

# **WTO and Chinese Higher Education**

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## **Introduction and Background**

If we count Confucius (551 - 479 BC) as the beginning of Chinese education, it has a history of 2,500 years. In Han Dynasty (206 BC – 220 AD) the first civil service examination program was instituted to find common people to fill public positions based on knowledge and ability, not bloodline. This national examination system was used with little variation for nearly 2,000 years through different dynasties, until it was abolished in the last feudal dynasty in 1905. In 1949, the People's Republic of China was established, starting a new page in the development of Chinese education. In 1978 the Chinese government implemented a policy of reforming and opening up and Chinese higher education began to develop in a speed that had never been seen before.

The most populous developing country in the world, China has the largest education market and the highest demand for developing its human capital. From 1949 to 1978, Chinese education went through ups and downs several times, with the higher education participation rate at about 2-3 %, which can be considered elite education.

The development of Chinese higher education in the last six decades can be divided into three periods: 1949 – 1965, 1966 – 1976, and 1977 to present. After the People's Republic of China was established on October 1, 1949, in 1950 both public and private universities returned to normal operation following four years of a civil war. The curriculum remained the same, except for some minor adjustment. The period from 1952

to 1957 was a time of learning from the Soviet Union. In the three year time of 1954 – 1956, the Chinese government sent over 6,000 students to the Soviet Union (Chinese students, 2006). University faculties and departments were reformed to follow Soviet models. Science, technology and teacher education were emphasized, whereas economics and law did not receive the attention they deserved. Except for in Chinese and Chinese history, teaching materials in most disciplines adopted Soviet contents, even following the Soviet pedagogy.

In 1957 the “Big Leap Forward” movement started, and higher education was affected. There were 229 universities with about 490,000 students in 1957, but in 1960 there were 1,289 universities with approximately 960,000 students. Within a short period the enrolment almost doubled. However, the impractical “Big Leap Forward” brought about disastrous difficulties. In dealing with these difficulties, in higher education the number of universities was reduced to 417 with enrollment falling to about 670,000 in 1965.

The period of 1958 – 1965 was a time of “Education Revolution”, when the central government tried to stop completely following the Soviet Union. There was an emphasis on ideological education and political movements. Students spent much of their time in factories and rural areas doing manual labour and they spent less time studying their disciplines. While politically the government tried to move away from the Soviet Union, the basic structure in higher education remained Soviet style.

The period of 1966 – 1976 was the so-called “Cultural Revolution”, a disastrous time for education. In 1966, universities stopped admitting students, and for six years

universities did not take in any new students. In 1972 universities admitted students again, but not according to their scholastic aptitude. These students were called “worker, peasant and soldier students”, because one had to be a worker, or a soldier, or work in the countryside before one could be considered for university study. These workers, peasants and soldiers went to university without taking an entrance examination but were recommended by their local officials. Once in university, these students spent much of their time receiving ideological education but little time studying their disciplines.

Mao Zedong (the Chairman of the Chinese Communist Party 1934 – 1976) passed away in 1976, and the Cultural Revolution ended with his life. Intellectuals were respected again after being looked at with some suspicion for ten years, and Chinese higher education started a period of rapid development. In 1977 universities returned to admitting students according to their scholastic aptitude. In the following decade higher education grew substantially, universities expanded, and new universities were opened. In 1991 there were 1,091 universities with 2 million students. In addition to traditional higher education institutions where students live on campus and study full time, higher education for people with a full time job to study part time developed quickly, and a self-study and examination system in higher education was also established. In the next decade higher education continued to grow and efforts were made to develop the higher education structure with Chinese characteristics.

In 1999 higher education entered another period of fast growth. In 2000 there were almost 8 million higher education students, but in 2006 there were over 25 million students studying at more than 2,270 institutions with a higher education participation

rate of 22% (Ministry of Education, May 2006, March 7, 2007). Actually the growth in higher education exceeded government plan. Before the turn of the century, the Chinese government planned to make higher education more available, raising the higher education participation rate to 15% in 2010 (Ministry of Education, 1998), but the goal was reached ahead of schedule in 2002. More Chinese are receiving higher education in various ways. However, as higher education expanded quickly, there were problems and criticism.

