



China's Education Market and Foreign Suppliers of Education Services

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Abstract

International trade in education services belongs to the category of international trade in services, which takes education services as its object. It has grown substantially over the past decades. Now it is a billion dollar industry including recruitment of international students, establishment of university campuses abroad, franchised provision and on line education. The education market in China is very large and still lack of development. It means opportunities to foreign suppliers of education services. WTO requires each member nation to make its own schedule of commitments in education services, and to explain its limitations on market access and national treatment as well as other limitations. Therefore, to understand China's education market, you must understand China's commitments in education services upon entry into WTO. This paper explains China's commitments in education services under the General Agreement on Trade in Services (GATS) and provides rough pictures about the meaning of China's commitments to foreign suppliers of education services that are eager to either enter into China's education market or absorb more Chinese students.

Keywords: Education market, Commitments, Cross-border supply, Consumption abroad, Commercial presence, Presence of natural persons

Introduction

Since 1990, international trade in education services has gained a giant development, which has brought much benefit to countries with advanced education systems. Unites States, Britain, Australia, Canada and New Zealand have all gained much income from education services. In China, although the educational services have also progressed very fast in recent years, the education market still needs developing. This will also give foreign suppliers of education services many opportunities to either develop their businesses in China or recruit more Chinese students. As required by WTO, each member nation must make its own schedule of commitments in education services, and to explain its limitations on market access and national treatment as well as other limitations. To understand China's education market, you must understand China's commitments in education services upon entry into WTO

1. The main content of commitments in education services

The related provisions of GATS on market access and national treatment are the legal basis on which WTO member nations can make specific commitments in education services. Therefore, the schedules of commitments of individual countries cover the commitments on market access and national treatment with respect to each of the four modes of supply of trade in education services: these are cross-border supply; consumption abroad; commercial presence; and presence of natural persons. That means for each of the four modes of supply of trade in education services, every WTO member nation should list out one by one in its schedule of commitments the restrictive measures it will take on the education services coming from other member nations.

The core part of schedules of commitments in education services is the four modes of supply of trade in education services; these are cross-border supply; consumption abroad; commercial presence; and presence of natural persons. That means for each of the four modes of supply of trade in education services, every WTO member nation should list out one by one in its schedule of commitments the restrictive measures it will take on the education services coming from other member nations. "With respect to the four modes of supply of education services, there are three basic ways of making commitments. First, 'no limitations'. That means a WTO member nation has committed not to impose any restrictive measures on the market access and national treatment of foreign suppliers of education services. Second, 'unbound'. That means a WTO member nation retains its control over trade in education services and doesn't assume any obligations, nor makes any commitments. It just acts according to its wishes. Third, 'limitations'. That means a

WTO member nation has listed out the details of limitations on market access and national treatment in education services.”(Wu, 2004) And with respect to each of the four modes of supply of education services, a WTO member nation has also made specific commitments on market access, national treatment.

In the schedules of commitments, commitments are split into two sections: First, “horizontal” commitments which stipulate limitations that apply to all of the sectors included in the schedule; these often refer to a particular mode of supply, notably commercial presence and the presence of natural persons. Any evaluation of sector-specific commitments must therefore take the horizontal entries into account. Second, specific commitments which apply to trade in services in a particular sector or subsector are listed. In short, Horizontal commitments are the basic commitments which apply to all sectors of education services. Specific commitments are further commitments based on the horizontal commitments with respect to specific sectors of education services. They are also the clarification of the specific commitments made with respect to the fore-mentioned four modes of supply of education services.

2. China's commitments in education services

2.1 Horizontal commitments

Chinese government allows foreign suppliers of education services to establish representative offices in China, provided that they do not engage in any profit-making activities. However, Chinese government has made no commitments on the establishment of branches by foreign suppliers of education services. In China, joint-ventures are divided into two types: equity joint ventures and contractual joint ventures. Foreign suppliers of education services can establish contractual joint ventures with their Chinese counterparts. And because the land in the People's Republic of China is owned by the government, any foreign suppliers of education services are required to obtain the land use rights before they can establish Sino-foreign joint ventures in education services with their Chinese counterparts. This is the basic requirement for foreign capitals to establish joint ventures in education services in China. The length of the validity of the land use rights of Sino-foreign joint ventures in education services is limited to fifty years. This is the maximum length of land use that Sino-foreign joint ventures in education services can have, and China's domestic suppliers of education services have the same treatment. And those managers, executives and specialists who are the senior employees of a foreign supplier of education services that has established a representative office in China, and who are temporarily moving as intra-corporate transferees, will be allowed to enter into China and have an initial stay of three years. Education services salespersons who are not based in China and receiving no remuneration from a source located within China, will be granted entry into China for up to ninety days, provided that they are only engaged in activities related to representing a foreign education service supplier for the purpose of negotiation for the sales of services of that supplier, and that such sales are not directly made to the general public and the salesperson himself is not engaged in supplying the service.

