Internationalisation and Trade in Higher Education

OPPORTUNITIES AND CHALLENGES



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Internationalisation and Trade in Higher Education

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The main objectives of the Centre are as follows:

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- *explore forward-looking coherent approaches to education and learning in the context of national and international cultural, social and economic change; and*
- *facilitate practical co-operation among member countries and, where relevant, with non-member countries, in order to seek solutions and exchange views of educational problems of common interest.*

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Foreword

Cross-border post-secondary education is growing. For importing countries it widens the range of education and training institutions. For both exporters and importers, it increases interdependence and can bring pressure for greater coherence among their national education systems.

How deep is the effect on OECD post-secondary education systems? Is the capacity to meet growing demand being increased? Is access being widened? Are diversity and flexibility being increased? Are costs being lowered for students or governments? Is the nature of post-secondary education itself being changed? What are the challenges and opportunities of these developments for institutions and governments? These are important questions that we are addressing within OECD.

The Centre for Educational Research and Innovation (CERI), one of the major divisions of OECD's Directorate for Education, is working intensively on internationalisation and trade in educational services. Led by Principal Analyst Kurt Larsen, the team is convening stakeholders from both education and trade in a series of international forums, documenting and analysing trends in cross-border post-secondary education and working to improve the statistics and indicators; mapping and analysing trends in international quality assurance, accreditation and recognition of qualifications; and developing UNESCO/OECD guidelines on quality provision of cross-border higher education.

This book provides up-to-date statistics on the nature and extent of cross-border post-secondary education, case studies of institutions involved, and an analysis of the main challenges that the rapid growth presents for national and international policies. It is the product of a significant collective effort and it benefited from fruitful debates at forums on trade in educational services convened in collaboration with US authorities in Washington in May 2002 and with Norwegian authorities in Trondheim in November 2003. A draft was reviewed by the CERI Governing Board.

Work on the book was co-ordinated by Kurt Larsen (CERI) and Stéphan Vincent-Lancrin (CERI). Authors were: Chapters 1, 5, and 6, Stéphan Vincent-Lancrin (CERI), with significant inputs by Kurt Larsen (CERI) and Julia Nielson (OECD Trade Directorate); Chapter 2, Jane Knight (University of Toronto, Canada) and Madeleine Green (American Council on Education, United States); Chapter 3, Marijk van der Wende (University of Twente, Netherlands) and Robin Middlehurst (University of Surrey, United Kingdom); Chapter 4, Simon Marginson and Grant McBurnie (Monash University, Australia); Annexes A and B, Julia Nielson (OECD Trade Directorate); Annex C, Karine Tremblay (Indicators and Analysis Division, OECD Directorate for Education) and Stéphan Vincent-Lancrin.

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Director for Education
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Executive summary

In the last decade, new forms of cross-border post-secondary education have emerged. Cross-border education not only includes international student mobility, but also the mobility of educational programmes and institutions across borders. Behind these developments are four different, but not mutually exclusive, approaches to cross-border education: the mutual understanding, skilled migration, revenue-generating and capacity-building approaches.

The three regional analyses in this book document how differently cross-border post-secondary education has developed across OECD countries and regions. By and large, student mobility has been policy-driven in Europe and demand-driven in the Asia-Pacific region, while North America has mostly been a magnet for foreign students. Largely driven by institutions themselves, the revenue-generating mobility of programmes and institutions has been facilitated by institutional frameworks which grant substantial autonomy to higher education institutions and by the policies adopted by receiving countries.

The growth and diversification of cross-border education raises a number of questions for OECD governments and higher education institutions. How deep is the effect on OECD post-secondary education systems? Is access being widened? Are diversity and flexibility being increased? Are costs being lowered for students or governments? Is liberalisation an answer to the growing importance of private provision as well as the rise in the demand for post-secondary education? What are the main policy strategies and issues arising from these new opportunities and challenges?

Cross-border mobility of students is by far the major form of cross-border post-secondary education.

International student mobility to OECD countries has doubled over the past 20 years. In the mid-1990s, OECD countries received around 85% of the world's foreign students. **Europe is the largest receiving region, but North America ranks first in terms of openness to other regions**, in relative as well as absolute terms: Asian students represent 60% of its intake of foreign students.

About 57% of foreign students in OECD countries are from outside the OECD area. With 43% of all international tertiary-level students in the OECD area, **Asia heads the list of regions sending tertiary-level students abroad**, followed by Europe (35%), Africa (12%), North America (7%), South America (3%) and Oceania (1%). China, accounting with Hong Kong for

10% of all international students in the OECD area, has the most students abroad, followed by Korea (5%), India (4%), Greece (4%), and Japan (4%). About 70% of all Asian students abroad study in the three leading English-speaking destinations: the United States, the United Kingdom and Australia. The Asia-Pacific region is the only region for which the main form of cross-border education is the acquisition of a full degree on a fee-paying basis.

Programme mobility is the second most common form of cross-border post-secondary education, while institution mobility is still limited in scale.

Programme and institution mobility involves lower personal costs than studying abroad, and although such services might not offer the same cultural and linguistic experiences as foreign study, they are likely to meet a growing demand in the future. In the degree-granting sector, **the growth of for-profit cross-border education through programme and institution mobility is mostly driven by "traditional" public or private not-for-profit educational institutions**, which are increasingly offering private provision.

Programme mobility encompasses cross-border distance education (including e-learning), generally supplemented by face-to-face teaching in local partner institutions, but also traditional face-to-face teaching offered via a partner institution abroad. The relationships between foreign and local institutions are regulated under a variety of arrangements, from development assistance to for-profit arrangements. **Commercial arrangements are becoming prominent in the Asia-Pacific region**, mainly through **franchises and twinning arrangements**.

Institution mobility corresponds to foreign direct investment by educational institutions or companies. The typical form of institution mobility is the opening of foreign campuses by universities and of foreign learning centres by providers. It may also involve the establishment of a distinctly new rather than affiliated educational institution or the takeover of all or part of a foreign educational institution.

Four different, but not mutually exclusive, approaches to cross-border post-secondary education emerge.

The mutual understanding approach encompasses political, cultural, academic and development aid goals. It allows and encourages the international mobility of domestic as well as foreign students and staff through scholarship and academic exchange programmes and supports academic partnerships between educational institutions. Examples of countries using this approach so far are Japan, Mexico, Korea and Spain. The European Union's Socrates-Erasmus mobility programme is another example of this approach.

The skilled migration approach shares the goals of the mutual understanding approach but **gives stronger emphasis to the recruitment of selected international students and tries to attract talented students to work in the host country's knowledge economy**, or render its higher education and research sectors more competitive. Scholarship programmes may remain a major policy instrument in this approach but they are supplemented by active promotion of a country's higher

education sector abroad, combined with an easing of the relevant visa or immigration regulations. Examples of countries having adopted this approach are Germany, Canada, France, the United Kingdom (for EU students) and the United States (for post-graduate students).

The revenue-generating approach shares the rationales of the mutual understanding and skilled migration approaches, but **offers higher education services on a full-fee basis, without public subsidies**. Compared to domestic students, foreign students generate additional income for institutions that are encouraged to become entrepreneurial in the international education market. Under this strategy, governments tend to grant institutions considerable autonomy and seek to secure the reputation of their higher education sector and protect international students, for example through quality assurance arrangements. Examples of this approach are Australia, the United Kingdom (for non-EU students), New Zealand and the United States (for undergraduates).

The capacity building approach encourages the use of foreign post-secondary education, however delivered, **as a quick way to build an emerging country's capacity**. Scholarship programmes supporting the outward mobility of domestic civil servants, teachers, academics and students are important policy instruments as well as the encouragement of foreign institutions, programmes and academic staff to come and operate private for-profit ventures, generally under a governmental regulation which ensures their compatibility with the country's nation- and economy-building agendas. Twinning arrangements and partnerships with local providers are encouraged (and sometimes compulsory) in order to facilitate knowledge transfers between foreign and local institutions. Examples of this approach are mostly found in South-East and North Asia and in the Middle East (for example Malaysia; Hong Kong, China; China; Singapore).

Cross-border education represents an important source of export revenue and is included in the GATS negotiations.

Foreign students incur large expenditure on living, education and travel costs. Export revenue related to international student mobility amounted to **an estimated minimum of US$30 billion in 1998**, or 3% of global services exports. In Australia and New Zealand, educational services rank, respectively, third and fourth in terms of services exports, and fourteenth and fifteenth in terms of exports as a whole.

The issue of trade liberalisation in educational services has been included in the current negotiations under the GATS in the World Trade Organisation. The mere possibility that certain types of education might fall within the scope of trade regulations and agreements has fuelled a heated debate on the nature of education, especially in OECD countries where it is mainly provided as a public service on a non-profit basis.

However, the growth of cross-border education is driven by factors other than the GATS and is thus likely to continue irrespective of the GATS in the short run. Whether a country decides to make GATS commitments on education or not, it will still need to deal with many of the issues and challenges that arise from these developments. Student visa requirements and policies regarding quality assurance, accreditation and recognition of qualifications are, for example, much more important than the GATS.

Cross-border post-secondary education represents one way of increasing access to post-secondary education but involves equity issues.

Countries facing a problem of unmet demand for tertiary education on a large scale should consider as one solution the facilitation of access for their citizens to the different forms of cross-border educational provision (student mobility, programme mobility, institution mobility).

On the other hand, although some of the gaps between different population groups may bridge mechanically as equity in access to tertiary education is achieved in the sending countries, the governments and other education stakeholders of receiving as well as sending countries willing to tackle the equity issue in cross-border post-secondary education could:

- improve financial support for participation in cross-border education through targeted and means-tested grants or student loan schemes;
- improve the provision of information on the benefits and costs of cross-border student mobility to students from lower educational and socio-economic backgrounds.

OECD countries adopt two broad strategies of funding regarding incoming international students.

The first strategy adopted by OECD countries **grants international students indirect subsidies**. Among other advantages, where there is decline in student numbers in a system or in certain fields, international students allow the reduction of the average cost of higher education (by increasing the teacher-student ratio) and the maintaining of variety in their educational offers.

The second, newer strategy often places cross-border post-secondary education in a broader reform agenda of funding and governance of post-secondary education. So far, the introduction of this fee policy has preceded rather than followed (relatively) large enrolments of international students. International students' fees complement the public funding and other private funding of universities and help them to enhance their educational and research capacity. They also give them incentives to become more demand-driven and more entrepreneurial. Governments seeking to encourage their publicly funded post-secondary institutions to recruit large numbers of international students or undertake cross-border commercial activities should:

- provide them with effective incentives, including financial autonomy and the ability to control the use of the private resources generated by those activities;
- put effective guidelines and mechanisms in place to ensure accountability for any cross-border entrepreneurial activities of publicly funded higher education institutions.

Countries providing and receiving cross-border post-secondary education have a common interest in strengthening quality provision.

The variety of higher education systems and the lack of transparent information about and readability of those systems worldwide **leave room for low quality and even rogue providers** (degree mills) **and rogue quality assurance and accreditation agencies** (accreditation mills) to operate. While national quality assurance and accreditation systems partly resolve quality issues in cross-border student mobility, programme and institution mobility often fall out of their scope. Programme and institution mobility can carry quality risks to a greater or lesser extent, for example depending on its form (franchise, twinning arrangement, e-learning, etc.). While still limited in scale, fraud – that is the selling (or buying) of fake degrees – is also increasingly becoming an issue: it lowers the overall perception of the quality of cross-border post-secondary education.

Related though not similar to quality assurance, **the recognition of international degrees is important** for facilitating periods of study abroad and for allowing students holding foreign degrees to work in their own country or, more generally, in the international labour market.

New developments in cross-border post-secondary education raise new policy challenges:

- Learners need to be protected from the risks of misinformation, low-quality provision and qualifications of questionable validity by strong quality assurance and accreditation systems, which cover cross-border and commercial provision and non-traditional delivery modes.
- Qualifications should be understandable internationally and transparent in order to increase their international validity and portability and to ease the work of recognition arrangements and credential evaluators.
- National quality assurance and accreditation agencies need to intensify co-operation at international level in order to increase their mutual understanding.

Cross-border post-secondary education can help emerging economies and developing and transition countries to build or strengthen their capacity in post-secondary education.

Cross-border post-secondary education may be as important economically to importing as to exporting countries. Some Asian countries have shown how cross-border post-secondary education could be used for their economic development.

Cross-border education is indeed one way of increasing domestic access to post-secondary education, which ultimately contributes to growth and development. While student and scholar mobility facilitates the building of international networks, which are essential to access up-to-date knowledge, partnerships of local and foreign universities in programme and institution mobility induce spillovers and can help improve the quality of local provision. Finally, commercial provision of cross-border post-secondary education can allow the building of capacity more quickly than with domestic or development assistance resources only, and grants receiving countries more negotiating power to dictate their conditions.

However, **developing countries should be aware of some of the risks it also involves**:

- Developing countries should ensure that foreign provision meets their needs and quality requirements, and that it leads to actual spillovers.
- Cross-border student mobility might in some cases involve a risk of "brain drain" for the sending country: while the return of highly skilled migrants depends (among other factors) on the job opportunities in their home country as well as on the migration policies of both sending and receiving countries, cross-border education without student mobility might alleviate the risks of brain drain and create job opportunities at home for domestic mobile students.
- The commercial provision of cross-border post-secondary education is one important means by which developing countries can build their domestic capacity in post-secondary education. However, trade is not likely to play a major role and help in countries where solvent demand is insufficient. Development assistance in education should thus be encouraged in the least developed countries.

Cross-border post-secondary education needs policy coherence.

