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Towards a Philippine Education Export Roadmap

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Executive Summary

Including trade in an educational roadmap

This Report aims to ‘complete the coverage’ of an education roadmap for the Philippines covering both higher and technical/ vocational training (TVET). It does so by providing an initial mapping of the ways in which a stronger trade focus could support existing education initiatives. It coincides with the publication by the Commission on Higher Education (CHED) of a draft Memorandum Order (CMO) on the internationalization of higher education.

Trade in educational services *could* result in: greater economies of scale, access to new resources, increased knowledge transfer, and (if exports exceed imports) net earnings of foreign exchange. The first three are especially relevant to PCCI’s concern with improving TVET.

The role of trade in providing needed production inputs and helping reap economies of scale is nowhere better understood than in the business community, but the implications (and potential) of this for education services at all levels has not necessarily been fully articulated. Research suggests that the greatest effect of trans-national education (TNE) in host countries is capacity building for teaching and assessment methods, programme management, and quality assurance processes. It also suggests that this applies equally to higher education and to TVET. There are already cases in the Philippines of ‘good practice’ in TVET trade but it has not yet been taken as far as, say, in Malaysia where, for example, the German-Malaysian Institute (GMI) in Kuala Lumpur offers sophisticated TVET to nationals and foreigners alike.

Educational trade is occurring – but the Philippines is lagging

The Philippines education sector already contributes to non-traditional services exports. The most recent data indicate that almost 8,000 foreign nationals are studying in the various higher education institutions (HEIs) but, taking account of teaching outside the HEIs, the number is much higher. There are an estimated 24,000 students from South Korea alone studying English in the country.

But the country is under-performing by regional standards. It is reported to have the lowest number of international tertiary students among major ASEAN education providers and the bulk of its foreign students are at the lower end of the ‘value addition chain’ offering little support to the creation of scale economies in most areas of TVET. Research suggests that only a few of the country’s HEIs actively market themselves internationally and that in most fewer than 10 per cent of students are from overseas.

To the extent that it exists, educational exporting is private sector led: the sector is not yet on the radar of the government’s export development authorities. Education is not identified as a Key Export Sector in the *Philippines Export Development Plan* or in the Philippines Development Plan. Yet a simple numerical example suggests that the sector could plausibly generate annual forex earnings of US\$ 1 billion which is set in *Philippines Export Development Plan* as a criterion for being designated a Key Export Sector.

National bodies charged with support for education, such as CHED, have rightly focussed on regulation for quality assurance rather than support for exports. But the new draft CMO issued by CHED includes explicit recognition of the quality-gains that may accrue from trade. And, in fact, the issues involved in protecting Filipino students from exploitation by low standard providers (whether indigenous or foreign) form the other side of the coin to protecting the Philippines ‘brand’ in the global market place.

The Philippines risks being left behind – and losing high quality students (both national and foreign) as well as the spin-off benefits arising from an active, internationally-oriented education sector. Malaysia, which is estimated already to hold 2 per cent of the international student market, has set its sights on becoming the world’s sixth-biggest education exporting country. And it is not alone in the region: China and Singapore have both declared their intention to create education hubs.

Despite being a later starter the *prima facie* evidence is that the Philippines could still find a market niche. Its delay has already imposed costs: Malaysia, Singapore and others will probably gain more of the benefits from internationalization, which CHED has identified as an ‘increasing number of graduates who possess employable skills, both in the domestic and international labor markets, global perspectives, and adaptable mindsets’ (CHED 2015: Section 6.3).

But even a delayed start may bring more gains than not starting at all. As a late entrant, the Philippines may initially have to cede some higher value market niches but as its education sector moves up the global rankings (which is highly desirable in its own right, independent on the implications for trade) and early movers become more expensive places within which to study, its educational exports could move up the value chain.

The barriers to educational trade growth

Barriers to educational exports appear to be more attitudinal than fundamental. It is aspects of the regulatory regime that are most cited by educators as impediments to growth rather than legislation. As one educator put it: ‘there are no particular obstacles and there are no real incentives’. The three most cited potential constraints are on the proportion of the student body that can be foreign, the maximum equity share of a foreign partner in a joint venture, and restrictions on the employment of non-nationals as teachers. The first two of these appear not to be binding constraints at present and the third may be manageable for the present.

It is attitudes to trade as a legitimate area of educational activity that seem to be the most powerful obstacle to internationalization. As such, the situation could change if attitudes change. Countries wishing to develop as education hubs often signal their intent by creating a supportive regulatory environment for TNE, as Malaysia, China, Singapore (and also Australia) have done.

The new draft CHED CMO on internationalization could offer the ‘peg’ on which to hang such a change in approach. It addresses directly the need to increase openness – but, naturally, only with respect to higher education. Given the resource constraints for TVET in the Philippines a strong case can be made for making trade in this sub-sector more open as well. The PCCI might wish to consider whether it should use the CHED draft CMO as a catalyst to push for similar changes to the areas of training of most direct and immediate concern to industry.

If the Philippines is to attract more foreign students the qualifications its teaching institutions must offer are those that foreign students require to work in their home country (or desired work location). Moves to create an ASEAN framework within which to agree mutual recognition and equivalence of qualifications, and the portability of modules, will help to remove impediments to TNE in the region. They apply to both higher education and TVET.

But ‘removing obstacles’ is not the same as ‘promoting’. It will undoubtedly help those students that want to study abroad. But more is needed if the Philippines is to promote itself as a desirable destination for highly talented foreign students and to attract back highly skilled Filipino trainers/trainers/teachers.

The impact of an Education Sector Roadmap

An Education Sector Roadmap could provide the vehicle to send out more positive messages about the Philippines' intentions to become a hub for trade in both higher education and VTEC. It could also stimulate serious research on the potential beneficial and detrimental effects of increased exports. Whenever trade involves 'sensitive products' there is concern that the needs of foreign consumers will be met at the expense of domestic consumers. At its starkest, this is expressed in respect of educational trade in a concern that foreign students will take places that would otherwise be available to nationals.

At present the data to judge the validity of such concerns do not exist. The key evidence needed to judge whether or not foreign students will crowd out locals is the extent that supply can be increased to meet changes in *effective demand*. If foreign student fees allow colleges to increase enrolment there is no direct trade-off. Educators interviewed tended to suggest that supply could easily be increased; that revenue is the main constraint to expansion. But this claim needs to be checked through serious empirical research which should certainly be a part of a comprehensive Education Sector Roadmap.

Preliminary answers – and recommendations to PCCI

This Report provides *prima facie* answers to an initial set of questions that are preparatory to the creation of an education sector roadmap. They are as follows.

1. Is current legislation a support or a barrier to the emergence of Philippines' education exports? Preliminary answer: it is neither a support nor a barrier; indifference seems to be the watchword.
2. Are current administrative and regulatory arrangements a constraint on increasing and deepening (through value addition) educational exports? Preliminary answer: probably yes.
3. Will foreign students displace Filipinos? Preliminary answer: not if supply increases as a result of trade, which implies that educational exports are accompanied by increased imports.
4. Will the curriculum demands of foreign accreditation make education less relevant to the Philippines' needs? Preliminary answer: aligning curricula and qualifications with those in major markets will tend to enhance rather than reduce the marketability of trained Filipinos.

