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Higher Education Management and Policy

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JOURNAL OF THE PROGRAMME ON INSTITUTIONAL MANAGEMENT IN HIGHER EDUCATION

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Prof. Michael Shattock
Higher Education Management and Policy
OECD/IMHE
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International Trade in Educational Services: Good or Bad?

Kurt Larsen and Stéphan Vincent-Lancrin
OECD

ABSTRACT

International trade in post-secondary educational services has grown substantially over the past decade. Traditionally it takes the form of international student/teacher mobility but also, and increasingly, foreign investment by educational institutions or e-learning services. These developments in international trade in post-secondary educational services, which have come to the fore with the inclusion of educational services in the World Trade Organisation's negotiations on the General Agreement on Trade in Services, are causing great concern in the teaching and student community. This paper analyses the challenges and opportunities that international trade in educational services represents for higher education systems in industrialised and developing countries, and shows the importance of international quality assurance in education. Breaking with studies that view the international education market as homogeneous, the paper argues that traditional higher education will be less affected by these developments than the lifelong-learning sector, and that trade in such services will expand more in the developing countries than in the industrialised world.

INTRODUCTION

Until recently, it was incongruous to refer to international student mobility as *international trade in educational services*. Today in some OECD countries, there are clearly commercial motives as well as the usual cultural and political rationales behind policies to internationalise higher education. The inclusion of "educational services" in the General Agreement on Trade in Services (GATS) negotiations now under way in the World Trade Organisation (WTO) has raised awareness of the trends and issues relating to international trade in educational services in higher and, more broadly, post-secondary education. Two separate but key policies to

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promote the internationalisation of higher education, one taking a cultural approach and the other a commercial approach, have fuelled the growth in trade in educational services over the past decade. International trade in educational services has accordingly increased substantially in the OECD area, and in some cases taken new forms.

The potential implications of this development of international trade in educational services are raising numerous concerns in the educational community. The recent Washington Forum on Trade in Educational Services, hosted by the OECD and the United States Department of Commerce (23-24 May 2002), showed that the debate on trade in educational services was less about conflicting country positions than about conflicting professional groups, each with their own culture and interests. Within a single country, private-sector providers of technical or vocational training (particularly in new technology), testing companies, quality assurance agencies and the business world viewed the liberalisation of trade in educational services in a fairly favourable light, whereas students, traditional universities and traditional educational circles appeared to be less in favour of such liberalisation, or the very idea of *trade* in education. To some extent, these differences of opinion reflect opposing interests. Universities, for instance, may not be convinced of the benefits of liberalising higher education, yet it would probably increase the turnover of quality assurance agencies and create new opportunities for vocational training providers. But the differences of opinion also stem from a cultural misunderstanding: even when they do adopt business practices, universities – whose identity is usually based on non-commercial values – remain suspicious of trade, whereas private enterprise often finds it hard to view the culture and specificity of university services other than in a commercial light – or as protectionism.

This paper analyses the beneficial and adverse implications that international trade in educational services might have for higher education systems in the industrialised and developing world. It argues that traditional higher education will be less affected by these developments than lifelong learning, and that there will be more growth in this trade in developing countries than in the industrialised world. Although some of the arguments apply to all types of education, this paper is confined to educational services at post-secondary level. The first section looks at recent developments in international trade in education services, identifying the policies and factors that have contributed to it. Analysing the concerns raised by international trade in education services with regard to cost funding, educational quality and economic expansion, Section Two highlights the complexity of the issues involved in the internationalisation and liberalisation of the education sector. However, it does not specifically address the GATS, nor the cultural and pedagogical issues relating to internationalisation. Section Three takes a forward-looking approach to see what impact international trade in educational services

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will have on various types of economy (industrialised, emerging, developing), educational sector (traditional, lifelong learning) and service provision (involving some or no physical mobility). The conclusion summarises the leading insights set out in this paper and looks at some of the policy issues raised by the development of international trade in educational services.

INTERNATIONAL TRADE IN EDUCATIONAL SERVICES AT POST-SECONDARY LEVEL

International exchanges in educational services: commerce and cultural exchanges

While international exchanges in the field of education have long been promoted on cultural, political and economic grounds, countries such as Australia, the United Kingdom and the United States are increasingly viewing them as trade. What is international trade in educational services? Under the GATS classification, it covers any international trade in the field of education, divided into four "modes of delivery": cross-border supply of educational services (on line learning, distance education, videoconferencing, etc.) (Mode 1); consumption abroad (international student mobility) (Mode 2); foreign investment by educational institutions (Mode 3); movement of natural persons (international teacher mobility) (Mode 4) (see next article, Table 2, p. 53).

Today student and teacher mobility is the leading form of international trade in educational services. It has always been supported by OECD countries on cultural, economic and political grounds. Every OECD country finances these movements to some extent via university bursary schemes, bilateral or multilateral agreements and, increasingly, ambitious regional policies to promote mobility. The European Union, for instance, used its Erasmus programme to fund over a million student exchanges within the EU between 1987 and 2002. For the sake of convenience, these programmes can be said to take *a cultural approach* to international trade in higher education.

With the end of the cold war, problems encountered in the funding of higher education as a result of its massification, and the growing number of international students, some countries have opted for *a commercial approach* to the internationalisation of higher education. Although the extent to which higher education is subsidised varies considerably across countries, domestic or home students pay over 30% of the real cost of their education in only three of the OECD countries for which data are available (Figure 1). Higher education is therefore heavily subsidised in the OECD area. The main feature of the commercial approach is to offer educational services to international students at unsubsidised rates covering at least the cost of their education (Table 1). As with any other market service, the

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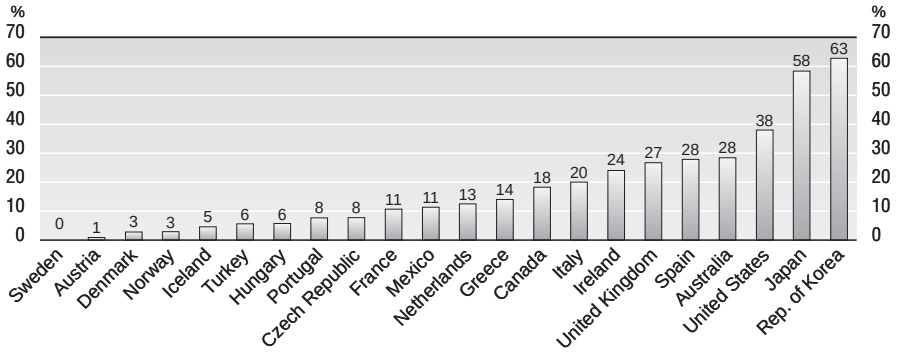
Figure 1. **Percentage of direct expenditure for tertiary educational institutions coming from students' households, 1998**



Note: The indicator expresses direct expenditures for tertiary educational institutions coming privately from households as a percentage of direct expenditures from all sources for tertiary educational institutions.
Source: OECD Education Database.

Table 1. **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, Netherlands,* Slovak Republic, Switzerland,* United Kingdom,* United States
Same tuition fees for international and domestic students	France, Greece, Hungary, Iceland, Italy, Japan, Korea, 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.

second feature of this commercial approach to the internationalisation of higher education is the drive to attract a large number of international students or corner a large share of the market. On that basis, the United States, the United Kingdom, Australia, Canada and New Zealand can be said to have adopted a commercial approach to the internationalisation of higher education. They have all set up international agencies to promote their higher education systems abroad, and authorise their universities to provide education services at other than subsidised rates. Australia and New Zealand have rules that actually prevent universities from

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providing subsidised educational services to international students. These countries differ from those which seek to attract international students by subsidising their education (*e.g.* Germany and France) and those which do not subsidise very much (if at all) but do not make a special effort to recruit international students either (*e.g.* Korea). Other countries such as Belgium restrict subsidised access to their universities by imposing a quota on subsidised international students – which is in fact seldom attained.

The distinction between the commercial and the cultural approach is criticised by both advocates and opponents of trade in education, and yet it does prove useful. On the one hand, refusing to redistribute taxation to non-taxpayers may be construed simply as fiscal equity or a domestic policy requirement rather than trade. On the other hand, because the export value of educational services in a country's balance of payments is not confined to just tuition fees but extends to all the living and travel costs of international students in the host country, the cultural approach actually does have commercial implications. Although the export value of educational services is lower in countries that subsidise international students than in countries that do not, it will be positive in both cases – and so both approaches make a positive contribution to the balance of payments. This, however, should not mask the fact that the two approaches bring into play some entirely different financial incentives and situations where universities and international students are concerned. Distinguishing between the commercial and the cultural approach also helps to grasp how countries stand in relation to policy issues or the GATS negotiations on educational services. For instance, the lack of statistical data on exports and imports of commercial services for most of the countries taking a "cultural approach" to internationalisation merely reflects the fact that they do not treat student mobility as commercial services.

But two misunderstandings need to be clarified. Cultural and commercial approaches to the internationalisation of tertiary education are not mutually exclusive, nor do they necessarily conflict. First, any country that authorises or compels its universities to market their educational services to international students at cost price also has public and private funding programmes for the more gifted and/or less wealthy international students. Second, just as international student mobility corresponds to exports and imports of educational services in countries with a cultural approach to internationalisation, international trade in educational services is bound to have a cultural impact in countries taking a more commercial approach. A cultural approach promotes international student mobility for the intellectual and cultural enrichment it affords the country's universities, the stimulus it gives to academic programmes, and the way it brings together the political and economic *élites* of the host and sending countries. Largely unrelated to the issue of how international students finance their education, the anticipated and likely effects will be just the same whether the approach to internationalisa-

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tion is commercial or cultural. Consequently, although their motives and implications are different, the cultural and the commercial approaches are by no means conflicting or exclusive. In fact part of the problems and challenges they face are identical, including quality assurance and the international recognition of qualifications.

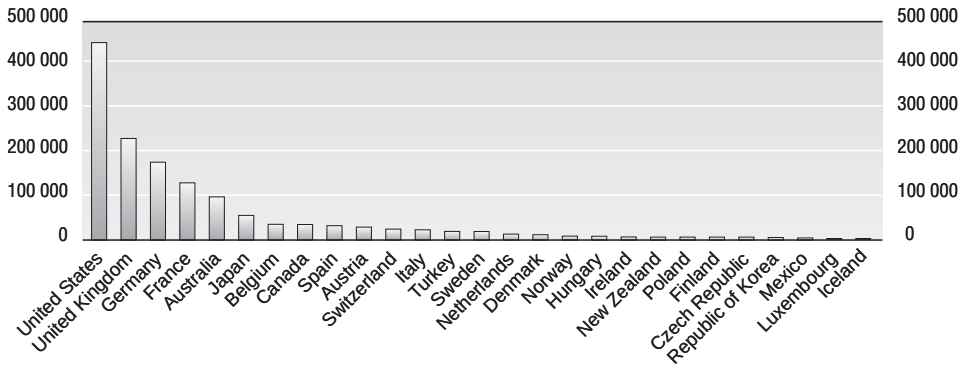
Development of international trade in educational services

Three signs reflect the growing importance of international trade in post-secondary educational services:[1] the significant rise in international student mobility, the development of new forms of educational service provision and the emergence of new players in the education sector.

International student mobility

International student mobility to OECD countries has doubled over the past 20 years. Between 1995 and 1999, the number of foreign students rose almost twice as fast as the total number of tertiary-level students in OECD countries (9% for the former as against 5% for the latter). Most international trade in higher

Figure 2. **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 that country 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.

Source: OECD Education Database.

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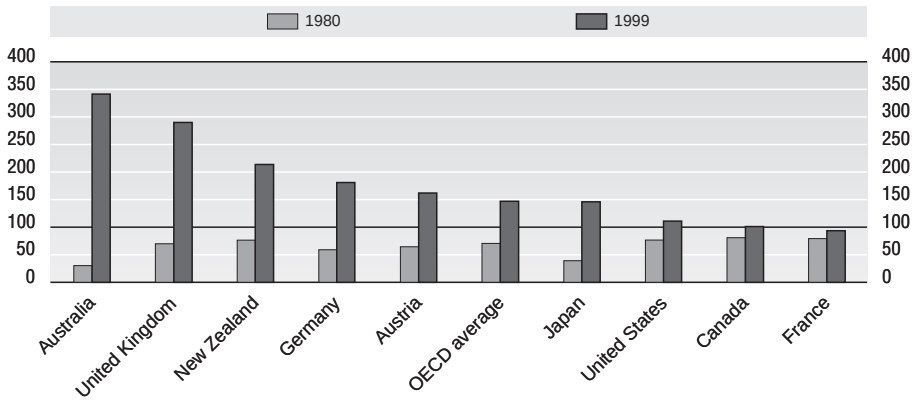
education services took place within the OECD area, which received 85% of the world's foreign students. Six countries – the United States, the United Kingdom, Germany, France, Australia and Japan – account for over three-quarters of all the foreign students recruited to the OECD area. Among them, Australia stands out: the number of foreign students there has tripled since 1990 and multiplied more than thirteen-fold since 1980. The number of foreign students is on the decline in France, however, which moved down from second to fourth place between 1990 and 1999, and has remained relatively stable in Canada and the United States (Figures 2 and 3). But the four leading English-speaking countries alone account for 54% of all foreign students in the OECD area (Table 2). The majority of higher-education service exports are thus from countries with a commercial approach to internationalisation.

Over half of the 1.5 million foreign students studying in the OECD area come from non-member countries. With 45% of all international tertiary-level students in the OECD area, Asia heads the list of regions importing higher education services, followed by Europe (34%), Africa (11%), North America (7%), South America (3%)

Figure 3. **Increase of foreign tertiary students in OECD countries 1980-1999 (1990 = 100)**



Note: "Foreign students" are defined in the note to Figure 2. 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/isced.html* for details.

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

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Table 2. **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.

and Oceania (1%). China, accounting with Hong Kong for 9% of all international students in the OECD area, has the highest demand in the world, followed by Korea (5%) and Japan (4%). India (3%), Turkey (3%), Malaysia (2%) and the South-East Asian countries (5%) also account for a substantial share of the market. In Europe, Greece, Germany, France and Italy head the list with regard to demand for international education services (Table 3). In Europe and (to a lesser extent) America, international student mobility remains largely intra-continental. Conversely, while student mobility is increasingly "regional" in the Pacific area (Table 4), almost half of all Asian students opt to study in America. Nearly three-quarters of these students choose Anglo-Saxon countries where, again, institutions take a more commercial approach to the internationalisation of higher education (Table 2). Educational service provision by Anglo-Saxon universities to Asian students thus accounts for much of the business income from student mobility.

The international market for student mobility alone amounted to USD 30 billion in exports in 1998, or 3% of global service exports (Larsen, Martin and Morris, 2002). Yet the world market for post-secondary education is not confined to Mode 2 trade in tertiary education and the figure would be far higher if data were available for all forms of lifelong learning and education service provision. In Australia and New Zealand, educational services rank respectively third and fourth in terms of service exports, and fourteenth and fifteenth in terms of exports as a whole. Hence the importance of this trade today in their economies. The United States is the leading exporter of educational services, and also the leading importer among countries for which data are available in this field (Tables 5 and 6).

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Table 3. **Number of tertiary foreign students in OECD countries from the 30 top sending countries (1999)**

		Number of students sent to OECD countries	Share of tertiary students abroad within the OECD area (%)
1	China	98 813	7
2	Korea	69 840	5
3	Japan	63 340	4
4	Greece	57 825	4
5	Germany	52 239	4
6	France	48 764	3
7	India	48 515	3
8	Turkey	44 009	3
9	Malaysia	40 873	3
10	Italy	39 487	3
11	Morocco	36 504	3
12	Hong Kong, China	32 476	2
13	USA	32 122	2
14	Indonesia	30 741	2
15	Canada	27 181	2
16	Spain	25 809	2
17	Singapore	24 504	2
18	United Kingdom	23 136	2
19	Thailand	21 337	1
20	Ireland	19 100	1
21	Russia	18 574	1
22	Algeria	16 490	1
23	Netherlands	15 351	1
24	Poland	15 341	1
25	Brazil	14 475	1
26	Sweden	14 036	1
27	Mexico	13 585	1
28	Norway	12 806	1
29	Austria	11 437	1
30	Pakistan	10 229	1

Source: OECD Education database.

Figure 4 compares the number of foreign students in a particular country with the number of that country's students abroad. The indicator shows that Australia, the United States, the United Kingdom and New Zealand "import" far more students than they "export".[2] But it cannot give us a "balance of payments" for educational services, because foreign students may be residents of the host country rather than mobile, because international student expenditure is not identical in every OECD country, and because this mobility is partly funded by the host country. However, it does give an idea of the relative ranking of the different OECD countries if these were private financial flows. In relation to their size, Australia, the United States, the United Kingdom and New Zealand would be the world's largest net exporters of educational services.

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Table 4. **Distribution of foreign students enrolled in OECD countries by region, 1995 and 1999 (%)**

Origin of students	1995				1999			
	OECD countries in				OECD countries in			
	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.

New forms of supply in post-secondary education

Far from being confined to student mobility, for which the most data are available, the growing importance of international trade in educational services is also reflected in the development of new forms of cross-border supply and the emergence of new players in the post-secondary market.

Private universities and educational service providers have developed two new modes of supply for international students in recent years, namely distance education and offshore campuses. Both are a way of avoiding the high cost of student mobility.

Distance education has been available for a long time in OECD countries in the form of correspondence courses. But the development of new information and communication technologies (including Internet, satellite, videoconferencing, video-cassettes and CD-ROM) has changed the nature of distance learning – now often e-learning – and broadened the market for it. In addition to the programmes offered by virtual universities, many conventional universities are now delivering their courses virtually. From a very low starting-point, this market has experienced the ups and downs of the e-economy. After very sharp growth in supply and a host of initiatives, few e-learning start-ups have proved to be profitable. Nevertheless, the market has great potential for the cross-border supply of educational services, as the example of Australia shows. While distance education there still accounts for only 6% of international student enrolment in higher education, it has been growing steadily since 1996. The development of the market and new virtual

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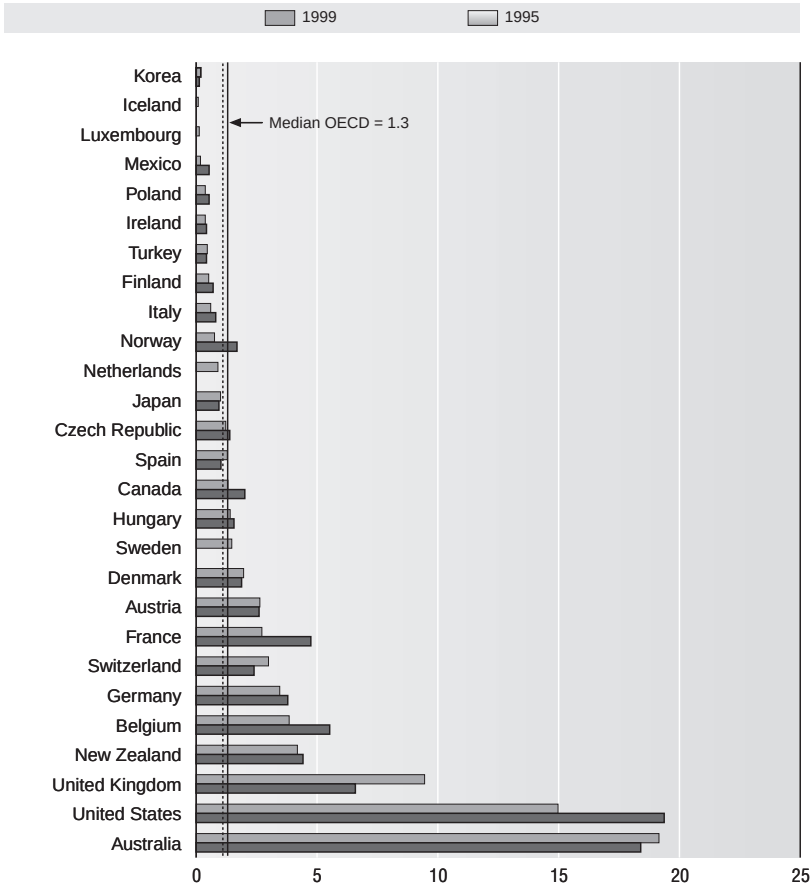
Figure 4. **Number of foreign students per domestic student abroad in tertiary education by OECD country, 1995 and 1999**



Note: In 1999, Australia was receiving 19 international students per Australian student abroad. 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 2.9.
Source: OECD Education Database.

learning techniques relies heavily on traditional face-to-face teaching, increasingly supplemented with various forms of e-learning.

Offshore education is also a growing market for international students, where the main providers are British and Australian educational institutions. These are opening subsidiaries abroad or offering their educational programmes and qualifications via

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Table 5. **Export earnings from foreign students and as a percentage of total export earnings from services, 1989, 1997 and 2000**

	1989		1997		2000	
	USD million	% of total service exports	USD million	% of total service exports	USD 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

Notes: The USD 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.

Sources: 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.

Table 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	
	USD million	% of total service imports	USD million	% total service imports	USD million	% 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	1 396	0.9	2 150	1.0
Greece	..	..	..	..	211	1.9
Italy	..	..	..	..	849	1.5

Notes and Sources: See Table 5.

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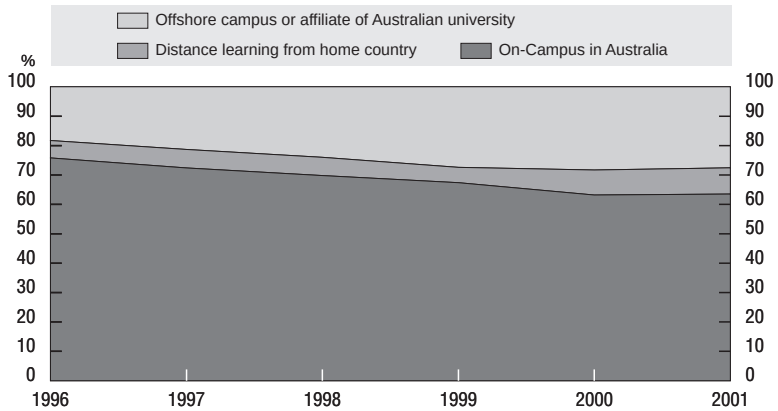
Figure 5. **Distribution of international students in Australian universities by mode of study, 1996 to 2001**



Source: IDP Education Australia.

partnerships with host-country institutions. In Australia, international student recruitment to offshore campuses doubled between 1996 and 2001 and now accounts for 29% of all international student enrolment in the Australian tertiary education system (Figure 5) – and over half of all international students from Hong Kong and Singapore enrolled in Australian institutions. British institutions also developed this form of international education in the 1990s. By 1996, post-secondary institutions in the UK had enrolled some 140 000 students in their subsidiaries abroad, compared with 200 000 international students on British soil that year (Bennell and Pearce, 1998). In Hong Kong, over half of the 575 foreign degrees offered there by private universities, distance learning programmes or partnerships with local universities involved British universities. While United Kingdom and Australian institutions currently dominate the market, Canadian, South African, American and Chinese institutions are also making efforts to expand (McBurnie and Ziguras, 2001). American institutions provide educational services in at least 115 countries across the world.

New players in post-secondary education

These changes in the way educational services are delivered have altered the face of educational service provision. Besides the traditional universities, new providers are emerging (or at least playing a greater role) including vocational training institutions, private for-profit institutions and distance-learning institutions.

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Traditionally, corporate training institutions provided vocational training for the staff of the multinational companies of which they were often subsidiaries. The McDonald and Motorola universities are two examples. More and more of these corporate training institutions have appeared in recent years, broadening their curriculum to provide a wider clientele with courses that are becoming less corporate specific. In the United States, the number quadrupled between 1988 and 1998, with 42% offering courses that could have led to a diploma in accredited institutions (Densford, 1999). One-quarter of these corporate training institutions are said to attract customers from outside the parent company (Meister, 1998; Cunningham *et al.*, 2000).

Across the world, Microsoft's 1 700 Certified Technical Education Centres show how firms are moving into the vocational education market. These private centres operate as Microsoft franchises, with a training programme drawn up by Microsoft and taught by Microsoft-accredited staff. Internationally recognised by employers, these computer training programmes attract a large number of students (Adelmann, 2000).

Even in the general education sector, private for-profit institutions are becoming increasingly active and gaining ground on the international market for educational services. The US company Sylvan Learning Systems, for instance, has recently acquired private universities and business schools in Mexico, Spain, Chile, France and Switzerland. Another American for-profit university that is listed on the stock exchange, the University of Phoenix (Apollo Group), has subsidiaries in Canada and Puerto Rico.

And then traditional universities and private education institutions have launched virtual education programmes using new information and communications technologies (ICTs). While most of the programmes combine this virtual form of education with more traditional teaching methods, universities such as the National Technology University (recently acquired by Sylvan Learning Systems) or the University of Phoenix offer academic degree courses taught entirely by virtual technology. By making the geographical location of teachers and students irrelevant, these technologies are particularly well suited to international trade in educational services.

A more detailed description of all these developments can be found in OECD (2002a), as well as in Cunningham *et al.* (2000), Tremblay (2002), Larsen, Martin and Morris (2002) and the publications and information available on the Internet site of the Observatory on Borderless Higher Education.[3] Information on the GATS can be found in OECD (2002c).

Factors contributing to the internationalisation of education

Numerous factors have contributed to the recent expansion of international trade in educational services, on both the supply and demand sides.

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By and large, the expansion of international trade in educational services stems from a favourable technological and economic climate marked by the development of new ICTs, the popularity of the e-economy and the developing knowledge economy, globalisation and falling transport and communications costs. This general climate has increased the demand for and supply of international educational services, and facilitated the entry of a growing number of private firms onto the global education market, a business trend that owes nothing to government policy.

The internationalisation of higher education has also done much to develop student mobility and prompt public universities to enter the global market for post-secondary education services. Policy agendas that take a cultural approach to student and teacher mobility have undeniably fostered growth in student mobility, the most ambitious example being the Socrates programme in the European Union. Funding almost 40% of student exchanges, this programme has definitely contributed to the rise in intra-European mobility. However, it is the countries with a commercial approach to the internationalisation of higher education that have recorded the highest growth in international student enrolment. One reason is that, in this approach, the substantial income derived from international students' tuition fees gives educational institutions a strong incentive to recruit them and provide the appropriate educational services and facilities. This kind of recruitment drive is not confined to marketing strategies but also involves the gradual tailoring of provision to the needs or demands of international students. There is no possible comparison between these incentives and those available to educational institutions in countries with a strictly cultural approach to the internationalisation of education, where funding is based on the number of students enrolled but the incentives to recruit are not specifically targeted at international students and are far less powerful.

One reason for the high growth in international student enrolment in Australia and New Zealand in the 1990s was perhaps an institutional environment conducive to the commercial approach. The number of international students in the United Kingdom has grown under the combined effects of both approaches: EU mobility policy has swelled the flow of EU students towards the United Kingdom, but at the same time UK institutions have responded to incentives to recruit non-European international students. Of the countries that take a commercial approach, the United States recorded what may appear to be relatively low growth in international student enrolment in the 1990s. But as market leader with a large number of foreign students already, the United States automatically has less growth potential than countries with lower foreign enrolment. Nevertheless, American educational institutions are used to recruiting international students without much effort, and may be showing the inertia or "complacency" typical of longtime market leaders (Porter, 1985). But competition from Australia

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and the United Kingdom, both English-speaking countries with a strong presence in the Asian market, is now prompting them to do more to attract students from abroad.

The commercial approach to internationalisation has also enabled public institutions to invest abroad in educational service provision in Modes 1 and 3. This approach blurs the boundary between public and private. Often "public" when operating in their own country and recruiting domestic students, the same universities become private when operating abroad or recruiting unsubsidised international students on a commercial basis. Public universities in the United Kingdom or Australia can invest abroad because they have some financial independence *vis-à-vis* their supervisory authority and can employ international investment strategies using private funds (obtained for instance from international student tuition fees or the sale of unsubsidised education services to firms or mature students). This grey area may give rise to a problem of financial accountability: public funds might be diverted from their original use to support a university's private international activities, particularly if they are making a loss.

However, demand for international educational services depends on a whole range of cultural and economic factors, which can in no way be confined to the cost of education. The choice of host institution by foreign students (and their families) is the outcome of a trade-off between the monetary and non-monetary costs of studying abroad and the monetary and non-monetary benefits that students (and their families) expect to gain. The following are some of the most important factors in any decision to study abroad:

- Host-country language and teaching language: as English is now the main international language, Anglo-Saxon countries have a competitive advantage which some universities in other countries try to counter by offering courses in English.
- Cultural/geographical proximity and historical/economic ties between host and sending countries: these explain the heavy flows of students between Scandinavian countries, for instance, between Commonwealth countries and the United Kingdom, and between French-speaking Africa and France.
- Perceived quality of life in the host country: as with any kind of travel, the host city's activities, climate, tourist and cultural attractions, in short the perceived quality of life there, will be a decisive factor.
- Networks of present and former students in the host country: when relatively little information is available on institutions abroad, recommendations by other students play an important role, as does the prospect of being able to join one's own national student community abroad.

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- The accessibility and range of post-secondary studies in the country of origin: limited access to universities and quotas on specific courses may prompt students to continue their education abroad.
- The reputation and perceived quality of educational institutions and the education system in the host country compared with the country of origin: a host country with a perceived advantage in this area is an incentive for mobility.
- The cost of studying abroad (tuition fees, cost of living, inclusive of financial support) compared with studying at home: the smaller the cost differential between studying abroad and studying at home, the more mobile students will be.
- Recognition of skills and qualifications at home and abroad: recognition avoids duplication and means that the student's education is valued in the host country and elsewhere.
- Access to foreign-student facilities and social cover in the host country (*e.g.* health insurance, university accommodation, appropriate language training).
- Host country policies on student immigration (or visas): opportunities for students to work while studying, or remain in the country following graduation, may be decisive.
- Opportunities on the labour market in the host country and the country of origin: a host country will be more attractive if students can work there after graduating or if the qualifications it awards are valued in the labour market when they return home.

To our knowledge, there have been no detailed studies to assess the importance of each factor in international student choices. Tuition fees play a significant but not exclusive role. Usually accustomed to paying (relatively) high tuition fees in their own countries, Asian students might not consider Anglo-Saxon university fees as a barrier to mobility. Studying abroad does not necessarily cost them much more than studying at home. EU students, on the other hand, are heavily subsidised and so far fewer go to study in Anglo-Saxon countries where fees are higher than at home: the great majority of those wishing to study in an English-speaking host country choose the United Kingdom, where universities cannot legally charge them higher fees than those paid by British students. Minimal tuition fees, however, do not govern student mobility flows: international students do not descend on countries where tuition fees are low or non-existent, *e.g.* Scandinavia. Student preferences and decisions with regard to international education services, particularly in Mode 2, are the outcome of a complex trade-off between a host of monetary and non-monetary factors.

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CHALLENGES AND BENEFITS OF INTERNATIONAL TRADE IN EDUCATIONAL SERVICES

The Joint Declaration on Higher Education and the GATS[4] (2001) and the Porto Alegre Declaration[5] (2002) are good examples of the reservations in traditional higher education circles with regard to the GATS and the liberalisation of higher education. Signed by Iberian and Latin American associations and public universities, the Porto Alegre Declaration is radically opposed to international trade in educational services. The signatories maintain that promoting international trade would lead to deregulation in the education sector with the removal of all legal, political and fiscal quality controls, that national governments would abandon their social responsibilities, and that other outcomes would include an increase in social inequalities, the diffusion of ethical and cultural values, a standardisation of education and a negative impact on the sovereignty of the people. Meanwhile the Joint Declaration on Higher Education and the GATS, signed by four associations representing 5 500 American, Canadian and European institutions, takes a more ambivalent stance: rather than coming out against international trade in educational services, practised by many of the institutions represented, the signatories call for a freeze on WTO trade negotiations on educational services in the name of caution. In their view, as international trade has been developing without significant problems outside a trade policy regime, there is no need for trade negotiations, particularly since they might significantly jeopardise the quality, accessibility and equity of higher education and restrict the right of national authorities to regulate and publicly subsidise their higher education systems. Attached to higher education as a public service, student representatives from OECD countries see trade and market competition in the education sector as a threat to public funding and intellectual freedom in higher education.

Reflecting a distrust of the business world, these misgivings stem from uncertainty about the repercussions that trade and direct competition among educational service providers will have on national higher education systems. What effects might keener competition among universities have on the funding, cost, quality, diversity and stability of higher education? In attempting to answer these questions, this section shows that the potential implications of international trade in educational services are often ambivalent.

Public funding of education

The claim that a commercial approach to higher education will automatically put an end to public funding is unfounded. Some believe that a commercial approach at international level might spread to domestic trade. In their view, liberalising international trade in educational services under the GATS might force governments to stop subsidising their own higher education institutions or students

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so as not to have to finance every foreign student and every foreign higher education institution. In fact, each country is free to decide nationally to what extent it will publicly finance higher education for its own citizens. This prerogative cannot be called into question by the development of trade in educational services, nor by GATS negotiations on liberalisation.

Under the GATS, there is nothing to compel member countries to finance foreign institutions trading internationally in Mode 3 (foreign presence abroad), merely because they finance their own institutions. Nor are national governments compelled to subsidise foreign students participating in Mode 2 international trade (consumption abroad) because they subsidise their own students.

The first reason for public services to be excluded from the GATS is somewhat ambiguous. Article I.3(b) stipulates that the Agreement does not include "services supplied in the exercise of governmental authority" which are defined as "any service which is supplied neither on a commercial basis, nor in competition with one or more service suppliers" (WTO, 1994). Public services accordingly have special status under the GATS, meaning that governments can grant their own public educational institutions and citizens favourable treatment if they so wish. However, those opposed to the inclusion of educational services in the GATS negotiations rightly draw attention to the ambiguous definition of public services in the GATS guidelines. Public-sector higher education does provide some services on a commercial basis and competes with institutions that provide their services commercially. Consequently this does not appear to correspond to the GATS definition of a public service. In the absence of a political consensus to clarify this definition, which has been left intentionally vague, it is hard to defend a specific interpretation with any credibility. In June 2002 Mike Moore, former Director-General of the WTO and Alejandro Jara, Chairman of the WTO Council for Trade in Services, stated that educational services were included under the heading of public services, according to the tacit understanding of the definition used by negotiators.[6] This was a strong signal, but did not rule out a change of interpretation in the future.

The second reason why the GATS does not jeopardise the public funding of higher education is more fundamental: countries are free to lay down as many restrictions as they wish with regard to the liberalisation of a service sector. So nothing can compel a country to finance domestic and international students and institutions in a non-discriminatory way if it does not wish and is not committed to do so (Sauvé, 2002; Knight, 2002). In fact by August 2002 all of the OECD countries that had put forward GATS negotiating proposals for educational services had explicitly excluded any calling in question of public subsidies or their extension to international institutions or students.

While international trade may be seen as a driving force behind the liberalisation of higher education, full liberalisation of the sector is just one of a series of

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possible scenarios, simply because it requires a government decision at national level. In countries where educational institutions already carry out substantial trade in this field, such as Australia, New Zealand or the United Kingdom, much of the formal higher education system is still public. Institutions have gained more autonomy *vis-à-vis* their supervisory bodies and competition is probably keener than elsewhere, but this is hardly full-blown liberalisation.

Furthermore, the liberalisation of higher education would not inevitably mean abandoning the public funding of educational services. There is no automatic link between student funding arrangements and university management and ownership patterns. Market competition among educational institutions is not incompatible with the public funding of education. Some regulatory systems in the university sector are actually based on quasi-market mechanisms, for instance when funding for autonomous public universities are based on student enrolment, or when students receive direct payments to spend on private or public post-secondary educational institutions. This decoupling of public funding and market regulation is common in other areas of public service. One is the healthcare sector in various OECD countries, where doctors compete to provide healthcare that is ultimately paid for largely by the State.

International trade, competition and the cost of higher education

International trade in educational services may have a significant impact on the public (and private) cost of higher education. This may stem from keener competition in the sector, but also from economies of scale and scope regardless of such competition.

The competition rationale is a familiar one. Attracted by new sources of profit, new private providers of post-secondary education services are expected to enter the market for educational services and step up competition. In theory, keener competition should bring down costs as resource use becomes more efficient and less successful institutions leave the market. It should also bring down the cost of post-secondary educational services for those who fund them, including governments and students.

Currently, international trade in educational services in Modes 1 and 3 are probably increasing competition on educational service markets in developing countries, particularly in northern Asia, south-east Asia and Latin America. Even if demand outstrips domestic supply there, competition from foreign institutions also affects the country's own educational institutions. This may push down costs for international students and their families, and for any bodies providing them with financial support. OECD countries do import Mode 3 educational services too, but to a very limited extent in formal education. Although there are no detailed studies and statistical data on the subject, these imports are presumably

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far more developed in the corporate training, adult education and language school sectors, which more rarely receive public funding.

International trade usually steps up competition between the national educational institutions that recruit international students, particularly in countries with a commercial approach to internationalisation. In most OECD countries, university budgets are based on student enrolment. Universities accordingly have the incentive to attract international students. With a cultural approach to the internationalisation of higher education, however, these incentives are much weaker. A commercial approach enables universities to charge international students higher tuition fees than the marginal cost of their education. More importantly, incentives are stronger when the approach is commercial because universities are often more autonomous and generally have full control over their international income (whereas in the cultural approach, usually adopted in a more centralised system, the income – or cost-reduction – generated by universities attracting large numbers of international students presumably benefits the less active universities). While making educational institutions financially more independent (and thus more independent *vis-à-vis* their public supervisory bodies), this commercial income may enable national universities to provide their students and staff with better library and technological facilities, and in many cases to pay their staff more and improve recruitment – all of which are comparative advantages in the international marketplace but also benefit domestic students. In the United Kingdom, the international activities of higher education institutions accounted for 8% of their income in 1995/96 (McNicoll, *et al.*, 1997). These additional resources often compensate for a levelling-off or decrease in per capita funding for higher education.

