

Debate of WTO in Education and Iran's Higher Education Comparative Advantages

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Abstract:

This paper is addressing one of the controversial debates about World Trade Organization (WTO) in Iran's higher education. Four main questions are discussed: the reasons of spreading trade in education, current critics of WTO in Education, the main barriers of free trade in education system and finally Iran's higher education comparative advantages in joining WTO. The results indicated that Iran's higher education has competitive advantages in four modes of education delivery which is announced by WTO.

JEL classification: F13, F53

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1. Introduction

Change comes to all parts of our society and organizations. Economic change toward more liberalization is one of the notwithstanding change we have experienced these years. Introducing World Trade Organization (WTO) or its old name as GATT¹ since 1948 brings about a huge transformation in international, regional and national aspects of economy. The WTO deals with the rules of trade between nations at a global or near-global level. It is aimed that trade without discrimination (for internal and external investors) leads to better efficiency in resource allocation, gains to consumers and links between imports and exports.

The WTO began life on 1 January 1995, but its trading system is half a century older. Since 1948, GATT had provided the rules for the system. The last and largest GATT round was the Uruguay Round which lasted from 1986 to 1994 and led to the WTO's creation. Whereas GATT had mainly dealt with trade in goods, the WTO and its agreements now cover trade in services, inventions, creations and designs (intellectual property). From the beginning, 15 countries had begun talks in December 1945 which had expanded to 26 by the time the deal was signed on 1961 with emphasis on reducing and bind customs, to 62 in 1964–1967 (Tariffs and anti-dumping measures), 102 in 1973–1979 Geneva (Tariffs, non-tariff measures, “framework” agreements), 123 in 1986–1994 (Tariffs, non-tariff measures, rules, services, intellectual property), and to 149 countries in 2005. (WTO, 2005). Classified Sectors under the GATS² are: Business, Financial, Communications, Health, Construction, Tourism, Distribution, Recreational, Education, Transport, Environment and others.

Free trade in education services has been on the books since the formal promulgation of GATS, the General Agreement on Trade in Services, in 1994. Education services were one explicit topic of negotiation in the international trade meetings that led to the creation of the WTO in 1995. WTO is considering a series of

¹ General Agreement on Tariffs and Trade

² General Agreement on Trade in Service

proposals to include education as one of its concerns, ensuring that the import and export of education be subject to the complex rules and legal arrangements of the WTO protocols and free of most restrictions.

The liberalization and promotion of commercial trade of education services through trade agreements is an issue which is generating an active and at times polarized debate about this issue (Mihyo, 2004; Ravindra, 2004; Chanda, 2003; Uvalic –Trumbic, 2003; Rikowski, 2003; Hallak, 2002; Pierre, 2002; Knight, 2002; Sadlak, 1998; WTO, 2000, 2003; 2005). Education is increasingly seen as a commercial product to be bought and sold like any other commodity. Education commercialization has now reached the global marketplace. These changes have led to concern about the impacts of the growing “marketization” (Williams, 1997) of higher education – the increasing influence of market competition on academic life. At the same time in the face of expanding global competition in higher education, established university leaders throughout the world are calling for freedom from the “shackles” of excessive government regulation. A former Vice-Chancellor of Cambridge University for example recently was quoted as saying “it was time to eliminate the [Quality Assurance Agency] external assessment process and allow ‘the market’ to rule”.

In addressing WTO in education, however, the situation of Iran is an interesting case, because its 19 times of requests are rejected by WTO, due to political issues and pressure by USA and Israel. Finally, its request was approved in June 2005, as an observer member of WTO. Meanwhile, like other parts of the world there is a heated debate going on in Iran regarding the negative and positive aspects of WTO generally and higher education particularly.

Therefore, in this paper we focus on crucial questions in relation to WTO in education with emphasizing situation of Iran's' economic and higher education.

Why is education ending up as a factor in trade agreements?

What are the critics of WTO in education?

What are the main barriers of free trade in education system?

What could be Iran's higher education comparative advantages in joining WTO?

While this paper describes a number of key critics, misunderstandings and fallacies have tended to cloud a rational discussion of the possible effects of the GATS on trade in education services. In continue, the paper is going to analyze mode wise implications of opening higher education sector in Iran's economy. It is important for the Iranian higher education policy makers to understand the implications before opening the sector.

2. Why is education ending up as a factor in trade agreements?

On the question of why the business takeover of education is happening, there are a number of rationales for public policies that introduce competitive markets and/or market-like structures to higher education systems. Possibly one of the reasons spreading WTO in education is related to the fact that over the last decade the institutional framework within which most schools, colleges and universities operate has undergone a major transformation (Mehralizadeh, 2005; Sadlak, 1998). Part of that transformation is due to changing technology and communication, which has helped to foster the growth of cross-border academic programs both by conventional universities and by internet-based distance learning providers (Dill, 2003). The growth of the knowledge economy, movement to lifelong learning and changing demographics bring about new demands on education but the capacity of the public sector to satisfy the demand is being challenged. This is due to budget limitations, the changing role of government, and increased emphasis on market economy and privatization (Knight, 2002).

Another more important factor is the desire for economic efficiency understood as "value for money," particularly given the growing costs of meeting social demands for universal access to higher education (Williams, 1997). Also as important is the

desire to use market competition as an incentive for greater innovation and adaptation in higher education than is thought to be possible through traditional forms of coordination relying on state control or professional norms. It seems factors such as domination of liberalization idea on economy, economic changes in developed countries towards a service center economy and more importantly, globalization and raising the issue of knowledge economy have main effects on extending the WTO in education. One of the objectives of the neo-liberal ideology and system is turning public services into tradable commodities. In order to make public services into commodities, it is necessary to privatize the services and define them in ways that allow for a price to be set on the services (Kuehn, 2005).

