

## TRADING HIGHER EDUCATION SERVICES ACROSS BORDER : OPPORTUNITIES AND HASSLES FOR INDIA

Rakesh Raman\*

### KEY WORDS

Higher Education

### Received on :

11.06.2010

### Accepted on :

15.10.2010

*Trade in higher education services is as old as the history of human civilisation yet, in recent years it has assumed significance. The growing importance is explained by three set of factors. First is the growing realisation of economists and policy makers of the importance of quality of human capital as a determinant of economic growth. Starting with Adam Smith, the relation between education and economic growth has been studied using two different approaches- the macro-economic or the growth- theoretic approach and the microeconomic or the rate of return approach.*

## INTRODUCTION

Among a vast sea of opportunities and formidable challenges that the era of globalisation and international trade treaties and agreements have created for the developing and transition economies, trade in educational services is a prominent one. Education, which for a considerable period of time was regarded as a merit good rather than a public good and was believed to have been bypassed by the miracle of the market and was being treated as an example of what Dreze and Sen<sup>1</sup> call a *market-excluding arrangement*, rather than a *market- complementary arrangement*, now finds itself placed in the category of services which are being traded and competed with, in the international market. Globalisation, revolution in ICT, concern for democratisation (massification<sup>2</sup>) of access to higher education, (HE) the growing belief in the thesis and evidences that initial level of education (especially if it is relatively high) is a strong correlate of later economic development and above all huge scope of expansion of HE services have all made it a very vibrant and challenging field. With GATS facilitating trade in services, trade concepts and jargons, language and policies are being increasingly used in the field of higher education. This phenomenon branded as “trade creep” by Knight<sup>3</sup> has opened a Pandora box of opportunities and hassles for participating nations.

The demographically younger nations with high demand for higher education services and greying nations with high potential capacities to supply these, today eye the benefit from trade in higher education services in their own way. India's case is typically unique. With its vast young population, it on the one hand appears as a major destination for higher education service inflows and with its

---

\* Associate Professor, Department of Economics, Banaras Hindu University, Varanasi, Uttar Pradesh - 221 005, e-mail : rraman88@gmail.com

expansive pool of skilled manpower; on the other, it has tremendous potential as a supplier. The nation can benefit from both exporting and importing higher education services. It has for a considerable period of time intensely debated the issue of trading higher education services or “internationalisation of higher education”. The discussion has centred not only on purely economic issues of prospective gains and losses but also on emotive issues of equity, justice and duty of the state. While a substantial chunk of the members of the academic community, group of politicians, social scientists etc. have rejected it out rightly, branding it as representative of the undesirable trends in the “commodification” of or the subordination of the values of higher education to commercial interests alone at the cost of intellectual, social and cultural development of a society; there are others who are more optimistic and enterprising and support it by giving credence to international trends, exploitation of vast opportunities offered by the new world order created by GATS and the inability of the government to meet the escalating cost in the wake of its shrinking budgetary resources as arguments for the nation’s indulgence in trade in higher education services. With the present HRD minister expressing the commitment of the government to go ahead with further opening up of the higher education sector and the government going for the foreign university bill, a thorough discussion of different aspects of the issue has become of critical importance. The present paper aims at studying the implications and options of trade in HE services and attempts to chart out a strategy for India in this regard. The paper is organized into four parts- Part-I gives a brief account of provisions for trade in higher education under GATS, Part- II talks about the opportunities and area of strength or export and interest of India, Part-III enumerates the probable risks/ hassles of opening up the higher education sector for trade and the final section i.e. Part-IV attempts to suggest a strategy for India to exploit the benefits offered by the internationalisation of higher education.

### **GATS AND THE PROVISIONS OF TRADE IN HE SERVICES**

Although trade in higher education services is as old as the history of human civilisation yet, in recent years it has assumed greater significance. The growing importance is explained by three set of factors<sup>5</sup>- First is the growing realisation of economists and policy makers of the importance of quality of human capital as a determinant of economic growth. Starting with Adam Smith, the relation between education and economic growth has been studied using two different approaches- the *macro-economic* or *the growth- theoretic approach* and the *microeconomic* or *the rate of return approach*. The neoclassical model specified by Solow (1956) was the first in category-1. It found a large ‘residual’ in explaining economic growth that was later attributed to education and human capital by Solow himself (1957) and others like Romer<sup>6</sup>, Krugman<sup>7</sup>, Lucas<sup>8</sup>(endogenous innovation), Arrow(learning-by-doing)and others. Significant contributions later came from Barro <sup>9</sup>, Azariadis and Drazen<sup>10</sup> etc. The pioneering contribution in category-2 came from Psacharopoulos<sup>11</sup>, Carnoy<sup>12</sup>, Hossain, Tilak<sup>13</sup> and others. They attempted to find the private and social rates of return on investment in education of various types and concluded that on an average the return on higher education is less (as compared to that in primary and secondary education) but positive.