2.2 Specific commitments

Foreign suppliers of education services have to know that in China, compulsory education and special education (such as military, police, and political education etc.) are not included in the scope of education services, and that there are some limitations on market access for commercial presence of foreign suppliers of education services. For example, foreign suppliers of education services are not permitted to establish wholly-owned schools or other kinds of educational institutions within the territory of China. They can only establish joint schools with Chinese counter-parts, with foreign majority ownership permitted. Another thing that foreign suppliers of education services have to bear in mind is that China government can decide by itself whether to allow foreign suppliers of education services to enjoy the treatment equivalent to that of China's domestic suppliers of education services this is because Chinese government has made no commitments on the limitations on national treatment for commercial presence. The third thing that foreign suppliers of education services have to know is that Chinese government has made no limitations on market access and national treatment for consumption abroad, so there are no restrictions on Chinese people's going abroad to receive foreign education services. And because in China market access and national treatment for cross-border supply of education services are unbound, China is left to decide by itself the extent of permitting foreign suppliers of education services to provide Chinese people with education services like remote education and correspondence education, etc. The final thing that foreign suppliers of education services have to realize is that in China limitations on market access for presence of natural persons are unbound except as indicated in horizontal commitments, and that foreign individuals may enter into China to provide education services when invited or employed by Chinese schools and other education institutions. These individual must have a Bachelor's degree or above, and an appropriate professional title or certificate, with two years' or more related experiences.

China's commitments in education services took effect on 11th December 2001 without any transition period and geographical limitation. However, since China reserves the approval power for foreign enterprises' access to relevant business, those commitments will not be implemented until relevant laws and regulations are officially promulgated. China also reserves the right to fix or guide the prices of education services by the government.

3. China's education services and foreign suppliers of education services

China's commitments in education services upon its entry into WTO will have a major impact on its domestic education services. They also have huge effect on foreign suppliers of education services. While facing many challenges, China's education service industry has also gained a rare opportunity to absorb and introduce more foreign educational resources, and to speed up its development. Under the rules of WTO, foreign suppliers of education services are allowed to enter into China's education market, and China's education service institutions can also go out into the international education market to participate in the competition. Comprehensive and scientific analysis of China's commitments in education services will help foreign suppliers of education services seize the opportunity and make the initiative. Judging from the commitments in education services made by China, we can see that the main impact is on the four modes of supply of education services—"Commercial Presence, Consumption Abroad, Cross-border Supply and Presence of Natural Persons".

3.1 Commercial presence

With respect to commercial presence, on market access, China doesn't allow foreign suppliers of education services to establish wholly-owned schools or other kinds of educational institutions within the territory of China. However, foreign suppliers of education services can establish joint schools with Chinese counter-part, with foreign majority ownership permitted. Limitations on national treatment for commercial presence are unbound. They can set up joint schools with Chinese education service institutions either through introduction of foreign educational resources or in the form of capital investment. But limitations on national treatment for commercial presence in China are unbound. With the rapid development of Chinese economy, Chinese people's demand for education is increasing steadily. Foreign suppliers of education services can make most of this opportunity to enter China to get a share of China's education market. "As early as in 2004, there had been 165 Sino-foreign joint schools that could award foreign degrees. At present, there have been 1300 Sino-foreign joint schools and programmes." (Liu, Wei. 2006) Some overseas examination bodies are also showing strong interest in China's education market. In 1982, TOEFL test and GRE test entered China. Afterwards, Japanese Language Proficiency Test (JPT), Business English Certificate Examination (BEC), International English Language Test System (IELTS), and Test of English for International Communication (TOEIC) have swarmed into China. So foreign test-related educational institutions can follow those overseas examination bodies and enter into China's education market by setting up joint schools with Chinese counterparts. They can hold pre-test intensive training programmes, publish test-preparing materials. These institutions are very competitive in terms of software and hardware. And because of their international background, they are very attractive to Chinese students in the age of economic globalization. Of course they will have to face the tough competition and challenge from the Chinese suppliers of education services

3.2 Consumption abroad

With respect to consumption abroad, China has no limitations on market access and national treatment. Since 1999, education service suppliers from the United Kingdom, Australia, New Zealand, Canada, the Netherlands and other countries have held education exhibitions in China's metropolises like Beijing, Shanghai, Guangzhou, Shenzhen, Xi'an, Shenyang, Dalian, Wuhan, Qingdao, Chengdu and other cities, attracting a large number of Chinese students and their parents. This has played a very good promotional role. There are no limits from Chinese government on Chinese citizens' going abroad to study, as long as they conform to the legal procedure, so there will be more Chinese citizens studying abroad. "In 2007, there were more than 150,000 Chinese people studying abroad, of whom 30,008 Chinese students obtained U.S. visas. According to statistics, each Chinese student spends on average \$30,000 in the United States each year. Therefore, in 2007, Chinese students studying in the United States spent 1.14 billion U.S dollars in this country." (news.xinhua.com 2008) Foreign suppliers of education services can make most of this trend and strengthen their contention for China's education market by attracting more Chinese students to their countries to receive education services.