1. Trade agreements serve as one of the mechanisms used to privatize and commodity public services, including public education. Trade agreements, of course, are only one of the many pressures to privatize public education.

2. Another is the reduction of public expenditure on public services. The World Bank and the International Monetary Fund, with their conditions for loans, have pushed for more privatization, as well as for reduction in state spending.

3. Still another force in reshaping education in a business model is what could be labeled "policy trading." This is a process where the education technocrats in the ministries of education of various countries are brought together and convinced that they must use the approaches of the corporations in governing education and other public services. A key element of this approach is the setting of similar performance standards and using quantitative methods of evaluation, with an emphasis in education on standardized testing to produce the numbers for evaluation.

Trade in education is a million dollar business. Education is considered as one of the big commerce. The amount of financial means spent in tertiary education shows its increasing importance in terms of economic power. The estimation of international trade in higher education was about 27 billion US dollars in 1995 (WTO, 1998). The value of trade in higher education was

estimated at about 30 billion US dollars in 1999, accounting for 3 percent of total services trade in OECD countries. The number of students in tertiary education studying outside their own country was approximately 1.47 million for the same year (Larsen, Morris and Martin, 2001). The demand for higher education, on the one side, is growing, while on the other side, trans-border education (e.g. private or for-profit higher foreign university campuses, IT Academies, twinning arrangements with other universities, corporate universities, virtual universities, open universities, e-universities etc.) is increasing. The capacity of the public sector has not kept up with this demand. This coupled with the recent developments of ICTs and the ensuing growth in online learning has resulted in the creation of this very lucrative market. This benefit made pressure from education business leaders and companies selling educational services on education system. Therefore, strategies of some of the western governments like USA, UK and Australia they actively seeking to build up education service companies as export earners (Rikowski, 2003).

The last decade witnessed explosive growth in international trade in education services, particularly at the tertiary level and in specialized training fields, covering all modes of supply and involving a mosaic of institutional arrangements among a great diversity of public and private players (on their own and in combination) in developed and developing countries alike. The “market” for trade in education services is big, diverse, innovative and fast growing. The demand for higher and adult education, especially professionally related courses and non-traditional delivery modes, is increasing in most countries. New types of providers such as corporate universities and training (Generally spin-offs of multinational companies, mostly train their employees across the world and also train lifelong learners, suppliers and customers and sometimes deliver degrees), for-profit institutions (use strict business principles of operation, such as targeting specific customers -e.g. adults or developing standardized and limited education “products media companies are emerging, Virtual universities, Traditional universities (or not

for-profit post-secondary institutions), Partnerships (Private/public, Private/private, Public/public) (Pierre, 2002).

GATS applies to services like education in two distinct ways. First, it provides a general framework of obligations that applies to all countries in the WTO. This framework stipulates that there should be no discrimination in favor of national providers (the national treatment principle) and that there should be no discrimination between other members of the agreement (the most-favored-nation, or MFN, principle). Secondly, the GATS identify the specific commitments of member nations, indicating on a sector-by-sector basis the extent to which foreigners may supply services in the country. There are certain basic principles that all countries must follow, although the extent to which some services, such as education, are fully open to free trade has been a matter of individual choice of nations.

In preparation for the ongoing negotiations in services, the WTO produced a background paper that explains trade in education services. Education services are identified in five main categories based on the traditional structure of the sector:

- *Primary education* includes the normal notion of primary education and pre-school education services, but excludes child day care services and adult literacy programs.
- *Secondary education* services include high school education, technical and vocational education, and school-type services for handicapped students.
- *Higher education* includes two distinct groups: one relates to the teaching of practical skills in post-secondary, sub-degree technical and vocational education institutions and the other deals with more theoretical educational services provided by universities, colleges and specialized professional schools.
- *Adult education* refers to all education services that are not in the regular school and university systems. This includes both general and vocational subjects, literacy programs, and any education services delivered by correspondence or broadcast. It excludes any programs delivered through the regular education system.

- *Other education* services include anything not mentioned elsewhere, with the exception of recreational matters. (WTO, 1998).

One of the most important achievements of the Uruguay Round trade negotiations (1986-1993) is to have brought international trade in services under common multilateral rules. Entering into force on 1 January 1995, the WTO General Agreement on Trade in Services (GATS) is the first set of multilaterally negotiated and legally enforceable rules covering international trade in commercial services (i.e. excluding government services). As stressed in GATS, international trade in services can take place through four modes of supply (see table 1).

Table 1: Modes of education delivery

Mode of Supply According to GATS	Explanation	Examples in Higher Education	Size /Potential of market
Cross Border Supply	- the provision of a service where the service crosses the border (does not require the physical movement of the consumer)	- distance education - e-learning - virtual universities	- currently a relatively small market - seen to have great potential through the use of new ICTs and especially the Internet
Consumption Abroad	- provision of the service involving the movement of the consumer to the country of the supplier	- students who go to another country to study	- currently represents the largest share of the global market for education services
Commercial Presence	- the service provider establishes or has presence of commercial facilities in another country in order to render service	- local branch or satellite campuses - twinning partnerships - franchising arrangements with local institutions	- growing interest and strong potential for future growth - most controversial as it appears to set international rules on foreign investment
Presence of Natural Persons	- persons travelling to another country on a temporary basis to provide service	- professors, teachers, researchers working abroad	- potentially a strong market given the emphasis on mobility of professionals

Source: (WTO, 1998, 2005 and Knight, 2002)

There is now, however, a great deal of pressure for countries to open up services, including education. A number of countries have already agreed to open up their education system to being covered under GATS. In many of these cases, it is likely that trade negotiators agreed to these without any consultation with education authorities or any idea of the potential impact on a country's ability to direct their education system to focus on their educational needs. While, there is no obligation for any country to schedule a sector which it is not prepared to open up to foreign competition or to guarantee domestic competition. (See table 2).

