TRADING OF HIGHER EDUCATION SERVICES IN INDIA: IMPACT OF GATS

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Introduction

The General Agreement on Trade and Tariffs (GATT) was replaced by the formation of World Trade Organization (WTO) in 1995 with the objective of trade liberalization across the globe and gradual dismantling of non- tariff barriers imposed by many countries. WTO proposes to broaden the scope of international trade by including trade in services which were hitherto considered as non- tradable. The General Agreement on Trade in Services (GATS) is one of the crucial agreements signed under the purview of WTO with a view to ensure progressive liberalization of trade in commercial services to promote economic growth of the WTO members. It covers 12 sectors (161 sub-sections) including education with 5 sub-sectors. The major aims of GATS treaty has been (i) to expand free trade in services; (ii) to open up markets for services; and (iii) to facilitate economic growth of nations through trade. In the field of higher education, the aim has been to remove restrictions to market access and barriers to competition in higher education. Trade in education sector services includes: study abroad, education delivered by foreign institutions and long distance learning between countries. This global trade in educational services is on rapid growth path, accelerated by development of new information technology. For teacher, student and majority of citizens, the term "education" connotes public services whose aim is primarily non-commercial in nature. Education is the objective of improving the welfare and empowerment of the population. Education is divided into five categories: (a) Primary education; (b) Secondary education; (c) Higher education; (d) Adult education; and (e) Other educational services. Although education acts as a promoter of economic growth, data points out that in last 10 years, proportion of public spending assigned to education remained more or less stable as percentage of GNP.

Although educational services were not considered as tradable sector for long by different countries, the GATS treaty has opened up the scope for expanding educational trade among nations. At the same time it may be noted that international mobility of students, teachers, education and training programs have been happening for a very long time. Therefore the renewed enthusiasm in the prospect of expanding import/export of education services hinges on the fact that while cross-border education was an important aspect of the internationalization of higher education, it was not subject to international trade rules, and until recently, has not really been described as commercial trade. Students traveling to study abroad are the largest component of international trade in educational services. A newer prospect in this trade is the widespread provision of courses and qualifications by providers originating from abroad and in many cases operating from a country other than that of the student, who stays at home. Internet, the new communication system is creating rapidly conditions that could allow such trade to flourish in the future. International Trade in education services experienced steady growth especially in tertiary (higher education) sector, implying thereby an increase in number of students going abroad for study, exchange and linkage among faculties and researchers, increased international market for educated manpower, academic programmes and opening of branches/campuses abroad.

The development of the system of higher education and the policies for higher education has varied across the countries over a long period of time. Some countries have evolved specific comparative advantage which have developed when higher education was not part of trade negotiations. The commitments of different countries to higher education under the GATS varied with countries like Congo, Lesotho, Sierra Leone and Jamaica making full unconditional commitments in higher education, perhaps with the intention of encouraging foreign providers to help develop their education system. In the past few decades consumption abroad has witnessed enormous growth because of the large numbers of student traveling from developing countries to the developed countries in the west. In the education sector, the student is the consumer or “recipient” of education and education is traded as a tradable service. The growth of number of students going abroad has increased in the recent times mainly due to the fact that the education provided by the country abroad, i.e., mainly advanced countries were based on better technology and more job-oriented. According to the GATS Agreement, WTO classifies four forms of trade in educational services which are as follows:

Mode I - Cross Border Supply

Mode 1 includes process of learning in which the receiver receives the education without moving to any place. Different forms of distance education mainly e-learning and also correspondence courses through postal delivery system are covered in this mode. Distance education is perceived as an increasingly effective method of instruction. In the USA the popular use of personal computers by people and the spread of user friendly online learning software allow colleges to launch new distance courses on demand from the consumer. USA is the leading exporter of higher education in this mode followed by France, Germany and UK.

Mode II - Consumption Abroad

In this mode the process of learning takes place through the movement of consumer or student or recipient to the other countries. At present this is the most convenient way of acquiring higher education i.e., the student enroll themselves in the universities or institution of higher education abroad to acquire higher education. There are many barriers to this mode such as: visa requirement and costs, recognition of new qualification by other countries, quotas on total number of international students in a particular institution and restrictions on employment while studying, etc.

Many students from Asia seek migration to countries in Western Europe and particularly USA for higher studies because of perceived superiority of education provided there, thereby creating comparative advantage of mode II in the developed world. USA, which has developed infrastructure base to absorb larger capacity of students, does not get sufficient applications from US citizens for graduate programmes in science, engineering and advanced areas of research and is dependent on international applicants to a large extent. On the other hand, Australia and New Zealand with an acceptance of English language, were able to corner a share of international students in spite of being late entrants in the GATS negotiation.

Mode III – Commercial Presence

Commercial Presence is one of the most difficult modes of supply under GATS as it involves both market access and market presence. In this mode, foreign universities establish branches in a country (other than its own country) or create joint ventures in other countries.