The second factor is the increasing imbalance between levels of domestic demand and supply of higher education services in different nations. For the poor/ transition economies the limited domestic capacity and infrastructure to provide higher education to all who aspire it in the wake of massification

of HE, access to reputed foreign providers, creation of cultural or political alliances, development of human capital and stemming 'brain drain', promoting teaching and research collaboration, developing appropriate programmes and curriculum etc. have been the most relevant issues. The relatively advanced nations on the other hand are the potential suppliers of higher education services. Their USP is-developed infrastructure, skilled manpower, a dependable system of accreditation and testing and well developed curricula and programmes. They are lured into trade in HE services by excess national capacity in higher education, desire to generate income through use of the infrastructure already created by them, international recognition and branding, strategic cultural, political, economic and education alliances, institutional strengthening and innovation. They look to use education as a conduit to access trade in other service sectors and promote the country's brand image which is required for sustaining exports. Both the types of nations over a period of time have felt the need to trade higher education services.

The third set of factors propelling trade in higher education services is globalization and technology advancements that have removed the philosophical, physical and geographical barriers to cross border trade of services in general. Globalization has blurred the distinction between traded, non-traded and tradable services and made the non-traded services tradable. In a networked global environment in which every university is visible to every other, and the weight of the global dimension is increasing, it is no longer possible for nations or for individual higher education institutions to completely seal themselves off from global effects<sup>14</sup>. Technological advancement, similarly has simplified cross border delivery of services (Nayyar 2007<sup>15</sup>). Together the two have resulted in commercialization of universities, introduction of market driven content of education, harmonization of academic programmes and evolution of a system in which countries are encouraged to internationalize higher education.

These factors together over a period of time have resulted in increasing the importance being attached by nations to internationalization of higher education and inclusion of education as one of the services under GATS. GATS defines services trade as occurring via four modes of supply- namely; Mode 1 (Cross-border supply), Mode 2 (Consumption abroad), Mode 3 (Commercial presence) and Mode 4 (Presence of natural persons). All these are relevant to education. For member nations under GATS, there is a hierarchy of obligations. These obligations are of two types- *General* obligations that apply to all services and require that members extend equal treatment to each other's service suppliers (most favoured nations treatment<sup>16</sup>) and specific commitments that refer to member country commitments to market access<sup>17</sup> and national treatment<sup>18</sup> for specific sectors (such as education). Each government identifies these in its Schedule of Specific Commitments.

The goals of GATS for higher education as a service include removing restrictions on market access and barriers to competition in higher education. These barriers were erected at a time when the nations in principle were not ready to promote trade in services and are still continuing on account of stakeholders' opposition to liberalisation on a number of grounds (See Bashir<sup>19</sup> & Raychaudhuri and De<sup>20</sup> on this). GATS attempts at removing the barriers progressively through a process of mutual consent of and agreement between members. Table-1 given below provides a summary statement of how trade in higher education can take place under different modes of entry and what barriers exists today for different modes.

**Table-1, GATS Modes of Trade & Existing Barriers to Entry in HE Service**

<b>Modes of</b>	<b>Description &amp; Examples for</b>	<b>Existing Barriers in the</b>
<b>Supply</b>	<b>Higher Education</b>	<b>Particular Mode</b>
<b>Mode 1 Cross Border Delivery</b>	<p>Delivery of education services from exporting country A to importing country B. Hence, it is the service itself that crosses the border but consumer does not move. The service supplier is not present within the territory of the member where the service is delivered.</p> <p>Example- Distance education, tele-education, education testing services, education via internet.</p>	<ul style="list-style-type: none"> <li>• Excessive and faulty restrictions on electronic transmission of course materials and restrictions on use/import of educational materials.</li> <li>• Lack of opportunity for Foreign Service providers to qualify as degree granting institutions.</li> <li>• Requirement to use local partners, with at the same time a barrier against entering into and exiting from joint ventures with local or non-local partners on a voluntary basis.</li> <li>• Excessive fees/taxes imposed on licensing or royalty payments.</li> </ul>
<b>Mode 2 Consumption Abroad</b>	<p>Movement of students from importing country B to exporting country A to obtain education services. Thus the consumer travels to the country where the service is supplied. The service is delivered outside the territory of the member making commitment.</p> <p>Example-Students of a country going to Universities/Institutions of other countries.</p>	<ul style="list-style-type: none"> <li>• Measures that restrict the entry and temporary stay of students, such as visa requirements and costs, foreign currency and exchange controls.</li> <li>• Recognition of prior qualifications in the exporting country.</li> <li>• Quotas on numbers of international students in total and in a particular institution.</li> <li>• Restrictions on employment while studying.</li> <li>• Attitude of host nations towards the students from other nations studying and working there. The recent violence against Indian students has shown that it can be an important deterrent.</li> </ul>
<b>Mode 3 Commercial Presence</b>	<p>Establishment of local unit of institution from exporting country A to importing country B. Thus the service provider establishes a commercial presence abroad through any of the following means-</p> <p>1. Branch Campuses- Foreign institution establishes a subsidiary, either on its own or jointly with a local provider, and delivers services, leading to a degree from the latter.</p>	<ul style="list-style-type: none"> <li>• The inability to gain the required licenses to grant a qualification and authorization to establish facilities.</li> <li>• Subsidies provided to local institutions.</li> <li>• Restrictions on recruitment of foreign teachers.</li> <li>• Government monopolies &amp; general ban on services offered by foreign entities.</li> </ul>

Table Continued.....

