

chapter 4

THE GROWTH OF CROSS-BORDER EDUCATION

Summary	90
1. INTRODUCTION	91
2. STUDENT MOBILITY: FROM A CULTURAL TO A FINANCIAL FOCUS?	93
2.1 Student flows: patterns and growth	93
• Where foreign students enrol	93
• The courses most popular with foreign students	94
• Where foreign students come from	95
• Regional concentrations	97
2.2 Student flows and the balance of trade	98
2.3 Supply-side efforts to boost trade	100
2.4 Influences on student demand	102
3. NEW FORMS OF TRADE IN EDUCATIONAL SERVICES	103
4. TRADE IN EDUCATION AND THE GATS	105
4.1 Public educational services and the GATS	107
4.2 Foreign education providers and public subsidies	107
4.3 The GATS and recognition of qualifications	107
4.4 Implications of the GATS for education	108
5. INTERNATIONAL QUALITY ASSURANCE AND ACCREDITATION	109
5.1 Divergence or convergence of international quality assurance and accreditation?	109
5.2 Professional recognition	110
6. CONCLUSION AND POLICY ISSUES	111
<i>References</i>	113
Data for the Figures	115

SUMMARY

International trade in educational services is growing in importance, particularly in post-secondary education. It can take several forms, including students travelling to study in foreign countries, educational institutions operating abroad, and educational services being supplied across borders through e-learning. This chapter reviews developments and discusses their policy implications.

Growth has been driven partly by demand. International study can broaden students' horizons, and can provide forms of education that are unavailable in their home country. In particular, OECD countries and especially English-speaking ones are able to cater for a growing demand from emerging economies. The motive for supplying these services is also in part cultural, but increasingly there is a commercial motive, with foreign students providing a significant source of revenue.

Growth has also been fostered by the emergence of new forms of supply, whether through the development by academic institutions of campuses in other countries or new possibilities for selling services at a distance through e-learning. At the same time, trade negotiations under the General Agreement on Trade in Services (GATS) are seeking to remove barriers to educational trade.

These developments imply that OECD countries face a more complex policy environment with a wider range of education and training providers, increased connectivity and interdependence among national education systems, and pressure for greater coherence among the national frameworks of post-secondary education. In particular, three issues – student access, funding/regulation, and quality assurance – that are already central to national debates about post-secondary education, now need to be confronted in an international context.

1. INTRODUCTION

There has been rapid growth in the number of students enrolled in educational institutions outside their home country. At the same time, educational providers are increasingly operating overseas, selling services to foreign students who remain at home. Educational services are thus becoming increasingly cross-border or transnational in both their consumption and their provision. Although there has long been international mobility of students and teachers, a range of factors is increasing the pace at which educational services are crossing national borders. These developments are particularly evident at the post-secondary level of education.¹

The rising worldwide demand for post-secondary education cannot always be met by domestic institutions, especially in developing countries. Moreover, students increasingly perceive that they can gain particular advantages from studying in another country: cultural enrichment and language skills; high-status qualifications; and access to better jobs. Declines in the costs of international travel and communications make it easier for students to study overseas, and to access international educational services while living in their home country. Governments, too, are more actively promoting students' and teachers' international mobility for a mix of cultural, political, labour market and trade reasons. Public and private suppliers of education increasingly see foreign students as sources of revenue, and compete strongly for them. They also employ teachers from a variety of countries to lift institutional quality and enrich students' learning opportunities. The growing transnational nature of education is driven by both demand-side and supply-side forces.

The increasing mobility of students and education programmes across national borders forms part of a wider development that is often termed the "internationalisation" of education. An international perspective is evident in a range of domains including educational structures, curriculum content, and teaching styles in different national settings, as well as the educational objective of expanding students' awareness of the wider world. The process of internationalisation is accelerated when students move to study in

another country, or use e-learning technology to access courses from overseas institutions.

Enrolments of non-nationals have been growing at a faster rate than domestic enrolments in the OECD as a whole over recent years. Foreign students represent an important source of export revenue in some OECD countries. They incur large expenditure for their travel expenses, education costs and living expenses. This expenditure amounted to an estimated minimum of US\$30 billion in 1998 (Larsen *et al.*, 2002). Most of the expenditure is financed directly by students and their families, although some is met by grants and subsidies from government and private sources.

It is not always necessary for students to move to another country to access that country's educational services. The various forms of trade in educational services are categorised in Table 4.1. They comprise:

- The supply of a service, such as software or distance education, across an international border ("Mode 1" in the terminology used in Table 4.1);

1. "Post-secondary education" refers to courses leading to qualifications at a higher level than the end of upper secondary school. In terms of the International Standard Classification of Education (ISCED) of 1997, post-secondary education encompasses: post-secondary non-tertiary education (ISCED 4), the first stage of tertiary education (ISCED 5), which includes university undergraduate degrees and advanced vocational qualifications; and advanced research qualifications (ISCED 6). More details on these classifications are provided in *Education at a Glance – OECD Indicators*. As used in this chapter, the term post-secondary also encompasses adult learning programmes that do not necessarily lead to formal qualifications. The currently available data on cross-border consumption and provision are uneven in their coverage of the full variety of different institutions and courses in post-secondary education. Almost all of the cross-border data refer to the "tertiary education" component of post-secondary education, namely ISCED levels 5 and 6. Within tertiary education, there tends to be more extensive information on university courses than on other types of tertiary study. However, in other instances the national data do not always clearly distinguish the levels of education to which the data apply. The OECD is working with Member countries to improve the scope and quality of internationally available data on the consumption and provision of education services across national borders.

Table 4.1 Main modes of the international supply of educational services

Mode	Explanation	Education examples	Size/potential of market
1 Cross-border supply.	The provision of a service where the service crosses the border (does not require the physical movement of the consumer).	<ul style="list-style-type: none"> • Distance education. • Virtual education institutions. • Education software. • Corporate training through ICT delivery. 	<p>Currently a relatively small but rapidly growing market.</p> <p>Seen to have great potential through the use of ICT and especially the Internet.</p>
2 Consumption abroad.	Provision of the service involving the movement of the consumer to the country of the supplier.	Students who go to another country to study.	Probably represents the largest share of the current global market for post-secondary educational services.
3 Commercial presence.	The service provider establishes or uses facilities in another country to provide the service.	<ul style="list-style-type: none"> • Local university or satellite campuses. • Language training companies. • Private training companies. 	Growing interest and strong potential for future growth.
4 Presence of natural persons.	Person travelling to another country on a temporary basis to provide the service.	Professors, teachers, researchers working abroad.	Potentially a strong market given the emphasis on mobility of professionals.

Note: The "Mode" and "Explanation" columns are based on the classification used by the General Agreement on Trade in Services (GATS).

- Travel by a student to another country to study (Mode 2);
- The presence in a country of a foreign supplier of a service, such as a training company or an off-shore campus (Mode 3);
- The temporary travel of someone supplying education, such as a professor working abroad (Mode 4).

Most policy attention has so far been directed to studying abroad (Mode 2), which is the dominating mode of trade in education. This is also the form for which data are the most readily available. Fewer data are available for "cross-border supply"

of education service or "commercial presence" (*e.g.* through direct investment in satellite campuses or local affiliates), although these forms appear to be growing rapidly and potentially represent large markets. For example, about 35% of the overseas higher education students enrolled in Australia are based in their home country and study their Australian courses through distance education technology (Mode 1) or at a local education institution (Mode 3). The growth potential for such trade may even be higher than for students moving abroad, stimulated by the use of ICT and the growing interest of private and public institutions and enterprises in these forms of provision.

If these forms of trade continue to grow, this will not only have important economic repercussions, it could also have profound consequences for education, which has traditionally been organised at a national or sub-national level. It could become harder for national governments to use their own post-secondary systems purely to manage the development of their own labour force and to restrict institutional structures and qualifications systems to a national framework. This creates a strong policy interest, which is brought into sharper focus by the negotiations under the General Agreement on Trade in Services (GATS). These negotiations, which resumed in 2000 under the auspices of the World Trade Organization (WTO), could imply a greater liberalisation of trade in post-secondary education over the medium or long term, with fewer barriers to the cross-border supply of educational services and direct investment from overseas in educational provision. Even without the GATS, however, it is highly likely that trade in educational services will continue to grow since much of it takes place outside the WTO framework and is not reflected in GATS commitments.

This chapter highlights some of the key developments in transnational post-secondary education, especially with regard to trade. It starts by looking at the trends in student mobility, in terms of the volume of enrolments, their financial value, and the rationale for foreign study. It then considers the development of other forms of trade in educational services, including the emergence of new providers. Third, it reviews how the GATS negotiations are seeking to remove barriers to such trade, and the potential consequences for national education systems. Fourth, it looks at recent trends in international quality assurance and accreditation. Finally, it discusses emerging policy issues concerning student access, funding and quality assurance arising from the increasingly international character of post-secondary education.

2. STUDENT MOBILITY: FROM A CULTURAL TO A FINANCIAL FOCUS?

Since the early 1950s, a number of OECD countries have encouraged their nationals to travel abroad to study, and have themselves hosted overseas

students. Initially this was done for primarily cultural and political reasons, including assistance to developing countries. More recently, the motivation in some countries has been more concerned with increasing revenues from the export of educational services, although policies towards overseas students generally serve multiple objectives. In general, financial motives have *supplemented* rather than *supplanted* cultural factors in driving student mobility.