The impact of international trade in educational services on the cost and efficiency of educational institutions is not a question of competitive mechanisms alone but also of returns to scale and scope. Such trade may for instance have major benefits for higher education systems even when international students are subsidised by the host country. As OECD countries generally have large-scale higher education facilities and therefore high fixed costs, recruiting international students can bring down the average cost of educational service provision. It may give institutions the critical mass they require to maintain, or even extend, a wide range of courses at a reasonable cost. With the ageing population in the OECD area, and the prospect of a decline in the size of younger age cohorts (and hence secondary school-leavers),[7] this might become a major engine for growth in the recruitment of international students in OECD countries. Even if they do receive public subsidies, foreign students may thus have a considerable impact on the cost and dynamism of the higher education sector in OECD countries.

If educational services are valued in their own right (rather than the language skills and cultural experience associated with mobility), Mode 3 international trade may cut the cost of access to international educational services: it is often less expen-

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sive for families (and possibly their governments) if students are educated by foreign universities at home rather than abroad. In balance-of-payment terms, this type of delivery also means lower imports than with student mobility. On the other hand, there is very little reliable information on the advantage of Mode 1 in terms of costs.

International trade, competition and quality of educational services

According to the competitive rationale, trade in educational services and the liberalisation of the education sector will presumably lead to an improvement in the quality of educational provision. Since service quality is certainly a comparative advantage for educational institutions, they will have to provide quality services if they are to remain profitable. Again, the financial resources generated by international trade will give universities the means (and motivation) for enhancing the quality of their facilities, libraries, recruitment, and student management – and subsequently the means and motivation for enhancing the quality of their educational services.

Yet many fear that by placing more emphasis on market forces in higher education, international trade and the liberalisation of educational services lead to standardisation or a decline in the quality of educational services and academic research: this is one of the strongest arguments put forward by the opponents of liberalisation in the education sector.

Why may market competition adversely affect the quality of educational services? Because asymmetrical information between provider and consumer may lead to adverse selection and because teaching staff naturally have more information than students on the quality of their teaching. The competitive rationale mentioned above assumes that information is perfect. As Akerlof (1970) has shown, if providers are better informed than consumers about product quality, there will not be proper market equilibrium; all high-quality goods and services will be crowded out, leaving only poor-quality goods to be traded. To overcome this problem of adverse selection, educational institutions can introduce techniques to indicate the quality of their services (*e.g.* guaranteeing outcomes, and publishing examination results or details of salaries/posts obtained by former students). But the main solution is to bring in a third party with consumer credibility to certify the quality of their services.

This problem of quality, while very broad in scope, is more acute in international than in national trade in educational services. At the national (or federal) level, there are several types of quality assurance model for educational institutions, and many have been in place for a long time. Regional or national public authorities and/or independent quality assurance bodies provide credible guarantees regarding the quality of the educational services that institutions provide. Furthermore, students have better access to reliable information on educational

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institutions at national than at international level. There is a far greater likelihood of paying a high price for poor quality education at international level. What can be done to ensure that international students receive good quality educational services? What can be done to ensure that educational institutions are not (or do not act like) degree mills[8] on the international education market? Various international models for accreditation and quality assurance attempt to answer these higher education issues (Van Damme, 2002; Van der Wende, 1999; OECD, 1999). However, the prospects for convergence or even compatibility between these models are still as remote as they are uncertain.

The problem of quality-related information takes a variety of forms depending on the type of trade. In Mode 2, the question of quality assurance is partly resolved by national accreditation systems when international students opt for traditional, nationally accredited institutions. The real problems tend to lie more in the often ill-informed choice of foreign universities by international students, when there is no recognition of international qualifications (upon arrival in the host country or on their return home). Trade in Modes 1 and 3 carries greater risks in terms of quality, because it is new and less stable. Offshore campuses may deliver poorer quality educational services than their parent institutions. To prevent a decline in the quality of education provision abroad (and at the same time support the international activities of their own institutions), the British, Australian and New Zealand governments have each set up a quality assurance system for the international activities of their universities. Most universities use this system, although it is voluntary. Conversely, the Malaysian, Australian and Hong Kong governments inspect foreign educational institutions operating on their soil (McBurnie and Ziguras, 2001). The case of distance education is more problematic, in particular when it involves institutions that operate solely on a virtual basis: first because quality assurance and accreditation systems are harder to adapt to this form of teaching; second, because fraud is easier, since virtual organisations can more readily than others escape the control of public authorities. This explains, perhaps, why the larger-scale virtual programmes are now run by real rather than virtual institutions or firms such as the University of Phoenix (Apollo Group) or the National Technology University (Sylvan Learning), and renowned distance-education institutions (*e.g.* UNED, the Spanish distance-learning university).

Often portrayed as a consumer protection issue, the quality of education services may also pose economic or social problems. Managers or accountants who have been poorly trained by international institutions may do some damage in the countries where they work. Poor information on the quality of international courses (and a lack of consensus on what is meant by quality) makes their recognition abroad difficult. Problems involving the international recognition of educational service quality certainly hamper international trade in educational services, and not without reason.

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International trade, competition and academic freedom

Another concern is that the development of international trade in educational services and competition in higher education might jeopardise academic freedom. In a competitive market, firms must adapt to their clients' wishes if they want to remain in the marketplace and not be crowded out by other firms. The work by Alchian and Demsetz (1972) on various systems of organisation ownership suggests that not-for-profit organisations are efficient when they try to maintain some independence from the market, or at least adjust slowly to market trends. If universities have traditionally been not-for-profit organisations, even when operating privately, it is precisely so that they can defend values and intellectual positions that are independent of market demand. This ideal, embodied in olden days by historic universities like Humboldt or the Sorbonne, is a fundamental feature of the academic culture.

Under pressure from the market, private for-profit institutions specialising in higher education might have to teach or give credit to false theories merely on the grounds that such instruction is in demand (because it is more in line with certain religious beliefs, for example). The quality assurance issue would then become even more critical. An economy drive might also lead to course standardisation, undermining academic freedom (and to the recruitment of less qualified teaching staff).

Market pressure may also affect research. Some institutions might purely and simply drop research on the grounds of profitability, or restrict it to non innovative work with less risk of failure. In fact, private for-profit universities are focusing more on teaching than research (Ruch, 2001).

Nevertheless academic freedom, far from being an aim in itself, has its limits: often funded publicly for its economic and social externalities, higher education also has a mission to meet demand from students and governments and offer educational services tailored to the labour market. Academic freedom is not necessarily incompatible with adjustment to the labour market. Over the past decades, in fact, trends in social demand and wider access to higher education have prompted some such adjustment in higher education systems. It has been even more marked in vocational education with the development of lifelong learning, and in private education where for-profit universities restrict their educational service provision to the subject areas most in demand on the labour market (Ruch, 2001). While those who would like to see universities tailor their courses more to the labour market approve of a further injection of market regulation into the system, liberalisation may conceivably lead to another acceptable compromise between academic freedom and adjustment to the market.

Market regulation of higher education, however, may also jeopardise the diversity of educational service provision, the preservation of knowledge and the

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continuity of teaching and research in subject areas that are not highly valued on the labour market, such as most of the human sciences. Up to a point, these facets of a university mandate warrant the mainly public provision of educational services, since this mode of delivery ensures the survival of educational services in disciplines with less "commercial value". In a market-regulated post-secondary environment, public universities could offset market failure by specialising in disciplines neglected by the market system. These universities would then lose the benefit of economies of scale and scope, since the more popular disciplines would no longer bring down the cost of the less popular ones, thereby making the latter even more costly.

International trade in educational services and economic development

Some opponents of international trade in educational services fear that it might be detrimental to developing countries. First, the partial funding of educational services for students from developing countries is a form of development assistance, which has been dropped in the commercial approach. This change of policy may be detrimental to the poorest developing countries, where the main problem of access to higher education is inadequate wealth. Finally, the new forms of international trade in educational services, in Modes 1 and 3, might prevent developing countries from building up their own higher education systems. This is mainly a problem for emerging economies, where poor access to post-secondary education is less about being unable to afford higher education than about (solvent) demand for education outstripping domestic supply.

The opening up of the post-secondary market to foreign institutions may in fact have mixed effects on the national system of higher education in emerging economies. On the one hand, educational institutions in OECD countries often have a major comparative advantage in terms of quality over similar institutions in emerging economies, and might jeopardise the development of national university systems there in the short and medium term. On the other hand, recourse to foreign services may be a means of accelerating the development of a national university system, in that it provides training for some of the future teaching staff and promotes knowledge exchange via partnerships between domestic and foreign institutions. For this reason, many countries are promoting partnerships between their own educational institutions and those in the OECD area. To operate in China, foreign institutions are obliged to forge links with domestic ones – to promote knowledge transfer. In emerging economies, international trade in educational services may also foster economic expansion by rapidly broadening participation in post-secondary education, something which is not feasible in their national systems as they stand today. In the knowledge economy, this broadening of access to higher education should have a beneficial economic impact on these economies.

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The challenges to developing countries of international trade in educational services also vary with the mode of delivery. Student mobility has the disadvantage of being costly and increasing the likelihood of a brain drain that will be far worse for developing countries than for OECD countries (OECD, 2002b[9]). But it has major cultural and linguistic benefits. Investment by foreign institutions reduces the cost of educational services to students (and possibly to the governments subsidising them) and minimises the risk of a brain drain. As in other sectors of the economy, however, foreign investment in educational services may create a problem of stability and continuity of provision in emerging economies. In the event of an economic crisis, foreign educational institutions may leave the country and threaten the stability and continuity of the higher education system. This is one of the major differences between private investment and long-term public investment.

International trade in educational services thus represents both opportunities and challenges for developing countries. In August 2002 developing countries in the WTO made relatively fewer commitments than OECD countries. Representing only 30 of the 144 members of the WTO, OECD countries have made 25 of the 55 commitments in higher educational services. Of the countries that have expressed their views, some middle- and low-income countries have opened their markets to educational services more than wealthier ones. For instance Haiti, Mali, Rwanda, Lesotho, Georgia and Moldova have substantially opened up their adult education markets (and the last three have opened up all sectors of education) (Momii, 2002).

Mixed implications of international trade in educational services

In short, international trade in educational services may have mixed implications for higher education systems.

International trade in educational services will not necessarily lead to market regulation in the educational sector. Unless national governments actually take the decision, the GATS cannot compel them to introduce full market liberalisation. More specifically, the question of funding and the degree of competition between the public and private sectors is entirely contingent on decisions by individual countries at central government level.

Suppose that international trade does to some extent lead to greater market regulation of the education sector in some countries. Such liberalisation may be beneficial by reducing the cost of higher education, making institutional management more efficient, generating closer adjustment to the labour market or attracting higher-quality educational institutions to some countries. Yet it is also true that market regulation of the education sector – not necessarily involving the private funding of education – may have an adverse impact on the higher education system. Above all it may increase the risk of poor quality educational services, but

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it may also restrict the scope of educational provision and academic freedom, hinder academic research and, when markets are dominated by foreign suppliers, create a continuity problem in terms of service provision.

International trade in educational services may have beneficial and adverse implications for higher education services, regardless of liberalisation. First, it raises the problem of the international recognition of qualifications, and hence the quality of educational service provision, no longer just at national but at international level. It may have adverse effects, for instance by hindering the development of the national education sector, lowering the real level of development assistance in some countries, causing a massive brain drain or raising problems of cultural standardisation. But it may also have a beneficial impact by increasing the supply of educational services in countries with surplus demand, generating knowledge transfer between universities and countries via partnerships, cutting the cost of studying or offering wide-ranging provision in countries with an ageing population, or prompting countries to open up to other national cultures.

The likelihood of these beneficial and adverse implications depends entirely on the economic, social and institutional environment in each country. It is also contingent on policy decisions by governments, each of which will have to weigh the costs and benefits of international trade in educational services for their own country, depending on the priorities they have set.

A MIXED OUTLOOK FOR INTERNATIONAL TRADE IN EDUCATIONAL SERVICES

To what extent will international trade in educational services develop in years to come? Will it lead to the liberalisation of higher education systems and, if so, to what extent? One of the weaknesses of the current debate on international trade in educational services stems from the tendency to view the education market as too homogeneous – and more specifically from the angle of higher education systems in the more industrialised world. In reality, international trade in educational services is not confined to conventional higher education but extends to adult learning (language courses, corporate training or post-initial vocational training); nor is it confined to wealthier countries but covers developing and emerging economies too. The potential for and consequences of international trade in educational services differ across countries, education sectors and modes of supply. This section is an initial attempt to break the market down into its constituent parts. It analyses the development prospects for each mode of delivery depending on the sector of education and subsequently the type of country, while taking into account other factors such as the way education is funded and the current development of market (or quasi-market) mechanisms. However, other

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factors (cultural, historical, geographical, institutional and political) with a key role in these developments are not given the emphasis they deserve; their inclusion would make this general overview too complex but remains crucial to more specific studies.

Outlook for higher education and lifelong learning

International trade in educational services is not expected to develop along the same lines in traditional sectors of higher education as in institutions with a greater focus on lifelong learning.

The traditional sector mainly targets secondary-school leavers, and often focuses on general education and initial vocational education. Here, the development of international trade is expected to continue mainly through student mobility. First, international students in this market presumably do not value educational services alone but also the culture experience of living abroad. From that standpoint, international trade in educational services without student mobility (Modes 1 and 3) probably does not concern the same market as trade involving student mobility (Mode 2) – although some course programmes in the same institution may combine two, three or all modes of supply. One example is the *École Supérieure de Commerce de Paris* (ESCP-EAP), a major French business school with four campuses in Europe (France, Germany, Spain and the United Kingdom). Second, in many countries with a mainly public and heavily subsidised system of higher education with sufficient capacity to take all domestic students, a new foreign university will find it hard to compete with a national one. When quality or recognition levels are approximately the same, students are hardly likely to opt for foreign universities which would cost them much more and offer few benefits. Only the prestigious universities around the world could really compete with a country's own universities, because the outright recognition that they are superior could give them a comparative advantage over most national institutions. But in fact it is not in the interests of these universities to overdevelop their services: the more degrees prestigious universities award, the less their degrees are worth and the less popular and prestigious they become. Conversely, in countries where the higher education system is not highly subsidised or where capacity is a problem, foreign universities can compete more easily with national universities – all the more so if the quality of those national universities is found wanting. In that case, average-quality foreign universities that can substantially develop their international activities without undermining their reputation will be able to make the most of their competitive advantage in terms of quality.

The lifelong learning sector, on the other hand, may be more deeply affected by the development of international trade, in particular Modes 1 and 3. Lifelong

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learning refers to institutions focusing on adult education, *i.e.* corporate training, vocational training whether or not it leads to a qualification, language teaching, and finally general education for more mature age groups than in traditional higher education. It also covers new, highly specialised areas of work such as testing. In lifelong learning, the private sector plays a far greater role than in traditional higher education: in many countries, a public service remit does not extend to all these forms of education, and many mature students (or their employers) have to pay the full cost of their training. To varying degrees in different countries, public institutions are also present in the lifelong learning market, sometimes in partnership with private enterprise, making this part of their work subject to market forces.

With the development of the knowledge economy, the lifelong learning sector will probably attract numerous enterprises, some of them international. The possible drawbacks of market regulation affect this sector less than traditional education: in lifelong learning, most institutions do not have a remit to conduct research and basically (but not exclusively) offer educational services oriented towards the labour market. In this sector, international trade in education services with no mobility (Modes 1 and 3) will very likely have a promising future, whereas student mobility (Mode 2) probably has less development potential. Many of the students in lifelong learning already have families and jobs, making mobility more difficult and less attractive. The flexible timetable for distance learning and the geographical proximity of an offshore campus accordingly suit them very well. And because they attach less importance to an institution's reputation and more importance to tuition fees than students in the traditional sector, there should be fewer barriers to competition from international institutions. The greatest impediments are probably cultural barriers and, in the case of diploma courses, quality control and the international recognition of qualifications.

International trade in education services thus appears to have more development potential in lifelong learning than in the traditional sector.

Outlook for OECD countries, emerging economies and the developing world

Just as the international trade outlook varies with the type of post-secondary education market, it also varies from country to country. The reasons that make students turn to international institutions for educational services are not the same everywhere.

As we have seen, students may opt for international educational services for a variety of reasons, for instance because they view these services as being of far better quality than in their own country, because international educational services are not (much) more expensive than their own education system, because national educational services cannot meet demand, or because students want

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cultural, linguistic or work experience abroad. But solvent demand remains a vital prerequisite if international trade is to develop. From that standpoint, the expansion of international trade with the poorest parts of the developing world, for example some of the African and South American countries, will remain limited, although some of them have opened up their education markets completely to foreign investors. In the emerging economies, particularly in south-east and northern Asia (*e.g.* China, Hong Kong, Chinese Taipei, India and Malaysia) and in Latin America (*e.g.* Chile), there is high solvent demand for educational services but inadequate public provision, meaning that major expansion can be envisaged for international trade in educational services in the future. In that case it will all depend on the size of the country and more importantly how it finances higher education. Countries that subsidise higher education very little (most Asian countries, for instance) are a conducive environment for the development of international trade in educational services, as students (and their families) will more readily pay market prices for international educational services. These countries already have a competitive private market for educational services that could easily open up to international institutions. This has already occurred in several countries, for instance Malaysia and Hong Kong (China). In emerging economies where higher education is heavily subsidised, there will probably be less call for international educational services. The best students will remain in the subsidised national education system. While there is also a large private sector for the offshore campuses of foreign institutions to enter, the size of that market is still restricted by demand: many of the students who have not been admitted to public universities probably cannot afford cost-price educational services.

As for OECD member countries, the development of international trade in educational services in the traditional sector is more likely to occur in less wealthy countries such as those in eastern Europe: the quality, or at least reputation, of their higher education systems may appear significantly lower than in the wealthier countries, making it worthwhile to invest in international educational services. Conversely in the wealthier economies, international trade in educational services is expected to develop largely in Mode 2, mainly on cultural and linguistic grounds. The scale of this expansion will, however, be limited by its cost. In the lifelong learning sector, the development potential for international trade in educational services will, on the contrary, be high in every member country. Policies to promote international mobility, although on a smaller scale than in the traditional sector, are aimed at developing Mode 2 trade. More significantly, Modes 1 and 3 are expected to develop under the impetus of international enterprises.

Table 7 maps out the development prospects for international trade in educational services by mode of delivery, type of country and sector of education.

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Table 7. **Development potential of international trade in educational services by mode of supply and type of country**

	High-income OECD countries	Medium-income OECD countries	Emerging economies	Developing countries
Mode 1: Cross border supply	**HE:** Development alongside traditional face-to-face teaching, but limited development when programmes are exclusively virtual	**HE:** Development alongside traditional education; potential for virtual international programmes	**HE:** Development alongside traditional education; great potential for virtual international programmes	**HE and LL:** Development potential if virtual provision proves economical, but restricted by poor access to ICTs
	LL: Significant development of exclusively virtual programmes suited to active students and specific disciplines (*e.g.* computing), and of testing methods	**LL:** Significant development of exclusively virtual programmes suited to active students and specific disciplines (*e.g.* computing), and of testing methods	**LL:** Significant development of exclusively virtual programmes suited to active students and specific disciplines (*e.g.* computing), and of testing methods	
Mode 2: Consumption abroad	**HE:** Greatest share of international trade between these OECD countries	**HE:** Substantial development, but limited by cost of mobility	**HE:** Substantial development, but limited by cost of mobility	**HE:** Substantial development, but limited by cost of mobility
	LL: Limited development, depending on mobility support policies	**LL:** Limited development, depending on mobility support policies	**LL:** Limited development, depending on mobility support policies	**LL:** Limited development, depending on mobility support policies
Mode 3: Provision via foreign commercial presence	**HE:** Limited development of offshore campuses, particularly in countries where education is heavily subsidised	**HE:** Development potential for offshore campuses in countries whose universities are perceived as being of significantly poorer quality than foreign institutions	**HE:** Great development potential for offshore campuses (partnerships and investment)	**HE and LL:** Little development potential owing to inadequate solvent demand, and hence inadequate supply
	LL: Great potential	**LL:** Very great development potential	**LL:** Very great development potential	
Mode 4: Provision via the movement of natural persons	**HE:** Traditional mobility will continue **LL:** Development tied to that of Mode 3	**HE and LL:** Development tied to that of Mode 3	**HE and LL:** Development tied to that of Mode 3	**HE and LL:** Very little development, tied to policies on mobility support and development assistance

HE: Higher education; LL: Lifelong learning.

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CONCLUSION

So, is international trade in education services good or bad? The complexity of the issues and factors involved in the development of international trade in educational services rules out a definitive conclusion. International trade in educational services has its good and bad sides, and the issues vary substantially with the country, mode of delivery and sector of education (*i.e.* the traditional public sector or the generally private lifelong-learning sector).

The past ten years have been marked by substantial growth of trade in higher education services. This is attributable partly to increased demand, particularly in the emerging economies of northern and eastern Asia, and partly to active policies to promote the internationalisation of higher education, which take basically either a cultural or a commercial approach. In addition to traditional movements of students and academics, international trade in educational services increasingly involves new modes of supply that do not require student mobility (foreign investment and e-learning), and providers are increasingly private. Although few figures are available on the lifelong learning sector, there is considerable evidence of substantial growth in international trade.

This growth in the international market for post-secondary education services is expected to continue in the short and medium term, regardless of the outcome of WTO negotiations on trade in services. The political, economic and technological factors that have driven this expansion over the past decade continue to act as an engine for growth. On the one hand, the political consensus in favour of internationalisation programmes with a cultural approach should step up the internationalisation of higher education. On the other, demand from students in emerging economies should continue to grow, maintaining economic incentives for the universities and for-profit institutions that take a commercial approach. Consequently international trade in Modes 2 and 4, involving student and teacher mobility, should continue to expand, as should international trade in educational services not involving student mobility (Modes 1 and 3).

The debate on international trade in educational services is currently focusing on the inclusion of such services in the GATS negotiations. As international trade in educational services has had no need of the GATS to achieve high growth in the past, there is no certainty that the WTO negotiations will have a major impact on its growth in the future. While the Agreement may accelerate or orient the development of international trade in educational services in Modes 1 and 3, it has little direct influence on trade in Modes 2 and 4. As the latter involve movements of natural persons, the potential barriers to international trade in educational services lie in host-country visa and immigration policies, but these do not fall within the scope of the Agreement. Nor does the quality of educational services, which is one of the major brakes on the expansion of trade. Furthermore,

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the issues at stake in the GATS negotiations remain very limited: most commitments merely confirm the status quo and most requests for market opening concern educational services in the private sector. The United States, for instance, has confined its request for market opening to private post-secondary education, making it explicit that it does not apply to public higher education.[10] Emphasising that the opening of their private sector to foreign providers has had no adverse effect on their public system of higher education, the fifteen member States of the European Union have recently asked the United States to open up its private post-secondary education sector.[11] Thus the GATS negotiations do not closely concern the traditional higher education sector, and are more of a showcase than a driving force for international trade in educational services (Sauvé, 2002; OECD, 2002a).

It is therefore conceivable that international trade in educational services will to a large extent develop independently of the GATS negotiations. However, its expansion will differ across countries and sectors of education. International trade in educational services does not take every country inexorably down the same path. The development and implications of this trade will depend largely on the institutional context and government policy options in each country. In this respect the range of possibilities remains wide open.

In our view, the development of international trade in educational services should have a far deeper impact on the lifelong learning market than on the traditional higher education market. Whereas student mobility will probably remain the leading mode of international trade in higher education, such trade will probably take the form of foreign investment and e-learning in the lifelong learning sector, where it will make competition much keener. Three arguments may be briefly recalled to justify this assertion: first, in many countries the lifelong learning sector is already largely subject to market regulation; second, modes of supply that do not involve mobility are more suited to an active clientele who are usually less mobile; and third, market regulation here poses fewer problems than in the traditional sector, where independence from the market is more warranted. These developments may occur in any country – but may possibly be accelerated or facilitated by commitments made in the GATS negotiations.

One of the major problems raised by the development of international trade in educational services is the recognition of foreign qualifications, which depends on the quality of international education services. The problem is as relevant to student mobility as it is to foreign investment or e-learning. With a growing number of international providers in each country, governments and universities will have to find solutions to the problems of quality regulation, post-secondary funding (the access issue), and the continuity and diversity of educational service provision. And with a growing number of national (and international) students applying to have their qualifications recognised abroad (or at home), they will

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have to solve the problem of the international recognition of post-secondary education.

Possible solutions are very diverse. With regard to quality, for instance, governments and universities can rely on the good faith of international institutions accredited in their country of origin, quality assurance agencies in the country of origin, or international quality assurance agencies. Other solutions include extending their own quality assurance procedures to foreign providers. Although necessarily keener, the amount of competition that the traditional higher education sector will face depends on the institutional environment created by governments, in particular the level of public funding for education. However, keener competition with the presence of foreign private providers is not likely to have any impact on the degree of public funding for education. Depending on their needs and priorities, governments may also try to gain some control over the actual content of international provision, in order to offset the possibly adverse impact of greater market regulation on the educational sector. Finally, in the developing world, international trade in educational services raises further issues: what balance can be struck between assistance and trade in the field of education? Can trade be combined with new forms of assistance to develop educational service provision in a more innovative way? Settling all of these issues will require discussion and policy decisions at national and international level.

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Notes

1. Post-secondary education covers courses leading to higher qualifications than those awarded at the end of secondary schooling. According to the 1997 International Standard Classification of Education (ISCED), post-secondary education covers post-secondary non-tertiary education (ISCED 4), the first stage of tertiary education (ISCED 5) leading to pre-degree and advanced vocational qualifications; and the second stage of tertiary education leading to an advanced research qualification (ISCED 6). Further details on this classification can be found in Education at a Glance – OECD Indicators. The term post-secondary, as used in this paper, covers adult education programmes that do not necessarily lead to formal qualifications. The data currently available on cross-border consumption and supply do not evenly cover the wide range of post-secondary institutions and courses. Virtually all cross-border data relate to tertiary education, *i.e.* ISCED levels 5 and 6. In higher education, there are usually more data on university courses than on other types of study. In other cases, however, national statistics do not make a clear distinction between the relevant levels of education.

2. Note that receiving (or "importing") foreign students corresponds to export revenues in educational services for the host country and that, conversely, the expenditures of domestic students sent (or "exported") abroad corresponds to import revenues in educational services.

3. *www.obhe.ac.uk*

4. *www.aucc.ca/en/international/bulletins/declaration.pdf*

5. *www.cumbre.ufrgs.br/ingles.htm*

6. See WTO Press Release on 28 June 2002: *www.wto.org/english/news_e/pres*02*_e/pr*299*_e.htm*

7. See UN, Long-range World Population Projections, 2000.

8. *www.quackwatch.com/*04*Consumer*E*ducation/dm*0*.html*

9. I*nternational* M*obility of the* H*ighly* S*killed*. A survey among PhD graduates in science and technology shows that 88% of Chinese and 79% of Indian nationals who qualified in the United States in 1990/91 were still working there in 1995, compared with only 11% of Korean and 15% of Japanese nationals.

10. *ww.ustr.gov/sectors/services/*2002-07-01*-proposal-execsumm.pdf*

11. *http://europa.eu.int/comm/trade/services/gats_sum.htm*

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Trade, Education and the GATS: What's In, What's Out, What's All the Fuss About?

Pierre Sauvé[1]

OECD

ABSTRACT

This paper addresses some of the public policy controversies surrounding the treatment of education services under the World Trade Organisation's General Agreement on Trade in Services (GATS). *The rapid rise in cross-border trade and investment in education services observed in recent years has given new prominence to the role the* GATS *might play as a force for progressive liberalisation in the sector. The paper provides a synthetic description of the core features of the* GATS, *highlighting in particular how the four modes of supplying services subject to the Agreement's disciplines relate to trade in education services. The paper recalls the policy flexibility* WTO *members retain under the* GATS *as regards the nature, extent and pace of possible progressive liberalisation. It describes a number of key misunderstandings and fallacies that have tended to cloud a rational discussion of the possible effects of the* GATS *on trade in education services. The paper also depicts the key elements found in the negotiating proposals on education services put forward to date by the governments of Australia, New Zealand, Japan and the United States, recalling their circumscribed nature and the acute awareness* WTO *members are showing about the policy sensitivities arising in the sector. The paper concludes with a discussion of the limited role the* GATS *can be expected to play as a force for change in the education field. The paper argues that many of the impediments that stand in the way of greater cross-border exchanges of education services may be more appropriately pursued outside a trade policy setting.*

BASIC FACTS ABOUT THE GATS AND TRADE IN EDUCATION SERVICES

The GATS is a new agreement, not yet complete, not terribly user-friendly, with a complex geometry of general and *à la carte* obligations set against the back-

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drop of [near] universal coverage and sovereign immunity in liberalisation matters. Novelty, complexity and variable geometry all too easily lead to misrepresentation and/or over-interpretation.

Trade agreements do not come much more flexible than the GATS. The Agreement is arguably the most development-friendly of all Uruguay Round pacts, as is evidenced by the fact that no GATS-related issues appeared on the laundry list of implementation concerns raised by developing countries prior to and at the WTO's Ministerial meeting in Doha, Qatar, in December 2001.

But such flexibility tends to be obscured by the Agreement's near universality in scope and coverage. Such universality is not however absolute, given two important carve-outs in GATS Article I.3 – much of air transport and, significantly in the context of the trade and education debate, "*services supplied in the exercise of governmental authority*", by which is meant services not supplied on a commercial basis nor in competition with other service suppliers. A simpler way of putting it is to regard such an exclusion as pertaining to economic activities carried out on a not for profit basis.

GATS negotiators understand this to cover "public services" broadly (if somewhat loosely) defined, including public health and education services. But public/private frontiers are inherently murky, vary significantly across countries and sectors, and are subject to change as markets, political dynamics and technology evolve. Governments have to date chosen not to clarify the scope of the GATS' public services carve-out. But if one were to ask any services negotiator in Geneva, the latter would be prone to regard primary and secondary schooling, so-called "basic" or "compulsory" education, as lying outside the scope of the GATS.

A common understanding at the inter-governmental level is thus that public education services and education services supplied by private actors on a non-commercial basis are excluded from the GATS (as are all government measures, including in respect of public funding, relating to the supply of such services). Still, opinions differ as to whether some attempt should be made in the context of the current negotiations to provide greater clarity to what WTO members understand to be services supplied in the exercise of governmental authority.

Education services rank amongst the least committed of all sectors subject to GATS coverage (after audio-visual and energy services). However, there remains some degree of confusion in the debate about education and the GATS to the extent that, despite the GATS carve-out described above, a number of WTO members have scheduled commitments in basic education services under the GATS. Such commitments are seen by GATS opponents as offering proof that no public services carve-out exists in practice, fanning speculation that the forces of unbridled competition and privatisation are about to be unleashed by the GATS on the sector.

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Being clearer on how the GATS operates and on the policy flexibility WTO members retain under it is a central challenge facing those interested in gaining a better understanding of whether, how and to what extent the current set of services negotiations could affect the burgeoning area of cross-border trade and investment in education services.

The current negotiations take place not only against the backdrop of a weak initial harvest of liberalisation commitments in the sector. They are also proceeding with significant regulatory and political precaution, and in the midst of a growing anti-GATS campaign, of which public sector unions in the educational field are active players, especially in OECD countries, together with students sensitive to the anti-globalisation movement.

Meanwhile, the educational world has hardly been standing still. The last decade witnessed explosive growth in international trade in education services. This was particularly the case at the tertiary level and in specialised training fields, covering all modes of supply and involving a mosaic of institutional arrangements among a great diversity of public and private players (on their own and in combination) in developed and developing countries alike.

As Table 1 below depicts, the "market" for trade in education services is big, diverse, innovative and growing fast. It will almost certainly continue to grow as societies place an increased premium on human capital enhancement as a source of development and as a means of better equipping individuals and societies to confront, adjust to and take advantage of the demands arising from closer economic integration. The continuous upgrading of skills is increasingly seen as a key ingredient of – and perhaps a precondition for – orderly adjustment in labour and product markets.

The changes described in Table 1 have been occurring almost wholly independently of developments in the WTO. For reasons discussed in the paper's concluding section, such a situation is unlikely to change in the near future. While the GATS can play a useful complementary role in accompanying and imparting greater credibility and permanency to ongoing policy changes in the education sector (but only to the extent that WTO members choose to assign it such a role), it is not likely to be a driving force or even a major consideration behind such changes. In part, this is because the trade policy framework may not offer the most appropriate environment in which to tackle many of the measures likely to constrain the further internationalisation of education services.

The rest of this paper is structured as follows. The second section provides a synthetic description of the core features of the GATS, highlighting in particular how the four modes of supplying services subject to the Agreement's disciplines relate to trade in education services and recalling the policy flexibility WTO members retain under the GATS as regards the nature, extent and pace of possible

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Table 1. **New providers of post-secondary education and training services**

Type of provider	Explanation	Examples	Comments/Cases
1. Corporate training	– Generally spin-offs of multinational companies, which mostly train their employees across the world but also train lifelong learners, suppliers and customers and sometimes deliver degrees.	– General Electric Crotonville. – Motorola University. – McDonalds Hamburger University. – Sun Microsystems Educational Services. – Fordstar. – Microsoft's Certified Technical Education Centres (CTECs).	– Over 1 600 in 1998 in North America. – 42% of all American "corporate universities" provide courses for which a degree could be granted at an educational institution. – Microsoft: 1 700 franchised private training companies (CTECs) internationally, using Microsoft Certified trainers and the Microsoft Official Curriculum.
2. For-profit institutions	– Use strict business principles of operation, such as targeting specific customers (*e.g.* adults) or developing standardised and limited education "products".	– Apollo Group. – Sylvan learning systems Inc. – De Vry Inc.	*Sylvan learning*: – USD 484.8 million turnover. – International strategy of Sylvan through the acquisition of established private post-secondary institutions (Mexico, Chile, Spain, France, and Switzerland). – Number one in testing in the world. – Number two in language training in the world.
3. Virtual universities	– Offer conventional university services via ICTs.	– National Technological University (Sylvan). – Open Learning Agency of Australia. – Western Governors University. – Open University worldwide (UK). – Army University Access Online.	
4. Traditional universities (or not for-profit post-secondary institutions)		– Monash University. – Open University, UK.	– Increasingly use ICT for their teaching operation, set up e-learning programmes as well as overseas campuses.

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Table 1. **New providers of post-secondary education and training services** (*cont.*)

Type of provider	Explanation	Examples	Comments/Cases
5. For-profit arms of traditional universities	– Start to meet the competition of for-profit and virtual universities. – Extend their activity to working adults.	– NYU's School of Continuing and Professional studies. – University of Maryland University College (UMUC). – Ecornell.	– UMUC: degree-granting for working adults, both face to face and at distance.
6. Partnerships	– Private/public. – Private/private. – Public/public.	– Universitas 21. – U21 global (U21 and Thomson learning). – Trium EMBA (LSE, Stern of New York, HEC Paris).	– Increasing number of partnerships and ventures in e-learning and international programmes. – U21 global: online university concentrating on the postgraduate business education sector in Singapore, Malaysia, and Hong Kong, with expansion plans targeting students in Africa, China, and Latin America.

Source: Knight (2002).

progressive liberalisation. The third section describes a number of key misunderstandings and fallacies that have tended to cloud a rational discussion of the possible effects of the GATS on trade in education services. The fourth section depicts the key elements found in the negotiating proposals on education services put forward by the governments of Australia, New Zealand, Japan and the United States, recalling their circumscribed nature and the acute awareness of WTO members about the policy sensitivities arising in the sector. The fifth section concludes with a discussion of the limited role the GATS may play in the education field, noting that many of the impediments that stand in the way of greater cross-border exchanges of education services may be more appropriately pursued outside a trade policy setting.

HOW THE GATS OPERATES

The GATS consists of three core components. The first is a framework of rules that lays out the general obligations governing trade in services, which it does in much the same way as the GATT does for trade in goods. It provides for

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disciplines on transparency (of considerable importance given the regulatory density of services trade), most-favoured-nation (MFN) treatment, market access, and national treatment. The framework is still incomplete and rule-making efforts on certain issues, such as emergency safeguards, subsidies, government procurement and, perhaps most importantly, on domestic regulation, are still underway.

Second, the GATS includes annexes on specific services sectors (air transport, financial services, maritime transport, and telecommunications) as well as the movement of natural persons. The third element consists of the schedules of commitments detailing the liberalisation commitments of each WTO member.

The preamble to the Agreement sets out the some of the key considerations that underlie its continued negotiation. These include:

- The belief that a multilateral framework of rules and principles that aim to progressively liberalise services trade will assist the growth of international trade in services and contribute to economic development world-wide.
- Recognition that the liberalisation process must respect the needs and rights of governments to regulate in order to pursue national policy objectives.
- Acknowledgement that the integration of developing countries into the multilateral trading system must be facilitated through a reinforcement of the capacity, efficiency and competitiveness of their domestic service industries.

The GATS distinguishes between four "modes of supply" through which services can be traded. As Table 2 shows, these four modes might be analogously compared to the means by which goods are exchanged: exports, called cross-border trade in GATS (Mode 1), movement of consumers (Mode 2), foreign direct investment, called "commercial presence" (Mode 3), and the movement of service providers (Mode 4). Table 2 indicates how each of these four modes is germane to how cross-border trade and investment in education services takes place today. For any given service in which a WTO member chooses to make a commitment, it can set limits sector-by-sector and mode-by-mode with regard to its market access and national treatment commitments. In other words, over and above so-called "horizontal" restrictions that may be maintained across the board (*i.e.* applicable to all sectors, as is often the case of limitations on foreign investment or the temporary entry of service suppliers), countries have eight separate opportunities to indicate how they will treat foreign service providers in any given sector (*i.e.* market access and national treatment restrictions can be lodged against each of the four modes of supply. This geometry is depicted in Table 3.

