2020, nearly 40 per cent of all enrolment in higher education will be the private higher education sector.

There are three types of universities in Viet Nam: specialized universities which focus on a single area of study, multi-disciplinary universities, and open universities. In some instances, multi-disciplinary universities are formed by the merging of some of the specialized institutions to promote basic research and teaching (IIE, 2005).

The non-public higher education sector in Vietnam has many categories: semi-public institutions, people-founded institutions, private institutions, foreign-collaborated and foreign-owned institutions, and institutions that work in collaboration with foreign bodies. Semi-public institutions are owned and operated by the state at different levels, but all operating costs are covered by the students. People-founded institutions are owned and operated by NGOs and private associations such as trade unions where the cost recovery through fees is close to full cost. Private institutions owned by private individuals are those which levy fees equal to full cost.

There are foreign-owned institutions such as the Royal Melbourne Institute of Technology (RMIT). Examples of collaboration include: between Taiwan Asian International University and Hanoi University; between the University of Hawaii MBA programme and the Hanoi School of Business; between Washington State University and National Economics University, etc. (IIE, 2005). The fresh initiative of collaboration between the University of Philippines in the Visayas and Vietnam National University, and between Hue University and Dalhousie University of Canada, are also examples of foreign collaboration by national institutions (University of Philippines in the Visayas, 2007).

Another avenue for higher education is the study-abroad programme. Former socialist countries used to support study-abroad programmes. This stopped by the end of the 1980s. Now there are only a few fellowships available for study-abroad programmes from the countries of Australia, Canada, France, UK, US, Japan, etc. The government too has instituted fellowships for their employees to go abroad and study. However, this sector may not expand quickly.

Viet Nam adopted market-friendly policies in education already from the 1980s. It has introduced privatization measures such as cost-recovery (tuition fees) in public institutions, and has encouraged the establishment of private higher education institutions. These reform policies have created a culture of paying for education provided by the public and private agencies. The very fact that demand for places in the non-state sector continues to increase indicates both the willingness of parents to invest in private higher education for their children and their capacity to pay. In fact, these two factors, namely financial capacity and willingness to pay, provide a fertile ground for the growth and expansion of private and cross-border higher education in Viet Nam.

While the expectation is that enrolment in the non-public system will increase to 40 per cent (to around 1.2 million students) by 2020, what is not very clear is which segments of the non-public sector will expand. Expansion in the non-state sector, including cross-border education, will be multiplied by around 12. Although parents are willing to pay for private and cross-border education, it is doubtful how many families would have the capacity to support this expansion. Therefore, new financing arrangements targeting students need to be developed for supporting private and cross-border education in Viet Nam.

5 GATS and trade in education

The private sector is a fast-growing segment in higher education, as is cross-border education. This is reflected in terms of the faster mobility of students, teachers and programmes across national boundaries (OECD, 2004). Cross-border education has become an activity designed to suit the requirements of a global labour market centred on knowledge production. Needless to add, it is a market-driven activity involving numerous providers and attracting thousands of students who are willing to buy these services at an international price.

Both the providers (sellers of education services) and the individual beneficiaries (buyers) are willing to invest in cross-border education since it is a rewarding investment for both parties. The profits deriving from the investment to the providers and the earning differentials in favour of the foreign degree holders (buyers) encourage this sector to expand. Given the profitability of this sector, there is fierce competition among institutions of higher education to attract foreign students, and to generate income and profit for the university. In 2000, there were 1.8 million students studying abroad. Some of the projections (Bohm *et al.* 2002) indicate that the demand for cross-border higher education will increase to 7.2 million by 2025. This market is expanding and the number of exporters and importers of education are increasing. Consequently, a need is felt to regulate this sector. GATS in the education sector needs to be seen from this point of view.

GATS represents a set of multilateral rules governing international trade in services. GATS covers all internationally-traded services, with two exceptions: i) services provided in the exercise of government authority; and ii) air traffic rights. The exercise of governmental authority implies that the service is provided on a non-commercial basis and not in competition with other service suppliers.

Trade in education under the GATS framework takes place according to four modes: a) cross-border supply of the service – where consumers remain within the country; b) consumption abroad – where the consumers (students) cross the border; c) commercial presence of the provider in another country – in the form of branch campuses or twinning and franchising arrangements; and d) presence of persons in another country to provide the service (Knight, 2002).