2.1 Student flows: patterns and growth

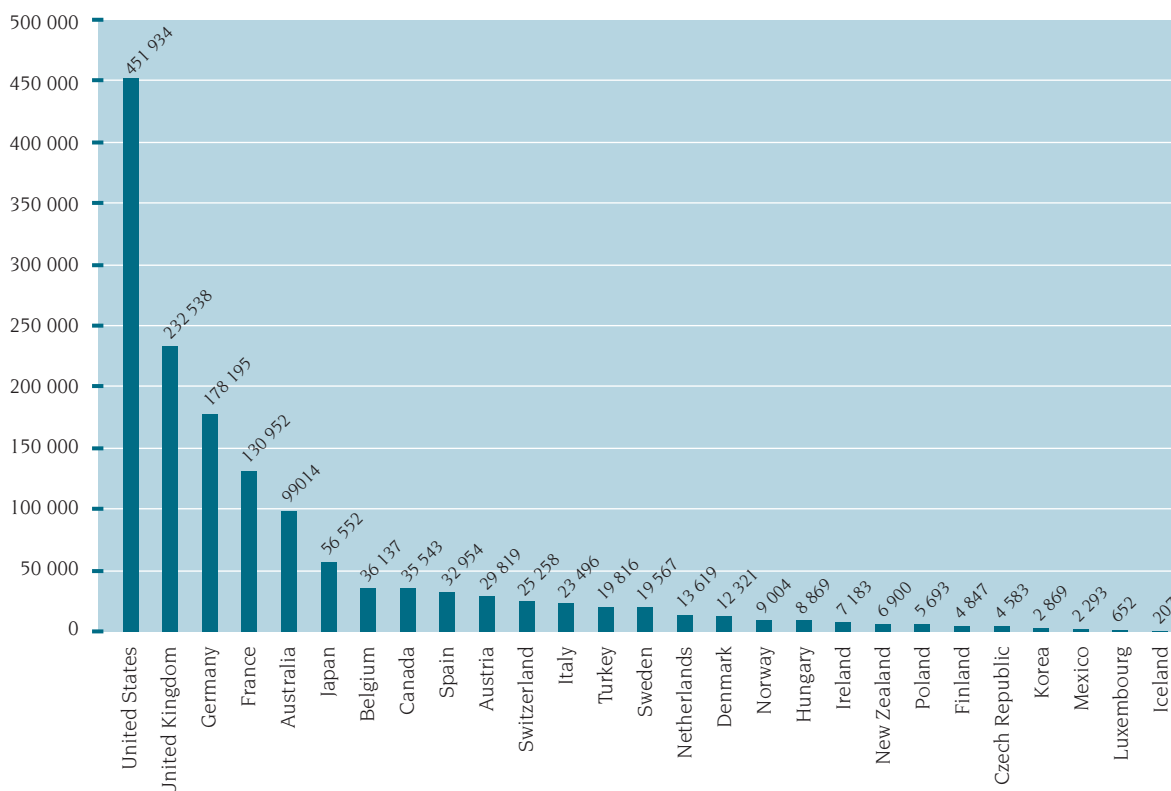
The number of foreign students enrolled in tertiary education in OECD countries has doubled over the past 20 years.² In the late 1990s, foreign enrolments were growing nearly twice as fast as domestic ones (by 9% and 5%, respectively, from 1995 to 1999). By 1999, there were about 1.5 million foreign students in OECD countries – although at some 4% this is still only a small minority of all tertiary students. However, there are huge differences among countries, both in terms of volume and growth. In Australia, around one in seven university students is now from overseas. In the United Kingdom foreign enrolments grew by a third from 1995 to 1999.

Where foreign students enrol

Over three-quarters of all foreign students in OECD countries are in six countries: the United States (with 31% of all enrolments in 1999), the United Kingdom (15%), Germany (12%), France (9%), Australia (7%) and Japan (4%) (see Figure 4.1 overleaf). But the trends among these and other countries have been markedly different. As shown in Figure 4.2, the 1990s saw foreign student numbers

2. Unless otherwise indicated, data in this chapter from 1995 onwards are derived from the OECD Education Database and the annual OECD publication *Education at a Glance*; data prior to 1995 and for non-OECD countries are derived from the UNESCO *Statistical Yearbook*. Those publications detail the definitions and methodologies used. There are problems of international comparability with the data on foreign students. As noted in *Education at a Glance*, countries differ in the extent to which they include students who have entered a country to pursue education, as well as non-citizens who are in the country as the result of prior immigration. The OECD is working with Member countries to develop more relevant and comparable data on foreign students.

Figure 4.1 Number of foreign tertiary students in OECD countries, by host country, 1999



Note: Apart from Canada, Korea, Turkey and the United Kingdom for which the data refer only to non-resident international students who came to those countries to study, the other countries' data include both resident and non-resident foreign tertiary students (ISCED 5A, 5B and 6). Thus, the number of overseas students is generally overestimated, especially in countries like Germany and Switzerland where the access of foreigners to citizenship is (or was) limited. For example, 34% of foreign students in Germany were resident foreigners in 1999. In 1999, 50% of foreign students in Switzerland and Sweden were resident foreigners. However, the data for New Zealand exclude most Australian students, and are thus underestimated. In the United Kingdom, foreign students are defined by home address, so that even the number of non-resident international students might be underestimated.

Source: OECD Education database.

more than triple in Australia, almost triple in the United Kingdom, more than double in New Zealand, and grow substantially in Austria, Germany and Japan, while remaining relatively stable in Canada, France and the United States.

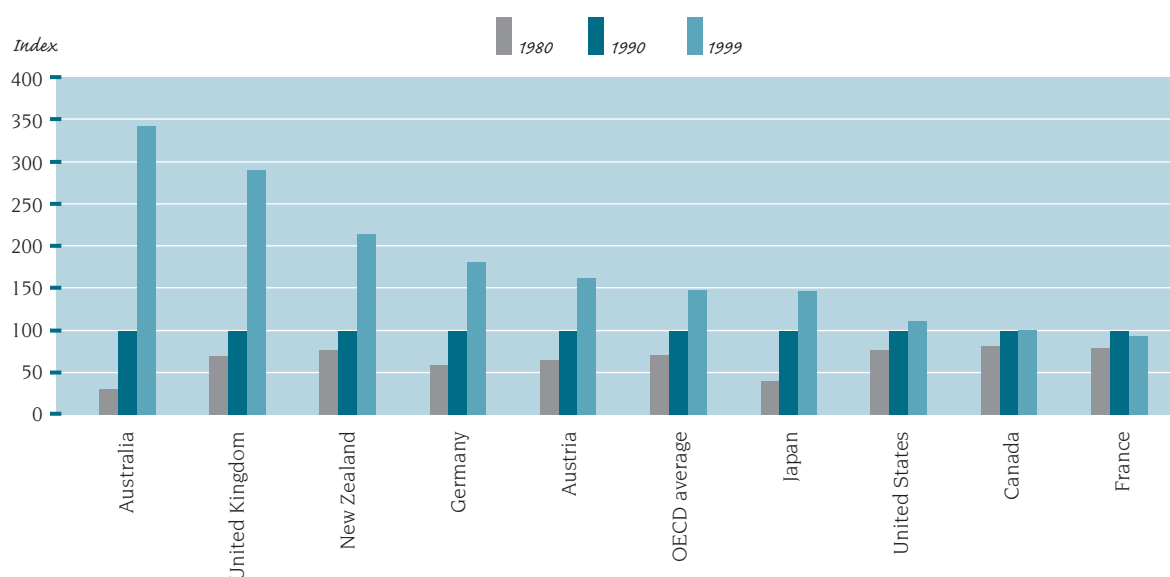
These changes are altering the relative position of countries as destinations for overseas students. France fell from second to fourth position as a receiving country between 1980 and 1999. There has been some reduction in the concentration of students in a few large countries: the share of the eight biggest receiving countries fell by 5% between 1995 and 1999. Although the four largest English-speaking countries (the United States, the United Kingdom, Canada and Australia) continue to take over half of all foreign students (54%),

clearly benefiting from the importance of English as the main language of international business, their overall share did not increase in the late 1990s. The relative shares of the United States and Canada declined, while those of the United Kingdom, Australia, New Zealand and Ireland grew or remained stable.

The courses most popular with foreign students

Although most foreign tertiary students are enrolled in undergraduate courses, compared with domestic students a higher proportion generally enrol at postgraduate level. In the United Kingdom for example, whereas only 9% of British higher education students are enrolled at postgraduate level, 26% of students from EU countries, and

Figure 4.2 Increase of foreign tertiary students in OECD countries, 1980-1999 (1990 = 100)



Note: "Foreign students" are defined in the note to Figure 4.1. The "OECD average" is the mean average of all OECD countries for which data are available for the years concerned. The countries shown are those which enrol substantial numbers of overseas students and which have data for the three years. Data for Germany do not include the former East Germany in 1980 and 1990, but 1999 data include the former East Germany, which accounts for part of the apparent enrolment growth since 1980.

The ISCED classification on educational levels was changed in 1997, so that data from before and after 1997 are not fully comparable. Tertiary education corresponds to ISCED levels 5A, 5B, 6 in the new classification, which might not cover exactly the same programmes as ISCED 5, 6 and 7 in the former classification; see www.uis.unesco.org/en/act/act_p/iscsed.html for details.

Source: UNESCO for 1980 and 1990, except for Japan (Ministry of Education); OECD for 1999.
Data for Figure 4.2, p. 115.

41% of students from other overseas countries, are in postgraduate courses. In the United States, about 45% of international students are enrolled at postgraduate level, compared with 17% of higher education students overall.

Overseas students also differ somewhat from domestic students in the fields that they study. In the English-speaking countries in particular, higher proportions of overseas students enrol in engineering, social sciences, business and law than do students overall (see Table 4.2 overleaf). In the United States, for example, 20% of all foreign students study Business and Management and 15% study Engineering. In all the countries shown in Table 4.2, smaller proportions of overseas students than domestic students are enrolled in Education. In general, slightly lower proportions of overseas students are enrolled in Health and Welfare (except in Poland, Hungary, the Czech Republic and Italy), and slightly higher proportions in Humanities and Arts.