Arguably the most important principles in GATS are its provisions on most favoured nation treatment (MFN), transparency, national treatment and market

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Table 2. **Modes of Supply of education services**

Mode of Supply according to GATS	GATS Definition	Examples in education	Size, potential of market and major impediments
Mode 1: Cross-border supply	The supply of a service "from the territory of one member into the territory of any other member." The service travels, but both the provider and the consumer stay home. Comparable to the export of a good.	– Distance education. – Virtual education institutions. – Education software. – Corporate training through ICT delivery.	Currently a relatively small but rapidly growing market. Seen to have great potential through the use of ICTs and especially the Internet.
Mode 2: Consumption abroad	The supply of a service "in the territory of one member to the service consumer of any other member." Comparable to tourism or business travel by the consumer.	– A student travels to another country to enrol in a school for a course of study/degree programme.	Currently represents the largest share of the global market for education services, especially in post-secondary education. For prospective students, however, GATS commitments are of little significance given general lack of restrictions and relative to non-GATS issues such as student visas and funding. GATS may help in encouraging greater recognition of degrees by home-country institutions.
Mode 3: Commercial presence	The supply of a service "by a service supplier of one member, through commercial presence in the territory of any other member." GATS-speak for foreign direct investment.	– Local university or satellite campuses. – Language training companies. – Private training companies *e.g.* Microsoft, CISCO, etc.	Growing interest and strong potential for future growth. But significant reluctance to make binding commitments: only seven WTO members have made full commitments for higher education under this mode.

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Table 2. **Modes of Supply of education services** (*cont.*)

Mode of Supply according to GATS	GATS Definition	Examples in education	Size, potential of market and major impediments
Mode 4: Movement of natural persons	The supply of a service "by a service supplier of one member, through presence of natural persons of a member in the territory of any other member." Comparable to temporary emigration or business travel by the service provider.	– Professors, teachers, researchers working abroad on a temporary basis.	Potentially a strong market given the emphasis on/increasing demand for the mobility of highly skilled professionals generally more politically sensitive and less commercially significant than the other three modes. Most WTO members maintain restrictions on a horizontal basis (*e.g.* immigration rules that apply to all services sectors). Academics tend to encounter little difficulty in this area, as their mobility is demand driven and given the uniqueness of their skills.

Source: VanGrasstek (2002).

access. The GATS does not impose any market access or national treatment commitments on WTO members unless the member voluntarily chooses to list that service in its schedule. Unlike the Agreement's market access and national treatment principles, that apply only to scheduled activities, the MFN provision of the GATS is a general obligation. A country is thus obliged to extend MFN treatment to all members in respect of all sectors, unless an exemption from MFN is taken for specific measures governing particular services. The MFN obligation means that a country will treat the service supplier of another member no less favourably than it does the service suppliers of any other member. WTO members were given a one-off opportunity to draw up lists of MFN exemptions in the Uruguay Round (a possibility afforded to subsequent acceding members.) Derogations from MFN commitments are in principle subject to a ten-year sunset clause, and are also subject to periodic review or re-negotiation every five years. While MFN treatment guarantees equal treatment for all suppliers, regardless of their nationality, it bears noting that such treatment does not require any degree

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Table 3. **Design of GATS Schedules – Modes of supply: (1) Cross-border supply (2) Consumption supply (3) Commercial presence (4) Presence of natural persons**

I. HORIZONTAL COMMITMENTS			
All sectors	Limitations on market access (Art. XVI)	Limitations on national treatment (Art. XVII)	Additional commitments
	Mode 1 Mode 2 Mode 3 Mode 4	Mode 1 Mode 2 Mode 3 Mode 4	
II. SECTOR-SPECIFIC COMMITMENTS			
Sector or sub-sector	Limitations on market access (Art. XVI)	Limitations on national treatment (Art. XVII)	Additional commitments
	Mode 1 Mode 2 Mode 3 Mode 4	Mode 1 Mode 2 Mode 3 Mode 4	*e.g.* procurement, pre-commitment to future liberalisation

Source: Author.

of market openness. It is not, as such, necessarily a liberalising discipline, merely one aimed at securing non-discriminatory negotiating outcomes.

Given the high degree of regulation of many service activities, effective access to markets can depend crucially on service suppliers gaining accurate knowledge of the laws and regulations in force in a prospective market. The need for predictability is considerable in services trade, and is reflected in the fact that disciplines on transparency, contained in Article III of the GATS, are one of the Agreement's core general obligations. That is, it applies to all services subject to GATS coverage, regardless of whether members have scheduled (*i.e.* undertaken legally bound) liberalisation commitments. Article III requires members to publish all relevant measures of general application that pertain to or affect the operation of the Agreement and to notify any changes in laws and regulations affecting sectors on which commitments have been made. The promotion of greater transparency has also been at the core of work done so far in developing disciplines on domestic regulation under Article VI of the GATS.

The two key liberalising principles of the GATS, which as already noted WTO members can subscribe to on a purely voluntary basis, are contained in Articles XVI and XVII of the Agreement, dealing respectively with market access and national treatment. Article XVI (Market Access) consists of six different types of limitations on market access which must be scheduled if WTO members wish to maintain them. Such limitations, the bulk of which relate to non-discriminatory

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measures of a quantitative nature, comprise certain measures that: 1) limit the number of service suppliers; 2) limit the total value of services transactions or assets; 3) limit the total number of service operations or the total quantity of service output; 4) limit the total number of natural persons that may be employed in a particular service sector; as well as 5) restrict or require specific types of legal entity or joint venture through which services may be supplied; and 6) limit the participation of foreign capital.

Article XVII (National Treatment) also permits members to schedule and maintain limitations on non-discrimination. It is in this regard fundamentally different from the unqualified obligation of national treatment applicable to goods trade under the GATT. Such a distinction arises from the absence of tariff protection for services, which means that an unqualified market access and national treatment commitment would amount to full free trade in services.

Summing up, the GATS offers the following options for a country that wishes either to exclude a service sector from its GATS commitments; restrict their extent; justify a breach of those commitments; or opt out from the multilateral trading system altogether:

- I*t can simply decline to make any commitments*. Nothing in GATS compels member countries to bind or liberalise any specific sector, and a country could indefinitely choose to keep a sector outside the scope of its commitments. In this respect, the sectoral coverage of services subject to specific commitments under the GATS is much less complete than that of goods under the GATT. While the majority of GATT members have bound most or all of their goods tariffs, many have thus far left a large number of their services sectors "unbound". None of the existing provisions of GATS or the commitments made by individual countries compels WTO member countries to liberalise any sector that they wish to protect or leave outside the trade policy framework. A number of OECD countries, such as Canada or France, have either not scheduled commitments in the education sector so far or indicated that they will not do so in the current negotiations. There is nothing in GATS to compel them to change that position.

- T*he country is free to qualify its commitments in any given sector or sub-sector.* For each of the four modes of supplying services covered by the GATS, a WTO member can either specify that it is "unbound" (*i.e.* the country has made no commitments in that sector for that mode of supply) or make a more specific reservation. For example, the country might retain existing discriminatory limitations on foreign investment, or set limits on the number of service suppliers, the total value of service transactions or assets, the total number of natural persons employed in a particular sector, etc. A WTO member can also bind less than the statutory and regulatory *status quo* or

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commit to future liberalisation, allowing incumbent suppliers to prepare for new market conditions and for necessary regulatory regimes to be established.[2]

- *The country might apply horizontal limitations to all services.* For example, many countries have listed horizontal limitations applicable to all sectors on the commitments for movement of persons or on those governing investment (commercial presence) in service activities. For instance, some WTO members maintain the right to review all inward FDI flows above a certain value threshold or to restrict temporary entry to certain types of service providers (*i.e.* highly skilled).
- A *country can invoke* GATS *Article* XII (*Restrictions to Safeguard the Balance of Payments*) provisions to suspend a commitment in the event that it is found to cause adverse effects on its balance of payments.
- A *country can invoke the various general exceptions in* GATS *Article* XIV (*General Exceptions*) to justify existing regulations, or to enact new ones, in pursuit of legitimate public policy concerns. Such exceptions can be invoked where necessary to protect major public interests, including safety, human, plant or animal life or health, national security or public morals. The exceptions foreseen under GATS Article XIV (General Exceptions) override all other provisions of the Agreement, allowing a WTO member to violate or withdraw its own commitments if necessary.
- A *country could ultimately withdraw from* GATS *and the* WTO altogether, though it bears recalling in this regard that no WTO members have to date done so and that countries have been queuing to join – rather than leave – the Organisation.

FAULT LINES IN THE PUBLIC POLICY DEBATE OVER EDUCATION AND THE GATS

Critical assessments of the GATS typically find their origin in the broader context of backlash against globalisation and the commercialisation that it brings to some activities previously insulated from the market. Claims of threats to the provision of public services, such as education or health services, or to services with strong public goods connotations, such as water or electricity distribution, are among the most commonly voiced concerns associated with the GATS and with the very idea of services trade and investment liberalisation (including that pursued at the regional level).

The citations in Box 1 below depict some of the most fanciful claims levelled against the GATS in the area of education services. The Agreement's critics allege that the GATS is nothing less than a tool of privatisation, globalisation,

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Box 1. **The GATS and Education: The Critics' Corner**[1]

"[U]nder GATS, foreign education service providers would be guaranteed access to … [Canada's] 'education market' (including degree-granting status), governments would have to give these providers the same grants and financial assistance as they provide to the country's publicly funded universities and colleges, provide student loans, bursaries and other financial aid to students attending foreign schools, and eliminate preferential tax treatment for Canadian schools and research and development carried out therein."[2]

"The new area of GATS rules and restrictions on state subsidies could identify government payment of student tuition fees as discriminatory. This could force the government to either subsidise students at private universities equally, or end state financial support to students altogether."[3]

"[T]he private sector will receive enormous power to undermine the public delivery of educational services. One specific 'barrier' … that is particularly alarming is the identification of 'the existence of government monopolies'. The underlying philosophy of trade liberalisation in international trade agreements is that, whenever something can be provided by the private sector, conditions should exist to ensure that this can occur … clearly whenever governments operate in what is, or potentially could be, a 'market', their actions are 'barriers' to the creation of private markets and, therefore, need to be controlled."[4]

"[T]here is every reason to be seriously concerned about the democratic deficit which is progressively deepening as what effectively amounts to a covert world government is built step by step on the basis of the economic, financial and business interests of a handful of corporations. On the one hand, the secrecy which surrounds the negotiations of these major trade agreements very often results in the main players concerned, including entire populations, being faced with a '*fait accompli*', in which they have had no say. On the other hand, the colossal power that these agreements usually confer on a few economic operators dramatically restricts the scope for political and socially-oriented action in determining major choices which concern society as a whole."[5]

"[T]rade pacts are designed to prohibit a country from changing its policies. Once a government has agreed to include an area like education into one of these agreements, it cannot withdraw that area from being covered by the agreement – even if the people of a country vote overwhelmingly that they do not approve of what is happening."[6]

1. The author is grateful to Craig vanGrasstek for drawing his attention to the various strands of anti-GATS critiques in the education services field.
2. Canadian Federation of Students (2001), "Brief on General Agreement on Trade in Services", October 15, p. 3.
3. Jess Worth, The Threat to Higher Education: A Briefing on Current World Trade Organisation Negotiations (2000), People and Planet, Oxford, United Kingdom, p. 3.
4. Marjorie Griffen Cohen (2000), "The World Trade Organisation and Post-Secondary Education: Implications for the Public System", address delivered to the University of South Australia, p. 6.
5. Education International and Public Services International, The WTO and the Millennium Round: What is at stake for Public Education?, Education International and Public Services International, 2000, Ferney-Voltaire, France, p. 23.
6. Larry Kuehn, "Keep Public Education Out of Trade Agreements", (2000), N.P., British Columbia Teachers' Federation, p. 1.

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"commodification", and other assorted ills. Such statements belie significant misunderstandings about the GATS and its modus operandi. Whether by deliberate commission or innocent omission, GATS detractors often present false, inflammatory and misleading characterisations of the purpose, rules and policy consequences of the GATS. A more reasoned assessment of the Agreement shows that it is nowhere nearly as powerful as its critics suggest.[3]

Much of the public policy debate over the alleged downsides of the GATS, including (but not only) for education services, is rooted in a number of fallacies about the Agreement's design and operation. These include:

- T*he fallacy of universal coverage* which leads to the erroneous assertion that simply because a service activity is subject to GATS rules (a matter that cannot be said to apply fully to education services in view of GATS Article I.3), it must *per force* be subject to liberalisation commitments.
- T*he fallacy of full market opening* by which GATS critics wrongly assert that the elimination of all trade- and investment-restrictive measures (including non-discriminatory regulatory measures) is the aim of the GATS, when in fact WTO members retain the right not to liberalise a given sector and can indefinitely maintain, in sectors where they make liberalisation commitments, measures that openly discriminate against foreign suppliers or quantitatively restrict their ability to compete in service markets.
- T*he fallacy of immediacy* by which GATS critics allege, once again erroneously, that liberalisation under the GATS must by definition not only be complete in nature but immediate in effect. In reality, the entire Agreement is predicated on the progressive, orderly, nature of liberalisation where and when WTO members are so willing to pursue it under the GATS.
- T*he fallacy of confusing trade and investment liberalisation with deregulation*: words that GATS critics use synonymously when in fact liberalisation typically must be underpinned by a proper regulatory framework to be successfully pursued.
- T*he fallacy of equating negotiating requests with negotiating offers* as if the process of opening services markets resulted from the mere act of formulating a request of one's trading partners. How then can one explain the low level of bound liberalisation under the GATS?
- T*he fallacy of policy irreversibility* according to which bound measures under the WTO cannot be rescinded or modified, locking-in governments in perpetuity, when in fact the GATS (like the GATT) establishes a series of means by which countries can limit, condition, or even suspend the commitments that they make, subject to compensating trading partners.

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- T*he fallacy of secrecy* by which GATS critics allege that the opening of services markets is happening in secret, behind the backs of citizens, when in fact the current GATS negotiations are being conducted in a highly transparent manner, with all negotiating proposals and information on the state of play of services negotiations available in real time on the websites of the WTO and of many member countries.

A paradox of the anti-GATS campaign is that much of it is rooted in the OECD area, where the share of services in employment and standards of living are highest, and where the benefits of regulatory reform and of trade and investment liberalisation in services have arguably generated the greatest gains in consumer welfare and allocative efficiencies. Not surprisingly, the public policy debate on services in OECD countries has tended to centre not so much on disputing the economic case for open markets. Rather, the debate over GATS has generally focused on the respective roles that the market and the state (as both regulator and direct purveyor of services such as education and health) should be assuming, as well on the threat to national regulatory sovereignty allegedly posed by trade and investment rule-making. All are issues that elicit strong feelings in the educational field. The following describes some of the most contentious issues in the GATS debate, highlighting where relevant its education dimension.

The GATS and public services

A variety of claims are made describing the GATS as a threat to the provision of public services: that it forces governments to privatise and allow competition in public services, that it obliges them to open them up to foreign trade and investment, and that it puts in danger the assurance of basic public services such as education, water distribution or health services. However, GATS rules do not dictate any specific role for the public and private sectors; countries are free to decide for themselves what sectors will be reserved for the state or state-owned enterprises. And they remain entirely free to decide whether or not to open such sectors to outside competition and to make (or not) binding commitments in such sectors in their GATS schedules. It is simply incorrect to suggest that the GATS forces governments to privatise or open up public services to competition, as the Agreement features no such obligations.

An important element in the debate over GATS and public services is the fact, noted earlier, that services supplied in the exercise of governmental authority are specifically excluded from the scope of the GATS. GATS Article I.3(b) defines "services" to include "any service in any sector except services supplied in the exercise of governmental authority". This exception is further refined in Article I.3(c), which specifies that "a service supplied in the exercise of governmental authority"

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means "any service, which is supplied neither on a commercial basis, nor in competition with one or more service suppliers".

The degree of government funding for public services varies widely across countries, depending on social and political preferences over the role of the state in the provision of those services. The regulatory landscape in the education and health fields in most countries, developed and developing, is one in which public and private suppliers co-exist. The advantage of the GATS in this regard lies once more in its flexibility. It can accommodate a wide spectrum of positions with regard to services provided by the government and those supplied under competitive market conditions or by private entities on a not-for-profit basis. Over and above the specific GATS carve-out for services supplied in the exercise of governmental authority, it is important to recall that the Agreement allows WTO members to:

- Regulate their service sectors in accordance with national policy objectives (subject to the limitations noted earlier in respect of areas where liberalisation commitments are undertaken).
- Refrain from taking liberalisation commitments in any particular sector, subsector or mode of supply.
- Maintain or designate monopolies.
- Retain the ability to subsidise service activities in their territories (see below).

It bears noting for instance that not a single country proposal to liberalise the provision of health services under the GATS has been formulated to date. Moreover, the four WTO members that have tabled negotiating proposals on trade in education services have all sought to clarify their circumscribed nature (see section IV below). These proposals generally seek non-discriminatory treatment for those who provide education and training services on a commercial basis and meet the regulatory requirements of the host country. The United States, which submitted one of the proposals, has noted that it explicitly does not cover primary and secondary education and that a country's subsidies for higher education should not be made equally available to foreign providers. All proposals emphasise the central importance of preserving the ability of countries to apply regulatory measures necessary to achieve education policy objectives, including in respect of public funding, consumer protection and quality assurance.

GATS and the right to regulate

Threats to a country's sovereign right to regulate, or the alleged transfer of regulatory authority from national governments to a supranational body such as the WTO, is a central plank of the anti-GATS critique. Agreements to accept a framework of rules, whether bilateral, plurilateral or multilateral, by definition entail some curtailment of sovereignty, although the decision to enter into such an

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agreement is itself an exercise of sovereignty. Over 140 governments have chosen through membership of the WTO to participate in a package of multilateral agreements because they recognise the overall net economic and social benefits that accrue from a rules-based trading system.

The progressive liberalisation, not deregulation, of services trade is the goal of the GATS, and of periodic negotiating rounds. A common misconception in debate over GATS is to use the terms "liberalisation" and "deregulation" interchangeably, as if they were literal synonyms. They are not, and it is simply wrong to assimilate regulations to trade restrictions. Services liberalisation, indeed, often necessitates regulation or re-regulation. But that is not to say that regulation, whether for economic or social purposes, cannot be designed, implemented or enforced in more transparent and efficient ways, with positive overall effects in terms of democratic governance.

The principal concern linked to loss of sovereignty is the consequent loss of a nation's freedom to regulate its service sectors in the manner it deems appropriate. Many service sectors are highly regulated in order to protect consumers, the environment and, in the educational field, to achieve universal service objectives in basic education whilst ensuring the quality of those services. Governments are understandably cautious when agreeing to subject themselves to common rules. Such regulatory precaution is reflected in the provisions of the GATS, which uphold the fundamental right of a government to regulate in order to pursue national policy objectives. The Agreement's preamble recognises, *inter alia*, "the right of members to regulate, and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives".

It is certainly true that, as with any other legally bound undertaking in the WTO (or any other international treaty), the GATS can affect the regulatory conduct of member countries. Yet countries accept such disciplines because they deem them necessary to reaping the full benefits from international co-operation in a rules-based system. The GATS affords WTO members considerable flexibility in this regard. For only those sectors, sub-sectors and modes of supply where a WTO member agrees to schedule liberalisation commitments and where exceptions from the most-favoured-nation treatment obligation have not been taken, what that country ultimately accepts to do under GATS is to not make its regulatory regime more restrictive in future (subject to trade concessions or retaliatory measures of commercially equivalent effect if a country decides, as it always can, to renege on its commitment).

In scheduling commitments, WTO members may also opt, at their discretion, to treat foreign services and service providers in a non-discriminatory manner. That is, extend national treatment to the latter, now or in the future. And they can decide, if they so desire, to eliminate, immediately or progressively, quantitative restrictions that impede access to their services markets. Each one of those

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decisions – like that of not scheduling commitments – remains the sovereign prerogative of WTO members to make.

Commitments under the GATS to grant market access do not entail any changes – and certainly not compromises – to regulatory standards or preferences. Those in force for the protection of the public, or to achieve universal access, continue to apply regardless of the nationality of the supplier. Governments may also choose to impose additional requirements on foreign suppliers, something they typically do for instance in the case of professional licensing in medical services.

The specific obligations concerning domestic regulation in the GATS framework aim at requiring members to regulate those service sectors in which they have made commitments in a reasonable, objective and impartial manner. Article VI of GATS on Domestic Regulation aims to create more transparent domestic regulatory decision-making, implementation and administration. There is explicit recognition of the right of service suppliers to information on regulatory and administrative decisions and to judicial and administrative review and appeals processes. In both respects, the GATS champions principles of good governance.

The work programme under GATS Article VI(4), on which discussions have continued since the end of the Uruguay Round, has provoked some of the strongest anti-GATS sentiments. Work in this area is designed to address the fact that non-transparent, unfair or unduly burdensome regulations at the national level can potentially undermine the value of market access commitments freely entered into by a WTO member. Article VI(4) calls for the development of any necessary new disciplines to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary trade barriers. No so-called "necessity" test has yet been developed under the Article VI(4) work programme. Discussions have proceeded slowly, reflecting the cautious attitude of governments in this area.

Disciplines relating to domestic regulation have however been developed specifically for the accountancy sector. These draft disciplines, which were adopted in December 1998 and are due to be integrated into the GATS at the conclusion of the current negotiations, would only apply to those countries that made commitments on accountancy services. Critics have argued that the incorporation of such disciplines in the GATS could infringe upon governments' sovereign right to regulate by imposing a set of global standards on WTO members. However, the draft disciplines do not focus on the substantive content of qualifications in accountancy but seek to ensure procedural transparency in matters of licensing and qualification. The WTO is not a standards-making body, nor is it mandated to assess the content of national standards, be they technical or professional. The Article VI(4) work programme concerns itself with the means that countries choose to pursue public policy objectives, and not the objectives *per se*.

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The GATS and foreign investment

The educational field highlights well why services trade conducted through foreign direct investment (or commercial presence, as it is called in GATS) is particularly important given the need for proximity between suppliers and consumers of services and the need to tailor service offerings to host market conditions. Commercial presence is the area where the largest amount of liberalisation commitments were undertaken by WTO members in the Uruguay Round (although education is an outlier in this respect, reflecting once again the defensive attitudes of many countries towards the very idea of taking on legally binding commitments in the sector). This suggests the importance countries attach to reaping the positive benefits – high paying jobs, human resource training, technology transfers, quality upgrading – typically associated with greater doses of foreign direct investment whilst also retaining the freedom to regulate such activity.

The argument is often heard that the GATS is principally an investment agreement, designed to promote the interests of large multinational corporations over those of smaller, national, enterprises. While the GATS can be described as a multilateral agreement that covers investment in the services trade context, it is not an agreement on investment per se and cannot be portrayed, as many GATS opponents often allege, as a means of resurrecting the failed Multilateral Agreement on Investment (MAI).

While WTO members may, via their GATS commitments, accord market access to foreign investors, they are not obliged to do so. In addition, governments are free, if they choose to make commitments on commercial presence, to maintain existing discriminatory or quantitative restrictions. The Agreement affords no automatic right of establishment to foreign investors. The only obligations of WTO members are to schedule any existing restrictive measure they wish to maintain in sectors where liberalisation commitments are voluntarily undertaken, and to ensure freedom of payments and transfers relating to investments in such sectors.

Governments can use the GATS selectively to encourage investment in sectors of their choice, subject to the conditions they wish to impose or retain, including with respect to technology transfers and the employment or training of local workers. The Agreement also permits governments to maintain foreign ownership restrictions in sectors where they have made commitments. The GATS promotes greater predictability through the permanency (but not irreversibility) of commitments, a potentially important element in attracting investment in developing countries. The "investment signalling" properties of the GATS may well explain the decision of a number of developing countries' to undertake Mode 3 commitments in education services. The logic behind such commitments is easily understood, as the demand for higher education and specialised training far outstrips the supply capacity of many developing countries' educational systems.

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The GATS and subsidies

One of the allegations most often raised by critics of the GATS concerns the presumption that the GATS forces WTO members to grant governmental subsidies, notably in the fields of public health and education or cultural industries, to all comers on a non-discriminatory basis.

The issue of subsidy practices in the services field (like that of emergency safeguards and government procurement) is one where WTO members agreed at the end of the Uruguay Round to pursue negotiations with a view to developing multilateral disciplines. No such disciplines currently exist under the GATS, nor has any firm deadline been set to complete ongoing discussions in both areas.

At present, for those services where a WTO member has made market access commitments, it can maintain the ability to subsidise national service suppliers on a discriminatory basis by listing such limitations on national treatment in its schedule of commitments. The issue of public subsidies in education, which tends to receive significant attention in the public policy debate over the GATS, is largely moot in the light of the carve-out of governmental services.

WHAT EXACTLY ARE WE TALKING ABOUT? A STYLISED DEPICTION OF NEGOTIATING PROPOSALS BY AUSTRALIA, JAPAN, NEW ZEALAND AND THE UNITED STATES

As noted earlier, four WTO members – Australia, Japan, New Zealand and the United States have to date tabled negotiating proposals on education services under the GATS, the core elements of which are summarised in Table 4 below. These proposals bear little resemblance to the assault on public education services that GATS critics decry as an inevitable outcome of the current negotiations.

Rather, a closer reading of the proposals suggests two broad comments. First, their proposed scope tends to be narrowly drawn. Indeed, some of the proposals, notably that of the United States, focus attention on a very circumscribed universe of new service offerings where private suppliers have tended to be in the vanguard of what is already a highly competitive market environment (private higher (*i.e.* tertiary or post-secondary) education, adult education and training services). Meanwhile, the government of New Zealand calls on WTO members to consider making commitments in education sub-sectors that are less affected by sensitivities relating to the divide between public policy and commercial activity in education.

Second, "demandeur" governments, far from being captured by rapacious private suppliers of education services, appear acutely cognisant of the range of sensitivities that calls for greater competition in the delivery of education services can elicit in concerned constituencies. Accordingly, all four proposals acknowledge the central role governments will continue to play (as both suppliers and regulators)

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Table 4. **GATS and education services – A synthetic look at negotiating proposals**

	Australia	Japan	New Zealand	USA
Scope of proposal	Not addressed directly.	Not addressed directly.	Commitments should be contemplated in sectors that are less affected by sensitivities relating to the divide between public policy and commercial activity than others.	Clear intent to narrow the scope of possible GATS negotiations in education services. Proposal refers only to private higher (tertiary) education, adult education, and training services; it does not apply to primary and secondary education. Clarification of coverage: Higher education includes all tertiary education, adult education and training services. Proposal to include two other types of services as part of the concept of education: training services and educational testing.
Objective	Focus attention on the identification of impediments to trade in education services. Barriers identified by GATS mode of supply.	Promote liberalisation through better market access, further assurance of national treatment and deregulation of related domestic regulations.	Identification of relevant sectors through improvement of the current education services classification. Proposal to clarify the delineation of services between the "higher", "adult" and "other" categories by adding non-exhaustive, illustrative lists which should reflect more accurately the realities of education delivery (*e.g.* acknowledgement that many education services are increasingly being offered by organisations or institutions from outside traditional education systems); of particular interest is the category "Other education services". Proposal to add "community education" to the current definition of "Adult education services not elsewhere classified" and student recruitment and placement services to the educational services classification. Proposal to classify "education services primarily concerned with recreational matters" (currently treated under sporting services), as part of education services.	Create conditions favourable to suppliers of higher education, adult education, and training services by removing and reducing obstacles to such services across national borders through electronic or physical means, or to the establishment and operation of facilities (schools, classrooms or offices) to provide services to students in their home country or abroad. WTO members should make commitments on higher education, adult education, and training services based on a list of obstacles identified in the proposal.

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Table 4. **GATS and education services – A synthetic look at negotiating proposals** (*cont.*)

	Australia	Japan	New Zealand	USA
Related concerns	Reaffirm the need of any negotiated outcome to respect a set of principles with a special focus on domestic policy issues: giving consumers (students) in all countries access to the best education services. Not preventing member countries from establishing their own education policy objectives. Not preventing member countries from providing public funds for education to meet domestic policy and regulatory objectives. Considering the significant linkages between education services and other services sectors. Recognising the sovereign right of member countries to screen for temporary entry immigration purposes.	Liberalisation measures should be considered with primary interest in maintaining and improving the quality of services, taking into account aspects of government policy objectives (quality of education, consumer protection, international equivalence of degrees). Taking into account differences in administrative structures (authorisation of establishment, third-party evaluations and degree-granting system).	Strike a balance between pursuing domestic education priorities and exploring ways in which trade in education services can be further liberalised.	Proposal to apply existing GATS market access and national treatment disciplines, as well as additional commitments to education services while respecting following issues. Governments would retain the right to regulate to meet domestic policy objectives. Education is to a large extent a government function; the proposal does not seek to displace public education systems. Public education systems could be supplemented by affording opportunities to service providers to make their services available to students in other countries, while respecting each country's role of prescribing and administering appropriate public education for its citizens. No intention to interfere with the tax exempt or state-funded status of educational institutions, or policies regarding admissions, scholarships, grants or curriculum. No intention that a country's subsidies for higher education be made equally available to foreign providers. Right of countries to make reservations for measures to avoid undue disruption of their public education systems.

Source: Author.

in education services, a role liberalisation proponents expressly acknowledge the GATS must not undermine.

There can be little doubt that the controversy that has arisen over the scope and negotiating implications of the public service carve-out under GATS may explain the care that proposing countries have taken in making explicit the role they see governments playing in the education field (Knight, 2002). Thus the Australian proposal notes that governments have a role to play in the financing, delivery and regulation of higher education – either alone or in partnership with individuals, NGOs and private suppliers; and they must retain their sovereign right to determine their own domestic funding and regulatory measures and policies.

In the New Zealand submission, a central focus of which concerns the need for the classification of services activities under the GATS to better reflect the rapidly changing landscape of international education, the government recalls how the reduction of barriers to trade and investment in education services does not equate to an erosion of core public education systems and standards.

The US submission, for its part, reaffirms the principle that governments must retain the right to regulate to meet domestic policy objectives; that education is to a large extent is a government function and that calls for enhanced access by private suppliers in higher education, adult education and training services seek to supplement – and not displace – public education systems.

In taking its negotiating proposal "on the road", US officials have gone to great lengths to point out what was "off the GATS table": opening up the provision of primary and secondary education services (including the private supply of such services); privatising public education services; affecting the tax status of educational establishments; extending funding/public subsidies for education to foreign service providers on a non-discriminatory way; addressing policies regarding admissions, scholarships, grants or curriculum.[4]

While calling for a greater overall level of bound liberalisation commitments in the sector, the Government of Japan draws attention at the same time on the central role that governments must continue to play in protecting consumers (students) and ensuring the quality of education services through proper accreditation and quality assurance systems. The latter are issues that the New Zealand proposal also highlights.

Finally, two submissions – those by Australia and the United States – identify and draw attention to a range of potential impediments to the internationalisation of education services (see Tables 5 and 6 in the following section) which both governments believe the GATS could address with a view to their progressive elimination or liberalisation. This paper concludes with a discussion of the scope that may exist for tackling such impediments in a trade policy setting.

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Table 5. **Barriers to trade in education services identified in the US submission**

- Prohibition of higher education, adult education, and training services offered by foreign entities.
- Lack of an opportunity for foreign suppliers of higher education, adult education, and training services to obtain authorisation to establish facilities within the territory of the member country.
- Lack of an opportunity for foreign suppliers of higher education, adult education, and training services to qualify as degree granting institutions.
- Inappropriate restrictions on electronic transmission of course materials.
- Economic needs test on suppliers of these services.
- Measures requiring the use of a local partner.
- Denial of permission for private sector suppliers of higher education, adult education, and training to enter into and exit from joint ventures with local or non-local partners on a voluntary basis.
- Where government approval is required, exceptionally long delays are encountered and, when approval is denied, no reasons are given for the denial and no information is given on what must be done to obtain approval in the future.
- Tax treatment that discriminates against foreign suppliers.
- Foreign partners in a joint venture are treated less favourably than the local partners.
- Franchises are treated less favourably than other forms of business organisation.
- Domestic laws and regulations are unclear and administered in an unfair manner.
- Subsidies for higher education, adult education, and training are not made known in a clear and transparent manner.
- Minimum requirements for local hiring are disproportionately high, causing uneconomic operations.
- Specialised, skilled personnel (including managers, computer specialists, expert speakers), needed for a temporary period of time, have difficulty obtaining authorisation. to enter and leave the country.
- Repatriation of earnings is subject to excessively costly fees and/or taxes for currency conversion.
- Excessive fees/taxes are imposed on licensing or royalty payments.

Source: VanGrasstek (2002).

IRRATIONAL EXUBERANCE? WHAT ROLE SHOULD THE GATS BE EXPECTED TO PLAY IN THE INTERNATIONALISATION OF TRADE IN EDUCATION SERVICES?

The GATS negotiations are likely for the foreseeable future to be a useful complementary adjunct to WTO members' international education strategy. Such negotiations are unlikely however to be the driving force behind the continued internationalisation of trade and investment in education services. The GATS process should neither be demonised nor expected to provide a magic bullet for education service providers interested in serving foreign markets or attracting greater numbers of foreign students.

To the extent that the promotion of internationalisation of education involves collective actions on the part of governments, these may well be more properly pursued through agreements on educational qualifications, academic and cultural exchanges, and so forth, rather than brokered inside the trading system.

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Table 6. **Barriers identified by mode of supply in the Australian submission**

Mode 1 – Cross-border supply
- Erection of new barriers as governments respond to growing use of the internet for delivering education services.
- Restrictions on the use/import of educational materials (academic tools of trade).

Mode 2 – Consumption abroad
- Visa requirements regulating the free flow of international students.
- Foreign exchange requirements regulating the free flow of international students.
- Qualification recognition issues which act as a deterrent to gaining qualifications at overseas institutions.

Mode 3 – Commercial presence
- Limits on ownership/foreign equity.
- Rules on twinning arrangements which restrict the development of these institution-to-institution arrangements.
- Lack of transparency of government regulatory, policy and funding frameworks.

Mode 4 – Presence of natural persons
- Visa issues regulating the free flow of academics.
- Employment rules regulating the free flow of academics.
- Restrictions on the use/import of educational materials (academic tools of trade).

Source: VanGrasstek (2002).

This conclusion is not altogether very different from that articulated by four leading educational trade associations in a September 2001 *Joint Declaration on Higher Education and the General Agreement on Trade in Services*.[5] Signed by the Association of Universities and Colleges of Canada, the American Council on Education, the European University Association, and the Council for Higher Education Accreditation, the declaration noted that "while some barriers exist to trade in educational services, there does not appear to be a major problem overall".[6]

Part of the reason for coming to such a conclusion lies in the remarkable pace of change witnessed in the educational services field in recent years, much of which occurred completely outside a trade policy framework. This is not to suggest that barriers to trade or investment in education services do not exist or could not be amenable to gradual reduction or elimination through trade negotiations. Nor does it suggest that the greater transparency and policy predictability that would derive from a higher level of bound liberalisation commitments under the GATS would not be beneficial to suppliers and consumers alike. Yet, as already alluded in Table 2, apart from restrictions on commercial presence – that is on the ability of education service providers to establish a physical presence in foreign markets under mode 3 of GATS – it is not clear that trading conditions in the other modes of supply are seriously impaired or restrained by governmental measures, nor that potential impediments – such as those pertaining to cross-border supply through electronic means of delivery – are unique to education services.

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Indeed, were obstacles to internationalisation so significant, educational institutions around the world would not have been able in recent years to actively develop a dizzying range of exchange agreements, distance education programs, research collaborations and offshore partnerships to meet their internationalisation objectives and contribute to international development.

Moreover, in those areas where significant impediments to internationalisation of education do exist, such as the lack of recognition of academic qualifications or concerns over the quality of educational providers and the risk of seeing "degree mills" sprouting in a liberalised environment, it is not clear that GATS offers the most appropriate setting in which to directly tackle and resolve such problems relative to those available in non-trade settings [such as the Convention on the Recognition of Qualifications Concerning Higher Education in the European Region (Lisbon Convention), open to all states, which addresses these issues]. Most of the barriers to trade in education services identified in Tables 5 and 6, are arguably best addressed in other types of international agreements (*e.g.* educational or cultural exchange agreements), including at the bilateral and regional levels as well as through domestic legislative changes.[7]

The barriers that are most typically mentioned in the education field tend to take two main forms. A first category consists of restrictions on Mode 3 trade (*i.e.* commercial presence or investment). These include measures that either prevent foreign schools from establishing a presence (*e.g.* a satellite campus) or deny privileges to these schools or their students. While these are important concerns for certain schools in the United States and a few other countries, the range of countries whose post-secondary institutions have a strong interest in establishing abroad remains somewhat limited. Still, as noted above, the GATS does lend itself to deepened investment regime liberalisation in services, although the attitudes of many potential host countries continues to be characterised by significant regulatory precaution in respect of mode 3 commitments in the educational field.

While some of the issues listed in Tables 5and 6 could indeed be dealt with in the WTO, they may be best tackled in other aspects of the new round. For example, restrictions on trade in educational materials fall within the scope of the market-access negotiations for goods rather than services. Issues relating to transparency and the electronic delivery of services can also be addressed in negotiations that are not specifically focused on educational services.

With the exception of a still relatively small number of (mainly Anglo-Saxon) countries (though the numbers are clearly on the rise), the pace of whose internationalisation far exceeds that observable elsewhere, many WTO members' principal interests regarding trade in educational services are likely to remain in Mode 2 (consumption abroad), which involves students travelling to foreign countries.

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Few, if any, "trade" barriers impede such flows. Rather, what holds back Mode 2 trade is a host of measures that are not addressed by the GATS. Chief among these are difficulties in obtaining student visas, funding prospective students/studies abroad and dealing with various student-related work permit matters. For reasons of sovereignty and national security, immigration and labour market issues are typically left to national and sub-national legislation rather than to international trade agreements, the GATS being essentially concerned with conditions governing the temporary entry of service suppliers. So-called Mode 4 trade is not on the whole problem-prone in the educational field, given the demand for expertise and the uniqueness of the skills that researchers and academics bring to the host country and its educational institutions.

As regards funding-related problems (including in respect of tuition fees), traditionally one of the biggest problems facing students contemplating studies abroad, apart from ensuring that countries can continue to discriminate in favour of certain categories of students (typically nationals of the home country) in charging tuition, granting scholarships and administering student aid packages (which the GATS allows in sectors where WTO members undertake liberalisation commitments), it is not clear what WTO members could achieve by tackling these kinds of issues in a trade policy setting. Indeed these are areas where even proponents of using the GATS to achieve greater liberalisation of trade in education services urge caution. Indeed, these are areas which even GATS' proponents tend to consider as lying squarely outside the Agreement's remit.