Since there are no major legislative or regulatory obstacles to increasing the volume and value of the Philippines' educational trade the creation of a step-by-step export development strategy would appear to be feasible – should there exist the desire. At the same time, doing nothing is a risky strategy in a region where neighbours are very active and the ASEAN single market is facilitating free movement. The Philippines could lose not only its high grade students but also its best researchers and faculty.

Given that CHED has 'started the ball rolling' (albeit with respect only to higher education and from its mandated regulatory perspective), PCCI should consider whether to stimulate a debate that is more closely attuned to the needs of the productive sectors and business. As part of this consideration it should:

- adopt a position on whether trade in educational services should be more actively encouraged;
- call a forum of industry stakeholders when formulating this position.

Depending on the outcome of these consultations and decision-making, PCCI and DTI should consider entering into a formal Education Sector Roadmap exercise to investigate and quantify in more detail the potential costs, benefits, opportunities and challenges. To do this PCCI should seek to secure funding for the costs of developing a fully-fledged education sector roadmap both from DTI and other potential sources of complementary funding.

The PCCI should also consider, again depending on the outcome of its consultations, working with the Export Development Council and NEDA to include the Education Sector in the current national planning exercise.

1. The purpose of this report

This Report aims to ‘complete the coverage’ of an education roadmap for the Philippines by focussing on trade, and especially exports. Although it applies equally to technical and vocational training (TVET) and to higher education, the data in the Report focus mainly on higher education. This is partly because the recent publication by the Commission on Higher Education (CHED) of a draft Memorandum Order (CMO) on the internationalization of higher education makes this a very appropriate time to contribute to the higher education debate (CHED 2015). It is also because TVET exports from the Philippines are not yet in prospect except in a few niche areas – it is imports that are most relevant to the sector – and so there are no data to report. But exports and imports are two sides of the same coin and an increased focus on education as a tradeable service is equally relevant to both higher and technical/vocational education.

As with other goods and services, trade in educational services *could* result in: greater economies of scale, access to new resources, increased knowledge transfer, and (if exports exceed imports) net earnings of foreign exchange. All are relevant to PCCI –especially the first three in respect of TVET. The draft CHED CMO points to the medium-term gains from internationalization as ‘an increasing number of graduates who possess employable skills, both in the domestic and international labor markets, global perspectives, and adaptable mindsets’ (CHED 2015: Section 6.3).

PCCI already has a strong commitment to developing training and education in Philippines through its support for education reform and dual training (*inter alia* via the ‘K to 12 Plus’ pilot project). But there is less understanding of education as an internationally tradeable service in its own right; it is not just a domestically produced input into the production of internationally traded goods and services (Box 1). The role of trade in providing needed production inputs and helping reap economies of scale is nowhere better understood than in the business community, but the implications (and potential) of this for education services at all levels has not necessarily been fully articulated.

Box 1: Trade in educational services

Unlike goods, which must physically cross a border, services can be traded in various ways. It is conventional to distinguish between four ‘modes of supply’:

- Mode 1: cross-border supply (e.g. ICT enabled delivery of music, X ray analysis, financial advice – or distance teaching);
- Mode 2: consumption abroad (e.g. tourism, students studying in a foreign country);
- Mode 3: commercial presence (e.g. if a university opens an office abroad to recruit students and/or provide teaching);
- Mode 4: presence of natural persons (e.g. if a lecturer teaches at a foreign university).

Educational services can be traded under all four modes (as the illustrative examples show). Mode 2 has been a traditional route with one country’s students studying in another state, and will often lead the way when a new bilateral relationship is developed. But Mode 1 is becoming increasingly used – often in combination with Mode 2. Modes 3 and 4 will tend to allow more education services to be traded, perhaps more efficiently, than a reliance on Modes 1 and 2 alone. (See Knight 2002 Chart One for an indication of the scope for each mode to grow in importance).

The Report focuses on this ‘missing element’ of a comprehensive education sector roadmap. It provides an initial mapping of the ways in which a stronger trade focus could support existing education initiatives. Because higher education is the most visible vanguard for what is now called

‘trans-national education’ (TNE) there is a tendency to assume that increased trade is relevant mainly at the higher levels. But this is a misunderstanding: trade is equally important to strengthening TVET for industry. The German-Malaysian Institute (GMI) in Kuala Lumpur, for example, offers high end TVET in line with the Government’s Education Strategy which embraces trade (see below). To give just three examples from the Philippines, MFI Technological Institute and Don Bosco Technical College offer a range of skills and vocational programmes with international organisations (British Council 2015b: page 12) as does Enderun College.

The central question addressed in the Report is this: should an Education Sector Roadmap make an explicit commitment to trade in educational services (and by implication, should export development plans include education as a priority sector)? A set of subsidiary questions underpin this. Is it desirable – and is it feasible? Other countries in the region, especially Malaysia, are already making this commitment: is the Philippines ‘missing out’ on an opportunity that its neighbours have already perceived – and has it already ‘missed out’ as neighbours have entrenched themselves in the market? How will education integration within ASEAN (for example through mutual recognition of courses and qualifications) impact on its decisions?

2. The challenge

Philippines’ exports of services are smaller than its exports of goods – but they are growing much faster. Between 2000 and 2013, exports of goods grew annually by 3.1% but services grew by 15.4%. By the end of the period they accounted for one-fifth of the total (Export Development Council (2014: Table 1.1).

Services trade is the future!

As noted in the *Philippines Export Development Plan* information and communications technology (ICT) has revolutionised the range of services that can be traded internationally. ‘Just over a decade ago’, it notes, ‘when fewer services were tradeable, nearly three-fifths of trade revenues were derived from travel services (tourism)’ (Export Development Council 2014: p 3). By 2013 travel accounted for only one-fifth of the total as exports boomed in other services sectors, notably computer and technical services (Table 1.4).

The success of the information technology and business process management (IT-BPM) sector illustrates both the opportunities and the challenges. Since 2006 it has posted compound annual growth of 30 per cent, and its slogan ‘Work abroad live here’ underscores the global employment opportunities now made available in the Philippines courtesy of IT. But shortage of adequately skilled staff risks becoming a constraint to continued growth. An inventory of skills for the sector has reported that ‘the supply demand gap in basic skills is a threat for sustainability not only in the IT-BPO sector but for all other sectors as well requiring basic skills, e.g., financial sector’ (Barrios et al undated: page 61). Greater TNE could help to ease this gap in two ways. Foreign placements will provide Filipino students with skills required by foreign companies and, if TNE is extended to include post-study work experience for foreign students, it could increase the supply of recruits with the relevant skills.