The GATS rules include unconditional obligations and conditional obligations. Unconditional obligations apply to services transacted. These unconditional obligations include: most-favoured nation (MFN) treatment, transparency, dispute settlements and monopolies. The most-favoured nation (MFN) treatment (which, contrary to what the term implies, refers to a non-discrimination principle) is an important element in GATS. It means equal treatment of all trading partners from all WTO members. Each country has the option to keep a service in or out of international trade. However, if a service is included in the trading, then equal opportunities should be given to all members. In other words, a member country cannot restrict its trading partners to a limited number of countries.

The conditional obligations include market access and national treatment. Market access implies the degree to which domestic market access is granted to foreign providers of any service covered under GATS. In this case, a country has the option to limit or expand its commitment to granting market access in a selected service sector. A country can decide which service sector it wants

to provide market access to. Even within a selected sector, the host country can incorporate restrictions on: a) the number of foreign service suppliers; b) the value of transaction or assets; c) the total quantity of the output; d) the number of natural persons to be employed; and e) the extent of foreign capital participation.

Progressive trade liberalization is another governing principle in GATS. Trade liberalization can be made specific for each service sector and also for each of the modes of supply. Experience has shown that some sectors are more favoured for trade liberalization than other sectors. Tourism-related sectors are more trade liberalization-friendly than other sectors such as health, education and postal services. For example, while 125 countries have committed for trade in the tourism sector, the number of countries committed in the health sector is 45, and in the education sector is only 43 (Chanda, 2002).

Another element in GATS negotiations is the application of national treatment. It implies that once a foreign supplier has been allowed to supply a service, then there should not be any difference in treatment between foreign and domestic suppliers. Governments are free to choose the services on which they will make a commitment guaranteeing access to foreign suppliers. While each member is supposed to have a national schedule of commitments, there is no rule as to how extensive it should be. Even now there is variation among countries in the coverage of services in the schedules.

The very fact that a fewer number of countries are committed to trade in education reflects the complexities involved in the opening up of this sector for trade. Some of the characteristics of this sector, especially of the higher education sector, are important to keeping this sector in the trade schedule. Education emerges as a significant variable in determining national income and its distribution. Income inequalities are highly influenced by the distribution of educational opportunities. Therefore, there is a need to provide equal educational opportunities to all citizens in any country.

6 National regulations for trade in education

Today, more than 80 per cent of the world's population lives in a market economy, and international trade has become more widespread. The share of trade in national income has increased, even in developing countries. The state system used to pay less, but provided security. Markets do not provide security and investment in education is a good security against market-driven uncertainties (Figurredo and Anzalone, 2003). Trade is driven by profit motives, and the for-profit private providers of higher education become natural allies of trade in education.

Given past experience, it is reasonable to argue that the cross-border education provided in Viet Nam will mostly be in the form of branch campuses or courses offered in collaboration with domestic institutions in Viet Nam. Possibilities for expanding study-abroad programmes seem to be rather limited. In other words, the supply mode will basically take the form of commercial presence (mode 3). Therefore, discussions in this section focus more on this mode of trade in education.

Under GATS, countries have the freedom to decide upon the services that are to be opened up for trade and those that need not be opened up for trade. Every country negotiates for favourable conditions/terms of trade in their favour. The country experience varies with regard to the type of regulation introduced for trading in services. The report of the observatory on borderless higher education shows that there are countries where regulations are minimal whereas the regulations are too numerous in other countries. While countries such as France, Germany, Nigeria, Russia, etc. belong to the former category with the fewest regulations, countries such as South Africa, UAE, Cyprus, etc. are at the other extreme with the imposition of strict restrictions including the accreditation of programmes and curricula (Verbik and Jokivirta, 2005).

Some of the recent developments in the area indicate that there is a growing trend towards developing regulatory frameworks at the regional and international levels in addition to such frameworks at the national level. The regional regulations mainly concern quality control mechanisms. The Code of Good Practice in the Provision of Trans-national Education, which was established by the Council of Europe in co-operation with UNESCO and adopted by the Lisbon Convention, is an example of regional regulations for Europe. The code protects students from fraudulent degrees and qualifications and helps national authorities in devising regulations for trans-national education (Verbik and Jokivirta, 2005). UNESCO and OECD have developed a set of guidelines for quality provision in cross-border higher education (UNESCO/OECD, 2005). However, the guidelines produced jointly by UNESCO and the Commonwealth of Learning (Knight, 2006) provide more detailed indications for countries entering GATS negotiations.

What types of regulations are needed for developing countries such as Viet Nam? The regulations may be introduced at all stages – from registration to the awarding of degrees and their recognition – in the operation of cross-border institutions. While lack of regulations will distort the national concerns, overregulation will certainly drive the cross-border providers away to other destinations. There are instances in some countries, such as South Africa, where certain foreign institutions closed their branch campuses because they could not comply with national regulations.