Where foreign students come from

To understand these trends, it helps to look also at where foreign students are coming from. The majority of foreign students in OECD countries originate from outside the OECD area – about 57%. The OECD is a net "exporter" of educational services to developing countries, and hosts about 85% of all foreign students worldwide. Only one non-OECD member country, the Russian Federation, which is the sixth largest in terms of enrolments, is among the top ten receiving countries.³

However, the pattern of origin among foreign students in various OECD countries differs considerably. Most notably, as shown in Table 4.3 overleaf, the English-speaking countries have a particularly large share of students from Asia: three-quarters in all. Asians represent the biggest group of foreign students in

3. There are no data available on the number of foreign students studying in China.

Table 4.2 International tertiary students' field of study compared with all students, 2000

Index numbers: value 1.0 indicates equal % of international and all students – see note

	Education	Humanities and Arts	Social Sciences, Business, and Law	Science	Engineering, Manufacturing Construction	Health and Welfare
Australia	0.3	0.5	1.5	1.0	1.2	0.7
Austria	0.5	2.0	0.8	1.0	1.0	1.1
Canada	0.3	1.0	1.0	1.4	1.7	0.9
Czech Republic	0.1	1.4	1.1	0.8	0.6	5.0
Denmark	0.3	1.0	0.9	0.8	1.5	1.3
Finland	0.5	1.6	0.9	1.0	1.0	0.8
Germany	0.6	1.3	1.0	0.9	1.2	0.8
Hungary	0.5	1.5	0.4	0.5	1.0	3.7
Iceland	0.4	3.7	0.5	1.0	0.3	0.5
Italy	0.6	1.0	0.6	0.8	0.8	3.2
Japan	0.7	1.2	0.9	0.7	0.9	1.2
Netherlands	0.6	1.5	1.1	1.2	1.3	0.9
Norway	0.5	1.4	0.9	1.4	1.0	0.8
New Zealand	0.4	0.6	1.7	0.9	1.1	0.6
Poland	0.7	2.3	0.8	0.5	0.6	9.1
Sweden	0.5	1.2	1.1	1.2	1.0	1.1
Switzerland	0.5	1.2	1.0	1.3	1.1	0.6
United Kingdom	0.5	1.0	1.3	0.8	1.7	0.5

Note: The figures are an index of the extent to which the percentage of international students in a field of study is the same as the percentage for all students in the same field. An index of 1.0 means that the percentage of international students who study a particular field is the same as the percentage of all students studying that field. An index greater than 1.0 indicates that international students study in that field to a greater extent than do students overall.

Source: OECD Education database.

Table 4.3 English-speaking countries' shares of foreign tertiary students by origin, 1995 and 1999 (%)

Origin of students	United States		United Kingdom		Australia		Canada		New Zealand		Ireland		Total of the 6 countries	
	1995	1999	1995	1999	1995	1999	1995	1999	1995	1999	1995	1999	1995	1999
Asia/Oceania	49	44	7	11	12	13	5	2	1	1	0	0	74	73
Americas	56	49	9	15	1	3	6	5	0.2	0.3	1	1	72	71
Europe	19	14	17	24	1	1	2	2	0.1	0.1	1	1	39	41
European Union	16	12	20	28	1	1	5	2	0.1	0.1	1	1	42	44
OECD countries	35	31	12	14	6	7	4	2	0.5	0.5	0.4	0.5	58	56

Note: The table shows that 49% of the foreign students coming from the Asia/Oceania region in 1995 were studying in the United States, and 74% of the students from this region were studying in the six English-speaking countries concerned in 1995.

Source: OECD Education database.

OECD countries, with 45% of the total in 1999, of which 9% came from China (including Hong Kong, China), the biggest single country of origin. Economic growth has fuelled demand from Asian countries, where domestic systems have not grown fast enough to meet demand, and where students and their families often pay a high proportion of education costs, so studying abroad is not always much more expensive. However, the proportion of OECD foreign students from Asian countries fell slightly in the late 1990s (by two percentage points), reflecting the effects of the financial crisis in the region. In contrast, the number of European students studying abroad rose faster than in other regions, and the share of Europeans increased by four percentage points. Most European foreign students remained within Europe, with four in ten going to English-speaking countries. It must be borne in mind, however, that while this helps explain why English-speaking countries have not increased their *share* of foreign enrolments, both the number of Asian students studying abroad and the number of all foreign students enrolled in English-speaking countries continued to grow in *absolute* terms.

Regional concentrations

Do these trends also reflect a growing regionalisation of study patterns? A number of factors have led students from certain countries to study primarily in certain others, notably:

- *Geographical or cultural proximity.* English-speaking students go primarily to other English-speaking

countries, and Scandinavian students mainly to Scandinavian ones. A large share of foreign students in France come from former French colonies, 40% from Africa. Nine in ten foreign students in Australia are from the Asia-Pacific region.

- *Bilateral agreements* between countries or *national policies* to foster student exchange mobility or fund specific international projects involving educational institutions. Public or private scholarship programmes partly fund domestic or foreign students' international studies in all OECD countries.
- *Larger-scale international programmes* fostering international mobility of post-secondary education on a regional basis, for example in the Asia-Pacific region, Europe and North America. The European Union's Socrates programme is perhaps the most ambitious of these, aiming to strengthen European citizenship and promote mobility in employment as well as education. Since 1987, Erasmus, the main post-secondary element of Socrates, has enabled approximately one million tertiary students to spend a study period abroad in another European Union or affiliated country. It has also developed a common European Credit Transfer System (ECTS) and funded teacher mobility.

Yet, as shown in Table 4.4, concentrations within regions vary greatly, and are changing in different ways. In 1999, 83% of European foreign students in OECD countries were studying in an OECD Member country located in Europe, and 55% of

Table 4.4 Distribution of foreign students enrolled in OECD countries, by region, 1995 and 1999 (%)

Origin of students	1995				1999			
	Europe	EU	Americas	Asia-Oceania	Europe	EU	Americas	Asia-Oceania
Europe	77	69	21	2	83	74	16	2
European Union	78	70	21	1	84	77	15	1
Americas	34	32	62	4	40	38	55	5
Asia-Oceania	25	23	54	21	30	28	47	23
OECD countries	50	46	39	11	54	49	34	12

Note: The table shows that 77% of European foreign students in OECD countries in 1995 were studying in OECD Member countries located in Europe, and 62% of foreign students from the Americas who were studying in OECD countries were studying in OECD Member countries located in America (*i.e.* the USA, Canada and Mexico).

Source: OECD Education database.

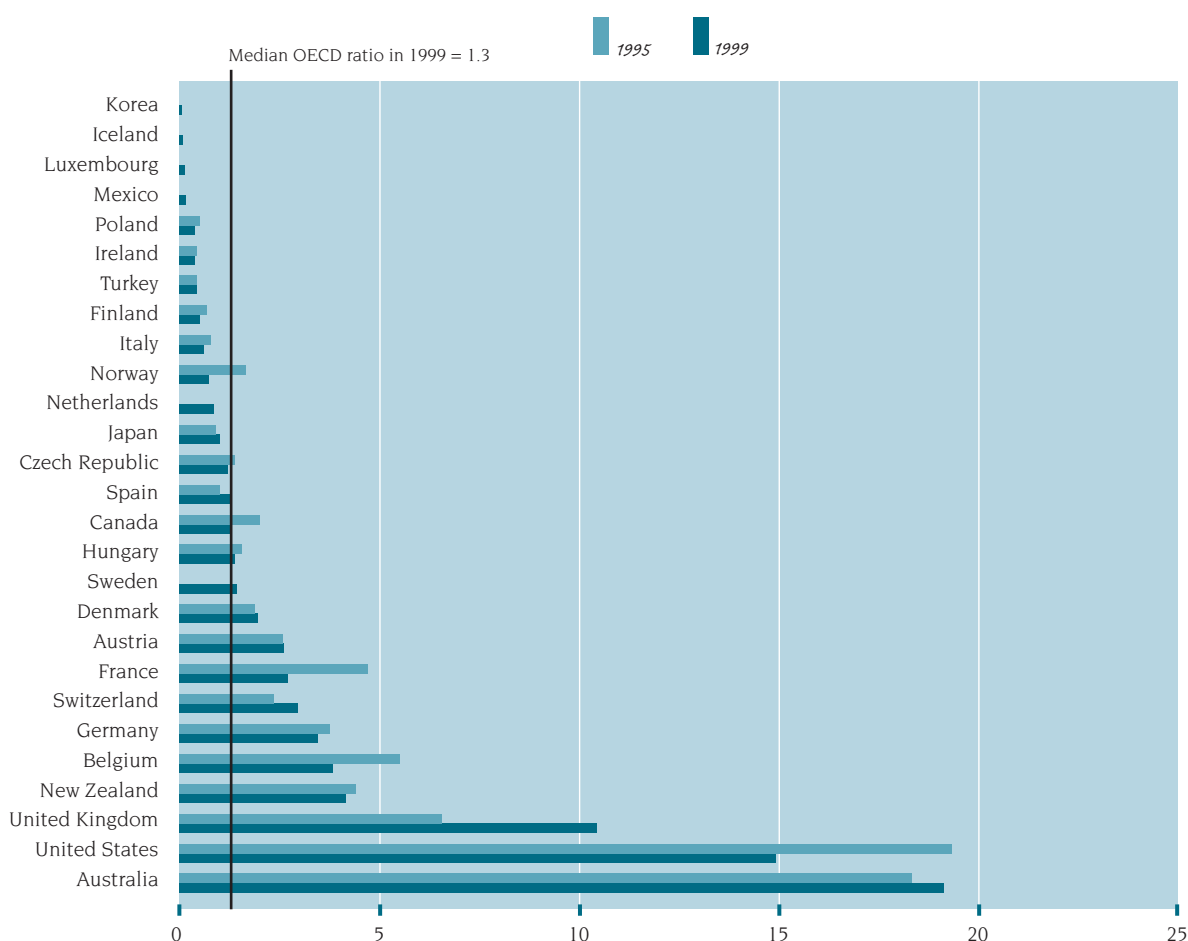
foreign students from the Americas who were studying in OECD countries were in an OECD country located in the Americas (*i.e.* the United States, Canada or Mexico). However, only 23% of the foreign students from Asia and Oceania who were studying in an OECD country were in an OECD Member country in that region (*i.e.* Australia, Japan, Korea or New Zealand).⁴ Although the number of Asian students in Australia and New Zealand has been growing, most foreign students from this region continue to go to North America and Europe. Conversely, while OECD countries in Europe have increased their share of foreign students from the Americas, a greater number of

American students continue to go to the United States, Canada or Mexico. Among Europeans, intra-regional concentration increased between 1995 and 1999. Undoubtedly, the European Union's policies have been critical: the Erasmus programme funded 38% of EU students studying in other EU countries in 1999.