<b>Modes of Supply</b>	<b>Description &amp; Examples for Higher Education</b>	<b>Existing Barriers in the Particular Mode</b>
<b>Mode 3 Commercial Presence</b>	<p>2. Double/Joint Degree - Students pursue a program jointly offered by institutions in two countries.</p> <p>3. Twinning - Students pursue part of the programme at the domestic institution and part in the partner foreign institution which provides the degree.</p> <p>4. Franchised Program - Learning programmes designed by the foreign provider (franchiser) and delivered in the domestic institution (franchisee).</p> <p>5. Validated Program-A program established in a local higher education institution that has been “approved” by a foreign institution as equivalent to its own.</p>	<ul style="list-style-type: none"> <li>• Denial of permission for private sector suppliers to enter into and exit from joint ventures with local or non-local partners on a voluntary basis.</li> <li>• Bureaucratic red-tapism- Long delays in according sanction, no explication given if permission denied, no information about necessary improvements to obtain it in the future.</li> <li>• Domestic laws and regulations unclear and administered in an unfair manner.</li> <li>• Repatriation of earnings is subject to excessively costly fees and / or taxes for currency conversion.</li> </ul>
<b>Mode 4 Presence of Natural Person</b>	<p>Temporary movement of teachers and education personnel from country A to country B to provide education services. The mode IV service suppliers seek non permanent rather than permanent residence or permanent access to the employment market of foreign countries. Example-Teacher exchange programs e.g. an American professor coming to India for few months to take classes at an Indian University.</p>	<ul style="list-style-type: none"> <li>• Measures that restrict the entry and temporary stay and work for the service suppliers, e.g. visa and work permit.</li> <li>• Economic needs test and labour market test imposed by importing countries.</li> <li>• Recognition of credentials &amp; qualification of suppliers.</li> <li>• Minimum requirements for local hiring being disproportionately high.</li> <li>• Restrictions regarding repatriation of earnings and maximum period of stay.</li> </ul>

### **OPPORTUNITIES OF TRADE IN HIGHER EDUCATION SERVICES FOR INDIA**

GATS has opened a new world for the HE sector in India. Unlike other transition economies, India has both export and import interests in education services across all GATS modes. The nation has a large number of institutions of higher learning with a good brand image that can attract foreign students, especially from other developing nations, also has a huge stock of skilled professional faculty who can work with ease in other nations, who have sufficient exposure in the field of exporting internet based HE services (with IGNOU already an established name in the international market) and a number of public and private institutions having potential to go for twinning and franchising abroad or already have some foreign branches. Among the autonomous institutions the research-

intensive Indian Institutes of Technology (IITs) are established brand names and so are the IIMs, AIIMS, BITS, Amity, ICFAI & others. GATS can give a boost to these. On the import front, growing population with expanding GDP and purchasing power make India a favourite and sought after destination for international HE services.

India definitely has some problems e.g. it does not share the cultural integration of regional diversity that imparts national coherence in China and the United States, and has a lesser global economic and technological integration than China, despite its concentration of technology-intensive industry and its global role as the supplier of ICT labour, government dependent basic research has been slower to develop than in East Asia and Singapore, the system of accreditation and quality control are weak or rather dysfunctional etc. These are issues which can nullify India's advantages. In addition, there are some risks and hassles that can make the outcome of trade in higher education services disastrous for India. It is important that India evaluates these risks along with the opportunities before making any proposal to GATS. We attempt to first find what India has to offer as an importer and exporter in the world market and then study the major issues that are going to obstruct the flow of services.

## **II. A. India's Import Interests in HE Services**

With a burgeoning middle class that has indomitable craving for higher education and skill development and enthusiasm for spending its growing purchasing power on it (HE), India has tremendous import interest so far as trade in HE services is concerned. Four important reasons for importing higher education services include:

- Limited domestic capacity to meet growing demand for higher education.
- Craving for greater access to specific knowledge or skilled-based education and training. The imported programs may offer better value than studying abroad and also stop brain drain.
- Improved quality of HE by allowing market access to reputed foreign providers &
- Create cultural or political alliances and secure trade tied aid development projects and funds. We have explained India's import interest in all the four categories in which trade in services is possible in the form of tables.

### ***Mode 1 –Cross Border Delivery-***

- It would offer the prospects for distance education and degrees from reputed foreign institutions for Indians at low cost. It would open a vast new highly specialised skill development option for the already educated work-force.
- Indians would get access to a number of courses which are not available at home, and if available, restricted to selected few or are not of that standard.
- It can give opportunities to Indian universities and institutions to identify the gaps in their methods, programmes and approach and modify these to make them more attractive.

### ***Mode 2 –Consumption Abroad***

- It shall promote outflow of Indian students who can afford expensive education in foreign universities. This would reduce the burden on Indian universities and allow them to offer more seats to those who were earlier denied access.