6.1 Granting of permission

The permission to own and operate a local branch of a foreign institution needs to be granted after some of the following conditions are met. The governments of many countries have taken the position that only accredited institutions (institutions accredited in their own countries) will be allowed to open branch campuses in the host country. Many countries importing education now insist that the foreign institutions should have been accredited in their own country before granting permission to operate in the host country. Further, most countries that agree on trade in education ensure that the establishment of a foreign institution systematically follows the procedures for seeking permission from the concerned ministry (very often the MOE) before the campus is opened in the host country.

The insistence on accreditation in the country of origin is a necessary condition in order to guard against fraudulent practices. For example, Viet Nam experienced unpleasant situations when some of the collaborative foreign institutions were found to be a hoax. This left hundreds of students and their families in difficulty after having heavily invested in education at foreign institutions (Le and Ashwill, 2004). They lost both money and one or two academic years.

6.2 Recognition of degrees

The second aspect related to accreditation is the need for the accreditation of foreign institutions and their programmes by appropriate agencies in the host country. This is to ensure quality in provision and of the products on the one hand, and to ensure recognition of degrees on the other. In some countries even the private domestic institutions collaborating with foreign institutions should be accredited by national agencies before they get into any collaborative agreement with foreign institutions. Often, branch campuses are not mirror images of the mother institution (Verbik and Jkivirta, 2005) and teaching, learning and assessment processes may vary considerably between the mother institution and branch campuses. Therefore, if the programmes are not accredited, the degrees awarded by these institutions may not be recognized.

6.3 Independent versus collaborative

Countries such as China consider that foreign institutions should act in collaboration with national/domestic institutions. They do not encourage independent branch campuses opened by foreign institutions. This follows from the premise that cross-border education should be seen as an opportunity to improve the competencies of national institutions. Approval by the MOE and accreditation both in its own country and its host country are necessary conditions.

6.4 Admission criteria

In many countries, it is noted that the admission criteria for private and cross-border institutions are not as demanding as for public universities. While the students of these private or cross-border institutions come from financially well-off families, they do not necessarily belong to academically better-off segments of the student population. This has equity implications for the future. There is a need to develop appropriate criteria for admissions to cross-border education institutes, consistent with domestic institutions of higher education.

6.5 Courses offered

Another related issue from a long-term point of view is that private and cross-border institutions offer courses only in limited subject areas. The subject areas are those for which the employment

prospects are better. The preferred subject areas in Viet Nam include English, business, management, computers, and technology. Promotion of private and cross-border education implies that many students will specialize in these subject areas. This raises two questions: i) Will this lead to a lopsided development of higher education? ii) Are there still employment opportunities for the graduates? In the absence of employment opportunities, some of these causes may cease to be market-friendly and the demand for them will suffer. In other words, expansion of the system in selected subject areas may reach its limits after a few years. State policies are needed to ensure balanced development across subject areas.

6.6 Student fees

Transnational institutions, in general, levy a high fee, which includes full cost plus a profit. There are instances where these institutions increase fees frequently and the students are forced to pay additional fees every year. There are instances where national authorities attempt to impose regulations on fees. In countries such as China, cross-border providers are not permitted to raise tuition fees without the approval of the national authorities.

6.7 Language of instruction

The language of instruction in most of the trans-border education centres is an international language. In many countries, the national language is the language of instruction in public universities. In fact, one of the attractions of cross-border education is the socialization with an international language which has value on the labour market. Although this practice may at times conflict with the national interest, it is very difficult to enforce a regulation on this issue.

7 Concluding observations

There are many unresolved issues which require the careful attention of national authorities.

7.1 Trade and public provision of education

What happens to public provision of education? Traditionally, education has been a sector sponsored by the public sector. In all countries, education is provided publicly or jointly with the private sector. But there is no country where the government is not involved in the supply of education, or a country where education is treated entirely as a private sector activity. Private provision is seen more as a supplement to than a substitute for the public system. GATS stipulates the equal treatment of foreign and domestic providers. Since education is a joint activity between public and private sectors, it cannot be categorized as a service provided by the State in 'exercise of governmental authority'.

7.2 Trade and subsidies

What happens to subsidies in higher education under GATS? Can they continue? Subsidies can be student-based or institution-based, with student-based subsidies being easier to administer. Even under GATS, the same level of subsidies can be extended to students irrespective of the fact that they are studying in cross-border education institutions or national institutions. In the case of institution-based subsidies, it is more difficult since the collaborating institution is foreign. The branch campuses established in some countries attract students from neighbouring foreign countries. In this case, even student-based subsidy creates problems for the national government, if foreign and national students are to be treated in the same way.

