



Environmental Scanning Report:

*The Globalization of
Higher Education
and the New Trade Agreements*

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Globalization

Globalization means something different to nearly everyone. The National Education Association (NEA) states that globalization is “an over-used and frequently confusing term, one that has many dimensions: cultural, political, and economic”. For the purpose of this scan, globalization is the flow of technology, economy, knowledge, people, values, and ideas across borders.

In an increasingly global economy, countries must educate ever-larger numbers of people to stay competitive. New technologies allow people worldwide to communicate much more easily than even a decade ago (Lenn, 2002). At the same time, regional and international trade agreements have fostered improved relations among nations’ higher-education systems.

As higher education is looked upon as a new tradable commodity, the higher education institution will have a different face. Globalization and the new trade agreements bring expanded personal mobility; access to knowledge across borders; increased demand for higher education (including e-learning); growing worldwide investment; and increased needs for adult and continuing education. With it come both opportunities and potential threats for U.S. higher education (ACE, 2004).

The purpose of this scan is to keep the University community apprised of the issues and implications of globalization regarding higher education. In addition, this scan will educate University leaders on the potential affects that the new trade agreements will have on higher education.

Executive Summary

- ◆ Higher education will be a worldwide tradable commodity in upcoming years. This will have direct implications for United States' institutions within 5 years because countries will submit their final commitments by January 2005. The major problem is that neither the education sector nor the trade sector can predict what these implications will be since trade in services is uncharted territory for the entire world.
- ◆ General Agreement on Trade in Services (GATS) is the recent multilateral, legally enforceable agreement covering international trade in services. Education services, including higher education, are one of the 12 broad sectors included in the agreement.
- ◆ There are many different policy issues related to the GATS including: the role of the government; student access; registration and licensing of education providers; quality assurance and accreditation; recognition of academic and professional qualifications; funding; internationalization of academic relations; cultural diversity and acculturation; and trade creep.
- ◆ Many different stakeholders have been vocal on the subject of GATS. Some of the major supporters of the trade agreements include the Department of Commerce, the Center for Institutional and International Initiatives, testing companies and for-profit providers. Critics of the trade agreements include the NEA, American Council on Education (ACE), the Council for Higher Education Accreditation (CHEA), the Association of Universities and Colleges of Canada (AUCC) and the European University Association (EUA).
- ◆ University of Scranton leaders need to be cognizant of the implications of the new trade agreements as they become available, and should keep these potential implications in mind when developing and approving future policies and procedures.

Background Information- Trade Agreement

Trade in higher education services has grown over the last few years into a global market estimated at \$30 billion in 1999. The United States earned an estimated \$8.5 billion from this trade in 1997, making it the country's fifth largest service export. The United States is by far the largest provider of education services, followed by the United Kingdom and Australia (ACE, 2004).

The General Agreement on Trade in Services (GATS) is the new, untested international trade agreement which is administered by the World Trade Organization (WTO). It is the first multilateral agreement that covers trade in services. It has existed since 1995, and its purpose is to reduce or eliminate barriers to trade. It is a worldwide agreement covering all 145-member countries of the WTO. The agreement identifies specific rules and conditions to liberalize and regulate trade, and it is these regulations which are at the heart of the debate about GATS. Each country can determine the extent to which it will permit foreign education service providers to access the domestic market. However, due to the most favored-nation principle, which means that all countries must be treated equally in terms of the market access, negotiations will undoubtedly go back and forth. Finally, due to the principle of progressive liberalization, which is the process by which tariffs, subsidies and other restrictions on the free flow of goods and services between countries are removed, there will be increased pressure for further liberalization of trade barriers with each round of negotiations. (ACE, 2004).

The following list is sample of the barriers to trade in education according to the Office of the U.S. Trade Representative and the National Committee for International Trade in Education.

- ◆ Restrictions on the use of national satellites and receiving dishes.
- ◆ Rules that prohibit foreign entities from offering higher-education services in a country.
- ◆ Taxes that discriminate against foreign educational institutions.
- ◆ Regulations that require a minimum percentage of instructors to be local.
- ◆ Laws and regulations that are unclear and are administered in an unfair manner.
- ◆ Regulations that require a local partner to participate in any educational venture.

The trade sector through GATS has developed four "modes" to describe trade or supply of services. An example of how each mode relates to higher education is also provided.

Mode 1: **Cross-border supply** focuses on the service crossing the border, which does not require the consumer or the service provider to physically move. Examples in higher education include distance learning education and e-learning.

Mode 2: **Consumption Abroad** refers to the consumer moving to the country of the supplier which in education means students taking all or part of their education in another country.