During the last decade, international higher educational institutions have been aggressively promoting courses offered by them to overseas students resulting in the increase in availability and diversity or higher education abroad. But the high cost of higher education abroad has limited the number of offering students, limiting them to only those who could afford it or could take educational loans to study abroad.

Mode IV – Presence of Natural Persons

The last or the fourth mode of supply provided by the GATS says that a person can travel to a country (other than their own) on a temporary basis to provide educational services in that country. In this mode, the persons traveling may be teachers/professors or researchers. For trade in educational service under the Mode IV, the service provider moves to other country, and a not the service recipient i.e. the opposite of mode II (consumption abroad). The restrictions in this mode are immigration requirement - tight immigration policy followed by developed countries and requirement of nationality along with the issue of recognition of qualification of teachers from other countries. The fact is that globalization has created a link between the movement of capital (Mode III or commercial presence) and natural persons (Mode IV), and developed countries simply cannot expect to have one without the other. Many of the developing countries have put pressure on developed nations on relaxation of immigration laws so that the developing countries that have a comparative advantage in human capital can benefit from liberalization of services in this mode. Fourteen developing countries including India, China and Mexico have jointly put forward proposals for liberalization of Mode IV through amendments in immigration laws in the developed countries including the USA. In this regard, the issues of policy reforms and further openness of the markets are of crucial importance for developing countries like India.

Indian Scenario

Indian students are going abroad for further higher studies in foreign countries and also the foreign students come to India to study in Indian universities. Ministry of Human Resource Development data show that from 2012-13 to 2014-15; there has been an increase of about 21 percent foreign students studying in higher education in India. These foreign students mainly came from African and Asian countries – Nepal, Bangladesh, Sri Lanka, Mauritius and Kenya were the main supplier of international students to India and there were some international students from the developed countries as well. Country/Level-wise number of foreign students studying in higher education in India (2013-14) is shown in Table- 1.

Table- 1

Country/Level-wise Number of Foreign Students Studying in India (2013-14)

Countries	Under Graduate	PG Diploma	Diploma
Nepal	6859	17	265
Afghanistan	2515	2	9
Malaysia	2247	-	2
Bhutan	2240	-	366
Sudan	1750	-	-
Sri Lanka	1033	-	11
United States	1004	-	8
Iraq	964	2	2
Nigeria	960	3	7
Iran	806	15	19
Congo	672	-	4
United Republic of Tanzania	667	2	70
Bangladesh	534	11	4
United Arab Emirates	477	-	-
Rwanda	476	-	6
Mauritius	459	-	1
Yemen	417	-	8
Tibetan Refugees	381	-	-
Kenya	368	-	4
South Africa	331	1	-
China	329	3	2
Maldives	297	-	2
Canada	272	7	19
Saudi Arabia	264	-	-
Uganda	253	-	15
Bahrain	241	-	-
Zambia	193	-	1
Other Countries	3361	18	90
Grand Total	**30370**	**81**	**915**

Source: Ministry of Human Resources Development, Govt. of India.

Regarding the import of educational services, i.e. Indian students going abroad, available information indicates a sharp increase in numbers. The number of Indian students pursuing higher education outside India in 2000 and in 2006 to 2014 is given in Table- 2.

Table- 2

Number of Indian Students Pursuing Higher Education Outside India

(2000 and 2006 to 2014)

(Figures in Lakhs.)

Year	No. of Students
2000	0.67
2006	1.58
2007	1.61
2008	2.18
2009	2.27
2010	2.54
2011	NA
2012	2.22
2013	2.00
2014	1.82

Source: Association of Indian Universities, India.

. The maximum number of Indian students going abroad were in the field of engineering, architecture, commerce, business administration/business management and in science. The selected country-wise number of Indian students who are enrolled abroad is shown in Table- 3.

Table – 3

Selected Country-wise Number of Indian Students Studying Abroad (2007 to 2014)

Countries	Years							
	2007	2008	2009	2010	2011	2012	2013	2014
USA	85687	94664	101563	103968	101909	97120	92597	97613
Australia	24523	26520	26573	20429	14091	11684	16150	25562
UK & Ireland	23833	25901	34065	38205	38677	29713	22155	19604
Canada	3219	3501	4617	5868	8142	9582	13626	NA
New Zealand	2452	4094	5710	6650	7517	7248	6845	10255
UAE	NA	NA	NA	NA	6684	7310	8247	9273
Germany	3421	3257*	3273*	3867*	NA	NA	5645	7682
Ukraine	1466	1785	2180	2413	2427	2516	2627	3587
Russian Federation	NA	4314	4286	NA	3351	NA	NA	2630
France	891	1038	1252	1444	1701	1955	1828	1985

Source: Ministry of Statistics & Programme Implementation, GOI.
Note: * Estimation