- A number of courses especially those related to the field of medicine, engineering and sciences available in western universities are either not taught in India or if at all they are taught they are not of the international standard. Increased outflow of Indian students would make these courses more accessible and would at the same time encourage Indian universities to introduce these courses and improve their standard.
- India lacks research facilities of the highest order on account of shortage of funds and infrastructure. The nation definitely has interest in increasing the outflow of students to make use of the research facilities and exploit the research environment in developed nations.

### ***Mode 3 – Commercial Presence***

- There is a huge demand in India for quality higher education. A large number of Indian students travel abroad and thereby keep foreign universities going and even subsidizing foreign students. If foreign universities are invited to set up campuses in India, the nation would save billions of dollars.
- Indian Universities would benefit from twinning and franchise arrangements with foreign universities as it would help them to gradually adapt to the advanced Western system.
- Indian students would be getting foreign degrees by doing professional courses at local branch campuses of foreign institutions in India e.g. UK-based Wigan and Leigh College, Indian School of Business tie-up with Kellogg, Wharton, and London Business School, etc. This would on the one-hand make quality western education accessible at low cost to them and on the other through competition force Indian universities to improve their standard.
- Twinning and franchising would call for and would lead to the development of an accreditation system that is dependable and global.
- The presence of foreign institution, apart from increasing access to quality education for the growing population, would also force import-competing indigenous universities to upgrade their facilities and standard.

### ***Mode 4- Presence of Natural Persons***

- This would give an option to reputed Indian universities to hire foreign faculty and scholars, especially for courses for which quality resource person are not available at the moment e.g. in the field of newly emerging branch of medicine, engineering, bio-technology, management etc.
- Indian teachers would gain a lot by working with foreign faculty.

## **II. B. India's Export Interests in HE Services**

**Exports-** India also has exports interest in the field. Four important reasons that gives incentive to the nation to indulge in exporting HE services are-

- Export of services can be an effective source of income generation for a country which has a huge army of professionally trend, highly skilled manpower.
- Exports can be seen as an instrument to get international recognition and branding for India in general and Indian universities and Indian professionals in particular.



- This would help the nation in forging strategic cultural, political, economic and education alliances
- Education can be used as a conduit to access trade in other service sectors.

### ***Mode 1 –Cross Border Delivery***

- Prospects for tele-education in management and executive training could be exploited. India already has experience with distance learning and use of new technologies in case of IGNOU, which can be further exploited.
- Indian universities and institutions with established international brand names like the IITs, IIMs etc. can earn lot of foreign exchange by selling their courses through distance education mode to students from developing nations.

### ***Mode 2 – Consumption Abroad***

- India has tremendous opportunity to attract a large number of international students especially from developing countries. India can provide quality HE at affordable costs in the fields of medicine, engineering, management etc. It is true that Indian universities lag behind their Western counterparts in terms of quality and standard of education but what makes India a very attractive destination for poor economies is the low cost of education here. It is expected that by adopting a right strategy for recruitment, the number of international students can easily go up from around fifteen thousand at present to nearly thirty-five thousand in the next few years.
- New courses tailor made for the developing nations e.g. disaster management for Bangladesh and the like could be introduced to suit the requirements of the foreign buyers.
- Exchange programmes and twinning arrangements with developing nations can be promoted or else foreign universities operating in India can also be used to attract the students from neighbouring developing nations.
- The country can open advance centres related to the economy, polity, history etc. of Asian and African countries with different national universities in India (a number of universities are already having it e.g. Centre for West Asian Studies, Centre for South Asian Studies). This would definitely attract students from these nations to India.
- India is known as a land of spiritualism, dharma and yoga and a number of Indian scholars and yogis have made a name for themselves in the West. The country can promote these “Gurus” to open their Centres of Spiritualism and in collaboration with Indian universities can give degrees to foreign nationals in the related field.
- There is a scope for developing a high-value market for some of the programmes that India can offer. Marketing of programmes on education in Arts and Culture, Sanskrit and other languages and literature, and traditional medicinal sciences like Ayurveda could be effectively done by upgrading the campus facilities for some of the specialized institutions in India. Indian universities offering this kind of highly specialised and indigenous areas can enter into twinning and franchise arrangements with western universities.



**Mode 3 – Commercial Presence**

- Setting up of overseas campuses and franchising by Indian institutions are good options for India. India is in a leading position in the scientific and financial research revolution. This is also confirmed by the massive market value of IT firms on foreign stock markets. A number of Indian institutions have a saleable brand name in the international market. The foreign campuses of these can be opened e.g. a foreign campus of IIT, IIM, CIEFL, JNU or University of Delhi in the public sector and MAHE, BITS etc. in the private sector (some of these already have foreign campuses). This would earn foreign exchange and provide employment. The track record of alumni of these Indian institutions and their presence in the global market is phenomenal and can promote these institutions as hot cakes even in the most advanced nations. These institutions can offer the courses at an affordable price creating further comparative advantage for them.
- India has a long experience of providing educational testing services. Quality of testing services is well demonstrated by all-India qualifying tests such as the CAT (Common Admissions Test) of the IIMs, JEE (Joint Entrance Examination) of IITs, and GATE (Graduate Aptitude Test in Engineering). If the experience of these services is adapted for various fields, and, if such services can be offered on a year round basis with sufficient computerization and use of internet facilities, India stands to gain from liberalization of such services. However, markets for such services will have to be actively sought

**Mode 4 – Presence of Natural Persons**

- Indian teachers, lecturers are already teaching abroad in the Middle East, Africa etc. and have earned a good name. The trend will continue given the scarcity of teachers in the developed world and the sufficient supply of qualified teachers in India. The presence of Indian teachers can be increased thereby solving the unemployment problem and earn valuable foreign exchange through remittances.
- Researchers/ scholars on visiting arrangements abroad could be promoted. These scholars can go to western universities on 'earn while learn' principle.