2.2 Student flows and the balance of trade

While governments and international bodies have long promoted student mobility mainly for cultural and educational reasons, it also serves to expand world trade in services, and the trade reasons

Figure 4.3 Number of foreign students per domestic student abroad in tertiary education by OECD country, 1995 and 1999



Note: "Foreign students" are defined in the note to Figure 4.1. The "median OECD" figure indicates that in 1999 half of the OECD countries had a ratio of more than 1.3. In 1999, the mean average ratio for OECD countries was 2.8.

Source: OECD Education database.

Data for Figure 4.3, p. 115.

Table 4.5 Export earnings from foreign students and as a percentage of total export earnings from services, 1989, 1997 and 2000

	1989		1997		2000	
	US\$ million	% of total service exports	US\$ million	% of total service exports	US\$ million	% of total service exports
Australia	584	6.6	2 190	11.8	2 155	11.8
Canada	530	3.0	595	1.9	796	2.1
Mexico	..	..	52	0.5	29	0.2
New Zealand	..	..	280	6.6	199	4.7
Poland	..	..	16	0.2	..	..
United Kingdom	2 214	4.5	4 080	4.3	3 758	3.2
United States	4 575	4.4	8 346	3.5	10 280	3.5
Greece	..	..	..	..	80	0.4
Italy	..	..	..	..	1 170	2.1

Note: The US\$ figures are expressed in terms of current prices. The earnings figures are estimates based on samples of businesses and institutions, and are therefore subject to sampling error and the range of non-sampling errors involved in survey work. Australia, Italy and New Zealand include students from levels other than tertiary education in the trade in educational services data. For all other countries, the data correspond to tertiary students only.

Source: OECD statistics on trade in services; IMF data for Italy and the United States in 2000, and Poland for 1997; the Office for National Statistics for the United Kingdom in 1997 and 2000.

have become more prominent in recent years. For a country's economy, the enrolment of a foreign student represents an "invisible export" through the associated income flow. In terms of the student flows described above, the balance varies greatly from one country to another. Figure 4.3 shows for OECD countries the number of foreign students received per domestic student who is studying overseas: those with ratios greater than one are "net exporters" of educational services, while those with less than one are "net importers". On average, OECD countries in 1999 hosted 2.8 overseas students for every domestic student who was studying abroad. However, in only seven countries is the ratio higher than this, while 11 are net "importers": they enrol fewer foreign students than the number of nationals studying abroad. Given that the mean ratio is inflated by a few countries with a very high ratio (Australia, the United States and the United Kingdom), perhaps a better indicator of the pattern of student flows is provided by the median ratio, which was 1.3 in 1999.

Trade in educational services can also be expressed in terms of value, *i.e.* the money spent by overseas students on fees, living costs and expenses. It was estimated to be worth a minimum of US\$30 billion

in 1998, or about 3% of the total value of services exports (Larsen *et al.*, 2002). Increasing awareness of the significant size of the international market in educational services and of its growth potential partly explains the growing competition among nations and institutions to keep or extend market share.

As shown in Table 4.5, during the 1990s export earnings from foreign students increased sharply in the countries for which data are available. Since students travelling to and studying in foreign countries represent the largest element of cross-border trade in educational services, this indicator is often used to estimate the overall level of trade in such services. However, the rapid growth of other forms of educational trade will make it a less satisfactory proxy as time goes on.

Note that in most of the countries shown, rapid growth in the value of educational service exports has been paralleled by growth in export earnings

4. Note that these data include countries of origin but not countries of study outside the OECD area. Thus they may underestimate the concentration of Asians studying within all Asian countries: about 70% of foreign students in Malaysia and India, for example, are of Asian origin.

from services overall, so the share of education in total services exports has fallen over the 1990s in most countries for which data are available. The sole exception is Australia, where the export value of educational services almost quadrupled between 1989 and 2000, and the share of education in total service exports almost doubled to 11.8%. In Australia, education has become the third largest export earner in services (and the 14th largest export earner overall). Education has also become an important export earner for New Zealand, accounting for almost 5% of service export earnings in 2000 as the fourth largest export earner in services (and the 15th largest overall).

Table 4.6 shows data on the “import” of educational services, in terms of payments made for or by domestic students studying abroad. Australia, Greece and Italy are the largest importers of educational services expressed as a percentage of total service imports among the OECD countries for which data are available. It is noteworthy that in absolute terms, the United States is both the biggest importer and the biggest exporter of the countries for which data are available, and two other major exporters of educational services – Australia and Canada – also make substantial payments to overseas suppliers of education. Trade in educational services, as with much of trade in other goods and services, is not necessarily in only one direction.

2.3 Supply-side efforts to boost trade

In some countries, governments and institutions have taken explicit initiatives to boost the value of foreign student trade, for example through marketing initiatives and the setting of fees for foreign students that are different from those charged to domestic ones. These strategies include the funding of bodies to advertise national higher education in international fairs and to welcome and help foreign students (see Box 4.1).

It must be borne in mind that trade is only one of several reasons for wanting to attract overseas students; others include enriching the educational experiences of domestic students, and building long-term ties between nations. One indicator of the importance attached to the revenue-raising motive is the level of tuition fees charged to foreign students as compared with that charged to domestic students. As shown in Table 4.7, these vary considerably from one country to another. Countries that charge higher tuition fees for foreign students include Australia and New Zealand, where guidelines require universities to charge at least the full cost for foreign students, and Canada and the United Kingdom, where universities are allowed to set their own rates.

However, the divisions are not only between domestic and foreign students: state universities

Table 4.6 Import payments by national students studying abroad and as a percentage of total import payments for services, 1989, 1997 and 2000

	1989		1997		2000	
	US\$ million	% of total service imports	US\$ million	% of total service imports	US\$ million	% of total service imports
Australia	178	1.3	410	2.2	356	2.0
Canada	258	1.1	532	1.4	602	1.4
Mexico	..	..	44	0.3	53	0.3
Poland	..	..	41	0.7	..	..
United Kingdom	67	0.2	182	0.2	150	0.2
United States	586	0.7	1396	0.9	2150	1.0
Greece	..	..	..	..	211	1.9
Italy	..	..	..	..	849	1.5

Note and source: see Table 4.5.

Box 4.1 Examples of initiatives to attract international students

Australia: Several bodies promote Australian educational services abroad: the most important are the governmental organisations Australian Education International and Austrade, and the private organisation IDP Education Australia.

United Kingdom: In 1999, the United Kingdom government set an objective of 75 000 more overseas students by 2005. While the British Council was granted US\$8.2 million for the international promotion of higher education in the United Kingdom, the Education Counselling Service spends US\$1.6 million for its promotion campaigns in South America, China, India, Russia and Israel.

France: In 1998, the Ministries of Education and Foreign Affairs launched the Edufrance Agency to set up and implement a marketing and communication strategy directed at foreign students with a budget of US\$16 million over four years. Its target was to double the number of foreign students in France over the four-year period. It should be noted, however, that almost all foreign students pay the same low tuition fees as French students.

Other examples: The Canadian Bureau for International Education and the Canadian Education Centre Network in Canada, Education New Zealand in New Zealand, the Institute of International Education in the United States, and the DAAD (*Deutscher Akademischer Austauschdienst*) in Germany.

in the United States favour local students, and out-of-state and foreign students are charged higher fees; Australia and New Zealand exempt each other's students from overseas rates. A number of EU countries charge no fees to any students, while others such as Austria, Switzerland or the Slovak Republic charge higher tuition fees for international students (albeit with a number of exemptions for particular students) but, compared with some other OECD countries, make limited efforts to attract foreign students. Although domestic and international students pay low or no tuition fees

in Germany, two *Länder* (Baden Wurtemberg and Berlin) have recently introduced tuition fees for higher education that will apply to international as well as domestic students. In France, international students pay the same low fee as domestic students, but the EduFrance agency charges fees for new (optional) additional language training and tutoring.

National policies on tuition fees for post-secondary study can also affect a domestic student's decision about whether to study at home or go abroad. As

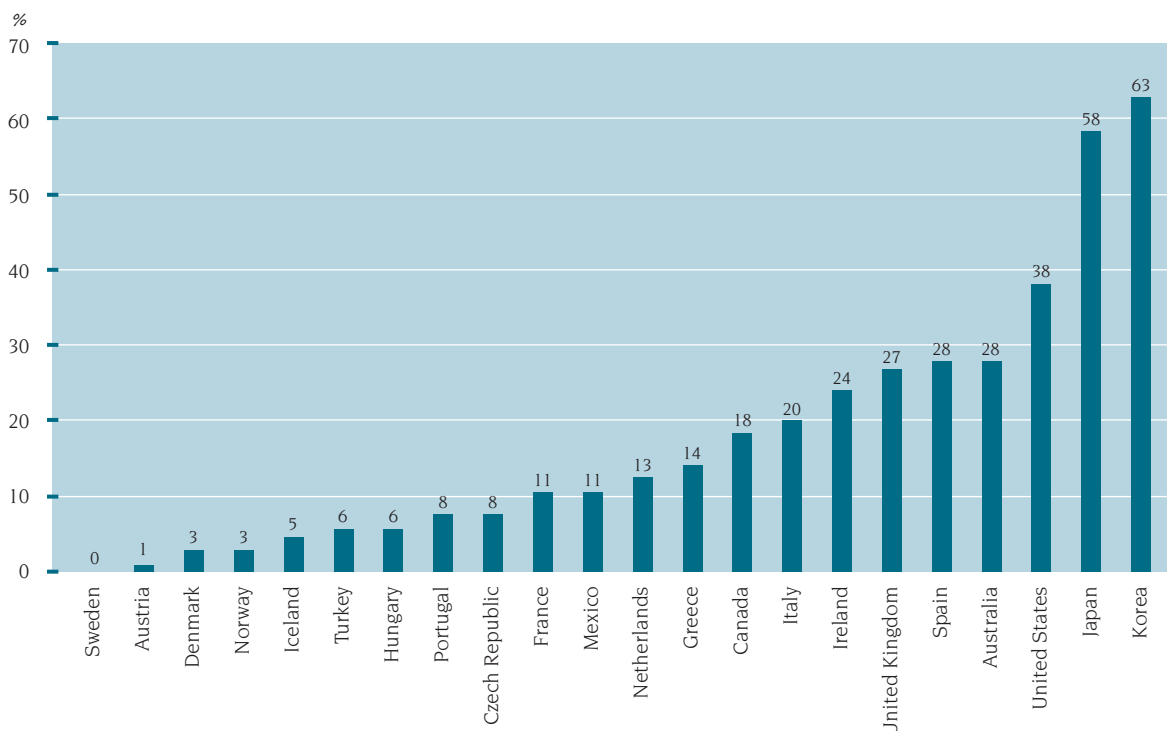
Table 4.7 Level of tuition fees in public universities for international students compared to domestic students

Tuition fee structure	Countries
Higher tuition fees for international students than domestic students	Australia, Austria*, Belgium*, Canada, Ireland*, New Zealand, Slovak Republic, Switzerland*, United Kingdom*, United States
Same tuition fees for international and domestic students	France, Greece, Hungary, Iceland, Italy, Japan, Korea, Netherlands, Portugal, Spain
No tuition fees for either international or domestic students	Czech Republic, Denmark, Finland, Germany, Norway, Poland, Sweden

* For non-European Union or European Economic Area students.

