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ROLE OF WTO AND EXPENDITURE AS A PERCENTAGE OF GDP ON HIGHER EDUCATION



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ABSTRACT

Education is an important aspect of human development. It forms the core of social and human development doctrines along with growth and empowerment. Among various educational levels, higher education is pervasive and empowers the individual with necessary skills and competence for contributing to the social development. The phenomenon of globalization and liberalization of Indian economy coupled with new revolutions in information technology (IT) have brought new challenges to higher education. In the present era of globalization, educational service can be traded through different modes recognized under GATS and WTO. Trade in educational services is an important issue for India. This paper analyzes the working of the General Agreement on Trade in Services (GATS) as applicable to Indian educational sector. Needs for trade and likely competitiveness of India's educational sector are discussed and concluded that India must send proposal and commit to areas where there are opportunities to be exploited through trade and finally suggestions regarding trade negotiations and domestic reforms are also presented.



KEYWORDS : Education, GATS, Globalization, Human development, Liberalization, WTO.

INTRODUCTION:

General Agreement on Trade in Services (GATS, 1995) was one of the agreements that were signed under the purview of the World Trade Organization which came into existence in 1995. The central idea of GATS was that progressive liberalization of trade in commercial services will promote economic growth in the World Trade Organization (WTO) member countries. These commercial services were of wide varieties ranging from, e-commerce, entertainment, and education. Under the framework developed through General Agreement on Trade in Services (GATS), member countries are expected to put forward their specific proposals, engage in negotiations, and make their own commitments for liberalization of trade in such services. In fact, WTO Ministerial meeting held in Doha may took-up issues pertaining to specific subsector of the service industry. One particular sub-sector that found place on the agenda was the trade in educational services. In this context, there were important trade related issues in educational services that India needed to address. Investment in education leads to the creation of human capital, which is an important input for socioeconomic

development of a nation. In many developing countries like India Higher education is changing very fast. On the other hand, these ismarket-complementaryarrangementsin educationas a result of which widespreadliteracylevelshave been achieved in developed countries.

The rate of growth of expenditure on total and higher education was significantly higher than the rate of growth of national income in the first two decades. Total educational expenditure continued to be higher than the growth of national income till the beginning of the reform period. Expenditure on higher education as a percentage of GDP showed an upward trend till the 1970s but decreased thereafter. Total expenditure on education as well as on higher education was increased as a percentage of GDP till the 1980s. There was an upward movement in the total education expenditure to GDP ratios during 1987-88 to 1988-00 and then a decade later in response to pay commission awards, the expenditure to GDP ratio has remained virtually constant. In the case of higher education, expenditure to GDP ratios was 0.43 percent on an average during the 1980s and also during 1992-93 to 2003-04. Expenditure on education in India as percentage of GDP is 3.85 and for higher education it is 1.25 percent of GDP.

In this paper, we discussed various issues related to trade in higher education services. With a billion dollar industry involving foreign education providers, franchisees and distance learning we discussed the status of higher education in India and argued that GATS could provide an opportunity to put together a mechanism whereby private and foreign investment in higher education can be encouraged subject to high quality standards and efficient regulation. We then discussed GATS and higher education and various proposals regarding higher education. We conclude by way of suggestions and recommendations.

LITERATURE REVIEW

According to Tilak (2005), public spending on higher education is justified on the grounds that it generates positive externalities since it is a merit good. Equally, there is an argument that public spending on higher education should be discouraged since private benefits far outweigh social benefits. Consequently, public subsidization of higher education benefits the rich, particularly in elite higher education systems in India. Leslie and Novak (2003) noted that despite decades of study on public governance of higher education, no consistent framework for describing the dynamics has yet been developed. Based upon their previous work on policy formulation, they suggested that any frameworks to explain governance reform should conceptualize complexity and fluidity of variables as well as randomness and unpredictability. Indeed, a review of studies demonstrates that such models have been applied to the study of educational politics at different educational and governmental levels as well as to different topic areas. The politics of education at the kindergarten through 12th -grade level has, in particular, accumulated a rich and broad literature base (McLendon, 2003a).

Nicholson-Crotty and Meier (2003) examined state higher education boards' structures to determine whether those structures limit the ability of elected officials to influence higher education policy. Drawing from theories and previous studies on governance, structures, autonomy, and policy outcomes, the authors offered two hypotheses. First hypothesis was that consolidated governing boards (which are assigned the most authority for higher education coordination) will provide more insulation for policies from politics, and hence political influence, than coordinating boards (which provide only an interface between state government and the governing boards of a state's colleges and universities). The second (and, ironically, paradoxical) hypothesis was that because of their centralization, consolidated governing boards generate lower transaction costs to political actors and thus result in greater political influence.