Table 2: Information of the countries commitment to market access in the relevant education sub-sector

WTO member with commitment	Education Sub-sector Commitments				
	Primary Education	Secondary Education	Higher Education	Adult Education	Other Education
Albania	X	X	X	X	X
Armenia			X	X	
Australia		X	X		X
Austria	X	X		X	
Bulgaria	X	X		X	
China, PR	X	X	X	X	X
Congo, Dem. Rep.			X		
Costa Rica	X	X	X		
Croatia		X	X	X	X
Czech Republic	X	X	X	X	X

Table Continue

Estonia	X	X	X	X	X
European Community	X	X	X	X	
Gambia	X			X	X
Georgia	X	X	X	X	
Ghana		X			X
Haiti				X	
Hungary	X	X	X	X	
Jamaica	X	X	X		
Japan	X	X	X	X	
Kyrgyz Republic	X	X	X	X	
Latvia	X	X	X	X	
Lesotho	X	X	X	X	X
Liechtenstein	X	X	X	X	
Lithuania	X	X	X	X	
Mali				X	
Mexico	X	X	X		X
Moldova	X	X	X	X	X
New Zealand	X	X	X		
Norway	X	X	X	X	X
Oman		X	X	X	X

Table Continue

Panama	X	X	X		
Poland	X	X	X	X	
Rwanda				X	
Sierra Leone	X	X	X	X	X
Slovak Republic	X	X	X	X	X
Slovenia		X	X	X	
Switzerland	X	X	X	X	
Taiwan (Chinese Taipei)	X	X	X	X	X
Thailand	X	X		X	
Trinidad and Tobago			X		X
Turkey	X	X	X		X
USA				X	X

Note: Table does not distinguish between market access and national treatment commitments under GATS. The majority of states have made exactly the same commitments for both their market access and national treatment obligations.

An "X" indicates that a state has made a market access commitment in the relevant education sub-sector.

Source: http://www.right-to-education.org/content/strategy/whiter_education.html (2003).

3. What are the critics of WTO in Education system?

The inclusion of education into GATS has provoked intensive discussion about the role of education in both national and international contexts within the policy-making community.

To what extent and how may the inclusion of education into GATS affect the economy, socio-cultural and political dimension of country? What are the reactions of various stakeholders? Unfortunately, as Chanda (2003) well illustrated, the debate on GATS has lacked a proper analysis that is based on the various features of the agreement and its strengths and weaknesses. There are both potential benefits and areas of concern associated with the agreement. There is thus need for a comprehensive and balanced appraisal of the GATS and its implications for policy making with regard to social service sectors.

In positive side there is argued that given the importance of services in promoting economic development, competitiveness, and productivity, the GATS is of great significance. Trade liberalization in services can result in increased competition, lower prices, more innovation, technology transfer, employment creation, and greater transparency and predictability in trade and investment flows. As Milton Friedman (1982) asserted, education is a commodity and privatization is discussed as an alternative to the current public educational realm. Activation of GATS regulations could help generate resources, create employment, expand facilities, and raise standards in the education sector. The WTO would help to guarantee that academic institutions or other education providers could set up branches in any country, export degree programs, award degrees and certificates with minimal restriction, invest in overseas educational institutions, employ instructors for their foreign ventures, set up educational and training programs through distance technologies without controls, and so on. Knight (2003) provided a general review of rationales for import/export of higher education. Reasons for importing higher education services include: limited domestic capacity to meet growing demand for higher education; provide greater access to specific knowledge or skilled-based education and training; improve the quality of higher education provision by allowing market access to prestigious/reputable foreign providers; create cultural or political alliances; secure trade tied aid development projects and funds; develop human capital and stem 'brain drain'; improve

foreign competition cost effectiveness in domestic institutions; and offer imported programs for the betterment of studying abroad.

Reasons for exporting higher education services include: excess national capacity in higher education; income generation; international recognition and branding; strategic cultural, political, economic and education alliances; institutional strengthening and innovation; a tool for further internationalization of domestic institutions and education as a conduit to access trade in other service sectors.

Nevertheless, other researchers raise critics to application of GATS in education system. It is argued that the commercialization of services within public institutions of higher learning is already transforming education from a social to a private good. (Mihyo, 2004). These critics mostly address the issues like: 1) failure of theory of marketization and free trade in education, 2) weakening the traditional values of education, 3) threaten the state power and sovereignty, 4) against human rights and rising inequalities in education access and 5) difficulties with codifying regulation in education.

