

The High Profile of Trade in Higher Education Services

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Proponents of free trade in higher education services present legitimate and convincing arguments to include higher education in major international trade agreements like the General Agreement on Trade in Services (GATS). Increasing access for American providers to foreign markets, providing services to willing education consumers abroad, and expanding educational opportunities in countries with less broadly developed systems of higher education are some of the perceived benefits of removing trade barriers to higher education providers. Indeed, free-trade supporters enjoy advocates in high places, including the U.S. Office of the Trade Representative (USTR), who promote such benefits of free trade for American higher education interests overseas. The protrade position, however, lacks a developed perspective on the implications of free trade for domestic higher education.

A few informed representatives at national higher education associations have produced the only localized response from American higher education to the issue of including higher education in any trade agreements. Thus far, however, the issues raised locally have not led to a more broadly informed debate about the topic. It may be useful to present a “worst-case scenario” to showcase some of the ways in which trade liberalization could adversely impact American higher education through GATS and other international trade agreements.

PROGRESSIVE LIBERALIZATION

Current trade proposals protect the autonomy of American higher education institutions in areas like admissions, financial aid, and hiring practices. However, years of progressive liberalization might one day remove all previously existing protections. All WTO member-nation providers of higher education services become subject to the legally binding terms of GATS. GATS excludes services provided “in the exercise of government authority, defined in the GATS as any service which is supplied neither on a commercial basis, nor in competition with one or more service suppliers” (USTR, “United States announces proposals for liberating trade in services,” www.ustr.gov, July 2002). Nevertheless, American public higher education, which receives only a (shrinking) portion of its funding from government sources and could be deemed to operate in competition with other higher education providers, might not prove to be a protected service. At several levels, absolute free trade without any exceptions or protections could

force significant change within American higher education. Admissions and financial aid, market competition among institutions, and segregation among academic disciplines are just a few of the areas in which trade could alter the landscape of American higher education.

ADMISSIONS AND FINANCIAL AID

Admissions and financial aid policies at both public and private institutions would face scrutiny regarding any conditions that might appear favorable to domestic students. Regarding the challenges to public higher education, it is possible that another country would perceive the mere existence of publicly funded higher education as a violation of free trade. Public financing, which helps hold down tuition prices at levels below what a private institution can offer, could be interpreted as a form of domestic subsidy. If challenged through an international dispute settlement process, public higher education might be forced to privatize, in order to maintain a truly free market in which institutions compete for students. Public institutions might also be challenged about their admissions policies, through which they currently reserve places for residents of their home state and other protected groups. Such a practice would illegally impact a foreign student’s ability to be admitted and might be deemed illegal.

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Private institutions might also face complaints over admissions and financial aid policies if they maintained different standards for domestic and foreign student admissions. For example, if an institution maintained need-blind admissions for domestic students but noted foreign students’ financial status when evaluating their applications, this would likely be considered an unfair and illegal practice. In addition, if an institution provided full financial-need aid to its domestic students but did not offer the same aid structure to foreign students, this could be challenged as an illegal policy. Institutions might lose their ability to admit and support students in any subjective way that could be deemed unfair to foreign applicants.

MARKET COMPETITION

Following the scenario described above, the resulting privatization of public providers as well as the arrival of foreign suppliers would heighten the competition for students across the higher education “market.” A situation could occur in which the traditional sector of higher education, in choosing to compete with the for-profit sector instead of fighting against the tide of trade liberalization, would focus on its financial inter-

ests. More market-susceptible institutions would need to consider eliminating non-self-supporting departments, increasing activities that generate revenues, and outsourcing or eliminating altogether campus resources that might be provided by others at less cost. These ongoing trends—already happening at some level—could be exacerbated by free trade. These institutions would seek competitive advantages and eliminate all activities that negatively affected the bottom line.

The wealthier institutions, those which could afford to maintain departments that are not self-supporting, would become the study centers for all cash-poor subjects (e.g., classics, music theory, or comparative literature, etc.), resulting in an elitism among academic fields. The liberal arts would become an educational luxury. Only those meeting the admissions standards at the most elite institutions would have the privilege of studying in these fields, and only the privileged students would have the resources to commit to such studies.

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SEGREGATION AMONG DISCIPLINES

Finally, another potential academic scenario involves entire fields of study becoming transformed due to international enrollments. Science and engineering already face intense enrollment pressures, as American students do not seek advanced degrees in the numbers needed to fill classrooms and laboratories at institutions across the country. In many cases, domestic students with less impressive credentials are currently admitted to programs over qualified international students—to ensure some American enrollees. Under an absolute free-trade model, such protectionist admissions policies would be illegal, and all applicants would have to be considered in the same way.

One could predict, then, a rapid increase in East and South Asian students, for instance, in graduate programs in computer science and engineering, which are vital for U.S. national security and economic development. It is not unimaginable that free trade could actually lead to diminished capacities to compete in business (say, in high-tech fields) and pose a real threat to national security—not due to the presence of foreign students, which is already an issue, but because few if any domestic students would be qualified and eligible for employment in classified areas and fields. With burgeoning high-tech sectors across Asia, for example, it is reasonable to expect that more foreign students in these fields would return to their home countries, where they would not face stringent U.S. immigration restrictions and where their entrepreneurial opportunities would likely be greater than in the United States. Exporting economically vital areas of expertise could, in fact, threaten national security and further disadvantage the U.S. economy by moving the forefront of technological and scientific innovation overseas.

THE WORST-CASE SCENARIO

These examples within this worst-case scenario are extreme, of course, but they ought to stimulate debate about the potential ramifications of unfettered free trade in higher education services and the ongoing skepticism worldwide over the promise of free trade for higher education. Assuming that higher education is a service industry—a hotly contested idea, given the social and cultural significance of higher education—the extent to which the sector ought to be subjected to the free market requires an informed, inclusive process, which is not in place today.

For the United States, in particular, formulating comprehensive trade policies that impact the massive, decentralized, states-centered system of higher education should involve input from actors at all levels—from the campuses to representative organizations to government agencies. Thus far, however, protrade advocates have dominated the discussion, with more mainstream higher education stakeholders valiantly trying to catch up. Maybe the shock of these potential repercussions will provoke greater involvement across all segments of American higher education, leading to more inclusive debate about free trade and its implications for higher education here and around the world. Without greater interest and broader input in this debate, these worst-case possibilities could become worst-case inevitabilities. ■

GATS and Higher Education's Role in Development

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The GATS treaty includes specific commitments to ensure that the liberalization of trade in services benefits developing countries and enhances global development. Some developing countries interpret these provisions as an exemption from most of the hard bits of GATS obligations, while trade hard-liners see them more as lofty expressions of goodwill not to be taken as binding in any real sense.

For a rich country, traditionally committed to both global trade and the interests of less-developed countries, it can be a challenge to balance the two objectives in a GATS context. Education represents a particularly sensitive area because of its pivotal role in development. How should a country act to fulfill its obligations to the global development of education for the benefit of all? An interesting case entered the public eye last year when South Africa took some developed countries to task