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Mode 3: **Commercial Presence** involves a service provider establishing a commercial facility in another country to provide a service. Examples in higher education include branch campuses or franchising arrangements.

Mode 4: **Presence of Natural Persons** means people traveling to another country on a temporary basis to provide a service, which in education would include professors or researchers.

Trade Timeline

January 2000: The United States and 142 other countries began negotiations to reduce tariffs and trade barriers that affect a variety of services, including higher education.

December 2000: The United States submitted a broad proposal to reduce barriers to trade in higher education.

June 30, 2002: Countries filed requests asking partners to open their markets in service areas.

March 31, 2003: Countries that were the subjects of requests presented offers to open their markets in service areas.

January 2005: GATS negotiations will end.

GATS serves as the catalyst for the education sector to examine how trade rules may influence higher education policy. The education sector needs to determine whether the necessary national, regional and international education frameworks are in place to deal with the implications of increased cross-border education (Knight, 2003).

Policy Issues

Key higher education policy issues related to the potential impact of the new trade regulations as described by Dr. Jane Knight in her paper titled “*GATS, Trade and Higher Education*” are as follows.

Role of Government

Government plays a critical role in regulating, funding, and monitoring the provision of higher education especially in the United States. One issue raised includes how GATS will affect public and private institutions. For example, GATS states that “those services supplied in the exercise of governmental authority”, or those that are “not in competition” with other service providers and operate on a “non-commercial basis” are exempted. Legal opinion (Gottleib & Pearson, 2001) and the general consensus in the higher education sector is that there is so much ‘wiggle room’ in the definition that one should not count on government funded and mandated institutions being exempted from GATS rules unless a country stipulates this in their commitments.

Another government policy issue deals with qualifications, quality standards and licenses. The articles read, “qualifications, requirements and procedures, technical standards and licensing are not more burdensome than necessary to ensure the quality of the service”. The language is purposely vague, and this leaves the higher education sector concerned.

Student Access

GATS supporters believe that increased student access to education and training is one of the strong rationales and articulated benefits linked to trade liberalization. GATS critics question the need for trade rules when much trade (and national regulation) is already underway (i.e. current crossborder education through development projects, linkages and commercial ventures).

Registration & Licensing of Education Providers

Many educators believe that one of the negative consequences of market driven for-profit education is that the number of ‘diploma mills’, ‘canned degrees’ and ‘accreditation mills’ will increase. There is also apprehension that some of the requirements established for licensing will be perceived as potential barriers to trade, and will therefore be targeted for liberalization during future rounds of GATS negotiations.

Quality Assurance and Accreditation

The terms accreditation and quality assurance have different meaning and significance depending on the country, actor or stakeholder using the term. Generic international quality standards might be applied to education, and the education sector has mixed views on the appropriateness of quality standards being established for education by those outside the sector.

Recognition of Academic and Professional Qualification

The need to have mechanisms which recognize academic and professional qualifications gained through domestic or international delivery of education is another important consequence of increased cross-border activity.

Funding

A visible trend in many developed and developing countries is that the growth in public funding of higher education is not keeping pace with the accelerated levels of private investment in the sector (Levy, 2003). The greatest fear among many education leaders is that while private investment in education rises, the public support will fall even more steeply. The role that trade plays in this scenario is that countries without the capacity or political will to invest in the physical and soft infrastructure for higher education will begin to rely more and more on foreign investors and providers. This will give trade rules a heavy influence on the terms and use of the private investment and thereby national policy for education.

Another funding concern is full adoption of liberalization under GATS may force governments who wish to provide educational funding to spread their resources across a much larger and broader range of institutions in order to meet requirements regarding national and most favored nation treatment. This will include scholarships and grants.

Internationalization of Academic Relations

Higher education institutions are actively expanding the international dimension of their research, teaching and service functions. This collaborative research and scholarly activity is a necessity given the increasing interdependency among nations to address global issues such as climate change, crime, terrorism and health. An important question is how an increased emphasis on international trade in education and new trade regulations will affect the nature and priority given to non-commercial international education activities. Secondly, what are the consequences for higher education institutions in both developed and developing countries of the discernible shift from aid projects to trade relationships?

Cultural Diversity and Acculturation

One camp believes that new technology and movement of people, ideas and culture across borders presents fresh opportunities to promote one's culture and furthers chances for fusion and hybridization of culture. Others contend that these same forces are eroding national cultural identities and instead of forming new forms of cultures through hybridization, cultures are being homogenized (in most cases interpreted to mean westernized). Both perspectives have strengths but the real question is whether trade agreements will have an impact. Will commercially traded education programs be any more or less culturally imperialistic or diversified than programs or curriculum which cross borders as part of development projects or academic exchange programs?