Education is part of the global trend for services trade to increase and broaden. This is aptly illustrated by the title of a Report on the future of TNE: ‘The Shape of Things to Come’ (British Council 2013). The Philippines education sector is already contributing to the growth in non-traditional services exports. In the academic year 2011/12, the latest for which these data are available on the CHED web site, a total of 7,766 foreign nationals were studying in the various higher

education institutions (HEIs) in the Philippines.¹ Over one-quarter were Korean² and they were followed by Iranian and Chinese (13% each), American, Indian and Indonesian (around 5% each) and 13 other separately identified countries. Taking account of teaching outside the HEIs, the number is much higher. One source puts the number of students studying English from South Korea alone as 24,000 in 2012 (British Council 2015a: page 13).

Philippines education is under-performing on trade

But the country is under-performing by regional standards. Data on tertiary education analysed by the British Council indicate that the Philippines 'has the lowest number of international students among the ASEAN comparator group' (British Council 2015a: page 2). English language training, where there is the greatest concentration of foreign education in the Philippines, is at the lower end of the 'value addition chain' and offers little support to the creation of scale economies in most areas of TVET.

It is reported that only a few of the country's HEIs actively market themselves internationally and that in most fewer than 10 per cent of students are from overseas (British Council 2015a: page 34). According to research published in 2013, 7.5 per cent of HEIs were actively involved in hosting foreign students who were to be found in 134 institutions, 88 per cent of them private (UNESCO 2013: page 63). The HEIs with the largest numbers of foreign students were Far Eastern University, De La Salle University, and the University of the Visayas. The highest foreign student concentrations were found in Manila and Cebu followed by Region III, particularly Angeles City, and Cordillera Administration Region, particularly Baguio City. The most popular courses were health and allied disciplines, English, education, IT related, engineering and business administration including hotel and restaurant management.

In addition there is almost certainly informal 'cross-border' (Mode 1) exports of education services being undertaken by individuals and small organisations, such as tutorial services for Distance Learning Programmes in the USA, Australia and other destinations. ICT has permitted the growth of IT-enabled one-to-one teaching support between a tutor and a student in different countries and continents. This is largely invisible to government – provided that it remains small-scale. But if the exporting is undertaken only by sole traders and small firms it is also likely that the terms of trade are skewed in favour of the foreign-based intermediary organisations that introduce students to tutors. The full gains from trade will accrue to the Philippines only if the domestic environment supports the growth of indigenous 'market makers' (perhaps engaged in a wider programme of educational services provision over all four modes of supply).

Exports are private-sector led

Educational exporting is private sector led (as the figures in the preceding sub-section attest). The draft CHED CMO recognises that one motivation for the internationalization of education is 'commercial advantage' (Article I:2) but its mandate concerns regulation for quality assurance etc not export promotion. As far as the government's export development is concerned, the sector is not yet on the radar. Education is not identified as a Key Export Sector in the *Philippines Export Development Plan*, though educational services are listed as an area in which the country's export potential could be developed (Export Development Council 2014: p 26). Exports do not figure in educational reports, plans or statistics. The only services exports given detailed attention in the

¹ <http://www.ched.gov.ph/index.php/higher-education-in-numbers/foreign-students/>

² The CHED data lists 'Korean' and 'South Korean' separately; the two figures have been added to produce this total.

Philippines Development Plan (chapter 3 ‘Competitive Industries and Services Sectors’) are Business Process Outsourcing (BPO) and tourism (NEDA 2011).

To the extent that trade has been considered at all in education plans the emphasis, until the latest CHED draft CMO, has been on regulation for quality assurance of imports (e.g. training provided by foreign-based institutions operating in the Philippines) rather than support for exports (whereby Philippines-based educators provide services to foreign students). Yet the issues involved are very similar: action to protect Filipino students from exploitation by low standard providers (whether indigenous or foreign) is the other side of the coin to protecting the Philippines ‘brand’ in the global market place. This is recognised in the new draft CHED CMO (notably at Section 9). Adopting a more positive stance towards trade potential need not involve a diversion of resources away from support for domestic provision; it could simply involve adopting a dual purpose perspective to the actions that are already being taken.

3. Trans-National Education (TNE) in ASEAN

Getting the data

Services trade data are inherently less detailed (on the composition of trade and bilateral flows) than are those for goods trade. Except for tourism and other exports supplied through consumption abroad (Mode 2) there is usually no physical entity that crosses a border and, hence, can be observed and measured (see Box 1). Balance of payments (BoP) statistics provide some help, but their collection primarily relies on measuring cross-border transfers of money which may obscure the actual service being transacted. Even if the service provider can be identified as the recipient of the payment, it is often not clear which service was provided (as the provider may offer a range), nor in which mode of supply. Moreover, the sectoral classifications traditionally used in the BoP do not overlap with the categories usually used in trade policy, and are often too aggregated. Much work has been done to advance convergence and develop the collection of services statistics but countries are still catching up.

The problems of measuring trade is particularly acute for educational services because very few host countries collect data on their tertiary TNE programmes and countries define TNE in different ways (see Table 1). Countries may use different terms to describe the same activity, often depending on whether they are the importer or the exporter. An example cited by the British Council is that what is referred to as a ‘franchise’ arrangement by an exporting HEI may be referred to as a ‘top-up’ arrangement by the host HEI (British Council 2013: page 14). Different forms of educational trade (such as twinning, collaborative programmes and joint degrees) may be bundled together under the generic term of TNE. And because these different forms of export delivery are not mutually exclusive they may be combined. In addition to all of this, the growing sophistication of ICT offers increasingly innovative ways for HEIs to collaborate, such as through the cross-border supply of educational services (Mode 1) which may not be captured in the data at all.

Table 1: Typology of TNE arrangements

Type of TNE arrangement	Provisions
1. International branch campus	The sending HEI establishes a stand-alone satellite operation known as an international branch campus (IBC) in the host country and is responsible for all aspects of recruiting, admission, programme delivery and awarding of the qualification. In addition to faculty employed from the parent institution, the IBC may employ local and/or international faculty to assist

	with teaching. Quality assurance of the programme is the responsibility of the sending HEI and is often subject to additional accreditation processes by the host country.
2. Franchise/twinning programmes	A sending HEI authorises a host HEI to deliver its (sending HEI) programme, with no curricular input by the host institution. The qualification is awarded and quality assured by the sending institution. The host HEI has primary responsibility for delivery of the programme but the sending HEI may assist with delivery of the programme by providing flying teaching faculty. Recruitment of students and provision of facilities (library, classrooms, IT) is provided by the host HEI. Franchise programmes typically involve all study taking place in the host country. When the student completes the study in the sending country, the arrangement is commonly known as twinning.
3. Articulation agreements	Allow host country students who have completed a specified curriculum (award not of the sending HEI) to apply to a sending country programme (either being taught in the sending or host country) and enrol with 'advanced standing'. (These agreements are sometime considered as a mechanism to recruit international students, but are included here as TNE due to the input the sending HEI has into the pre-articulation curriculum studied at the host HEI).
4. Double/dual degree programmes	Two or more partner institutions in different countries collaborate to design and deliver a common programme. Mobility of students and faculty between the partner HEIs varies by programme. The student receives a qualification from each partner institution. This results in a student receiving two or more qualifications for completion of one programme.
5. Joint degree programmes	The joint degree programme is similar to the double/dual degree programme in that two or more HEIs collaborate to design and deliver a new programme. The sole difference is that students receive one qualification which includes the badges of each partner institution on the award.
6. Validation programmes	The process by which a sending HEI judges that a programme developed and delivered by a host HEI is of an appropriate quality and standard to lead to a degree from the sending HEI. The host HEI can develop a programme to meet local needs with the sending HEI contributing its quality assurance processes.
7. Other	Access/feeder programmes, credit transfer/study abroad programmes, short-term or partial credit programmes, distance learning programmes/virtual universities, tuition providers/ teaching centres, bi-national campuses, independent campuses, corporate training and intermediary agencies.