The most significant remaining barrier concerns the non-recognition of degrees and qualifications. Students will hesitate to study abroad if the degrees they obtain run the risk of not being recognised by prospective employers or by educational institutions at home or abroad. Here the GATS can play a useful role, but once again in a secondary, trade facilitating, capacity.

It is an increasingly common practice for government agencies and professional associations to negotiate agreements that provide for transnational recognition of educational and other qualifications in specific professions. Agreements of this sort are not negotiated under the auspices of GATS. They can however be recognised under the Agreement. GATS Article VII provides both for the negotiation of such agreements and rules governing their possible extension to additional parties, as well as the formal notification of such agreements to the WTO.

Article VII of the GATS (Recognition) provides an opportunity for other countries to indicate their interest in joining negotiations on recognition. The Agreement also encourages the use of international standards, as noted in Article VII:5, which states:

"Wherever appropriate, recognition should be based on multilaterally agreed criteria. In appropriate cases, members shall work in co-operation with relevant

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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."[8]

Two final areas where the GATS could play a useful role in helping achieve greater market openness concerns activities ancillary to education, such as quality assessment and testing, and in ensuring that regulatory measures in this area (as with recognition-related matters), even while non-discriminatory in character, are not unduly burdensome or indeed disguised restrictions to trade and investment in the sector. The adoption of possible disciplines on domestic regulation foreseen under the Article VI:4 work programme of GATS, and in particular the adoption of a necessity test (which currently does not exist but is under consideration), could be important in this regard, though one cannot underestimate the political sensitivities that lie ahead in this area.

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Notes

1. The views expressed in this paper are personal and should not be attributed to the Organisation for Economic Co-operation and Development or its member countries. The author is grateful to Nora Dihel for assistance in preparing the various tables appearing in the paper. Parts II and II of the paper draw on a study recently prepared by the author, entitled "GATS: The Case for Open Services Markets" (2002), OECD, Paris. The author is grateful to Dale Andrew, Bernie Ascher, Sjur Bergan, Ken Heydon, Michael Gestrin, Kurt Larsen, Keiko Momii and Craig vanGrasstek for useful discussions and for participants at a CERI Workshop at which an earlier version of this paper was presented.

2. One means of limiting commitments on services is through the definition of the sectors themselves. For the sake of simplicity, one can treat post-secondary education as a single sub-sector, but in actual negotiations it could be broken down into much smaller units. For example, a country could draw distinctions between sports education and all other forms, and draw a further distinction between gymnastics instruction and all other forms of physical education. A commitment to permit individual gymnastics trainers to enter the country for purposes of giving lessons would not then apply to ice hockey or downhill skiing instructors or any other sports or non-sports educational services.

3. See OECD (2002), GATS: "The Case for Open Services Markets", OECD, Paris, available at *www.sourceoecd.org*. See also van Grasstek (2002) for a useful depiction of the GATS debate as it concerns the education sector.

4. See Bernard Ascher (2001), pp. 5-6.

5. The text of the declaration is available on-line at *www.aucc.ca/en/international/bulletins/declaration.pdf*.

6. For further elaboration on this point, see Association of Universities and Colleges of Canada, "Canadian Higher Education and the GATS: AUCC Background Paper" (2001).

7. See van Grasstek (2002).

8. Although the GATS does not specifically address certification or accreditation issues by non-governmental organisations, implicitly these processes would be expected to be consistent with the principles of non-discriminatory treatment and use of objective and transparent criteria. Where government statutes or regulations require certification or accreditation by non-governmental organisations for the purpose of licensing, or where such authority is delegated, it is clear that these are considered "measures" of members and, therefore, subject to provisions of the Agreement.

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The International Provision of Higher Education: Do Universities Need GATS?

Andris Barblan

European University Association, Switzerland/Belgium

ABSTRACT

The provision of higher education in the world is governed by two approaches represented by the UNESCO, *on one side, by the* WTO, *on the other. The members of both organisations are the same governments but the two work on divergent assumptions as far as the development of a world system of higher education is concerned.* At UNESCO, *actors join a system of common references in order to set up a series of co-operative agreements and ventures – which can be reversible, as participants remain very much in control of their level of commitment to a wider global community.* At WTO, *on the contrary, actors merge their references by accepting an automatic development of internationalisation that becomes irreversible as the countries accept multilateral concessions from each other.*

Governments agreed to enter the field of service deregulation in the Millenium Round *by signing the* General Agreement on Trade in Services, *the* GATS, *in* 1995. *This represented a totally new area for all people concerned, be they in the* Ministries of Trade, Tourism, Health *of* Education. *Indeed, can the rules developed for goods apply to services – as if services were equal to goods? Can value be defined along the same lines for a material product and a virtual good like a service, in education for instance? Is not a service market much more supply-driven than a market of goods – thus requiring different modalities of international co-operation?*

That is the whole point of the debate concerning the commitment to GATS *made by several countries exporting education and it explains the claim for caution made last year by higher education associations of the United States, Canada and Europe. This should not hinder the use of* UNESCO *conventions to reach similar results, or to use convention to move on to agreements at a later stage, when trust and confidence are shared by all partners.**

* This article is based on an address made by the author at the founding Assembly of the Asia-Pacific Global University Network for Innovation that convened in Hangzhou, China, on 20 and 21 September 2002.

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WTO, the organisation that monitors and facilitates world trade development for a much longer time, and UNESCO, the agency for education, science and culture created at the end of the last World War to foster peace in the minds of the people of the planet, are key agencies of the United Nations system. Both institutions encourage some 200 nations of the world to work together rather than fight with each other. However, although composed of many of the same governments, representing most of the people of the planet, the WTO and the UNESCO act on a different basis, use different approaches of international co-operation, refer to different worldviews – also when dealing with education, and higher education in particular.

PROCESSES OF INTERNATIONALISATION

In other words, today, internationalisation is driven by two cultures, one resulting at UNESCO in so-called conventions, the other, at WTO, in so-called agreements.

The term convention comes from the Latin con, which means, with and from venire that translates into to come. Thus, a convention is the result of people coming together; when it is not the group itself of those persons meeting for a similar purpose, like the convention of the Democratic Party. Another and subsequent meaning relates to the transcription of those concepts into the minimum common denominator justifying the fact that such a group comes together. As a result, a convention is also a text that makes explicit a set of references accepted as common by the people gathered around the same cause. A written convention, when it extends the common will of being together, at the present moment, to a commonality of purpose for tomorrow, usually lists an agenda for action intended to foster group convergence, thus helping people to meet again on similar terms. When the partners joining together are country governments, conventions, that record the compromises made to reach a common purpose, become a tool of internationalisation, the basis for a common vocabulary, for an accepted understanding of activities leading to similar objectives. The actors join in a common system of references building consensus from experiences usually gained in bilateral contacts.

Basically, *con-venire* reflects a bottom up process in which each participant keeps control of the adaptations made in one's behaviour to sustain the group's shared objectives. As a result, any new step in the internationalisation process needs further exploration of possible common ground, *i.e.* a new round of negotiations. Countries need to be convinced of the interest of closer links – of a higher common denominator; thus, each new compromise is an *ad hoc* decision and, in the bargaining for international coherence, governments can feel justified to renegotiate past arrangements. In other terms, the convention culture is based on individual agendas and on a combination of *ad hoc* decisions that make the pro-

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cess relatively unstable, very complex, difficult and slow when the partners involved in the discussions are many.

Thus, after years of discussions, UNESCO and the Council of Europe proposed a Convention on the recognition of degrees in Europe, the so-called Lisbon Convention that was signed in 1997 before being ratified by various countries – 27 to date. It tries to build recognition of training and education on trust rather than on the minute equivalence of courses and credits – a system that had rarely led to a greater mobility of students, graduates and academics between countries and between universities. Today, the convention is also opened to countries outside of the European region, those countries that would like to benefit from the same recognition procedures in order to join the academic communities that negotiated the Convention. Last April, in Lisbon, a conference took stock of the achievements brought about by that document; its wider application was recommended as a complement to the so-called Bologna process, an intra-European effort made at building by 2010 a coherent and cohesive European Higher Education Area including some 35 countries – another example of convention culture that will be analysed below.

The other culture – in fact, a specific example of the convention culture – refers to the term agreement or, in French, "accord", which comes from the Latin *ad* and *cordia*, *i.e.* to the hearts – in other terms of the same heart. An accord expresses a conformity of feelings, of wishes. To agree goes deeper than to convene. In fact, to be of the same heart, the participants must not only join a system of references but also accept the merging of these references into one common system that expresses the conditions and constraints of their co-operation. They have to go beyond promises – that are implied in the word compromise – and must offer concessions, a procedure in which they cede, or abandon part of their autonomous will in order to join common development. An agreement does not allow for real changes of mind; indeed, there is little room for retreat from a system which lists the frame conditions for co-operation, thus requiring from participants an open ended acceptance of future, potentially unexpected arrangements. Thus, as an accord supposes a commitment to the unexpected, at least in the framework of an agreed area of common competence, there is no use for the constant re-negotiations of closer contacts, as is the case for a convention. In a way, an agreement has more of a top down nature than a convention – considering the relative automatism of its extension to enlarged areas of common interest. Thus, an agreement is simpler, easier, and faster to apply than a convention. Why? Because it requires more trust in the other, more confidence in the future than a convention that tends to check the direction of change at every step. And this requirement is not written in the document!

In this spirit, the World Trade Organisation, in 1995, proposed a General Agreement on Trade in Services (GATS) that would extend the lowering of tariffs

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and other commercial barriers to exchanges other than the trade of goods that had been covered by an earlier series of negotiations, from the Kennedy round in the early sixties to the Millenium round at present. GATS should cover in particular financial services – banking and insurance, for instance – tourism and transportation, health or education, to name but a few types of services of common interest. The 1995 Agreement indicates a few basic principles – accepted by all signatory governments – principles that can apply to all services under discussion. For instance, the national treatment clause says that all foreign services are to be treated as if they were national; or the most favoured nation clause, the MFN, indicates that any concession offered to one country is automatically granted to all the others which are also part of the agreement. These principles represent the framework conditions of the deregulation of trade – for-services, in this case; once accepted, they become the constraints of commercial internationalisation – also in the field of education.

In June this year, all WTO member governments were invited to outline the areas of trade in services that they were ready to commit to deregulation, *i.e.* the fields which they would accept to open to foreign providers on conditions similar to those applied to their own national providers. All these offers are will then be collated to prepare for the bartering of concessions – which will apply to all partners in the system. The whole process should be finished by the beginning of 2005. As for education, 31 countries – out of 144 WTO members – have indicated an interest in lowering trade barriers concerning the provision of training, four mentioning explicitly higher education, Australia, Japan, New Zealand and the United States of America, but in very different terms.

TRUST AND VALUE – THE IMPLICIT TENETS OF INTERNATIONALISATION

Understanding today's negotiations requires a look on the world international past, in the 19th and 20th centuries in particular.

In the middle of the 19th century, the countries of Europe were known as the "concert of nations"; they were the countries going through the same industrialisation process, characterised by the use of steel, coal and steam in order to develop shipping and rail connections that, starting from Britain in the 1840s, expanded throughout Europe in the next 30 years before extending to the whole world by the turn of the 20th century. As a group of nations – long accustomed to quarrel and fight – the countries of Europe accepted at the time that they needed some kind of procedure to harmonise their common economic fate rather than to insist on their unique political identities. In the 1860s, under the leadership of France, and with the support of Britain, the most favoured nation clause was invented to reinforce the economic ripples of industrial development. Such a policy was based on trust, trust in the partners of the concert of nations, on the one hand, and

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trust in one's own capacity to benefit from competition, on the other. But also trust in an open future in which governments could take the risk for the unknown, *i.e.* for the unexpected consequences of a world community that would affect them in the long term. Most European governments felt confident enough to risk tradition against potential wealth. Such trust was turned into value by the use of gold as the standard for measuring exchanges and assessing the success of trade. Combined to the MFN, the gold standard, common to all, allowed for the opening of European markets to foreign competitors and for the fast reorganisation of production, from food to industrial products, that was to transform world society in the second half of the 19th century. Not always without reactions, however, as groups of people and countries were losing well-defined positions and roles to make way to the new world order. To counteract such losses, some encouraged colonial enterprises that would channel and protect trade restricted to specific partners only – France and Indochina, Britain and India, for instance, not to speak of Far Eastern conquests for Russia or Far Western settlements in the United States. This also led to nationalist assertions of identity, in newly created countries like Germany and Italy in particular. Such reactions against free trade contributed, in the long run, to the political and military oppositions that led to the first World War: they killed global change and global exchange for most of the 20th century. For the cosmopolitan classes that ruled at the time, however, these fifty years of free trade remained the memory of a golden age when people, capital and goods could move freely, thus passing borders with no need for a passport or a visa, while using gold as a standard making trade and exchanges comparable all over the world.

From 1918 onwards, the history of the 20th century can be considered as a single-minded effort to recreate the conditions of that golden age; politically, to make war impossible, the concert of European nations was to be enlarged to the countries of the world through the setting up of the League of Nations, with a secretariat in Geneva. This attempt at internationalisation suffered a fatal blow, however, when the US Congress refused to follow President Woodrow Wilson, who had launched the organisation. On the economic front, gold was reinstated as the standard of trade, with disastrous results however, when the golden standard was pegged too high – in particular *vis-à-vis* the pound sterling – thus restricting commerce at a time of reconstruction while stimulating, on the contrary, efforts made by single countries to control their own economic fate. One of the results of such developments was the second World War.

After 1945, efforts were renewed to stabilise the world, especially through the creation of the United Nations organisation with its many specialised agencies, UNESCO in particular, but also, the World Trade Organisation. Super-powers, however, were reluctant just after the war to entrust a world organisation with the monitoring and the facilitation of trade; again, a question of trust in the other or in the

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future! Instead, they settled for a treaty that would cover one aspect of commercial exchanges only, custom duties and tariffs. Thus was signed and ratified the General Agreement on Trade and Tariffs (GATT) on the basis of which various negotiation rounds were organised to reduce the obstacles to international exchanges represented by country rules protecting national providers of goods and products. And it is only in the nineties, during the Uruguay round, that, comforted by the success of GATT as a forum of negotiations, the World Trade Organisation was finally set up.

Some governments considered that the global approach proposed by UN agencies was too slow and cumbersome, by the sheer fact of the number of countries involved and of the diversity of conditions prevailing in each of them. For instance, the lessons of two world wars fought in Europe in less than fifty years were pointing to the need for stability and peace if the area were to rise from its ruins. Several approaches were proposed to uproot hatred and mistrust in Western Europe: political ones, for instance, that would help national decision-makers to meet and develop common regulations, projects and programmes. Thus the Council of Europe was created and its Assembly comprised of parliamentarians from some 20 countries, at first, and now from 42 nations. Economic linkages were also considered as a possible route to international confidence. Consequently, in the early fifties, the six countries that had been at the heart of the two world conflicts – France, Germany, Italy, Belgium, the Netherlands and Luxembourg – organised as a single sector of multinational activities the many firms that could support war efforts, steel and coal industries in particular. That European Community for Steel and Coal represented the seed of trust for the Common Market, set up in 1957 by the Treaty of Rome, that extended free trade to all goods and products produced in the area – beyond steel and coal. At a regional level, the most favoured nation clause was being used to its full and, as a consequence, like in the 19th century, the mobility was not only granted to the objects but also to finance and, more importantly, to people. The launch of the Euro, and its formal use since January this year, have completed the model of the earlier century by offering a money standard that would also make possible comparisons of value, in terms of goods and services. No longer in the six original countries of the 1950s but in the 12 countries that have accepted the common currency – the last three countries of the community hesitating still to abandon their own monies, the sterling in Britain, the crown in Denmark or Sweden. With some 400 million people, however, the Common Market – now the European Union – has turned in fifty years from a disaster area into a pocket of prosperity that attracts neighbouring countries. At present, it is also a leading partner in commerce which, in the World Trade Organisation, deals as a single entity *vis-à-vis* all other governments. This same dream of liberalisation to counter nationalist stances has also been pursued in other regions, at a lesser level of integration however, for instance in South America with

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the Mercosur or the Andean Pact, or in North America with the North American Free Trade Agreement (NAFTA).

All those efforts are based on a series of assumptions, which are not mentioned in any convention or agreement; I refer to them as the building of trust. In all the examples mentioned, past and present, there is first a will to co-operate, be it at the lower level of the convention, or at the higher level of the agreement. People, nations, governments recognise that, next to them, they have "others", be they opponents or partners. The recognition of those others is the first condition of a dialogue. The second stage of exchange builds on comparisons, comparisons with the other, so that the person, the nation, the government discovers points of commonality and areas of differences in the identity and behaviour of their counterparts. Then, the areas of commonality can be considered as potential focuses for common action, as meeting grounds for joint development – if there is an interest in collaboration. At that level, however, the definition of common approaches does not imply the need for a changed behaviour among the partners to the dialogue: they keep doing what they have usually done but they do so in parallel; thus, in the long run, there grows a shared practice and, with it, confidence develops in each other's goodwill and competence. The third stage of development in co-operation is that of comparability. Comparisons show, after a while, where gaps can be bridged so that shared practice leads to convergence in behaviour, *i.e.* a behaviour that accepts to incorporate change in order to adapt one's own pace to the needs of the other. The fourth stage of collaboration, finally, is that of commitment, when the partners, be they people, governments or nations, agree to a common purpose and adopt common strategies to meet their objectives. To succeed, each partner must be able to count on the others' unrestricted collaboration and on their full acceptance of the objectives defined in common.

The culture of convention corresponds to the first two stages of recognition of and comparison with the other, that lead to shared practice, like the Lisbon Convention on the recognition of degrees. The culture of agreement refers to the next stages of collaboration – comparability and commitment – those stages that accept change in behaviour patterns to reach a common goal, like the GATS that requires an early commitment from member countries in order to obtain transformed patterns of trade that are going to affect deeply the national provision of specific services – and often in an unexpected way, at least in the long term.

In the field of higher education, Europe is trying to develop a pattern of integration that refers to the two cultures, or the four stages of co-operative development. This is the so-called Bologna process. In June 1999, 30 Ministers of Education signed a Declaration in Bologna, the city hosting the Alma Mater of all the universities of Europe, a document in which they indicated their intention, by 2010, to develop a European Higher Education Area (EHEA). The number of countries able to join was left open – and, indeed, another three have joined in

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2001 and some more will ask to adhere to the Bologna process in September 2003 when the Ministers meet again, in Berlin, to take stock of the development of the EHEA. The substance of the EHEA was also left opened: indeed, there is no definition of what an integrated academic Europe should be. Referring to the European Union, it could be an area where knowledge and knowledge workers are freely exchanged, *i.e.* a space where students can train in any higher education institution of the participating countries – with the support of their home country; a space where professors and researchers can be recruited from any of the participating countries; a space where employers and public authorities recognise the value of degrees taken in all participating countries. The Bologna Declaration, however, does not spell out such a grand design – that would frighten most academics and political decision-makers, anyway. Instead, the text points to the tools of convergence that could lead to the EHEA, and thus achieve the highest common denominator between the higher education systems of participating nations. For instance, it recommends the development in each country of a two tier system of higher education with a BA of at least three years followed by a MA of three or four semesters – thus facilitating the comparisons between national systems of higher education; it also recommends the use of the Diploma supplement, a document with a European format that explains the content of learning acquired in various countries; it asks for the extension to all institutions and to all levels of higher education of the European Credit Transfer System (ECTS) in order to simplify those procedures encouraging mobility between institutions, countries or types of training – to take account, in particular, of lifelong learning alongside traditional university studies; moreover, it suggests convergence in the quality assessment of knowledge services as arranged in the signatory countries; it also requires the suppression of all administrative obstacles to the mobility of persons and ideas; finally, it encourages the development of the European dimension of academic training.

By signing the Declaration, the Ministers pledged their countries' interest in the common use of those tools – even if each government is developing somewhat different strategies in their implementation. Italy, for instance, re-organised in one year its more than 1 500 traditional five-year curricula into 3 + 2 programmes of studies, adopting very quickly the BA/MA structure – even if they do not call it that way. Germany went much more slowly, each university being encouraged to offer the BA/MA curriculum next to their traditional programmes of training. Some universities considered the dual system to be so cumbersome that they decided to offer only BA/MA courses, such as the Humboldt University in Berlin. In the Netherlands, the Parliament has just discussed the transfer to a BA/MA system of higher education. In other words, the countries are left the choice of their own use of the tools considered common – and of their own pace as long as this leads to European convergence and to an increased mobility of people and ideas throughout the region, a region that goes much beyond the borders of the European Union.

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Over the years, the universities of Europe had achieved some kind of recognition of their work; there had been many programmes encouraging joint teaching and common curricula development – at least in those parts of study courses that were specifically opened to foreign students – for instance, in the framework of the ERASMUS programme that supports the intra-European exchange of more than 100 000 students a year. The Bologna Declaration considered that this learning of each other's needs and methods required a boost if the comparability of services were really to enter the stage of comparability of action. Thus, the Declaration offered governments the possibility to commit to a mid-term future of integration – the EHEA of 2010 – and it urged them to enter similar lines of development. These were reinforced in Prague, in May 2001, when the Ministers insisted that higher education, including lifelong learning, had to be considered as a public good and that the students had a key role to play in social change. The Ministers were thus confirming earlier indications in the Bologna Declaration that the integration of European higher education would not be done by the governments alone but with the full support and creativity of the institutions of higher education and their members, students, teachers and administrators. If public authorities are there to ensure the conditions of academic development, European intellectual growth is the business of the universities – which have to put their act together, also at the European level.

In October 2002, for instance, the European University Association organised in Zurich a conference on the use of ECTS as a tool of academic integration. The meeting, officially considered as a part of the Bologna process, brought together some 200 university leaders as well as government representatives from all signatory countries, or student and teacher representatives: all 300 participants tried to determine how to move from good to best practice in the use of credit transfer and accumulation in Europe – *i.e.* to move from the lowest to the highest common denominator. The conclusions of the conference should be part of the recommendations for further harmonisation that will be discussed by the next ministerial Summit in September 2003 in Berlin. Like similar "Bologna" conferences, the meeting in Zurich will have been prepared by national debates and, as far as ECTS is concerned, by visits to scores of institutions using European credits and facing problems in the extension of the system to all curricula, a move influencing indirectly all aspects of their activities. In other words, the Bologna Declaration implies partnership with the government rather than dependency, as far as higher education institutions are concerned. This means that the universities trust in the authorities and that the authorities trust in the universities, or equivalent institutions of higher learning. The same is true for other actors in the process: for example, the National Unions of Students in Europe (ESIB) take full part in the shaping of the EHEA, launching discussions at institutional and national level, organising European symposia – the results of which are presented directly to the Ministers.

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This also implies an open future where the partners' goodwill can realise shared ambitions. This can lead however to somewhat uncomfortable positions as everything should stay on the move: for all actors in the process, each decision is but an approximation towards the creation of the EHEA.

Indeed, the Bologna process is not at all automatic as it combines the slow growth of confidence and the stimulation of innovative proposals around an open and growing definition of what the future EHEA will be. In a way, it bets on the "convention" approach, keeping most of its unrelenting day to day discovery of the other, but it brings it to the level of the shared heart, that of the agreement culture, by constantly searching for the highest common denominator. members are free, however, to move towards the common goal in their own way although they agree to remain constricted to the use of a fixed set of shared tools of development. As a result, the world of European higher education looks somewhat of a jungle, more intent on new ideas than on fixed order. The Bologna process, in many ways, is an experiment in international relations. This openness is also its strength as shown by the countries of South East Europe: they are not parties to the Declaration yet, but they have decided to re-organise their system of higher education on its lines, by passing laws of higher education that are Euro-compatible, *i.e.* that converge with the developments engineered by the Declaration in other countries of the region.

From a sociological point of view, it seems that going through the first two stages is compulsory in order to build real trust and that this requirement is sometime forgotten by the supporters of international integration – through trade or otherwise. The chance of Europe is that, despite historical and political fragmentation, there is a basic consensus on what represents the common culture of the region, and on what is the role of higher education in social development. The stages of recognition and comparison are already well underway among the 35 countries sharing in the Bologna process – even if one is always surprised by the little knowledge average academics have of the educational systems prevailing on the other side of their national borders. Anyway, there is acceptance of a common ground, an acceptance that does not necessarily exist in other parts of the world. In other words, to start with agreements when a convention culture has not developed yet – *i.e.* making people of the same heart when they do not know each other yet – could lead to unwanted results, some partners feeling oppressed rather than supported in their adaptation to change.

DO UNIVERSITIES NEED GATS?

The European University Association (EUA) as an organisation, is certainly not against free trade. Nor should the Europeans be, in general, considering the level of wealth and development brought about by the growing mobility of goods, monies

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and people in the area since 1945 – when World War II closed on so many cities, firms and infrastructures of Europe being levelled to the ground. The hesitations concerning the inclusion of higher education as one of the areas covered by the General Agreement on Trade in Services do not refer to the need for improved international exchanges leading to a stronger world community – a welcomed aim – but to the conditions of their development. Two points mainly deserve further discussion.

Are services equal to goods? As the Uruguay round was coming to a close, it was clear that all sectors of international exchanges were not covered by the lowering of obstacles to trade that had been encouraged by the GATT over so many years. These sectors, like tourism, banking or insurance, playing a growing role in world development, it seemed normal to apply to them the basic rules that had freed commerce in the goods sector, mainly the national treatment and the most favoured nation clauses. The assumption was that services were equivalent to goods and could be dealt with the same way. Indeed, both have a price reflecting an efficiency cost, both depend on production processes that can be protected by national regulations and tariffs.

However, even in plain English, to speak of a producer of services sounds rather clumsy; and one would prefer a term like a service provider. Why? Because a service has an immaterial identity that a good has not. In a way, services require from the consumer a different type of trust in the validity of their provision than the one asked from the buyer of a material object.

Buying a service is like buying a network of relations, not yet activated, to answer a demand. For instance, a tourist buying a package tour to the historical sites of the Silk Road, is buying his own expectations what he or she will discover in China; and, to meet these expectations, he or she is contracting a network of goodwill – from the travel agent to the hotel keeper, from the museum guide to the bus driver, whose many competencies, when implemented, will make his or her holidays a success or a failure. There is a time dimension, a sense of duration until materialisation that is not so important in the exchange of goods. Goods are also the result of competencies, but exercised in the past. Services developing in the future, they call for a higher level of trust. Moreover, as the service is usually still to be done when it is paid for, one can note with interest that the consumer seems ready to pay more, the higher he or she can trust in the realisation and the specificity of the promised activity. In other words, there is a subjective margin of evaluation that is more important than for the commerce of goods. Another way of looking at services is to consider that they reflect a potential supply of competencies (to be activated) while material goods are produced to the requirement of existing demand (as a result of activated competencies). Then, are the instruments developed for goods directly applicable to services? Should not that dimension of extra trust be taken into account – that deals with immaterial, sub-

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jective values that are full part of the services provided? Then, if my analysis makes sense, are not the responsibilities of the service provider different from those of the good producer? As a consequence, are the regulations applied to service and to goods not intrinsically different? Is the similarity of ruling applied to both adequate?

Is trust in the negotiation process justified? is the second point to be explored? Indeed, if the questions on the nature of the process are to be answered convincingly, all partners should be contributing to the discussions – a little like in the Bologna process. Governments, institutions, providers, students should be involved in defining their common future. If the governments taking part in the GATS are the same as those joining the Bologna process, at least in Europe, *i.e.* governments betting on partnership as the best means for confidence development when creating the EHEA, they could be expected to act accordingly when working for the setting up of a global community of learning. But this is not the approach of the WTO which, for negotiations, relies on the departments of trade and commerce from member countries. And they rarely consult colleagues from the ministries most concerned by the provision of those services put on the bargaining table, the ministers of health or education for example.

This explains part of the reactions to the GATS, also among universities. When the Association of Universities and Colleges of Canada, the American Council on Education, the Council for Higher Education Accreditation and the European University Association drafted a common declaration and signed it in September 2001, the four organisations, representing some 4 000 institutions, expressed their strong reluctance to the inclusion of higher education among the services that are to be committed to freer trade. Why? Because there were fears that the process of consultation would not include the universities effectively – although they are still the prime providers of higher education, a service with a specificity of its own, not necessarily covered by the GATS ambitions.

Indeed, the potential role of higher education in the GATS negotiations was first alluded to by the universities of Canada because, in that country, there is a well established consultation culture: in Ottawa, the Department of Trade had asked the opinion of the Department of Education – when wondering if Canada should commit itself to freer trade in education; and the Department of Education had referred the matter to the Association of Universities and Colleges, its usual partner, to prepare its position paper. However, in Washington and in many European capital cities, the trade people were less co-operative, as if their experience with freer markets of goods justified their competence for similar operations in services. Thus, Ministries of Trade were rarely consulting their colleagues in education, which was no real stimulation for a debate with the providers themselves or their representative associations. The transatlantic declaration of higher education institutions of September 2001 represented a way to remind that the first

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institutions concerned were the universities and, as such, that they should be partners involved in the debate.

Again, a question of trust, of trust in the concepts, of trust in their definition, of trust in the negotiators, in short of the trust being built on past experience and on recognised differences leading to convergence paths. To put it differently, in the field of higher education, there were doubts about the bases of cross recognition and international comparability around the world: were they sufficient enough to move to compatibility and commitment in more than 140 countries? Compatibility and commitment, indeed, are clearly required by an Agreement that wishes to achieve an open future by simply fixing the conditions of growing exchanges in services.

Fears of misunderstanding were increased by the fuzziness of the GATS document itself, when, in Article 1:3, it defines the kind of services that are not covered by the negotiation process, in particular those services provided by the various States to their own citizens. However, if government controlled institutions are to be excluded, what of the private universities fulfilling a public role or, on the contrary, of the state institutions that have set up private branches to develop new educational services? Another area needing clarification covers the consequences from the Agreement on countries with a less developed system of higher education, often a system linked to the affirmation of a cultural identity. Would GATS lead to the substitution of valued but inefficient services (at least in economic costs) by well-packaged, cheaper foreign alternatives based on very different cultural assumptions? In other words, are all WTO members able and willing to bear the brunt of liberalisation – in particular in the field of education, which, like culture, reflects not only economic needs but also group identities and national specificity?

Mistrust, in all these cases, could be softened by a clear understanding of what quality means in higher education. If a service refers to a network of competencies, yet to be activated, these can vary in time and place although they are considered part of the same package – presented under the same name everywhere. How does one assess the quality of an immaterial process in the making? At least, with a product, the competencies have shown their limits in the good itself and a quality judgement is much easier. Thus, as associations of higher education institutions, AUCC, ACE, CHEA and EUA are certainly willing to discuss – and agree on – the standards to be used so that various educational services can be considered similar enough to compete on the world market. This is essential if students are to be protected, parents reassured (as they often foot the bill either by paying fees or by supporting taxes), and if a path of convergence is to be set for teachers, employers and professions, thus allowing them to refer to some kind of order in the whirlwind of globalisation.

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In Washington, last May, the OECD organised a Forum on trade in services and experts explained that the whole process was innocuous and reversible, that countries would keep control of any concession offered at any time, thus being able to decide what public service and quality should mean in each and every case. Should the universities be convinced, however, when the GATS is not a convention – allowing for an *ad hoc* , step by step approach – but indeed an agreement that uses the national treatment and the most favoured nation clauses to integrate the unexpected? Moreover, fears were compounded by the rather dismissive attitude of the official negotiators *vis-à-vis* the students who, in Europe, had prepared their case against what they call the risk of "commodification" of higher education. For them, education is a process involving people, a close encounter with knowledge as experienced and accounted for by various teachers, each in his or her own unique way. Considering learning as a packaged good, as a "commodity" distinct from its provision modalities would deprive the education process of its very essence, and transform learning into simple instruction – so contended ESIB. The argument can be countered but it should certainly not be dismissed as irrelevant as it seemed to be in the Forum. Indeed, is higher education moving towards "world curricula" – like there is a "world car", built from similar parts engineered in different countries (in function of cost efficiency) but packaged in varied ways from region to region, so that the customer has the impression that the machine has been tailor-made for him or for her? Should universities be afraid of the industrialisation of knowledge – leading to potential uniformity – when, traditionally, higher education has been built on differentiation, on freedom of teaching and on institutional autonomy? No, say the GATS experts, for the agreement will provide regulation so that internationalisation – the aim of the whole process – can grow.

Confidence is not really there, however, neither in the concept nor in the process, neither inside the various governments nor among the many educational providers and their beneficiaries. If the dynamics of trust are recognition, comparability, comparability and commitment, then the fast track towards internationalisation, as represented by GATS, is untimely considering that the knowledge of the other and the ability to co-operate have not been tried and developed in and between many member countries of the world community. In a way, unfortunately perhaps, the institutions of higher education and the public authorities in charge of intellectual development have not reached yet the stage of a learning community – the lowest common denominator – based on personal and institutional confidence leading to group consensus. The potential of convergence being not explored yet, there is little chance of success for automatic developments leading to an international community of learning, the highest common denominator. In other words, the world of education is not yet ripe for the fast dismantling of national devices protecting academic services. Or, should GATS proceed quickly, then the risk would be for some providers to take advantage of implicit but clear

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weaknesses in several education systems in order to substitute services – with no assurance of long term trust by the customers as to the relevance of the "product". Disappointment could turn into accusations of imperialism.

Not the best way to develop internationalisation as a path towards peace. In other words, GATS is but a tool, whose top down capacity could be premature. However, the need for better understanding, for the exchange of people and ideas if the planet is to avoid New World conflicts, remains as fundamental now as it was in 1945. Then, if we cannot be of the same heart yet, and abide by agreements, we can still use the UNESCO way – that of conventions building common references. True, it has proved a rather slow approach to the lowering of borders, be they intellectual or administrative. And conventions should not become reasons to procrastinate rather than to reform, even if this has little to do with the convention itself but much more with the will of the signatories to move ahead. The GATT has brought the markets of the world closer, even turned them into a common economic area – process which is usually referred to as "globalisation". If we are to draw lessons from the European experience – where goods, people and capital can move freely in a community of some 400 million citizens – the need for the European Higher Education Area can be understood as a late result of the growing interaction achieved in other fields. Indeed, the governments of Europe, already linked by thousands of other contacts and contracts, can now envisage to give common grounding to activities that have always been considered as country specific, culture and education. That is perhaps why the Bologna Declaration reflects an inter-governmental process rather than an integrative programme run by a supra-national entity like the European Commission in Brussels – born out of an international agreement.

At a global level, governments all over the world could recognise that they are already part of an economic entity, that should be completed by free trade in services. The commitment to education would then translate into an international policy of culture supported by existing involvement in other areas of commerce. To follow the European model, the convention path could be strengthened then by strategies inspired by the Bologna process where the *ad hoc*, step by step approach is also used to develop comparability and encourage commitment to procedures leading to a higher common denominator, where confidence is measured by the level of partnership proposed to all actors by the governments, the same authorities that back UNESCO or GATS – and their very different actions in favour of internationalisation.

A PROVISIONAL CONCLUSION

The two cultures – as represented by UNESCO and GATS – go side by side or they can relay each other, not surprisingly if one considers agreements to be a

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special type of conventions. This paper tried to show their connections, in so far as they aim towards the same goal – internationalisation – an objective they attempt to reach with different although complementary instruments, the convention approach using a bottom up approach, the agreement path a more top down frame of references. However, as long as the actors on the educational stage do not show enough trust in each other or in each other's services – as long as there is no confirmed will to reach a community of learning – the two cultures can be opposed: indeed, the recognition and comparability of various systems of higher education, national or otherwise, represents a necessary stage of collaboration before countries can commit to the comparability of action that is required by the GATS. When the first two stages of co-operation have been completed, GATS procedures could be applied – using the confidence built up between actors now become partners in the field of higher education. Further bottom up activities could also be devised, next to it or instead of free trade policies – as the Bologna process shows for Europe where the long term aim of a common academic area is proposed to be achieved by the creativity of all partners, as they engage in a shared enterprise.

So, do universities need GATS? Not for the moment, if we are not to add mistrust to fears in a learning community, which is not mature to become a community of learning yet. This is a provisional answer until many of the questions asked above are answered satisfactorily – and the universities must be part of the debate. Then, the fast track of free trade could even prove an easy way to intellectual globalisation and a world knowledge society.

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Trends and Models in International Quality Assurance in Higher Education in Relation to Trade in Education

Dirk Van Damme
Ghent University, Belgium

ABSTRACT

Trade in higher education in its many diverse forms transcends and challenges the national regulatory frameworks in higher education, including national quality assurance and accreditation systems. New kinds of international quality assurance and accreditation are seen as the crucial elements of regulation in a more and more trade oriented international higher education market. In this paper four models of development of international quality assurance are analysed: 1) Strengthening the capacities of national quality assurance and accreditation systems; 2) Promoting cross-border quality assurance and the mutual recognition of quality assurance and accreditation; 3) Developing meta-accreditation of quality assurance and accreditation agencies on an international and global level; and 4) Establishing international quality assurance and accreditation schemes. Current developments and strategies in international quality assurance are situated within these four models and discussed with reference to the trade in education issue.

INTRODUCTION

Trade in higher education services is a reality today and its future growth is expected to be very significant all over the world. Trade in education services covers a very diverse and complex reality, ranging from the rather familiar international student mobility, over the establishment of branch campuses in foreign countries and the rise of for-profit and corporate institutions, to the emergence of e-learning suppliers. These developments transcend and challenge the national regulatory frameworks in higher education, including national quality assurance

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and accreditation systems. The question we want to address in this paper is what new kinds of international quality assurance and accreditation are developing in an attempt to steer the development of international trade in higher education services. Indeed, quality assurance and accreditation are called for as the crucial elements of regulation in a more and more trade oriented international higher education market. Strong international quality assurance arrangements are seen as necessary not only to safeguard the learners in their basic consumer rights, but also to defend broader academic values and the fundamental characteristics of the academic/scientific system in an environment where national regulatory frameworks are increasingly inadequate.