The post-recession scenario hit the mobility of Indian Students quite hard and uncovered two primary segment of students- immigration-driven and career – driven. Each destination has a mix of these two segments. It ranged from majority career-driven Indian Students going to the US at master's degree level, to majority of immigration-driven student's going to Australia and enrolling at vocational and technical colleges. Due to recession, the US as a destination lost some of its attractiveness due to a lesser availability of financial assistance from universities and poorer prospects of finding jobs after completion of education. This is the time when one year master's programs in the UK became quite attractive for Indian Students who were ready to pay for shorter duration marster's programs and a higher potential for immigration as compared to the US. At the same time, Australia hit its peak with, Indian students in 2009, with a large wave of Indian students using education as a pathway for immigration through vocational program. This large wave of Indian students with immigration intentions also unearthed several cases of visa abuses and prompting both Australian and British government to tighten regulations. Meanwhile, Canada became a beneficiary because of its immigration friendly policies and attracted larger number of Indian students with immigration intentions.

Policy Challenges and Suggestions

Globalization of educational services has opened up new challenges for the Indian higher education sector. The enrolment of foreign students in increasing numbers in Indian Universities and institutes indicates growing global demand (export) for educational services from India. The outflow of Indian students to foreign institutions indicates growing import of educational services in the country. Higher education sector, despite its phenomenal growth over the last five decades, has not yet been able to cover a vast majority of education-seekers in our country, and international trade in higher education through the different modes of GATS may provide a solution to this gap only to a certain extent. With emphasis on inclusive growth in the XIIth Five Year Plan, there is some increase in the projected government expenditure on higher education, but the impact on actual expansion of higher education supply in the country would be judged only after the process is completed and actual investment takes place.

A **long term macroeconomic policy frame** is necessary for the government to provide for inclusive forms of spread of higher education because freer trade will commercialize education and escalate costs, posing threats to education as a "public good". Thus, a regulatory framework is necessary to protect the interests of all stakeholders, especially the students. It should be compatible with larger international framework, while remaining connected and consistent with national objectives.

The government needs to invest in higher education and formation of quality skills on a large scale to meet the growing demand for quality manpower in the post- globalization period. This assumes crucial importance in order to meet the rising trend in **productivity growth and technological improvement** due to opening of services trade under GATS.

Liberalization of foreign capital flow may have far reaching consequences in this sector. FDI may bring the benefits of improved managerial and organizational skills to run the institutions in India and may promote competitiveness in education system as a whole, but since FDI would be confined to selected sectors only, the spillover effect of quality in mass education sectors may not happen. Thus the expected **expansion could be exclusionary in nature.**

There is likely to be **greater mobility of our qualified academic manpower** to move to places of better facilities within the country and abroad, which would tend to distort the prevailing system of education in the country. This calls for government measures to retain them in institutes of higher learning which have been created with many years of state investment.

As per the GATS agreement, the public sector funding of educational institutions should be non-discriminatory *i.e* the government would have to provide the same grant, financial aid and other advantages to the foreign educational service providers as given to domestic ones. Therefore provisions in the proposed framework would be required to **protect the advantage of investment in research, patents and educational expansion.**

Adequate attention needs to be given to **quality assurance and accreditation of service providers** as required by legal rules & obligations in trade agreements for increased cross-border education delivery. The authority for quality assurance, regulation and accreditation needs to be guided by stakeholders and bodies related to education, not by market.

The government should develop regulatory mechanisms through **assessment of the degrees offered by foreign agencies and the fee structure** for such courses, so that domestic students are not discriminated against.

The country has adequate expertise to augment the educational services in the field of IT, computer hardware and software, communication etc. but in the field of general education in science, technology, management, finance and liberal arts, the inflow of foreign capital as well as service providers is far less than our need. Thus, an appropriate mix of designed policies is required to **address the mismatch between the types of educational services available for import and ready for export.**

Conclusion

When India began its globalization progamme, the focus was on reform in trade and industry. Social sectors like health and education received lowest priority in our selection of reform agenda. The GATS has brought into focus WTO's emphasis on liberalizing trade in services, identifying educational, health and financial services as key entrants in its first phase. As a consequence of globalization of services of higher education in India, good quality and cost-effectively run institutions in India shall be in a position to export their services to other countries in selected fields. On the other hand, the least quality tier of educational institutions which have not been able to improve quality over the years, would gradually peter out due to enhanced competition. The benefits of globalization of educational services through GATS can be reaped only if the government plays an active role in (a) licensing and regulation procedure for foreign providers; (b) funding protocols including operating grants, loans, subsidies and scholarships; (c) qualification recognition; and (d) quality assurance and accreditation for imported and exported educational services. Thus, the tradability of educational services in our country has to be judged prudently, as such a trade would have far reaching consequences on our society, polity and of course on the economy.

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