There exists, therefore, tremendous opportunities for India so far as export of HE services are concerned. However, before India can really think of reaping the benefits by making offers under GATS, it is important that it also looks at some important constraints and hassles. It needs to take care of these first. The next section discusses these in detail.

**RISKS & HASSLES OF OPENING UP OF TRADE IN HE SERVICES FOR INDIA**

The opportunities before India are indeed tremendous but the path is not simple. There are a number of issues involved, a number of obstacles that raise doubt about India's ability to reap the benefits. The issues that are going to obstruct this process are discussed here :

- I. Philosophical Issues-** Education is not just a commercial issue and a commodity; it is a philosophical issue and deeply affects the system of values and the culture of a country. GATS thus involves a number of philosophical issues-
  - The foreign providers would not share national values and priorities and cultural values. It is quite likely that with western education, their system of teaching and the relations between

the teacher and the taught, Indian students would forget the system of values their country fondly cherishes. New technology and foreign education would erode national cultural identities and instead of forming a new culture through hybridisation, cultures would be homogenised.

- The hegemony of such neo liberal ideology as promoted by GATS is expected to work in the direction of further widening of the gulf between the privileged and the poor. Increase in trade in education would promote HE as a private good accessible only to the urban rich. The issue of equitable access and the philosophy of establishing an egalitarian society will take a back seat.
- Trade would lead to *commodification* and *commercialisation* of education and would attach importance to economic benefits to those providing and receiving HE. The academic, social, scientific and cultural contributions of HE to the society would be neglected. Commodification is bound to affect access and equity, funding and quality of HE.

The apprehensions expressed above are valid and significant as how the intricate problems the society faces in the present millennium are going to be determined by the future society and the role that is assigned to education.

## **II. Market Issues-** Trade in services involves a number of issues relating to market such as-

- The nation has not made any analysis so far regarding the actual size of the market in India and abroad, forecasted the volume of trade, nature of competition and probable competitors, types of HE services to be offered etc. In the absence of any market survey, the nation is in no position to judge the financial implications of trade in services.
- India would be flooded with foreign and private providers interested in delivering essential profitable courses<sup>1</sup>. They will pose serious competition to local universities forcing the latter to deal with non- profitable subjects in arts, humanities, science and technology only.
- Before going for liberalising India needs to look at certain constraints that reduce its comparative advantage. These include, inadequate infrastructure and campus facilities, great variation and divergence of standards across states and universities/institutions, lack of certification, recognition and equivalence system in India, existence of inappropriate or rather obsolete education technology, lack of marketing and targeting of niche markets etc. Opening of the sector without tackling the constraints would result in loss of competitiveness and possible diversion of faculty resources and students to foreign providers.
- Foreign providers in the initial stage may adopt a policy of dumping. They might fix a very low price for their services; provide additional benefits and better facilities to the taught to woo them. Once they become in a position to dictate terms, they can go for charging a monopoly price. This would adversely affect the Indian populace in general.
- Foreign universities have; established brand names, necessary support from their governments and better financial capability. These would help them to beat their Indian competitors off even though the quality of education supplied by them is not better than that of the Indians.

## **III. Stakeholders' Issues**

- From the stakeholders point of view a major cause of concern is the measurement of quality of services i.e. testing of services. India lacks quality assurance mechanisms. Though we

have NAC & NBA, but the mechanism is not well equipped and well tested to cope up with cross border education flow.

- Inflow of foreign providers would make life difficult for the poor because- (i) Inflow of foreign students from Asian neighbours would make fewer seats available for the Indian students. (ii) Investment of public funds in overseas commercial HE ventures would force reduction in public investment in Indian Universities. (iii) The quality of cheap education available to the poor would be definitely of poor quality.