Source: British Council 2013 Table 3

Which countries are active exporters?

As a consequence of these data limitations, the picture that can be painted of who trades what with whom is a patchwork of figures compiled by various bodies for differing purposes. There are many gaps and the reader must try to piece together as full a picture as possible from numerous different sources.

But despite the limitations, it is clear that trade in educational services is growing fast – particularly in South and West Asia. This region experienced the strongest growth in trade (up 100%) between 1999 and 2004 out of all the regions in the world (Bashir 2007: page 13). It is also clear both that Malaysia is the most notable champion of educational exports in the region and that it is not alone.

It already has a high proportion of foreign students in its HEIs. In 2010 enrolment of international students in Malaysian HEIs was 86, 293, equivalent to 36% of the total enrolment (Government of Malaysia 2010 Tables 1.1 and 1.2). An estimate made in 2013 is that the country's share of the international student market is approximately 2% (UNESCO 2013: p52).

In the past most students have come from China and other regional neighbours such as Indonesia, Thailand, Bangladesh, Maldives, and Singapore, but more recently an increased number of students have been arriving from the Middle East (UNESCO 2013: page 52). By 2009 38% of foreign students studying in public higher education institutions were from the Middle East (UNESCO 2013: page 53). The country also plays host to the largest number of TNE campuses in South-East Asia. There are at least 12 branch campuses in Malaysia of overseas universities (British Council 2015a: page 19).

The government has set an ambitious target to become the world's sixth-biggest education exporting country by increasing the number of foreign students in its HEIs to 250,000 by 2025 (Government of Malaysia 2015a: page 1/22). Since it also has the aspiration to increase the total student population in HEIs to 2.5 million by that date, if both targets are met the proportion of foreign students would actually fall to 10% of the total (Government of Malaysia 2015: page 1/13).

Malaysia is not the only country in the region to target education as an avenue to increase and diversify exports. China and Singapore have both declared their intention to create education hubs. China has an international student target of 500,000 students (British Council 2015a: page 40). The Singapore government's policies to promote the internationalization of education include a requirement that colleges and universities aim for a foreign student population of 20 per cent. This is in support of the government's plan to increase the number of foreign students studying in Singapore to 150,000 by 2015 (UNESCO 2013: p 57).

Playing host to local branches of foreign educational institutions is by no means the only way to promote TNE nor necessarily the most likely to generate substantial domestic value-added. But figures on which countries are playing host in this way can provide an initial indication of which states appear to be most active in encouraging TNE. The largest importers of branch campus are (in order of the number of campuses imported): United Arab Emirates (32), China (27), Singapore (13), Qatar (11), and Malaysia (9).³ Research published by UNESCO identifies Singapore as the Asian country (out of 10 analysed) with the largest number of international branch campuses (16), followed by China (13) and Malaysia (9); the Philippines has none, bracketing it with only Indonesia and Laos (UNESCO 2014: Table 2).

'Twinning arrangements' are particularly frequent in ASEAN compared to other regions (Raychaudhuri and De, 2007: page 11). They involve domestic private colleges offering courses leading to degrees at overseas universities. The former adopts the programme design of the 'partner' abroad to validate the 'in-country' courses, validating also the instructional methods and examination standards. 'Thus, 'twinning arrangements' have led to 'franchising' of individual components of the activity, e.g. courses and programmes' (Raychaudhuri and De, 2007: page 11).

4. The potential for the Philippines

An illustrative example

There are many facets to the potential impact in Philippines of increased educational services trade. Although not necessarily the most fundamental effect, the foreign exchange earnings potential of

³ <http://www.globalhighered.org/>. Figures for China exclude Hong Kong.

exports offers a clear and simple illustration of the potential scale. And the example in Box 2, drawn from one of the highest profile areas of TNE (medical training), also illustrates broader implications for government policy.

Box 2: An illustrative example of the forex earning potential of TNE

The figures in the Box are intended to ‘illustrate the potential’ rather than a realistic assessment of the number of students that could be attracted (which is the task for detailed analysis underpinning an Education Roadmap).

CHED statistics for 2014 identify two universities as centres of excellence in medicine: University of Philippines (UP) and University of Santo Tomas (UST).⁴ If only these two institutions accepted foreign medical students with an intake equivalent to 30% of their total enrolment, the Philippines could offer places to around 34,000 foreign medical students.⁵ Course fees in Malaysia in 2013 for a 5 year MBBS (Bachelor of Medicine, Bachelor of Surgery)⁶ ranged from Ringgit 240,000 – 1 million, but for those courses run wholly within the country, the typical fee was about Ringgit 300,000 or US\$69,000.

So, if the Philippines pitched its fees at 75% of this level (to maintain a strong price competitive advantage), the foreign exchange inflow from fees alone would be around US\$352 million per year. In addition, the current account would benefit from the students’ living expenses.

The illustrative forex potential (should Philippines succeed in marketing itself) from the limited example in Box 2 is already about one-third of the US\$ 1 billion criterion set out in the *Philippines Export Development Plan* for being designated a ‘key export sector’. And it is a significant share of the US\$4.4 billion gross revenue earned in 2013 from all tourism (Department of Tourism 2015: p 14). Moreover, the two universities identified in the Box are not the only HEIs in the Philippines that currently offer medical training, nor is the course (medicine) the only discipline for which there exists international demand. In 2013-14 there were 2, 647 HEIs which had been granted Level II – IV status and, hence, which were eligible to accept foreign students (CHED 2014: Table 1).

By virtue of the medical qualification used, this example also illustrates a problem: Philippines HEIs may not be able to offer the MBBS qualification in future for regulatory reasons. These include not only foreign regulation (to which Philippines providers must simply adapt as they have no means to influence them) but also domestic regulation (which is wholly within the hands of the Philippines). The MBBS example highlights both types of regulatory constraint.