Because cross-border educational activities bring into play many actors and policy areas in a country, **an effective policy strategy regarding cross-border post-secondary education must** take into account this diversity and **ensure the highest co-ordination, or compatibility, between several policy agendas** such as: quality assurance and recognition policy; development assistance in education; other domestic educational policies; cultural policy; migration and visa policy; trade policy; economic policy.

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Chapter 1

Cross-border education: an overview

This chapter presents a picture of recent worldwide developments in cross-border education. It first defines cross-border education and introduces four means of purveying it. It then presents evidence of its growth through these different means. Next, the focus is on the growing complexity of educational institutions and providers of post-secondary education and the blurring of the frontier between public and private for-profit post-secondary education. Attention then turns to the different but often compatible rationales that motivate the actions of students, institutions/providers and governments. Finally, these cross-border educational activities are considered in terms of international trade with reference to the General Agreement on Trade in Services (GATS) and its classification of trade in educational services according to four modes of delivery.

Drawing on inputs of experts and colleagues, especially Kurt Larsen and Julia Nielson, the author of this chapter within the OECD Secretariat was Stéphan Vincent-Lancrin.

Growth in the numbers of students enrolled in educational institutions outside their home country has been rapid. At the same time, educational institutions and providers increasingly operate abroad, offering their educational programmes to foreign students who remain at home. As a result, both demand for and delivery of education is becoming increasingly cross-border. Although international mobility of students and teachers is hardly new, various factors are increasing the pace at which education is crossing national jurisdictional borders. These developments are particularly evident at the post-secondary level.

Domestic institutions, especially in developing countries, cannot always meet the rising worldwide demand for post-secondary education. Moreover, students increasingly perceive particular advantages from studying in another country: cultural enrichment and language skills, high-status qualifications and access to better jobs. Declines in the costs of international travel and communications make it easier for students to study abroad or to access international educational services in their home country. Governments, too, are more actively promoting the international mobility of students and teachers for a mix of cultural, political, labour market and trade reasons. Public and private suppliers of education more and more see foreign students as sources of revenue and compete strongly for them. They also employ teachers from different countries to raise institutional quality and enrich students' learning opportunities. Both demand-side and supply-side forces are driving the growing cross-border nature of education.

The greater mobility of students, teachers, institutions and education programmes across national jurisdictional borders is an aspect of a wider development, the internationalisation of education, which follows from policies and programmes designed to introduce an international, intercultural or worldwide dimension into the purpose, functions and provision of post-secondary education. Independently or not of such policies and programmes, internationalisation is also increasingly present at institutional level, as part of the purpose and functions of educational institutions. It is evident in educational structures, curriculum content and teaching styles, as well as in an educational aim to expand students' awareness of the wider world. While it is broader in scope than cross-border education, internationalisation is accelerated by cross-border education; for instance when students go to study in another country or use e-learning technology to access courses from overseas institutions.

This chapter presents a picture of recent worldwide developments in cross-border education. It first defines cross-border education and introduces four means of purveying it. It then presents evidence of its growth through these different means. Next, the focus is on the growing complexity of educational institutions and providers of post-secondary education and the blurring of the frontier between public and private for-profit post-secondary education. Attention then turns to the different but often compatible rationales that motivate the actions of students, institutions/providers and governments. Finally, these cross-border educational activities are considered in terms of international trade with reference to the General Agreement on Trade in Services (GATS) and its classification of trade in educational services according to four modes of delivery.

1.1. What is cross-border education?

Cross-border education is growing in importance, especially at the post-secondary level.[1] It is one component of the broader stream of internationalisation of post-secondary education. One dimension of internationalisation is purely domestic and refers to the international and intercultural dimensions of curriculum, teaching, research and helping students develop international and intercultural skills without ever leaving their country. This can be referred to as "internationalisation at home" (Knight, 2003a). Cross-border education is a second dimension of internationalisation; it refers to **situations where the teacher, student, programme, institution/provider or course materials cross national jurisdictional borders**. Although it also generally constitutes an important component of "internationalisation at home", cross-border education can take several forms, such as students (and teachers) travelling to study (teach) in foreign countries, educational institutions partnering with foreign institutions to offer joint educational programmes or degrees, educational institutions operating abroad, and educational courses being supplied across borders through e-learning or distance education.

Depending on who or what crosses the border, cross-border education can take three different forms (Knight, 2003b):

- A **person** can go abroad for educational purposes (people mobility).
- An **educational programme** can go abroad (programme mobility).
- An **institution** or **provider** can go or invest abroad for educational purposes (institution mobility).

Students and academics may go abroad to study or teach. An organisation may set up a branch campus abroad, partner with a foreign university, or buy a foreign educational institution. Cross-border education can also take place through the mobility of educational programmes and curricula across borders via e-learning, educational partnerships with a foreign institution to deliver joint courses, elaborate joint curricula or undertake any other joint educational arrangement, while students, academics and institutions remain in their country. Cross-border delivery of education through institution mobility need not involve academic or student mobility: the foreign campus can be operated by teachers and staff from the destination country (Table 1.1).

Each of these means of delivery can exist alone, but cross-border education often involves more than one. For example, when two universities set up an international academic partnership, it often involves mobility of students and professors between the two universities, some co-ordination of the academic curricula and, possibly, the award of a joint (or double) degree recognised in both countries. When an educational institution sets up a branch campus abroad, the students often attend the mother educational institution for a period, academic staff from the mother institution may go abroad to teach in the branch institution, and cross-border delivery of education through e-learning may be involved.

Finally, each of these means of delivery can be carried out under different arrangements: development assistance; academic partnerships and linkages; and commercial trade. Under development assistance arrangements, institutions or students receive funding to deliver or undertake cross-border education. Academic partnerships are co-operative arrangements between educational institutions undertaking joint academic activities; international academic partnerships generally involve cross-border mobility of students, academics or programmes on a non-commercial basis. Cross-border post-secondary education is also

increasingly delivered for profit or through commercial partnerships. In this report, "academic partnerships" refer to non-commercial partnerships between educational institutions, in line with the common understanding of the term; however, according to the context, "partnerships" (as opposed to *academic* partnerships) may refer to commercial arrangements between institutions, like franchising or twinning arrangements. While commercial partnerships between education institutions may cover the same activities as "academic partnerships", the distinction reflects the conventional understanding of "academic partnerships" in the education community in most OECD countries.

Table 1.1. **Types of cross-border education activities**

Type	Main forms	Examples	Size
1. People			
Students/trainees	Student mobility	- Full study abroad for a foreign degree or qualification - Part of academic partnership for home degree or joint degree - Exchange programmes	Probably the largest share of cross-border education
Professors/trainers	Academic/trainer mobility	- For professional development - As part of an academic partnership - Employment in a foreign university - To teach in a branch institution abroad	An old tradition in the education sector, which should grow given the emphasis on mobility of professionals and internationalisation of education more generally
2. Programmes			
Educational programmes	Academic partnerships E-learning	- Joint course or programme with a foreign institution - E-learning programmes - Selling/franchising a course to a foreign institution	Academic partnerships represent the largest share of these activities E-learning and franchising are small but rapidly growing activities
3. Institutions/providers			
	Foreign campuses Foreign investments	- Opening of a foreign campus - Buying (part of) a foreign educational institution - Creation of an educational provider abroad	A trend increasing very quickly from a modest starting point

Source: Knight (2003b) and OECD.

1.2. The growth of cross-border education

All three types of cross-border education have increased during the last decades. International mobility of students is an important, and relatively well documented, aspect of this growth, but programme mobility and institutional mobility are also developing rapidly worldwide. Little information is available on academic cross-border mobility.

1.2.1. International student mobility

International student mobility to OECD countries has doubled over the past 20 years and together these countries currently host about 1.5 million foreign tertiary-level students. Between 1998 and 2001, numbers of foreign students rose faster than total numbers of tertiary-level students in OECD countries (16% for the former as against 12% for the latter). The OECD area hosts most of the internationally mobile students; it received about 85% of the world's foreign students in the mid-1990s. Conversely, about 57% of foreign students in OECD countries are from outside the OECD area. Six countries – the United States, the

United Kingdom, Germany, France, Australia and Japan – account for over three-quarters of all foreign students recruited to the OECD area. Among them, Australia and the United Kingdom stand out: the number of foreign students in Australia has tripled since 1990 and multiplied more than thirteen-fold since 1980; in the United Kingdom, it has multiplied three-fold since 1990 and four-fold since 1980. The four leading English-speaking countries alone account for 56% of all foreign students in the OECD area. Student and teacher mobility between OECD educational institutions is facilitated and encouraged by academic partnerships, which are often related to research or specific capacity-building projects.

1.2.2. Programme and institution mobility

Although student mobility remains the largest share of (at least degree-granting) cross-border education, the growing importance of cross-border education is also reflected in the development of new forms of delivery. Programme and institution mobility often go together and are actually rarely experienced in a pure form (that is: one without the other). While academic partnerships burgeon worldwide, in recent years universities and educational service providers have increasingly developed cross-border distance education and foreign campuses as a means of commercial education supply for international students, especially in the Asia-Pacific region.

The first form of programme mobility often accompanies student and academic mobility. It occurs when academics teach a course from their domestic institutions abroad, when two institutions from different countries design a course or programme together, or when an institution receives assistance from a foreign institution to develop an education programme. An education programme fully designed by one institution can also be delivered to the partner foreign institution.

A second form of programme mobility, which is often linked to the second, is distance education, including online e-learning.[2] Distance education has long been available in OECD countries in the form of correspondence courses. However, new information and communication technologies (ICT) (including online e-learning, satellite, video-conferencing, videocassettes and CD-ROM) have changed the nature of distance learning and broadened demand for it. Traditional universities and private education institutions have launched virtual education programmes using ICT. While most programmes combine online 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 predominantly online. In some technical or professional fields, such as ICT, e-learning has become a major means of training that is accessible online worldwide: Microsoft and Cisco are two US providers that deliver their training services in computer networking through distance e-learning.

From a very modest starting-point, cross-border e-learning has experienced the same ups and downs as the e-economy. After the very rapid growth in supply and a host of initiatives, few e-learning start-ups have proved profitable. Nevertheless, distance education, including online e-learning, has great potential for the cross-border provision of education, as the example of Australia shows. While distance education there still accounts for only 9% of the international student enrolment in higher education, it has been growing steadily since 1996. UK higher education institutions are also active in this field: in 2003, around 30 000 (14%) of the UK Open University's student body were located outside the United Kingdom, and around 42 000 students were in collaborative teaching programmes with other institutions in the United Kingdom or overseas. It should be noted,

however, that the new online learning techniques are, in most cases, combined with traditional face-to-face teaching and involve partnerships with local providers. Although they still represent a small share of programme mobility, these technologies are particularly well suited to cross-border delivery of education, as they make the geographical location of teachers and students less important (OECD, 2004).

While institution mobility is still limited in scale, it has become an increasingly important feature of cross-border education. This means of cross-border education corresponds to foreign direct investment by educational institutions or companies. The typical form of institution mobility is the opening of foreign campuses by universities and of foreign learning centres by providers, and it often also implies programme mobility. British and Australian educational institutions are the main suppliers of cross-border education through institution mobility but institutions from, for example, the United States, France, Canada, Singapore and India are active as well. Such institutions open subsidiaries abroad or offer their educational programmes and qualifications via partnerships with host-country institutions. Monash University, a public Australian institution, has for example opened branch campuses in Malaysia and South Africa. In some cases, government regulation requires foreign institutions to form a partnership with a local institution in order to establish themselves in the country; however, even in the absence of formal requirements, foreign institutions may prefer to operate with a local partner.

In Australia, international student recruitment to foreign campuses doubled between 1996 and 2001 and now accounts for 29% of all international student enrolment in the Australian tertiary education system and over half of all international students from Hong Kong, China and Singapore are enrolled in Australian institutions. British institutions also developed this form of international education in the 1990s. In Hong Kong, China over half of the 575 foreign degrees offered by private universities, distance learning programmes or partnerships with local universities involved British universities. While UK and Australian institutions are currently the most active in this respect, 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. For example, the for-profit University of Phoenix (Apollo Group) has subsidiaries in Canada, the Netherlands and Puerto Rico.

Institution mobility may also involve the establishment of a distinctly new rather than affiliated educational institution or the takeover of all or part of a foreign educational institution. In this case, institution mobility may be separate from programme mobility (although this is not usually the case). A US for-profit that is listed on the NASDAQ stock market, company Laureate, for instance, has recently acquired private universities and business schools in Mexico, Spain, Chile, France, Switzerland and India, which enrol more than 60 000 students. This provider announced in 2003 that it would concentrate on international higher education and has sold its domestic activities in primary and secondary education (Sylvan Learning Systems).

Programme and institution mobility often involves partnerships between a foreign and a local institution. These partnerships may be governed by all sorts of contracts: academic partnerships are the most common for non-commercial cross-border education, while license/franchise and twinning arrangements are the most common arrangements for commercial provision.

Academic partnerships are the traditional and probably most common arrangements for the provision of cross-border programme and institution mobility between higher education institutions from the OECD area. Academic partnerships often accompany student and academic mobility. Student mobility sometimes involves some programme mobility to help mutual recognition of credits earned in the partner institution as part of the sending institution's degree or to facilitate the granting of a joint degree. More rarely, they involve joint design of courses as well. Increasingly, academic partnerships also play a role in complementing cross-border e-learning programmes.