3.1. Failure of the theory of comparative advantage in education system

Free trade is based on the theory of comparative advantage, which states that nations should specialize in producing what they are best at and that they should then trade with other nations. The theory of comparative advantage argues that this is the most efficient and mutually beneficial form of production and exchange. The theory is also based on the fact that capital is immobile and will be invested in the most efficient form of domestic production. This is patently untrue in the modern world where capital moves to wherever products can be produced at the least cost - and does so at the touch of a button. Thus, it is now the case that some countries will have or can acquire absolute advantage; and others will lose out completely. This can only lead to increasing economic insecurity; and the lowering of international standards as companies compete in the global market place. Nevertheless, despite being comprehensively

debunked by some eminent economists 'comparative advantage' is still an accepted 'buzz word' amongst politicians (Hardstaff, 1999). The presence of foreign providers signals to government that they can decrease public funding for higher education, thereby jeopardizing domestic publicly funded institutions (Anandkrishnan, 2004).

3.2. Weakening the traditional values of education

It is argued that removing the restriction on services led the business to take over the education system and in this way WTO is a threat to the traditional ideals of the education and university. With education in GATS there is the risk of its transformation into a process of simple commercialization, where international groups or national groups associated with them would be the salespersons, while the countries, mainly the developing ones, would become mere buyers of packages of direct services (e.g.. vocational, graduation, masters and Ph.D. degrees), complementary services (e.g. evaluation and certification systems), plus “educational consumption goods” (e.g.: books, pencils, pens, maps, scientific equipment, uniforms, etc). (Siqueira, 2005; Kuehn, 2005). Altbach (1999) claimed that WTO: “...poses a severe threat to the traditional ideals of the university, as well as to the national and even institutional control of education, and therefore needs careful scrutiny. We are in the midst of a true revolution in higher education, a revolution that has the potential to profoundly change our basic understanding of the role of the university. The implications are immense and as yet little discussed or understood. It is especially alarming, but not surprising, that the U.S. Department of Commerce’s Office of Service Industries is behind the effort to commercialize higher education in the United States and worldwide”. Cohen, (2000) argues that educators need to be wary of claims that we are worse off with the absence of specific language on issues. It is true that the WTO can affect education in a variety of different ways, even in the absence of a specific agreement, but it will be worse if education services, or some aspects of them, are specifically included. One of the negative consequences of market driven for-

profit education is that the number of 'diploma mills', 'canned degrees' and 'accreditation mills' will increase (Powar, 2002).

3.3. Threaten for nation state sovereignty

The GATS regulation of education can jeopardize the sovereignty and autonomy of nations on a path that can lead to the loss of cultural diversity and local values; thus, hampering countries and their people's lives while reinforcing homogeneity and making room for a new form of cultural/educational colonialism (Siqueira, 2005). The GATS regulations apply to governments at all levels, including central, state, provincial, local, and municipal levels. Such a broad scope raises questions about the extent to which governments at all levels would be able to retain sovereignty over domestic regulations under the GATS and if so, under what conditions. It is feared that progressive liberalization under the GATS would undermine the authority of governments at various levels in setting and pursuing their national interests and public policy goals and force them to deregulate their social service sectors. This situation affects the steering capacity of a nation-state.

In the case of successes of WTO, the private sector will receive enormous power to undermine the public delivery of educational services. (Powar, 2002; Vlk ,2002; Cohen, 2000). Mihyo (2004) added that delivery of education through the first mode- cross boarder supply may create problems such as : limitations and weaknesses of quality assurance for distance learning programmes and learning programmes may be introduced without linking them to development objectives and because there are many people in developing countries who need a degree of any sort to advance their career, such courses may become very popular. But their contribution to capacity building for development may be limited. In addition, Chanda (2003) asserted that all these concerns are misplaced and exaggerated. The preamble to the GATS states that members have the right to "regulate and to introduce new regulations on the supply of services within their territories in order to meet their national policy objectives." Countries only have to agree to not make

their regulatory regime more restrictive in future in sectors which they have scheduled and where they have undertaken commitments. There are no compromises required to regulatory standards, especially where protection of public concerns and universal access conditions are in question. (See WTO reports 2000, 2001, 2003, and 2005).

3.4. Conflicts with human rights laws and increasing international and national inequality

One of the central criticisms of WTO is that it often results in exploitation, against the human rights, as well as in the transfer of wealth from so-called developing countries to the developed countries. Pursuing free trade in the education sector requires dealing with education according to trade law principles. This conflicts with the protection of the right to education in international human rights law. Nearly every country worldwide has ratified one or more of the relevant international human rights treaties that elevate the right to education to a fundamental human right. (See Tomaševski, 2001; Devidal, 2004). Globalization involves not only the creation of a "global market" but also the creation of global decision-making making bodies, such as the WTO, the World Bank, and the IMF, which attempt to legitimize themselves by claiming to promote the interests of all. Critics of globalization claim to the contrary, however, that these institutions in fact often promote the interests of global elites (Greider, 2002). They argue that such corporatization of public services will hurt the poor, limit regulation of these services by national governments in public interest, and ultimately make it impossible for citizens to exercise democratic control over their access to universal public services. Thus, equity, public accountability, and citizens' rights will be sacrificed for the sake of efficiency and competition (Chanda, 2003, Das, 2001, Hilary, (2001), Global Policy Forum, 2002, CFWTO, 2003, Third World Economics, 2002, Corporate Europe Observer, 2001, WTO Action.org, 2000, and Krajewski, 2002 for the arguments put forward against the GATS in the case of public services). Another concern that has been raised is the implication of GATS for public funding and the use of mechanisms such as

cross-subsidization, government procurement, and non-market systems to address various non-economic objectives.