Source: Eurydice; European Society for Engineering Education (SEFI); OECD.

Figure 4.4 Percentage of direct expenditure for tertiary educational institutions coming from students' households, 1998



Note: The indicator expresses direct expenditure for tertiary educational institutions coming privately from households as a percentage of direct expenditure from all sources for tertiary educational institutions.

Source: OECD Education database.

Figure 4.4 shows, OECD countries differ markedly in the extent to which students contribute to the direct costs of providing higher education. The proportions range from less than 5% of direct costs in some of the Nordic countries⁵ to well over 50% in Japan and Korea. This may help to explain why Japanese and Korean students make up relatively high proportions of the foreign students studying in other OECD countries. Yet, since many of them go to study in the United States, where students also pay a relatively high proportion of the direct costs of higher education, it is clear that international student mobility is influenced by a wider range of factors than tuition fees alone.

2.4 Influences on student demand

In general, the countries that attract the most foreign students (Figure 4.1) charge the highest tuition fees (Table 4.7). In part, this reflects the fact that educational institutions have a strong

incentive to attract overseas students where they generate substantial revenues.⁶ This has certainly been an important factor in the growth of overseas student numbers in Australia (although some overseas students are also subsidised by the government). Still, students will not continue to pay high fees unless they perceive they are getting value for money. Students' decisions about undertaking study in another country involve

5. Norway and Denmark also often contribute substantially to the costs incurred by their students studying abroad. In Norway, domestic students are funded through grants and loans that they can use to study in any country and institution they wish. In Denmark, domestic students can obtain grants and loans for study abroad for up to four years under certain conditions. These policies help to explain the relatively high enrolment rates abroad of Norwegian and Danish students.

6. A policy of charging foreign students more than domestic students can also reflect a desire not to cross-subsidise foreign students from domestic students' fees.

balancing the costs of study against the expected benefits, both monetary and non-monetary, arising from study overseas compared with study in their home country.

Students today have many reasons for wanting to study overseas, including both broader opportunities in terms of perceived quality and coverage of courses compared to their home country and the advantage of having a better understanding of the world beyond their home country. Their decisions are influenced by a wide array of factors that need to be considered by institutions or countries wanting to boost the number of overseas students. They include:

- The accessibility and variety of post-secondary studies in the home country (*e.g.* restricted quotas on some courses);
- The language of the host country and in which courses are provided (English-speaking countries generally have a competitive advantage in this area, although some non English-speaking countries are now offering courses in English to attract foreign students);
- The geographical and cultural proximity between the host and home countries, as well as historical links;
- The availability of support networks, including past and present students from the home country;
- The reputation and perceived quality of educational institutions or of education as a whole in the host country in relation to education in the home country;
- The transferability and/or recognition of qualifications between the home country and the receiving country;
- The cost of study abroad compared to the cost of study at home, including tuition fees, costs of living, and the availability of different forms of financial support;
- The infrastructure and social benefits for foreign students in the host country (*e.g.* health cover, accommodation, language centres, right to social security);
- The immigration (or visa) policy towards students, and especially the possibility for overseas students to work while studying and to stay in the country after their studies; and
- Labour market opportunities in the host and home countries.

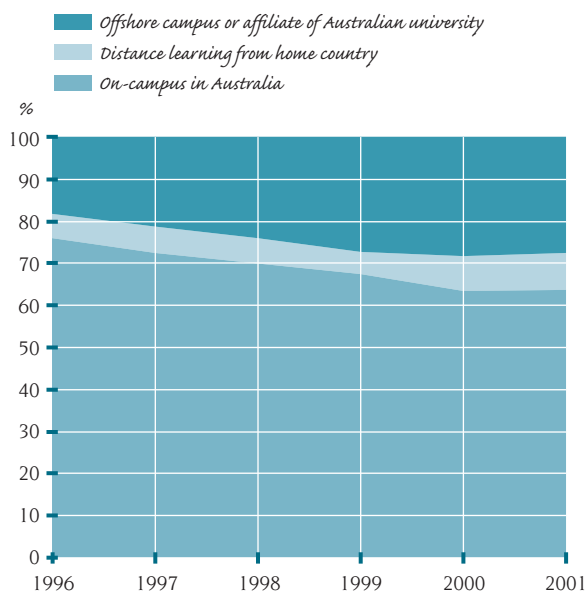
3. NEW FORMS OF TRADE IN EDUCATIONAL SERVICES

Although study abroad is presently the largest component of international trade in post-secondary education, two other forms are growing in importance: distance learning (Mode 1 in Table 4.1) and commercial presence (Mode 3). Distance learning includes e-learning courses via the Internet and other communication means (satellite, TV, CD-ROM, mail). Examples of commercial presence include branches of universities operating abroad to meet the demand from students who do not wish or are unable to study overseas, language training companies, and other education or training companies from both the public and private sectors. Such forms of provision may also include students spending part of their study in the host country (Mode 2) and staff from the exporting country spending time teaching in the students' home country (Mode 4).

Offshore campuses and distance learning are often attractive to students because they involve lower costs than studying abroad. Although they may not enrich students with the same cultural and linguistic experiences as foreign study, they are likely to meet a growing demand in the future. Such forms of provision raise important policy questions for national governments because they expand domestic students' opportunities and provide direct competition to local education providers.

Australia is a striking example of a country whose exports of post-secondary educational services are increasingly delivered in the students' home country: between 1996 and 2001, such "offshore" enrolments increased from 24% to 37% of all international students enrolled in Australian institutions (see Figure 4.5 overleaf). Most of these students attended offshore campuses (28% of all

Figure 4.5 Distribution of international students enrolled in Australian universities by mode of study, 1996 to 2001



Source: IDP Education Australia.
Data for Figure 4.5, p. 115.

international students in 2001) and relatively few (9% of all international students) were enrolled offshore in distance education, although the number doing so is growing. More than half of the international students from Singapore and Hong Kong, China studying in an Australian educational institution are enrolled in offshore courses.⁷

The United Kingdom is another major provider of courses overseas, with trade expanding rapidly in this area during the 1990s. In 1996-97, there were around 140 000 students enrolled in British institutions overseas, compared with around 200 000 international students in the United Kingdom the same year (Bennell and Pearce, 1998). In Hong Kong, China, the United Kingdom accounted for over half of the 575 foreign degrees offered through local private colleges, distance education centres or in partnership with local universities in 2000. One-third of such degrees were offered by Australian institutions, with the rest coming from other countries including the United States and mainland China (McBurnie and Ziguras, 2001).

Growth in new modes of international delivery of education has been stimulated partly by the

emergence of new types of providers. Although few statistical data are currently available, this is one of the most important features of the changing environment of international education and training (Cunningham *et al.*, 2000). These new providers include, in particular, corporate training institutions, for-profit institutions, and distance learning (including e-learning) institutions.

These new institutions compete with traditional post-secondary institutions, but there is no sharp dichotomy between the old and the new. Traditional institutions are part of the changing picture, sometimes creating private arms or virtual branches, or entering into partnerships with other institutions such as private media companies.

Corporate training institutions are generally spin-offs of multinational companies, which mostly train their employees across the world but also train other learners, suppliers and customers. According to a recent survey of US "corporate universities", such as those operated by Motorola or McDonald's, 42% provide courses for which a degree could be granted at an accredited educational institution (Densford, 1999). Around a quarter attract revenue from outside the corporation (Meister, 1998). The number of North American corporate universities quadrupled from 400 in 1988 to over 1 600 in 1998, and many of these have multiple campuses or branches. For example, Microsoft's 1 700 Certified Technical Education Centers (CTECs) are franchised private training companies operating internationally, using Microsoft-certified trainers and the Microsoft curriculum. Microsoft also licenses its curriculum to educational institutions across the world. For example, around 40 universities and colleges in the United Kingdom have a contract to teach Microsoft-certified classes. Such courses are often very attractive to potential students because they provide stronger recognition and job opportunities than do some qualifications from traditional universities.

Although they have existed for over a century, *for-profit universities* are growing in importance, and are increasingly involved in education across national borders. Sylvan Learning Systems is

7. IDP Education Australia. Cf. www.idp.edu.au/services/marketing/research_consult/fast_facts/higher_education.asp.

one of the most striking examples. The company includes brand names such as Sylvan Learning Centers, Caliber Learning Networks and Wall Street Institutes. Sylvan has recently bought private universities and business schools in Mexico, Spain, Chile, France and Switzerland. It also owns a majority stake in a leading graduate distance learning institution, Walden University, and the National Technology University, a distance learning provider of engineering courses and degrees. Those institutions provide courses and qualifications on a fee-for-service basis to domestic and international students, workers and companies. In 2001, the Sylvan group reported a 54% rise in revenue to US\$485 million.