Four possible models of development of international quality assurance and accreditation are distinguished:

- The first model departs from the existing national quality assurance and accreditation systems and agencies and tries to strengthen them in view of the international challenges generated by the expansion of transnational education and trade in higher education services. This is the dominant model today and many current developments can be situated in it. It is therefore also the most extensively reviewed model. We have made a distinction between a strategy towards more convergence by stimulating international co-operation (1*a*), and a strategy to open up existing national quality assurance and accreditation arrangements towards "borderless" and tradable higher education such as transnational higher education, private providers, distance education and e-learning (1*b*). The first strategy promotes networking and co-operation between national agencies, in the hope that more communication and exchange will lead to a kind of convergence of systems and international benchmarking of trustworthy standards and methodologies; the second aspires to transform existing quality assurance and accreditation frameworks, so that they are capable to cover also new developments which are especially relevant from a trade perspective.

- The second model upgrades networking and exchange towards real co-operation, for example in joint cross-border quality assessment projects, and formal or informal mutual recognition agreements between agencies and countries, often following agreements on the recognition of qualifications or mobility and credit-transfer programmes.

- The third model aims at the development of validation or meta-accreditation of quality assurance systems and agencies, based upon a conceptual framework and a set of methodological standards for trustworthy quality assessment. The meta-evaluation could result in a formal recognition or eventually a "certification" of the agency and, eventually, in the formal international

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acceptance of the quality assurance or accreditation activities carried out by that agency.

- Finally, the fourth model concerns the development of real international quality assurance and accreditation arrangements.

We can say that today the first model surely is the dominant one, but there are also developments and experiments going on in the other models. In this paper we will point out the relevant developments and look at some promising evolutions. For each model we will evaluate the relevance and opportunities, but also the shortcomings and weaknesses in the perspective of the trade in higher education services issue.

MODEL 1A – STRENGTHENING THE CAPACITIES OF NATIONAL QUALITY ASSURANCE AND ACCREDITATION SYSTEMS: ENHANCING CONVERGENCE

In this first model, the existing national quality assurance and accreditation systems are seen as constituting the only legitimate form of quality assurance. Despite important differences in the way these national systems operate, they are considered to be capable to deal with new developments while safeguarding the national interests and protecting diversity in quality assurance. With regard to borderless higher education, e-learning and transnational trade, the shortcomings of these national systems are recognised, but in the eyes of the proponents of this model, they can be corrected by strengthening the capacities of quality assurance and accreditation agencies in dealing with these developments. Probably, this model is the dominant one today. Consecutively, we will give an overview of the development of national quality assurance and accreditation systems, analyse the convergence and diversity in these systems, examine the capacity of national systems to contribute to the regulation of trade in higher education services, and look at a number of initiatives to improve the coverage of transnational higher education, distance education and e-learning by national agencies.

Since the creation of the first quality assurance agencies in the eighties, quality assurance has become a central objective of governmental policies and an important steering mechanism in higher education systems worldwide. Undoubtedly, quality has been the central concept and the major focus of institutions and governments in the field of higher education in the nineties. Many countries now have established national quality assurance arrangements or are in a process of doing so. Today, there is no comprehensive worldwide directory or database of existing quality assurance and accreditation agencies, but there are some attempts to develop such an inventory. For example, the Council for Higher Education Accreditation (CHEA) has an "international database" of quality assurance and accreditation agencies and systems in the world. There are various associations and networks that assemble national agencies. The International Network of

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Quality Assurance Agencies in Higher Education (INQAAHE) is the most representative association with a worldwide membership. A project has been set up by INQAAHE to collect detailed information on ownership, activities, quality assurance methods, criteria and standards from its members. This information provides an extensive overview of national quality assurance agencies worldwide, their characteristics and their activities. Besides INQAAHE, some regional networks of quality assurance agencies exist, such as the European Network for Quality Assurance in Higher Education (ENQA). These networks are developing various activities in order to improve mutual understanding and exchange of ideas, to develop professionalism in quality assurance and eventually to stimulate common approaches and methodologies.

Convergence and diversity in national quality assurance systems

Transnational copying of quality assurance models and frameworks and the mutual exchange and co-operation activities of networks have led to an increasing international convergence in national quality assurance and accreditation systems. Van Vught and Westerheijden have spoken already in 1994 of the emergence of a "general model of higher education quality assessment". Also El-Khawas (1998) speaks of convergence and an emerging consensus. She sees the current period of experimentation to be superseded by a trend towards stable structures and settled routines. Given the similarity in approaches and methodologies, Woodhouse (1996) also discerns a trend of increasing international convergence. In his view, globalisation of higher education will further stimulate the process of international convergence in quality assurance systems and mechanisms. In the current work of quality assurance and accreditation agencies this trend towards convergence is clearly discernible, for example in the insertion of foreign evaluators in peer review and assessment panels or in the international benchmarking of quality assessment procedures and standards.

As with other consequences of globalisation, this process of convergence and policy transfer has beneficial but also potentially negative effects. There is a lot of concern in the higher education and quality assurance communities for cultural diversity in quality assurance systems; hence, there also is some anxiety that globalisation would result in the imposition of a uniform model of accreditation. Some see potential dangers in exporting quality assurance and accreditation systems from the industrialised world to developing countries and argue for much more simple arrangements in these countries (Vedder, 1994; Lim, 1999). Indeed, it is far from certain that a model that suits one country or region is also fit for accommodating an academic environment in another country. In learning from international experiences on quality assurance it is important to select elements which can be integrated in the national culture and characteristics of the national academic system (Harman, 1998b). The recent rapid spread of the Anglo-Saxon

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accreditation model in the developing world and Eastern Europe, for example, carries the risk of being no more than mere imitation without much consideration of the historical-cultural embedding of a model. Importing models because of the perceived overall success of the higher education system of its country of origin may be a risky adventure and a potential source of cultural "imperialism" or "dependency".

The debate about convergence and diversity in national quality assurance systems of course is very relevant for the trade in higher education services issue. National quality assurance and accreditation systems only can contribute significantly to the regulation of transnational higher education trade in as much as they are sufficiently comparable and mutually compatible. Seen from this perspective, the current trend towards convergence is significant but still may not be powerful enough. In order to be able to cope with the regulatory demands in a more trade-oriented international higher education market, there still is too much variation. Even among countries with similar economic, social and political backgrounds, such as the Nordic countries (Smeby and Stensaker, 1999) or Latin America (Kells, 1996), there is very much divergence. When comparing quality assurance regimes, differences rather than convergence seem to dominate the picture (Dill, 2000). The most important dimensions of variation between national quality assurance and accreditation refer to 1) the definition of the concept of quality itself ; 2) the purpose and functions of quality assurance, *i.e.* the balance between internal functions (improvement) and external functions (evaluation, accountability and transparency, steering and funding, accreditation and recognition), and 3) the methodologies used in quality assurance and accreditation. Other important dimensions of international variation include: the responsible agency or unit; issues of ownership and stakeholders, the voluntary or compulsory nature of participation; the focus on research or on teaching and learning, or a combination of both; the focus on the review of programmes or institutions; the reporting (confidential, public, including ranking, etc.); the range of follow-up activities, etc. (Harman, 1998a; Van Vught and Westerheijden, 1994b).

Given the wide range of variety in national quality assurance and accreditation systems, there is a clear need for a process of convergence in order to make these national systems capable of regulating international higher education. Networking, co-operation and mutual exchange already contribute to this, but the convergence thus realised seems not strong enough to keep pace with the growth of transnational trade itself. Therefore, some initiatives have been taken in some parts of the world to accelerate the convergence process in order to improve the comparability and compatibility of national quality assurance systems.

The clearest example of this is the process initiated by the Bologna Declaration in June 1999 in Europe. The Bologna Declaration has the goal "to create a European space for higher education in order to enhance the employability and

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mobility of citizens and to increase the international competitiveness of European higher education". Besides the introduction of a common framework of degrees and other objectives, this goal has to be realised also by developing "a European dimension in quality assurance, with comparable criteria and methods". Partly, the Bologna Declaration builds further on earlier initiatives to promote co-operation in the field of quality assurance, such as the European pilot project in the mid 1990s and other initiatives within the framework of the SOCRATES programme. The European Union's Council of Ministers formulated a Recommendation in 1998 dealing with co-operation, focusing more specifically on the establishment of the already mentioned European Network of Quality Assurance (ENQA).

The European experience illustrates how difficult convergence in the field of quality assurance and accreditation is, even in a context where national states have a more general commitment towards encouraging convergence in higher education systems in general. The European pilot project resulted more in sharing experiences in external quality assessment than in developing real internationally comparable approaches. Even within the Bologna process, progress is not very substantial, because of strong national sensitivities and a general denunciation of a uniform European approach, but also because of an underlying disagreement on the question whether accreditation is an appropriate and desirable system.

In 2000 the European Universities Association (CRE, then EUA) launched a project on accreditation, supported by the European Commission under the SOCRATES programme. This project resulted in a set of principles in developing European accreditation models and in a list of possible strategies (Sursock, 2000). To the proponents of European accreditation, the international legitimacy and credibility of the new bachelor- and master-degrees, which were introduced in many countries as a result of the implementation of the Bologna Declaration, necessitates the establishment of transnational accreditation systems. This viewpoint proved to be highly controversial. Two important meetings in 2001, the "validation seminar" of the CRE project in Lisbon and the Higher Education Convention in Salamanca, demonstrated a lack of consensus and support for common European approaches in the field of quality assurance and accreditation. The ministerial conference in Prague in May 2001 was very prudent on the issue and called in a rather diplomatic manner for more co-operation in the field of quality assurance.

For many observers, it is clear that quality assurance and accreditation still are on the agenda of the Bologna process and will become one of the central issues in view of the higher education convention in Graz in May 2003 and the Berlin ministerial conference in September 2003. In preparation of this, the European Universities Association launched two important projects, one on "quality culture" within institutions and one on transnational quality assessments within specific disciplines, and succeeded in getting SOCRATES funding for it. Also the European

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student union ESIB, which plays a very active role in the Bologna process, continues to stress European quality assurance as an indispensable component of the making of a European higher education area. Thus, there are some signs of progress, but also of continued dispute and even resistance.

The debate about convergence in quality assurance is complicated by the argument on accreditation; some reject international convergence because they do not accept accreditation and *vice versa*. A good example of this can be found in a recent paper supported by the quality assurance agencies from the Nordic countries focusing on the limits and shortcomings of the accreditation model in Europe, concluding that it is not proven that the competitiveness of European higher education in a global education market would be enhanced through a unified system of accreditation (Hämäläinen *et al.*, 2001; Kälvemark, 2001). Nevertheless, some interesting developments towards accreditation are taking place in Europe, but again most of them stay within the boundaries of the national states. The clearest example is Germany, where the introduction of bachelor-master programmes in 1998 has been accompanied by the establishment of an accreditation system. Also in Finland, Norway, Austria, Spain, Italy and other countries national accreditation systems have been set up or are in development. The Netherlands will establish their accreditation agency in late 2002. An interesting example is the Flemish Community of Belgium, which has stated that it considers itself too small to develop an accreditation system on its own and that accreditation should be developed on an international level. Flanders therefore will co-operate with the Netherlands. In order to prepare this, but also to broaden the initiative to other European countries, the Netherlands and Flanders set up the so-called "Joint Quality Initiative" (JQI). Started at a meeting in Maastricht in September 2001, this initiative has the objective to develop intensive co-operation between quality assurance and accreditation agencies in a number of European countries, such as carrying out joint quality assessments, developing common standards for bachelor/master-degrees, etc. in order to stimulate convergence. The JQI has a more powerful drive towards convergence and structural collaboration than the ENQA network. The initiating Dutch and Flemish ministers hope that in the long run this collaboration could result in structural integration of accreditation systems into a common framework in at least a group of the Bologna countries, but with a strong exemplary significance for the whole Bologna process.

It remains to be seen whether these and other developments of international co-operation between quality assurance systems and convergence in quality assurance arrangements in Europe will produce sufficient comparability and mutual compatibility to meet the regulatory demands of an integrated European higher education area and those of a liberalised global higher education market. The review of the progress made regarding the convergence in quality assurance and accreditation in the Bologna process in the Trends II report (Haug and Tauch,

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2001) reveals some steps forward, but indicates also continued divergence in national developments. The still highly diversified nature of the European system of national quality assurance agencies is not only a barrier to the further development of the Bologna process itself, but also to the general capacity of the European quality assurance system to act as a regulatory framework for higher education trade.

Though probably not as visible and powerful as the European example, other cases can be mentioned to illustrate the trend towards more convergence in quality assurance and accreditation systems. Regional free trade agreements and other kinds of international economic co-operation and integration seem to shape fruitful environments for the development of co-operation in the field of quality assurance and accreditation in higher education. A clear case of this is the development of quality assurance and accreditation in Mexico under the impact of the North American Free Trade Agreement (NAFTA). The certification of professional qualifications and the free mobility of professions within the NAFTA has stimulated the co-operation between US and Mexican accreditation agencies and the establishment of Mexican agencies to the example of their US counterparts (Figueroa, 1996; Didou Aupetit, 2000). Collaboration and to some extent standardisation of quality assessment procedures was seen necessary to keep up with the professional mobility stimulated by the NAFTA. In Latin America, MERCOSUR seems to serve similar objectives, by stimulating educational co-operation, recognition of qualifications and collaboration in the field of quality assurance and accreditation (Busnelli, 2000; Ascher, 2002a).

Also in Asia, international co-operation and the APEC (Asia-Pacific Economic Co-operation) free trade agreement stimulate policy transfer and collaboration, and hence convergence, in the field of quality assurance and accreditation in higher education. The issues of mutual recognition of professional qualifications such as engineers and architects has brought co-operation in the field of accreditation on the agenda in the third area of co-operation in the field of education within APEC. Co-operation in higher education in general, and the development of the student mobility scheme UMAP and a related credit transfer scheme UCTS in particular, further stimulate the international co-operation in the field of quality assurance in the Asia-Pacific region.

As in Europe, trends towards more convergence in quality assurance and accreditation systems also meet resistance. Countries fear for the loss of national sovereignty in matters which they see as crucial in safeguarding national policy orientations, and quality assurance and accreditation belong to this category without any doubt. For example, Knight and De Wit (1997) point to the strong concerns for uniformity and imposition of Western standards in Asia Pacific countries. Countries in the process of developing national quality assurance or accreditation systems today look at the inspiring examples elsewhere, but there are also

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difficulties and challenges connected to policy transfer in this field relating to national and cultural sensitivities, as Billing and Thomas (2000) illustrate for the Turkish case. There certainly is a growing awareness, but no definite acceptance that convergence and harmonisation of quality assurance and accreditation arrangements are necessary in the context of increasing transnational trade in higher education (Knight, 2002).

MODEL 1B – STRENGTHENING THE CAPACITIES OF NATIONAL QUALITY ASSURANCE AND ACCREDITATION SYSTEMS: MAKING THEM MORE "BORDERLESS"

A second strategy, based upon the same model of strengthening existing national quality assurance and accreditation systems, is to "open" up the quality arrangements, so that they not only cover the familiar domestic, public, brick-and-mortar universities delivering face-to-face education, but are applicable also to transnational, private, for-profit education and new delivery modes such as distance education and e-learning.

Quality assurance of international programmes and "collaborative provision"

Most quality assurance and accreditation systems are developed by the state or by the higher education sector with close supervision and under legal frameworks by the state. In most cases, their focus is confined to assuring the quality of programmes delivered in the country itself to domestic students. The development of quality assurance and accreditation systems has not been affected by the various forms of internationalisation that emerged in universities in the same period. It is remarkable that in the emergence of the quality assurance movement in higher education, factors related to internationalisation only had a marginal impact. Increased international competitiveness in higher education, international mobility of professional labour, etc. were not very important issues in national quality debates and policies.

However, the rapid expansion of activities, projects and programmes in the field of internationalisation in recent decades has not been without quality drawbacks. Institutions' marketing initiatives in the eighties, in which recruitment efforts of foreign students were seen as an investment in order to generate additional income compensating for declining governmental funding, have lead in a number of institutions, for example in the United Kingdom, to quality problems and resulted in criticisms from students, staff and outside stakeholders (Bruch and Barty, 1998). Among other factors, this has given way to a concern for the quality of the internationalisation processes and policies themselves and the quality of programmes delivered abroad (Van der Wende, 1999; Van Damme, 2001a). In most quality assurance and accreditation systems internationalisation activities of an

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institution are not fully covered. Therefore, specific measures have been taken and quality assessment instruments developed for the field of internationalisation policies and programmes.

An important initiative in this regard is the Internationalisation Quality Review (IQR), jointly developed by the Institutional Management of Higher Education (IMHE) of the OECD, the Academic co-operation Association (ACA) and the CRE/EUA from 1995 onwards (Knight and De Wit, 1999). Based upon the familiar dual quality assessment methodology of self-evaluation and peer review, it is an instrument to assess various quality aspects of the internationalisation activities and policies of the institution. Large-scale implementation of such instruments and procedures could further promote quality assurance in the field of transnational education and develop sound international quality standards for such activities.

In recent years the view has gained weight that the quality assessment of internationalisation policies and practices must not remain a specific activity of separate quality arrangements, but has to be integrated in the general quality assurance mechanisms of institutions and countries. In many cases, quality assurance procedures have been opened to include a review of internationalisation policies and practices in institutions, and a review of programmes delivered in foreign countries, directly or in collaboration with domestic institutions abroad. Most European and US quality assurance and accreditation schemes now include a section on internationalisation.

An important approach in this regard is the establishment of "codes of practice" or "codes of conduct" in the field of international programmes. Bruch and Barty (1998) for example, list the various codes developed in the United Kingdom for dealing with recruitment, marketing activities, information, admission procedures, welfare support, etc. of international students. A number of organisations and associations try to implement and to monitor these recommendations and codes in their member institutions: the Education Counselling Service (ECS) of the British Council or UKCOSA, the UK Council for International Education, for example. Gradually, specific quality assurance procedures and instruments in the field of international education have been developed. For example, in the United Kingdom the then Higher Education Quality Council (HEQC) produced such an instrument (*Code of Practice for Overseas Collaborative Provision in Higher Education*), and the Quality Assurance Agency (QAA) has developed it further (QAA, 1999). Another example is the Netherlands, where in 1994 the Inspectorate for Higher Education reviewed the quality of the internationalisation policies of institutions in higher education (Van Overbeek, 1997). Also the Global Alliance for Transnational Education (GATE) has worked out its "*Principles for transnational education*" in 1997. The main focus of these codes and guidelines is the "consumer protection" of foreign students. When applicable on a wider scale, these codes can fulfil an important role

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in the quality assurance of forms of transnational provision and "consumption abroad".

In more recent codes of practice a shift can be discerned from a concern for the protection of the interests and rights of foreign students in domestic institutions towards a guarantee that the academic quality of transnational programmes delivered by an institution in other countries is comparable to the programmes of that institution in the home country. An influential example is the *"Code of Practice for the Assurance of Academic Quality and Standards in Higher Education: collaborative provision"*, issued by the Quality Assurance Agency (QAA) in the United Kingdom in 1999. This code made programmes of UK universities delivered elsewhere subject to the same quality assurance procedures and standards as programmes delivered in the United Kingdom. The Australian Vice-Chancellors' Committee has published a similar code in 1998 and also many US accreditors have done so. In 2000, the French rectors' conference has adopted a charter which states that French universities should be responsible for the quality of programmes delivered abroad. Not many similar explicit initiatives or regulatory codes can be found in other European countries, although in practice national quality assurance agencies also look at programmes delivered abroad when assessing the home institution. The Transnational Education Report, commissioned by the Confederation of European Union Rectors Conferences (CEURC) in 2000, recommends the development and use of national codes and the adoption of explicit policies by quality assurance agencies regarding the responsibility for transnational programmes by domestic institutions (Adam, 2001).

A very important, more international initiative has been the recent adoption by the UNESCO and the Council of Europe of a *"Code of Good Practice in the Provision of Transnational Education"* in Riga in June 2001. This code of good practice, building further on the QAA code and others and closely linked to the Lisbon Convention on the recognition of qualifications, puts forward a number of essential principles concerning the quality assurance for transnational arrangements that signatory countries should respect.

These codes in fact signify that quality assurance arrangements should follow transnational provision from the exporting country to the receiving country, a principle which implies that quality assurance systems implicitly are exported to countries in which they don't have a legally recognised status. This runs counter to the prevailing principle that the receiving country remains solely responsible for the degrees delivered on its territory and for the quality assurance arrangements protecting them (Campbell and Van der Wende, 2000). In fact, many importing countries – often without strong quality assurance and accreditation systems themselves – demand that the exporting nations have rigorous and reliable quality assurance systems in place in which they can have faith.

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As a consequence of these and other codes of practice transnational activities of institutions increasingly are being covered by quality assurance agencies in the home country, especially in the main exporting countries, the United Kingdom, Australia and the United States. American regional accreditors, for example, have assessed and accredited American branches and institutions active in other parts of the world. In the United Kingdom, institutions are required by the QAA to provide evidence of the comparability between programmes and student learning outcomes in the home country and the country in which transnational programmes are delivered. The QAA has conducted a large number of quality audits of UK provision in foreign countries. From its audit reports the QAA concluded that the overall quality of "collaborative provision" is trustworthy and that degrees delivered by UK universities in foreign countries more or less have the same value as degrees delivered by the same institution in the home country.

However, it remains a topic of debate whether the quality assurance and accreditation of transnational provision has to be done by the appropriate agencies in the home country of the degree-awarding institution, or that it has to be subject to the accreditation arrangements in the receiving country. The codes discussed in this section take the first option, with the argument that, for example, a British degree should be quality assured by the UK system. However, some experts doubt the validity of this approach. Hodson and Thomas (2001), for example, argue that the principle of comparability does not do justice to the diversity in higher education systems and cultures, and that the criteria, procedures and indicators used in quality assurance of transnational provision may not be appropriate to or well understood by partner institutions or students in host countries. Exporting quality assurance systems can further intensify the risks of cultural intrusion and "imperialism" already inherent in transnational delivery. Institutions willing to adapt their programmes delivered elsewhere to local needs and expectations, can be penalised for this by their home quality assurance mechanisms for not guaranteeing comparability. Again, the issue of diversity and cultural sensitivity is put against the drive towards internationalisation of quality assurance and accreditation.

Quality assurance of non-national, private and for-profit higher education

Another objective in the strategy of broadening the scope of national quality assurance and accreditation systems concerns extending their coverage to include also private and for-profit higher education. Since transnational provision of programmes by public universities coming from another country in most cases is considered to be "private" provision in the receiving country, also the quality assurance of transnational higher education by the receiving country is addressed in this section.

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The emergence of other providers than the domestic "public" universities – new private, for-profit institutions, foreign institutions operating in a country under franchising or twinning agreements with local providers, sometimes even separate for-profit subsidiaries of public institutions, etc. – has caused concern in many countries. Especially in developing countries or in countries in transition, governments have felt the need to increase their control over these new providers. National sovereignty over standards, curricula and degree-awarding powers of institutions had to be protected in order to safeguard the inclusion of higher education in national economic, political and cultural policy objectives. Often, these concerns were raised under the umbrella of "quality". Private and foreign provision was seen in many cases as corrupted and not respecting national standards, an idea nurtured by some scandals and a wide-spread panic over the misbehaviour of diploma mills and other rogue providers. While the problem of charlatans, easy money-making enterprises and even criminal activities must not be neglected, the quality concerns often also were driven by an unexpressed, rather protectionist coalition of governments and domestic institutions interested in preserving the *status quo*.

Many countries now have introduced legislation requiring private and foreign providers to be registered by governmental education departments and to undergo procedures to get a licence to teach (Maxwell *et al.*, 2000). Well-known examples of such legislation can be found in Australia, Hong Kong, Malaysia, some Canadian provinces and many Eastern-European countries. An APEC survey concluded in 2000 that nearly all member countries had licensing procedures for dealing with private higher education (APEC, 2000). Other countries take a much more restrictive position towards private education. Countries such as Israel and South-Africa have introduced rather harsh measures to stop the development of private and foreign provision on their territory with the argument that it circumvented or jeopardised national policy objectives and national sovereignty or that it counteracted the principle that education was a public good not tradable on the market. In Europe most countries have no specific policies for dealing with incoming transnational higher education or private providers, but as long as these institutions do not seek to award officially recognised degrees within the national framework, this is not seen as a big problem (Adam, 2001). In fact, this means that private and foreign providers in most cases cannot enter the higher education market, but that they are tolerated merely on the basis of general free market regulations applicable to the service sector. There are other kinds of regulations that hinder the entry of domestic higher education systems by private and foreign providers, such as legal protection of the label "university". The only example of international co-ordination of regulations dealing with this issue is the Council of Europe's Committee of Ministers Recommendation R(97)1, listing a number of criteria for the initial recognition of private institutions of higher education including,

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for example, the enactment of statutes to provide for elective governing bodies and officers, for adequate permanent facilities, and for the restriction of the "university" title to institutions covering more than one discipline (Farrington, 2001).

Also absence of specific legislation or regulation can serve protectionist policies, as is the case in many countries where degrees delivered by other than state recognised institutions have no legal value. In fact, this is the case in many Western-European countries. Some countries, such as Greece, have taken a rather extreme position in this by translating the constitutionally guaranteed responsibility of the state for education into a complete dismissal of private and foreign provision. The WTO has noted that in many Western European countries giving access to private providers to enter the market requires a parliamentary decision, which in fact means a new legislative initiative. Of course, absence of provisions regarding registration, licensing and the recognition of degrees – or even the absence of adequate information to apply for such provisions – severly limits the trade opportunities in higher education in these countries, and is therefore mentioned in the CQAIE list of barriers to trade in higher education.

Besides licensing and other regulations concerning market access for private and foreign providers, a second category of policies confer the opportunity for private providers to enter the national market to quality assurance and accreditation bodies. Some countries such as Tanzania, Nigeria, Kenya, Thailand but also some Canadian provinces have instituted quality assurance agencies that carry out institutional evaluations that result in recommendations concerning licensing private or foreign providers to operate on the national market (Maxwell *et al.*, 2000). India has established its accreditation system in 1994 specifically with the intention to provide a system of institutional accreditation for private initiatives (Stella, 2002). The recently established South African quality assurance agency applies separate accreditation procedures and standards for the public and the private sectors. Australia developed a new accreditation agency within a context of debate on globalisation of higher education and the concern how to deal with not very trustworthy foreign providers entering the domestic market (Ryan, 2001; McBurnie, 2001). Also in Western Europe, a few examples can be found of accreditation systems designed to regulate the supply by private institutions; Austria has set up an Accreditation Council for private institutions, for example. The US accreditation system, where private providers are not treated differently as public institutions regarding access to the voluntary accreditation system, is worldwide only followed in some countries, such as the Philippines.

The rather restrictive stance of many national authorities *vis-à-vis* private and foreign provision and the state monopoly over quality assurance and accreditation in many countries imply that many quality assurance and accreditation systems are not open to non-public and non-national providers. Japan is a clear case of this restrictive policy. Although most European countries adhere to the principle of

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national sovereignty over higher education provision on their territory and therefore prefer transnational providers to be quality controlled by the incoming country's quality assurance agency, most European quality assurance agencies do not cover private or foreign supply (Adam, 2001). In recent initiatives towards accreditation, for example in the Netherlands and Flanders, cautious stipulations are included to give access to private and foreign providers, without however making clear what the consequences of accreditation would be regarding state funding and recognition of degrees. The CEURC Transnational Education Report (Adam, 2001) urges the national quality assurance agencies in Europe to assume a responsibility regarding quality control of imported education, by monitoring the activities of foreign providers, linking with exporting countries, reporting bogus institutions, seeking bilateral solutions for problems rising and providing advice and information to the public on problems associated with imported and private education.

Even in quality assurance and accreditation systems that are accessible also by private and foreign providers, protectionist functions are clearly observable. It is clear, for example, that in Eastern European countries such as Hungary, Poland or Romania, the development of quality assurance and accreditation schemes in the nineties has to be understood as a response from the state to the increasingly complex situation caused by the establishment of many private higher education institutions. The assertion is valid that the introduction of accreditation arrangements in developing countries and Eastern Europe, but perhaps also elsewhere, is motivated by a continued desire for state-control in a increasingly market-oriented environment. Protectionist considerations are very clear also in cases where not the general quality assurance and accreditation arrangements but specifically designed schemes apply to private and foreign providers.

To a rather high degree defensive and protectionist elements and functions are intrinsic to quality assurance schemes. In many instances, the quality concept behind quality assurance is very vague, also including preoccupations other than a concern for academic standards. Quality assurance schemes often depart from a rather traditional idea of quality higher education, originating from familiar face-to-face teaching to young full-time students in campuses. Quality dimensions checked often refer to input- and process-characteristics of conventional teaching and learning modes. While these approaches may be appropriate to common higher education institutions and programmes delivered to the majority of young students within national systems, they are not always easily applicable to innovative and unfamiliar teaching and learning environments often found in transnational and private higher education. The very concept of comparability found in codes of practice for transnational and collaborative provision discussed in the previous section, also exemplifies this idea. Private higher education – often targeted at mature, part-time students, having already acquired experiential knowl-

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edge and skills, delivered in innovative teaching and learning environments not easily comparable to the familiar university setting, and often leading to new kinds of qualifications – often is tested with quality assurance norms, criteria and biases derived from traditional university environments. There is need for fair quality assurance concepts and methodologies that depart from a basic understanding of academic standards, that accept that these standards can be achieved in a broad variety of teaching and learning environments, and that leave behind input- and process-criteria that are not intrinsically relevant to the achievement of the learning outcomes desired.

Quality assurance and accreditation for distance education and e-learning

Of course, this debate about the appropriateness of existing quality assurance concepts, criteria and assessment methodologies for new developments in higher education has been fuelled to a great extent by the rapid growth in distance education, open and distance learning (ODL), web-based delivery, e-learning, distributed learning or whatever concept is used. Recently, reports on borderless education have provided a picture of the current developments in the field of distance learning and e-learning and of the challenges ahead for institutions and national policies (Cunningham, 2000; CVCP/HEFCE, 2000; Middlehurst, 2001a; Davies, 2001; OECD, 2001). Although detailed statistical information is not available on border-crossing distance education and e-learning, it goes without doubt that an increasing part of existing trade in higher education services is realised by these educational services. Therefore, it is instructive to look at the quality assurance and accreditation issues raised by distance education and e-learning and the recent initiatives taken in this regard.

Distance learning and especially e-learning challenge conventional wisdom on the nature of the teaching and learning process and the kind of learning experience a learner is supposed to receive in higher education. Even more so than private higher education discussed above, e-learning challenges conventional quality assurance and accreditation systems based on familiar input- and process-related norms and criteria, because of a broad range of features: the learning experience is fundamentally different than on-site face-to-face learning, traditional notions of study-load and time invested in courses are no longer applicable, physical campuses are absent, the roles of faculty members are fundamentally different, there is unbundling of parts of the educational activity (for example, separation of curriculum design from actual delivery which in turn is separated from assessment and evaluation), etc. Questions about responsibility for the educational enterprise and external accountability are affected by changing concepts of "institution" and "degree". Concern for standards and unfamiliarity with new developments thus have initiated a heavy interest in issues of quality assurance and accreditation of distance learning. Much of this is happening in the

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United States, the country with the most extensive activity in distance education and e-learning. Both the distance education industry and related supportive organisations as the quality assurance and accreditation community have initiated reflection on the issue and have elaborated various kinds of initiatives, which can be very instructive for the global debate (Loane, 2001; Eaton, 2002; Hope, 2001).

The concern for quality was understood by the distance education sector itself and it developed its own standards of sound quality. Examples of this self-regulatory approach in the United States are codes of practice developed by the Western Co-operative for Educational Telecommunications (WCET) in the early nineties (P*rinciples of good practice for electronically offered academic degree and certificate programmes*), recently redrafted in co-operation with the Commission of Regional Accrediting Commissions (CRAC) (G*uidelines for the evaluation of electronically offered academic degree and certificate programmes*), by the American Distance Education Consortium (ADEC) (ADEC G*uiding principles for distance learning*), and many others (Twigg, 2001). In 2000 the Institute for Higher Education Policy (IHEP), commissioned by the National Education Association (NEA) and Blackboard Inc., published a comprehensive overview of principles, guidelines and benchmarks for distributed and on-line learning and synthesised them into 45 benchmarks (IHEP, 2000; Twigg, 2001). These documents constitute the most extensive and elaborate quality assurance guidelines for distance education and e-learning available today and have received the supportive commitment of the sector.

Another trend is that also the accreditation community and the US government increasingly are concerned with adapting quality assurance and accreditation standards to new delivery modes. Many in the accreditation sector believe that distance education and e-learning do not need separate quality standards, but that existing standards are flexible enough to accommodate for new developments. This inclusive approach is also reflected in the decision of the US Department of Education taken in 1998 that distance education is considered to be implicitly included in the scope of existing accreditation agencies (Loane, 2001). The decision halted proposals to develop a national standard for distance education programmes and assigned the responsibility for quality assurance and accreditation over distance education to the existing agencies. This meant that the US accrediting agencies had to evaluate the distance education activities of institutions under their supervision. However, at the same time also a new accreditation agency, specifically dealing with distance education, was recognised: the Accrediting Commission of the Distance Education and Training Council (DETC).

The accreditation agencies took their job seriously. In 2001 CHEA reported that 17 of the 19 recognised institutional accreditors (regional and national) are actively engaged in accreditation of distance learning (Eaton, 2002). Most of them have modified their accreditation frameworks in order to address adequately the distinctive features of distance education. A much debated change was the dele-

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tion of the traditional quality requirement that a high number of the teaching staff should be full-time PhD qualified staff. Some of the accrediting agencies felt it was necessary to develop consistent standards and procedures. The regional accreditors joined together in the Council of Regional Accrediting Commissions (CRAC) and developed its S*tatement of commitment by the regional accrediting commissions for the evaluation of electronically offered degree and certificate programmes* and *best practices for electronically offered degree and certificate programmes* in 2001. Among the national accreditors the picture is more complex and varied. The result is that there is no common review practice methodology for assuring and assessing quality in distance education and that guidelines differ by the type of accreditor and the type of institution or programme reviewed, but this is the consequence of the voluntary and fragmented nature of the American accreditation system. It is a well-known fact that, for example, the North Central Association of Colleges and Schools is a regional accreditor that is both more active and much more lenient in its procedures than other regional accreditors.

Interesting and much publicised cases of accreditation, which proved to be very stimulating in the public debate and the process of reflection and modification of standards and procedures in the accreditation community, were the accreditation of Jones International University and Phoenix University, both for-profit virtual universities, by North Central in 1999, and the candidacy status for accreditation of Western Governors University (WGU) in 2000. Interesting is that for the accreditation of WGU a consortium was formed by four regional accreditors, the Inter-Regional Accrediting Committee (IRAC) (Berg, 1998). The current accreditation status of WGU is unclear.

The quality assurance and accreditation of distance education and e-learning by national agencies in other parts of the world is not as developed as in the United States. In many countries the issue is closely linked to that of the recognition and accreditation of private and foreign providers in general, although in the case of distance learning the providing institutions are not visible and do not operate on the territory. Outside the United States there are not many examples of quality regulation of distance education provision. An important example is the *Guidelines on the Quality Assurance of Distance Learning*, produced by the UK Quality Assurance Agency in 1999. The QAA guidelines follow rather closely the generic guidelines for quality assurance of higher education programmes in general and the guidelines for collaborative provision discussed above. Another example is the guide to E*xternal quality assurance for the virtual institution*, issued by the New Zealand Universities Academic Audit Unit in 1999. In Australia, many universities are so-called "dual-mode" institutions offering face-to-face as well as distance education programmes and both kinds are subject to the same set of benchmarked quality standards (Hope, 2001).

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In continental Western Europe no specific set of standards, criteria or benchmarks used by national quality assurance or accreditation agencies for the assessment of distance learning is known, but that does not mean that agencies have not developed internal procedures for dealing with these activities or that there is no attention to the issue (Adam, 2001). Since distance education and e-learning are invisible to authorities in receiving countries – those countries that limit Internet access for their citizens excepted – they generally expect that the quality assurance and accreditation systems in the sending countries are powerful enough to check the quality standards of programmes delivered electronically elsewhere. In their report for ENQA Campbell and Van der Wende (2000) list a range of implications and questions that have to be answered when applying quality assessment procedures to distance learning and e-learning provision.

A recent small-scale survey of the UNESCO Global Forum indicates that the European situation also is the case in many other parts of the world. In general, outside the United States existing quality assurance and accreditation frameworks seem to be rather strict and not very adaptive to change in dealing with private providers and distance learning provision. As Salmi (2000) asserts, rigid bureaucratic regulation and administrative procedures hamper the capacity of institutions to adapt swiftly and flexibly to changing needs, opportunities and challenges and to new kinds of activities. Not surprisingly, quality assurance and accreditation, precisely designed to safeguard and protect academic standards, together with licensing procedures and regulations concerning recognition of foreign qualification are among the least flexible elements of the national higher education regulatory frameworks.

MODEL 2 – PROMOTING CROSS-BORDER QUALITY ASSURANCE AND THE MUTUAL RECOGNITION OF QUALITY ASSURANCE AND ACCREDITATION

Also the second model departs from the legitimacy of national regulatory frameworks and regulations in the field of quality assurance and accreditation, but situates international co-operation at a higher level, namely that of formal co-operation and mutual recognition by bilateral or multilateral agreements. In contrast to informal networking, aiming at convergence via information exchange and collaboration, this strategy leads to formal networks of mutually recognised quality assurance and accreditation agencies. Under the heading of this strategy, we deal with various developments such as joint and cross-border quality assurance and the quality assurance implications of mutual recognition agreements of qualifications.

Joint and cross-border quality assurance

We have discussed already some cases of international activity of quality assurance and accreditation agencies, for example when national agencies assess

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the quality of programmes of an institution delivered abroad. Mostly this is done without much contact with the quality assurance agency in the receiving country. However, there are also cases in which the quality assurance in the home country gets in touch with the agency in the host country, and involves the latter in the assessment of programmes delivered in its country. The QAA of the United Kingdom, for example, has collaborated in this direction with agencies in countries receiving UK transnational education programmes. In such projects, there is not only exchange and communication, but real and formal collaborative work addressing quality standards and assessment methodologies. In fact, the collaborating agencies recognise implicitly the validity of each others' work and resulting statements. Seen from the perspective of trade, formal collaboration and mutual recognition between the quality assurance agencies of the sending and the receiving country could be a fruitful avenue of development.