Franchise and twinning arrangements increasingly govern programme and institution mobility through partnerships, reflecting the growing importance of commercial provision in cross-border higher education. Under a franchise arrangement, a local provider is typically licensed by a foreign institution to offer whole or part of a foreign educational programme (generally leading to a foreign degree) under stipulated contractual conditions; in this case there is no institution mobility. Franchise arrangements do however take many other forms. Under a twinning programme, students are enrolled with a foreign provider and are taught to a foreign syllabus; they carry out part of the course in the home country and complete it in the home country of the foreign institution. This form of cross-border education typically involves both student and programme mobility. While e-learning programmes can be wholly franchised, they often involve a partner institution which gives local support to the students in their country under franchise arrangements.

For example, Microsoft's 1 700 Certified Technical Education Centres are private centres that operate as Microsoft franchises, with a training programme drawn up by Microsoft and taught by Microsoft-accredited staff in different kinds of educational institutions/providers across the world. Internationally recognised by employers, these computer training programmes attract a large number of students (Adelman, 2000). Similarly, several public UK and Australian universities offer their programmes and degrees through franchise arrangements with a partner institution in the international students' home country.

1.3. The new face of cross-border education provision

While the means of delivering cross-border education have diversified in recent years, the face of educational provision has also altered, both domestically and cross-border. For-profit provision and partnerships have grown significantly, mostly driven by "traditional" public or private not-for-profit educational institutions that increasingly offer private provision.

First, the correspondence between educational institutions and specific kinds of studies is no longer clear-cut: educational institutions no longer confine themselves to degree-granting education or private educational providers to professional training. For-profit or corporate providers are increasingly active and gaining ground in the degree-granting education sector, although they still represent only a small share. Traditionally, corporate training institutions provided vocational training for the staff of the multinational companies of which they were often subsidiaries. The McDonald and Motorola institutions are two examples. More and more of these corporate training institutions have appeared in recent years and have broadened their curriculum to attract a wider clientele with fewer company-specific courses. In the United States, their 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 institutions are said to attract customers from outside the parent company (Meister, 1998; Cunningham *et al.*, 2000). At the same time, expanding demand for professional and corporate training and language courses has been addressed by an increasing variety of educational providers. In particular, some traditional universities have created private arms to address this demand, which has traditionally been considered as a private service. These trends are evident at the domestic level but also in cross-border education, where commercial activities have gained ground.

Second, cross-border education has led to the multiplication of partnerships, both traditional academic partnerships and new types. Partnerships between traditional universities or institutions have always existed for academic as well as for research purposes. Sometimes extended to management issues, they are more formalised today than in the past. Although academic partnerships have increased significantly in the last decades, they are hardly new. What is new is the inclusion of a greater number and variety of partners – educational institutions, providers and even corporations – and the shift to partnerships including commercial elements. These new cooperation arrangements may involve the transfer of funds and have economic motives. A growing number of traditional universities have created consortia and partnerships to address international demand through new modes of delivery. For example, Universitas 21 brings together 16 established universities from ten countries to pursue global initiatives that would be beyond their individual capabilities. In partnership with the company Thomson Learning, Universitas 21 has created Universitas 21 Global, an online (and television) provider, and has started to deliver MBAs (masters of business administration) as of 2003. Trium EMBA is another example of an international partnership, in this case involving US, UK and French universities delivering executive MBAs through a mix of face-to-face teaching and distance learning. The Internet education company Unext and its Cardean University deliver business courses to companies, as well as to individual students, relying on a consortium of elite American and British universities. Cardean University has recently signed an agreement with Thomson Enterprise Learning to market online business education programmes to major corporate clients worldwide.

These partnerships respond to different challenges. First, e-learning requires a technological competence that is often better mastered by IT or media companies than by educational institutions. Second, partnerships can share the costs and risks of going cross-border, give more visibility to the institutions and take advantage of economies of scale. While they are still a small minority, an increasing number of hybrid organisations now operate in the global education sector. Perhaps owing to their complex business models, these new hybrid organisations have limited activity to date.

Third, the growing importance of partnerships in cross-border programme and institution mobility puts the very notions of "foreign" and "domestic" in a haze. Being considered (or sometimes claiming to be) a "foreign" institution may cover different (possibly overlapping) realities: it may be related to the ownership or control of capital; to the accreditation of the institution by a foreign accreditation agency; or sometimes to merely having a "foreign style" of education (including teaching in a foreign language or by foreign staff). While the last case is arguably not really a foreign institution, whether the second can be considered as a foreign institution or not is open to discussion. The percentage of equity held by the foreign party in foreign branch campuses can actually vary, and is capped by government legislation in several countries. In some cases, foreign

institutions do not have a majority stake in their capital. Conversely, a foreign-owned institution can be considered as a domestic institution when it delivers domestic-style education programmes that are accredited in the host country, and can thus be "foreign" in some respects and "domestic" in others. "Foreign" programmes and degrees can be delivered by wholly domestic institutions, under franchise or twinning arrangements. Finally, programmes and institutions can be recognised or accredited in several countries, or by quality assurance and accreditation agencies operating internationally. Another issue raised by these new arrangements is the affiliation of international students; under a franchise or twinning arrangement, whether international students should be considered as the local partner's students or the foreign institution's students, or both, is unclear. Drawing clear-cut borders between "foreign" and "domestic" thus becomes increasingly difficult.

In consequence, the usual boundaries between public and private, for-profit and non-profit institutions – a distinction that may remain clearer in domestic education – have tended to blur in cross-border education. This is equally true for the boundaries between domestic and foreign provision. The growth of for-profit cross-border activities is largely due to educational institutions that are non-profit institutions in their home country but which become private and often "for-profit" when they deliver cross-border, as they do when they create private arms to address e-learning and corporate training demands at home. This also occurs, for example, when they charge international students full tuition fees whether at home or abroad (see Chapter 6). Traditional educational institutions are currently much more active than for-profit educational companies in the private provision of cross-border (degree-granting) education.

1.4. Plurality of drivers and rationales

By and large, the expansion of cross-border education stems from the massification of higher education, from a favourable technological and economic climate marked by the spread of the new ICTs, the developing knowledge economy, the increased internationalisation of labour markets and the demand for highly-skilled workers, and the falling costs of transport and communications. This has increased the demand for and supply of cross-border education, eased the feasibility of actual cross-border exchanges, and facilitated the entry of a growing number of private firms on the international education market. The growth of cross-border education activities has been driven by educational institutions and providers, students and policy makers, whose rationales for delivering or receiving cross-border education may be quite different but are largely compatible.

1.4.1. Policy rationales

Public policies that foster the internationalisation of higher education, and increasingly of post-secondary education, have certainly contributed to the growth in cross-border educational activity. Such internationalisation has long been supported in OECD countries on academic, cultural, economic, social and political grounds. From a cultural and academic viewpoint, cross-border education affords the country's universities and students intellectual and cultural enrichment, and gives a stimulus to academic programmes and research. Better understanding of other cultures and possible ties/personal links between the political and economic elite of the host and sending countries gained through cross-border education can strengthen political and economic ties as well as enhance mutual understanding and social cohesion in increasingly multicultural

societies. Every OECD country finances cross-border education through the mobility of people, via university bursary schemes, bilateral or multilateral agreements and, increasingly, ambitious cross-national 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. In this report, such programmes are said to take a **mutual understanding approach** to the internationalisation of higher education, although they also have academic, socio-economic and political objectives.

Given the increasing demand for higher education from both national and international students and the difficulties this poses for the funding of higher education, some countries have opted for a **revenue-generating 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 tertiary education in only three of the OECD countries (United States, Japan, Korea) for which data are available (Figure 1.1). Higher education is therefore heavily subsidised in the OECD area, although private income represents a growing share of educational institutions' resources (OECD, 2003). In the revenue-generating approach, educational services are offered to international students at unsubsidised rates that cover at least the cost of their education either in the institution's country (through student mobility) or in the student's country (through institution mobility) (Table 1.2). Like any other market service, the revenue-generating approach has as a goal the enrolment of a large number of international students or the control of a large share of the market. In this respect, Australia, New Zealand and the United Kingdom can be said to have adopted a revenue-generating 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 actually prevent universities from providing subsidised educational services to international students.[3] For their part, countries such as China and Malaysia are keen to open their educational sector to foreign institutions and providers under commercial terms in order to widen the access of their population to post-secondary education.

Table 1.2. **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 for domestic students	Australia, Austria,[1] Belgium,[1] Canada, Ireland,[1] Netherlands,[1] New Zealand, Slovak Republic, Switzerland,[1] United Kingdom,[1] 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

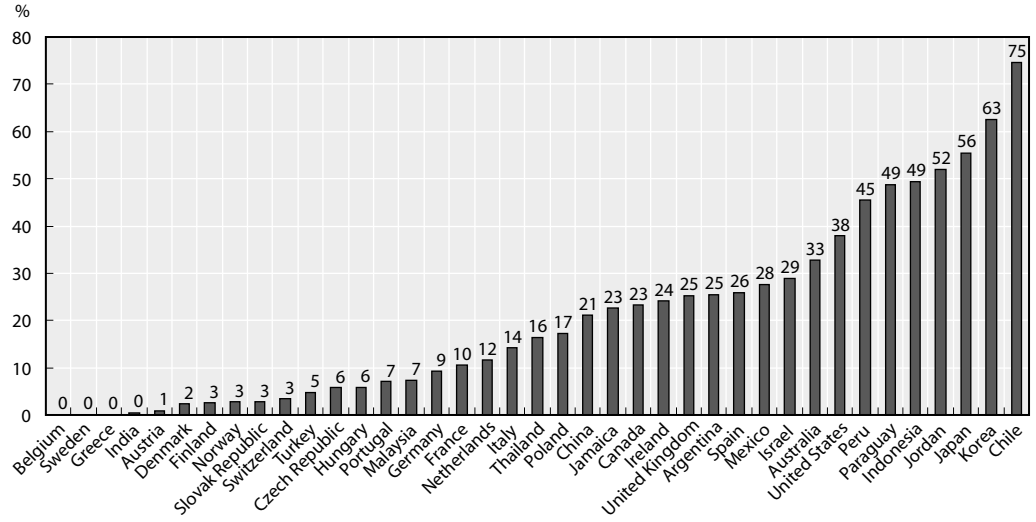
1. For non-European Union or non-European Economic Area students.

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

Other countries (*e.g.* Germany and France) seek to attract international students by giving them the same subsidy as nationals, and still others (*e.g.* Korea) do not subsidise much (if at all) but make no special effort to recruit international students. Countries such as Belgium restrict subsidised access to their universities by imposing a quota on subsidised international students.

Figure 1.1. **Direct expenditure of students' households on tertiary educational institutions, 1999**

As a percentage of direct expenditure from all sources on tertiary educational institutions



Source: OECD and WEI education databases.

The generalised drive in most OECD countries to enrol more international students may also reflect a **skilled migration** approach to the internationalisation of higher education. This strategy can be viewed (and is sometimes explicitly pursued) as a means of attracting highly-skilled students who may remain in the host country after their studies, especially in the context of an ageing society, or at least stimulate academic life and research while they study. This is the approach largely taken by Germany. To some extent, this approach may also be viewed as a reaction to the increasingly competitive environment of cross-border education induced by the revenue-generating approach: the effort to enrol more international students is a way of maintaining a country's relative share of international students when some countries are dramatically increasing the number of international students they receive. Whereas the revenue-generating approach brings economic benefits to the educational institutions as well as the economy of the receiving country, the skilled migration approach has a clear economic drive but a limited direct economic impact on the country's higher education sector.

Finally, while the revenue-generating and skilled migration approaches largely describe the internationalisation strategies of receiving countries and exporters of education services, some countries are deliberately encouraging their domestic students to study abroad, and foreign institutions to operate through programme and institution mobility in their country. These sometimes large "sending countries" and importers of education services thus use cross-border post-secondary education to build or improve their capacity in higher education. This approach, taken by several Asian countries (*e.g.* Malaysia), corresponds to a **capacity building** approach to cross-border education.

The four approaches should not be seen as mutually exclusive. For those taking a revenue-generating approach, refusing to redistribute taxation expenditure to non-taxpayers

may be construed simply as fiscal equity, or a domestic policy requirement, and they can also achieve the objectives pursued by the other approaches (mutual understanding and skilled migration). Since both the revenue-generating approach and the skilled migration approach seek to enrol international students, they may have similar effects in terms of academic stimulation and retention of highly-skilled international workers. Moreover, the mutual understanding approach has economic implications because the export value of educational services in a country's balance of payments is not confined to tuition fees but extends to all the living and travel costs of international students in the host country (insofar as they are not paid by the host country). Although the export value of educational services is lower in countries that subsidise international students than in those that do not, it is positive in both cases. Thus, all three approaches make a positive contribution to the balance of payments. And the capacity building approach, besides pursuing academic, political and cultural objectives, also pursues clear economic objectives. Finally, while one or the other approach largely depicts a country's strategy, different actors may actually adopt different approaches within the same country.

However, the different approaches can result in differing financial incentives and emphases as far as universities and international students are concerned. For example, the revenue generating approach is the sole approach that generates export revenues for the country's post-secondary education sector. The distinction made among the four approaches can also help in understanding where countries stand in relation to policy issues like funding, migration, development assistance or the GATS negotiations on educational services. For example, the lack of statistical data on exports and imports of commercial services for most of the countries taking a "mutual understanding approach" to internationalisation merely reflects the fact that they do not treat student mobility as a commercial service.

1.4.2. Institutional rationales

While public policies set the institutional framework and incentives for the growth of cross-border post-secondary education, growth in cross-border education is largely due to the fact that educational institutions and students increasingly go abroad to deliver or receive post-secondary education. Students and institutions often value cross-border education positively for reasons similar to those of policy makers. They may also go or send their programmes abroad because policies or programmes create incentives to do so. Public institutions may be asked to carry out internationalisation programmes involving cross-border education through mobility of people or academic partnerships or receive a premium when they do so. Similarly, subsidies for student mobility or academic partnerships between educational institutions help to stimulate student mobility, as of course do academic programmes that include it as a compulsory element. Policies that take a mutual understanding approach to student and teacher mobility have undeniably fostered growth in student and teacher mobility. SOCRATES, the EU programme that funds almost 40% of European student exchanges, has definitely contributed to the rise of intra-European student mobility and to the rise of academic partnerships between European universities. Nonetheless, a significant share of the development of cross-border education has been institution- rather than solely policy-driven.