Bloland (1999) presented a case study on the creation of the Council for Higher Education Accreditation (CHEA), an organization that emerged as one of the main actors in the development of U.S. higher education trade policy. Bloland analyzed the actions and power relationships among the major actors involved in the establishment of the organization. Hannah (1996) examined the policymaking process of the 1992 reauthorization of the Higher Education Act (HEA) of 1965, in which federal policy shifted from an emphasis on need-based grants to one focused on loans available regardless of family income. Numerous scholars noted the application of political models of behavior to organizations; the applications ranged from those dealing with organizations in general (e.g., Fischer, 1990; Hardy, 1987) to school systems (e.g. Campbell & Mazzoni, 1976; Wirt & Kirst, 1972) and to colleges and universities (Baldridge, 1971, 1983). Prestine (1989) examined a governance conflict between the School of Education at the University of Wisconsin-Madison (UWM) and the Wisconsin Department of Public Instruction for control of UWM's teacher education program. Her study looked at questions of "who decides" and "who decides what" in the governance of an academic program and program policy, using a "governance perspective" to investigate interactions between an organization and its environment. Hackman (1985) examined the process by which colleges and universities allocate resources among units, centering on the concept of centrality (how closely the purposes of a unit match the central mission of its institution). She utilized a combination of qualitative and quantitative research methods to develop a theory of resource allocation in colleges and universities.

Solow (1957) emphasized capital and managerial entrepreneurship respectively, as the critical factors for growth and development of economies. The neoclassical model specified by Solow (1956) found a large 'residual' in explaining economic growth. Later work by Solow (1957) himself and other growth theorists (Romer 1986; Krugman 1987) attributed this 'residual' to education and human capital. This crucial link between human capital and economic progress implies that we should look at the role of public policy in expanding education and promotion of learning achievement.

OBJECTIVES OF STUDY

1. To analyze the working of the GATS as applicable to Indian educational sector.
2. To find out the expenditure on higher education of India as a % of GDP.
3. To give suggestive measures regarding trade negotiations and domestic reforms.

RESEARCH METHODOLOGY

To study the working of GATS as applicable to Indian educational sector, past research papers are analyzed to give a foundation on theoretical and conceptual aspects. Various UGC (University Grant Commission) reports and CII (Confederation of Indian Institutions) reports are analyzed to find out the expenditure on higher education of India as a % of GDP.

Particular Characteristics of Educational Services

During 1998, a document elaborated by the WTO Secretariat on educational services was disclosed. Its contents pointed out the economic importance of education, mainly for countries that usually receive a large number of foreign students (France, United Kingdom, USA, United Kingdom, Russian Federation, Australia, Germany, Belgium, Japan, Canada, Switzerland), but revealed the expected expenditure for education services in countries with a large school age population (from 5 to 29 years). It also highlighted changes that are taking place within the education sector. These include the reduction of public resources and the adoption of business administration practices. This reveals the emergence of new institutions and forms of partnerships between public and private providers by

mentioning the example of the West Governor's University (USA), founded by 17 governments of the Western US, with private partners such as Microsoft, IBM, Cisco, AT&T and Thomson. It clearly states that the aforementioned university does not employ any teachers or develop its own courses, instead acquires academic contents from "faculty providers" employed by other public or private institutions. It reaches students through the Internet and other distance learning technologies (WTO, 1998, September, p. 5). It means that it functions as a virtual university: no faculties, no large buildings or campuses, nor students wandering around.

The document presents the educational "services" classification within the WTO/GATS as Primary education services which includes preschool education, Secondary education services which consists of general education, technical and vocational for general students, preparatory for technical or university studies; and for students with special needs (handicapped) and Higher education like post-secondary, vocational and technical as well as graduation and research programs. Adult education (no-formal education; general and vocational education; literacy education through radio, TV, correspondence) and other education services, educational support services or related educational services (like adult formal education, educational consultants, counseling, training, books, special education, testing services, school administration/management, teachers' and didactic material, school maintenance, school construction, and meal services, etc).