There is apprehension that curbs imposed by the GATS on such practices would have adverse effects on costs, availability, and equitable distribution of services such as health care and education. It is incorrect, however, to say that the GATS prohibit the use of subsidies and government procurement to address domestic objectives and priorities. As of now, there are no specific rules on subsidies under the GATS. In this relation, Chanda (2003) asserted that the WTO secretariat, many academics, and former negotiators have dismissed these claims, noting that nothing in the agreement would force a government to liberalize a sector, as it does not wish to or to remove restrictions designed to safeguard public interests (Ibid, 2003). Commercial presence may entail welfare distortions. Usually foreign institutions tend to give better and more attractive packages to their staff. This allows them to employ the best leaving the others to share the rest. Consequences may be the creation of wage havens employing and retaining a very happy few while at the same time creating conditions for internal brain drain.

3.5. Problems with creating a regime of guidelines, regulations and codifying education system

The fact is that the trade in higher education is, of course, more difficult to codify than other products. But efforts are now under way to do precisely this—to create a regime of guidelines and regulations to institute free trade in higher education. A further reason for tempering expectations is that many regional attempts at crafting a regime for services trade and investment can be expected to confront the same difficulties- conceptual and practical- encountered at the multilateral level. This is true both in market access terms (e.g. air and maritime transport, audio-visual services, education and health services, labor mobility) as well as in terms of outstanding rule-making challenges, e.g. domestic regulation, emergency safeguards, and services-related subsidies. The main source of the concerns is the weak nature of the current GATS text in terms of ambiguities in the scope of GATS and ambiguities in the GATS discipline on domestic

regulation. This issue not only creates ambiguities in the interpretation of key GATS provisions, but may also result in increased political, commercial, and other pressures to adopt specific provisions that put efficiency concerns above other objectives. Some of these are discussed here (Chanda, 2003).

The potential impact of this ambiguity was very well summarized in the joint declaration of the Association of Universities and Colleges of Canada (AUCC), the American Council on Education (ACE), the European Universities Association (EUA) and the US Council for Higher Education Accreditation (CHEA) signed on the 28 September, 2001 in which it was stated, 'While we applaud senior officials of our respective governments for insisting that public service systems are exempted from the agreement based on article 1.3; we do not understand how this conclusion has been reached given the absence of clear, broadly accepted definitions and more importantly, the fact that the component parts of the system are so inextricably linked. In addition, history shows that exemptions to international agreements such as the GATS tend to be interpreted narrowly by trade dispute tribunals. For these reasons, it seems unrealistic to assume that public education at the tertiary level is exempted from GATS (Mihyo, 2004).

It must be pointed out, however, that as we mentioned there is no established body of serious academic literature on the pros and cons of the GATS. The literature is limited to WTO Secretariat documents, discussion papers, and statements on the benefits of GATS and documents circulated by various interest groups and NGOs on the adverse implications of GATS.

4. What are the main barriers of free trade in education system?

Research on WTO and its application in education in different countries has identified certain barriers to trade. These barriers are indicated by researchers and WTO itself. There is no agreement or consensus on which barriers are the most critical, as they are usually seen from a self-interest perspective. The main barriers are related to national economic (domestic laws and

regulations), politics (government monopolies, inefficiency of government, high bureaucracy, low tendency toward foreign investors) and education factors (Mihyo, 2004; Knight, 2002; Pierre, 2002; WTO, 1998, 2000). However, in the following the barriers related to each model of education delivery in free trade are described (See table 3).

Table 3: Barriers to trade by mode of education supply

Modes of delivery	Barriers
Cross border supply Examples (-distance delivery or e-education -virtual universities)	-inappropriate restrictions on electronic transmission of course materials -economic needs test on suppliers of these services -lack of opportunity to qualify as degree granting institution -required to use local partners -denial of permission to enter into and exit from joint ventures with local or non-local partners on voluntary basis -excessive fees/ taxes imposed on licensing or royalty payments -new barriers, electronic or legal for use of Internet to deliver education services -restrictions on use/import of educational materials
Consumption abroad Example (students studying in another country)	-visa requirements and costs -foreign currency and exchange requirements - recognition of prior qualifications from other countries -quotas on numbers of international students in total and at a particular institution -restrictions on employment while studying - recognition of new qualification by other countries

Table Continue

Commercial presence Examples (branch or satellite campus)	<ul style="list-style-type: none"> -franchises -twinning arrangements - inability to obtain national licenses to grant a qualification - limit on direct investment by education providers (equity ceilings) - nationality requirements - restrictions on recruitment of foreign teachers - government monopolies - high subsidization of local institutions - difficulty in obtaining authorization to establish facilities -economic needs test on suppliers of these services -prohibition of higher education, adult education and training services offered by foreign entities -measures requiring the use of a local partner -difficulty to gain permission to enter into and exit from joint ventures with local or non local partners on voluntary basis -tax treatment that discriminates against foreign suppliers -foreign partners are treated less favorably than other organizations -excessive fees/ taxes are imposed on licensing or royalty payments -rules for twinning arrangements
Presence of natural persons Examples (Teachers traveling to foreign country to teach)	<ul style="list-style-type: none"> - Teachers traveling to foreign country to teach -immigration requirements -nationality or residence requirements -needs test -recognition of credentials -minimum requirements for local hiring are disproportionately high -personnel have difficulty obtaining authorization to enter and leave the country -quotas on number of temporary staff -repatriation of earnings is subject to excessively costly fees and/or taxes for currency conversion -employment rules -restrictions on use/import of educational materials to be used by foreign teacher/scholar

The above list is for illustrative purposes only. Attention needs to be given to whether the barriers are seen from the perspective of an exporting or importing country. It is important to remember that what is perceived as a barrier by some countries is perceived as fundamental to the education system in another. As Knight (2002) stated, many of these barriers are not new or specific to the GATS, as they already impact the flow of education services across borders.

