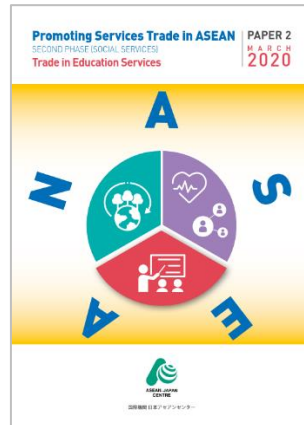


Promoting education services trade in ASEAN proves to be stimulating regional economic growth – says ASEAN-Japan Centre



Education services is one of three social services¹ subject to study by the ASEAN-Japan Centre (AJC) for promoting social services trade.

The key economic task of education services is to build human capital meeting skill requirements of labor markets, for increasing productivity and competitiveness and, consequently, for stimulating economic growth, said AJC in its report “**Promoting Services Trade in ASEAN: Education Services**” (https://www.asean.or.jp/en/trade-info/pst2_papers/).

ASEAN countries increasingly participate in most types and modes of trade in education services, but mainly as importers. In 2017, in **Mode 2** (consumption abroad – one of four modes of services supply), more than 285,000 students from all ASEAN countries studied abroad, compared to 144,000 in 2000. As regards exports of tertiary education via Mode 2, in 2017, ASEAN hosted some 200,000 foreign students, most of whom studied in three countries: Malaysia (100,000), Singapore (53,000) and Thailand (32,000). These exports are closely associated with the attraction of “international branch campuses” (IBCs).

The second largest trade flow in terms of value (and the largest in terms of volume) are sales of international schools (**Mode 3** - commercial presence). The number of schools in most ASEAN countries has grown exponentially in recent years, as has enrolment (from 300,000 pupils in 2015 to 520,000 in 2019), as governments have gradually liberalized access of local children to these schools. In 2019, tuition fee income of international schools in ASEAN exceeded \$5 billion.

ASEAN trade via **Mode 4**, movement of natural persons (professors, teachers and researchers working abroad on a temporary basis), is mostly imports, which is quite significant, owing to the rapid expansion of commercial presence (Mode 3). 33,000 foreign teachers in six ASEAN countries with the largest number of international schools generate estimated annual salary cost (and imports via Mode 4) of almost \$800 million.

¹ Other two social services are health related and social services and environmental services. The study on former is already published by AJC (https://www.asean.or.jp/en/trade-info/pst2_papers/).

Trade via **Mode 1** (cross-border flow of services associated with distance, online education for obtaining mainly a tertiary degree or a certificate), in spite of great initial promise, has not taken off.

Expansion of ASEAN education trade has been possible owing to liberalization and deregulation. On average, excluding Mode 4, based on ASEAN Framework Agreement of Services (AFAS) liberalization commitments, so called Hoekman index takes the value of 0.84 (1 equals in this case full liberalization) for all ASEAN countries. Most countries are fairly open to Modes 1 and 2 of trade. Mode 3 imports, which generate also trade in other modes, is the least committed to liberalization within AFAS, lowering an overall index of liberalization of educational trade.

Liberalization is a necessary but not a sufficient condition for attracting FDI into tertiary education. Supplementary measures are also needed to reduce investment risks and increase chances for attracting foreign investments, including the establishment of clear, stable and transparent regulatory framework for foreign higher education institutions (HEIs) activities. The Government's involvement may be necessary in selecting, enticing and bringing good quality foreign universities to a host country.

Another important policy task of governments is to increase benefits and avoid or reduce risks of trade in education services. These differ by the mode of trade. Imports via Mode 2 enlarge human capital, if graduates return home. If not, they become skilled diaspora. Governments can facilitate graduates' return (by, for example, recognizing foreign degrees) and reduce brain drain through encouraging highly skilled diaspora members to come back or to engage in beneficial interactions with home countries. Commercial presence of foreign HEIs may also reduce imports of tertiary education via Mode 2, as it provides an option and incentives (lower cost) for local students to obtain valued foreign degrees without leaving the country. It may also alleviate skills shortage, if IBCs specialize in courses not available in the country.

Opening to commercial presence may not be enough to stimulate trade, if there are restrictions on other modes of associated delivery or constraints falling beyond trade policy such as visa and immigration policies. Concerns about the quality of foreign provision and entry of "degree mills" should be alleviated by monitoring entry and putting in place quality assurance infrastructure. The adoption of ASEAN Quality Assurance Framework (AQAF) aspects, dealing with assuring and harmonizing the quality of qualifications in higher education, could be helpful in this respect.

An important education policy issue is key for retaining existing investors, encouraging them to upgrade and for attracting new investors to more advanced activities, relying on skilled workers and employees.

<<ASEAN-Japan Centre>>

The ASEAN-Japan Centre is an intergovernmental organization established by the ASEAN Member States and Japan in 1981. It has been promoting exports from ASEAN to Japan while revitalizing investment, tourism as well as people-to-people exchanges between the ASEAN Member States and Japan.

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