Trade Creep

The term trade creep refers to the quietly pervasive introduction of trade concepts, language and policy into the education sector. The nuance behind trade creep is an unconscious adoption of trade jargon and its underlying values. For example, for many years the education sector referred to incoming and outgoing students or programs. Now we talk about the import and export of education services. A student traveling abroad to study is now referred to as mode two, or 'consumption abroad'.

Stakeholders

Much has been said about the impact of globalization on higher education. Some have argued that globalization, the Internet, and the scientific community will level the playing field in the new age of knowledge interdependence. Others claim that globalization means both worldwide inequality and the ‘McDonalization’ of the university.

Trade in education services is usually interpreted by educators as a subset of cross-border education, and for the most part described as those activities that have a commercial or for-profit nature or purpose to them. This interpretation is much narrower than one used by economists or the trade sector. From their perspective, even if a cross-border education activity is seen to be non-commercial in purpose, there is still export value in a country’s balance of payments from accommodation, living, travel expenses, and therefore there are commercial implications (Larsen and Vincent-Lancrin, 2002).

GATS supporters claim that liberalizing the education sector will provide more and better opportunities for students (and potential students) around the world to access high-quality education. Critics claim that adopting full liberalization of the education sector would undercut existing institutions of higher learning and would force what should be a public-service oriented enterprise into a profit-seeking one (NEA, 2004).

Adversaries of GATS

There are many different stakeholders in the phenomenon of higher education globalization. “Many educational institutions are nonprofit; their motivations are different from the motivations of commercial firms that we think of in a trade context” (Altbach, 2004). The growing concerns of the education community worldwide stem from the fact that the WTO, an organization that aims to promote trade for purposes of economic efficiency, with no competence in education, may negatively affect sustainable developments of education (ACE, *U.S. Update on GATS, 2004*).

The most outspoken critics of the U.S. trade proposal are ACE and CHEA. These groups, which largely represent nonprofit institutions, say such a treaty could drive a wedge between public and private institutions in the United States and threaten developing countries’ efforts to create their own educational systems (Foster, 2002).

Convinced that GATS may have a significant impact on U.S. higher education as the negotiations proceed, ACE and CHEA have taken positions on behalf of their members and periodically provided updates and briefings to them. In September 2001, ACE joined with CHEA, AUCC and the EUA to issue a Joint Declaration. The declaration stated that the organizations are committed to increasing cross-border education, but expressed serious doubt about the appropriateness of a trade regime to address education issues (ACE, *U.S. Update on GATS, 2004*).

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The CHEA worries that the proposal could favor private over public institutions, or vice versa, because the general principles of GATS say government services are excluded from coverage. This implies that the agreement covers private colleges but exempts public colleges. That could be detrimental to private colleges if, for example, a country decided to tax distance education.

Madeline F. Green, vice president and director of the Center for Institutional and International Initiatives at the ACE, raises a bizarre scenario should public colleges in the United States be covered by GATS. In it, the trade agreement forces public colleges to charge in-state tuition rates to foreign students, while the colleges continue to charge higher, out-of-state tuition to students from the United States (Foster, 2002). Questions such as these worry the opponents of the trade agreement.

In the U.S., the Department of Commerce has taken the lead on GATS and not the Department of Education. Education groups in the United States, Canada, and a number of other countries have been skeptical or are opposed to the GATS proposal. To start with, many educational institutions are nonprofit; their motivations are different from the motivations of commercial firms that we think of in a trade context (NEA, 2004).

Opponents of the trade proposal fault the Office of the U.S. Trade Representative, the federal agency charged with negotiating global trade agreements, for offering it. They say the National Committee has too heavily influenced the trade office for International Trade in Education, a nonprofit organization in Washington (Foster, 2002).

Supporters of GATS

According to the United Nations Educational, Scientific and Cultural Organization (UNESCO), some education stakeholders point to the benefits of trade in higher education. They believe that increased market competition provides a strong motivation for traditional institutions to innovate and establish professional networks. Furthermore, commercial trade through new for-profit providers and traditional higher education institutes can provide more opportunities for access to higher education. They recognize that preserving the quality of higher education, assuring equitable access to higher education and protecting/empowering the learner are becoming the key issues in response to the further commercialization and trade of higher education provision.

Those favoring GATS and the regulatory framework in general are the sellers and owners-multinational knowledge companies, governments focusing on exports, and others (OECD, 2002). Testing companies such as the U.S.-based Educational Testing Services, multinational publishers, information technology and computer firms, for-profit educational providers such as Sylvan Learning Systems, and others are examples of businesses involved in global education that see GATS as benefiting their interests (Altbach).