#### **IV. Technical Issues-**

- A major obstacle before liberalising trade in HE services is the non-existence of an international mechanism to rate and recognise academic and professional courses and degrees, professional qualifications needed for instructors, minimum essential infrastructure etc. Since the UNESCO convention on 'Recognition of Qualification' has failed to take off, unless an alternative is developed first and countries agree upon it, trade in HE services can not take-off.
  - A precondition for trade in services is an agreement related to Quality Assurance<sup>2</sup> that has a number of review processes e.g. Audit, Evaluation. Accreditation etc.
  - GATS disciplines on domestic regulation require that measures relating to qualification requirements and procedures, technical standards, and licensing requirements do not constitute *unnecessary barriers to trade*, be based on objective and transparent criteria, are not more burdensome than necessary to meet a *legitimate objective*<sup>3</sup>. All these commitments in education services would subject India to domestic regulation disciplines under GATS and could affect regulatory autonomy. The role of UGC, AICTE & AIU would need to be changed and so will also their responsibilities and rights. Evolution of a new system would require considerable time, study of similar systems elsewhere, reframing of country's philosophy of HE and the like.
  - Opening of trade in HE services would result in dispute between nations relating to different issues. Though WTO has a dispute settlement mechanism but it needs to be modified to include specific provisions related to HE services.
  - Subsidies are one of the issues that are not completely and conclusively determined under the GATS rules. In the education sector, subsidies play a vital role both in mode 3 and mode 4 of supply of educational services. HE in India is highly subsidised. Under the GATS system the pressure will be on removal of this subsidy. Any reduction in subsidy will result in cost of services for the poor. The types of services and support that would be reduced, exemption if any, etc. needs to be finalised first.
- V. Negotiation Issues** - Developed nations with better bargaining powers and expertise are likely to dominate the negotiation process. Unless India has a very planned strategy things might go against it. The common apprehensions relating to negotiation of a system of trade in services under GATS are-
- Developed nations would bargain to have their own recognition, grading and accreditation system that will be biased against Indian providers. They would not recognise a number of

Indian courses or would give poor grade, then the quality of Indian courses would be cited as a reason for banning import of services from India etc. In short recognition, grading etc would be used as non-tariff barriers in trade in services.

- Developed nations would be more interested in modes-2 & 3. They would not be interested in giving visa and work permits to Indian teachers to work in their market. Cheap Indian labour would be opposed by the western labour unions as well.
- Developed nations have researched and debated on trade in HE services for long. They know their strength and weaknesses, areas where giving concessions would be in their interest and areas in which they need to bargain aggressively to get concessions. Indians are not prepared for this negotiation at the moment.

**VI. Policy Issues** There are risks and obstacles involved related to policy issues as well-

- Foreign competition may undermine and undo the national policy objectives.
- Government policy regarding universal access of HE services would need to be modified. The *commodification* of education would in general not be acceptable to political parties, academia and masses. Everyone would be interested in getting the benefits of trade in HE services but no body would be ready to bear the cost. Framing a proper policy in this case would be a difficult task for the government.

**VII. Clarification Issues** - There are certain issues related to trade in HE services the nation needs to be pretty clear about first before jumping on to reap the benefit. These issues are-

- How TRIPS would affect i.e. encourage or inhibit innovation and research and the issues such as copyright of materials used in e-education, how indigenous knowledge and methods would be protected are some important issues that need debate and clarification.
- Not all HE services will be covered under GATS. The Indian government needs to have clarification as regards those services that would be a part of the commercial cross-border education and that which would be a part of the non-commercial cross border education.

A terse review of some of the issues discussed above make it aptly clear that the path towards trade in services under GATS is not that easy for India. There are problems of lack of preparedness, absence of reliable education testing, grading and accreditation system in India, the issue of affordable quality education to the masses, marketing of HE services here, etc. At the moment neither the government nor the academia is in a position to tell decisively how trade in HE services is going to affect India. Definitely some attempts have been made to identify the areas, in which trade can be beneficial for us, but a more detailed and specific identification is needed.

### **EVOLVING A PROPER STRATEGY FOR INDIA**

The final section of the present paper makes efforts to suggest a strategy for India in the area. For the sake of brevity the issues have been only outlined and a detailed treatment has been deliberately avoided. A proper strategy should take the following issues into consideration-

- The first and foremost thing that the nation needs to do at the moment is to conduct a detailed study in order to know the opportunities and risks that the nation is going to face if it goes for

trade in HE services under GATS. Such a study should explore the possible export and import interest of India in the field, interview different stakeholders e.g. UGC/AICTE, universities, public and private institutions, academia, students, political parties, social groups etc. The study should try and find answers to the following issues-

- Identification of the areas that have potential for expanding education services in India and abroad by India i.e. identification of India's imports and exports interests, destinations and potential in terms of infrastructure, manpower, course structure etc.
  - Possible impact of trade on accessibility of HE services to the weaker section and also on the system of values and also the possible ways to counter these.
  - The manner in which India should allow Foreign Education Providers- in one go or in a phased manner, after domestic reforms are in place.
  - The way in which foreign educational institutions can deliver services in India: joint venture or a wholly owned subsidiary or other modes.
  - Nature, role and responsibility of regulating agencies the autonomy and flexibility to be granted to private and foreign providers as regards setting fees, admission, hiring of teachers, course and syllabi etc.
  - The nature of accreditation mechanism to ensure quality.
- Existing reputed educational testing services need to be modernized in India. The nation should try to improve, upgrade and modernise its testing services such as CAT, GATE, JEE, NET so as to compete with testing services of other nations such as GRE, GMAT, and TOEFL etc. These testing services should have year round availability, be computer-aided and internet-based, and through their comprehensiveness and objectivity go for universal acceptability.
- Improvement in the educational infrastructure must take priority. Indian authorities must request for assistance from UNESCO and/or other world bodies for improving the educational infrastructure in the country. Moreover, such assistance must be provided in a structured, time-bound fashion.
- The reliable Quality Assurance Mechanism needs to be developed in the country. Quality needs to be reviewed using all possible techniques. It is of strategic and substantive importance to recognize the roles and responsibilities of all the players involved in quality assurance, including individual institutions/providers, national quality assurance systems, non-government accreditation bodies, and regional/international organizations, all of which contribute to ensuring the quality of cross-border education.
- India needs to actively seek niche markets for India-specific knowledge programmes.
- Commitments in education services would subject India to domestic regulation disciplines under GATS and could affect regulatory autonomy. Multilateral commitments in education services therefore should be preceded by improved regulatory enforcement of provisions concerning accreditation, standards, registration, licensing requirements and improvements in educational infrastructure in domestic institutions. The regulatory authority need to be