However, there are different voice of the critics to trade liberalisation and in education among the researchers from North and South countries and particularly inside Iran. As we have discussed above, those critics announced that librlization of education act as a vehicle of promoting economic development, competitiveness, and productivity (Friedman, 1982). But inspite of this positive statement which is happening in western countries, other researchers particularly from South part of the world raised critics to application of GATS in their education systems (Siqueira, 2005; Kuehn, 2005; Mihyo, 2004; Anandkrishnan, 2004; Devidal, 2004; Chanda, 2003; Powar, 2002; Vlk, 2002; Tomaševski, 2001; Cohen, 2000; Altbach, 1999; Hardstaff, 1999; Greider 1997). They have argued hat liberalization of education in developing countries is not welcoming because of the failure of the theory of marketization and free trade in education, weakening the traditional values of education, threatening the state power and sovernity against human rights and rising inequalities in education access and difficulties with codifying regulation in education. Such critics are also debated among the Iranian researchers and commentators. The critics are similar to those debates going on in other parts of the North and South countries. In fact, since Iran strated to join the WTO, a lively debate began among Iranian politicians and researchers. Therefore, in the following we address the third question of this paper which is related to the Iraninian higher education comparative advantages in joining WTO.

5. What could be Iran's higher education comparative advantages in joining WTO?

Iran was interested in becoming a member of WTO since long time ago. However, its nineteen requests are rejected by the WTO, because of political pressure by USA and Israel, and other reasons such as the unreadiness of Iran's economy to enter the global economy. Iran's request and proposal was finally approved in June 2005, but only as an "observer". In the process of joining Iran to WTO, the country faces critics and resistance from outside and inside forces. Main outside forces are political pressure imposed from the US and Israel governments. In addition to foreign forces, there is an ongoing debate among the authorities and the government in Iran about the effects of joining WTO on Iran's economy and education system. There are ruling attitude among some of the Iranian authorities who are concerned about the cultural, economic and political threaten of WTO. They do not see benefits of joining WTO. These authorities believe that under the WTO regime, local Iranian businesses will have to compete with global businesses, which means that some will lose. The trends in the long run will weaken the unity and power of the country in decision making on international scale which is controlled by some of the strong and wealthiest western countries. Iranian government can do nothing to protect local producers. While other authorities who advocate joining the WTO, arguing that joining the WTO will be a long-term benefit for Iran: it will enable Iran to play a role in the global economy, and lead to the end of US-imposed economic sanctions. Besides this, they feel, as many others do, that having to play along with the WTO is inevitable anyway.

Iran made its first application for membership in 1996, after which reform policies were suggested that would create an economic system more amenable to foreign and domestic private investment, the prime goal of which would be to disconnect domestic economic activity from government policy. The former Iranian president and Head of Iran's Expediency Council Hojatoleslam Akbar Hashemi Rafsanjani said on January 26, that Iran's presence in the World Trade Organization is a bare

necessity and the country's organization needs to prepare themselves for that day. "Not only the Customs Organization, but the entire country's economy needs to be prepared for the day when we would join the WTO, and we need to have a wise and dynamic presence after that in the world trade."

Complementary defense came from the Iran Minister of Commerce. IRNA (2006) reported that Massoud Mir-Kazemi on December 19 voiced Iran resolution to become a full-fledged member of the World Trade Organization (WTO). Speaking at the sixth WTO ministerial session held in Hong Kong, he added that Iran which currently has observed status at the WTO, has delineated comprehensive programs for joining the world trade body. The plan includes a thorough program to institute economic reforms and provisions for instilling vibrancy and competition among the public and private companies, he added. He said the program is all-encompassing. Unification of hard currency, privatization of state-owned and affiliated companies, boosting foreign investments, removing non-tariff barriers and lowering bureaucratic red-tape are among the steps called for by the plan.

Iranian authorities have been working on the provisions of the Third and Fourth Five-Year Plan with regard to breaking state monopolies. Though some of the politically sensitive areas are yet to be tackled, Iran has effectively broken state monopolies in downstream oil and gas, banking, tobacco industry and also in a number of smaller sectors such as importation of tea. Other similar laws are expected in such sector such as insurance and telecommunications. With regard to legal and structural realities, Iran is in need of a major restructuring before it can effectively join WTO. The key short-comings are in areas such as copyright (lack of a copyright law); labor law (need for a more liberal labor code); foreign investment law (removal of obstacles to a more liberal foreign investment regime); subsidies (elimination of blanket state subsidies) and exchange rate policy (unifying exchange rates).

However, discussion about this debate is far from this paper. But in this paper we hold this idea that entry into the WTO will

provide Iran with a number of education-related opportunities. The first lies in the distribution of new knowledge, in which intellectuals will play a major, pioneering role in the newborn Iran knowledge economy. The second involves the application of that new knowledge. Entry into the WTO will further strengthen Iran's international educational exchange and help knowledge products expand in the global market. Third, with the production of new knowledge, a more equal environment for Iranian individuals and society raising which they can develop, with less of the traditional concentration on social status, gender, nationality, and political pressures.