After the People's Republic of China was founded in 1949, almost everything was planned by the central government, including higher education. The central government determined how many students would be enrolled in higher education, how much funding would be provided, and where the students would work when they graduated. Most things were decided and implemented top-down. Since China adopted the reforming and opening up policy in 1978, a socialist market economy has gradually developed. The higher education system has to go through a transformation from meeting the needs of a planned economy to meeting the needs of a market economy. In meeting the needs of a market economy, there should be a structure that self-regulates higher education. This structure is still to be established. In addition, people have followed rules under a planned economy for a long time, and it takes some time for people to change their way of thinking, so that they are able to consider the needs of an increasingly free market.

In a market economy, it is difficult to administer centrally, and the delegation of decision making power is necessary. In education, organizations need to have more autonomy. The current higher education administration system is already different from

the past structure where most things were highly centralized. Today provincial governments have some decision making power to determine how to develop higher education in their own provinces. However, their authority is quite limited and the national Ministry of Education still holds much power. The relationship between highly centralized administration and more autonomy in higher education to meet social needs reflects the relationship between the government and universities. According to sections 32 to 38 of the Higher Education Act, universities have an autonomous power to decide various matters in seven respects (the National People's Congress, 1998). Actually, in these seven respects universities' autonomous power is still quite limited.

Before 1978, most universities provided four year undergraduate programs. Few three year or two year programs existed. Most students were full time students, and all higher education institutions were funded by the government. Since the early 1980's various forms of higher education provision has been developed. Graduate programs, professional programs, career programs, adult programs, self-study programs, television education programs and distance education programs have developed substantially.

In recent years private higher education has made considerable progress. At the end of 2005, there were 545 private higher education institutions that had received government approval. Two hundred and fifty of these institutions had the authority to confer bachelor's degrees. Altogether these 545 private institutions had over 2 million students. In addition, there were other institutions providing a variety of higher education programs and courses. Combined, there were approximately 3.4 million students enrolled in various private higher education programs and courses, and these 3.4 million students were about 15% of

all higher education students in the country (Pan & Yao, 2006).

In 1958 the Chinese government tried to make higher education more Chinese, but even after 1960 the basic structure was still Soviet. Since China opened up in 1978, through international exchange, Chinese higher educators tried to establish a socialist higher education system with Chinese characteristics. Basically what Chinese educators have been doing is to learn from the West, especially the United States. However, there is still some Soviet trace in Chinese higher education. We believe that in the past Chinese educators should not have moved everything from the Soviet Union to China, and today they need not move everything in the West to China. Most Chinese higher educators attempt to build a higher education structure that meets the needs of Chinese students, while learning from advanced international experiences and theories.

In China after 1949 there were periods when higher education served political purposes. During the early years of the Cultural Revolution (1966 – 1976), many university students became red guards and they helped Mao and his extreme leftist followers to purge Communist Party members and others who disagreed with Mao's policy. Since the reform started in 1978, the development of higher education has mainly served an economic purpose.

There are still quite some problems in the development of Chinese higher education (Yang, 2007). There is a gap between the quality of higher education and the needs of social and economic development. Further reform is necessary in higher education's concepts, curriculum and pedagogy. The government's investment in higher education lags behind the speed of development and higher educators' knowledge needs to be

updated. Some institutions face challenges in meeting students' needs and some students have difficulty finding employment upon graduation (Yu, March 17, 2007). The challenges Chinese higher education system faces are mainly in two areas: 1) higher educators need to consider how to meet learners' needs when the economy is transforming from a planned economy into a market economy; 2) science and technology is developing rapidly and higher educators need to think about how to work in a way so that the development of science and technology in China will catch up with that in the developed countries.

### **Impact of WTO**

On December 11, 2001, China joined the World Trade Organization (WTO), which is another turning point in the development of Chinese higher education. Joining WTO means that the Chinese economy is increasing its participation in the world economy, that China is getting more involved in an opening yet regulated international market, and that Chinese entrepreneurs and workers have to compete with international entrepreneurs and workers under the principle of non-discrimination. Chinese higher education also has to be gradually more open to the world, to the market and to society, which will bring development opportunities.