Quality assurance and accreditation agencies sometimes are active in other countries than their own, not to assess transnationally delivered programmes of institutions under their own realm, but because they are asked to accredit programmes delivered by institutions in the host country. This has been a well-known phenomenon along the US borders, for example, by Mexican universities seeking accreditation from the regional accreditors operating in the Southern states of the United States, but gradually this practice has become more wide-spread. Some US based specialised accreditors such as the Association to Advance Collegiate Schools of Business (AACSB), the specialised accreditor for business education in the United States, and the Accreditation Board for Engineering Technology (ABET), are frequently invited in various other parts of the world to assess and eventually "accredit" foreign institutions or programmes. ABET doesn't offer real American accreditation to engineering programmes in foreign countries, but grants them a kind of "substantial equivalence" to US accredit programmes. ABET has accredited engineering programmes in a broad range of countries in Europe, Latin America and Asia. Partly, institutions ask US accreditors to do this because US accreditation is perceived in other parts of the world as high level and trustworthy quality assurance; partly, they do it for marketing reasons and to use US accreditation as a marketing label on the home market.

The expansion of the export of accreditation services has caused concern and debate in the US accreditation community. In 1999 CHEA concluded from a survey among its member accrediting organisations that 17 of them accredited 178 US institutions operating outside the United States and that 24 of them accredited 175 non-US institutions abroad (Ascher, 2002a). The need was felt to develop quality standards and a code of good practice for this kind of international quality assurance and accreditation activities. In 2001 CHEA approved a document, *Principles for United States accreditors working internationally: accreditation of non-United States institutions and programmes*. Such principles include the assurance of organisational

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capacity to engage in such activities, the provision of clear information on the scope and the value of US accreditation, but also consultation and co-operation with quality assurance agencies in the countries where reviews are undertaken.

Real joint quality assessment experiments, executed jointly by several quality assurance and accreditation agencies from different countries, is not a widespread phenomenon, but some interesting examples are worth mentioning. Already in the European pilot project in 1994-95 there were parallel programme reviews in engineering, communication and design in some countries. In 1999 a real cross-border quality assessment project was carried out in physics, in which the Flemish, the Dutch and a German quality assurance agency collaborated structurally. In this project a joint methodology was developed, formally adopted by the three participating agencies, and the peer review panels were the same for all site visits in the participating universities. Under the umbrella of the already mentioned Flemish-Dutch "Joint Quality Initiative" new experiments are planned with cross-border joint quality assessments. In the Nordic countries an experiment of joint quality assessment involving the Danish and Finnish evaluation agencies was set up, leading to the bilateral recognition of both agencies. Also the new European SOCRATES project of ENQA will include joint quality assessments in a broad range of disciplines in a large group of European countries. It is evident that in such projects, there is at least an implicit and often also an explicit formal mutual recognition between the participating agencies. In Europe, mutual acceptance of quality assurance and accreditation outcomes by national agencies is widespread, although not frequently formalised in real recognition agreements.

Recognition of qualifications and the recognition of quality assurance and accreditation

Formal agreements on the recognition of foreign qualifications often imply the implicit or explicit mutual recognition of quality assurance and accreditation systems. Recognition of qualifications is an old and complicated problem in higher education. A distinction has to be made between academic and professional recognition of qualifications. Academic recognition refers to the recognition of foreign degrees or diplomas (or study periods and credits) as education credentials as such and is in most countries a responsibility of governmental bodies; professional recognition has to do with the right to work as a professional, more in particular in nationally or internationally regulated professions.

In many countries, the academic recognition of qualifications still is a matter of verifying equivalence by comparing curricula. Since the late eighties in certain regions the notion of "equivalence" has been exchanged for that of "acceptance", whereby a foreign qualification no longer has to be based on a highly comparable curriculum but can be accepted even if there are differences, on the condition that

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the curricular discrepancies can not be defined as "substantial difference". The most impressive development in this has taken place in the European region, in the UNESCO definition. Already in the fifties the Council of Europe has set up conventions and information centre networks, within an overall policy to enhance mobility and mutual acceptance of credentials in Europe. Also UNESCO, via its centre for higher education CEPES in Bucharest, has been very active in this field. Co-operation between the two organisations has resulted in an important convention, replacing the existing ones, namely the *Convention on the recognition of qualifications concerning higher education in the European region*, adopted in Lisbon in April 1997, also called the *Lisbon Convention*. National information centres, the ENIC, serve as centres facilitating recognition procedures at national level. From the side of the European Union, a separate network of centres, the National Academic Recognition Information Centres (NARIC), was set up from 1984 onwards closely related to the ERASMUS programme. Both networks are closely interlinked and meet regularly to exchange information and adopt similar guidelines.

The Lisbon Convention and the ENIC/NARIC network are powerful tools for stimulating the recognition of degrees and diplomas. However, the convergence in national policies and regulations still is not yet optimal, because of variation in the nature and the authority of the centres in the national context (Campbell and Van der Wende, 2000). The implications for quality assurance are not very clear. Only very recently there is more co-operation between the international recognition community and the quality assurance world. Campbell and Van der Wende (2000) state that lack of acquaintance with national quality assurance developments is responsible for rather conservative attitudes towards the assessment of new degrees. To them, more transparency and international convergence in quality assurance processes certainly would foster mutual recognition and acceptance of qualifications, thus decreasing the bureaucracy of recognition. A small survey at the occasion of the fifth anniversary of the Lisbon Convention among the ENIC/NARIC network indicated that difficulties in accessing information on the status and quality of higher education institutions and their programmes constituted one of the major obstacles to the recognition of qualifications. On the other side, there are also indications that decisions taken regarding recognition of academic qualifications in the Lisbon area more and more are influenced positively by trust in the national quality assurance and accreditation systems. Thus, developments in the field of recognition of qualifications could also foster the implicit or explicit recognition of quality assurance systems.

Transnational education and trade in higher education services increasingly affect the European approaches in academic recognition. Although the Lisbon Convention does not deal specifically with the specific recognition issues which are emerging as a result of the rapid development of transnational education, the principles underlying it are seen as powerful enough to remain the normative

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framework for dealing with those developments (Wilson and Vlasceanu, 2000). It remains to be seen whether the Lisbon Convention will be able to cope with recognition issues in the context of trade in higher education services, if the issue of recognition of quality assurance and accreditation is not addressed directly.

The European model of recognition of degrees has not been followed by the rest of the world. Most countries, including the United States, still apply very detailed and complicated procedures based on equivalency tests and refuse automatic recognition of foreign degrees. These procedures encompass detailed analyses of course and curriculum structure, contents, examination systems, etc. However, also in this context there are clear links to quality assurance and accreditation. In its equivalency decision-taking processes the US Department of Education takes into account the existence of accreditation systems in foreign countries that are considered to apply standards comparable to those used by US accreditors. In fact, this means a sort of formal recognition of foreign accreditation systems by the United States. However, the lack of comparability between national quality assurance and accreditation systems impedes progress in this field. In 1995 the US "National Committee on Foreign Medical Education and Accreditation" looked at accreditation procedures and standards used for medical schools in a large group of countries and concluded that the standards used in 23 countries were comparable to those used in US accrediting bodies. This decision eased the equivalency procedures for foreign medical doctors in the United States and implied a formal recognition of foreign accreditation systems. But in this process a large number of national quality assurance systems in, for example, European countries were regarded to be essentially different from US accreditation. Medical doctors coming from those countries to work in the United States experienced that this decision put an end to the more or less automatic recognition of their qualifications. Only after insistence from the side of some European countries that their quality assurance mechanisms, although not formally leading to accreditation statements, were to be considered as functionally equivalent in the standards used, the conflict was solved. This case illustrates that formal recognition of national quality assurance and accreditation systems can contribute a lot to make the issue of recognition of foreign qualifications less problematic and bureaucratic, but also that the huge divergence in these systems and the lack of comparability and international standards for quality assurance and accreditation hinder further progress in this domain.

Professional recognition of qualifications is a still more complicated matter than academic recognition by public authorities, because national differences in the organisation of the professions have to be taken into account. In most continental European countries academic degrees also serve as professional qualifications, giving access to professional careers without additional examinations or training. In many countries however, this automatic recognition of academic

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degrees as professional qualifications is under heavy pressure. Several professions, in the field of law, accountancy, medicine, etc., impose additional requirements to holders of academic degrees for entry into the profession. This evolution is seen as very problematic by the universities, since they consider it as an erosion of the professional value of their degrees. In the United Kingdom, Ireland, Australia and the United States there is already a great gap between academic qualification and professional qualification, gained after specific training or examinations by professional bodies. Professional associations often have developed their own "accreditation" procedures for recognising academic programmes and degrees as eligible for professional qualifications. Thus, for example, in the United Kingdom, there is a myriad of accrediting bodies linked to professional associations that assess whether a programme – and thus the students graduating from that programme – meets the standards and other requirements imposed by the profession.

Increasing professional mobility, the internationalisation of the professions developing their own international associations, and especially free trade agreements dealing with mobility and trade in professional services, have brought the issue of professional recognition to the international level (Mallea, 1998). There is now a clear tendency towards mutual and multilateral recognition agreements to solve issues of professional recognition and equivalency of standards and procedures. Free trade agreements have stimulated this development powerfully: EU, NAFTA, ASEAN, APEC, MERCOSUR, etc. all have regulations dealing with professional services leading to professional recognition. Besides, also bilateral agreements exist dealing with the mutual recognition of professional qualifications. The GATS, as the first worldwide multilateral free trade agreement on trade in services, also has contributed to progress in this domain. Both WTO and OECD have devoted papers and meetings to this issue in the late nineties (Mallea, 1998), and the issue again is on the agenda for the current GATS negotiations. Even without inclusion of higher education services in the GATS, the regulations dealing with trade in professional services and the recognition of professional qualifications in the GATS will deeply affect higher education. There certainly is need for a complete inventory of mutual recognition agreements dealing with professional recognition in a broad range of professions.

An early and very influential example of mutual recognition of professional qualifications is the "Washington Accord" for the engineering profession, reached in 1997 between engineering organisations of Australia, Canada, Ireland, New Zealand, United Kingdom, and the United States. South Africa and Hong Kong have joined the accord recently and also Japan is now candidate for 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. Interesting is that

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the Washington Accord also has included criteria, policies and procedures for the accreditation of academic engineering programmes. It agrees that the signators accept accreditation decisions among each other and thus recognises formally the equivalency of national accreditation mechanisms in each country. The already mentioned American accreditor ABET has played a leading role in this development.

The example of the Washington Accord is seen as very promising and inspiring in other countries and by other professions. European engineering associations tried to get an agreement with ABET for the mutual recognition of each other's engineers, but this attempt has failed unfortunately. Agreements with a similar scope and content have not yet been reached in other professions, but there are numerous less far-reaching mutual recognition agreements in other professions, mostly within the context of free trade agreements. International professional associations are developing guidelines on recognising standards of professional programmes, mostly respecting national sovereignty and denouncing uniformity. Progress is discernable in the architecture, legal and accounting professions. These guidelines often deal implicitly with quality assurance and accreditation standards. However, few of them deal explicitly with mutual recognition of accreditation or quality assurance mechanisms. Precisely this makes the Washington Accord such an interesting model.

Recognition of quality assurance in mobility and credit-transfer programmes

Another example of mutual recognition of quality assurance and accreditation systems can be found in the domain of mobility programmes and credit-transfer programmes. Organised student mobility programmes are a well-known feature of internationalisation policies of regional organisations, national governments and institutions. The ERASMUS/SOCRATES programme in Europe and the UMAP in the Asia-Pacific region are specifically designed to promote regional student mobility. Of regional nature is also the NORDPLUS-programme of student exchange in the Nordic countries. Other examples of regional student mobility programmes can be found.

Alongside these mobility programmes, sometimes also credit-transfer schemes have been developed. The best known is the European Credit Transfer System (ECTS), an institutional framework for credit recognition and transfer for students studying abroad in the ERASMUS/SOCRATES programme. Started in 1989 as an experiment in a restricted number of disciplines and institutions, it was fully integrated in ERASMUS/SOCRATES from 1995/96 onwards. ECTS is not intended as a solution to problems of equivalence of courses and credits as far as contents or quality are concerned. It is rather a framework within which participating institutions agree to recognise quite automatically delineated components of study and

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thus facilitate the transferability of credits. Also within UMAP a credit-transfer system is under construction.

Student mobility between programmes in different institutions and the implied procedures of recognition of study periods abroad and the transfer of credits or study-points to the home institution presuppose mutual trust in the quality of the partners involved. In ERASMUS-projects this trust is not explicitly expressed, but a number of instruments such as a uniform mechanism for calculating study-load, an extensive "information package" and the so-called "transcript of records" must give the home institution sufficient confidence in the quality of the learning experience a student has received elsewhere. The presupposition is that first of all universities engage in internal quality assurance mechanisms and that they are externally quality assured by their respective national agencies; state recognition of institutions and programmes is seen as a guarantee for sufficient quality. Even if the standards and methodologies of national quality assurance and accreditation arrangements are not addressed directly by the ERASMUS-programme, there is a kind of implicit recognition of the validity and strengths of the national systems in the whole European region.

However, some questions can be raised concerning the lack of formal quality checks in the ERASMUS-programme (Van Damme, 2001a). ERASMUS and ECTS are based on a maximalist reading of the concept of "acceptance" or "recognition" by asking an *a priori* acceptance of foreign credits by the home institution, without any prior check of contents, teaching methods, workload, student assessment procedures, etc., in short without any reference to quality. In its pragmatic and voluntaristic approach and with its reliance on a great deal of optimistic (some would say "naive") trust and confidence, it has chosen to bypass questions of content comparability, educational culture and, of crucial importance, comparability and compatibility of quality assurance arrangements. In order to realise a policy of mobility, European internationalisation policy in higher education has left the quality issue almost completely aside. Only recently, under the impulse of the Bologna process, quality assurance questions have been taken up within the European programmes.

In the UMAP programme the quality issues involved in student mobility are explicitly addressed. The first principle in the UMAP Constitution goes as follows: "UMAP programmes operate between individual accredited higher education institutions, or consortia of institutions, on the basis of mutual acceptance of the appropriateness of national accreditation determinations. All public or private higher education institutions located in countries or territories participating in UMAP, and recognised in the participating home country as nationally accredited, or as reputable of higher education courses, are eligible to participate in UMAP programmes". This phrase implies a formal mutual recognition of national accreditation systems and their accreditation decisions within the whole UMAP region.

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MODEL 3 – DEVELOPING META-ACCREDITATION OF QUALITY ASSURANCE AND ACCREDITATION AGENCIES ON AN INTERNATIONAL AND GLOBAL LEVEL

Networking between national quality assurance and accreditation agencies and mutual recognition among them are described in Models 1 and 2. Networking, exchange of information and collaboration can be done in full respect of each others' autonomy and sovereignty. Differences in standards and assessment methodologies are perhaps addressed as matters for dialogue and mutual understanding, but are accepted as belonging to the individual autonomy of each agency. In the second strategy mutual recognition is based on the acceptance of non-substantial differences within a basic agreement on the validity of each others' standards and methods. In the third model again a higher degree of integration is aspired. Here, quality assurance and accreditation systems are evaluated on the basis of an agreed set of standards for sound and trustworthy quality assurance. In other words, professional standards are developed for the international quality assurance and accreditation sector and put into practice in various forms of meta-accreditation.

Assessing membership criteria for quality assurance and accreditation associations

Quality assurance and accreditation agencies have developed their own national and international associations. INQAAHE is already mentioned as the worldwide association of national agencies. For the moment, INQAAHE has very few standards to check membership applications. Full membership is open to *bona fide* agencies and there are procedures to ensure that applicants satisfy this criterion before admission (Woodhouse, 2001). This is a paper exercise without any real examination of the seriousness of the applicants' quality assurance standards and procedures. membership of INQAAHE therefore is not to be seen as a positive sanction on the validity of the members' quality assurance and accreditation procedures. The same applies for regional quality assurance networks, such as ENQA. These associations do not feel this to be a problem, since their primary objective is to provide mutual support and exchange of information among their members. The lack of explicit professional standards, compared with those developed in international associations in other professional fields, is not seen as a problem by the outside world neither, although – in the case of ENQA in the context of the Bologna process, for example – international authorities put a great deal of confidence in these associations.

Within INQAAHE there have been proposals to develop such professional standards for trustworthy quality assurance and accreditation. The former president David Woodhouse is a promoter of this strategy. He believes INQAAHE should tighten membership criteria by testing the applicants' assessment stan-

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dards and procedures against those professional standards. INQAAHE would then become a professional organisation comparable to its equivalents in other fields of professional services. It also would be able to function as a vehicle for mutual recognition of qualifications assessed by its members, thereby guaranteeing that these assessments are executed according to the standards accepted by the profession (Woodhouse, 2001).

The only association of accrediting agencies that has developed professional standards for recognition and membership is the American association CHEA. The organisation assembles all kinds of accrediting agencies in the United States – regional, specialised, national and professional. membership is based on the fulfilment of criteria by which the agency is "recognised". "Recognition by CHEA affirms that standards and processes of accrediting organisations are consistent with quality, improvement, and accountability expectations that CHEA has established." Also the federal Government in the United States recognises accreditors from its own criteria and standards in order to assure that the standards of accrediting organisations meet expectations for institutional and programme participation in federal initiatives, such as student aid. The CHEA recognition procedure is based on three fundamental principles: 1) that an accrediting agency is committed to advance academic standards in higher education ; 2) that accrediting organisations have standards that ensure accountability through consistent, clear, and coherent communication to the public and the higher education community, and 3) that the organisations apply standards that encourage higher education institutions to plan, where needed, for purposeful change and improvement. Furthermore, CHEA has a detailed set of eligibility criteria and recognition standards, including on top of the three mentioned above also the guarantee that agencies employ fair and appropriate procedures and continually reassess accreditation procedures. The CHEA standards deserve wider diffusion and can function as the basis for the development of internationally agreed standards for the "recognition" and "meta-accreditation" of quality assurance and accreditation agencies worldwide.

Developing a worldwide quality register based on a meta-accreditation of agencies

Building further on the work done by these and other associations, proposals have been developed recently to introduce a worldwide register of trustworthy agencies based upon a kind of meta-evaluation or meta-accreditation of agencies by an independent organism. In this idea the basic principles of quality assurance and accreditation are applied to the sector itself.

Meta-accreditation is not completely unfamiliar in the field of quality assurance. The German accreditation system, introduced in 1998, for example, is based

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upon this principle. Meta-accreditation can be a very powerful tool at the international level. A kind of recognition procedure, based on the evaluation of quality assurance and accreditation agencies on agreed standards in the professional community, would produce a multilateral recognition of agencies. In turn, this would give programmes, institutions, students, employers and the general public the reassurance that assessment by such an agency is done on the basis of internationally recognised standards. Trust in the quality of quality assurance and accreditation systems would also give a very powerful incentive for significant progress in the field of recognition of qualifications. International meta-accreditation was one of the promising strategies identified by the European Accreditation project carried out by the European association of universities (CRE, now EUA) in 2000 with support from the SOCRATES programme (Sursock, 2000; Van der Wende and Westerheijden, 2001). This option would respect national sovereignty and diversity, while providing transparency and comparability of quality assurance standards and procedures. The project called for the establishment of a European platform to further explore and develop this idea. Unfortunately, as already mentioned, this proposal was not fully embraced by the European academic community at the subsequent Lisbon and Salamanca meetings in the spring 2001, mainly because of resistance against the concept of accreditation but also because of high sensitivity *vis-à-vis* any proposal that would erode the autonomy of national agencies.

Recently a proposal has been introduced for discussion to establish a directory or register of quality assurance and accreditation agencies. The Worldwide Quality Register (WQR) would be developed under the auspices of a consortium of organisations representing the international higher education community, the international quality assurance community and the general international community. For the moment the International Association of University Presidents (IAUP), the INQAAHE and UNESCO, among others, are discussing the proposal. The WQR would include agencies that have been evaluated by a group of independent experts as responding to mutually agreed quality assurance standards and benchmarks. Inclusion of an agency in the WQR guarantees that this agency meets agreed standards for trustworthy quality assurance, such as a clear commitment to develop academic quality in the institutions and programmes evaluated by it, fair and appropriate quality assessment procedures, well developed and publicly available protocols, etc. The initiative would also have a strong developmental approach, by assisting quality assurance and accreditation agencies in development in building up their professional expertise. Proponents of this and similar initiatives emphasise that it is important that the international quality assurance and accreditation community develops its own standards of professional quality and its own accreditation procedures. Without such quality standards, external evaluation and labelling mechanisms, for example of the ISO type, over which the

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quality assurance community has little influence, will step in to meet the demand. However, such proposals find themselves confronted with a lot of resistance (Woodhouse, 2001).

MODEL 4 – ESTABLISHING INTERNATIONAL QUALITY ASSURANCE AND ACCREDITATION SCHEMES

The idea of an international agency that would engage in quality assurance and accreditation worldwide or even regionally, may seem strange to many people, but this strategy must not be overlooked when listing the various possible models and trends. This model leaves behind the traditional focus on national quality assurance and accreditation agencies central to the models 1, 2 and 3, and opts radically for arrangements on the international level. The need for quality assurance and accreditation that is internationally visible, together with the slow progress made in convergence, mutual recognition and meta-accreditation of national quality assurance agencies, may well stimulate the idea of developing international accrediting agencies. To many observers, the previous models may not be powerful enough in a context of further growth in transnational and borderless education and of liberalised trade in higher education services. Certainly, establishing a ground for the legitimacy of international quality assurance and accreditation agencies is a sensitive enterprise in an environment without strong international organisations. But it may be possible that the further increase in transnational education and trade in higher education creates the conditions for a development of international quality assurance and accreditation schemes that are considered legitimate by the institutions and their international associations. For the moment, only a few examples of such schemes can be mentioned.

Evaluation mechanisms at the regional level

Some interesting examples of quality evaluation mechanisms operating on a regional level can be found in Europe. We already mentioned the Internationalisation Quality Review (IQR), an audit function, organised jointly by the IMHE programme of the OECD, the EUA and ACA, of the internationalisation policies and practices of an institution. This audit doesn't result in a kind of accreditation statement, but is aimed at improving and strengthening the internationalisation capacity of the institution under review by the familiar dual methodology of self-assessment and peer-review (Knight and De Wit, 1999).

A similar project is the Institutional Evaluation Programme of the EUA. This programme developed in the early 1990s aimed at the institutional evaluation of European universities. After a pilot phase the programme was offered as a service of the European universities association to its members from the mid-1990s onwards. It aims at strengthening the institutional capacities of universities and to

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induce them to improve their internal management. There was also a demand coming from the Eastern European higher education systems in transition for getting "recognised" as real European universities (Van der Wende and Westerheijden, 2001). Although universities and university leaders looked at the programme as a kind of institutional accreditation initiative, it did not function as an accreditation scheme. Developments in that direction were aborted in the course of development of the programme. Instead, it extended its developmental functions without a clear evaluative and discriminatory component. An inclusive approach of a membership based association, trying to unite all institutions in Europe, could not be combined with a selective quality assurance or accreditation system. However, in some European countries, the national government stimulates the use of the EUA institutional evaluation programme. In Finland, for instance, the Finnish Higher Education Evaluation Council requires higher education institutions to engage in some kind of external evaluation, without prescribing a single agent or model (Campbell and Van der Wende, 2000). By its "consumers" the EUA institutional evaluation programme thus is used as a kind of external quality assurance or even accreditation scheme.

As already mentioned in our account of the Bologna process, programme or institutional accreditation on a European level is a hotly debated issue, but without much progress achieved. Many countries and national quality assurance agencies resist the development of a regional accreditation system in Europe. What seems not possible in Europe, however, is under consideration in other regions of the world. Interesting is the experiment with regional accreditation in the MERCOSUR region. The educational sector became involved in MERCOSUR activities in 1992 and harmonisation of educational systems was one of its objectives. In higher education a "Memorandum of agreement on the implementation, of an experimental mechanism for the accreditation of undergraduate programmes and recognition of degrees" was signed. A working group investigates the possibilities of establishing a MERCOSUR accreditation scheme of programmes in engineering, medicine and agricultural engineering. The scheme would be a voluntary accreditation system, on top or supplementing existing national accreditation systems, leading to the recognition of degrees in the countries involved. Regional accreditation procedures would start in August 2002.

Networks of universities developing quality assurance and accreditation

There are also some interesting examples of networks of universities developing their own quality assurance and even accreditation mechanisms. Campbell and Van der Wende refer to networks of universities in Europe developing out of ERASMUS and SOCRATES projects, that felt the need for benchmarking its members' activities and thus gradually developed their own internal quality assurance systems. Some did this in order to cope with the mentioned shortcomings of

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ERASMUS and ECTS in the quality dimension. Some of these networks became rather prestigious ones, in which membership could boost the institution's profile in the national and international arena. There, quality assurance and a certain kind of accreditation procedures were used to check the quality level of applying institutions. A good example of this is the Coimbra network, assembling the old, prestigious comprehensive European universities. This network is developing internal quality assurance schemes and is considering to develop an international accreditation system with rather high standards and benchmarks.

A clear example of a network developing its own quality assurance activity is Universitas 21, a network of research universities in North America, United Kingdom, Sweden, Germany, Australia and South East Asia. "U21pedagogica", the quality assurance branch of Universitas 21, is an international provider of independent quality assurance services for higher education programmes and associated activities. Its stated aims are : 1) providing quality assurance of programmes subjects as a basis for their accreditation; 2) developing quality assurance and monitoring processes to ensure that the selection of students into courses and subjects of the network is merit-based, fair and transparent; 3) initiating processes to ensure and monitor the integrity of student assessment and examination for courses and subjects; and 4) providing rigorous and highly credible quality assurance for any e-education venture in which Universitas 21 is engaged. U21pedagogica is going to be the exclusive provider of quality assurance services to "U21global", the joint venture established by Universitas 21 and Thomson Learning. This clearly is an example of a university network that is developing into a potentially important international quality assurance and accreditation system.

Another interesting example is the European Consortium of Innovative Universities (ECIU), a European network of relatively young, innovative and entrepreneurial universities. This network developed its own external quality review process to "accredit" international master's programmes to be delivered transnationally, but because of their innovative character felt outside the scope of traditional US accreditors operating in the receiving countries. Out of the need for a rigorous, yet flexible and transparent form of accreditation, the network set out to build a modest programme within the consortium that would support evaluation or formal accreditation, that would operate with minimal bureaucracy and cost, and that would be scalable, and permit co-operation with other organisations (Phillips, 2000).

A similar initiative, strictly speaking not originating from a university network, but from a network of stakeholders in business education, the European Foundation for Management Development (EFMD), is the EQUIS (European Quality Improvement System) accreditation scheme. This scheme started in 1997 in order to induce quality improvement among the members of the association. Addressing the need for common standards and benchmarks it developed into a real

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accreditation system which has acquired a high status in the business school sector in Europe. EQUIS now is the dominant accreditor for undergraduate and postgraduate management institutions in Europe. EQUIS accreditation is even used by some governments as an alternative for national quality assurance or accreditation; in Flanders, for example, EQUIS accreditation was required by the government for a public business school in order to continue its funding. The purpose of the accreditation scheme is real accreditation using rather high standards and benchmarks, but alongside a developmental programme EQUIP was developed for members not yet accredited (Conraths, 2000).

Probably, there are still other examples of university networks establishing their own accreditation schemes. Some national quality assurance and accreditation agencies developed out of networks of universities engaging in quality assurance. Also the US accreditation system developed in such a way. Now taken on to the international level, international university networks may be a very fruitful environment for the development of international quality assurance and accreditation schemes. They illustrate that quality assurance and accreditation no longer are the monopoly of national, governmental agencies, but that the need for international schemes working with mutually agreed quality standards is clearly there. To some degree university networks are filling the gaps left on the international level by national quality assurance agencies reluctant to engage in international activities. Examples such as ECIU show that membership is not necessarily an impediment for the creation of sound quality assurance and accreditation. The trustworthiness of a quality assurance or accreditation scheme depends not only from the instituting authority, but is earned by the use of reliable standards and benchmarks (Van Damme, 1999). Both international professional associations and international university networks constitute probably the most productive milieus in which international quality assurance and accreditation schemes may originate.

A global accreditor

Thus far, there has been only one attempt to build up a global accreditation enterprise. In the mid 1990s the absence of any real global accreditation system for dealing with transnational education was sharply felt by some actors. They didn't expect much from the side of national public quality assurance and accreditation agencies. A key role in this was played by the "Centre for Quality Assurance in International Education" (CQAIE) in Washington, DC This very dynamic and innovative organisation, founded in 1995 by representatives from business, higher education and public authority sectors, organised meetings on transnational education and trade in educational and professional services. From the same environment, the "Global Alliance for Transnational Education" (GATE) was established, an alliance of institutions, quality assurance bodies, governmental organisations and companies with the objective of developing accreditation procedures for pro-

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viders of transnational higher education programmes. With a radical change in its governance and a take-over by the corporate interests of Jones International, the stakeholders with an academic background left the initiative. Since then GATE no longer is in a position to play a legitimate role in the field of international accreditation, nor to meet the demands of institutions.

Since then, the development of a real international accreditation agency is considered by many observers to be rather unrealistic, given the resistance of national states (and often also the national quality assurance agencies), but also because many fear that this will lead to a very bureaucratic, costly apparatus escaping any kind of control from governments and higher education institutions. Nevertheless, this strategy should not be put aside too easily. As also Woodhouse (2001) asserts, there certainly is room for an agency that would offer a service of its academic status, legitimacy, credibility, and reputation, such an international accreditor would be able to realise an important position in the global higher education field in short time.

Initiatives to put international quality assurance on the agenda

The issue of international quality assurance has drawn the attention of a number of international organisations and associations. Although not at all considering to become global accreditors themselves, it is worth mentioning them here since they are stimulating debate and development of good practice in this domain. Besides the international quality assurance associations – such as INQAAHE and ENQA – which we have already mentioned, we can also see some interesting initiatives and partnerships developing in university associations and general international organisations.

One of the first initiatives in this domain was the creation of the Commission on Global Accreditation of the International Association of University Presidents (IAUP) at its Triennial Conference in Brussels in 1999. This commission has developed into a fruitful platform for debate on the issues involved and was also the environment in which the idea for a Worldwide Quality Register saw the light. The Commission has members from all over the world and meets regularly.

A more ambitious endeavour involving more constituencies is the "Global Forum on international quality assurance, accreditation and the recognition of qualifications", created by UNESCO in 2002. The initiative was taken following an expert meeting on September 10 and 11 2001 in Paris. A mission statement on the issues to be tackled and the possible strategies to be explored was published. The Task Force of the UNESCO Global Forum met in Lisbon in Spring 2002 and a meeting of the entire Global Forum is scheduled for October 2002.

CHEA has already convened some three expert seminars on international quality assurance, inviting experts from all over the world to discuss issues in this

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domain. As a result of these meetings, an International Commission was installed in 2001. The International Commission gathered for a seminar in San Francisco in January 2002 and discussed a number of possible lines of action.

The Washington-based Centre for Quality Assurance in International Education (CQAIE) is already mentioned as a meeting point for the issue of quality assurance in international higher education. The last years it serves more as a lobbyist on the issue of barriers to transnational education, trade in higher education and the inclusion of higher education in free trade agreements such as the GATS. The CQAIE is said to be a main lobbying force behind the US proposals in the GATS negotiations and has co-hosted the Forum on Trade in Higher Education Services in May 2002.

CONCLUSIONS

The overview of trends and models in international quality assurance and accreditation in higher education had not the intention to propose a single solution or to suggest a one-way development from the first to the last model. There are interesting trends, promising evolutions and good practices in each of the models presented. In particular, from the perspective of an international quality assurance and accreditation environment that would be capable to have a regulatory impact on trade in higher education services, some developments deserve special attention and might be stimulated further. We list them here and formulate them as recommendations to be considered by the international higher education community and relevant stakeholders:

- Stimulate further international and regional networking, exchange and co-operation between national quality assurance and accreditation agencies.
- Foster convergence, comparability and compatibility in national quality assurance and accreditation systems by promoting international composition of peer review panels, international benchmarking of standards and assessment procedures, joint assessment projects, etc.
- Improve the quality assurance by agencies in exporting countries of transnationally delivered higher education by promoting the acceptance of codes of practice – more specifically the UNESCO/Council of Europe Code – for the transnational provision of higher education, including provision via distance education and e-learning, and the "consumption abroad" by foreign students.
- Open national quality assurance and accreditation systems of importing countries to private and foreign providers.

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- Adjust quality assurance and accreditation standards, benchmarks and procedures so that they can be made applicable in a fair way to distance education, e-learning and other new delivery modes, partly by eliminating unnecessary references to input- and process-aspects.
- Encourage formal co-operation and mutual recognition of quality assurance and accreditation agencies between exporting and importing countries.
- Identify and make explicit the mutual recognition of quality assurance and accreditation agencies and systems implied in recognition of qualifications, student mobility and credit-transfer arrangements.
- Register mutual recognition agreements dealing with professional recognition of programmes in the framework of free trade agreements.
- Advocate the Washington Accord model for mutual recognition of quality assurance and accreditation systems in other professions.
- Encourage the international quality assurance and accreditation community to further develop its own standards of professional quality on the basis of already existing criteria and to advance their acceptance by the entire profession.
- Introduce a worldwide register of quality assurance and accreditation agencies meeting the quality standards of the profession by a legitimate body that has the support of the higher education community, the quality assurance profession and the general international community.
- Stimulate international university networks and associations as well as international professional associations to further develop their own quality assurance and accreditation schemes.
- Create favourable conditions for the establishment of international quality assurance and accreditation schemes.
- Support platforms and initiatives where international aspects of quality assurance and accreditation can be discussed further.

Thus, a strategy supporting good practices at the various levels of the models distinguished in this paper seems to be the most realistic and promising way to move ahead. In the longer run however, some of the models and strategies may prove to be more successful than others. The development of trade in higher education services in itself will put some pressure on some of the models of quality assurance, for example when national accreditation systems would appear to pose too great a burden on foreign providers or act in a rather protectionist manner. Personally, we expect that the strategies relying exclusively on sovereign national quality assurance and accreditation systems more and more will prove to be unable to address adequately the challenges situated at the international level. Informal exchange and co-operation (model 1) gradually will have to be replaced

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by more formal mutual recognition agreements (model 2) and an international system of meta-accreditation (model 3). Networks of quality assurance and accreditation agencies working in comparable and mutually compatible ways and converging in quality assurance concepts and methodologies seem to be the most probable arrangement in the future. Real international or even global accreditors (model 4), for the moment the least developed model, may become much more important in the more distant future. Institutions eager to acquire international accreditation will push the development of this model, but for the moment the national quality assurance and accreditation agencies appear somehow to resist this evolution. In the field of professional recognition and accreditation, less determined by national legislation than academic quality assurance and accreditation, gradual moves ahead in this direction can be expected. In any case, stronger international co-operation in quality assurance and accreditation will be necessary to cope with the regulatory demands produced by the growth of transnational and borderless education and the development of trade in higher education services.

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Academic Identity in Transformation? The Case of the United Kingdom

Mary Henkel

Brunel University, United Kingdom

ABSTRACT

This paper draws on two empirical studies to consider the impacts of policy change on academic identities in the United Kingdom. It thus offers a limited examination of claims that social, political and economic transformations at the end of the 20th century have undermined the structures and relationships, within which academic identities have been sustained, particularly those of the discipline and the higher education institution. Its main conclusions are that academic identities remained surprisingly stable in the period under study, although the longer-term outlook remains uncertain.

INTRODUCTION

This paper starts from the assumption that the concept of identity has been of central symbolic and instrumental significance both in the lives of individual academics and in the workings of the academic profession. The building of individual identities that are, nevertheless, embedded in defined communities, has been central to the dynamic of academic life in the Western world. Traditional academic reward systems reflect the cultivation of an institutionalised individualism within a community of peers.

Much recent writing (Gibbons *et al.*, 1994 and its successor, Nowotny *et al.*, 2001; Slaughter and Leslie 1997; Delanty 2001; Scott, 1997a and 1998) suggests that social, political and economic changes at the end of the 20th century have undermined the structures, concepts and norms within which academic identities have been constructed and led to a transformation in those identities.

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The paper offers a limited examination of these propositions. It considers the implications of policy change for academic identities in the United Kingdom. It draws on two empirical studies: a three country study of higher education reforms carried out by teams from Bergen, Gothenburg and Brunel Universities,[1] a study of the UK Foresight programme, made by a team from Brunel University.[2] The empirical work was completed between 1995 and 1998. In the first project, interviews (over 300 in the United Kingdom) were carried out with academics in seven disciplines (3 sciences, 2 social sciences and 2 humanities subjects). Interviews in the second project were mainly with scientists and this paper will draw primarily on those with academics in the biological and biomedical sciences (28).

CONCEPTUAL FRAMEWORK

The understanding of identity in the paper is derived primarily from communitarian philosophy. At its heart are the paradoxical but mutually reinforcing ideas of individuals as distinctive and embedded. Communities provide the history, the myths, the very language, concepts and values through which identities are shaped and reinforced (MacIntyre, 1981). At the same time, they provide the "normative space" (Bleiklie, 1998) within which individuals make choices, enter into ongoing dialogue with community members and construct their identities.

As Taylor argues, "To know who you are is to be oriented in moral space, a space in which questions arise about what is good or bad (...), what has meaning and importance to you and what is trivial and secondary" (Taylor, 1989, p. 28). Selfhood and the good are inextricably intertwined themes: your identity is essentially tied up with meaning, value, obligation and a range of notions concerned with dignity and self esteem. These concepts inform much of what will be said here.

Such concepts and theories of identity provide insights into the stabilities at the core of academia, in the production, reproduction and negotiation of conceptions of knowledge and programmes of work over time within relatively bounded institutions. These stabilities make it hard to change academic values and practices by the imposition of new purposes and structures from different policy and cultural arenas.