The reasons for this are that first, besides the traditional motivations for co-operation, universities and post-secondary educational institutions have engaged in cross-border activities because competition has increasingly required gaining (or maintaining) a

worldwide reputation of quality. Networking with foreign educational institutions through exchange programmes or academic partnerships has been a way to improve academic quality but also to signal to potential staff and students an attractive inclusion in international research networks. The feeling that worldwide competition among educational institutions has become tougher and that it contains a strong international dimension may also have led educational institutions to intensify their cross-border activities.

Second, efforts to attract more international students can be a response to the domestic funding context rather than to internationalisation policies. It is the countries with a revenue-generating approach to the internationalisation of higher education that have recorded the highest growth in international student enrolments and which have used the newest types of cross-border education (institution mobility and e-learning). One reason is that the substantial income derived from international students' tuition fees gives educational institutions a strong incentive to recruit them and provide appropriate educational services and facilities. This kind of recruitment is not confined to marketing strategies. It also involves the progressive tailoring of provision to the needs or demands of international students.

These incentives are very different from those of educational institutions in countries with a mutual understanding approach to the internationalisation of education, where funding is based on student numbers but incentives to recruit are not specifically targeted at international students. Moreover, the effectiveness of incentives to enrol international students or set up campuses abroad depends on the level of autonomy of public educational institutions *vis-à-vis* their supervisory public authority, as well as on the level of public funding. Australian, American, New Zealand and British public education institutions, which are among the most active in cross-border education, have full autonomy in most of their areas of operation, which is not the situation in many other OECD countries (OECD, 2003). This allows them to carry out cross-border strategies that would be impossible or cumbersome in other institutional setups. Australia and the United Kingdom are two of the six OECD countries where public funding per tertiary-level student decreased between 1995 and 1999 (OECD, 2002a). This gave them a strong incentive to compensate for the drop by generating revenue through cross-border education.

Third, the rise of cross-border activities by educational institutions and providers has paralleled the increasing worldwide demand for cross-border post-secondary education and, more generally, for private for-profit post-secondary education. In this respect, the flows of cross-border education depend on the existence of unmet demand in the receiving countries, as well as on the domestic institutional framework. For instance, educational institutions and providers are more likely to set up foreign campuses in countries where the private post-secondary educational sector is large, tuition fees are high, and where their degrees may be recognised by local authorities. Countries like China, Malaysia or Thailand aim at creating an institutional framework that is attractive to foreign educational institutions and programmes, and ensure that these match their needs by imposing a range of requirements on them.

1.4.3. Student rationales

Students may of course take advantage of government and institutional policies, but they may also have personal reasons to enrol in a foreign educational institution, either abroad, online or in their home country.

The choice of study abroad and country depends on a range of cultural and economic factors, which go well beyond the cost of education. The choice of host institution by foreign students (and their families) is the outcome of a trade-off between the non-monetary and monetary costs of studying abroad and the non-monetary and 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 offset by offering courses in English.
- Cultural/geographical proximity and historical/economic ties between host and sending countries: these explain the important 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, culture and religion, in short the perceived quality of life there, are 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.
- 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: this means that the student's education is valued in the host country and elsewhere. This partly explains the success of student mobility as part of a joint academic programme or an academic partnership.
- 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): the ease of obtaining a visa, opportunities for students to work while studying, or the possibilities for remaining in the country following graduation, may be factors that play a decisive role.
- 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.

Tuition fees play a significant but not an exclusive role. Often accustomed to paying (relatively) high tuition fees in their own countries, Asian students may not consider unsubsidised fees as a barrier to mobility. EU students, on the other hand, are heavily subsidised at home, and fewer choose to study in countries where fees are much higher

than at home. Minimal tuition fees, however, do not determine student mobility: flows of international students are not large to some countries where tuition fees are low or non-existent, *e.g.*the Nordic countries.

Studying in a foreign institution operating in one's own country may also be viewed as a cheaper alternative to going abroad to access post-secondary education. The choice depends on the language of instruction, the perceived reputation of the institution (or of the country's educational system), its national and international accreditation, its recognition on the local labour market and the relative cost of the programmes compared to studying in equivalent reputable institutions. In this respect, foreign institutions are likely to be more attractive to local students who are accustomed to funding their studies privately or can use their public subsidies in private institutions.

1.5. Trade as a new viewpoint on cross-border education

The inclusion of educational services in the current GATS negotiations at the World Trade Organisation (WTO) has triggered many concerns about the liberalisation of post-secondary education in the education community. It has raised awareness of the increasing importance of trade in recent developments in cross-border education. However, it is noteworthy that not all activities described above will count as trade or as falling under in the GATS, which only covers commercial activities–a subset of cross-border education, and in some countries a very small subset.

1.5.1. An international market of more than USD 30 billion

For a country's economy, the enrolment of a foreign student represents an "invisible export" in the form of the associated income flow. All expenditure made by international students in the receiving countries is in principle considered as export revenue from the students' home country for the receiving country, and accounted for in the balance of payments as "education-related personal travel expenditures" (Larsen *et al.*, 2002). Similarly, the tuition fees of a non-mobile student enrolled in a branch campus of a foreign university operating in his or her country are in principle considered as export revenue for the institution's home country (as returns on foreign direct investment). However, the relevant data are rarely available, in practice, in countries that do not consider cross-border education as trade in educational services.[4] In Australia and New Zealand, educational services rank, respectively, third and fourth in terms of services exports, and fourteenth and fifteenth in terms of exports as a whole. The United States is the leading exporter of educational services, and also the leading importer among countries for which data are available (Table 1.3 and Table 1.4).[5]

In 1998, the international market for student mobility alone amounted to around USD 30 billion in exports, or 3% of global services exports (Larsen *et al.*, 2002). Since students travelling to and studying in foreign countries represent by far the largest element of cross-border trade in educational services, this indicator is often used to estimate the overall level of such trade. However, the world market for post-secondary education is not confined to student mobility in tertiary education, and the figure would be much higher if data were available for all forms of cross-border vocational education, lifelong learning and education service provision; the rapid growth of other forms of educational trade will make it a less satisfactory proxy as time goes on.

Table 1.3. **Export earnings from foreign students, 1989, 1997 and 2001**

	1989		1997		2001	
	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	2 145	13.1
Canada	530	3.0	595	1.9	727	2.0
Mexico	..	..	52	0.5	31	0.2
New Zealand	..	..	280	6.6	353	8.1
Poland	..	..	16	0.2	..	..
United Kingdom	2 214	4.5	4 080	4.3	11 141	..
United States	4 575	4.4	8 346	3.5	11 490	4.2
Greece	..	..	..	..	124	0.6
Italy	..	..	..	..	1 186	2.1

Note: 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.

Source: OECD statistics on trade in services; IMF data for Italy and the United States in 2001, and for Poland in 1997; the Office for National Statistics for the United Kingdom in 1997; Johnes (2004) for the United Kingdom in 2001-02.

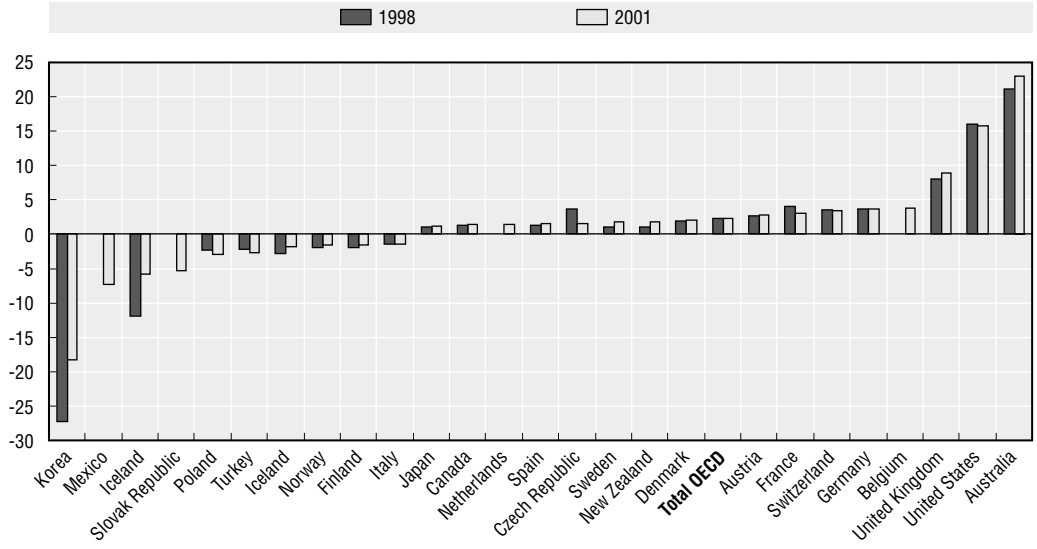
Table 1.4. **Import payments by national students studying abroad, 1989, 1997 and 2001**

	1989		1997		2001	
	USD million	% of total service imports	USD million	% of total service imports	USD million	% of total service imports
Australia	178	1.3	410	2.2	368	2.2
Canada	258	1.1	532	1.4	529	1.3
Mexico	..	..	44	0.3	81	0.5
Poland	..	..	41	0.7	..	..
United Kingdom	67	0.2	182	0.2	..	..
United States	586	0.7	1 396	0.9	2 380	1.1
Greece	..	..	..	..	205	1.8
Italy	..	..	..	..	801	1.4

Note and source: See Table 1.3.

In terms of student mobility, the balance varies greatly from one country to another. Figure 1.2 shows, for OECD countries, the number of foreign students received for each domestic student studying abroad: those with positive ratios are "net exporters" of educational services, while those with negative ratios are "net importers". On average in 2001, OECD countries hosted 2.4 foreign students for every domestic student studying abroad. Given that the mean is inflated by a few countries with a very high ratio, a better indicator of the pattern of student flows might be provided by the median, which was 1.5 in 2001. The indicator shows that Australia, the United States and the United Kingdom "import" far more students than they "export".[6] However, this does not allow for inferring the financial value of export or import revenues 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

Figure 1.2. **Index of foreign students per domestic student abroad in tertiary education by OECD country, 1998 and 2001**



Read: In 2001, Australia received 23 foreign students for 1 domestic student sent abroad; Korea sent out 18 students for one foreign student received.

Note: Apart from Ireland, the United States 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 on "foreign students" 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 (see Annex C). In 2001, half of the OECD countries had a ratio of more than 1.5. In 2001, the mean average ratio for OECD countries was 2.4.

Source: OECD education database.

if these were private financial flows. Relatively, Australia, the United States and the United Kingdom would be the world's largest net exporters of educational services.

1.5.2. Cross-border education and the General Agreement on Trade in Services (GATS)

The issue of trade liberalisation in educational services has been included in the current negotiations under the GATS in the World Trade Organisation. The issue has provoked much public debate, and many countries have so far been very reluctant to engage in trade liberalisation negotiations for education services. The mere possibility that certain types of education might fall within the scope of trade regulations and agreements has fuelled a heated debate on the nature of education, especially in OECD countries where it is mainly provided as a public service on a non-profit basis.

This section briefly outlines the coverage of the GATS in relation to trade in education services. More detail on the agreement itself is provided in Annex A and some of the following points are developed in Chapter 6. Several threshold points need to be made.

First, the decision to allow private sector participation in the provision of any service, including education, is a domestic decision. The GATS has nothing to say on the debate over whether to allow private provision *per se*. The decision about whether, or how, to involve the private sector in education is essentially a domestic debate, taking account of national

economic, social and cultural factors, including views on what government should provide and how costs should be shared amongst different groups within the society.

Second, a different, often subsequent, decision is whether to allow participation by *foreign* private providers. It is only when countries have decided to allow foreign private providers to participate in its education sector that the GATS comes into the equation. The GATS is concerned with the treatment of foreigners, not nationals.

Third, not all forms of activity involving foreign providers will be considered commercial trade falling under the scope of the GATS. Just as the internationalisation of education is broader than cross-border education, cross-border education encompasses a range of activities of which only a subset would be considered commercial trade falling under the GATS (*e.g.* activities related to international aid programmes would not fall under the GATS).

Finally, the impact of GATS should be kept in perspective. The growth of cross-border education described in this report has occurred largely in the absence of GATS commitments. This growth is driven by factors other than the GATS and is thus likely to continue irrespective of the GATS.[7] Whether a country decides to make GATS commitments on education or not, it will still need to deal with many of the issues and challenges that arise from the kinds of developments outlined in this report.

What is the GATS?

The GATS is a multilateral, legally enforceable agreement governing international trade in services, which was negotiated by members of the World Trade Organisation (WTO) and entered into force in 1995. It offers mutually agreed rules, binding market access and non-discriminatory commitments for services in a way that is similar to, but more flexible than, the General Agreement on Tariffs and Trade (GATT) for goods. It reflects the belief that a progressive liberalisation of services trade will assist the growth of international trade in services and contribute to economic development worldwide. The agreement aims to facilitate the integration of developing countries into the global economy by reinforcing the capacity, efficiency and competitiveness of their domestic service industries. It also recognises that liberalisation is not synonymous with deregulation, but rather often necessitates re-regulation or regulatory reform. In its preamble, the Agreement states that the liberalisation process must respect the needs and right of governments to regulate in order to pursue national policy objectives.