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Some of the proponent institutions include Temple and George Washington Universities. They have established nonprofit institutions that are aggressively exploring overseas ventures, some of which are commercial. Other supports include many professional organizations, such as the Accreditation Commission for Acupuncture and Oriental Medicine; some nonprofit distance-learning institutions, such as University of Maryland College; and accrediting groups for traditional colleges, like the Accrediting Council for Independent Colleges and Schools, which are recognized by the Council for Higher Education Accreditation.

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Exporting College Programs or Degrees

Since there are no clear implications of GATS at this time, UNESCO and the Intergovernmental Council of Europe have developed the following questions that they believe a college should consider if they are contemplating exporting a program or degree across borders.

Mission: Does the program or degree reinforce the college's mission? Who at the providing institution knows that the program is being exported? Who else needs to know?

Control: Are the academic program, staff, and other key operations within reasonable control of the institution?

Academic program and teaching staff: Are the instructors qualified to teach the curriculum? Do they have equivalent qualifications to those working at the home institution? If tutors are used, are they well trained? In what language will the instructors teach the curriculum?

Learning Resources: Do the libraries, laboratories and instructional materials adequately support the curriculum?

Students: Can they complete the program? What is the language requirement for students? If it differs from the home institution's requirements, can that be justified?

Student Services: To support the academic program, does the institution provide such services as advising and other support networks?

Physical Resources: Unless it is an online program, is the physical plant for the educational entity adequate and well maintained?

Financial Resources: Is the home institution in control of those resources? Are appropriate fees, including tuition, being asked for services rendered? Are revenues invested in maintaining a good program as well as providing a financial return to the home institution?

Conclusion

Higher education will soon be treated as a worldwide tradable commodity. This will have direct implications for United States' institutions within 5 years because final GATS commitments need to be offered by January 2005. Unfortunately, at this time, we can only speculate on what those implications might be.

Many in the higher education sector have hypothesized that the implications of GATS will be damaging to the education sector. They theorize that adopting full liberalization of the education sector would undercut existing institutions of higher learning and would force what should be a public-service oriented enterprise into a profit-seeking one. Supports of GATS, including the trade and business sectors, claim that liberalizing the education sector will provide more and better opportunities for students to access high-quality education (NEA, 2004). The debate is expected to continue for years after the January 2005 deadline due to the process of progressive liberalization and the most-favored nation principle.

University of Scranton leaders need to be aware of the potential implications of the new trade agreements, and should keep them in mind when developing and approving future policies and procedures. Both the benefits and risks of increased international trade in education will be felt most keenly at the national level (ACE, 2004). However, regular and reliable monitoring of GATS and globalization is needed to keep University leaders abreast of new developments and implications.

Finally, the ACE developed a practical guide for higher education administrators and faculty engaged in internationalizing their institutions. Offered as a resource for campus leaders, *Internationalizing the Campus: A User's Guide* draws on literature in the fields of organizational change and international education, as well as ACE's experience with diverse institutions around the country.

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Definitions

ACE – American Council on Education

AUCC-Association of Universities and Colleges of Canada

Capitalism (free market) – The separation of economy and government.

CHEA- Council for Higher Education Accreditation

EUA – European University Association

GATS – General Agreement on Trade in Services. It is a multilateral, legally enforceable agreement covering international trade in services. Education services, including higher education, are one of the 12 broad sectors included in the agreement.

Globalization – The flow of technology, economy, knowledge, people, values, and ideas across borders.

Internalization-Process of integrating an international dimension into the teaching, research and service functions of higher education institutions.

Liberalizing (liberalization) – Process by which tariffs, subsidies and other restrictions on the free flow of goods and services between countries are removed.

Massification – Mass enrollments in the higher education sector

McDonalization-franchising offshore institutions

Most-favored nation treatment – Requires countries to accord services from any foreign country the best of the treatment accorded to any other foreign country.

Multinationalization-academic programs or institutions from one country offered in other countries

NEA – National Education Association

OECD – Organization for Economic Co-operation and Development

SOCRATES/ERASMUS-This system provides that recognition of educational credentials attained in one member nation be recognized in the other European Union (EU) nations. It also allows credit for courses in approved institutions in one nation to be recognized in other institutions that are part of ERASMUS/SOCRATES.

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Transnational- Borderless, transnational, transborder, crossborder. Terms being used to describe real or virtual movement of students, teachers, knowledge and academic programs from one country to another.

Transparency – Requires that all nations publish all measures that affect services, inform the WTO Council on Trade in Services about changes, and respond to requests for information from other nations about the changes.

Twinning – A joint-degree offering among institutions in two or more countries

UNESCO – United Nations Educational, Scientific and Cultural Organization

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Resources

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