TURNING EDUCATION INTO A MAJOR EXPORT ACTIVITY

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Malaysia owes its economic affluence mainly to the export orientation of its economy. Up to the late sixties, primary commodities had called the shots, before they were overtaken by manufactures, from the seventies onward, in the wake of export-oriented industrialisation . Manufactures now account for about 35 per cent of the nation's gross domestic product (GDP). It appears that manufacturing is about to reach a plateau, and that its share of GDP is likely to decline gradually, as has been the case with most countries that had treaded a similar development path in the past.

There is the danger of Malaysia losing its comparative and competitive advantage in a number of manufacturing, especially labour intensive, activities. Although manufacturing will continue to play an important role in the economy, its role as an engine of growth is likely to diminish over time. It is time Malaysia looked at services as the new locomotive that will propel the economy into greater heights. Tourism, shipping, civil aviation, insurance and banking are often cited as export possibilities, while education has long been viewed essentially as a domestic consumption or human resource development (HRD) activity. Quite contrary to such perceptions, education has tremendous potentials as a major export earner.

Malaysia has a perennial services account deficit in its balance of payments (BOP) and payments made to support an estimated 50,000 Malaysian students abroad constitute a significant part of the outflow. It is such considerations which led the authorities to beef up domestic educational facilities, stumbling on the discovery that has exposed the country's latent capabilities as a provider or supplier of educational services. What was started primarily as an import substitution measure has turned out to be a promising export activity, judging by the growing number of foreign students studying in private educational institutions in Malaysia, thanks to the privatisation of educational services.

As of mid-2001, enrolment in the country's private higher education institutions (232,069) far exceeded that of local public universities (167,507). Thus, private colleges and universities have emerged as major players or providers of higher education in the country. Without a doubt, domestic demand for higher education is poised to grow by leaps and bounds, given the strong accent placed on the "new" or "knowledge-based" economy. What is more, external demand for higher education is also on the rise, while traditional suppliers of such services in North America, Western Europe and Australasia are experiencing rising cost conditions. If Malaysia can provide these services of comparable quality at significantly lower costs, a fairly large proportion of foreign students would choose Malaysia as the venue.

The international supply-demand equation has changed dramatically after the September 11, 2001 infamy. Traditional suppliers of higher educational services, especially the United States, are understandably nervous about hosting that many Muslim students of Middle-East origin. On the demand side, many Muslim parents are uneasy about sending their children to countries, which are now considered somewhat unfriendly, if not overtly hostile. This presents a golden opportunity to Malaysia, which is widely recognized as a capable, modern and moderate Muslim nation, to serve the Middle-East market for educational services. Malaysia may indeed be a preferred venue, given the desire on the part of most Muslim parents to send their children to places that are culturally compatible.

Closer to home, there is a huge market in East Asia. Apart from Indochina countries, China represents a vast market. The number of students venturing out from this part of the world may well run into several hundred thousand in the medium term. Malaysia with its excellent track record and English speaking background, is strategically located.

At present, there are some 20,000 foreign students studying in Malaysia at private colleges and universities. Assuming that each student spends RM30,000 a year as tuition fees and living expenses, the current foreign exchange earnings would amount to RM600 million a year. The fact remains that current number of foreign students is way below the potential. Enrolment at private institutions of higher learning is projected to be 315,000 by 2005 and 480,000 by 2010. Foreign students will constitute a sizeable proportion of this number. If Malaysia can now play host to nearly 2 million foreign workers, legal or otherwise, there is no reason why it cannot accommodate foreigners a fraction of that size as students. This will yield a foreign exchange income of about RM 5-10 billion annually, in sharp contrast to billions taken out of the country as remittances by the guest workers.

It appears that considerable excess capacity does exist in private colleges and universities. This, however, is by no means sufficient to meet the potential external demand for higher education. Thus, there is a need for more investments for the expansion of existing facilities and the establishment of new institutions. While the focus may well be on higher education, one should not lose sight of the vast market for pre-university educational programmes as well.

To be sure, Malaysia is not the only player on the stage. In fact, competition is on the increase, with several other countries wanting to sell educational services to foreigners. Thailand, in particular, has been actively promoting itself as a provider of such facilities. Although Malaysia, as an exporter of education, has an edge over others in the region, it has to do a lot more to catapult itself into the global arena. This requires more than mere injections of additional capital and manpower. And, this calls for a new mind set, if not a paradigm shift.

First, we need to look at education as an industry, beyond the narrow confines of nationshood. And, we must learn to treat it as an export item, not merely as an import-substitution activity. This means that Malaysia must ensure that educational services it offers are internationally competitive in terms of both quality and price. The education industry has to be promoted, like manufacturing, with the government committing public funds. At present, the cost of road shows abroad are met almost entirely by private colleges and universities, with no government allocations unlike in the case of MATRADE for the manufacturing sector. Aggressive selling of Malaysia abroad as a regional centre of excellence has to be an integral part of the strategy.

Second, our immigration policy has to be reviewed so that visas can be issued to the spouses and children of foreign students who wish to study in Malaysia. Experience elsewhere shows that it is not unusual for rich kids, especially from the Middle East, to be accompanied by cooks and other assistants. The presence of more foreigners is a good thing, as it means more foreign exchange earnings for the country, although care must be taken to ensure that they are no more than tourists on a longer time basis. Allowing foreign students to take up part-time jobs during semester breaks, a common practice in North America and Europe, is a touchy issue. An argument in favour of this practice would be that they relieve labour shortages just like immigrant workers. The danger, however, lies in the fact that this is prone to abuses of sorts. Liberal immigration policies, based on stringent criteria, with tight screening and scrutiny of visa applications as well as strict enforcement as safeguards, would go a long way in making Malaysia an attractive centre for bona fide foreign students.

Third, it must be clearly understood that public universities will have only a limited role to play, insofar as undergraduate programmes for the foreigners are concerned, for two compelling reasons, namely the instruction medium and the space constraint. The present policy, which allows 5 per cent of the seats to foreigners in "non-competitive courses" (courses with low domestic demand), is a non-starter. Course offerings must conform to foreigners' demand, not the other way round. In the same vein, the current policy relating to compulsory subjects that do not earn any credits, will also have to be reviewed if not scrapped.

Fourth, as private colleges and universities will play a pivotal role in the provision of export-oriented education, which would call for substantial new investments, both local and foreign, appropriate policy incentives need to be put in place. For education has become increasingly capital-intensive. Investment incentives may include the following: (a) tax exemption for both the recipient and the donor of grants and gifts, (b) double deduction of staff training and development expenditure from taxable income, (c) accelerated capital allowance for expenditure on labs, studios, equipment, etc., and (d) reduction if not elimination of withholding tax on payments of royalties and technical fees for conducting franchised education from abroad.

And, above all, there is a need to ensure high quality. It has to be no less than world class. This observation implies that education should be regulated, but not controlled. Controls will only stifle innovation and creativity. Appropriate regulations will have to be instituted to check abuses. In the final analysis, there is no better way to ensure high quality than a healthy competition among educational institutions.