Information and communication technology (ICT) facilitates the offshore delivery of educational services by complementing traditional face-to-face education with interactive ways of learning and of disseminating material (e-mails, videoconferences, and so on). Widely used as a complement to conventional face-to-face teaching in post-secondary institutions, the market for virtual education institutions has followed the ups and downs of the e-economy. However, virtual education institutions, which teach predominantly via ICT, are still regarded as having a high growth potential, especially in the markets for corporate training and education for adults. For example, the National Technology University offers 15 Master's degree programmes online and provides access to four other University Master's degrees. The Internet education company Unext and its Cardean University deliver business courses to companies as well as to individual students, relying on a consortium of elite American and British universities. Cardean University has recently signed an agreement with Thomson Enterprise Learning to market on-line business education programmes to major corporate clients worldwide.

In order to meet the competition of for-profit and virtual universities, some *traditional universities* have created for-profit arms targeting e-learning demands as well as adult education. In 2002, the University of Liverpool (United Kingdom) and the Washington University of Saint Louis (United States) both launched MBAs in China: the British university adopted a fully online model whereas its American counterpart sent in academic staff to work with a partner Chinese university. A grow-

ing number of traditional universities are also creating consortia and partnerships designed to address international demand through new modes of delivery. For example, Universitas 21 brings together 18 established universities from ten countries to pursue global initiatives that would be beyond their individual capabilities. In partnership with Thomson Learning, Universitas 21 has created U21global, an online (and television) provider, scheduled to deliver business courses from 2003 in Singapore, Malaysia and Hong Kong, China. Trium EMBA is another example of an international partnership, in this case involving United States, United Kingdom and French universities delivering Executive MBAs through a mix of face-to-face teaching and distance learning.

4. TRADE IN EDUCATION AND THE GATS

As noted earlier, greater international trade in educational services is being driven by new forms of supply and increased demand from students. The issue of trade liberalisation in educational services has been put firmly on the agenda through its inclusion in the ongoing negotiations of the General Agreement on Trade in Services (GATS). In practice, however, this liberalisation raises much public debate and countries have proven highly sensitive about subjecting education to free trade so far.

The GATS is a multilateral, legally enforceable agreement governing international trade in services. It offers for trade in services mutually agreed rules, binding market access and non-discriminatory commitments in the same way that the General Agreement on Tariffs and Trade (GATT) does for trade in goods. The GATS, which entered into force in 1995, is administered by the World Trade Organization (WTO) and its advent reflects the growing importance of services in international trade.

Table 4.8 overleaf outlines the key elements and rules of the GATS, which consists of three core components: the framework of rules that lays out general obligations; annexes on specific service sectors; and the schedules of commitments submitted by each member country, detailing liberalisation undertakings by sector and mode of supply. Negotiations under the GATS resumed in 2000.

Table 4.8 GATS obligations and rules

GATS element or rule	Explanation	Application
Scope and coverage	All internationally traded services are covered in the 12 different service sectors. (<i>e.g.</i> education, transportation, financial, tourism, health, construction)	Applies to all services – with two exceptions: i) services provided in the exercise of governmental authority; ii) air traffic rights
Measures	All laws, regulations and practices at the national or sub-national levels affecting trade in services	Measures taken by central, regional or local governments and authorities and non-governmental bodies in the exercise of powers delegated by central, regional and local governments and authorities
General obligations	Three general obligations exist in GATS – most favoured nation treatment (MFN) – transparency – dispute settlement	They apply to all service sectors regardless of whether WTO members schedule commitments or not
Most favoured nation (MFN) treatment	Requires equal and consistent treatment of all foreign trading partners MFN means treating one's trading partners equally. Under GATS, if a country allows foreign competition in a sector, equal opportunities in that sector should be given to service providers from all WTO members	One-time exemptions are permissible for original WTO signatories and newly acceding countries, but they should not <i>in principle</i> exceed a period of 10 years. In any event, they shall be subject to negotiation in subsequent trade liberalisation rounds
Sector-specific obligations	There are a number of sector-specific obligations attached to national schedules, among which are market access and national treatment	Only applies to commitments listed in national schedules Degree and extent of obligation is determined by country; countries retain the right to maintain non-conforming measures in scheduled sectors and modes of supply
National treatment	Aims for equal treatment for foreign and domestic providers (or equal competitive opportunities where identical treatment is not possible) Once a foreign supplier has been allowed to supply a service in one's country, there should be no discrimination in treatment between the foreign and domestic providers	Only applies where a country has made a positive specific commitment Non-conforming measures can be retained negatively in scheduled sectors/modes of supply
Market access	Primary focus on non-discriminatory quantitative restrictions impeding access to markets	Each country determines limitations on market access for each committed sector and mode of supply, as per national treatment
Progressive liberalisation	GATS has a built-in agenda which means that negotiations can be re-examined periodically with a view to achieving a progressively higher level of bound liberalisation; special flexibility is envisaged for developing countries in this regard	Each country determines the pace, extent and nature of market opening under GATS and retains the right to schedule no commitments in any sector/mode of supply

Source: OECD.

Education is one of the sectors for which WTO Members have been least inclined to make commitments. To date, 25 OECD countries and 28 other WTO members have made commitments for at least one education sub-sector:⁸ primary education including pre-school services; secondary education; higher education including university and post-secondary vocational services; adult education; or other education. On the whole, they have maintained slightly more limitations on primary than on secondary, higher or adult education, and have been more sensitive about foreign institutions, companies and professionals operating in their countries (Modes 3 and 4) than about cross-border supply (Mode 1) or students travelling abroad (Mode 2).

4.1 Public educational services and the GATS

The GATS exempts services “supplied in the exercise of governmental authority”, which includes “any [service] which is supplied neither on a commercial basis, nor in competition with one or more service suppliers”. Since in many countries public educational services do compete to some extent with private ones, it can be argued that this exemption does not apply. However, this may turn on whether the public and private providers are supplying “like services”. Moreover, charging fees does not automatically make public provision “commercial”.

Whatever the interpretation of this rule, some countries have proposed further liberalisation of trade in educational services in the present GATS negotiations. Their proposals recall that the GATS terms are consistent with governments’ right to regulate in order to meet domestic policy objectives within the education sector.⁹ Three of the four detailed proposals that have been put forward to date (from Australia, New Zealand and the United States) stress the rapid expansion of higher education and adult education and training, particularly through the use of the Internet, and their increasing international significance. Australia, in particular, argues for the further liberalisation of trade in educational services primarily as a means of providing individuals in all countries with access to a wide range of options. The fourth negotiating proposal, from Japan, encourages WTO members “to promote liberalisation in the educational services sector

through better market access, further assurance of national treatment and deregulation of related domestic regulations”. However, the Japanese proposal also stresses the need to establish measures to maintain and improve the quality of the services through protection of consumers from low-quality education providers operating across borders, and ensuring the international equivalence of qualifications (see Section 5 below).

4.2 Foreign education providers and public subsidies

The GATS is a very flexible negotiating framework. WTO members retain the freedom to choose not only the sectors and modes of supply for which they want to make market access and national treatment commitments, but also to determine the content of those commitments and the scope of any retained restrictions.

Even if a country has made a commitment which implies that there is a requirement to treat foreign and domestic education suppliers equally, any WTO member wishing to treat foreign providers of (say) university courses less favourably than domestic providers can do so, provided this is specified in its schedule of commitments. For example, the European Union, which is negotiating on behalf of its Member states, takes the general position that the national treatment “rule” does not apply to the provision of subsidies to foreign providers within public education: governments are not required to provide them with subsidies on the same conditions as domestic providers. Similarly, the United States has a national treatment limitation regarding access to certain grants and scholarships.

4.3 The GATS and recognition of qualifications

Member countries are required to notify the WTO whenever they enter into bilateral or multilateral agreements concerning education or experience obtained, requirements met, or licences or certifica-

8. For a more detailed overview of country commitments at WTO, in the education services field, see OECD (2002c).

9. United States proposal on “Higher (post-secondary) Education, Adult Education and Training” to the current GATS negotiations (S/CSS/W/23), 18 December 2000.

tion granted in a particular country. The purpose is to provide other interested WTO countries with the opportunity to negotiate comparable recognition with the country concerned. The GATS also states that “wherever appropriate, recognition should be based on multilaterally agreed criteria. In appropriate cases, Members shall work in cooperation with relevant intergovernmental and non-governmental organisations towards the establishment and adoption of common international standards and criteria for recognition and common international standards for the practice of relevant services trades and professions”. This requirement provides an opportunity for other countries to indicate their interest in joining the negotiations but it does not compel the original negotiating countries to accept others.

Accreditation, licensing and recognition procedures are largely domestic processes that often differ significantly between national systems, which can give rise to problems of transnational recognition.

Where government statutes or regulations require certification or accreditation by non-governmental organisations for the purpose of licensing, or where such authority is delegated, these are considered “measures of Members”, and are therefore subject to provisions of the GATS agreement (Ascher, 2002).

4.4 Implications of the GATS for education

WTO members have agreed that the new trade liberalisation round should be finalised by 1 January 2005. The schedule is as follows:

- 30 June 2002: Countries file initial proposals asking trading partners to open their markets in service areas. Four negotiating proposals from Australia, Japan, New Zealand and the United States have been presented in educational services.
- 31 March 2003: Countries will present initial offers to open their markets in service areas.
- 1 January 2005: The present GATS negotiation round will end.

It is hard to assess accurately the implications of the GATS for the further liberalisation of interna-

tional trade in post-secondary education, since it will interact with the demand and supply trends identified in the previous sections, as well as with the many bilateral and regional trade agreements signed between countries with respect to educational services. The demand and supply trends include: the pace of increase in student demand, both in developed and developing countries; the need for higher education institutions to seek alternative sources of funding, which sometimes means engaging in for-profit activities or seeking private sector sources of financial support; rising tuition fees and other costs faced by students; and the growing number of private enterprises providing higher education and adult training, both domestically and internationally.

Many of these developments pre-date the GATS commitments in educational services, initiated in 1995 and have, if anything, accelerated since, despite the relatively low level of liberalisation commitments achieved in education under the GATS. More significantly, much of the trade in educational services takes place outside the WTO framework and is not reflected in GATS commitments (nor in regional trade agreements, for the most part). In this connection, it is worth noting that only a few of the countries that have substantial numbers of students studying overseas – China, Germany, France, Greece and Thailand – have made commitments in educational services to date. Furthermore, the GATS negotiations tend to concentrate on higher education and adult education and training, and not on primary and secondary education, which most countries are treating as off-limits with respect to liberalisation commitments.

