

## China's Commitments in Education Services and Their Impact

Jian Xu

Intensive Language Training Centre

Sichuan University

24 Nanyiduan, Yihuanlu, Chengdu 610065, China

E-mail: xujian88@hotmail.com

### Abstract

International trade in educational services 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. 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. 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. This paper examines China's commitments in education services under the General Agreement on Trade in Services (GATS). It provides rough pictures about the impact of China's commitments on its education services.

**Keywords:** Educational services, Horizontal commitments, Specific commitments

### 1. China's commitments in education services are mainly as follows

#### 1.1 Horizontal commitments

##### 1.1.1 Definition of joint ventures

In China, foreign invested enterprises include wholly foreign-owned enterprises and joint venture enterprises. There are two types of joint venture enterprises: equity joint ventures and contractual joint ventures. And Sino-foreign joint ventures in education services are defined as contractual joint ventures.

##### 1.1.2 Representative offices and branches

Representative offices of foreign education service enterprises are permitted to be established in China, provided that they do not engage in any profit-making activities. And the establishment of branches by foreign education service enterprises is unbound.

##### 1.1.3 The use of land

The use of land by enterprises and individuals for the purpose of education services is limited to fifty years. This is the maximum years that Sino-foreign joint ventures in education services can have, equivalent to the treatment of China's domestic institutions in education services. The land in the People's Republic of China is State-owned. Before the establishment of Sino-foreign joint ventures in education services, the land use rights must be obtained. This is the basic requirement for foreign capitals to establish joint ventures in education services in China.

##### 1.1.4 Entry of personnel

Managers, executives and specialists defined as senior employees of a foreign education service corporation that has established a representative office in China, temporarily moving as intra-corporate transferees, shall be permitted entry for 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, and who are engaged in activities related to representing a education service supplier for the purpose of negation for the sale of services of that supplier where such sales are not directly made to the general public and the salesperson is not engaged in supplying the service, shall be granted entry for up to ninety days.

#### 1.2 Specific commitments

##### 1.2.1 Scope of education services

Compulsory education and special education (such as military, police, political education and party school education,

etc.) are not included in education services.

#### 1.2.2 Cross-border supply

Market access and national treatment for cross-border supply of education services are unbound. Thus China is left to 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.

#### 1.2.3 Consumption abroad

There are no limitations on market access and national treatment for consumption abroad. So there are no restrictions on Chinese people's access to foreign education services.

#### 1.2.4 Commercial presence

There are some limitations on market access for commercial presence. 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 establish joint schools with Chinese counter-part, with foreign majority ownership permitted. Limitations on national treatment for commercial presence are unbound.

#### 1.2.5 Presence of natural persons

Limitations on market access for presence of natural persons are unbound except as indicated in horizontal commitments. And 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 11<sup>th</sup> 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.

### **2. The impact of China's commitments in education services**

China's commitments in education services upon its entry into WTO will have a major impact on its domestic education services. While facing many challenges, China's education service industry has also gained a rare opportunity to expand the absorption and introduction of 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 the impact of China's commitments in education services will help us 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—"Cross-border Supply, Consumption Abroad, Commercial Presence and Presence of Natural Persons".

#### *2.1 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 have a strong impact on China's textbook publishing industry, audio-video publishing industry, teaching equipment manufacturing enterprises and the software industry. They will have 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, which should arouse our attention. On the other hand, although 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 because China's has made no commitments on market access and national treatment for cross-border supply, the control and management of foreign education service suppliers who manage to supply Chinese students with education services through computer networks or long-distance education is still a serious problem facing China's education authorities at different levels. This is because that with the rapid development of information technology, it is very easy for foreign suppliers of education services to provide distance education services across borders.

#### *2.2 Consumption abroad*

With respect to consumption abroad, China has no limitations on market access and national treatment. This means that foreign suppliers of education services will strengthen their contention for China's education market, trying to attract more Chinese students to their countries to receive education services. 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.

On one hand, 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. To China, this is a real tough challenge. On the other hand, China's suppliers of education services can also enter into international education market to participate in the competition and recruit overseas students. 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' 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. The situation is believed to appear soon that various Chinese suppliers of education services compete with one another to snatch foreign students.

### *2.3 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, national demand for education is increasing steadily. A lot of foreign suppliers of education services have entered China, trying to seize China's education market. In March 2003, "Regulations on Sino-foreign joint schools" was officially promulgated by Chinese government, further regulating the activities of Sino-foreign joint schools. 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. 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. In addition, in recent years, some foreign multinational companies have entered China in form of vocational training. 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. Chinese suppliers of education services will have to face the tough competition and challenge from these foreign education service institutions.

### *2.4 Presence of natural person*

With respect to presence of natural person, China has made no commitments on market access. Only at the invitation of Chinese universities and other suppliers of education services, can foreign individuals 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. These foreign individuals will help China train a large number of high-level professionals, and will 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 Chinese education service institutions employ more talented personals. On the other hand, the present employees of Chinese education service institutions will have to face a higher demand on their personal qualities.

### **End:**

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. GATS uses affirmative way to make commitments. Therefore, only the commitments which are listed in the schedules of commitments need to be carried out. In the sectors of education services with respect to which a WTO member nation has not made any commitments, this member nation can decide

independently whether to impose any limitations or not. 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. On the other hand, China's suppliers of education services can also enter into international education market to participate in the competition and recruit overseas students. 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. As long as we clearly see and timely seize the opportunities, China's education services will get a rapid development.

### References

- "MEMBER INFORMATION China and the WTO, 2008, [Online] available: [http://www.wto.org/english/the\\_WTO\\_e/countries\\_e/china\\_e.htm](http://www.wto.org/english/the_WTO_e/countries_e/china_e.htm) (September 15<sup>th</sup> 2008).
- "A Record High--The number of Chinese studying abroad has surpassed 150,000 in 2007", 2008, [Online] available [http://news.xinhuanet.com/politics/2008-03/01/content\\_7697897.htm](http://news.xinhuanet.com/politics/2008-03/01/content_7697897.htm) (March 1st 2008).
- "2006 The Number of Foreign Students Studying in China Has Reached a Record High", 2007, [online] available at: <http://www.csc.edu.cn/gb/readarticle/readarticle.asp?articleid=2560> (June 4<sup>th</sup> 2007).
- Liu, Wei. (2006). "Look Ahead into Sino-Foreign Joint Schools under the Background of Globalization". *Education in China*, February 5, 2006.