It is understood that problems have already arisen in respect of Indian medical students by virtue of one facet of the regulatory requirement to practice in their country. This is that, if trained abroad, the medical qualification obtained must be the principal medical qualification required in the host country for its own medical professionals. As it is not the case that the MBBS is the primary

⁴ <http://www.ched.gov.ph/wp-content/uploads/2014/temp/10-03/home/Higher%20Education%20Data%202014%20-%20Public%20and%20Private%20HEIs.pdf> Table 13.1

⁵ Figure for enrolment in University of the Philippines is for ‘UoP System, NCR’ <http://www.ched.gov.ph/wp-content/uploads/2014/temp/10-03/home/State%20Universities%20and%20Colleges%20Statistical%20Bulletin.pdf> Table 2. Source for University of Santo Tomas enrolment is Wikipedia.

⁶ excluding the 2 years on-the-job training

Philippines medical qualification, education service export providers have adapted by offering the Doctor of Medicine (MD) qualification to Indian students.⁷

The potential domestic regulatory constraint arises from reports that an announcement was recently made in the CHED Technical Panel on Medical Education that CHED would ban the MBBS qualification from being taught. No CHED Memorandum Order (CMO) to this effect had been published at the time of writing. But, if this were to go ahead, the country’s domestic education institutions (the majority known to be quality providers) would no longer be able to offer what is understood to be one of the most sought after qualifications in the region.

Although speculative (as no CMO has been issued) the case illustrates a much broader point. This is that if the Philippines is to attract more foreign students the qualifications its teaching institutions must offer are those that foreign students require to work in their home country (or desired work location). Moves towards mutual recognition and international student mobility (see below) are a part of addressing this need – but a more fundamental aspect is that Philippines standards have to be aligned in some way to those in the markets within which potential foreign students wish to work. This may apply not only to the courses offered but to the requirements on how they are taught. Some educators interviewed argued that the regulations in the Philippines are over-prescriptive (for example on the number of units provided per semester, which may be higher than in comparator states).

What are the demand constraints?

Is it worthwhile even discussing whether or not the Philippines should frame its regulatory regime with an eye on exports; has the country already ‘missed the boat’ for educational services exports? Are richer countries with more resources to invest in education (within and outside ASEAN) already so well entrenched that the country’s prospects are limited? It would be wrong to overstate the attractions of the Philippines compared to alternative TNE hosts (and many constraints were mentioned by interviewed educators) but the *prima facie* data and analyses that exist suggest that there remains scope to increase educational exports from the current low levels – particularly if imports also rise.

Is the Philippines competitive?

The demand for a foreign-supplied education has grown strongly. Within the region, Vietnam has become the second largest source of students studying abroad (after Malaysia), with numbers increasing almost sevenfold between 1999 and 2012 (British Council 2015a: page 30). And the number of students studying abroad from Thailand and Indonesia has remained steady over this period at over 20, 000 and 30, 000 respectively.

The number of internationally mobile students is forecast to continue increasing. One estimate of the top source countries identifies Asian states as four out of the top 5 (table 2).

Table 2: Forecast of top five source countries for international higher education students

Country	No. of Students					Growth Rate (%)
	2000	2005#	2010*	2020*	2025*	
China	218,437	437,109	760,103	1,937,129	2,973,287	11.0
Korea	81,370	96,681	114,269	155,737	172,671	3.1
India	76,908	141,691	271,193	502,237	629,080	8.8

⁷ Information provided during interviews.

Japan	66,097	65,872	68,544	71,974	73,665	0.4
Greece	60,486	68,285	75,339	84,608	89,903	1.6

Source: Bohm et al (2004) cited in Raychaudhuri and De (2007)

Is the Philippines attractive to foreign students? The *prima facie* answer from the available data and analyses suggests that it is sufficiently attractive to play host to more, and more valuable, foreign students than it does at present. A UNESCO-sponsored report suggests that the perceived advantages of studying in the Philippines are ‘the use of English as the medium of instruction and communication; the presence of good institutions offering a wide variety of academic programmes; the relatively low cost of living and affordable tuition and other school fees; and the hospitality and friendliness of the people’ (UNESCO 2013: page 63). In general, fees for local and international students are the same.

Moving up the value-chain

Of course, there is always more that can be done to increase Philippines’ attractiveness to foreign students, with for example even English fluency applying in only a few schools, colleges and universities. Although an area of controversy, university international rankings may influence prospective student decisions. The only Philippines university in the top 100 universities in Asia in 2014 was UP, with Ateneo de Manila, UST and De la Salle also in the top 151 (British Council 2015a: page 36).

In terms of the proportion of faculty members with a doctorate, Philippines was in the middle of six Asian countries analysed through UNESCO research. With 13 per cent of faculty members having a doctorate in 2012 it ranked higher than Indonesia (7 per cent) and Cambodia (6 per cent) but lower than Malaysia (20 per cent), China (16 per cent) and Vietnam (14 per cent) (UNESCO 2014: Table 6).

Higher education research output in the Philippines ranks bottom of the five comparator ASEAN countries analysed by the British Council: ‘in 2013, it produced around 1,000 research articles per year, against Malaysia’s 24,000 and Thailand’s 12,000. Indonesia and Vietnam produced between 4,000 and 5,000 each’ (British Council 2015a: page 36). It reported that this low score is considered by CHED’s internationalisation group as a key barrier to internationalisation.

Educators interviewed also identified other areas where publically-funded ‘investment support’ would help the Philippines move up the value chain. Illustrative examples given included common research laboratories to spread the substantial capital investments (with little prospect of a commercial payoff) over a larger number of beneficiaries, and help (as Indonesia is claimed to offer) in subscribing to top journals such as JStor, IEEE, Scopus, Nature, and Science.

But a major driver of TNE is that many able students are unable to obtain a place in their first choice institutions whether by virtue of money (fees and living expenses too high), quotas, or simply competition with other, even more able, applicants. There is every reason to assume until the contrary is demonstrated that the standards in the Philippines are sufficiently attractive when combined with the country’s other assets to make increased education services exports a feasible option.

Despite the challenges the quality of the Philippines higher education system was rated 29th in the 2014-15 Global Competitiveness Index, and the country ranks 46th out of 124 countries in the Human Capital Index (British Council 2015a: pages 9 and 40). Other assets include particularly the widespread use of English and the ambient living environment. UNESCO research indicates that ‘there is a clear preference for education in predominantly English-speaking countries’ (UNESCO 2013: page 3). As broader economic growth pushes up living costs in those regional countries most

able to invest heavily in their tertiary education, the cost advantage of the Philippines is also likely to widen.

The main benefit of any success by Philippines universities of moving up the rankings (the desirability of which is independent of the effect on trade) is that it could allow the country to be more selective in which foreign students to accept. Malaysia, Singapore and Hong Kong are all moving in this direction. Having built a substantial international education business they are increasingly orientating their marketing strategies to be more selective in recruiting the best talent in the region (British Council 2015a: page 36).

This trend cuts both ways, of course. If the Philippines chooses not to engage actively in promoting TNE it may find that it both loses its own best students as well as very high quality foreign students. The CHED draft CMO on internationalization calls for ‘a mechanism for foreign students at the graduate level who have excelled in the fields of science, technology, engineering, and mathematics, or in the priority development sectors, to work in the country after completion of their degrees’ (CHED 2015: Section 11.11). Its aim is retaining ‘highly skilled international students and giving them the opportunity to contribute to the country’s growth objectives, especially in key priority sectors.’ But, clearly, if the Philippines is left behind in the competition for international talent it is its competitors who will obtain this contribution to growth in priority sectors.