Most countries are mainly interested in Mode 2 trade (students studying abroad). Few “trade barriers” impede such flows. The most important barriers are difficulties in obtaining student visas, funding study abroad, and dealing with student-related work permits. However, these issues cannot be addressed by the GATS negotiations (Sauvé, 2002). As well, Mode 4 trade in educational services (where someone travels to another country on a temporary basis to supply education) is not generally perceived as a major concern given the benefits that researchers and academics bring to the host country and its educational institutions.

Yet, even if the implications of the GATS for education have so far been very limited, some factors might change this picture in the longer term:

- Trade in educational services will most likely grow given the rise in foreign investment in off-shore activities (Mode 3 – commercial presence) and the increasing use of ICT as a means of delivering education (Mode 1 – cross-border supply). Ongoing WTO talks on educational services and electronic commerce might over time contribute to reducing the barriers to such trade.
- The GATS has an “in-built agenda”, in which there are successive rounds of negotiations with a view to achieving progressively higher levels of trade liberalisation. This implies that the negotiations on trade in services at the WTO will continuously address the issue of how the international market in educational services can be further liberalised and the barriers to such trade removed or reduced.

5. INTERNATIONAL QUALITY ASSURANCE AND ACCREDITATION

Quality assurance and accreditation systems in post-secondary education are almost exclusively developed by the state and post-secondary institutions. In most cases, their focus is confined to assuring the quality of the programmes delivered in the country itself to domestic students. There is thus a general lack of transparency in the international education market in the sense that students sometimes have difficulties in assessing whether a course offered by a foreign education provider is of good quality or not. Furthermore, it is often not self-evident for students studying abroad that their qualifications will automatically be recognised in their home country. This puts the issue of international quality assurance and accreditation high on the policy agenda.

5.1 Divergence or convergence of international quality assurance and accreditation?

National quality assurance systems are highly relevant to international trade in educational services. If they are sufficiently comparable across countries and inspire sufficient confidence, they can contribute significantly to consumer protec-

tion and the regulation of transnational education trade.

There is, however, considerable diversity in quality assurance and accreditation mechanisms across countries in terms of: the definition of “quality” itself; the purpose and functions of quality assurance such as institutional improvement or external accountability and transparency; and the methodologies used in quality assurance and accreditation (Van Damme, 2002). In the United States for example, the quality assurance system depends on a complex matrix of state licensing and certification boards, central state higher education systems, regional accreditation agencies, professional accreditation agencies, and the federal government.

The “unsolved” questions of consumer protection and recognition of qualifications have put pressure on national quality assurance arrangements in post-secondary education to increase dialogue and co-operation with players in other countries. As a result, there has been some limited international convergence in national quality assurance and accreditation systems. A prominent example is the pan-European Bologna Declaration with its goal of a common framework of higher education degrees in Europe and developing “a European dimension in quality assurance, with comparable criteria and methods”. Another major initiative is the UNESCO/Council of Europe Lisbon Convention on the Recognition of Qualifications Concerning Higher Education in the European Region adopted in 1997. This Convention no longer follows the “formal” logic of strict “equivalence” of qualifications based on the concepts of “recognition” and “accreditation”. Instead, it is based on *co-operation* and *trust* between national systems. If a country ratifies the Convention, that country will be bound to recognise qualifications from other parties to the Convention as similar to the corresponding qualifications in its own system unless a substantial difference can be shown between the qualifications of the parties.

Closely linked to the Lisbon Convention is the recent adoption by UNESCO and the Council of Europe of a “Code of Good Practice in the Provision of Transnational Education”. This code implies that quality assurance arrangements should follow transnational provision from the exporting country

to the receiving country, a principle which means that quality assurance systems are implicitly exported to countries in which they do not have any legally recognised status.

Concerns about the quality of transnational higher education programmes have already led to some of the main education exporting countries – Australia, New Zealand, the United Kingdom and the United States – expanding their national quality assurance systems so that they also apply to their cross-border provision of higher education. Participation by institutions is often voluntary, although many universities and local partners do take part.

The main drivers behind the growing diversification of post-secondary education are the increasing provision of cross-border and distance-learning delivery, and new private for-profit providers. However, in general, outside the United States, existing quality assurance and accreditation frameworks have so far not been very adaptive in dealing with new private for-profit providers and distance-learning provision (Van Damme, 2002). Currently, most quality assurance agencies seem oriented to protecting the traditional concepts of academic quality. These traditional concepts may not always adapt easily to more diversified provision by a wider range of providers. One possible response could be to diversify national quality and accreditation systems to reflect greater diversity in education provision. However, this would be unlikely to result in greater transparency and international convergence. Another response would be to reconceptualise and simplify quality assurance mechanisms so that they are capable of addressing very different forms of post-secondary education and transnational provision. So far, however, there is very little evidence that major changes within national quality assurance regimes will be made in the foreseeable future to achieve international consistency.

5.2 Professional recognition

In some countries, professions such as law, medicine and engineering require additional examinations and training following university to gain a licence to practice. In contrast, university degrees in other countries are often automatically recognised as giving access to professional careers

without further examination or training. In English-speaking countries, for example, there are often accrediting bodies linked to professional associations that assess whether a higher education programme – and thus a student graduating from that programme – meets the standards imposed by the profession.

The increasing international mobility of professionals has led to mutual and multilateral recognition agreements to address issues of professional recognition and equivalency across borders. The WTO agreements and regional trade agreements have stimulated these developments. The accountancy profession is one such example. In 1998, the WTO adopted a regulation under which countries that have made trade commitments in accountancy services agreed to secure procedural transparency in licensing and qualifications. The regulation does not, however, focus on the *substantive content* of qualifications in accountancy. The WTO is not a standards-making body, nor is it mandated to assess the content of national standards, be they educational or professional. The role of WTO is foremost to guarantee transparency in recognition and licensing arrangements (see also Section 4.3 above).

One of the most far-reaching international agreements on mutual recognition of professional qualifications is the “Washington Accord” for the engineering profession, reached in 1997 between engineering organisations from Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States. South Africa and Hong Kong, China have recently joined, and Japan has provisional membership. The Accord recognises the “substantial equivalence” of each other’s programmes in satisfying the academic requirements for the practice of engineering, while not yet formally mutually recognising professional qualifications. The Accord also includes criteria and procedures for the accreditation of academic engineering programmes. The signatories accept accreditation decisions among each other and thus recognise the equivalency of the national accreditation mechanisms in each country.

The ICT industries are particularly active in worldwide licensing measures for corporate ICT education and training programmes. A key actor in this

area is CompTIA, which represents more than 8 000 computing and communication companies in several countries and provides standards in certification. IBM, Intel, Microsoft and Novell have incorporated CompTIA certification in their own certification training. Such initiatives have an indirect influence on quality assurance and accreditation arrangements in vocational education and training and, to a lesser extent, in higher education in the field of ICT.

It is likely that transnational academic and professional accreditation and recognition will continue to grow, and the international co-ordinating efforts of professional associations will increase the pressure for further co-ordination of quality assurance and accreditation in both vocational and higher education across borders.

6. CONCLUSION AND POLICY ISSUES

Greater international supply of post-secondary education can serve, broadly, two strategic objectives. A “culture-driven” strategy is based on the idea that student exchange is beneficial for both host and sending countries in terms of cultural, social and political values. To a greater or lesser extent, all OECD countries seek to achieve such objectives, and offer public and/or private funded grants to encourage such exchange, and promote regional programmes to facilitate student mobility. More recently, some countries have also been influenced by a “trade-driven” strategy of promoting the export of educational services for economic benefit. Such a strategy is characterised by higher levels of tuition fees for foreign students, by government and institutional marketing and support programmes to attract foreign students, and by the inclusion of trade in educational services in the GATS.

The emergence of a substantial international market for educational services has to a large extent been demand-driven, particularly by students from the rapidly developing countries of North and South-East Asia. There are many different factors behind this growing demand, including capacity constraints in the home country, and the opportunities for broader educational experiences, and more widely recognised qualifications, in mainly high-income and English-speaking countries. Increasing demand for international

education has triggered a number of initiatives by various education providers, whether traditional universities, distance-learning institutions, or private education and training companies. Increasingly, providers are joining together in partnerships to meet demand more effectively.

These developments raise a number of questions for OECD governments in their direct or indirect roles in funding, regulating, monitoring and delivering post-secondary education. They imply a more complex environment with a wider range of education and training providers becoming involved, increased connectivity and interdependence among national education systems, and pressure for greater coherence among the national frameworks of post-secondary education. Moves towards greater coherence are already evident in some regions, for example within the European Higher Education Area.

In particular, three issues – access, funding/regulation, and quality – that are already central to national debates about post-secondary education, now need to be confronted in an international context.

Student access. A key question is the extent to which students are benefiting from the increasing international mobility and trade in educational services. Increasing competition between national and foreign providers potentially creates greater opportunities and flexibility for student choice of post-secondary education. In most developing countries, less than 5% of the population currently has access to post-secondary education. The number who wish to enrol is bound to increase substantially in the coming years as the objective of providing nine years of basic education for all is progressively achieved (UNESCO, 2000).

It is highly unlikely that many developing countries will be able to meet all of this demand in the near future. Initiatives in distance-learning programmes linked with educational infrastructure in other countries may be a cost-effective means of meeting some of the demand. Programmes currently underway in China, India and in other developing countries provide examples of how to widen access to post-secondary education through these means. However, very few e-learning initiatives

in higher education have so far been successful, and knowledge about the costs and benefits of these initiatives in developed as well as developing countries is very limited (Tyan, 2002). Yet, e-learning seems bound to grow.

Despite the undoubted contribution of international mobility and transnational provision in opening up more opportunities for students, critics of international competition and trade in post-secondary education emphasise the risks of a growing market-oriented approach to post-secondary education, believing that this would lead to the entry of more for-profit providers and more programmes of questionable quality. Governments have to balance these different points of view.