After joining WTO, as the Chinese economy increasingly integrates into the world economy, it is unavoidable that Western education will have an impact on Chinese education. The potential value and the room for development of the Chinese education market have already aroused interest in Western countries. In particular, the market value of Chinese higher education and career education has attracted a strong interest. British

and Australian higher education institutions have been recruiting Chinese students aggressively in Beijing, Shanghai and Guangzhou.

For a long time international trade was mainly trade in goods, and trade in services was secondary. However, in the last thirty years the development of trade in services has grown faster than that of trade in goods. The General Agreement on Trade in Services (GATS) is an important WTO agreement (WTO, 2006).

According to the Manual on Statistics of International Trade in Services, there are 12 major sectors in services. They are business services, communication services, construction and related engineering services, distribution services, educational services, environmental services, financial services, health-related and social services, tourism and travel-related services, recreational, cultural and sporting services, transport services and other services not included elsewhere (WTO, 2002).

Educational services are listed as the fifth sector, and in the services sectoral classification list educational services are further divided into five sub-sectors: primary education, secondary education, higher education, adult education and other education services (WTO, 1991).

General Agreement on Trade in Services article II promotes most-favored-nation treatment, article XVI urges the opening up of market access, and article XVII requires members to accord national treatment to services and service suppliers of any other member (WTO, 1994). However, article XIII clause 1 stipulates that Articles II, XVI and XVII shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of services purchased for governmental purposes and not with a

view to commercial resale or with a view to use in the supply of services for commercial sale.

Since primary and secondary education can be considered services purchased for governmental purposes and not with a view to commercial resale or with a view to use in the supply of services for commercial sale, but higher education and adult education tend to rely more on private sources of financing and are more likely to be engaged in commercial activities, it seems that it is mainly in higher education and adult education where governments have to decide whether they want to open their education market and to what extent they want to open their market.

The United States identified the liberalization of higher and adult education services as one of its top four priorities in the last round of WTO talks held in Hong Kong in December 2005. Australia, New Zealand and Japan have also been key supporters of trade in education services (Czernis, 2005).

Educational services can be provided in four modes (WTO, 2002; Wu, 2002). In mode one, cross-border educational services are provided when the consumers remain in own territory and the suppliers are located in another country. Network education and correspondence education can be considered cross-border educational services. Currently there are Chinese students receiving education provided by international institutions through the internet when these students remain in China.

Mode two, consumption abroad, takes place when a consumer moves outside home territory and consumes in another country. According to the Chinese Overseas Study Service Centre (Yu, February 27, 2007), from 1978 to 2006 over one million Chinese went

abroad to receive further education. In 2006 alone 134,000 Chinese went to another country to receive education (Yu, March 7, 2007).

Mode three, commercial presence, happens when institutions establish commercial presence abroad to provide services to consumers in their home territory. Courses and programs in a foreign owned school are examples of supplies through commercial presence. In 2004, the University of Nottingham-Ningbo, China, admitted its first students in arts and social sciences majors. Ningbo is a coastal city in the province of Zhejiang in southern China. The University of Nottingham-Ningbo is the first university built and run cooperatively by Chinese and a foreign university, in this case a British university. Its president is Yang Fujia, Chancellor of University of Nottingham, England, and its vice president is Ian Gow, former director of Nottingham University Business School (Youth Times, 2006).

Mode four, presence of natural persons, occurs when service providers move into the territory of the consumers. Currently there are many international scholars teaching in China and there are also some Chinese scholars providing instruction in foreign countries.

As China signed various WTO agreements, China entered the implementation stage of related WTO regulations. When China signed the General Agreement on Trade in Services (GATS), in four areas China indicated its position related to educational services.