The GATS covers all services, with some exceptions, the most important of which – from an educational perspective – is the exclusion of services "supplied in the exercise of governmental authority". This is understood as "any [service] which is supplied neither on a commercial basis, nor in competition with one or more service suppliers".[8]

There has been much discussion about what this actually encompasses. One view is that it means services provided "not-for-profit", which would not include, for example, free education at public institutions, or education provided at such facilities where some element of cost recovery is involved. However, given the range of public-private mixes in education systems, some have argued that WTO Members should agree to an authoritative interpretation to clarify the meaning of this provision. Others point to the difficulty of finding a definition that would cover the range of models of service provision found in all (148) WTO Members and argue that Members who wish to make commitments on, for example, education can define the exact scope of any commitment they wish to make, describing within their own system exactly what they wish to be covered and what

excluded. Indeed, a number of Members that made commitments for services that have a strong public component (such as health and education) stipulate that these commitments cover only private or privately funded services; others have indicated that public services are excluded for all sectors listed in their schedule of commitments.

While the debate continues about the best way to deal with this in the agreement, all WTO Members attach great importance to the principle of excluding their governmental services from the GATS, and none has indicated an interest in narrowing this exclusion. Further, this is ultimately a legal, not an economic issue: services supplied in the exercise of governmental authority can indeed have a trade value (an impact on the balance of payments) without falling within the scope of the GATS.

Structure of the GATS

The GATS has three core components: the framework of rules that lay out general obligations, annexes on specific service sectors, and the schedules of commitments submitted by each Member country, which detail its liberalisation undertakings by sector and mode of supply (see Annex A for more detail).

The GATS distinguishes between four "modes of supply" through which services can be traded. Table 1.5 maps some of the activities of cross-border education which might be considered as commercial trade against the GATS modes of supply.

Table 1.5. **Attribution of the main modes of international supply of educational services**

Mode	Explanation	Education examples	Correspondence with types of cross-border education means (cf. Table 1.1)
1. Cross-border supply	The service crosses the border (does not require the physical movement of the consumer or the provider)	Distance education Online education Commercial franchising of a course	Programme mobility
2. Consumption abroad	Consumer moves to the country of the supplier	Students who go to another country to study	People (student) mobility
3. Commercial presence	The service provider establishes facilities in another country to provide the service	Local university or satellite campuses Branch campus, including joint venture with local institutions.	Institution mobility
4. Presence of natural persons	Person travelling to another country on a temporary basis to provide the service	Professors, teachers, researchers working temporarily abroad	People (academic) mobility

Note: The "Mode" and "Explanation" columns are based on the GATS classifications. Mode 4 excludes persons entering the labour market of the host country. There is thus a disagreement amongst WTO Members as to whether mode 4 covers foreigners employed by domestic companies of the host country or only those working on a contract basis.

The modes framework has been designed for the geometry of GATS commitments and encompasses a range of cross-border activities, although not necessarily under a single mode. In this respect, there are straightforward correspondences between the means through which cross-border education takes place (see Table 1.1) and GATS modes. Cross-border education via people mobility includes student and academic mobility: student mobility corresponds to mode 2 (consumption abroad), academic mobility to mode 4

(presence of natural persons). Cross-border education through institution mobility corresponds to mode 3 (commercial presence). Cross-border education through programme mobility corresponds to mode 1 (cross-border supply) when it takes the form of distance education or e-learning. It is worth noting that academic partnerships or ventures generally fall under several categories because they often involve mobility of students and academics (modes 2 and 4), as well as a commercial presence and e-learning (modes 3 and 1). Equally, it must be recalled that not all activities of cross-border education would be considered commercial supply falling under the GATS. For example, student mobility is only covered where this involves the commercial supply of a service; students moving under aid programmes or non-commercial exchange programmes would not fall under GATS mode 2. Non-commercial academic partnerships would not be covered; joint ventures between foreign and local universities in establishing branch campuses would be.

The GATS negotiations

One particularity of the GATS is its very flexible negotiating framework. WTO Members retain freedom to choose whether they want to open a particular service sector, or part of a sector, to foreign supply and the conditions under which they are prepared to do so. There is no requirement to make market opening commitments for all sectors-some countries have done so for many sectors (although even there they retain a wide range of restrictions and conditions); others have done so for only a handful of sectors. Commitments are guaranteed minimum treatment; a country can offer better treatment than in its commitments, but it cannot offer worse. As such, many countries commit only to a base line of treatment, which may not reflect the actual extent to which their market is already open. For example, many countries that participate actively in international commercial trade in education services have made no GATS commitments or have made commitments that are considerably more restrictive than their actual policies. A more detailed explanation of the GATS is at Annex A.

Under the GATS, WTO Members agreed to enter into successive rounds of negotiations to liberalise trade in services. This does not necessarily imply an inexorable march towards a completely free market for all service sectors. Rather, it signals that, in recognition of the complexity and variety of service sectors, liberalisation under the GATS will be a gradual process. While successive rounds of negotiations are foreseen, with a view to achieving a progressively higher level of liberalisation, these negotiations are to promote the interests of all participants on a mutually advantageous basis and to secure an overall balance of rights and obligations. Equally, while the negotiations are directed towards increasing the general level of commitments and no sector is *a priori* excluded from the negotiations, WTO Members remain free to keep particular service sectors closed to foreign supply if they wish to.[9]

The first of these rounds of negotiations formally commenced on 1 January 2000. Guidelines for the negotiations, agreed in March 2001, reaffirmed governments' right to regulate and to specify which services they wish to open to foreign suppliers and under which conditions.[10] In the first phase of the negotiations, countries tabled general proposals outlining their interests in the services negotiations. Out of a total of approximately 126 proposals, 4 were related to education services, tabled by Australia, Japan, New Zealand and the United States (all available at *www.wto.org*).

At the WTO Ministerial Conference in Doha in 2002, the timetable for the second, request-offer phase of the negotiations was agreed (this refers to the negotiating process

under which WTO Members ask each other for particular market opening commitments and then propose what they are prepared to offer; see Annex A for more details). The deadline for the submission of initial requests for specific commitments was 30 June 2002 and for the submission of initial offers for specific commitments, 31 March 2003.[11]

Individual WTO Members are under no obligation to make either requests or offers in the negotiations, should they choose not to. Some countries (*e.g.*, Canada, Switzerland) have indicated that they will not be making requests on education; however, some others have done so (*e.g.*, Australia, Japan, New Zealand, Norway, the United States and the European Communities and its members states – the last to the United States only). In response, several countries have also tabled offers on education services, including a number of developing countries.[12]

The services negotiations are taking place as part of a broader round of trade negotiations which include a range of other issues covered by WTO agreements (*e.g.*, agriculture, manufactured products). Trade negotiations usually include a range of issues to maximise the chances of all parties coming away with a package that meets their interests, as countries trade interests differ. For example, for many countries, in particular many developing countries, negotiations on agriculture are seen as the most important element of the new negotiations. While the deadline for the overall round of negotiations was agreed at 1 January 2005, it is expected that they will last longer.

Notes

1. Post-secondary education covers courses leading to higher qualifications other 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 report, also covers adult education programmes that result in an award/credit being given. The data currently available on cross-border post-secondary education 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 different levels of education.
2. In the case of online learning, it is not easy to determine what moves virtually: programmes or institutions.
3. This does not include international students covered by aid programmes. However, in recent times, aid programmes for higher education have been reduced – this issue is discussed further in Chapters 5 and 6.
4. While not considering cross-border education as a trade activity may result in the unavailability of those data, it should be noted that these data are difficult to collect and resource intensive.
5. The export and import figures show the overall impact on the economy of cross-border education delivered through student mobility. These figures are of course much higher than the revenue from cross-border education services in the domestic education sector, which are limited to tuition fees and other revenue-generating activities of educational institutions, because they include food, accommodation, travel, etc. Revenue for higher education alone would be much smaller, but revenue from cross-border training and lifelong learning should be added. Moreover, the data from the balance of payments' do not capture all trade-in-services activity. For example, these figures only capture trade between residents and non-residents, and persons are assumed to be residents once they have been in the country for 12 months. The temporary movement of people to provide services is barely covered at all (some countries use remittances as a proxy but these are not broken down by sector).

6. Note that receiving (or "importing") foreign students corresponds to export revenue from educational services for the host country and that, conversely, the expenditure of domestic students sent (or "exported") abroad corresponds to import revenues in educational service.
7. Trade agreements might facilitate or encourage trade, but the existence of activities which might be termed "trade" is rarely initiated by trade agreements (indeed, such agreements tend to be developed in response to trade that is already underway).
8. Other exclusions include air traffic rights and services directly related to the exercise of traffic rights. Exclusion from the scope of the agreement means that none of the disciplines of the agreement apply to governmental services, and no commitments on market access or national treatment can be made covering them.
9. The stipulation that no mode or sector is *a priori* excluded partially reflects the interest of developing countries in mode 4 (temporary movement of natural persons as service suppliers), as well as the interests of a range of other countries in maritime and audiovisual services.
10. See WTO document S/L/93, available at *www.wto.org*
11. The word "initial" reflects the reality that the negotiating process is a succession of requests and offers. Initial requests are not necessarily exhaustive and countries can come back with further requests at a later stage. Equally, an initial offer can be subject to change *i.e.*, it can be scaled up or down, or withdrawn (see Annex A).
12. Negotiations are ongoing at the time of writing. Up-to-date information on the negotiations is available at the WTO website. It is the decision of individual WTO Members whether or not to make their requests and offers public.

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Chapter 2

Cross-border post-secondary education in North America

This chapter offers an analysis of key trends in cross-border post-secondary education in North America, and shows strong differences towards internationalisation in the United States, Canada and Mexico. The first section gives an historical overview of internationalisation and cross-border post-secondary education in the three countries and shows how the evolution has been shaped by the broader national characteristics of each system (e.g. centralisation or decentralisation, extent of private provision, foreign policy, etc.). The second section provides information on trends and some statistics on the cross-border mobility of i) people (students, scholars, faculty); ii) education and training programmes; iii) institutions and providers; and iv) projects. Cross-border mobility is addressed in terms of development assistance projects, institutional exchanges and linkages, and commercial/trade initiatives. The third section focuses on the rationales driving internationalisation and cross-border education in particular and provides information on key national players, both governmental and non-governmental. The final section highlights the possible implications, opportunities and challenges of these trends for the higher education sector in North America, especially in the domain of policy and regulations at national, regional and even international levels.

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Although united by shared borders and since 1994 linked through the North American Free Trade Agreement (NAFTA), the United States, Canada and Mexico are vastly different economically, politically, and socially, and higher education in the three countries lacks a strong regional identity.

The three countries are very different in terms of size, population and wealth. Mexico is a developing country, while the United States and Canada are highly developed. The US population of approximately 290 million dwarfs that of its northern neighbour, with its population of 32 million (US Census Bureau, 2003, *www.census.gov*); Mexico's population is some 103 million. In contrast, Mexico has the highest population density, the largest percentage of population under 15 years old, and the highest net annual population growth. The United States, Canada and Mexico are the first, ninth and sixteenth largest economies in the world, respectively; and the US economy accounts for some 89% of the North American regional economy (Barrow *et al.*, 2004). The US GDP is USD 10.4 trillion compared to Canada's USD 715.7 billion and Mexico's USD 637 billion (World Bank, 2002, *www.worldbank.org*). Mexico lags behind its industrialised neighbours in per capita income, with an estimated gross national income per capita of USD 5 910 compared to USD 35 060 in the United States and USD 22 300 in Canada (World Bank, 2002, *www.worldbank.org*).

The three economies, together, make up the world's largest economic region. They are closely interrelated, and the performance of the US economy has direct implications for Canada and Mexico, since these two countries are the United States' two major trade partners. The United States buys approximately 85% of Mexican exports (US Department of State, 2002a) and the United States and Canada have the world's largest bilateral trading relationship. In 2001, the equivalent of USD 1.4 billion a day in goods, services and investment income crossed the US-Canadian border (US Department of State, 2002b). Mexico is Canada's first trade partner in Latin America. About 72% of total foreign direct investment (FDI) in Canada is from the United States.

NAFTA is the first regional trade agreement between advanced industrial nations and a developing nation. It mandates the elimination of tariffs and non-tariff barriers among the three countries and requires each nation to treat investors from the partners no differently than its own. NAFTA is concerned only with the flow of goods and capital; it does not provide for the free flow of labour.

There is no North American co-ordinated policy process in higher education. Most interaction among higher education institutions in the three countries is institutionally driven and concentrated along the borders. Government efforts to promote collaboration have been minimal. Some educators see NAFTA as helping to promote a much higher level of trilateral co-operation which would provide students with the knowledge and cultural and language skills to work in all three countries. Others see its push for liberalisation as a means of increasing the commercialisation and privatisation of public and not-for-profit institutions and strengthening the position of the for-profit providers (Barrow *et al.*, 2004).

The most important enduring structure to promote co-operation in higher education among the three countries is a non-governmental organisation (NGO), the Consortium for North American Higher Education Collaboration (CONAHEC), an organisation with a membership of 140 institutions and organisations. CONAHEC serves as a convenor and information clearinghouse, and assists institutions seeking partnerships.

2.1. Historical overview – framing factors

The United States, Canada and Mexico are vastly different economically, politically and socially. Because higher education in the United States, Canada and Mexico is more dissimilar than similar, and because there is no strong regional identity, this chapter examines internationalisation and cross-border education in each of the countries individually before looking at the regional level.