While massive Chinese students' studying abroad has made China suffer from loss of talents and outflow of capital and has had a great impact on China's education services, China's suppliers of education services are also trying hard to enter into international education market to participate in the competition and recruit overseas students. Foreign suppliers of education services will have to face the stronger and stronger competition from China's education services. Any foreigners can come to China to receive education services so long as he or she meets the admission standards of China's education service institutions and does not violate the relevant laws of China. In the past, only a few Chinese universities and colleges were authorized by China's Ministry of Education to provide education services to foreign students. Now China's government has committed to lift restrictions on cross-border consumption. The number of Chinese universities and colleges that can recruit foreign students is growing very fast. "At the end of December 2006, there were a total of 162,695 foreign students from 184 countries studying in 519 universities, colleges and research institutions in China." (www.csc.edu.cn 2007) With the unique Chinese culture, low cost and strong economic development, China's education services are becoming more and more attractive to the students from Asian countries,

especially eastern and southeastern Asian countries. Those suppliers of education services from eastern and southeastern Asian countries will have to readjust their strategies in order to protect their shares of the education market.

3.3 Cross-border supply

With respect to cross-border supply, many education materials from foreign suppliers of education services will enter China's education market, including various types of teaching books, audio-video teaching and learning materials, teaching equipment and computer teaching software. This will give foreign textbook publishing industry, audio-video publishing industry, teaching equipment manufacturing enterprises and the software industry great chances to develop their business in China and make huge profit. This is because China's textbook publishing industry, audio-video publishing industry, teaching equipment manufacturing enterprises and the software industry are still very weak. It's very hard for them to face the direct competition from foreign education services. At present, China's education market has been awash with foreign teaching and learning materials, advanced foreign audio-visual equipment and laboratory equipment. Although China's has made no commitments on market access and national treatment for cross-border supply, so theoretically speaking China can decide by itself the extent of permitting education services like remote education and correspondence education, etc. to be rendered to Chinese people by foreign suppliers of education services, it is still very hard for China's education authorities at different levels to control and manage foreign education service suppliers who manage to supply Chinese students with education services through computer networks or long-distance education. This means that foreign suppliers of education services can make use of modern information technology to provide education services to Chinese students through distance education services across borders.

3.4 Presence of natural person

With respect to presence of natural person, China has made no commitments on market access. But at the invitation of Chinese universities and other suppliers of education services, foreign individuals can enter into China as a natural person to provide education services. And this will not have a serious impact on China's domestic education services. It is good news for foreign individuals who want to come to China to help train a large number of high-level professionals. They can play a positive and facilitating role in improving the quality of China's education services, thus help China develop education services. In the future, there will be a substantial increase in the international flow of individuals among the suppliers of education services of both China and foreign countries. And the exchange between Chinese education service institutions and foreign education service institutions will also increase, so Chinese education service institutions will become more and more internationalized. On one hand, this will help foreign talented individuals to get employed in Chinese education service institutions. On the other hand, the present employees of Chinese education service institutions will have to face a higher demand on their personal qualities. Thus, foreign suppliers of education services, especially those from industrialized countries, will get opportunities to train those employees of their Chinese counterparts.

4. Conclusion

With China's entry into WTO, and because China has made commitments in education services, China's education market has been open to the outside world. This will inevitably cause the optimal allocation of educational resources, as China's market economy has gradually been established and perfected, bringing with it a unprecedented development to China's education services. This is a big industry. For example, within China, there is a huge market for language training. The total market value for English language training is estimated as being RMB 15 billion, a prosperous market indeed. And according to some experts, English language training will enjoy a quick development. By the year 2010, the total market value for English language training will reach RMB 30 billion. Therefore, for foreign suppliers of education services, there are a lot of opportunities in China's education market. Any foreign suppliers of education services can come to China to provide education services so long as they meet the requirements of China's government and do not violate the relevant laws of China. As long as they clearly see and timely seize the opportunities, foreign suppliers of education service will get a rapid development in China.

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