Economic history confirms that ‘early movers’ do have an advantage in maintaining their position – but it also suggests that late comers can also find a niche (albeit possibly in the lower value-added range). As countries grow, they do not remain equally competitive in everything – some previously ‘competitive’ sectors get crowded out by more dynamic, more profitable industries. Being a late entrant, the Philippines may initially have to cede some higher value market niches. But as its education sector moves up the global rankings (which is highly desirable in its own right, independent on the implications for trade) and early movers become more expensive places within which to study, its educational exports could move up the value chain. In other words, delay has a cost – but even a delayed start may bring more gains than not starting at all.

What are the supply constraints?

There are many barriers to global trade in educational services, with most countries restricting some aspects of imports (see Table 3).

Table 3: Typical barriers to educational services trade

Modes of delivery	Barriers
1. 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
2. Consumption abroad Example	-visa requirements and costs -foreign currency and exchange requirements - recognition of prior qualifications from other countries

-students studying in another country	-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
3. Commercial presence Examples -branch or satellite campus -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 favourably than other organizations -excessive fees/ taxes are imposed on licensing or royalty payments -rules for twinning arrangements
4. Presence of natural persons Examples - teachers travelling 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

Source: Knight 2002 Chart 5

In the Philippines many such barriers apply to imports, but the barriers to exports (increasing the number of foreign students) appear to be more attitudinal than fundamental. It is aspects of the regulatory regime that are most cited by educators as impediments to growth rather than fundamental laws. Since the regulatory regime may reflect attitudes to trade as a legitimate area of educational activity, it could be changed if attitudes change.

Legislated constraints

Two often cited restrictions (concerning the share of the student body that is foreign and the ownership of educational institutions) appear not to be binding constraints to expansion at the present time, and a third may be manageable.

The decision not to proceed with a limit on foreign students to 10 per cent of course enrolment has removed the danger of a binding constraint being created. Given the size of the student body, the requirement as it is understood (that foreign students do not exceed 30 per cent of total enrolment in an institution) leaves considerable scope to increase recruitment from current levels.

The requirement that foreigners cannot own more than 40 per cent of an institution has been cited as a possible deterrent to joint ventures with ‘blue chip’ international HEIs who may fear loss of control over their ‘brand’. But this concern assumes there is a supply of foreign HEIs anxious to invest large amounts of capital. The limited available evidence suggests that this is not the case. Receiving institutions may benefit financially from international collaboration, but this derives from student fees and from retaining local students who might otherwise study abroad.

A study in ten developing countries⁸ has found that TNE ‘does not appear to be driving significant levels of foreign direct investment – such as investment in university buildings, IT networks and research facilities’ (British Council 2014: page 3). While Malaysia sees internationalisation as an important revenue generation strategy this relates more to income from international student fees. A perceived benefit from international branch campuses and franchise agreements is that they help stem the outflow of currency while providing access to international qualifications locally.

The message conveyed by numerous educators interviewed, including one from a very successful college with several prestigious foreign partners, is that the latter protect their brand through memoranda of understanding and close involvement with curriculum development. This may, indeed, be a safer way to protect a brand than holding a majority share in an investment. If an international HEI has not invested significant sums in a collaborative venture, it can more easily cut its links with a local provider if things go wrong from its perspective.

From the limited evidence available it would appear that restrictions on employing foreign nationals as teachers and trainers may also not be a major constraint (though this could change if TNE were to expand). One interviewed international supplier of very specialised technical training services reported that it did not have problems finding appropriate Filipino trainers. This was partly because it was able to attract back to the country overseas foreign workers who had acquired high levels of skill abroad. As the institution is located in a freezone it also had the flexibility to hire foreigners to fill up to 10 per cent of its faculty – but the great majority of trainers were nationals. And the draft CHED CMO on internationalization suggests that there exists a willingness to remove barriers to international movement of teachers (CHED 2015: Section 13:5).

The above example of highly specialised training, together with those from other colleges offering TVET at the top end of the market, illustrates well how TNE can have a direct, positive impact on areas of industrial training that are at the centre of PCCI’s concerns. There *could be* spin-off benefits for training institutions with limited financial resources in a situation where there are insufficient trained trainers, if supply can be increased by ‘high-fee institutions’ through a combination of investment in new training facilities, attracting skilled Filipinos back to the Philippines and hiring foreign trainers. This possibility is worth serious investigation in a comprehensive Education Sector Roadmap.

Regulatory and attitudinal constraints

The fundamental supply side constraint appears to be an official attitude of, at best, indifference and, possibly, some degree of resistance to an expansion of educational exports. As the example of the MBBS qualification illustrates, the needs of foreign students appear not to have figured prominently in decisions over standard and curriculum setting. The new draft CHED CMO on internationalization could offer the ‘peg’ on which to hang a change in approach.

Countries wishing to develop as education hubs ‘often signal their intent by creating a supportive regulatory environment for TNE’ (British Council 2015a: page 18). Malaysia, China and Singapore

⁸ Botswana, China, Malaysia, Mexico, Pakistan, Russia, Singapore, South Africa, the UAE and Vietnam

(together with Australia) are all countries within the region that have made strong statements of their intentions in this regard. One global review identifies 15 'educational hubs' in developing countries, most of them in the Middle East followed by South East and North East Asia (Malaysia, Singapore and South Korea).⁹ It defined these as a designated region intended to attract foreign investment, retain local students, build a regional reputation by providing access to high-quality education and training for both international and domestic student, and create a knowledge-based economy.

But, as noted above, Philippines government publications and announcements are largely silent on the role of educational trade. Beneath this silence, how supportive is the Philippines regulatory framework for educational trade? A conceptual framework has been developed by the British Council to capture in an index the international appeal of a country's higher education system and measure the extent to which its environment facilitates international collaboration and engagement. It is claimed to be 'the most comprehensive measurement of readiness of national higher education systems to engage internationally' (British Council 2015a: page 16).

During 2015 the British Council evaluated the relative position of the Philippines on this index against four ASEAN comparators. It examined specifically:

1. national strategy on the internationalisation of higher education,
2. the autonomy of HEIs, and
3. the openness of the higher education sector to international students and faculty.

Malaysia scored highest on the first two indicators and was second to Thailand on the third. Philippines scores well on the first indicator by virtue of CHED's well developed international strategy including periodic reviews of programmes against international standards. But, with Thailand, it lags on the second indicator, with only Vietnam having a lower score. And it has the lowest score (with Vietnam) on the third indicator – openness, which assessed visa requirements and procedures for students and academics as well as post-study work opportunities. Most educators interviewed reported that, whilst the Philippines' procedures are bureaucratic and time consuming, they work reasonably well for students who arrive on a tourist visa and then make a conversion to a student visa. But things are more problematic for those who want (or are required by their home government) to obtain a visa before travel. The recent extension of the duration of student visas is considered helpful – but offering a visa for the full duration of the course would add to students' confidence in coming to the Philippines.