The structure and scope of the three higher education systems differ markedly. There are some 3 958 accredited degree-granting US higher education institutions, including 1 646 public and 2 312 private institutions, as well as 1 037 public two-year community colleges (US Department of Education, 2001a and b). Canada has 160 degree-granting institutions, most of which are public, and over 230 public community colleges. Mexico has 1 250 higher education institutions, including 515 public and 73 private institutions (ANUIES, 2000, p. 36). Educational attainment also differs among the three countries. In 2000, about 50% of the US and Canadian 25-34 year-olds had attained tertiary education, compared to 20% in Mexico (OECD, 2002).

Additionally, because internationalisation and cross-border education are driven more by institutions than by government in the United States and Canada, the chapter focuses largely on institutional policies and practices. The data available on the three countries support this institutional level approach.

2.1.1. Post-secondary education system

United States

With approximately 14.8 million students enrolled in 1999 and 6 636 nationally and regionally degree or not degree granting accredited institutions in 2000 (US Department of Education, 2001a and b), including 2 117 public institutions, 1 996 private not-for-profit, and 2 523 for-profit institutions, US higher education is a large and highly diverse system. The role of the federal government is largely confined to funding research and to student financial aid. States, rather than the federal government, provide base funding for institutions. In addition, the legal framework, supervision and co-ordination reside at the state level. The result is that educational policy is developed separately in 50 states, often with considerable variation in terms of approach and levels of funding.

The United States has a large and robust independent (private) sector, including 1 732 accredited not-for-profit degree granting institutions and 804 accredited degree granting for-profit institutions (US Department of Education, 2001a and b). Enrolment in the for-profit sector has grown significantly since 1996, from 304 465 to 450 084 in 2000 (US Department of Education, 2001, *www.ed.gov*). The larger for-profit institutions have become major players in cross-border education.

Paying for higher education is a well-established feature of US higher education, including at public institutions. In 2002/03, average annual tuition and fees for in-state students at four-year public institutions was USD 4 081 and at two-year public colleges

USD 1 735. In private not-for-profit institutions the comparable figures were USD 18 273 for universities and USD 9 890 for two-year institutions (College Board, 2002). Steep tuition rises have been announced for 2003/04. Severe budget shortfalls at the state level have resulted in budget cuts and tuition increases at many state institutions.

In the United States, quality assurance, which takes the form of accreditation, is non-governmental. The decentralised, non-governmental nature of accreditation poses special challenges in international discussions of quality assurance in the context of cross-border education, as no single US body conducts accreditation. Eight regional associations accredit degree-granting two-year and four-year, public, private and for-profit institutions; 98% of the institutions accredited by the regional associations are not-for-profit. The accrediting associations are institutional membership organisations and rely on a system of self-study and peer review. The national associations operate throughout the country and review entire institutions, 65% of which do not grant degrees. Many of the schools accredited by the national associations are for-profit (80%) and have a single purpose, such as religious studies or information technology. While institutional accreditation is in theory "voluntary", it is the only external validation of institutional quality and accreditation by an association that is recognised by the US Department of Education. It is required in order for an institution to receive federal funds.

Another level of accreditation is specialised, or programme accreditation, usually of professional and occupational programmes (or schools) such as business, medicine, art, journalism, engineering and law. In 2001, there were 57 specialised accrediting associations recognised by the US Department of Education. Serving as an umbrella for both regional and specialised accreditors is the private, not-for-profit Council on Higher Education Accreditation (CHEA), a national membership association of accredited higher education institutions and accrediting organisations. It recognises accrediting associations that meet its standards, co-ordinates research and analysis on accreditation, and disseminates information about good practice in accreditation and quality assurance. It also serves as a focal point for international dialogue on quality assurance.

Canada

In Canada, the post-secondary sector consists of a university system of approximately 160 degree-granting institutions and a college system which includes over 230 community colleges (CICIC, 2002). Most of the universities are established through provincial legislation and are therefore public and "recognised". The term "recognised" indicates that they meet governmental requirements and standards. A small number are religious institutions and are classified as private not-for-profit. In 2004, there were only three private for-profit degree-granting institutions in Canada, which had been established in the last five years. They are required to meet provincial regulations for out-of-province institutions. The colleges are primarily oriented to diploma/certificate level education in vocational and technical areas. The community college system in Canada is public. However, there are hundreds of small private technical and trade colleges. They meet provincial regulations and are licensed to operate but are not publicly funded or "recognised". This chapter focuses on internationalisation, and in particular on cross-border education; it therefore looks at public degree-granting institutions (universities) and leaves aside non-degree-granting institutions, primarily the colleges.

The fact that there is no federal government department with jurisdictional responsibility for any level of education, including post-secondary education, is key to

understanding Canada's education system. The federal government provides indirect support to post-secondary education through fiscal transfers to the provinces and funds university research and student assistance. This means that regulatory frameworks for funding, access, quality assurance, evaluation and other matters are provincial/territorial mandates.

Mexico

In Mexico, the higher education system consists of six different subsystems: public universities, technological education institutions, technological universities, private institutions, teacher training colleges, and other public institutions. In 1999, Mexico had a total of 1 250 institutions of which 515 were public and 735 private. The public institutions include 45 universities, 36 technological universities, 67 other types of universities, as well as 147 technological institutes and 220 public normal schools; the private institutions include 168 universities, 171 institutes, 140 centres, 71 schools, 48 other university institutions and 137 normal schools (ANUIES, 2000).

Most public universities are autonomous and can by law govern themselves. Most of the technological universities, which offer two-year programmes, are co-ordinated by the federal government through the Undersecretariat of Education and Technological Research (SESIC) of the Secretariat of Public Education (SEP) in conjunction with the state governments.

Enrolments in Mexican higher education have grown tremendously in the past decade, from 1.2 million to 2 million, an increase of 66% (Antón, 2001). It is expected that by 2006 national enrolment in higher education will be about 2.8 million (SEP, 2002, *www.sep.gob.mx*). The percentage of the age cohort enrolment grew from 14% to 20%, and the number of institutions of higher education increased from 776 to 1 250. Enrolment in graduate education has grown significantly, from 43 965 in 1990 to 136 240 in 2001. The total number of academics rose from 129 092 in 1990 to 219 637 in 2001, an increase of 70% (ANUIES, 2000) (SEP, 2002, *www.sep.gob.mx*). Much of the growth in enrolment and institutions was in the private sector. From 1995 to 1999, enrolment in public institutions increased 4.9%, while that of private institutions increased 13.8%. Some 47% of the new places and 60% of the new academic positions were in the private sector. In 2001, 30% of all enrolments were in the private sector. The private subsystem has grown in a heterogeneous and segmented fashion and concentrates more on teaching at the undergraduate level than on research (ANUIES, 2000).

Unlike Canada and the United States, Mexico is challenged to increase its capacity to accommodate a growing demand for post-secondary education which results from an increase in the 18-24 year age cohort and the improvement of secondary education. Some predict a demand for 1 million new places between 2001 and 2006, which would require 55 000 new teaching staff (Antón, 2001).

This growth took place in a context of profound economic change in the 1980s and 1990s. Trade surged, and the financial services sector was liberalised and restructured. While educational reforms were undertaken, especially in terms of evaluation and efforts to upgrade teaching staff, some assert that the pace of these reforms has lagged behind that of the economic sector (*Business Week*, 2001, cited by Kent, 2002). The reform agenda of the 1990s followed two decades of rapid and unregulated expansion of Mexican higher education, politicised and uneven funding, and an absence of quality control (Kent, 2002).

2.1.2. Evolution of internationalisation and cross-border education

United States

In the United States, the public and policy makers have historically been more inward- than outward-looking. Several studies have demonstrated that Americans are woefully ignorant of world geography and history (Hayward, 2000; *National Geographic*, 2002). It is therefore not surprising that international education has not been central to national educational debate. Although internationalisation is gaining prominence in the reform agenda of higher education, it remains marginal on many campuses and is often equated with the presence of international students and scholars rather than with the larger picture of the internationalisation of teaching, learning and research.

Internationalisation of US higher education, both as a campus initiative and as a focus for federal support, largely began after World War II. While defence and foreign policy have dominated the federal approach to internationalisation, higher education institutions have traditionally focused on improving the quality of teaching and research as well as on helping institutions in other countries build capacity.

The Cold War shifted the focus of internationalisation from promoting peace and mutual understanding to achieving foreign policy goals (De Wit, 2002). Foreign aid and technical assistance aimed to stem the influence of the Soviet Union in developing countries with the provision of economic assistance. Although President Truman's public commitment to foreign aid in his inaugural address in 1949 was not the first effort of the United States to help developing nations, it marked a shift away from the isolation that characterised the United States between the world wars and from post-war relief to a focus on economic development (Ruttan, 1996, p. 33). Truman proposed "a bold new programme for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas" (Ruttan, 1966, p. 33). Higher education had potentially a key role to play in implementing the Truman plan in such areas as agriculture, health, education and financial reform, but the level of federal interest and support ebbed and flowed and the relationship between higher education and the US Agency for International Development (USAID) has never been an easy one (De Wit, 2002; Ruttan, 1996).

The Cold War was also the origin of the 1958 National Defense Education Act (NDEA), prompted by the Soviet launching of Sputnik. NDEA led to substantial investment in the development of studies focused on specific languages and world regions (area studies) through the provision of individual scholarships. The Department of Education's Title VI Programme of the 1965 Higher Education Act represented another important investment in the development of language expertise and area studies through grants to institutions. Created in 1991 and funded by the Department of Defense from the "peace dividend" resulting from the end of the Cold War, the National Security Education Programme (NSEP) is a small (USD 8 million) scholarship programme that supports study abroad for undergraduates and international and language study for graduate students in languages and areas of the world that are crucial to US security.

The Cold War, however, did not produce a sustained national push for international education. Owing to the lack of widespread interest or a belief that it was not vital to the national interest, Congress failed to pass the International Education Act of 1966. From the mid-1960s until the early 1980s, the federal government and the foundations turned from international to domestic interests (De Wit, 2002).

Interest in internationalisation returned as economic competitiveness became a more important theme in the 1980s. The American auto industry was losing ground to the Japanese, and it was generally perceived that US competitiveness was threatened. Economic competitiveness provided a new definition of the national interest. Higher education institutions made the case to business and policy makers that increased knowledge of world languages, cultures and business practices would advance US interests. The Centers for International Business Education and Research under Part B of Title VI of the Higher Education Act were created to "promote education and training that will contribute to the ability of the United States to prosper in an international economy" (US Department of Education, Office of Postsecondary Education, 2002).

The importance of competitiveness as a driver of internationalisation continued through the Clinton administration, as illustrated by the executive memorandum of 19 April 2000 on international education policy. Addressed to the heads of executive departments and agencies, it indicates that "to continue to compete successfully in the global economy and to maintain our role as a world leader, the United States needs to ensure that its citizens develop a broad understanding of the world, proficiency in other languages and knowledge of other cultures" (White House, 2000). Although this memorandum was warmly received by the higher education community, it resulted in no new funding or programmes. The Bush administration came into office with strong focus on primary and secondary education and with little interest in internationalisation prior to the events of 11 September 2001.

Cross-border education has always had economic implications for the United States, especially because of the important financial consequences of receiving more than half a million international students. However, prior to the US proposal on higher education to the World Trade Organisation (WTO) in 2000, promoting trade through education was not a conspicuous aspect of governmental policy. For higher education institutions, international students were certainly an economic benefit, and the billions of dollars they brought in were frequently cited as a beneficial by-product of their presence. However, revenue generation is not the primary motivation of not-for-profit institutions. In 2001, the American Council on Education and the Council on Higher Education (also a US organisation) collaborated with the European University Association (EUA) and the Association of Universities and Colleges of Canada (AUCC) to issue a declaration outlining their concerns. Thus, the US higher education community was publicly at odds with the federal government, concerned about potential threats posed by a global trade agreement to the autonomy of institutions to set tuition and determine student selection criteria, to the non-governmental accrediting process and to the restriction of federal and government funding to domestic institutions. Discussions are now under way in both the United States and Canada (the latter having decided not to make commitments in higher education) between higher education associations and their trade representatives to ensure that the interests of public and not-for-profit higher education are made known.

The current climate for internationalisation is quite mixed. Although there is strong public support for internationalisation, that support has not translated into increased opportunities for language learning, education abroad or widespread curriculum reform. A 2002 ACE study showed strong support for language learning in high school and college, for study abroad and for the presence of international students on US campuses (Siaya *et al.*, 2002). Some 90% of respondents (adults 18 years of age and older) believed that knowledge about international issues would be important to the careers of their children and future

generations, 80% supported a high school language requirement, 74% supported a language requirement in higher education, 77% favoured requiring internationally focused courses and 75% believed students should have a study abroad or internship experience during their college or university years. High school students going to four-year colleges and universities demonstrated similarly positive attitudes; for example, 48% indicated they would like to study abroad (Hayward and Siaya, 2001), and 59% of those students said they would like to do so for a semester. These beliefs were largely unchanged by the events of 11 September, although respondents aged 45 and older expressed greater reservations about study abroad for US students and were slightly less receptive to the presence of international students on campuses. However, their attitudes on both were still positive.

Public opinion, however, is only part of the picture. Federal international initiatives are now more clearly tied to diplomacy and national security. New exchange programmes with Muslim countries are being developed, and heightened awareness of the need for language and area studies experts is putting existing programmes such as Title VI under scrutiny and focusing new efforts, such as the National Flagship Language Programme, on producing such experts. This trend is likely to continue for the foreseeable future.