very effective and apart from other things should; (i) exercise sufficient control over franchising arrangements to ensure supervision by parent institutions, quality, appropriate financial arrangements, and genuine institutional links (ii) enforce international equivalence requirements in foreign courses and programmes (iii) evolve a system to check and prevent selling of degrees or marketing of degrees of questionable standard by non recognized institutions/even recognized institutions, (iv) improve enforcement of standards & quality requirements in general, (v) ensure academic considerations supersede commercial ones in provision of higher education services by private suppliers (vi) provide comprehensive information to consumers on foreign courses and institutions to enable informed choice, (vii) reduce number of unapproved institutions to reduce scope for substandard foreign and domestic partnership arrangements, (viii)

- Finally we can say that although prima-facie it seems that there exists sufficient opportunity for India in all modes of trade in HE, however, the strategy should be to go for opening up of the sector in a phased manner only. The nation should first seek niche markets for India, develop courses to suit the niche market, upgrade infrastructure especially in its premier and import competing institutions, prepare domestic institutions to face foreign competition by providing them information concerning risk and opportunities and then liberalize it. The country should move in the following manner-

#### **PHASE - I**

- The nation in the first phase should go for Mode-1 where in the form of IGNOU, it has an institution of repute. IITs and IIMs can be asked to develop electronic education courses on the pattern of IGNOU (IIT is already working on virtual class room for students who fail to gain entry in the IITs).

#### **PHASE - II**

- In the second phase the nation should go for Mode-4 where the existence of a large reservoir of competent and trained faculty puts it in an advantageous position. It should in the mean time work on its domestic public and private institutions to face competition when it goes for Modes-2 and 3.

#### **PHASE - III**

- In the third phase it should go for Mode-2 and allow foreign students to come to India and Indian students to go abroad.

#### **PHASE - IV**

- The nation should go for Commercial Presence mode of entry (Mode-3), only in about ten years time. The time lag would give the domestic players to understand the nature of competition, external environment, requirements of students abroad, the marketing strategies of foreign players etc.

**Final Word-** Trade in services under GATS has opened a sea of opportunities for India and at the same time created new challenges for the HE sector. How and to what extent India is able to exploit the opportunities and tackle the challenges depend on the extent to which it is aware of these and the degree to which it utilises it in an organized and planned manner. The success on this front is going to be crucial for the country, as it is not only going to affect its economic prospect but also the vision and fate of generations to come.

### References / Notes

- <sup>1</sup> Dreze, J. & Amartya Sen. (1998). "India: Economic Development and Social Opportunity". Oxford University Press.
- <sup>2</sup> As per Trow, M. (1972). "The Expansion and Transformation of Higher Education" *The International Review of Education*, 18, (1), 61-84.} Mass higher education is usually considered when it contains at least 15 percent of the relevant age cohort and universal when at least 50 percent of the age cohort participates
- <sup>3</sup> Knight, J. (2003) 'GATS, Trade and Higher Education: Perspective 2003 – Where Are We?', *The Observatory on Borderless Higher Education*.
- <sup>4</sup> There is a hierarchy to the terms "internationalisation of education", "cross border education" and "international trade in education", with the first one being the most comprehensive, the second one 'being one component of the first one and the last one being used to characterize some cross-border activities. For details see Jane Knight (2003) "GATS, Trade and Higher Education Perspective 2003 - Where are We", *The Observatory on Borderless Higher Education*
- <sup>5</sup> ter verkrijging van (2006)"Higher Education and GATS: Regulatory Consequences and Stakeholders' Responses" doctoral thesis submitted at at the Centre for Higher Education Policy Studies (CHEPS) of Twente University,
- <sup>6</sup> Romer, Paul M. (1986), 'Increasing Returns and Long-Run Growth', *Journal of Political Economy*, 94
- <sup>7</sup> Krugman, Paul. 1987, 'The Narrow Moving Band, the Dutch Disease, and the Consequences of Mrs Thatcher: Notes on Trade in the Presence of Scale Economies', *Journal of Development Economics*, 27.
- <sup>8</sup> Lucas, R. E. [1988]. "On the mechanics of economic development, *Journal of Monetary Economics* 22 (1): 3 42.
- <sup>9</sup> Barro R.J., [1990], « Government spending in a simple model of endogenous growth », *Journal of Political Economy*, vol. 98, n°5, pp S103-S125
- <sup>10</sup> Azariadis C. and Drazen A., [1990], « Threshold externalities in economic development », *Quarterly Journal of Economics* 105, n°2, pp 501-526
- <sup>11</sup> Psacharopoulos [1993], « Returns to investment in education : a global update », *World Bank Policy Research Working Paper*, n°1067
- <sup>12</sup> Carnoy [1995]. "Rates of Return to Education," in *The International Encyclopedia of Education*. Oxford, UK: Pergamon.