GATS, Education and Human Rights

The right to education is recognized in several international instruments. To achieve full realization of this human right: (a) primary education should be compulsory and should be available free to all; (b) secondary education in its different forms shall be made available and accessible to all, by the progressive introduction of free education, and (c) higher education in its different forms shall be made equally accessible to all, in particular by the progressive introduction of free education. To ensure this, states must ensure availability, accessibility, acceptability and adaptability (High Commissioner Human Rights (2002: 17). While WTO agreements provide a legal framework for the economic aspects of the liberalization of trade, they focus upon commercial objectives. The norms and standards of human rights provide the means of a legal framework for the social dimensions of human rights. A human rights approach to trade liberalization emphasizes the role of the State, not only as negotiator of trade rules and setter of trade policy, but also as a duty bearer for human rights. The implementation of GATS and the expansion of commitments in the education sector are likely to aggravate negative trends in education. These include diminishing the role of the state/decentralization of education through shifting the financial responsibility from national to household budgets, imposing community based, privatization of the education system, and user fee systems for primary education, inadequate resources for universal primary education, rising costs of private education and insignificant movement toward universal secondary education.

Expenditure on higher education of India

India's higher education has witnessed an impressive growth over the years. The number of higher educational institutions (HEIs) has increased from about 30 universities and 695 colleges in 1950-51 to about 700 universities (in 2012-13) and 35,000 colleges (in 2011-12) as per a recent UGC report. With an annual enrolment of above 25 million, India is today ranked as the 3rd largest higher education system in the world after US and China.

Higher Education Institutions in India:

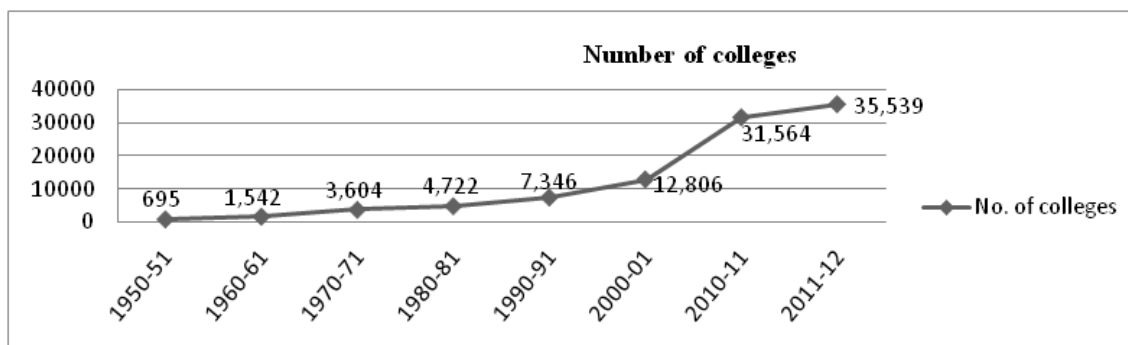


Table (1)

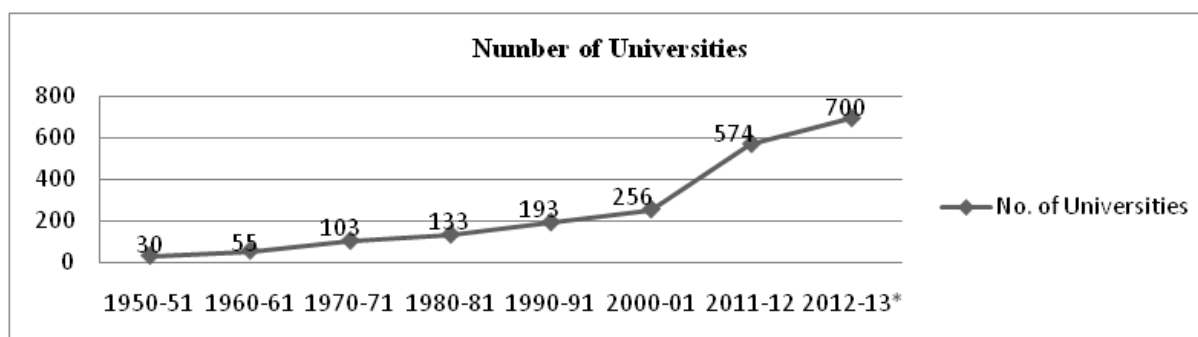


Table (2)

It can be seen from above two figures, that there has been a threefold increase in the number of Higher Education Institutions (HEIs) in the country during the last decade.