It is important to note that federal support for exchange, development co-operation, and the internationalisation of curricula is currently very low. Combined federal spending under the largest international higher education and academic exchange programmes in the US Departments of Education, State, and Defense is roughly USD 280 million, or less than 1% of federal discretionary expenditure for higher education (ACE, 2002). The Senior Fulbright Programme, initiated more than 50 years ago and the jewel in the crown of international education programmes, is a modest programme funded at USD 122.9 million in 2003, and has undergone significant cuts in the last decade. The federal government offers few national scholarship opportunities for foreign students; only 6% of foreign students reported that their primary source of funding for their studies was the US government. Programmes to support US students going abroad are very small (Chin, 2002).

In 2002, ACE and 32 national associations issued a call for a national strategy on internationalisation to be implemented through a partnership of education institutions and the federal government, with assistance from state and local government. The policy paper (ACE, 2002) called for enhancing foreign language, area and international studies; internationalising teaching and learning; promoting international research; enhancing institutional linkages abroad; increasing study and internships abroad; increasing the number of international students; increasing scholarly and citizen exchanges; and making greater use of technology for access to information. With the federal agenda and budget focused on terrorism and national security, internationalisation initiatives tied to those concerns will probably receive the most attention. In fact, as discussed in the final section of this chapter, it is unclear whether the United States will continue to attract as many foreign students as in the past. A drop in visa applications and foreign visits is already visible (McLaughlin, 2003).

Canada

In the 1950s, the participation of Canadian higher education institutions in the Colombo Plan to aid some Asian countries (India, Pakistan, etc.) set an important course for the international work of universities. International academic relations at the institutional level have traditionally been based on development co-operation projects, international scholarships, research, and bilateral collaboration through institutional agreements

(Shute, 1999). Starting in the mid-1980s, a more comprehensive approach evolved and covers a more diverse range of objectives, issues and activities (AUCC, 1995). Internationalisation began to be seen as a tool for institutional and national capacity building in Canada and for development co-operation with partners abroad.

Today, internationalisation is generally seen to have two major components. The first can be characterised as "internationalisation at home". It emphasises Canadian students and faculty, curriculum, research, extracurricular activities and liaison with local cultural and ethnic groups. It includes dealing with the implications of cross-border education, especially the integration of international students/scholars into campus life, teaching/learning and research. A great deal of attention is focused on these aspects at Canadian higher education institutions. The second component of internationalisation relates to "education abroad or across borders". It includes development/aid projects, institutional-level academic exchanges and partnerships, and commercial or trade initiatives. Cross-border education involves the mobility of four elements: people (students/scholars/professors), education/training programmes, providers (higher education institutions and new private for-profit companies) and academic collaborative projects. Education across borders is the focus of this report. However, this does not diminish the importance of "internationalisation at home" issues and activities, and the impact of cross-border education on "at home" internationalisation should not be underestimated.

Canada's current orientation to cross-border education mainly focuses on academic linkages and partnership initiatives as well as international students. In general, institutions seem to give more priority to promoting student mobility than to cross-border programme delivery. No Canadian higher education institutions have established a branch campus in another country for multiple programme delivery. In the other direction, there is a definite increase in the number of institutions and providers that are looking for opportunities to deliver courses and programmes in Canada. New legislation and organisations at the provincial level are being established to review and ensure the licensing and quality of these incoming programmes and institutions (Knight, 2003).

Internationalisation at Canadian universities has traditionally been institutionally driven and taken a bottom-up approach. The Association of Universities and Colleges of Canada undertook major surveys in 1993 and 1999 on the status of internationalisation at all degree-granting institutions. Overall, the results show increased interest in recruiting international students but limited activity and interest in the cross-border delivery of education programmes or the establishment of branch campuses, franchises and other commercial education activities. There is also greater interest in providing more opportunities for Canadian students to participate in study abroad programmes and international internships. During the last decade, there has been a discernible movement from development co-operation/aid projects to partnerships and linkages and a gradual and increasing interest in commercial initiatives. At present, the emphasis appears to be more on institutional academic linkages and partnerships than on aid or trade activities.

In the mid-1990s the development and signing of the NAFTA agreement spurred new interest in regional education co-operation and joint activities. While bilateral activities increased and a number of trilateral initiatives were started, substantial growth in North America regional-based activities among Canadian higher education institutions has not occurred.

Mexico

In the 1990s, upgrading the knowledge and qualifications of the teaching staff became an important driver of Mexican internationalisation. In 1998-99, 82.4% of the teaching staff had the *licenciatura* (first degree) as their highest degree. Government-sponsored programmes such as the National Programme for Faculty Development (PROMEP), initiated in 1996; SUPERA, initiated in 1994; and, more recently, a federally funded new incentive mechanism which encourages institutions to develop their academic infrastructure (known as PIFI and PIFOP) have enabled some teaching staff who receive scholarships to study abroad. Between 1996 and 1999, PROMEP provided 1 960 scholarships, of which 428 for study abroad (ANUIES, 2003). These programmes added to the approximately 2 500 scholarships offered annually for graduate study abroad by the National Council for Science and Technology (CONACYT) in the same period of time (CONACYT, 2003).

The signing of the NAFTA agreement in 1993 provided a catalyst for change and quality improvement in higher education, but some concerns were voiced. For some, NAFTA raised the spectre of domination by the United States, and, in higher education, the dangers of market forces, privatisation and the loss of Mexican cultural identity (Taub and Schiller, 2001).These issues were at the heart of the 1999 student strike that closed the National University (UNAM) for the better part of a year (Levy and Arenas, 1999).

According to the National Association of Universities and Institutions of Higher Education (ANUIES), since the beginning of the 1990s international activities have acquired more strategic significance and greater importance in Mexico's educational policies (Gacel-Avila, 2003). In the early 1980s, UNAM created Mexico's first international office; since then, most private and public institutions engaged in international activities have done the same. The 1990s also saw an intensification of internationalisation efforts at the institutional level. By the end of the decade, national policy makers frequently mentioned co-operation with foreign institutions as a strategic measure to strengthen educational quality. A 1999 meeting of ANUIES affirmed in the resulting publication on international cooperation, student mobility, and academic exchange: "co-operation with foreign institutions of recognised quality has become a strategic element to strengthen Mexican higher education institutions by enabling them to benefit from the comparative advantages that exists in each of them".

However, the obstacles at the institutional level to such co-operation are considerable: rigidity of curricular paths and the difficulty of awarding credit for studies at other institutions or in other countries; the marginal status of internationalisation at many institutions; dearth of funding; lack of professional support and infrastructure in universities (Barrow *et al.*, 2004; Kent, 2002). These impediments also exist for US and Canadian institutions; the difference is one of degree.

2.1.3. Regional analysis

Despite some shared characteristics, the three systems are quite different. A major difference is the size of the systems and the participation rate, with the United States far outdistancing the other two countries in terms of the numbers of institutions and numbers of students. Participation rates are high in the United States and Canada (with approximately 50% of 25-34 year olds having attained tertiary education in 2000, compared to approximately 11% in Mexico; OECD, 2002). Although higher education enrolments continue to rise in Mexico, the gap is large. The United States and Canada have sufficient

capacity to absorb more students (but it is unevenly distributed across states and provinces), while Mexico is challenged to meet the growing demand. In terms of cross-border education, Mexico is a potential recipient and the other two countries providers.

The presence of a thriving private sector distinguishes the United States and Mexico from Canada. In the United States, however, enrolments have steadily shifted from the private not-for-profit to the public sector since the 1950s, with 80% of US students currently enrolled in public institutions, whereas the movement is in the opposite direction in Mexico. The United States and Canada have highly decentralised systems, with the states and provinces playing the major role in funding and policy, while Mexico has a centralised system. In Mexico, the Secretariat of Public Education and the Undersecretariat for Higher Education determine policy and funding and play a significant role in quality assurance by monitoring private institutions. In all three countries internationalisation has focused on institutional co-operation and faculty and student mobility. Mexico's primary partner has been the United States. The vast majority (96%) of Mexican international agreements are bilateral (ANUIES, 1999), with 35% for research, 32% for teaching and 23% for professional development.

Although NAFTA did not result in a major push for integration of higher education in the three countries, it did lead to some activities. In all three countries, the response to NAFTA was stronger at the higher education association and institutional level than at the government level (Kent, 2002). Trilateral programmes and financial support have been modest, and none of the three countries has an internationalisation policy supported by an integrated set of programmes. In the United States and Canada, internationalisation is largely institutionally driven rather than the result of a national policy or strategy, whereas Mexico depends on both national and institutional policy.

US government objectives for international exchange have reflected foreign policy or national security objectives, which have translated into support for a variety of exchange programmes, some aimed at the broad goals of building cultural bridges, others more specifically at developing expertise in critical languages and areas of the world of strategic interest. Mexico has targeted quality improvement in general and especially enabling teaching staff to obtain an advanced degree. Since the 1990s, several government-supported programmes have emphasised teacher/scholar mobility; from the end of the 1990s, more attention has been given to two-way student mobility. Given Mexico's concerns, the more traditional modes of academic collaboration and faculty and student exchange are likely to continue to dominate their cross-border activities.

In all three countries, internationalisation across the higher education sector is uneven. Each has a group of highly active institutional players. These include institutions along the US-Mexican and US-Canadian borders, and research universities with a history of international co-operation, especially linked to research, for which external funding is more frequently available.

2.2. Key developments

This section addresses some of the key developments in cross-border education in the North American region. Information on trends and some statistics are provided on the cross-border movement of *i)* people (students, scholars, faculty); *ii)* education and training programmes; *iii)* institutions and providers; and *iv)* projects. Cross-border mobility is

addressed in terms of development assistance projects, institutional exchanges and linkages, and commercial/trade initiatives.

Efforts are made to provide country information for each of the key activities and trends so that a regional analysis and cross-country comparisons can be made. However, for some aspects of cross-border education, information is not systematically collected and data at national level are not available. In addition, the data are often not comparable in terms of dates, samples and criteria, and this limits the reliability and validity of cross-country comparisons.

Of particular interest for, and relevance to, the North American region is the degree of intra-regional collaboration versus inter-regional co-operation. Therefore special attention is given to source countries for international student mobility, preferred destinations for study abroad and geographic areas of concentration for institutional agreements and development projects. The large numbers of private and public higher education institutions in the United States and Mexico and the growth of for-profit providers in the United States and their emerging presence in Canada are also important regional characteristics. Information on the development of trilateral education initiatives stimulated by the development of NAFTA is also provided.

2.2.1. Major cross-border activities and developments

United States

Development co-operation. The level of federally funded development co-operation projects has expanded and contracted over time; it reached its peak during the Kennedy administration and then steadily declined until the late 1990s. The relationship between higher education and federal aid agencies has been a rocky one, owing to differing views on the purposes of development co-operation and the different operational styles of the higher education community and the foreign aid agency. The Association Liaison Office for University Cooperation in Development (ALO), set up in 1992, created an intermediary between USAID and higher education. ALO oversees and administers a co-operative agreement between USAID and the six major higher education associations that allocate USAID funding through a competitive peer-review process for development partnerships between US higher education institutions and partners in countries where USAID is present. The projects represent a wide range of development areas including HIV/AIDS, teacher training, renewable energy resources, judicial training, and local governance. Since 1998 it has supported 177 partnerships, each at approximately USD 100 000 for a three-year project. It has also conducted a series of roundtables to explore how collaboration between USAID and higher education can be enhanced.

Academic linkages/partnerships. No national data are available on the number or types of linkages between US institutions and international partners. Indeed, many agreements and partnerships are developed and implemented at department and faculty level and may not be included in any central institutional listing of agreements. Institutional inventories are often incomplete and out of date, especially in large research universities. Only a small minority of academic linkages are funded by governmental bodies such as the State Department or USAID.

International students studying in the United States. The number of international students in the United States has grown steadily since the Institute for International

Education (IIE) began collecting data in the 1950s (see Table 2.1). Enrolment grew from 34 232 in 1954/55 to 154 580 two decades later, to 452 653 in 1994/95 and to 586 323 in 2002/03 (Chin, 2003). The proportion of female students rose from 25% in 1977/78 to 43.8% in 2002/03.

Table 2.1. **International students in the United States**

Year	International students	Annual % change	Total enrolment	% international
1954/55	34 232	--	2 499 800	1.4
1959/60	48 486	2.6	3 402 300	1.4
1964/65	82 045	9.7	5 320 000	1.5
1969/70	134 959	11.2	7 978 400	1.7
1974/75	154 580	2.3	10 321 500	1.5
1979/80	286 343	8.5	11 707 000	2.4
1984/85	342 113	0.9	12 467 700	2.7
1985/86	343 777	0.5	12 387 700	2.8
1986/87	349 609	1.7	12 410 500	2.8
1987/88	356 187	1.9	12 808 487	2.8
1988/89	366 354	2.9	13 322 576	2.7
1989/90	386 851	5.6	13 824 592	2.8
1990/91	407 529	5.3	13 975 408	2.9
1991/92	419 585	3.0	14 360 965	2.9
1992/93	438 618	4.5	14 422 975	3.0
1993/94	449 749	2.5	14 473 106	3.1
1994/95	452 653	0.6	14 554 016	3.1
1995/96	453 787	0.3	14 419 252	3.1
1996/97	457 984	0.9	14 286 478	3.1
1997/98	481 280	5.1	13 294 221	3.6
1998/99	490 933	2.0	13 391 401	3.6
1999/00	514 723	4.8	13 584 998	3.8
2000/01	547 867	6.4	14 046 659	3.9
2001/02	582 996	6.4	13 511 149	4.3
2002/03	586 323	0.6	12 853 627[1]	4.6

1. College Board Annual Survey of Colleges for 2002/2003 for fall 2001 enrolment.

Source: Chin (2003) (*http://opendoors.iienetwork.org/*).