- <sup>13</sup> Tilak J.V. (2005) "Post-elementary education, poverty, and development in India. Eighth UKFIET Oxford International Conference on Education and Development, September 13-15.
- <sup>14</sup> Marginson Simon and Marijk van der Wende(2007), "Globalisation and Higher Education" (Education Working Paper No. 8), EDU/WKP(2007)3, Centre for Educational Research and Innovation (CERI), OECD Directorate for Education
- <sup>15</sup> Nayyar Deepak (2007) "Globalisation: What Does It Mean for Higher Education?" Economic and Political Weekly, December,15
- <sup>16</sup> **Most Favoured Nation:** treatment means treating one's trading partners equally. Under GATS, if a country allows foreign competition in a sector, equal opportunities in that sector should be given to service providers from all WTO members. It may apply even when the country has made no specific commitment to provide foreign provider access to their markets and exemptions are permissible for a period of 10 years
- <sup>17</sup> **Market access:** A negotiated market commitment in specific service sectors. It may be subject to various limitations such as number of service suppliers, values of transactions, total number of service operations, total number of people that may be employed in a particular service sector, and limits on participation of foreign capital. Members are free to tailor sector commitments as they wish, as long as the limits are stated at the outset. They may encounter pressure from other members regarding such limitations. Each member may make additional commitments to provide access beyond the listed measures.
- <sup>18</sup> **National treatment:** Treatment of GATS partners in the same way a nation's own citizens are treated
- <sup>19</sup> Bashir Sujatha (2007), " Trends in International Trade in Higher Education: Implications and Options for Developing Countries" Education Working Paper Series, Education Unit(HDNED), World Bank [www.worldbank.org/education](http://www.worldbank.org/education)).
- <sup>20</sup> Raychaudhuri A & Prabir De (2008), " Barriers to Trade in Higher Education Services in the Era of Globalisation" EPW , August 30
- <sup>21</sup> The ownership issue becomes very important here. Normally it is expected that the foreign public universities would tend to play a more responsible role in a country's academic responsibility related issues. In most cases, countries that have liberalized education sector have experienced that foreign private university would be more interested to share such responsibility of the job or market oriented demands for training and knowledge like IT and Management studies, and comparatively lesser for the advanced studies in and critical research into arts, social sciences and economics, law, etc. This puts the government in a dilemma over the choice of foreign public and private universities.
- <sup>22</sup> On this see David Lim, *Quality Assurance in HE – A Study of Developing Countries* (Hants, England: Ashgate Pub.Ltd., 2001).
- <sup>23</sup> Legitimate objectives include protection of consumers, quality of service, professional competence, integrity of the profession, Conditions on transparency, administrative procedures etc.

## HEALTH INFRASTRUCTURE AND UTILIZATION PATTERN IN RURAL PUNJAB : EMERGING PUBLIC POLICY ISSUES

Kush Kumar \* Sukhwinder Singh \*\*

### KEY WORDS

Public Health  
Health Care

**Received on :**  
13.04.2010

**Accepted on :**  
18.09.2010

*The contribution of public health services to promote human resource and economic growth of a country is well documented in economic literature. On one hand, these services reduce people's pain or sufferings emanating from any illness/disease by providing medical treatment and on the other, these services keep them physically and mentally fit by preventing the occurrence of illness/disease. In all developing countries, public health services generally provide low cost and better quality treatment, especially to the poor. Public health services enhance the poor people's competencies to lead a better quality of life by (i) reducing number of working days lost due to the illness; and (ii) increasing economic opportunities for better earnings. Access to health care is considered to be everybody's human right.*

### INTRODUCTION

On the economic front, Punjab is one of the highly developed states of India. In the past two and half decades, its people were found to have enjoyed the highest per capita income status in India, mainly due to the green revolution which led agricultural development. In economic theory, high income level raises the state capacity to inject more investments, generate more income and better human resources at a high rate (Sen, 1985). In Punjab, rural health along with the education was given major importance to enhance human capital base in the state (Gill and Ghuman, 2000). As a consequence, more public funds were pumped, particularly during the decades of 1970s and the mid-1980s, to expand public health services in the state (Singh, S., 2005). Naturally, it is expected that people of the state must have better health levels compared to the people of other states of India. However, the people living in Kerala and Tamil Nadu, despite having low per capita incomes and less infrastructural facilities, ..... enjoyed much better education and health related indicators than that of Punjab (Brar, 2002).

Further, due to political turmoil witnessed by the state during the 1980s, followed by severe resource crunch, non-responsive administration, and adoption of new policy regimes, public funds to health sector have been reduced drastically in the state. This has brought out a faster deterioration

---

\* Research Scholar (Ph. D), Department of Economics, Punjabi University, Patiala-147002.

\*\* Professor of Economics, Punjabi University, Patiala-147002.