From the equity point of view, it is important that at least a part of the subsidies continue. The GATS rules are not very clear on this issue and, in fact, it contains no specific rules on subsidies.

7.3 Trade and development aid

It seems that the development of trade in education has an adverse effect on development assistance. Official development aid (ODA) to post-secondary education as a share of total development assistance to education declined in Australia, for example, from 83 to 20 per cent, and in the UK from 24 to 2 per cent, etc. However countries that do not have high stakes in trade in education have increased their share. For example, the share of Sweden's support for post-secondary education in their total assistance to education increased from 17 to 40 per cent, and that of Denmark from 22 to 50 per cent. It seems that "trade could be seen as more effective and more development-friendly than non-commercial forms of partnerships, especially development assistance" (Vincent-Lancrin, 2005: 27).

7.4 Student support systems

Private and cross-border education institutions very often levy fees that are not easily affordable to students. Therefore student support systems such as student loans need to be introduced as a step towards creating the conditions needed to expand cross-border education. The capital market

in many developing countries remains underdeveloped and hence human capital contracts may not be a viable alternative in the immediate future.

Trade and brain drain

One of the concerns of many developing countries is the correlation between cross-border education and brain drain. Since individuals seek cross-border education at a high cost and are paying on their own, there is a strong logic for them to seek avenues where the salary levels are high. This remains a threat in many developing countries. However, some argue that remittances to developing countries from their migrant workers have grown faster than ODA. In 2005, remittances to developing countries was US\$160 billion, which is twice as much as official development aid (Vincent-Lancrin, 2005), showing that brain drain does not mean total loss to the country of origin.

7.5 Trade in education still remains unacceptable

Trading education services under GATS is unacceptable in many countries for various reasons. GATS and transnational education leave the sector open to international markets, which may not be desirable from the point of view of national concerns. Education systems in the developing world need state support and market operations have only a limited scope. It is feared that trade among unequal competitors, between institutions from developed and developing countries, may lead to a decline of the 'less equal'. The transnational market may attract people with paying capacity, leaving the resource mobilization capacity of the left-out sector very weak. The public sector in education may be further weakened. Governments planning to enter GATS need to reassure their citizens that a reliable regulatory framework to protect their national interest is in place.

References

- Bin, Nguyen Nhu; Houghton, J. 2002. *Trade liberalization and foreign direct investment in Vietnam*. Boston: Department of Economics, Suffolk University.
- Bohm, A; Davies, A; Meares, D; Pearce, D. 2002. *Global student mobility*. Sydney, Australia: IDP Education.
- Bray, M. 2000. "Financing higher education: Patterns, trends and options". In: *Prospects*, 30(3), pp. 332-348.
- Chanda, R. 2002. *GATS and its implications for developing countries: key issues and concerns*. DESA Discussion Paper No. 2. New York: Department of Economic and Social affairs.
- Figurro, V.; Anzalone, S. 2003. *Alternative models for secondary education in developing countries: rationale and perspectives*. American Institute of Research, University of Pittsburg.
- Hayden, M.; Thiep, L.Q. 2006. "A 2020 vision for higher education in Vietnam". In: *International Higher Education*, 44.
- IIE. 2005. *Higher education in Vietnam: Update May 2004*. Hanoi: IIE.
- Knight, J. 2002. *Trade in higher education services: implications of GATS*. London: Observatory on Borderless Education.
- Knight, J. 2006. *Higher education crossing borders: a guide to the implications of the GATS for cross-border education*. Paris: UNESCO; Commonwealth of Learning.
- Le, M.N.; Ashwill, M. 2004. "A look at non-public higher education in Vietnam". In: *International Higher Education*, 36.
- Lleras, M.P. 2004. *Investing in human capital: a capital market approach to student funding*. Cambridge: Cambridge University Press.
- OECD. 2004. "Internationalization of higher education". In: *OECD Observer*, August, pp. 1-8.
- Ruch, R.S. 2001. *Higher education incorporated: the rise of the for-profit university*. Baltimore: John Hopkins University Press.
- UNESCO; OECD. 2005. *Guidelines for quality provision in cross-border higher education*. Paris: UNESCO; OECD.
- University of the Philippines in the Visayas. 2007. "UPV to pursue ocean governance programs with foreign universities". In: *Newsletter*, xxviii(3), March, 2007. Available at: www.up.edu.ph/upnewsletter.php
- Varghese, N.V. 2005. *Institutional restructuring in higher education in Asia*. Paris: IIEP.
- Verbik, L.; Jokivirta, L. 2005. *National regulatory framework for transnational higher education: models and trends*. London: Observatory on Borderless Higher Education.
- Vincent-Lancrin, S. 2005. "Building capacity through cross-border higher education". In: S. Vincent-Lancrin; R. Hopper, and M.G. Grosso, *Cross border higher education for development*. Paris: OECD; World Bank.