The CHED draft CMO on internationalization addresses directly the need to increase openness – but, naturally, only with respect to higher education. Given the resource constraints for TVET in the Philippines there would seem to be at least as strong a case to be made for making trade in this sub-sector more open as well. The PCCI might wish to consider whether it should use the CHED draft CMO as a catalyst to push for similar changes to the areas of training of most direct and immediate concern to industry.

⁹ United Arab Emirates, Abu Dhabi, Dubai, Dubai Knowledge Village/Dubai International Academic City, Dubai International Financial City, Dubai Health Care City, Dubai Silicon Oasis, Bahrain, Kuala Lumpur Education City, Iskander (Malaysia), Singapore's Global Schoolhouse, Incheon Free Economic Zone (South Korea), Education City (Qatar), Republic of Panama – City of Knowledge, Jeju Global Education City.
<http://www.globalhighered.org/edhubs.php>

5. The relationship between trade and domestic production

As in other areas of economic activity, it is more illuminating to consider exports and imports not as inherently competing activities but as closely related with both being linked positively to domestic production. Malaysia illustrates well the linked nature of imports and exports: as well as being a major destination for foreign students it is also the largest sending country in ASEAN (British Council 2015a: page 30). Its government views education exports as a double win: the country obtains not only foreign exchange but also the spin offs from a strengthened educational system of a more skilled labour force and greater innovation. And some economic analysis suggests that education exports have made a significant contribution to Malaysian growth, though other sources suggest that such impacts are indirect. As such, appropriate international trade in educational services can contribute to achieving one of the two strategic roles for higher education identified by CHED in its roadmap for the sub-sector: ‘a vehicle for technologically-driven national development and global competitiveness’ CHED 2012: page 1).

Checking out the potential positive and negative effects

Whenever trade involves ‘sensitive products’ there is concern that the needs of foreign consumers will be met at the expense of domestic consumers. At its starkest, this is expressed in a concern that foreign students will take places that would otherwise be available to nationals.

Such concerns over the *potential* effects are entirely justified – it should not be assumed that there will automatically be a net gain but, by the same token, it is equally unjustified to assume that there will not be. The potential net impact and the distribution of gains and losses is a matter for empirical study (and forecasting). In this, trade in educational services is no different from any other form of trade. The differences concern only the poor availability of data compared to goods trade and the sensitivity of the trade-offs.

Trade always creates winners and losers. With goods, these trade-offs are so well recognised as to be hardly worth discussing; if pineapples grown in Philippines are exported they obviously cannot be eaten by Filipinos. And strategies have been developed to respond to the stresses that may arise. Philippines uses some of the foreign exchange from exports to import rice to satisfy demand. But many aspects of services trade are so new that the trade-offs are not yet understood and appropriate strategies to deal remain unformulated.

The key evidence needed to judge whether or not foreign students will crowd out locals is the extent that supply can be increased to meet changes in *effective demand*. If foreign student fees allow colleges to increase enrolment there is no direct trade-off. Educators interviewed tended to suggest that supply could easily be increased. They argued that revenue is the main constraint to expansion and that increased student numbers are the most important way to increase revenue (not least because of the requirement that 70% of any increase in fees is distributed as salaries and benefits to faculty members, leaving a maximum of only 30% for productivity enhancing measures). Such claims need to be checked through serious empirical research which should certainly be a part of a comprehensive Education Sector Roadmap.

Evidence on the impact of TNE

As well as easing colleges’ revenue constraint, there is evidence that TNE can support education in host countries in a range of other ways – as is recognised in the new draft CMO on internationalization (CHED 2015). UNESCO-sponsored research suggests that international collaboration is an effective way to boost both productivity and quality in university-based research

(UNESCO 2014: page 13). The British Council study of the academic, economic, skills and socio-cultural impact of TNE in ten developing country hosts concluded that the greatest effect is ‘capacity building at the institutional/programme level in terms of teaching and assessment methods, programme management, and quality assurance processes’ (British Council 2014: page 3). And a recent British Council report on TVET in the Philippines argues that an ‘internationalisation strategy presents great opportunities’ (British Council 2015b: page 4).

The interviewees for this Report provided numerous examples of a domestic benefit from educational services trade in addition to revenue raising for the institutions. International collaboration increases the scope for foreign internships and student exchanges and can result in more globally marketable qualifications for local students. This has been taken much further in Malaysia where, for example, the GMI offers specialised three-year diplomas in industrial electronics, engineering and production technology, design and manufacturing and precision technology as well as short TVET courses. Created in 1992 with German support and with the Malaysian Government providing land, buildings and equipment, it is now considered to be a private institution that has to cover its operational expenses from course fees. Both Malaysians and foreigners are allowed to apply for any programme and to work part-time for up to 20 hours per week. There are currently a small number of foreigners in the student- body who are charged higher fees than locals.

TNE can also enhance the international standing of host HEIs in a range of different ways. Research by the British Council, for example, shows that the number of citations was higher for internationally collaborative research than for articles authored solely by nationals. But the ‘mark up’ was greater in the Philippines than for any of the other four ASEAN states analysed apart from Indonesia. The average number of citations for articles written jointly by Filipino and foreign authors was 4.86 times higher than for those appearing solely under the names of Filipinos (British Council 2015a: Table 3).

In this way, the changes needed to encourage trade in educational services overlap to a considerable experience with those that governmental and regulatory bodies are already pursuing. In the case of higher education most of the challenges identified by CHED apply equally to trade and their removal is equally relevant to both domestic and trade provision. They include: ‘lack of overall vision, framework and plan; deteriorating quality of higher education; and limited access to quality higher education’ (CHED undated: page 2).

It can be helpful to think of TNE education involving study in the Philippines partly as a form of ‘added value tourism’. Students need accommodation and other hospitality services – and their contribution to tourism receipts is growing. UNCTAD tourism data indicate that in 2008 whilst over half of tourism arrivals were by leisure travellers over one-quarter were of people visiting for a different purpose including education and health (UNCTAD 2010: page 3). Indeed, this linking of health and education tourism is illuminating because both sectors share the characteristic that whilst the trade interest must be subordinate to domestic policy concerns, there does exist legitimate scope for trade.

As with health ‘the development of a trade strategy needs to be secondary to’ the obligation to provide universal, high quality coverage to all citizens (Cali, Ellis and te Velde 2008: page 84). As the new CHED draft CMO correctly notes ‘learner outcomes should in no way be compromised by *financial* or political gain from the internationalization program (CHED 2015: Section 9.2 emphasis added). But the potential for conflict appears to be less severe for education than for health. The board and lodging required by (relatively wealthy) foreign students need not be directly competitive with that sought by leisure tourists or, even less so, national students. If education hubs are

developed outside metropolitan Manila and the main tourist destinations it could broaden the base of the Philippines hospitality industry. 'Health and wellness' activities are already contributing to tourism-related employment in the hundreds of thousands (Department of Tourism 2015: table 1).

