

TRADE IN EDUCATIONAL SERVICES

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“In Our National Perception of Education it is essentially for all”

Introduction

Trade in Educational Services (ES) is affecting the interests of many countries in trade, economics, education and culture resulting in heated debates between government representatives, private sector investors, teacher unions and students associations on how to approach liberalization of this sector.

Objectives Of The Study

1. To analyse the importance of Trade in Educational Services
2. To describe some classification of Trade in Educational Services
3. To analyse the Estimation of Educational Services Markets

Methodology

The study is mainly based on secondary data.

Importance of Trade in Educational Services

Some of the issues, give a summary of the negotiation process so far within the WTO context, and outline possible answers to resolve the conflicting interest of trade in educational services. The following points depict the growing importance of trade in educational services.

- High quality education can positively influence labour factor conditions of a country's economic development.
- Most of the countries consider investment in education as being of strategic importance to enhance national competitiveness and to increase opportunities to attract foreign direct investment.
- Trade in ES is inherently cross-sectoral affecting trade, economics, education and culture.
- While most stakeholders can agree that private sector providers can be equal or even more efficient producers of educational services, no agreement exists so far as to the intended effectiveness or purpose of educational.
- Gats and Trade in Educational Services

- Education is one of twelve sectors covered by the General Agreement on Trade in Services (GATS), which together with the articles governing trade in goods constitute the rule-making body of the WTO (formerly the GATT).
- Although trade in ES has been part of the WTO since its inception in 1995, it did not draw as much attention as other sectors like communications or financial services before the launch of the Services Round (2000) and its inclusion in the Doha Round (end of 2001).

Before the start of the Doha Round, market shares in ES has been seriously underestimated.

GATS Classification of ES

In general, GATS distinguishes between four modes of supply through which services can be traded, namely

- Mode 1 : Cross-border supply
- Mode 2 :Consumption abroad
- Mode 3 : Commercial presence and
- Mode 4 Presence of natural persons.

Applied to trade in ES within GATS, the examples listed in Table 1 help illustrate the modalities available for CMPs to engage in ES trade.

Table 1 Modes of Supply In GATS/ES

Sl.No	Mode of Supply	Explanation	Examples for ES
1.	Mode 1	The provision of a service where the service crosses the border (does not require the physical movement of the consumer).	Distance education; Virtual education institutions; Education software; Corporate training through IC delivery.
2.	Mode 2	Provision of the service involving the movement of the consumer to the country of the supplier.	Students who go to another country to study.
3.	Mode 3	The service provider establishes or has presence of commercial facilities in another country in order to render service	Local university or satellite campuses; language training companies; private training companies, e.g. Microsoft, CISCO, etc.
4.	Mode 4	Persons traveling to another country on a temporary basis to provide service.	Professors, teachers, researchers working abroad.

Source: OECD/CERI (2002a)

Inside the four modes of supply of ES identified above, education services are commonly defined by reference to five subsectors, namely.

1. **Primary:** Pre-school and other primary education services;
2. **Secondary:** General secondary, higher secondary, technical and vocational secondary, and technical and vocational secondary education services for handicapped students;
3. **Higher:** Post-secondary technical and vocational and other higher education services;
4. **Adult:** Education services for adults who are not in the regular school and university system and includes education services through radio or television broadcasting or by correspondence;
5. **Other:** Education services at the first and second levels in specific subject matters not elsewhere classified and all other education services that are not definable by level

Another way of sizing up the importance of ES exports is the comparison between foreign students studying in a home country versus their own nationals studying abroad (in higher education). Based on 1999 figures, for instance, Australia received 99,014 foreign students at home while 5,169 Australian students studied abroad.

Table 2 presents ratios for some countries and the corresponding trend between 1995 and 1999.

TABLE 2 Ratio of Foreign Students per Domestic Students Abroad In Tertiary Education, 1995 and 1999

	Country	1995	1999	Tendency
Net inflow (1999)	Australia	18.36	19.15	➔
	United States	19.37	14.98	➤
	United Kingdom	6.58	10.49	➔
	New Zealand	4.42	4.18	➤
	Belgium	5.52	3.84	➤
	Germany	3.79	3.45	➤
	Switzerland	2.39	2.99	➔
	France	4.75	2.71	➤
Net outflow (1999)	Norway	1.68	0.75	➔
	Italy	0.81	0.60	➔
	Finland	0.69	0.51	➔
	Ireland	0.42	0.38	➔
	Iceland	..	0.09	➔

Source: OECD (2002a) Figures 4.3, P.115

Belgium, Germany, Switzerland and France are above or slightly under the average ratio of 3 of OECD countries. With the exception of Iceland, the other importers have seen their ratios decrease between 1995 and 1999.

When considering only the percentage of foreign students enrolled in higher education, Switzerland has the highest level with 16.6% in 2000, followed by Australia (12.5%), Austria (11.6%), UK (11%) and Belgium (10.9%), all well above the 4.9% average for the OECD. In comparison, the USA only scored at 3.6%.

Conclusion

The internationalization of education particularly of higher education and adult education, has intensified quite independently of trade in ES within the WTO/GATS context. In sum education is an investment in the present and the future. This cardinal principle is the key to the national policy on education.