1) China will not open its market in primary and junior secondary education, in military and police training, and in political education. 2) There will be no limitation on Chinese going overseas for education and on foreigners going to China for education. 3) China will gradually open its market with conditions in higher education, adult education, senior

secondary education, pre-school education and other education. Educational institutions in other WTO member states are allowed to cooperate with Chinese institutions to provide educational services, and foreign institutions are allowed to hold shares in these cooperative institutions. Foreign institutions providing educational services in a commercial mode can cooperate with Chinese institutions, but they can not operate independently in China. These foreign institutions shall abide by the Regulation of the People's Republic of China on Chinese-Foreign Cooperation in Running Schools, effective as of September 1, 2003. 4) When employed or invited by Chinese educational institutions, foreign education service providing individuals can go to provide service in China (Wu, 2002).

The World Trade Organization is an international organization with enforceable regulations that are binding on national governments. According to the specific agreement under the General Agreement on Trade in Services (GATS) China signed, Chinese higher education has a five year period of adjustment to allow Chinese higher education institutions and administrative departments to modify their function to abide by the relevant GATS articles. Chinese higher education administrators need to adjust related policies, pay more attention to market and follow the new common game rules. The General Agreement on Trade in Services was signed by 149 countries, because these countries wish to establish a multilateral framework of principles and rules for trade in services with a view to the expansion of such trade under conditions of transparency and progressive liberalization, promoting the economic growth of all trading partners and the development of developing countries (WTO, 1994).

To expand trade under conditions of progressive liberalization, GATS article II promotes most-favoured-nation treatment, article XVI urges members to have a more open market and article XVII encourages members to treat service suppliers of other members as its own service suppliers (WTO, 1994). In education, it means member governments shall loosen complete control over education and gradually reduce and even eliminate restrictive educational acts and regulations. In the spirit of GATS, any educational activities that charge tuition with a view to use in the supply of services for commercial sale can be considered trade in services, and this trade in services shall gradually be open to members.

Given GATS, member states need to modify their educational acts and regulations so that they are less restrictive. Member states are encouraged to help their institutions to be more international. Member states are encouraged to allow international education institutions to provide degree or certificate programs in their countries. It is also encouraged that members acknowledge each others' degrees and certificates, that members reduce immigration restrictions and facilitate the international mobility of educated persons, and that governments eliminate the monopoly over education and reduce subsidy to domestic educational institutions.

These common rules are serious challenges to the Chinese higher education system, which has been under the monopoly of the government since 1949. While establishing a new system to follow new rules is a real challenge, it can also be considered an opportunity. If we seize the opportunity well, it will be beneficial immediately to the reform and transformation of the Chinese higher education system and it will facilitate the

establishment of an environment that supports the development of Chinese higher education in the future.

As an international organization, WTO coordinates the economic relationship among member nations and promotes the exchange of personnel and cooperation of members. In its work to promote international cooperation, specific WTO rules have been made. Educational service is one of the twelve service sectors listed under GATS, and higher education is one of the five sub-sectors under the sector of education. Three articles of GATS are particularly important in promoting the liberalization of trade in services. They are article II on most-favoured-nation treatment, article XVI on market access and article XVII on national treatment. After China signed GATS, China has to gradually modify its administration of education to abide by the relevant international rules.

Since the educational sector is quite complex, GATS recognizes the particular need of developing countries to exercise the right to regulate, and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives (WTO, 1994). In addition, the majority of WTO members have not signed an agreement promising to open their educational market. Those who have signed an agreement promising to open their education market put various conditions on the promise.

China signed an agreement under GATS, and 134,000 Chinese went to another country to receive education in 2006 (Yu, March 7, 2007). More and more foreign instructors are working in Chinese higher education institutions. Chinese higher education will be increasingly open and more foreign institutions and individuals will be involved in Chinese higher education. For Chinese higher educators this is a serious challenge and

they need to deal with this challenge with a proactive attitude. Chinese educators have the responsibility of training educated workers who are able to compete with international colleagues so that China has a place in the world economy.

The adjustment of the Chinese economic structure should be considered not only from the perspective of domestic modernization, but also from the perspective of the international competition. The increasingly fierce international competition and the adjustment of economy will certainly have new demand on educated people.