Although Iran still acting as an observer and not a member of WTO, it should prepare and provide the relevant background to take advantage of the WTO. In fact, Iran's higher education trends show that in the last years it has undergone dramatic changes and the Iran market is facing increased internal competition. Therefore, the Iran government requires currently reviewing Iran's trade interests in the commercial education and training sector in order to establish an appropriate position for the upcoming trade negotiations.

We assume that Iran has a range of comparative advantages in higher education. We review these discussion based on strengthness, weakness, opportunities and threatens in each categories and mode of offering education services in WTO. The comparative advantage of a commodity indicates its exportability. As our analysis shows, Iran's higher education has a unique situation to joining WTO (see table 4).

Table 4: Iran's higher education weakness, strengthness, opportunities and threaten

<u>Strength</u>	<u>Weakness</u>
<p>Availability of a large network of private, public, and state affiliated universities offering degrees in higher education</p> <p>A long history of vocational and technical education in different field of industry, services and other companies needs. and all its certificates are assurance by ILO</p> <p>Strong and equipped training center in main industry of the country</p> <p>Increasing number of Iranian public and private universities</p> <p>Large expansion of Higher education access</p> <p>Increasing number of postgraduate subjects in universities</p> <p>Establishing new international branches of higher education in Iran's Free Trade Zone</p> <p>Emphasizing of the Iran's fourth five year development plan that universities work on new ways of accepting foreign students.</p> <p>Iranian private universities are also becoming increasingly active in the delivery of education and training programs outside of Iran</p> <p>ICT in Iran have had a huge progress for expanding the virtual university and E-learning</p> <p>Statistics reveal that the number of foreign students coming to Iran is increasing in recent years.</p>	<p>The dependency of universities to centralized planning</p> <p>Rigidity and inflexibility of universities structure in making decision according to international higher education</p> <p>Low management skills of University managers and Board of trustees to act and educate internationally</p> <p>Weak quality assurance system in Iran's higher education</p> <p>Low academic and scientific international relation with other countries</p> <p>Weakness of developing international curricula in some of the universities and departments</p> <p>High unemployed graduate students in country</p>

Table Continue

<u>Opportunities</u>	<u>Threatens</u>
Iran's strategic situation in terms of economic, cultural, social and political in the region and world High demand for entering the university internally and regionally .	Low academic international relation with other countries Considerable number of educated brain drain

As Mihyo (2004), Pierre (2002), NCITE,(2001) and WTO (1998, 2005) revealed different barriers to trade by mode of education supply. We assume that Iran's higher education has advantages in all four main mode of trade in education that receive legal protection through GATS: Cross-border supply, Consumption abroad, Commercial and Presence of natural persons. Higher education is expanded well in Iran since 20 years ago. At the time being, in the shape of public and private or non-profit structure, universities in Iran offering degrees in varieties of subjects at the level of bachelor, master and PhD programmes. These degrees have an acceptable quality compared to the degrees offered by international universities in western countries. The latest statistics shows that the student population of Iran is around 2110731.

Table 5: Statistics of Iranian students in 2004-2005

Accepting Students	Graduate students	Current Students
564102	362280	2110731

source: Iran's Higher Education Planning and Research Institution (2005)

Under the first mode- Cross-border supply, there are two possibilities of trade. The first is through virtual, E-learning and distance education offered by universities. The second, of course, relates to all education services supplied by other than universities or national open universities. ICT in Iran has had a huge progress for expanding the virtual university and E-learning. Currently, some of the universities developed their

virtual courses and degrees internally but there is still a big step to be taken.

In mode two- Consumption abroa will provided more chances to Iranian universities in absorbing foreign students. Meanwhile internal students get better chances to go abroad for study. Since the Fourth and Fifth Development Plans, Iran took majorities of restriction and provided facilitates for those students who are willing to go abroad. At the same time, internal universities are working on finding new ways of accepting foreign students. Availability of a large network of private, public, and state affiliated universities in iran offering degrees in higher education and increased number of postgraduate subjects in universities could bring about a well base for attracting foreign students into the country. Iran's statistics reveal that the number of foreign students coming to Iran is increasing in recent years. In terms of cultural bases of Iran people, there is a remarkable demand for entering the university from the Moslem countries. Although in this mode of delivery, western countries have more competitive advantages. However, raising competition, and full commitment in Iran to offer world-class higher education services may have immense potentials to attract foreign students. Moreover, as Altbach (2004) notes for India, it is expected that under the WTO, the Iranian students could access to the following benefits.

1- Many very able students are unable to obtain entry into local institutions because of lack of space and sometimes very competitive entry requirements. Such students often find it easier to gain entry to good foreign institutions than to local schools.

2. Many of the world's brightest students seek opportunities abroad because there are few, if any, "world-class" institutions in much of the world, especially in developing countries.

3. Students also leave home when the specializations they want to study, from astronomical physics to aspects of zoology, are unavailable in their own countries, especially at the graduate and professional level.

4. Some students feel that the prestige of a degree from foreign institutions, especially an American degree, is greater than that of one from a local institution.

5. A significant number of international students go abroad to study with the aim of staying in the host country to work and make a career.