The paper follows Burton Clark (1983) in defining, first, the discipline and, second, the university or enterprise as the key communities in which individual academics engage in the project of identity building. Both are centred in the production and transmission of knowledge. However, they form an asymmetrical and incommensurate framework of influences. The dominant, cosmopolitan but diffuse power of the discipline is, in part, embodied in local and tangible form in the department that derives from an institutional and, indeed, a national context. Membership of a department can influence individual orientations to the discipline, through the media of collective responsibilities and day to day dialogue. At

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the same time, departments are constructs of the enterprise, as well as being critical to its well being. Both departments and enterprises, as local and defined entities are, arguably, more open than the invisible colleges of the disciplines to the influence of other bodies with their own agendas. They might, however, derive power from those other bodies.

STRUCTURES AND RELATIONSHIPS: THE INSTITUTION

A major consequence of policy change in the United Kingdom is that higher education institutions have assumed greater importance, to some extent as mediators of government policies and thus of changing relationships between universities and the state. Institutions are now subject to strong and explicit external framing and regulation, most notably institutional audit, and quality assessment of research and teaching. Equally, however, as they can depend progressively less on state funding to meet their needs, they have also to be more active in shaping their own futures in a market environment. Thus they have become both more and less autonomous.

Institutions have almost all adopted management structures in line with the idea of the university as corporate enterprise, as against a collegium of academics or a professional bureaucracy. Vice Chancellors have effectively become chief executives, supported by teams of senior academic managers and are now often regarded as a distinct interest group, "management". Matrix structures have been established for the implementation of policies driven from the centre of the institution, some of which impinge directly on academic practice. Departments and individual academics find themselves the targets for change and the change agents may not be fellow academics but administrators or other purveyors of what academics would regard as generic and relatively low level knowledge.

External assessments mean that the quality of academic work is now not so much a matter of assumption or diffuse reputation but of explicit and transparent performance. Even the most prestigious disciplines can no longer take for granted their authority or even their security in some institutions. Greater stress on data recording, on systems, and on the formal appraisal of academic work means that this work is more open to scrutiny by administrators as well as by senior academic management and academics' own heads of department. This can be understood as a form of the "visualisation of work" (Bleiklie *et al.*, 2000). Academic work, when "visualised", "becomes accessible to administrators and academic leaders who may evaluate academic efforts and act upon the information 'from a distance' without any specialist knowledge about it" (*ibid.*).

Some institutions can be said to have become sites of struggle for the definition of the curricula, the organisation of knowledge production and transmission,

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the authority of competing values and thus for the nature and control of the normative space in which academics live and work.

Meanwhile, there have, as elsewhere, been changes in universities' boundaries and external relations. Universities have, in Scott's words, become "transgressive" institutions (Scott 1997b). They have adopted new roles in local and regional economies, developed strategic connections with large firms, and encouraged individuals, research groups and departments to make new and multiple forms of relationships with businesses, government bodies and other educational institutions, largely in the name of income generation.

STRUCTURES AND RELATIONSHIPS: DISCIPLINES AND DEPARTMENTS

On the evidence of our research, what are the implications of these developments for the departments or basic units, as observed in our studies? Power relations between the institution and the department have changed and are potentially less stable. Weak departments are more dependent on the institution for their well being, more open to intervention on the part of senior academic management, and all are more open to internal as well as external scrutiny. However, the balance of exchange relationships with the institution of strong departments with potential to generate resources and to enhance institutional reputation might well remain with the department.

Departmental and subject group reputation and competitiveness have become more important, inside and outside the institution. Across the disciplinary spectrum, research is an increasingly public and collective matter rather than primarily a private concern of the individual and the discipline. Recruitment to departments is geared to maximising research performance and income. Departments are pressed by their institutions to consolidate round certain sub-disciplines and research areas rather than aiming at coverage of the subject for teaching purposes. In the social sciences research funding policies have increased institutional pressures for collective research. External quality assessment criteria put a premium on educational coherence, collective reflection and collaborative action.

However, the impetus towards more collective action and identity does not necessarily imply an increase in departmental solidarity and community. There are more quasi-hierarchical forms of relationship in some departments (*e.g.* designations as directors of research) and more transparent inequalities. Work is more formally organised. Traditional, often implicitly evolved, divisions of labour and individual exchange relationships, taking account of individual preferences, strengths and weaknesses, and departmental needs for multiple roles, have been superseded. In a climate of more explicit and more uniform criteria of performance, departments become more intolerant of the "unproductive" and individuals are more careful and instrumental about the use of their time.

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The overall implications for the relative influence of institutions and disciplines are complex. Institutions have more power to shape the lives, relationships and self-perceptions of academics, while at the same time they may be more distanced from them and so weaker forces for identification. Indeed, they may become targets for opposition and a means by which academics consolidate their sense of professional identity through differentiation from the management of the institution.

Institutional changes also have significance for the interaction between academics and the discipline. It could be said to have become more localised and tangible, as the department, or sometimes the subject group, became a more significant mediator or embodiment of the discipline. In so far as teaching has been given a higher profile than before in the lives of academics, departments and degree programmes have become more important forces in the development of academic agendas.

If the local base of the discipline has become more important in the lives and identifications of academics, what of their cosmopolitan relationships with the more diffuse invisible colleges?

Some policies have undoubtedly reinforced the significance of disciplinary communities. The Research Assessment Exercise assumed that the organisation of knowledge round single disciplines remained paramount. It has stimulated more publication, more conferences, more dialogue, more collaboration and more intense rivalries within disciplinary frameworks.

Greater rationalisation of graduate research education, in the name of efficiency, means that, at least in the social sciences and the humanities, aspiring academics have a more structured and systematic induction into their disciplines. An increasingly competitive academic labour market forces them to be more active participants in disciplinary dialogue and publication at an earlier stage in their careers. It means, too, that the need to acquire "tacit knowledge" of their disciplinary community is more rather than less important. Therefore a key medium of identity building has been strengthened.

However, there are also countervailing influences, notably the challenge to academic monopoly in the control of publicly funded research agendas, the pressures to shift from discipline- to domain-driven research and education and the commercialisation and commodification of research.

These entailed major challenges to the organisational frameworks, conceptual maps and value assumptions in which academics construct and sustain their identities. Some of these challenges point directly at the disciplinary structuring of knowledge production and transmission: *e.g.* proliferating incentives from research funding bodies and higher education institutions for multi- and inter-disciplinary

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research and the growing demand from a more diverse student population for domain-based and multi-disciplinary curricula and modular curriculum structures.

Inter-disciplinary and multi-disciplinary activity is increasing substantially, with possible long-term implications for academic identities. However, immediate implications are less obvious. One of the most persistent themes in the study is that academic working lives continue to be centred in their discipline, whether individuals see themselves primarily as researchers, teachers, managers or a combination of more than one of those.

Some academics, particularly in the context of their educational responsibilities, explicitly saw sustaining the discipline as an end in itself. They wanted to ensure that the understanding it affords and the qualities that it represents, intellectual, and sometimes social and moral, were passed on. Many academic values were embedded in concepts of the discipline and often expressed in a language shared by members of the discipline.

Most narrative accounts of individual careers could be understood in terms of the dynamic between individuals and their disciplines and predominantly reflected a sense of coherence, if not continuity, of agenda.

The most fragmented disciplines in the studies were Sociology and English but the idea of the discipline still had strong meaning for most of their representatives, including those who were questioning it. One (English) academic who saw her identity as constructed out of the "disciplinary spaces" created between, amongst others, philosophy, communications theory and cultural studies, thought it important that she was "in an English department and trying to challenge some things about it" (interview).

Not surprisingly, the most evident shifts of, at least formal, disciplinary identity were found among the biological scientists, reflecting the huge changes in the subject in the last half of the 20th century. Here, the broader framework of the biological sciences was increasingly important in both teaching and research. Thus while interdisciplinary collaboration was rampant in this field, a good deal of it was contained within this larger boundary.

CHALLENGES TO BROADER ACADEMIC IDENTITIES: THE SCIENTIST

Other challenges are to assumptions shaping a broader academic identity, notably that of the scientist, although they, too, are arguably mediated by the disciplinary community. Changing national science policies and the loosening of boundaries between universities and industries bring into question categorisations and distinctions through which academic scientists have reinforced their identities. For example, a powerful academic myth among scientists centres on the distinction between basic and applied research and the supposed linear relationship between the two. Basic research is the primary function of academics. It

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constitutes the highest intellectual challenge and its rewards are reputation, identity and authority in the peer community. By contrast industry is the primary location of applied research, dependent upon and thus inferior to basic research. Its rewards are profit for industrial barons and relatively high incomes for the scientists whom they employ.

Scientists in our study, including those working in more applied zones such as materials, predominantly held on to this and related myths, even while actively collaborating across the university-industry divide. Almost all expressed strong belief in the role of serendipity in scientific discovery and in autonomy as the condition for both good and useful science.

Many see current policies and developments as threats to these myths and themselves as forced to develop strategies to combat them. The most successful of these are various forms of *accommodation* of others' agendas. Aware that they need new sources of funding to sustain their own aspirations, scientists often regard partnerships with industry in purely instrumental terms. They adapt their activities to meet a variety of user needs, so as to subsidise their basic research. At the same time, they have also to persuade academic research granting bodies, which themselves are having to bend to more external agendas, that their research proposals to them can be accommodated within funding programmes.

At one level, these responses to change serve to consolidate identities and existing conceptual and institutional boundaries. Legends are built up within disciplinary communities and departments about the collective capacity to re-frame external demands within their own scientific terms. And as funding becomes more competitive, stories about the heroic level of efforts to sustain basic science create their own form of unity.

At the same time, significant changes are taking place. Generating and maintaining more, and more varied, networks outside the university has given impetus to the separation of research from teaching in UK academic life and thus to the weakening of some intra-institutional or departmental ties. Contracts and sponsorships are in some cases inhibiting free communication within departments. Even if it can be argued that academics have always been ambivalent about the norm of communalism, they have kept choices about the sharing of ideas and findings under academic control. Now that has become uncertain.

It is clear that scientists no longer have to make the choice between employment by the university and employment by industry. Scientists, often encouraged by incentive schemes in their institutions, are becoming increasingly aware of the commercial potential of their work and of the possibilities of scientific entrepreneurship. Young scientists have been quick to latch onto the change. "Some of our younger scientists seem to be far more concerned about

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forming their first company than they are about conducting science" (interview, Foresight study).

There are other discernible shifts in scientists' value frameworks. Amongst the (minority) views expressed in our study were the following:

- Innovative ideas are equally, if not more, likely to be found in industry.
- Problems presented, for example, by some socio-medical conditions stretch the mind in different but not necessarily inferior ways; social scientists have made distinctions between tame (disciplinary) problems and wicked (domain-based) problems (Trist, 1972).
- Most people will not make radical advances in basic scientific knowledge. They may, however, produce knowledge that makes a significant difference to human welfare and that is in the end a more important achievement than the small, purely scientific, contributions that most people will make.

CONCLUSION

The overall thesis of the paper is that the stabilities and continuities in academic identities remained strong in the period under study. The impacts of a rapidly changing policy environment were complex rather than uni-directional. However, changes were taking place that implied some fragmentation in the communities that sustained them and some disturbance in the dynamic between individuals, disciplines, departments and institutions.

A major strategy for resistance to change was that of accommodation. This entails processes of interpretation akin to Latour's concept of "translation" (Latour, 1987). An actor with one agenda persuades another with a different agenda that their interests, "what lie[s] in between actors and their goals" (*ibid.*, p. 108), are the same.

However, accommodating new languages and new concepts of inquiry is a provisional strategy, the implications of which may be slow to emerge. It may be seen as a form of what Kogan (1996) has in a different context termed "constructive ambiguity". It may prove to mean accommodating [change] within existing frames of reference or accommodating to it. New languages and new agendas may gradually be assimilated, leaving individuals and departments more in tune with, and able to adapt to, a changing environment but with their values, beliefs and agendas essentially undisturbed. They may, however, also exercise their own influence and create substantial long-term change in these and in how they are regulated. The longer-term outcomes are likely to be affected by broader collective changes among the relevant actors.

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Notes

1. This study has been written up in five books:

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   Policy and Practice in Higher Education. Reforming Norwegian Universities, Jessica Kingsley Publishers, London.

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The Four Key Factors for Commercialising Research

The Case of a Young University in a Region in Crisis

Blandine Laperche

Université du Littoral Côte d'Opale, France

ABSTRACT

In France, as in all industrial countries, the government is seeking to promote more extensive ties between universities and enterprises in order to stimulate creativity and growth. But can this be achieved through legislation alone? The various cases studied herein show that the successful commercialisation of public research is the result of the application of an "organic paradigm" consisting of the four closely interacting factors of legislation, the economic environment and entrepreneurship, technical progress and university strategy. We have applied this method to the specific case of a young French university (Université du Littoral Côte d'Opale) and have shown that what is lacking is the close interaction between academic research and a wealthy local economy, which hinders transfers of the scientific resources of public research to the business world.

INTRODUCTION[1]

The 1999 Innovation and Research Act opened up new perspectives for French universities. The commercialisation of research, which can be defined as the process of transforming basic knowledge into marketable new products, is becoming an integral mission of universities alongside their traditional functions of teaching and research. The university, whose role is to produce, transmit and renew scientific knowledge, must now become a place where new and innovative projects are created and brought onto the market (enterprises, technological inventions).

This paper will seek to answer the following question: is legislation alone a sufficient factor to launch the process of forging closer ties between scientific

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research and enterprises, which is now seen as being indispensable to technological innovation and economic growth? This question is prompted by the poor results achieved (in terms of enterprise creation in particular) since this new legal framework has been implemented in France. To answer this question, this paper will also draw on the results of studies on other rich industrial countries that have long experience in commercialising public research (the United States in particular). This line of investigation will lead us to lay the foundations of a method for analysing the commercialisation of research that focuses on organically linked incentive factors. In addition to the legislative aspects, these factors comprise scientific and technological changes, university strategy and the economic and social environment in which the commercialisation activities are conducted (first part).

This method will then be used to analyse the results of a field study (a survey on the practices, advantages and disadvantages of commercialising research in a young university in a region in crisis, *i.e.* the U*niversité du* L*ittoral* C*ôte d'*O*pale* located in the Nord/Pas-de-Calais region of France). We shall then suggest some possible approaches for promoting the harmonious development of research, education and the commercialisation of research results in the light of this method and present some of the challenges as well as the risks involved in a "forced march" towards commercialisation (second part).

A LONGSTANDING PRACTICE, NEW CONDITIONS

The emergence of the current situation

T*he ways of commercialising public research*

The commercialisation of research can be defined as the transformation of basic knowledge into marketable new products and services. It is carried out through co-operation between public research institutions and enterprises and through mobility of researchers. It most often consists of making the results of research available to the private sector (whether on an exclusive basis or not). The main ways of commercialising public research are as follows:

- Signing of research contracts by universities and public research centres with companies.
- Commercial exploitation of the results of research (filing of patents by universities and licensing agreements that generate income for universities).
- Mobility of researchers: young doctoral students from a public research laboratory do graduate research in a company (which cofunds this research); a researcher or a team of researchers provide scientific assistance or advice to a company, etc.

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- Creation of enterprises by the researchers themselves. The researcher acts as an entrepreneur.

Not all of these ways of commercialising research are new. There have long been research contracts between universities, public research centres and companies, but they have been difficult to implement in some countries because of the use of different accounting systems in the public and private sectors. Similarly, the cofinancing of postgraduate research is not a new practice, but mobility has now been extended to other categories of staff (such as researchers with civil servant status). Consequently, the two genuinely new ways of commercialising public research, in particular in France, are the ability to file and exploit industrial property rights and to create enterprises to capitalise on research. However, these are developments that are taking place in many industrial countries because of the changes that they have made changes in their legislative framework.

Since the 1980s, a number of industrialised countries have introduced public policies for commercialising research, under which the universities are assigned the role of initiating innovative projects. The main measures that have been taken as follows: *a*) to allow universities and public research centres to exploit the results of research commercially; *b*) to create scientific and technical networks between businesses and universities *c*) to redefine the status of researchers to make it easier for them to become entrepreneurs; *d*) to create institutions and various forms of assistance to promote the emergence of innovative projects (incubators, seed funding).

These developments have been analysed in recent case studies on the changes taking place in the university systems in many countries, such as the United States (Etzkowitz, 1998; Jaffe, 2000; Mowery *et al.*, 2001; Henrekson and Rosenberg, 2001), but also in Europe (see Vol. 13, No. 3 of the OECD's Journal *Higher Education Management*, 2001), Japan (Wen and Kobayahi, 2001), Latin America (Arocena and Sutz, 2001), Canada (Menzies, 2000), and the former socialist countries (Mayntz, 1998). These studies focus on the means used by governments to strengthen ties between universities and companies and analyse the results of these changes and the difficulties encountered.

In these countries, universities adopt entrepreneurial operating standards; they become, in the words of Clarke (1998), "entrepreneurial universities" by incorporating market requirements into their functioning (performance requirements, competition, emphasis on applied research) while endeavouring not to neglect their traditional functions of teaching and basic research. The current phase of opening up scientific work is the outcome of the series of economic, political and social factors described above, which make it possible to understand the process and challenges of the commercialisation of public research.

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New conditions

In our view, the following four sets of factors can enable us to understand how the current situation of commercialisation has emerged: 1) the basic conditions and organisation of economic competition; 2) the transformation of innovation processes; 3) the nature of technological changes; 4) changes in the financing of R&D. Naturally, these factors are interconnected.

The basic conditions and organisation of economic competition

Technological innovation, which was defined by the economist J.A. Schumpeter (1947) as a new combination of productive resources by an entrepreneur, has now become the key to international economic competition.

This is explained by the changes in production systems that took place in the 1960s and 1970s (the decline in the mass production of undifferentiated goods and the globalisation of competition in the wake of public policies promoting privatisation, deregulation and market liberalisation implemented during the 1980s).

Companies began to reorganise in order to cope with these deep-seated changes in the basic conditions of competition and their new geographical horizon. During the period of relatively orderly competition based on mass production of undifferentiated goods, they had expanded in order to realise economies of scale, but in the 1980s they progressively began to focus on the core of their business (design), which they reinforced through buyouts and mergers. They also externalised many tasks and services that did not relate to their production strategy, but only to its implementation (spin-offs, intrapreneurship, hiving-off, subcontracting). Small units sprang up, linked to the firm's decision-making centre through flexible contracts (which replaced rigid legal ties). The strategic core of the company became the centre where innovation was fostered and where decisions were made regarding technological, scientific and financial strategies involving vast corporate interests with unclear legal boundaries.

The transformation of innovation processes

All of these developments led to radical changes in innovation processes and in economists' thinking about these processes (for a presentation of the various models, see Perrin, 2001). Traditionally (since World War II), the innovation process had been studied through a "linear model" in which each phase of R&D followed the other (see Figure 1).

In this model, each of the phases pursues a goal and is carried out in a different place (a university or public research laboratory for basic research, an industrial laboratory for applied research and technological development). The three phases mark the progression of scientific and technological discoveries, from the

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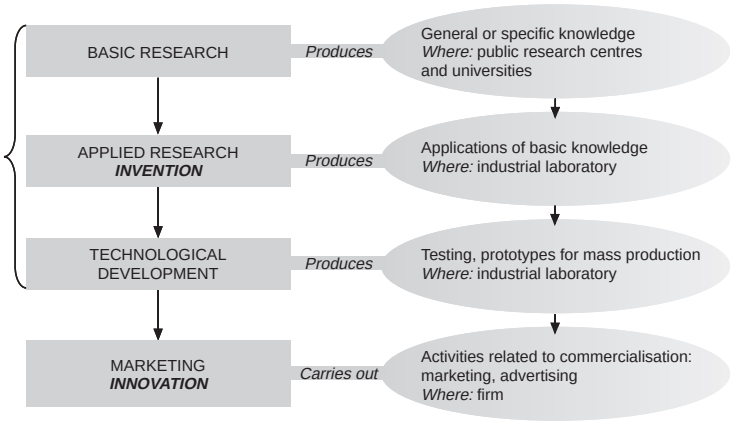
Figure 1. **The "linear" innovation process**



Source: Author.

initial idea for a product or service through its design and commercialisation. This process entails the transition from a stock of knowledge produced by basic research to invention, derived from applied research, and finally to innovation.

This model, which was dominant from the 1950s until the 1970s, overlooked the fact that private companies were increasingly investing in R&D, and reflected neo-classical theoretical concepts of growth which considered that technological progress and scientific and technological discoveries lay outside the sphere of the economy. Today, the analysis of innovation processes takes better account of the interactions between all public and private institutions carrying out scientific and technological activities. These processes are viewed in terms of interactive models that stress the interaction between the phases of R&D and the importance of taking the market into account (*cf.* consumers' tastes, demand for quality) in the various phases of research. Consequently, in these models technology changes as it is disseminated, as the new theories of "endogenous" growth have shown (see Figure 2).

The nature of technological changes

The greater interaction between the phases of R&D (basic research-applied research-technological development) can be explained by the desire on the part of firms to accelerate the processes extending from the initial idea for a product to the marketing of the new goods and services. It is also explained by the nature of technological changes. In biotechnologies, for example, the boundaries between

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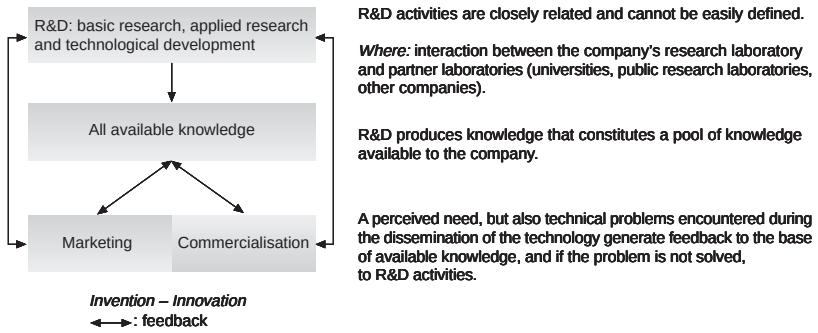
Figure 2. **The "interactive" innovation process**



Source: Author.

R&D phases are becoming increasingly blurred. As a result, in research conducted in universities and public research centres, theoretical and practical aspects almost naturally go hand in hand, making the results potentially marketable. These fields of research in which theory is allied with practice are increasingly numerous today. For example, linguistics, which has traditionally been considered only as a field for basic research, is now making a very significant contribution to progress in the computer and software industry. Once researchers realised (initially in the United States) that they could combine both activities and that this could be justified by the fact that the money made by commercialising their research results could be reinvested in their basic research work, the trend towards the closer association between basic and applied research accelerated, ultimately giving rise to the figure of the "new scientific entrepreneur"[2] who unapologetically bridges the gap between basic research (the search for truth) and industry (making profit), without neglecting either aspect (Etzkowitz, 1998).

Changes in the financing of R&D

R&D expenditure has risen substantially in the OECD area over the past two decades. It accounted for 2.2% of the area's GDP in 1999, with wide disparities across countries (see OECD, 2001). The share of business in financing R&D (60% across the entire area) but also in performing R&D (70% across the entire area) shows its importance to the business sector, which is funding a growing (though still small) share of research in universities and public research centres. According to the OECD, 4.1% of government research and 6.1% of research performed by higher education is funded by business.

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The budget deficits have led to reductions in public spending. This has chiefly affected the business and defence sectors, but there has not yet been a significant decline in public support for basic research. However – and this is important – the nature and the conditions of financing are changing, for the granting of funds is subject to output and performance requirements, which has the effect of concentrating resources on specific contracts in specific places (OECD, 1998). The interest shown by the business sector and the need for universities to develop their own sources of funding are further explanations for the development of practices of commercialising the results of scientific research and the ongoing debates in this regard.

However, there are considerable differences in the results obtained in commercialising research in different countries and university systems. Some countries, such as the United States, are often presented as examples of successful relations between universities and business. In other countries (such as European countries), efforts to build these relations are fraught with difficulties and public research often continues to be perceived as an "ivory tower". It is therefore necessary to examine the factors that act as incentives for commercialising public research.

What are the incentives for commercialising research?

The "organic paradigm" of commercialisation

Innovation policies alone cannot explain the results obtained by given countries in commercialising public research. The existing case studies, and those that we have cited above in particular, make it possible to identify what we have called the "organic paradigm" of commercialisation, which presents the key factors of commercialisation in schematic form (Figure 3).

Why have we used the expression "organic paradigm" of commercialisation and how do we justify the choice of the incentive factors presented here? To answer these questions, we must refer back to the definition of commercialisation, according to which new objectives and evaluation criteria are assigned to scientific work which is no longer aimed solely at disseminating basic knowledge (*i.e.* publications) but at generating returns (measured by the number of inventions patented, the number of enterprises created, contracts signed and, further down the line, profits generated, jobs created, etc.). This process requires the decompartmentalising of scientific work and the forging of interactive, systemic and cumulative links between science (the original purpose of which is to increase knowledge of natural and social phenomena), technology (creation of artefacts, fields of invention) and the economy (the market rewards, punishes and evaluates). Consequently, the existence and/or nature of the links between these factors (science: university strategy; technology: technological progress; the economy: the economic environment and entrepreneurship) make it possible to explain the results obtained in commercialising public research. These relations

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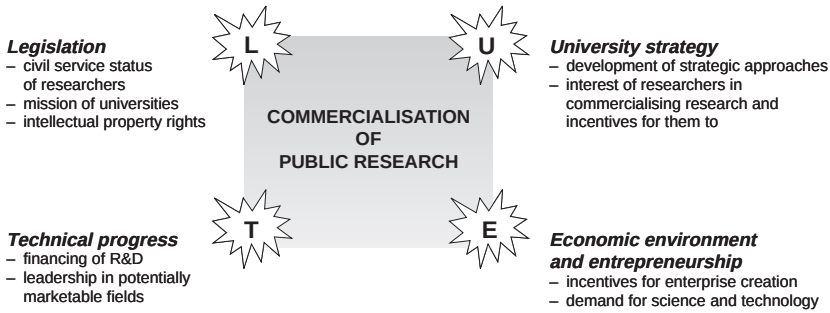
Figure 3. **The organic paradigm of commercialisation of research**



Source: Author.

are regulated by government intervention (legislation, incentives), which can either promote basic research or focus on reinforcing the operational, economic and technological side of science.

This organic paradigm thus provides a method for analysing commercialisation within an economy or an institution and facilitates comparisons at the national (between universities) and international level.

This analytical framework is supported not only by the history of economic development, which since the beginning of industrial capitalism has been characterised by the increasingly close relationship between science, technology and the economy, regulated by government (on this topic see Bernal, 1954; Gille, 1978), but also, as we shall see later, by the current case studies presented in the literature.

We were prompted to propose this analysis of commercialisation after examining the case of the United States and after comparing this case study with the situation prevailing in other countries. Let us explain this more fully. The debate on the use of the results of scientific research that has now reached Europe began in the United States in the 1970s. It was against a background of a growing budget deficit in the United States that the Stevenson Act and the Bayh-Dole Act were passed in the early 1980s. The former introduced commercialisation as a new mission of public research, while the latter gave universities conducting research jointly financed by federal funds intellectual property rights over their discoveries and the right to commercialise them through exclusive licences. This legislation is now often seen as a key factor explaining the strong patenting and licensing results achieved by US universities since the 1980s.[3] However, some researchers

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feel that this explanation is insufficient, and focus on other incentive factors that support our analytical framework.

Legislation. The legislative aspect comprises a number of factors. Firstly, there is the legislation on the missions of a university, *i.e.* what it can and cannot do to commercialise research. For example, until 1999 it was illegal for a civil servant in France to hold ownership rights, exercise supervisory duties or accept employment of any kind in a private company, subject to severe punishment under the law. This seriously restricted the possibility of commercialising research.

Legislation also concerns intellectual property rights. For example, in the case of the United States, economists (Mowery *et al.*, 2001; Jaffe, 2000) stress the role that the legislation and decisions enacted in the 1970s have played with regard to the patentability of biotechnologies and software, and maintain that they facilitated the commercialisation of the results of research carried out in universities.

Technological progress. The trend of R&D expenditure (and especially public R&D spending) since the Second World War is also an important factor in explaining the robust results achieved in the United States in commercialising university research in biotechnologies and information technologies (Etzkowitz, 1998).

However, the study carried out by Henrekson and Rosenberg (2001) comparing Sweden with other countries shows that, despite strong public support for R&D activities and the commercialisation of university research in Sweden, the results obtained are significantly lower there (in proportion to expenditure) than in the United States. Consequently, technical progress and legislation are not sufficient to explain the favourable results achieved in commercialising research.

University strategy. According to the authors cited above, the reasons for Sweden's poor results in commercialising research are to be found within the university system: the Swedish system (like that in European countries, according to the authors) is hierarchical and compartmentalised and provides little incentive for mobility; it differs from the US system, which is open, competitive and more responsive to the needs of firms since its operating standards are closer those of the corporate world.

At the institutional level, other studies stress the importance of defining the specific strategy for the university. This can mean capitalising on its assets by specialising either in conducting high-quality research or in meeting the needs of firms by seeking to develop applied research and high-quality education (as in the case of Salford University in the United Kingdom, studied by Powell *et al.*, 2001).

The economic environment and entrepreneurship. This aspect is also emphasised in the comparison between Sweden and the United States by Henrekson

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and Rosenberg (2001), but at the macroeconomic level (the factors listed are: incentives to invest in human capital; incentives to become an entrepreneur, *i.e.* industrial legislation and a framework conducive to the creation of innovative companies; incentives to develop existing companies, such as low taxes and availability of various means of financing such as venture capital; labour market flexibility).

Another aspect less frequently addressed in these case studies concerns the local environment. The results of commercialising pubic research will no doubt be very different in an "innovative environment" (in which all the resources necessary to support enterprise creation are available) than in a poor environment where innovation is the exception rather than the rule. We shall place strong emphasis on this aspect in the second part of this paper.

T*he situation in* F*rance*

What is the situation in France with respect to the organic paradigm of commercialisation presented above?

In France, the 1999 Innovation and Research Act put an end to the criminal sanctions to which researchers with civil servant status were liable that prevented them from becoming involved in creating enterprises (Richevaux, 2001). This legislation provided a complete system for enabling the commercialisation of research to be developed in France (see box).

However, the initial quantitative results obtained have proved relatively disappointing since they are far lower than originally anticipated. According to the Ministry for Research, 168 researchers have been authorised to create or participate in the creation of enterprises (as compared with the 400 anticipated for the 1999-2002 period) and the total number of enterprises created at the end of 2001 stood at 102.[4] According to our calculations, this means that fewer than 0.3% of French researchers covered by the Innovation Act participated in the creation of an innovative enterprise. The government has spent enormous sums to support the development of innovative enterprises (some 300 million Euros per year, not including tax relief),[5] but the results are long in coming, even though some universities and public research centres are capitalising on this legislation to broaden their longstanding relations with the business sector. An analysis of the incentive factors listed above can enable us to understand the French situation better.

Firstly, in the field of **legislation**, as we saw in the case of the United States, the strengthening of intellectual property rights and their extension to new fields at the cutting edge of science and technology such as biotechnology and software played an important role in promoting patenting by US universities. However, in

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The four facets of the Innovation and Research Act (Act No. 99-587 of 12 July 1999)

Mobility of research staff to enterprises via:

Enterprise creation aimed at commercialising the work of the staff members concerned, who may keep their status for a maximum period of six years and return to their laboratory of origin if they wish to do so at the end of this period.

Employment in a scientific capacity in an innovative enterprise (for a maximum period of five years).

Equity investment in an enterprise, for an amount up to 15% of its capital.

Membership on an enterprise's board directors.

The provisions of the law concern civil servants, both permanent and probationary. However, certain employees without civil service status working under the authority of the ministers for higher education and research may, under certain conditions, be eligible for the first two forms of mobility, *i.e.* enterprise creation to commercialise research and private employment in a scientific capacity. There are no restrictions regarding the legal status of the enterprise created, but its activity must be devoted to the commercialisation of research. A contract must be signed between the public institution and the company commercialising the research.

Co-operation between public research and firms:

Creation of business incubators and provision of operating resources to enterprises. An incubator is defined as a support centre created by research bodies or universities in order to provide advice, financing and premises to prospective entrepreneurs with innovative projects.

Development of units responsible for the industrial and commercial activities of public institutions to manage their research contracts with firms or other public bodies and also to manage patents and provision of services.

Streamlining of the administrative formalities applicable to the creation of subsidiaries or associations in the public interest and the recruitment of contract staff.

Creation of a tax framework conducive to the development of innovative enterprises:

Liberalisation of stock option schemes.

Liberalisation of provisions on "innovation" mutual funds.

Extension of the research tax credit.

The creation of a legal framework conducive to the development of innovative enterprises:

Extension of the provisions governing simplified joint stock companies to venture companies with high growth potential.

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France and Europe more generally, debates on the patentability of software or on "isolated elements of the human body" have either met with scepticism or not changed the status quo. In February 2002, the European Commission opted for the patentability of software, but there is still much resistance in France. In the field of biotechnology, the European Directive of 1998 is ambiguous and France is still firmly opposed to the patentability of human genes, which is seen as being contrary to French legislation on bioethics. This difficulty of patenting hinders the commercial exploitation of the results of public research.

In the field of **technological progress**, R&D expenditure in France relative to GDP (2.1%) was below the OECD average in 1999 (2.2%), but also below the average of the major industrial countries (OECD, 2001). Moreover, the scientific and technological fields in which basic research naturally goes hand in hand with applied research (*i.e.* biotechnology and information and communication technologies) are not ones in which France can claim to have a significant lead. According to the French Centre for the Monitoring of Science and Technology (OST, 2002), France's global share of scientific competence in key technologies (defined through 2005) stood at 5.5% in 1999. It is below average in electronics (3.8%), telecommunications (4.1%) and computers and biotechnologies (5.1% respectively). Similarly, France produces 6% of all European patents linked to key technologies. Although it is above this average in some fields (such as materials and metallurgy with 7.6%), it is lower in others, such as biotechnologies (4.2%), electronic components (4.8%) and computers (5.2%).

Regarding the **economic environment and entrepreneurship**, the liberal policies implemented in recent years are leading to a simplification of the rules governing enterprise creation, even though this often remains a long and difficult process.

Lastly, there are the existing incentives in **universities** and research bodies. These can be developed by raising staff awareness, but above all by increasing the flexibility, competitiveness and mobility of researchers. This too is an area where there seems to be progress towards a more open system. But the French education and research system has been built on the key ideas of public service, *i.e.* equal access for all to education and to the knowledge produced by research. Although this system is seen as being a source of bottlenecks, hierarchy and bureaucracy, a broad privatisation of university systems can also have negative consequences (more difficult access to education and research, greater job insecurity, a short-term outlook). In the second part of this paper, we shall study in greater depth the case of a young French university located in a region in crisis – Nord/Pas-de-Calais – in order to gain a better insight into the impact of the Innovation and Research Act.

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PROSPECTS FOR A YOUNG UNIVERSITY IN A REGION IN CRISIS

A university to support local restructuring: the Université du Littoral Côte d'Opale (ULCO)

The origin and development of the Université du Littoral Côte d'Opale

The university that will be studied in this second part is the U*niversité du* L*ittoral* C*ôte d'*O*pale* (ULCO), located in the Nord/Pas-de-Calais region. It is a young university, founded in 1991 for the purpose of revitalising activity by developing human potential in a region in crisis. It has several campuses, with university facilities in four cities (Boulogne, Calais, Dunkerque and Saint Omer), three of which are characterised by intense port activities (specialised in fishing at Boulogne, transport at Calais and industry at Dunkerque).

The sharp rise in student enrolments since 1992 (from 4 278 in 1992-93 to 10 608 in 2001-02) has justified the decision to create an additional university in the Nord/Pas-de-Calais region (which has five other public universities: the three universities located in Lille, the U*niversité de* V*alenciennes* and the U*niversité d'*A*rtois*). The region's coastal areas lagged considerably behind in enrolment rates because of insufficient university facilities (the Lille universities ran some local branches), which hampered the development of new activities.

Students enrolled in the U*niversité du* L*ittoral* can pursue studies in all disciplines except medicine, which is not offered. Over 40% of the university's students are grant recipients (consisting of the annual financial aid provided to young people from disadvantaged families), since it has a larger than average number of students from a working-class background and this characteristic has increased over time (index 184 in 1992-93 and 246 in 1999-2000, R*epères* – ULCO, 2001).

Nearly 60% of the university's students are enrolled in purely vocationally oriented programmes, such as Business and Social Administration (AES), vocationally oriented university institutes (IUP), university institutes of technology (IUT), business schools, etc. General education programmes are not popular with young local residents and are numerically smaller, even though they include students preparing for vocationally oriented programmes. Most students are enrolled in undergraduate programmes. Only 7% of the degrees granted in 2001 were the graduate level DEA (Diplomas of Advanced Studies) and DESS (Diplomas of Specialised Higher Studies), although this proportion has been increasing over the years (R*epères* – ULCO, 2001).

The teaching staff has also grown considerably, rising from a total of 223 in 1992-93 to 492 in 2001-02. There were 316 teacher-researchers (full professors and senior lecturers) in 2001-02. Secondary teachers seconded to teach at the university represent a large category of staff, well above the average in other French uni-

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versities (29% of teachers at the ULCO in 1999-2000, as compared with 20% in French universities at the same date, *Repères*, 2001). Moreover, the student-teacher ratio is too low (by 156 teaching positions according to French standards), and the university administration feels that the prospects for recruitment are a cause for concern (see 2002-06 four-year contract).

The university's research potential is developing gradually (17 laboratories are recognised nationally) and is organised around three poles: the "environment, man and coastal areas", mathematics and engineering sciences.

From these brief indications, it can be seen that the U*niversité du* L*ittoral* is a university which is predominantly vocationally oriented in its teaching, with a staff that is expanding but that is still too small for the number of students, and which is seeking to ensure that its research activity is adapted to the region in which it is located. Since the U*niversité du* L*ittoral* cannot compete nationally in all fields of research with older and more prestigious universities, one course of action might be to gear its research and teaching activities towards meeting the region's economic and social needs – but is this approach compatible with the economic and social context of the region?

T*he economic and social context*

The administrative centre of the university is located in Dunkerque. This campus houses the university's central services and nearly 38% of students were enrolled there in 2000/01 (compared with 31% in Boulogne, 27% in Calais and 4% in Saint Omer). The main socio-economic characteristics of this region are its geographic location (on the coast, as stated above) and the importance of heavy industry, particularly in Dunkerque.