Funding and regulation. In many countries, post-secondary education institutions need to seek alternative sources of funding as direct government support per student is stable or declining. This funding pressure often means that institutions have to seek new funding sources such as private sector sources of financial support, tuition fees for domestic students, and fee-paying students from abroad. Moreover, new national and/or foreign providers are increasingly meeting the demand for post-secondary education and training. These developments imply that governments need to reflect on their funding and regulatory framework for foreign public and private providers in post-secondary education.

A key choice for governments is whether foreign education providers would be eligible for the same grants, subsidies and tax initiatives as domestic education providers. As noted earlier, even countries that agree to liberalise trade in education through the GATS retain the freedom to determine the conditions under which such market access occurs.

The trends towards greater cross-border provision and consumption of educational services were already well established before the GATS commitments in educational services were initiated in 1995, and much of the trade in educational services takes place outside the GATS framework. Whatever happens in the current round of GATS negotiations, the trends towards greater cross-

border provision and consumption of educational services are bound to continue, stimulated in part by some governments' wishes to diversify and increase the competition within their post-secondary education sector. This, in turn, might encourage more institutional mergers and a concentration of disciplines within institutions in order to create larger and more robust institutions able to attract sufficient numbers of both domestic and international students. Such developments can already be seen in Denmark, Japan and the United Kingdom, for example. Governments can guide such developments by incentive-based funding of mergers and flexible partnerships.

Quality. The quality of internationally traded educational services is a key issue for both enthusiasts and critics of the expansion of these services. A central question is to what extent governments and higher education institutions wish to supplement their national quality assurance initiatives with international ones, and/or to seek other ways of helping students to navigate their way through the new international markets in educational services.

At present, very diverse quality assurance and accreditation mechanisms for higher education are in place in different OECD countries. Almost all current quality assurance models are confined to the educational activities of institutions within national boundaries. These are supplemented by international initiatives such as the UNESCO/Council of Europe Lisbon Convention and the European Bologna process to secure better consumer protection against low-quality programmes and to enhance transparency. The recent Japanese proposal on educational services in the framework of the GATS negotiations raises this issue. However, the trade agreements under the WTO are not mandated to deal directly with international quality assurance issues. The WTO can, however, play a role in increasing the transparency of recognition and licensing arrangements.

It is very unlikely that a comprehensive international quality assurance system could be developed that would substitute for national policies and procedures. Today there are very few mechanisms for international quality assurance in educational

services. Even most student mobility programmes and existing schemes of credit recognition and transfer, such as the ECTS in Europe, do not involve any quality control. However, some international procedures for validation, and sometimes even accreditation, of programmes and institutions, have been established by professional organisations for professions such as engineers and accountants, and within the ICT sector. Fuelled by the increasing mobility of professional labour, the importance of such professional accreditation procedures will continue to grow, and will increase pressure to co-ordinate quality assurance and accreditation across borders.

A more co-ordinated international effort in post-secondary quality assurance and accreditation will, to a large extent, depend on agreement from all the stakeholders – from quality assurance and accreditation agencies, professional associations, public and private providers, and education policy makers. So far, there has not been much exchange of ideas or collaboration between these stakeholders at the international level. The new developments in transnational education and e-learning will, however, challenge existing national quality assurance and accreditation agencies and frameworks, thus increasing the pressure to make new efforts internationally.

References

- ASCHER, B.** (2002), "International dimensions of certification and accreditation: the role of trade agreements", Paper prepared for the Open Forum on ISO/IEC 17024, Accreditation of Personnel Certification Bodies, Washington DC, February.
- BENNEL, P.** and **PEARCE, T.** (1998), "The internationalisation of higher education: exporting education to developing and transitional economics", Institute of Development Studies, Working Paper, Brighton, UK.
- CUNNINGHAM, S., RYAN, Y., STEDMAN, L., TAPSALL, S., BAGDON, S., FLEW, T.,** and **COALDRAKE, P.** (2000), *The Business of Borderless Education*, Australian Department of Education, Training and Youth Affairs, Canberra.
- DENSFORD, L.** (1999), "Many CUs under development", *Corporate University Review*, Vol. 7, No. 1.
- IDP EDUCATION AUSTRALIA** and **AUSTRALIAN EDUCATION INTERNATIONAL** (2002), *Comparative Costs of Higher Education Courses for International Students in Australia, New Zealand, the United Kingdom, Canada and the United States*, Sydney.
- KNIGHT, J.** (2002), "Trade in higher education services: the implications of GATS", *Observatory on Borderless Higher Education*, www.obhe.ac.uk/products/reports/pdf/March2002.pdf.
- LARSEN, K., MARTIN J.** and **MORRIS, R.** (2002), "Trade in educational services: trends and issues", *The World Economy*, Vol. 25, No. 6, Blackwell Publishing, Oxford, UK, and Boston, USA.
- MCBURNIE, G.** and **ZIGURAS, C.** (2001), "The regulation of transnational higher education in Southeast Asia : case studies of Hong Kong, Malaysia and Australia", *Higher Education*, Vol. 42, pp. 85-105.
- MEISTER, J.** (1998), *Corporate Universities: Lessons in Building a World-class Workforce*, McGraw Hill, New York.
- OECD** (various years), *Education at a Glance: OECD Indicators*, Paris.
- OECD** (2001), *E-Learning – The Partnership Challenge*, Paris.
- OECD** (2002a), *Student Mobility Between and Towards OECD Countries – A Comparative Analysis*, Paris.

OECD (2002b), *GATS: The Case for Open Services Markets*, Paris.

OECD (2002c), "Current commitments under the GATS in educational services", Background document prepared for the OECD/US Forum on Trade in Educational Services, May, Washington D.C.

SAUVÉ, P. (2002), "Trade, education and the GATS : what's in, what's out, what's all the fuss about?", Paper prepared for the OECD/US Forum on Trade in Educational Services, May, Washington D.C.

TYAN, Y. (2002), *Emerging Indicators of Success and Failures in Borderless Higher Education*, The Observatory on Borderless Higher Education, February, London.

UNESCO (2000), *The Dakar Framework for Action. Education for All: Meeting Our Collective Commitments*, Paris.

UNESCO (various years), *Statistical Yearbooks*, Paris.

VAN DAMME, D. (2002), "Trends and models in international quality assurance and accreditation in higher education in relation to trade in education services", Paper prepared for the OECD/US Forum on Trade in Educational Services, May, Washington D.C.

WTO (1998), *Education Services*, 23 September 1998 (S/C/W/49), Geneva.

WTO (2000), *A Review of Statistics on Trade Flows in Services*, 30 October 2000 (S/C/27/Add.1), Geneva.

Data for the Figures

CHAPTER 4

Data for Figures 4.1 and 4.4 are shown on the Figures.

Data for Figure 4.2

Increase of foreign tertiary students in OECD countries, 1980-99 (1990 = 100)

	1980		1990		1999	
	Number	Index	Number	Index	Number	Index
Australia	8 777	30	28 993	100	99 014	342
Austria	11 848	64	18 434	100	29 819	162
Canada	28 443	81	35 187	100	35 543	101
France	110 763	79	139 963	100	130 952	94
Germany	57 423	59	97 985	100	178 195	181
Japan	15 211	39	38 794	100	56 552	146
New Zealand	2 464	76	3 229	100	6 900	214
United Kingdom	56 003	70	80 183	100	232 518	290
United States	311 882	77	407 518	100	451 934	111
OECD average	710 474	71	1 004 522	100	1 477 049	147

Source: UNESCO for 1980 and 1990, except for Japan (Ministry of Education); OECD Education database for 1999.

Data for Figure 4.3

Number of foreign students per domestic student abroad in tertiary education by OECD country, 1995 and 1999

	1995			1999		
	Foreign students	Domestic students abroad	Ratio	Foreign students	Domestic students abroad	Ratio
Australia	81 430	4 435	18.36	99 014	5 169	19.15
Austria	25 175	9 686	2.60	29 819	11 354	2.63
Belgium	34 966	6 333	5.52	36 137	9 400	3.84
Canada	54 712	27 300	2.00	35 543	27 181	1.31
Czech Republic	3 224	2 332	1.38	4 583	3 752	1.22
Denmark	8 313	4 444	1.87	12 321	6 283	1.96
Finland	2 566	3 721	0.69	4 847	9 471	0.51
France	165 350	34 846	4.75	130 952	48 235	2.71
Germany	154 536	40 816	3.79	178 195	51 599	3.45
Greece	m	36 638	m	m	57 825	m
Hungary	6 394	4 098	1.56	8 869	6 313	1.40
Iceland	160	m	m	207	2 433	0.09
Ireland	5 177	12 383	0.42	7 183	19 041	0.38
Italy	24 014	29 698	0.81	23 496	39 295	0.60
Japan	53 511	56 685	0.94	56 552	56 250	1.01
Korea	1 983	61 383	0.03	2 869	62 892	0.05
Luxembourg	m	m	m	652	5 411	0.12
Mexico	m	12 080	m	2 293	13 520	0.17
Netherlands	m	11 870	m	13 619	15 251	0.89
New Zealand	5 883	1 331	4.42	6 900	1 650	4.18
Norway	11 158	6 636	1.68	9 004	11 962	0.75
Poland	5 202	9 835	0.53	5 693	15 101	0.38
Portugal	m	8 158	m	m	m	m
Slovak Republic	m	m	m	m	m	m
Spain	21 403	21 087	1.01	32 954	25 687	1.28
Sweden	m	8 456	m	19 567	13 360	1.46
Switzerland	17 517	7 341	2.39	25 258	8 458	2.99
Turkey	14 719	35 142	0.42	19 816	43 847	0.45
United Kingdom	156 977	23 850	6.58	232 588	22 166	10.49
United States	452 705	23 369	19.37	451 934	30 175	14.98

m: missing data.

Note: "Domestic students abroad" reflects only students studying in OECD countries.

Source: OECD Education database.

Data for Figure 4.5

Distribution of international students enrolled in Australian universities by mode of study, 1996 to 2001 (% of international students)

Year (semester 2)	On-campus in Australia	Distance learning while living in home country	Offshore campus or affiliate of Australian university
1996	75.9	5.9	18.3
1997	72.4	6.3	21.3
1998	69.8	6.2	24.0
1999	67.4	5.2	27.4
2000	63.2	8.5	28.3
2001	63.5	9.0	27.6

Source: IDP Education Australia.