According to mode three- Commercial Presence, there are many opportunities for the Iranian universities to deliver services outside the country. Recently, Iranian universities like Sharif, Mashad and Shiraz started to establish new branches in Iran's free trade Zone in Kish, Chabehar, and Qshem. At the moments some of the non-profit universities such as Azad University opened up new branches in Dubai and London. It should be noted that so far these initiatives were successful in attracting new students from Iran and outside the country. In addition, allowing foreigners to invest in Iran create a potential situation to raise not only completion among the internal service provider but also help to publicity of Iranian higher education around the world through joining venture with known universities. Iranian higher education will be benefited from trade through this mode because Iran has some competitive advantages in certain area of education such as medical sciences, pure science, management, and vocational and technical education. Besides it has also potentials to develop many areas such as oil, steel and chemical industry, agriculture and veterinary, engineering, philosophy, management and medical institutions. Exceptional geographical and economic features of Iran, its being located at the heart of global oil and gas reserves (more than 70%), access to regional markets with a present population of about 300 million, which is expected to exceed half a billion in long term along with important location, which is a great factor for big industrial and commercial corporations to find suitable places for investment, industrial production and commerce, are among major foreign investment attractions which boost the country's capacity for attachment to global markets and strategic integration into the global economy. Although technological

changes, reduced transportation costs, rapid communications and information flow have shortened distances, location and distance still play an important role in economic interactions among various regions including foreign direct investment, financial investment and technology transfer. Therefore, Iran enjoys exceptional advantages and capabilities in the region in terms of access to regional markets due to its role in establishing a big supply network for production and trading intermediary materials and commodities, parts as well as industrial artifacts. The country can turn into a major industrial and commercial pole by joining global markets and economy and securing a place in global value chains (Sadighi, 2004).

It should be noted that at the moment due to the national policies no foreign higher education is offering services in Iran market. But recently some of the universities such as Sharief, Tarbiatemoallem, Shiraz, Isfahan, Mashad, Amirkabir, Science and Technology, Shahid Chamran University started mutual cooperation and dual degree with foreign universities. These program curriculum, teaching and facilities comply with the international standards and their quality is supervised by both sides. It seems that the numbers of foreign affiliated programs are also increasing day by day. There is a considerable option for those students unable to pass the national competitive exam to enter the higher education. Also, it is somehow those students interested to go abroad and have connection with other countries.

The last mode- Presence of Natural Persons will increase employability chances of Iranian graduate, create more competition inside the country among the universities and also decrease the issue of education brain drain. Iranian educationists and academic members are in a good position and the ability to move between countries to provide educational services. This category due to three important reasons has positive advantages for Iran economy. Firstly, one of the main concerns of Iranian politician and policy maker is the increasing number of unemployed skilled workers. Due to the policies addressed by relatively all public and private universities in Iran during the 2nd, 3rd and 4th Fifth Development Plan, a large supply of

manpower with varying skills and professional and technical experts have been achieved. The number of graduates increased, but, parallel with that, weak efforts in creating jobs in other parts of economy have failed. At the moment graduate unemployment is a critical issue in Iran. Therefore, Iran's strategic approach should be to make firm stand on the liberalization of the movement of natural persons. Iran could potentially have capabilities to provide various professional, technical, skilled services at various levels. Secondly, this not only effects the supply side in terms of creating more competition among the internal university to offer more applicable and employable education but also effect demand side by providing a valid measure for students and their families to find out which university education has more quality. Thirdly, it could provide a chance to Iranian scholars and skilled workers to cooperate under this system with education as temporary workers outside the country and decrease one of the critical issues of "brain drain of skilled manpower". Through this mode of offering, there is a chance for business persons, to be treated as natural persons, that may have to stay within own or affiliate company for career development or training in business practices, even though these business persons are not service renderers or educators in the strict sense.

6. Conclusion

In conclusion, it seems that Iran's higher education policy maker should develop plans to support their higher education system. Although it is clear that if Iran decides to open up and liberalize its higher education sector, it has to take into consideration many issues and possibilities as: academic freedom, academic responsibility, public funding, subsidy, regulation, cost or price factor, quality assurance, recognition of qualifications, mobility of students, employment of academics, privatization at domestic level vis-à-vis entry of foreign private universities, demand for and supply of higher education services, and brain drain and brain gain. We should bear in mind that because GATS is an untested process, it may bring adverse,

unintended consequences, which by definition are difficult to foresee. Higher education leaders are in a difficult position of being unable to anticipate the variety of scenarios that could unfold. Each country's rationale behind allowing foreign educational institutions or universities would vary with the historical or contemporary scenario existing in their country. It may be noted that the member states sector, while liberalizing education, can lay down various forms of significant limitations and conditions to best further the interests of students, academia and the national educational and developmental objectives.

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منازعه‌ی تجاری شدن نظام آموزشی توسط سازمان تجارت جهانی و مزیت های نسبی آموزش عالی ایران

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چکیده:

در این تحقیق تجاری شدن آموزش عالی توسط سازمان تجارت جهانی بررسی شده است. بر این اساس دلایل گسترش تجارت در نظام‌های آموزشی، انتقادات کنونی به سازمان جهانی در تجاری کردن نظام آموزشی، موانع عمده‌ی تجاری شدن نظام‌های آموزشی و در نهایت مزیت های نسبی آموزش عالی ایران در تجارت جهانی بررسی شده است. بر اساس نتایج این تحقیق ایران در کنار قوت‌ها، ضعف‌ها، فرصت‌ها و تهدیدهای در تقابل با سازمان تجارت جهانی در هر چهار زمینه‌ی اصلی ارائه‌ی آموزش اعلام شده توسط سازمان تجارت جهانی دارای مزیت های نسبی است.

طبقه بندی JEL: F53, F13

واژه‌های کلیدی: سازمان تجارت جهانی، آموزش عالی، تجاری شدن نظام آموزشی

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