We believe that China's joining WTO will narrow the gap between Chinese higher education and higher education in developed countries. The benefits of joining WTO are the following. 1) The Chinese higher education system must be reformed with the consideration of the GATS transparency principle. Under Chinese educational acts and regulations, the Chinese higher education system has to follow relevant GATS rules, adjusting its investment and administration. GATS has created an external environment that forces the Chinese higher education system to make changes in national policies and in institutional administration. GATS is an additional force that makes higher education evolve in China. 2) With increasing international exchange, Chinese higher educators' concepts about development and education have been going through a transformation. The relevant articles in GATS facilitate the process of higher education institutions obtaining more autonomy, and more decisions in pedagogical models, discipline establishment and student recruitment will be made locally and institutionally, instead of by the central government. 3) As more private and international capital is involved in higher education, a higher education system with multiple investors will be built, where the state will be the

main investor, but private and international investors will also be participants, changing the current structure of the state almost as the only investor and gradually alleviating the problem of inadequate investment in higher education. 4) As international exchange and cooperation increase and more international education resources can be used by Chinese educators, Chinese higher educators will update their knowledge more quickly, which is beneficial to the quality of Chinese higher education.

While there are obvious benefits, China faces some real challenges after signing GATS. The first is the impact of GATS on the administration of Chinese higher education. GATS promotes the gradual liberalization of educational market. As foreign higher education institutions enter China, there will be conflicts in values, concepts, and goals. The current policy and structure that the central government makes the main decisions, provincial governments administer institutions, and institutions have some autonomy to meet society's needs abiding by relevant regulations will be significantly affected. From the perspective of market, facing foreign higher education institutions familiar with how to use market forces in running organizations, Chinese higher education institutions are disadvantaged, and some may even have a crisis of survival.

Secondly, as China gradually liberalizes its education market, increasing cross-border transaction and commercial presence will force Chinese higher education institutions to compete with foreign organizations in the Chinese education market. Since 1999 the number of higher education students has almost tripled in China. However, the number of higher education institutions, especially quality institutions, is still inadequate. More and more developed countries are interested in entering the Chinese education market. In

recent years, the scale of international higher education fairs in China is becoming larger and larger. Some countries have reduced their visa restrictions and even allow international students to work in their countries to attract Chinese students. The increasing international mobility in higher education also helps foreign institutions to recruit researchers in China with higher pay and more favourable working conditions. This may let Chinese institutions lose some of their best teachers and researchers. Chinese institutions' top graduates may want to move to a developed country.

Thirdly, with the internet and the globalization of economy, the integration of or conflicts among cultures will increase. It is much easier for university students to access a huge variety of cultures and ideas. This may have a significant impact on their values and world views (Dai, n.d.).

### **Current Development**

One indicator of higher education development is the higher education participation rate. According to Trow (1973), when the participation rate of higher education is less than 15% of the related age group a higher education system can be considered elite education, when the participation rate is between 15% and 50% a higher education system can be considered mass education, and when the participation rate is over 50% it can be considered that people almost have universal access. The 2006 Chinese higher education participation rate is 22% (Ministry of Education, March 7, 2007), and the Chinese higher education system can be considered mass education. While higher education in China is more accessible than ever before, there are problems.

There are significant gaps in the development of higher education between regions,

between urban centres and rural areas, and between different social groups in the same locality. These gaps negatively affect families, especially families in poor areas, when they attempt to access higher education. Merely looking at the participation rate may prevent people from having a comprehensive picture of Chinese higher education. With a huge population of 1.3 billion people, higher education is still not available in some rural and remote areas. With growing tuition, higher education is still difficult to access for some poor families. In addition, the increasing availability of higher education in recent years makes people pay more attention to quality, and there are some concerns. While higher education is still growing, the speed of expansion has slowed down, and today more people care about the quality of higher education.

In 2006 the Chinese participation rate of higher education was 22% with over 25 million students. In 2006 alone almost 7 million people were admitted into various higher education programs (Ministry of Education, May 2007). The Chinese higher education system has become the largest in the world.