The comparison between health and education tourism is also illuminating as the former (which is even more developed than the latter) can illustrate the preconditions for success. An analysis of the Philippines position as a global health services trade hub reveals issues that appear to be closely aligned to those involving education. It claims that the Philippines:

is still not able to attract a significant number of medical tourists due to its lack of focus on a specific medical treatment on which to concentrate. Whilst Thailand may be known for cosmetic surgery and Germany for stem cell treatment, the Philippines still has not identified a particular health and wellness treatment which it would provide better than others. Even if hospitals are upgrading their facilities and obtaining international accreditation, their efforts still fail to attract foreigners to prefer the country as a health and wellness destination.¹⁰

With its new draft CMO, CHED is preparing a regulatory framework for greater TNE in higher education (CHED 2015). What is missing to shift educational trade onto a higher plane, and avoid the Philippines being left behind, is a dynamic commitment to identifying the country as a trade hub, identifying priority areas of interest to foreign students and, of particular concern for PCCI, ensuring that the needs of TVET are taken fully into account in the internationalization strategy.

6. Next steps towards an Education Sector Road Map

The international evidence

International evidence implies that a successful host country should have at least a minimum foundation in both the education and hospitality sectors. The first is needed as a base for building accreditation. The second is to provide competitive living facilities to students.

The Philippines has both, and although neither is necessarily the 'best in the region', the international evidence suggests that neither foundation has to be fully developed from the outset. The emergence of a small island economy such as Grenada as an important exporter of medical education shows that the trade is not limited to countries with well-funded tertiary education. Grenada, where the oldest and largest provider employs 500 staff and contributes 5% of GDP, is only one of several Caribbean states were among the first entrants to the market. They capitalised on their proximity to USA and their well-developed hospitality industry. There are now some 37 medical schools in the region with over 24,000 students. They satisfy unmet demand from US (and increasingly European) students by offering courses that are accredited by the US National Committee on Foreign Medical Education but cost around half the price and are completed more quickly than at US schools.

The Philippines starts from a higher base than do these comparators. And, as with any other area of trade, inputs that are in short supply can be imported. The constraint is a regulatory and attitudinal one: current policy does not embrace wholeheartedly either educational imports or exports.

As with all other *services exports* education can take full advantage of the ICT revolution. Teaching 'imports', for example, can be provided remotely by video-link. Similarly, students may not need to

¹⁰ <http://www.euromonitor.com/health-and-wellness-tourism-in-the-philippines/report>

be resident for the whole course (increasing flexibility and reducing costs); some courses (or parts of them) can be delivered remotely from a professor in country x to a student in country y *via the intermediation* of the 'exporting state'. But moving up the value chain in this way will probably be more successful if it builds on a solid base of more conventional TNE.

What does the Philippines need to do?

The experience of early movers in TNE indicates two key requirements for unlocking the potential.

- International accreditation: foreign students require qualifications that are recognised in their desired work countries;
- A competitive advantage over other suppliers (including those in the students' home countries) which can be a combination of higher standards (for well-off students from poor states), lower tuition and/or living costs, and quicker or more flexible courses.

This first of these is a feature of the global education market that has been recognised by Malaysia which sees TNE as being an integral part of its higher education system (British Council 2013: page 28). All international branch campuses are initially monitored and accredited by the Malaysian Qualifications Agency and, having undergone a number of successful QA reviews, can apply for 'self-accrediting' status allowing them greater autonomy to introduce new programmes (British Council 2013: page 28).

Moves to create an ASEAN framework within which to agree mutual recognition and equivalence of qualifications, and the portability of modules, will help to remove impediments to TNE in the region. The new draft CMO on internationalization of higher education endorses such moves (CHED 2015) which also apply to TVET. The Philippines has been working with other ASEAN states since May 2010 to develop a regional Qualifications Reference Framework. The ASEAN Mutual Recognition Arrangement on Tourism Professionals (ASEAN MRA), for example, due to come into force in 2015, will provide a mechanism for agreement on the equivalence of tourism certification procedures and qualifications across ASEAN (Department of Tourism 2015: page 27). However, there is some way still to go. One interviewee stated that only 7 professional and 1 non-professional disciplines taught in the Philippines are recognized within ASEAN. An Education Roadmap should include a detailed analysis of the state of ASEAN mutual recognition in subjects of particular interest to the Philippines.

But 'removing obstacles' is not the same as 'promoting'. It will undoubtedly help those students that want to study abroad. But more is needed if the Philippines is to promote itself as a desirable destination for highly talented foreign students and to attract back highly skilled Filipino trainers/teachers. An Education Roadmap could provide the vehicle to send out more positive messages about the Philippines' intentions to become a hub for trade in both higher education and VTEC.

Prima facie answers to the initial questions

This Report aims to provide *prima facie* answers to a set of questions established when the need for such an initial review was identified.

1. **Question:** is current legislation a support or a barrier to the emergence of Philippines' education exports? Preliminary answer: it is neither a support nor a barrier; indifference seems to be the watchword.
2. **Question:** are current administrative and regulatory arrangements a constraint on increasing and deepening (through value addition) educational exports? Preliminary answer: probably yes.

3. **Question:** will foreign students displace Filipinos? Preliminary answer: not if supply increases as a result of trade, which implies that educational exports are accompanied by increased imports.
4. **Question:** will the curriculum demands of foreign accreditation make education less relevant to the Philippines' needs? Preliminary answer: aligning curricula and qualifications with those in major markets will tend to enhance rather than reduce the marketability of trained Filipinos.

Since there are no major legislative or regulatory obstacles to increasing the volume and value of the Philippines' educational trade the creation of a step-by-step export development strategy would appear to be feasible – should there exist the desire. At the same time, doing nothing is a risky strategy in a region where neighbours are very active. A report from the British Council points to the dangers. 'The risk to the Philippines', it argues, 'is that it could lose not only its high grade students (undergraduate and postgraduate), but that these could be followed by its best researchers and faculty as the ASEAN single market enables them to move more freely to the strongest universities in the region (British Council 2015a: page36)

Recommendations for PCCI

Given that CHED has 'started the ball rolling' but only with respect to higher education and from the regulatory perspective derived from its mandate, PCCI should consider whether to stimulate a debate that is more closely attuned to the needs of the productive sectors and business. As part of this consideration it should:

- adopt a position on whether trade in educational services should be more actively encouraged;
- call a forum of industry stakeholders when formulating this position;

Depending on the outcome of these consultations and decision-making, PCCI and DTI should consider entering into a formal Education Industry Road Map exercise to investigate and quantify in more detail the potential costs, benefits, opportunities and challenges. To do this PCCI should seek to secure funding for the costs of developing a fully-fledged education sector roadmap both from DTI and other potential sources of complementary funding.

Again depending on the outcome of its consultations PCCI should consider working with the Export Development Council and NEDA to include the Education Sector in the current national planning exercise.

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