World Bank. 1986. *Financing education in developing countries: an exploration of policy options*. Washington, DC: World Bank.

World Bank. 1994. *Higher education: the lessons of experience*. Washington, DC: World Bank.

World Bank. 2007. *World Development Report*. New York: Oxford University Press for World Bank.

Ziderman, A. 1999. *Student loan schemes in Thailand: a review and recommendation for efficiency and equitable functioning of the scheme*. Bangkok: PROAP (UNESCO).

IIEP publications and documents

More than 1,200 titles on all aspects of educational planning have been published by the International Institute for Educational Planning. A comprehensive catalogue is available in the following subject categories:

Educational planning and global issues

General studies – global/developmental issues

Administration and management of education

Decentralization – participation – distance education – school mapping – teachers

Economics of education

Costs and financing – employment – international co-operation

Quality of education

Evaluation – innovation – supervision

Different levels of formal education

Primary to higher education

Alternative strategies for education

Lifelong education – non-formal education – disadvantaged groups – gender education

Copies of the Catalogue may be obtained on request from:

IIEP, Communication and Publications Unit

info@iiep.unesco.org

Titles of new publications and abstracts may be consulted
at the following web site: www.unesco.org/iiep

The International Institute for Educational Planning

The International Institute for Educational Planning (IIEP) is an international centre for advanced training and research in the field of educational planning. It was established by UNESCO in 1963 and is financed by UNESCO and by voluntary contributions from Member States. In recent years the following Member States have provided voluntary contributions to the Institute: Denmark, Finland, Germany, Iceland, India, Ireland, Norway, Sweden and Switzerland.

The Institute's aim is to contribute to the development of education throughout the world, by expanding both knowledge and the supply of competent professionals in the field of educational planning. In this endeavour the Institute co-operates with interested training and research organizations in Member States. The Governing Board of the IIEP, which approves the Institute's programme and budget, consists of a maximum of eight elected members and four members designated by the United Nations Organization and certain of its specialized agencies and institutes.

Chairperson:

Raymond E. Wanner (USA)

Senior Adviser on UNESCO issues to the Senior Vice-President for Programs, United Nations Foundation, Washington DC, USA.

Designated Members:

Manuel M. Dayrit

Director, Department of Human Resources for Health, Evidence and Information for Policy Cluster, World Health Organization, Geneva, Switzerland

Ruth Kagia

Education Director, World Bank, Washington DC, USA.

Diéry Seck

Director, African Institute for Economic Development and Planning, Dakar, Senegal.

Jomo Kwame Sundaram

Assistant Secretary-General, United Nations Economic Development, Department of Economic and Social Affairs, New York, USA.

Elected Members:

Aziza Bennani (Morocco)

Ambassador and Permanent Delegate of Morocco to UNESCO.

José Joaquín Brunner (Chile)

Director, Education Programme, Fundación Chile, Santiago, Chile.

Birger Fredriksen (Norway)

Former Senior Education Adviser for the Africa Region, World Bank.

Takyiwaa Manuh (Ghana)

Director, Institute of African Studies, University of Ghana.

Philippe Méhaut (France)

LEST-CNRS, Aix-en-Provence, France.

Teiichi Sato (Japan)

Advisor to the Minister of Education, Culture, Science, Sports and Technology, Japan.

Tuomas Takala (Finland)

Professor, University of Tampere, Finland.

Inquiries about the Institute should be addressed to:

The Office of the Director, International Institute for Educational Planning,
7-9 rue Eugène Delacroix, 75116 Paris, France

The book

Whereas education used to be considered a public good, it has now become an internationally tradable commodity. It is therefore important to look at how educational provision, quality and financing are affected by the General Agreement on Trade in Services (GATS), a multilateral agreement signed in 1995.

The higher education landscape in particular is undergoing a process of significant change. Nevertheless, countries must remain aware that even if they do wish to open up an area such as education to international trade, they can retain control over a certain number of parameters.

This paper analyzes the implications of GATS for education systems in developing countries, and discusses the importance of regulatory mechanisms for these countries.

The authors

N.V. Varghese, Professor and former Head of the Educational Planning Unit at NIEPA (New Delhi), is currently Head of Higher Education and Specialized Training at IIEP. He has published widely in the areas of educational planning, financing and quality. His most recent publications concern the areas of institutional restructuring of higher education and private higher education.