On May 10, 2006, the State Council decided that the growth in higher education should slow down so that financial resources can be more focused on improving the current conditions to have a better learning environment in institutions. The slow down will be beneficial to adjusting disciplines, furthering the reform in higher education, and solving current problems, especially the problem of higher education graduates' employment. The aim is to make the growth in higher education sustainable. While the scale of higher education will be stable, more attention will be paid to secondary school students and the training provided to them so that they can graduate with employable skills.

Career training programs in secondary schools, adult education programs and continuing education programs will be further expanded to provide more education opportunities. Some areas in higher education will be more regulated. One of the areas that need stronger regulation is the increasing tuition institutions charge students, and the other area is related to institutions' capacities (China Education Daily, May 11, 2006). The government will attempt to enhance the quality of higher education and increase scholarships and financial assistance (Wen, 2007).

The international trend in higher education is that from elite education it became mass education, and then from mass education it becomes almost universally available. However, problems often accompany this process. In China these problems are related to higher education's scale, speed of growth, quality, funding, structure and graduates' employment. As Chinese higher education moves from elite education to mass education, the problems of a planned economy with its related issues in higher education and the inadequate funding of higher education's development make the unreasonable distribution of educational resources very obvious. Higher education institutions in Western countries are aware of this factor, and some of them are making efforts to enter the Chinese higher education market.

After joining WTO, Chinese higher educators need to consider issues from a global perspective. They need to educate students who upon graduation can compete internationally in a knowledge economy and in an increasingly globalised economy. The pace of Chinese higher education's internationalization will quicken. Educational services are one of the twelve service sectors listed in the GATS. Five articles in the GATS will

affect Chinese higher education. They are the articles related to most-favoured-nation treatment, transparency, economic integration, market access, and national treatment. All these articles' purpose is to promote the liberalization of trade in services. Since China signed the GATS, Chinese higher educators shall follow these articles and make the Chinese higher education system more open and increase international cooperation. Chinese higher educators need to seek relevant opportunities and work proactively to create conditions that are favourable to the development of Chinese higher education. Chinese higher educators need to increase international exchange and cooperation in research and explore opportunities in establishing institutions operated cooperatively by Chinese and foreign institutions (Ge, 2005).

In 2002 a survey of over 700 residents in Beijing, Shanghai and Guangzhou was conducted to find their attitudes toward foreign education after China joined WTO. In respect to pre-school education, almost half of the respondents (46.5%) thought private education institutions would be good enough to start children's early education. Some (37.5%) thought public institutions would be better if it was possible. A small portion of the respondents (16%) thought foreign education would help children to be ready earlier. As to the compulsory education period, elementary and junior secondary school (grade one to grade nine), it seemed that nobody was interested in private education. About 96.5% of the respondents confirmed the positive influence of public education and only 3.5% of the respondents thought this part of education should be completed in a developed country. When it came to senior secondary school (grade ten to grade twelve), 76.5% respondents continued to select public education, but 18.5% preferred foreign education,

and 5% chose private education. It can be understood that people selected the domestic public sector in primary and secondary education because of the current examination system and the low cost of public education.

However, when it came to higher education, domestic institutions were not rated highly. The findings of the survey indicated that 89.5% of the respondents were interested in receiving foreign education, and only 9.5% selected domestic publicly funded institutions and 1% chose private institutions. The reason is that many people did not have confidence in domestic higher education institutions, not satisfied with these institutions' goals, pedagogical models, learning environment and employment prospect. When asked about various training programs, 70.5% selected foreign education, 26.5% chose private education and only 3% preferred public education. It was also found that people made more personal investment in higher education. The following table summarizes the respondents' preferences.

	private	public	foreign
Pre-school	46.5%	37.5%	16%
compulsory	0%	96.5%	3.5%
senior secondary	5%	76.5%	18.5%
higher education	1%	9.5%	89.5%
training programs	26.5%	3%	70.5%

When asked about what the best thing was in receiving foreign education, respondents listed the following reasons: 26.8% thought foreign education would help students learn new ideas and new concepts; 25.7% hoped receiving foreign education would help one

develop internationally marketable skills; 25.7% believed having foreign education would assist one to have a better future; 13.4% thought with foreign education one could learn to be efficient; and 8.4% expected higher value in foreign education and believed it would make one more versatile. As to the location of receiving foreign education, 59.9% preferred a developed country, 7.6% would accept international education providers working in China, and 32.5% thought either would do (Xinhua News Agency, 2002).