Higher Education Institutions by type:

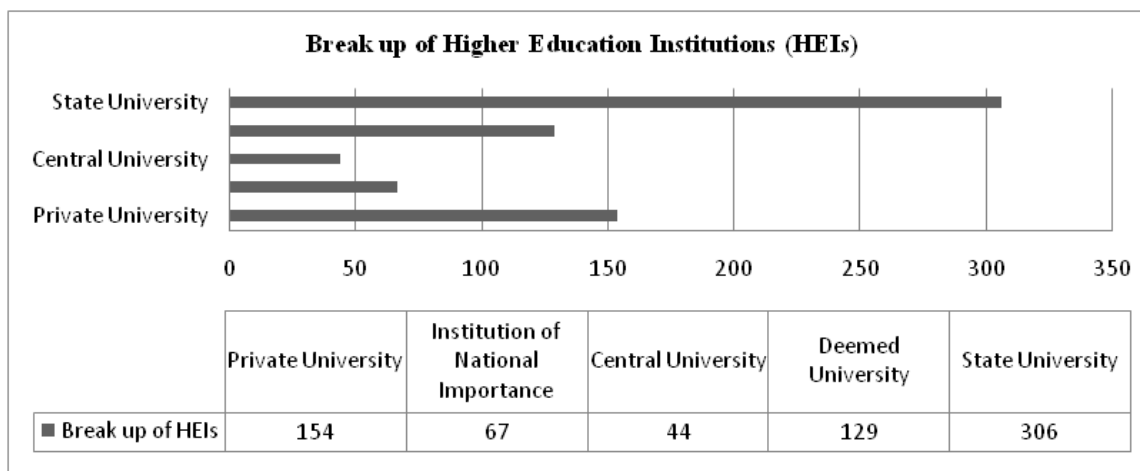
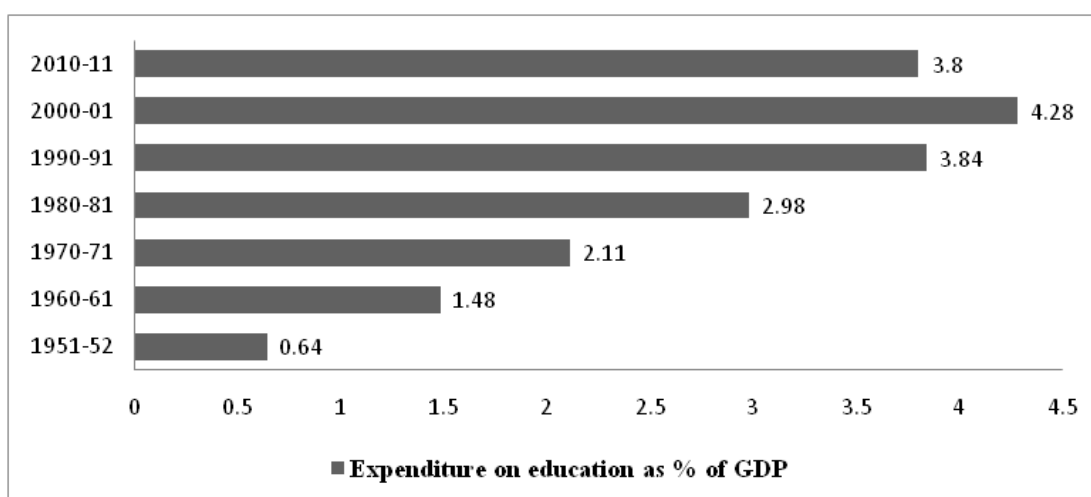


Table (3)

The break-up of number of Higher Education Institutions (HEIs) in the country shows that the share of state universities is the highest (44%) followed by private universities (22%), deemed universities (18%), institutes of national importance (10%) and central universities (6%).

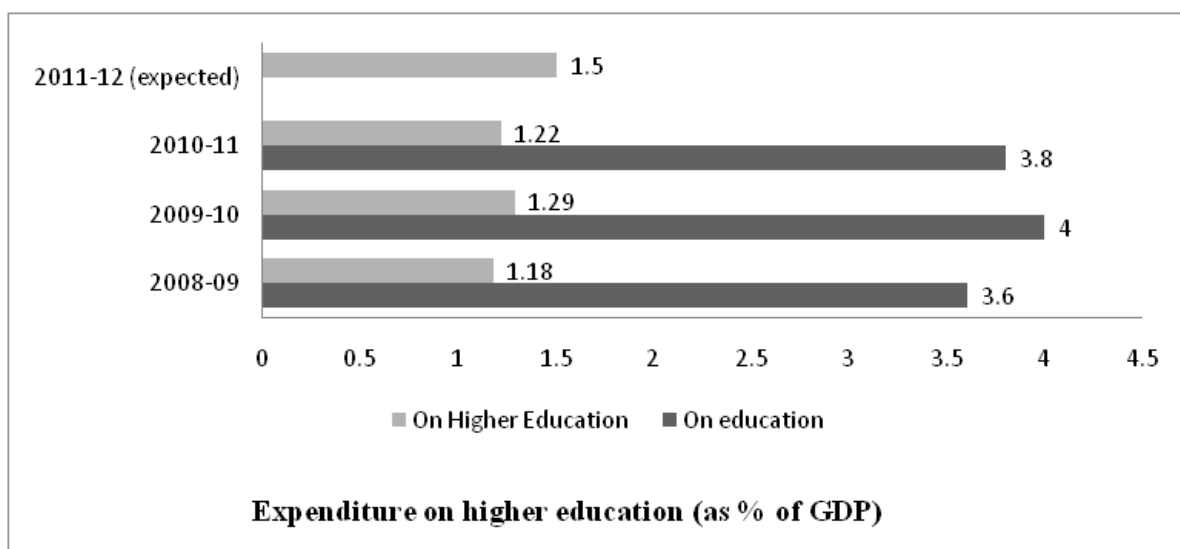
Government expenditure:

Public expenditure in education sector, especially in higher education has remained very low over the years, only a little over 1% of the GDP as shown in the following figure. The National Education Policy 1968 and 1986 (revised in 1992) recommends government expenditure on education at 6% of GDP, whereas in 2010-11 expenditure was only 3.8%.



Source: Analysis of Budgeted Expenditure on Education, MHRD

Table (4)



Source: Analysis of Budgeted Expenditure on Education, MHRD

Table (5)

By realizing the need to provide a good quality higher education to the growing young

population of the country, 11th Five Year Plan saw a 4.6 fold increase in allocation over the 10th Five Year Plan. This constituted 19.4% of the overall central plan allocation. To continue the trend, the 12th Five Year Plan proposes an outlay of Rs. 1, 10,700 crore for higher education, an increase of 30% over the 11th Five Year Plan. However, given the growing requirements of this sector, the government funding alone may not be sufficient and significant involvement would be required of the private sector also.

Suggestions for Indian proposal and Domestic Reforms where there are opportunities to be exploited through trade

1. India should approve the US view of including educational testing services to be included in the country commitments. India should ask for phased liberalization. A lead-time of at least six years is necessary to upgrade our reputed testing services to compete effectively with foreign suppliers in the domestic market.
2. India may make a specific proposal to other countries to commit for commercial presence in secondary education.
3. India may propose a specific commitment on inclusion of teachers and researcher both at the higher and secondary education level under the trade mode 'movement of natural persons.' With increasing demand for teachers in the developed countries, India wants to ensure opportunities for our human capital.
4. Authorities must develop a database of information of all categories of education regarding the number of educational institutions, their enrolments, financial sources, faculty strength, and quality and accreditations.
5. Improvement in the educational infrastructure must take priority like University course schedules must be available through internet; payment of fees by credit-card should become a standard option and automated telephone course registration for every term must be available to students.

CONCLUSION

Education plays an important role in human development. It forms the core of social and human development doctrines along with growth and empowerment. Among various educational levels, higher education is pervasive and empowers the individual with necessary skills and competence for contributing to the social development. At present, there exist both private and public players in the higher education system. But it is evident that the entry of foreign institutions, will lead to the 'commodification' of higher education in India, and tilt the balance towards the private sector. Public expenditure in education sector, especially in higher education has remained very low over the years, only a little over 1% of the GDP. The National Education Policy 1968 and 1986 (revised in 1992) recommends government expenditure on education at 6% of GDP, whereas in 2010-11 expenditure was only 3.8%. India may propose a specific commitment on inclusion of teachers and researcher both at the higher and secondary education level under the trade mode 'movement of natural persons.' With increasing demand for teachers in the developed countries, India wants to ensure opportunities for our human capital. Authorities must develop a database of information of all categories of education regarding the number of educational institutions, their enrolments, financial sources, faculty strength, and quality and accreditations. A human rights approach to trade liberalization emphasizes the role of the State, not only as negotiator of trade rules and setter of trade policy, but also as a duty bearer for human rights. The implementation of GATS and the expansion of commitments in the education sector are likely to aggravate negative trends in education. These include diminishing the role of the state/decentralization of education through shifting the financial responsibility from national to

household budgets, imposing community based, privatization of the education system, and user fee systems for primary education, inadequate resources for universal primary education, rising costs of private education and insignificant movement toward universal secondary education. The norms and standards of human rights provide the means of a legal framework for the social dimensions of human rights.

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