The region of Dunkerque has been highly industrial since the end of the Second World War and the industrial firms that settled there in the mid-1970s were the driving force behind the post-war economic growth (steel production, metallurgy, petrochemicals, energy) (Boutillier and Uzunidis, 1998). These firms were primarily production units (the decision-making centres being located in other regions of France or abroad) and took advantage of the large local labour force, which was generally unskilled. As heavy industry developed in Dunkerque, workers accounted for an increasingly large segment of the labour force (Coppin, 1999).

The crisis in shipyards and heavy industry at the end of the 1970s led to a slowdown in Dunkerque's economic development. Unemployment rose sharply and there was growing competition between firms. In response to these economic difficulties, both the local and national government sought to develop a new restructuring strategy. As regards capital, this strategy sought to attract foreign firms. In the field of labour, it sought to create new training and research potential (U*niversité du* L*ittoral* C*ôte d'*O*pale*).

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Once again, outside companies (from other regions of France and/or owned or controlled by foreign interests) established operations in Dunkerque in the form of production units for subsidiaries headquartered in various major European cities. Consequently, the decisions made reflect the strategy of the parent company. These production units also wished to capitalise on the region's structural advantages (industrial port, gateway to the European market) and economic factors (tax relief) (Ziel, 1998). All decisions regarding the recruitment of unskilled labour are made by the parent company. The senior managers working in companies in Dunkerque most often come from outside the region and are often assigned there only for a short period. Firms mainly recruit manual and office staff with low to average skills (Laperche and Loubert, 1998; Laperche, 2002). These firms' research laboratories are located in other regions with greater scientific and technological potential. Because of this situation, and despite the relative interest that the university's researchers have shown in commercialising research, there are few incentives for them to do so.

Enterprise creation is low in the Nord/Pas-de-Calais region compared with the national average (26 enterprises created each year per 10 000 inhabitants, compared to the national average of 44/10 000). It is even lower in the labour market area of Dunkerque (553 new enterprises created in 2000) according to the National Statistical Institute (INSEE), *i.e.* a rate of 25 enterprises created per 10 000 inhabitants, also well below the national average. The same is true of Boulogne and Calais, where activities are geared more towards the primary and service sectors. Unemployment rates are also high (13.5% in the Calais region, 13.6% in the Boulogne region and 11.6% in the Dunkerque region in September 2001), and although initiatives to create new activities have been launched, they involve many more traditional projects than high-tech ones (see Mudard Franssen, 2001, for the case of Dunkerque).

The problems encountered in implementing the Innovation Act in a university such as the U*niversité du* L*ittoral* prompt us to raise the question of the role played by the economic and social environment in the universities' ability to adapt to the new situation. Before attempting to provide some partial answers to this question, it is interesting to take a look at the practices and opinions of this university' researchers regarding the commercialisation of research.

The difficulties of commercialising research

A *survey*

The U*niversité du* L*ittoral* has made the commercialisation of research one of its priorities during its third institutional contract (2002-06), even though this has been a key aspect ever since the university was established in view of both its

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location and its stated objective of contributing to the renewal of local economic activities.

The survey conducted between July 2001 and February 2002 concerned the commercialisation practices of laboratories. It also included a study on researchers' opinions regarding the advantages and disadvantages of commercialising research. The research laboratories were surveyed through direct interviews (using a questionnaire) and were selected on the basis of two criteria:

- Recognition received from the National Education Ministry and/or the CNRS (National Council for Scientific Research).[6]
- The fact that they were currently (or potentially) conducting work that might be commercialised in any of the forms identified, *i.e.* filing of industrial property rights, signing of contracts with firms, mobility of research staff or creation of enterprises to commercialise research results.

Sixteen laboratories were initially selected, the vast majority of which were in the fields of materials sciences and life sciences. A human sciences laboratory was also included, since it was already actively involved in commercialising its research. Fourteen laboratories responded to the survey, representing a total of 207 teacher-researchers and associate research-teaching staff members. The laboratories surveyed covered 43% of the university's teacher-researchers (full professors and senior lecturers employed by ULCO). This percentage may seem low, but in all, only half of the university's teacher-researchers in all disciplines are attached to laboratories recognised by the National Education Ministry and the CNRS, which explains this university's considerable research potential, but also the fact that this potential is underused because the university has not extensively developed its research facilities.

Main results

The questionnaire comprised two parts: a section identifying the laboratory (name of laboratory, discipline, name of director of laboratory, field of research) and a section devoted to the various practices of commercialising research.

The four forms of commercialising research identified and the type of questions asked were as follows:

- *Filing of industrial property rights*: has the laboratory filed industrial property rights? What types of property rights? Does the laboratory plan to file industrial property rights in coming years?, etc.
- *Contracts with firms and with partners outside the university*: has the laboratory signed contracts with partners outside the university and what are the types of partners: local authorities, ministries, the European Union, firms, associations or foundations, other? Number and duration of contracts? etc.

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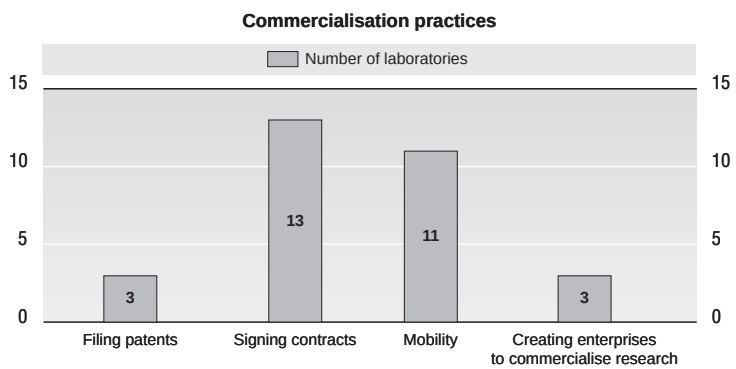
- *Staff mobility*: does the laboratory practice mobility of research staff? What types of mobility (graduate research grants, cofunded graduate research in companies, secondment of staff to private bodies, hiring of researchers, membership of researchers on boards of directors of private firms, other)? And for how long? etc.
- *Creation of enterprises to commercialise research findings*: the questions asked concern the legal form of the company, the date when it was established, the number of persons employed, its sector of activity, its equity capital and location. One question concerns any assistance received (subsidies, advice on commercial aspects, material assistance).

A qualitative study was also conducted on each of the forms of commercialising research using a non-exhaustive list of the benefits and difficulties of each form of commercialisation. These lists were drawn up by making an inventory of the advantages and disadvantages of commercialising research most frequently presented in the literature (examples of advantages: source of funding, enhancing the laboratory's reputation, creating scientific networks; example of disadvantages: legal problems, problems of confidentiality, lack of support staff).

The results showed that all these different practices of commercialising research are used by the laboratories of the *Université du Littoral Côte d'Opale* (see Figure 4).

The signing of outside contracts (particularly with private firms) was the most common form of commercialising research among laboratories (with 13 of the 14 laboratories surveyed stating that they had already signed one or more

Figure 4. **Practices of commercialising research by laboratories**



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contracts with private firms). Staff mobility came next and generally took the form of participating in national and international scientific networks, but less often involved genuine mobility to firms (graduate research cofunded by firms, *i.e.* "CIFRE" contracts for industrial agreements for training through research). The filing of industrial property rights (limited to patents only) and the creation of enterprises to commercialise research were tied for third place. In the latter case, the laboratories themselves created an enterprise (through one of their teacher-researchers) or else they supported the creation of an enterprise through their research (creation of an enterprise by a Ph.D holder). It should be pointed out that most of these initiatives by laboratories to support enterprise creation predated the Innovation and Research Act. Concerning future plans, ten laboratories envisage the possibility of filing industrial property rights and six laboratories are planning to create an enterprise or would like to do so. On the whole, the signing of contracts and the mobility of researchers are the most common forms of commercialising research, which can be explained by the fact that these practices are now a firmly established tradition in universities.

The results of the qualitative analysis are as follows:

- **"Filing of patents: "As many advantages as disadvantages"**

The main advantages of filing industrial property rights are the revenue generated by the patent and the enhanced reputation of the laboratory. The main disadvantages are the cost of filing industrial property rights (in this case a patent) and the problems that it generates for the future publication and use of the research findings.

Researchers are willing to practice this form of commercialisation, but are waiting until they can be more certain about its comparative cost-benefits and about the changing criteria for the evaluation of their careers.

- **Contracts and mobility: "the advantages outweigh the disadvantages"**

Contracts bring sources of financing, make it possible to create and consolidate scientific and technological networks and integrate researchers into the professional world. The main disadvantages of signing contracts are management problems and the confidentiality of research findings. As for mobility, it is hindered by the lack of staff (*cf.* the staff shortage mentioned above) and the risk of disseminating research results and methods without proper control.

These longstanding and widespread practices are forms of commercialising research that have more advantages than disadvantages. The disadvantages can largely be solved by hiring staff (research engineers, researchers). The analysis of the results shows that the problems of controlling research results and methods are an inherent concern of laboratory directors.

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- **Creation of enterprises to commercialise research: "more disadvantages than advantages"**

The main advantages of this practice are that it promotes use of the laboratory's research and thereby enhances its reputation. The assistance provided by regional incubators is considered to be an important advantage that can facilitate this form of commercialisation.

The main difficulty resides in researchers' lack of interest in creating enterprises, followed by the legal and administrative problems involved and the lack of awareness of the assistance provided by regional incubators and by the university's commercialisation unit.

Issues and prospects

This case study makes it possible to address a quite specific aspect of the issue of commercialisation of research, *i.e.* the impact of the economic and social environment on relations between universities and firms. These relations involve both education and research. With regard to education, the applications submitted by universities to the Ministry for National Education and Research for approval of new programmes (whether in initial, continuing or vocational education) incorporate this dimension of relations with the economic and social environment. These programmes may include the participation of firms in education and training by taking in trainees and/or by having their staff collaborate with teaching teams in universities. The objective is to enable future graduates to enter the labour market, but there is debate over whether these initiatives may not limit the scope of the programmes offered and lead to specialisation in very specific fields that may soon be outdated.

It is in this regard that the level of development of a region and the diversity of its activities takes on great importance. A rich and diversified economic and social environment, in which activities with high scientific and technological content are found alongside more traditional activities, will play a positive role in enabling a university to develop a broad range of programmes that can easily be integrated into the local economy (*i.e.* enable graduates to find jobs) and promote the creation of new activities. Similarly, there is every reason to believe that in this type of environment partnerships between universities and firms will not only lead to the development of new subjects of research but also to the creation of new enterprises and jobs. However, it will be more difficult to trigger this virtuous relationship in industrial regions specialising in economic activities in highly specific traditional fields.

In regions hit by the crisis in large-scale industry, the development of educational programmes that are out of step with the needs of the economic environment (as in the case with the U*niversité du* L*ittoral* C*ôte d'*O*pale*) lead to a form of

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"brain drain" of graduates from the region where they were educated to other regions or environments where it is easier for them to find jobs or create new activities. This occurs because one of the specific characteristics of "human capital" is that it is only effective in an environment in which it can develop and grow. This can be quite easily demonstrated in a micro-economic setting, for the fact that a highly skilled employee moves from an innovative start-up to a traditional company will not in itself enable the latter to become an innovative firm unless it also completely changes its organisation and development strategy. Similarly, the fact that an area offers a broad range of high-level education programmes will not in itself make it possible to restructure the economy of an area and diversify its activities. This requires a complex and complete strategy in which firms, universities and government work together (Coppin, 2001).

If we refer to the organic paradigm of the commercialisation of research presented in the first part, without returning to the aspects of legislation and technological progress that we have studied more broadly for the case of France, we can understand the difficulties that the U*niversité du* L*ittoral Côte d'*O*pale* has encountered in developing and commercialising its research. These difficulties originate in the aspects of the economic environment and entrepreneurship and the university's strategy.

Our presentation of the economic and social context showed that **entrepreneurship** is not highly developed in the region and that there is little incentive to establish new practices of commercialising research in the local area. Most of the university's partnerships (numerically speaking) are with small and medium-sized enterprises working as subcontractors for major industrial groups and consist of one-off projects that are more related to engineering than to research work. In the university's larger research programmes, its laboratories work with companies in other regions on highly specific subjects. This being the case, the economic impact of these projects on the area (creation of activities and jobs, diversification of activities) is very slight. Consequently, this case study shows that it is not sufficient to legislate a policy for making scientific and technological knowledge available in order to create a relationship of synergy between the development of universities and economic development. In the case in point, the problem is the lack of demand on the part of the main economic actors (industrial firms).

Regarding **university strategy**, the department responsible for the commercialisation of research is recent (the commercialisation unit was set up in 2001-02) and the commercialisation policy lacks a priority focus and targets the widest possible audience (there are plans for outreach to second-year students). We should mention that bodies with responsibilities in this field have existed since the university was established (in particular "the Centre for Research on the Industrial Environment of Dunkerque" responsible for creating bridges with firms) but they have gradually been neglected because of the plans to organise the new bodies

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provided for by the Innovation Act. We have sensed that this lack of clarity regarding the responsible bodies generates some perplexity among researchers and reflects the lack of a common policy and goals. Moreover, the fact that the university is still relatively new exacerbates the general difficulties faced, *i.e.* the problems of reconciling the missions of teaching, performing research and commercialising research in a university in which the first two missions are only beginning to be developed, the lack of research and engineering staff, etc.

CONCLUSION

The commercialisation of research is not a new development, for although science and technology have long been thought of as being separate they have gradually drawn together during the history of capitalism, and especially industrial capitalism. The current period is marked by a growing involvement of scientific work with society and by the general extension of the corporate model to all branches of social activity. The commercial exploitation of the results of scientific research has taken on new importance now that global economic competition is based on technological power, which is broadly dependent on continual interaction of producers of knowledge, inventors and innovators. Furthermore, the budgetary constraints facing governments require public research bodies to diversify their sources of funding.

France, after other major industrial countries, has implemented a new legislative framework aimed precisely at facilitating the commercial exploitation of the results of public research. The relatively disappointing quantitative results achieved thus far can be explained by the fact that legislation alone is not sufficient to promote the creation of entrepreneurial universities. Empirical studies on the situation in the United States, for example, show that entrepreneurship (*i.e.* the economic and social context), leadership in scientific and technological fields that naturally combine theory and practice (such as biotechnologies and information technologies) and, lastly, the incentives existing in universities (the university strategy but also the operating standards of the university system) help to explain the United States' positive results in commercialising research. The organic paradigm showing all of these incentives makes it possible to understand the French situation better: the fact that it is less advanced in key scientific and technological fields, the patenting difficulties encountered in these fields and the low enterprise creation rates despite generous government subsidies, but also the few incentives existing within the university system, can explain why there have been problems in commercialising research in France. Nevertheless, the current trend is towards strengthening the incentives to commercialise research. These changes have prompted major debates, in particular concerning the future of the public education and research service, which is the foundation of long-term technological progress and growth.

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The field study used as an example (U*niversité du* L*ittoral* C*ôte d'*O*pale*) shows the inequality of universities regarding the opportunities available but also the risks involved in implementing an ambitious programme to promote all forms of commercialising research. In particular, it stresses the importance of the economic environment in which the research is commercialised. While the forging of closer ties between research laboratories and firms in areas with scientifically, technologically and economically rich environments can trigger a virtuous circle in which a university's development goes hand in hand with economic development, in a region in crisis the same process can have a negative impact on education, university research and the local economy.

In conclusion, we think that it is interesting to mention the fact that there is widespread debate on the subject of the transformation of university systems in the various countries that are currently modifying their public and university research institutions. We shall simply mention here four major areas of discussion, some of which have been touched upon in this case study (for more details, see the contributions of Uzunidis, 2001; Foray, 2000; Cassier, 2001, and also the many articles on this subject in the journal R*esearch* P*olicy*, in particular the articles cited earlier).

The first area of discussion concerns the future of non-oriented basic research, which is the cornerstone of long-term technological progress. Private funding introduces time constraints and causes research to be geared to specific applications. The OECD (1998) reports in this regard that there is a downward trend in the funding available for research based on simple curiosity. This seems to jeopardise the necessary freedom of research. The orientation of funding towards specific areas may lead to increasing specialisation of research in key fields, which might favour certain disciplines strongly to the detriment of others.

The second area of discussion is the future organisation of universities, particularly in Europe and France, where the concept of public service is very important, as we mentioned earlier. Factors such as the major changes in the status of researchers, the introduction of competition and flexibility and the cost of implementing the new legislation (the need to increase technical staff, pay researchers who create enterprises, maintain incubators, etc.) could well lead to a cleavage between universities (those that manage to increase their self-financing and those that are unable to do so). "For the former, the entrepreneurial approach to research will create a virtuous circle of growth, while the latter will remain trapped in a vicious circle of education programmes increasingly divorced from the job market" (Uzunidis, 2001).

The third area of discussion concerns the issues raised by the private use of research results. The essential question concerns what is the best way to promote the wide dissemination of knowledge and make available the secrets hidden in

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laboratory test tubes: is it to allow firms to have exclusive use of knowledge (by having universities grant them exclusive licences) or is it to make this knowledge available free of charge to society at large? The idea of allowing universities to exploit the results of research (filing patents, selling exclusive licences) is based on the desire to make them self-financing, but also to promote broader dissemination (and wider commercial use) of knowledge in society. The underlying idea is that firms will exploit this knowledge more easily if they are in a monopoly situation (via exclusive licences). But recent studies tend to show that the research results that are best exploited are not those that are commercialised through exclusive licences (Mowery *et al.*, 2001).

Lastly, the final area of discussion is whether or not there is a real demand for commercialising the results of scientific research. The legislation aimed at transforming university and research systems establishes policies of scientific and technological supply. But is there a corresponding demand? Are firms willing to invest large sums to create products when it is far from certain that these will ever be profitable (witness the problems of firms that invested massively in new information and telecommunications technologies in recent years)? This question is all the more relevant given that many scientific and technological advances do not concern individual consumers, but society as a whole (such as high-speed communications or therapeutic cloning). Moreover, the demand of firms is far from uniform and varies considerably depending on the characteristics of the environment studied. Consequently, there is reason to believe that the scientific and technological demand will be stronger in a region that is rich (in human and financial capital) than in more traditional regions. However, although not every economy can become a Silicon Valley or a Genome Platform, every human environment can, by establishing intrinsic relations of synergy, become an innovative environment.

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Notes

1. This document was drafted on the basis of the results of a research programme entitled *Valorisation de l'offre technologique et incubation* (Commercialisation of technological supply and incubation) carried out on behalf of the Delegation for Territorial Development and Regional Action (DATAR) and the incubator of Nord/Pas-de-Calais (MITI) under the supervision of Dimitri Uzunidis, Director of the Laboratory for Industrial Redevelopment and Innovation of the Université du Littoral Côte d'Opale. Final Report, Laperche (2002), Valorisation de l'offre technologique et incubation, Datar/MITI/Lab.RII-ULCO.
2. The idea for a new scientific entrepreneurship is based on the fact that relations between science and industry have long existed but that they are currently taking new, more interactive forms that more closely involve scientific researchers, who more readily link (both in thought and in action) the production of knowledge to the realisation of profits through relations with industry (Etzkowitz, 1998).
3. Fewer than 200 patents per year were filed by US colleges and universities before 1981, and this figure had risen to nearly 2 500 in 1997 according to the US Patent Office [Mowery *et al.*, Research Policy (30), 2001, p. 104]. Viewed from Europe, this new legal framework linking academic research to the industrial world was rapidly seen as being the result of the strong US growth in the innovative technological fields (information and communication technologies and biotechnologies) during the late 1990s.
4. S*ource*: Ministry for Research, Legal Advisor, Directorate for Technology, December 2001 and January 2002 and compilation DT C2.
5. According to L*e* M*onde*, "L'État vole au secours des start-up", 19 December 2001.
6. In July 2001.

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Diversification of Higher Education and the Profile of the Individual Institution

Ulrich Teichler

University of Kassel, Germany

ABSTRACT

National systems of higher education became more diversified in the process of expansion. They vary substantially, however, according to the extent of diversity. Also, the major dimensions of diversification tend to play different roles: types of institutions, types of programmes, levels of programmes and degrees, and variations in reputation and prestige within formally equal institutions and programmes. Theories provide various explanations regarding the dynamics of diversification and the role the different dimensions play. Actually, some countries reduced the role of diversification according to institutional types in the 1990s, while others established new types. The "Bologna Process" underscores a growing role of levels of programmes and degrees in most European countries. It remains to be seen what impact these changes have on the stratification of the higher education systems and with respect to the encouragement or discouragement of individual institutions to develop specific profiles and thus to contribute to horizontal diversity.

INTRODUCTION

Higher education institutions and programmes tend to be viewed in comparison with other institutions and programmes of the same country. In some countries, they are expected to be very similar in substance and quality (Germany is a typical example for this view), while in others substantial diversity is taken for granted or viewed as desirable (the United States of America are certainly a typical example for this tradition). Most experts agree, however, that institutions of higher education do not succeed in being equally successful as far as the reputation of research is concerned. Moreover, it is widely assumed that higher education

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systems were under pressure of diversification in recent decades due to the growth of enrolment rates, because the students became more heterogeneous in terms of motivations, competences and career prospects, and because governments were not willing to pay for an expansion of the research-oriented sector of higher education in tune with the rising student demand for higher education (Trow, 1974; Clark, 1976; Teichler, 1988; Jallade, 1991; Meek *et al.*, 1996).

A certain degree of diversity of national education systems, thus, seems to be normal. But countries vary substantially according to the extent of diversity and also according to the role various dimensions play in this respect. A higher education system might be characterised by:

- Different types of higher education institutions.
- Different types of programmes (*e.g.* academic *vs.* professional).
- Various levels of programmes and degrees (*e.g.* sub-degrees, bachelor, master, etc.).
- Variations in reputation and prestige within formally equal institutions and programmes.

The composition of higher education systems according to the role of these dimensions might be called "unitary", "binary", "dual" or "multi-type", "stage" or "level", "comprehensive" system, etc. In search for a more analytical topology, we note the following distinctions (Teichler, 1998):

- Higher education institutions or programmes might be grouped into "types" or sectors, or they might be viewed as point on a spectrum. As an example of the latter, the Czech system of higher education was described sometimes as pursuing a "spectral" approach (Hennessey *et al.*, 1998).
- The variety of higher education programmes can be described according to the vertical, *i.e.* the status dimension (quality, reputation, career success of graduates, etc.), or according to the horizontal, the substantive dimension (*i.e.* different conceptual and curricular profiles).
- A higher education system might aim at proving inter-institutional diversification (*e.g.* differences in the reputation or profile of individual institutions or different types of higher education institutions) or intra-institutional differentiation (*e.g.* a "comprehensive university model" in European terms).

In might be justified to consider the Japanese higher education system as strongly hierarchical, because we observe substantial quality differences between institutions of higher education, and many of the less prestigious institutions of higher education try to copy the approaches of the more successful ones. The United States higher education system, as already pointed out, is also characterised by a larger vertical range than the higher education systems in Europe; however,

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there is a remarkable variety of distinct substantive profiles as well. Individual institutions of higher education in the United States are often proud of their substantive peculiarities even if a second look shows us that they are less distinct than they like to pretend.

In many European countries, less emphasis is placed on the characteristics of the individual higher education institutions and programmes. Types of higher education were viewed in several European countries as the major dimension of diversity in higher education – at least until recently.

The aim of this article is to shed some light on the role institutional types play. It also addresses the recent moves to put more emphasis on levels of programmes. Finally, it will discuss the role individual profiles of higher education might play in the future.

TYPES OF HIGHER EDUCATION INSTITUTIONS

Different types of higher education institutions exist ever since we talk about higher education in terms of an aggregate, *i.e.* "sector" or "system". Before World War II, multidisciplinary universities were viewed in most European countries as the apex of the system, whereas mono-disciplinary institutions were not considered as being on equal terms. During the first two or three decades after World War II, however, this distinction gradually eroded: medical colleges, technical colleges and many other specialised colleges were accepted as equals, and many of them changed their name correspondingly, *e.g.* technical universities.

Since about the 1960s, a new sector of higher education emerged in Europe, though at a different point in time in the various European countries. The early models, *i.e.* the British "polytechnics", the French I*nstituts unversitaires de technologie* (IUT) and the German F*achhochschulen*, differed from universities in various respects, *e.g.* little involvement in research, a vocational emphasis of programmes and in most cases shorter study programmes (OECD, 1972).

Various efforts were made for naming this second sector of higher education, *e.g.* "short-cycle higher education", "non-university higher education", the "alternative" sector of higher education, "vocational higher education", "professional higher education", "new" higher education institutions, the "college sector", etc. However, a consensus never emerged about the most suitable term. For almost all the terms explicitly defined this sector as inferior to the "big brother", *i.e.* the university, and common terms stressing a specific identity did not apply to all cases.

For a short period in the 1970s, some countries seemed to favour a "comprehensive" pattern of the higher education system. They wanted to put several programmes and degrees under the same institutional "roof". Such a mode of intra-institutional diversity, instead of an inter-institutional diversity of a system

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comprising different types of higher education institutions, was considered beneficial both for keeping the opportunities of the students open for a longer period and for contributing to a "cross-fertilisation" of "academic" and "vocational" approaches in higher education. However, this model did not gain wide acceptance at that time and remained an exception (Hermanns *et al.*, 1983).

In the 1980s and 1990s, the distinction between the two institutional types became smaller and began to erode in some countries. When all British "polytechnics" eventually were named "universities" in 1992, some experts predicted a disappearance of other types of higher education institutions in other countries as well. On the other hand, the trend towards the new emergence of a two-type structure did not stop. In the Netherlands, a second type of higher education institutions, called HBO (*hoger beroepsonderwijs*) or *hogescholen*, was established in 1986, in Finland, the *ammattikorkeakoulu*, and Austria, the F*achhochschulen*, in the early 1990s, and in Switzerland, the F*achhochschulen* or *haute écoles spécialisées* in the late 1990s.

ON THE SEARCH FOR AN EXPLANATION

In analysing the development of non-university institutions of higher education, we might draw from various concepts which had developed since the 1970s to explain the structural dynamics of higher education. Without going into details, we can point out that four major conceptual frameworks have emerged which all are useful in this context without a single one being clearly superior in explaining the actual developments comprehensively (Teichler, 1998).

As already pointed out, the emergence of the second type of higher education institutions was often explained as a normal consequence of the expansion of higher education. According to such an "expansion and diversification theory", which obviously had a strong influence on public debates in those countries where a two-type structure was implemented, the expansion of higher education creates a pressure for diversification because the needs of the learners and other potential users of the services of higher education become more varied and because, as many actors believe, these varied needs might be most readily met through a certain degree of "division of labour" among institutions.

This theory, however, is not a satisfying explanation for the emergence and stability of a two-type structure of higher education institutions. First, "expansion and diversification" theories fitted as well for explaining increasing diversification according to other dimensions. Martin Trow's (1974) model of "elite", "mass" and "universal" higher education which certainly became the best known terminology for explaining such an "expansion and diversification" approach, could be applied as well for a growing vertical stratification of higher education institutions in the United States irrespective of institutional types.

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Second, the "expansion and diversification" theory cannot explain the fact that universities and the second institutional types in most countries were inclined to become more similar over time. In this context, a second explanatory approach became popular, which we might call "drift theories". Accordingly, types of higher education institutions are not necessarily very faithful in pursuing the goals which they were expected to pursue when they were initially established, *e.g.* a strong vocational emphasis and hardly any active involvement in research. Rather, an "academic drift" is an place, according to which these institutions aim to stabilise themselves in getting more similar to the universities (Neave, 1996). Concurrently, we observe a "professional drift" according to which many universities turn towards a stronger vocational emphasis of their programmes and extend their research role towards more applied activities (Williams, 1985).

A third type of approaches might be called "flexibilisation theories". They point out the weaknesses of any clear segmentation according to institutional types, substantive profiles, levels and sequences of educational paths. For example, many studies of the OECD seem to have been shaped by a belief in a superiority of late selection in pre-career education, permeability of educational careers, compensatory measures, soft diversified structures of higher education (Scott, 1996), and the establishment of a life-long-education system. All these characteristics contribute to a soft system in three respects: no decision in the educational career would be considered as definite, the model can satisfy both the advocates and critics of education expansion, and it finally facilitates rapid adaptations, if major problems occur.

Finally, we note "cyclical theories" of the structural development of higher education. According to these theories, certain structural patterns and policies come and go in cycles. For example, opening up educational avenues and reduction of the differences between varied types of institutions and course programmes might be on the agenda at times when a shortage of graduates is felt, whereas segmentation and hierarchisation of higher education is favoured or just taking place, when fears of over-supply of graduates or "over-education" dominate the scene.

At first glance, the cyclical theories seem to contradict the developmental notions underlying the other theories. But they are not completely incompatible. Obviously, there are both long-term trends and cyclical movements whereby the cycles do not return to the *status quo ante*, but rather more in the form of a spiral. For example, the comparative analyses of the OECD suggest that a substantial expansion of higher education took place in the 1960s and early seventies, and this was a period of establishment of non-university higher education institutions in various countries (OECD, 1972). Subsequently, the expansion on average was marginal until about the mid-1980s, and even a quantitative decline could be observed in some countries. Thereafter, student enrolment grew again substan-

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tially (OECD, 1998), and this was accompanied again by the establishment of a non-universities higher education sector in some countries and the expansion or the establishment of a tertiary non-higher education sector in many countries.

TOWARDS A STAGE SYSTEM OF PROGRAMMES AND DEGREES

Efforts to compare study programmes internationally have to find a measure which cuts across different structural models. As a matter of fact, the length of study usually was accepted as the best possible yardstick of comparison. For example, the Council of the European Community agreed in December 1988 to consider three years of successful study at a recognised institution of higher education – *i.e.* irrespective of type or programme – as the typical qualification for entry into high-level professions.

Also, in *Education at a Glance*, its annual publication of educational indicators, the OECD groups the educational programmes and awards primarily according to the duration of studies. The definitions were changed several times in recent years, but the basic system remained fairly constant:

- Non-university tertiary awards are those conferred after less than three years of study or those conferred after three years by institutions not defined as "higher education".
- Short or medium first university degrees are conferred after three to four years of study at institutions officially recognised as higher education institutions.
- Long first university degrees are awarded after five or more years.
- Second university degrees (master degrees, etc. in systems where a bachelor exists).
- Doctoral degrees.

These definitions employed by the European Commission and by the OECD, however, have not created any pressure on the European countries in the past to move towards a stage or level system of programmes and degrees. For example, the European Community only had agreed to embark on higher education policies in the mid-1970s under the condition that the existing variety of higher education cultures and systems was respected. And intra-European student mobility, spreading rapidly in the framework of the ERASMUS programme which was established in 1987, worked well without any common structure for programmes and degrees. When some Nordic countries, notably Denmark and Finland, began experimenting with a bachelor-master structure in the late 1980s and early 1990s, they had compatibility with Anglo-Saxon countries, not intra-European convergence in mind. In Finland, the establishment of the *ammattikorkeakoulu* as a second type of higher

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education institutions clearly was the major goal of structural reform at that time with a bachelor-master structure only in addition.

Some experts point out that a joint conference of European and Asian prime ministers in the early 1990s had an enormous impact in this respect. The European heads of government were shocked to note that hardly any internationally mobile students of the economically advancing region of East and South-East Asia chose a continental European institution of higher education. Subsequently, the view spread rapidly that European higher education could become more popular for students from outside Europe if a bachelor-master structure for programmes and degrees was introduced.

The memorandum signed by ministers of education from about 30 countries in Bologna in 1999 is viewed generally as the break-through of policies in favour of a convergent structure of higher education programmes and degrees. The establishment of a "European higher education space" until about 2010, again confirmed by a subsequent conference of ministers of education in Prague in 2001, was seen as instrumental in order to give European higher education a strong position within a globalising world (Teichler, 2001; van der Wende, 2001).

Studies undertaken to examine the process of structural convergence (Haug *et al.*, 1999; Haug and Tauch, 2001) point out that the process started earlier in various individual countries. They also indicate that the joint declaration of the ministers of education from France, Germany, Italy, and the United Kingdom in 1998 at the Sorbonne in a nutshell pointed out what was only confirmed by a larger number of governments in Bologna. Finally, they show that the a actual process is not as convergent as the declarations seem to promise.

THE GOALS AND FUNCTIONS OF THE STAGE SYSTEM

The origin of a debate as such is not necessarily decisive for its relevance. The idea of introducing a bachelor-master structure for programmes and degrees in continental Europe would not have gained popularity to such an extent within a short period, if it was expected only to facilitate student mobility to and from countries outside Europe. Obviously, this structural change was expected to serve important functions within the European countries as well. Recent debates in Europe suggest that the introduction of a bachelor-master structure for programmes and degrees could serve: flexibility, diversity, as well as convergence and standardisation within Europe, and finally serve the needs of business and society in a better way. It is worth examining the opportunities inherent to a bachelor-master structure to serve these functions as well as the problems one could expect to arise (Teichler, 2001).

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The stage structure of bachelor and master programmes, first, is expected to contribute to an increase of the flexibility of the higher education system. The term "flexibility" has various meanings in this context.

- A bachelor programme is expected to provide an option for persons harbouring more modest educational expectations than those eventually succeeding in graduating from "long" study programmes of continental European universities. It, thus, should contribute to a reduction of drop-out of students.
- Bachelor programmes are hoped to be more easily embedded into credit systems where they did not exist prior to the introduction of the stage structure of programmes and degrees.
- International mobility might be facilitated through a stage structure, *i.e.* notably study abroad for a one-year or two-year master programme.
- The introduction of a stage model is expected to contribute to new mixes of knowledge, either through the establishment of cross-disciplinary curricula of master programmes or through increased leeway of students to select courses from different disciplines.

There is no evidence that the introduction of a stage model of programmes and degrees lead necessarily to increased flexibility in those respects. It seems likely, though, that the introduction of a stage model is accompanied with changes of those directions.

Second, the stage system of programmes and degrees is expected to serve diversity:

- As already noted, it offers the opportunity for university students of settling with a bachelor or going on to a master programme rather than expecting all students to strive for the same degree level.
- It is likely to lead to more diversity on the master level with different types of higher education institutions teaching on that level and with an increased leeway for new interdisciplinary mixes on that level.

It remains to be seen, however, whether vertical stratification will dominate or whether a lively diversity, usually based on the combination of vertical and horizontal variety, will grow.

Third, the introduction of a stage system of programmes and degrees is expected to serve convergence and standardisation. As the expansion of higher education and the growing diversity had triggered off a widespread feeling of lack of transparency in the public, the new convergent model can be viewed as a contribution to increasing transparency and as indicating certain common standards of course programmes across Europe.

This certainly would be true, if there was a mutual trust that programmes of the same length of study were more or less similar in quality. In that case, the

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establishment of convergent structures could serve the standardisation of quality. In reality, however, most experts believe that the horizontal and vertical diversity of higher education programmes in Europe continues to grow. The emphasis placed on convergent structures does not seem to create more similarities, but just a feeling that the growing diversity at least takes place in the framework of "comparable" structures.

Fourth, the introduction of a bachelor-master stage structure of programmes and degrees is frequently advocated to serve the needs of economy and society in a better way than the preceding system of long university degrees. This belief is obviously based on the assumption that an increased number of graduates is needed predominantly in middle-level professions. On the other hand, it is often claimed that bachelor degrees might turn too much towards a general thrust, thus neglecting the professional preparation which notably the non-university sector has served in the past.

Altogether, these considerations suggest that the introduction of a bachelor-master structure is based on many hopes for reform. It is not yet sure, whether the stage structure of programmes and degrees can fulfil all these hopes, because many of these hopes are only loosely linked to the logic of a stage structure. However, concurrent reform efforts, even if they are not necessarily inter-linked, might actually grow together.

The fate of different types of institutions of higher education in the wake of the introduction and spread of bachelor and master programmes is not clear. According to the dominant policies in the respective countries, the different types ought to persist. But obviously, they will be less relevant than in the past, and they might erode quickly.

DECLINE OR GROWTH WEIGHT OF HORIZONTAL DIVERSITY?

All efforts to diversify programmes and institutions of higher education were characterised by a strong weight of the "vertical" dimension: differences in the level of reputation and quality as well as, though to a lesser extent, in the opportunity for high-level careers tend to play an important role. But, as already pointed out, national systems of higher education in Europe did not only vary to the extent they emphasise vertical differences in general, but also according to the level of programmes and degrees and according to extent to which institutional types were considered more or less solely in vertical terms or as a vertical and horizontal mix.

It is obvious that diversification according to levels of programmes and degrees puts all the emphasis on the vertical dimension. In contrast, different types of higher education institutions are also associated with at least claims of horizontal diversity. The claims often voiced that the second type of higher educa-

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tion institutions is "different, but equal to universities", certainly is exaggerated because it looks like an unrealistic proclamation of a parity. But this claim was not without any effect: it underscored substantive differences and thereby often succeeded in promoting the esteem of the "less noble" profile of this type of higher education institution.

Therefore, the move towards a clear dominance of the stage system of programmes and degrees in the structural pattern of diversification of higher education in Europe could be viewed as a step towards steeper stratification which does not leave any visible room for horizontal diversity. Are we moving towards a stratified system whereby the "less noble" institutions just aim to imitate the "noble" ones?

The counter-argument most often heard recently points at the current trend of reinforcing the competitive elements in higher education and of strengthening managerial powers in higher education. In the past, we noted that academics tended to adhere to vertical concepts and tended to be most happy if they could sort academic achievements in ranking orders according to homogeneous paradigmatic notions. In contrast, both employers and governments tended to point out the need of different levels combined with different profiles. They often were ready to exaggerate the curricular value of the second sector of higher education in order to counterbalance the status advantage of the university. Now, it will be interesting to note what position the new, more powerful management of higher education will take.

Obviously, increased competition and growing managerial power as such does not guarantee a diversity of profiles. We know markets dominated by substantive diversity and other dominated by imitation. In various countries, the allocation of public funds is based on measures of performance which often invite for imitation rather than for the cultivation of individual profiles. If substantive diversity is desired, a regulatory system is needed which stimulates the search of individual higher education institutions for specific profiles.

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