Internationally, China is the country that sends the most students to other countries for further education. International education exchange and cooperation facilitate Chinese learning advanced foreign science and technology as well as the most recent development in administrative experiences. Learning from developed countries helps Chinese develop economy, science and technology and it also helps Chinese educators to reform and develop the current Chinese education system (Chen, 2002).

Since China signed GATS, China will continue to open its educational system and foreign education institutions will continue to expand their cooperation in China. Chinese higher education is no longer under the monopoly of the government. In addition, the Chinese government encourages Chinese higher education institutions to cooperate with quality foreign higher education institutions to educate Chinese students in the disciplines of administration, finance, law and new technology to deal with international economic competition.

Chinese higher educators need to seize the opportunities of learning from international colleagues and increase international exchange and cooperation, fully utilizing developed

countries' knowledge and information. In 2003 the State Council promulgated the Regulation of the People's Republic of China on Chinese-Foreign Cooperation in Running Schools. This regulation states that the national government encourages the introduction into China of quality foreign educational institutions to establish co-operation with Chinese institutions. It also encourages Chinese higher education and career education institutions to develop co-operation with foreign institutions (State Council, March 1, 2003).

Currently Chinese higher education institutions are cooperating with American, Australian, British, French, Canadian and German higher education institutions in providing instruction to Chinese students. These Chinese institutions have introduced advanced teaching resources as well as capital into Chinese education. Changes have occurred in these institutions' administrative concepts, pedagogy, discipline establishment, curriculum, and funding. Opening up the education market will allow Chinese educators to benefit from other countries' educational resources and learn from advanced countries' useful experiences in developing Chinese education. It may also help to promote Chinese education in other countries.

On February 7, 2006 the Ministry of Education announced a decree with respect to the cooperation of Chinese and foreign education institutions. This decree directs provincial ministries of education to follow several principles in cooperating with foreign institutions. Among other things, the decree requires that anyone co-operating with foreign institutions shall put public interest first (Ministry of Education, February 7, 2006). According to the

Ministry of Education (n.d.), at the end of June 2004, there were about one hundred foreign higher education institutions co-operating with Chinese institutions, including some Canadian institutions, such as Simon Fraser, Carlton, Brock and Memorial.

In September 2004, the first students entered the campus of Nottingham University-Ningbo. Having independent juridical person status with its own campus, Nottingham-Ningbo is the first university designed, built and run cooperatively by Chinese and a foreign university. The Chancellor of Nottingham University in England, Yang Fujia, is the president of Nottingham-Ningbo, and Ian Gow, former Director of Nottingham University Business School, is the vice president. Nottingham University-Ningbo follows the curriculum and evaluation of Nottingham University in England, which selects instructors for Nottingham-Ningbo, and instruction is provided in English.

After joining WTO, Chinese higher educators pay more attention to market and the higher education administrative system is becoming more pluralistic. Chinese higher educators need to further the reform in higher education to meet the needs of society. The development of higher education should reflect the development of society. Since 1978, China has gone through a tremendous change and development. With the economy going through a fundamental transformation, the demand of the labour market has been changing constantly. In developing education, Chinese higher educators need to consider the balance of supply and demand.

On July 12, 2006, the Third Shanghai International Chinese and Foreign University Presidents' Forum was held. University presidents from the United States, Britain, Canada, Australia, Japan, and other countries attended the forum to discuss the issues of university innovation and serving economic and social development. The Chinese Minister of Education Zhou Yi met some attending foreign university presidents, confirmed the positive impact of international co-operation, and encouraged them to increase co-operation with Chinese colleagues (Ministry of Education, 2006). Joining WTO and signing GATS bring real opportunities as well as serious challenges to Chinese higher education. In seizing these opportunities and dealing with these challenges, Chinese higher education institutions will continue to cooperate with foreign institutions.

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