International students currently comprise 4.6% of all US higher education students, but 13.3% of graduate students. Most international students are studying at the undergraduate level, with 72 494 at the associate's level, 187 609 at the bachelor's level and 267 876 at the graduate level (including first professional degrees). Research I & II universities host the largest group of international students, approximately 242 575. Foreign students' enrolments have increased the most at community college, with a 57.9% growth between 1993 and 2003. Community colleges enrolled 96 785 international students in 2003.

Asians represent the largest single group of international students in 2003, with 51% of the total. India now leads with 74 603 students, followed by China, with 64 757 (see Table 2.2). Canada and Mexico rank sixth and seventh, respectively, and although Mexican students comprise only 2.2% of all international students in the United States, their numbers increased by 20% in two years, from 10 670 in 2000/01 to 12 801 in 2002/03.

Table 2.2. **Leading places of origin of international students in the United States**

Rank	Place of origin	2001/02	2002/03	2002/03 % Change	% of US international students
	World total	582 996	586 323	0.6	
1	India	66 836	74 603	11.6	12.7
2	China	63 211	64 757	2.4	11.0
3	Korea	49 046	51 519	5.0	8.8
4	Japan	46 810	45 960	-1.8	7.8
5	Chinese Taipei	28 930	28 017	-3.2	4.8
6	Canada	26 514	26 513	0.0	4.5
7	Mexico	12 518	12 801	2.3	2.2
8	Turkey	12 091	11 601	-4.1	2.0
9	Indonesia	11 614	10 432	-10.2	1.8
10	Thailand	11 606	9 982	-14.0	1.7
11	Germany	9 613	9 302	-3.2	1.6
12	Brazil	8 972	8 388	-6.5	1.4
13	United Kingdom	8 414	8 326	-1.0	1.4
14	Pakistan	8 644	8 123	-6.0	1.4
15	Hong Kong	7 757	8 076	4.1	1.4

Source: Chin (2003).

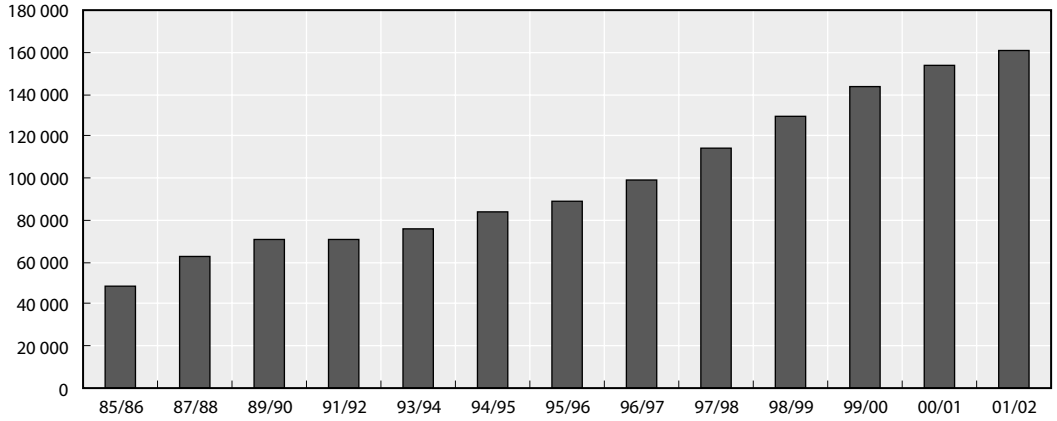
Over half of all international students were in business, technical and scientific fields of study in 2003. The leading fields are business and management, with 114 777 international students, and engineering, with 96 545. Because of a dearth of US applicants in US graduate programmes in science and engineering, these fields are especially dependent on the presence of international students. Enrolments in mathematics and computer science grew by 12% from 2001/02 to 2002/03, perhaps reflecting the increases in Indian and Chinese enrolments. It is interesting to note that enrolments in intensive English-language programmes decreased by 17%; it is likely that this drop is due to students choosing programmes at home or closer to home.

US students studying abroad as part of a US degree. The number of US students studying abroad for academic credit has increased steadily to 160 920 in 2001/02. After four years of double-digit growth, the increase slowed slightly to 7.4% from 1999/00 to 2000/01 and 4.4% from 2000/01 to 2001/02 (see Figure 2.1).

There are conflicting data on the percentage of US students who study abroad during their undergraduate years. One ACE calculation, using IIE data, put the figure at 3%. ACE data from a 2001 survey of US students (Siaya and Hayward, 2003) indicates that 12% of respondents reported having some type of academic experience abroad for credit during their college years. This figure includes all types of education abroad, including study abroad programmes, service learning, field trips abroad included in a course and summer study. This figure may be high, because of the bias created by the self-selection of students who agreed to respond to a questionnaire about internationalisation.

The vast majority of students (91%) who study abroad do so for one semester or less (see Table 2.3). Increases in study abroad are found in short-term programmes; year-long programmes have been declining between 1985/86 and 2000/01 (from 17.7% in 1985/86 to 7.3% in 2000/01) but have slightly increased between 2000/01 and 2001/02 to 7.8%. Enrolments in semester-long programmes have remained about steady over the period (37.3% compared to 39%), while summer programmes have increased from 28.1% to 34.4%

Figure 2.1. **Number of US study abroad students**



Source: Chin (2003).

and short-term programmes (fewer than eight weeks) increased from 1.7% in 1993/94 to 7.3% in 2001/02. It is likely that this last category is underreported, since many short-term programmes are faculty-led, last one or two weeks, and may not even figure in institutional statistics.

Table 2.3. **Duration of US study abroad, 1986-2002**

Percentage

Duration	1985/86	1987/88	1989/90	1991/92	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2001/02 students
One semester	37.3	35.0	35.2	37.5	37.2	39.4	39.4	40.2	38.4	39.8	38.1	38.5	39.0	62 759
Summer term	28.1	32.4	33.9	30.8	30.9	30.0	31.4	32.8	33.8	34.6	34.2	33.7	34.4	55 356
Fewer than 8 weeks	--	--	--	--	1.7	2.5	3.5	3.3	4.2	4.8	7.3	7.4	7.8	12 552
Academic year	17.7	17.5	15.9	15.9	14.3	14.0	12.1	10.7	9.5	8.6	8.2	7.3	7.3	11 747
January term	--	--	--	--	5.6	6.9	5.6	6.8	6.6	6.5	6.0	7.0	6.0	9 655
One quarter	7.9	7.3	6.4	9.7	6.3	4.8	5.1	4.0	4.8	4.0	4.7	4.1	3.9	6 276
Other	7.7	7.4	7.9	5.5	1.4	0.9	1.3	1.2	1.0	0.8	0.4	0.9	0.6	965
Calendar year	1.1	0.4	0.7	0.6	0.5	0.5	0.7	0.2	0.5	0.2	0.4	0.5	0.5	805
Two quarters	--	--	--	--	2.0	1.1	0.9	0.9	1.1	0.6	0.7	1.1	0.5	805
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	160 920

Source: Chin (2003).

The rise in short-term study abroad is a significant trend and one that is likely to continue. A large share of US students hold jobs while attending school, and the significant representation of adult students in higher education suggests that obligations of work and family may make long-term study abroad for this group difficult. Many institutions are increasing their offerings of opportunities for short-term study abroad, either as stand-alone summer programmes or integrated into a course.

Few US students who are not heritage speakers of a second language have sufficient command of another language to study outside an English-speaking country. Thus, is it not surprising that nearly 20% (30 143) of all students going abroad studied in the United Kingdom in 2001/02. Australia has been actively and successfully recruiting US students; there was a 49.4% increase in students going to Australia between 1999/00 and 2001/02 (from 6 329 to 9 456). Although data are lacking, many of the students studying in non-English-speaking countries pursue their studies in English, either with faculty from their home institution or with faculty from the host country teaching in English, and study the target language at the same time.

US campuses and programmes abroad. The only data available on the activities of US institutions abroad are aggregate data indicating that 225 US-accredited institutions or programmes were operating outside the United States in 2002 (CHEA, 2002, *www.chea.org*). Nine were accredited by US national accrediting organisations, 194 by regional accrediting associations, and 22 by specialised accreditors. Most colleges and universities with campuses in other countries serve US students studying abroad. Examples of exceptions include Webster University, headquartered in Missouri, with dozens of instructional sites around the United States and seven campuses abroad (London, Leiden, Vienna, Geneva, Thailand, Bermuda, Shanghai) and Temple University, with a campus in Japan. Texas A&M University plans to open an undergraduate engineering campus in Qatar, joining Cornell University, which has opened a branch of its medical school, and Virginia Commonwealth University, which operates a programme in fashion and interior design. These programmes are part of a large "education city" campus under development in Qatar.

US for-profit sector abroad. While "offshore" or "cross-border" operations serving local students are uncommon in traditional US institutions, the for-profit sector is increasingly operating campuses or buying institutions in other countries. Sylvan University has acquired or expanded nine institutions on four continents within the last four years (Blumenstyk, 2003) and has decided to specialise in international post-secondary activities; its latest acquisition was a Chilean university. Enrolment in institutions in the Sylvan International Universities Network is approximately 86 000, and projected revenue for 2003 is USD 410 million. Apollo International, a privately held company partially owned by the Apollo Group (owner of the University of Phoenix) and several of its founders, is a small operation with five overseas campuses and 1 500 students. Founded in 1999, it is planning or exploring the development of campuses in India, Mexico and Brazil in collaboration with local partners. According to the president of Apollo International, the company expects to go public in three to five years and hopes to have 70 000 to 100 000 students.

De Vry, Inc, has acquired Ross University, which operates a medical and veterinary school in the Caribbean. The Career Education Corporation acquired the parent company of American Intercontinental University and thus tripled its overseas enrolment. In February 2003, Career Education acquired a French company with nine colleges offering degrees in business and communications.

Programmes/providers from abroad operating in the United States. Data from the Council on Higher Education Accreditation indicate that as of 2001, there were nine accredited non-US institutions or programmes operating in the United States (CHEA, 2002, *www.chea.org*). Three institutions were accredited by national accrediting associations and

six by regional accrediting associations. Only aggregate data on these institutions are available.

Distance education. Existing data on the growth and scope of distance learning do not provide any insight into the reach of these programmes beyond the United States. Of all accredited two- and four-year institutions, 56% (2 320 institutions) offered distance education courses in 2000/01, up from 44% three years earlier (US Department of Education, NCES, 2003). Another 12% indicated they planned to start offering such courses. Among institutions that offered distance learning opportunities, 34% had degree or certification programmes designed to be completed entirely through distance education. Enrolment in distance learning courses has also grown, from 1.3 million in 1997/98 to 2.9 million course enrolments in 2000/01. The University of Phoenix, the largest university in the United States in terms of enrolments, has 60 000 of its 140 000 students online, with 4 000 overseas (Pohl, 2003). While the potential for these expanded offerings to cross borders is significant, there are no data to show the extent to which this is happening.

Anecdotal evidence suggests that institutions offering online master's of business administration (MBAs) are seeking to expand their overseas enrolments. Partnerships of institutions from different countries, sometimes including a for-profit partner, help broaden enrolments beyond a single national pool. Cardean University, a for-profit entity that markets a course package created by partner institutions, has one-third of its enrolments outside the United States (Pohl, 2003).

Canada

The primary sources of information on cross-border education in Canada are the AUCC 1999 national survey on internationalisation in degree-granting institutions (Knight, 2000) and the Report on Foreign Students in Canada (CIC, 2003).

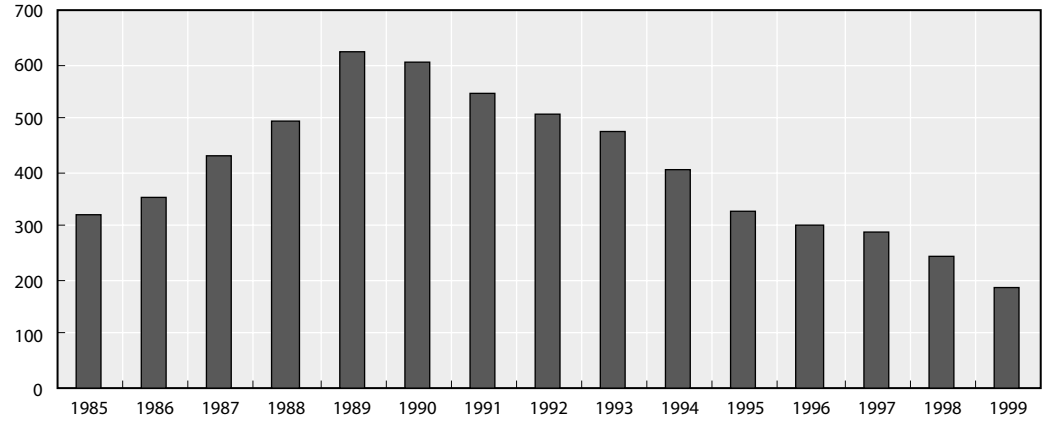
Higher education development projects. As noted, the foundation on which Canadian higher education institutions have built their international education activities has been international development co-operation. However, Figure 2.2 shows a steady decline in the absolute number of university international development projects since a peak in 1990.

The geographical distribution of projects, illustrated in Figure 2.3, shows that this decline has affected Africa more than other regions of the world and that Southeast Asia and East Asia still have the largest number. In 1999, education and teacher training made up 20% of projects, followed by social services (14%), agriculture/forestry (13%), medical/health sciences (12%) and social/behavioural sciences (12%).

Academic linkages/partnerships. It is interesting to compare the decline in the number of development projects (Figure 2.2) with the increase in international exchange agreements (Figure 2.4). The growth in institutional agreements has primarily concerned Western Europe, Asia and Central and Eastern Europe (Figure 2.5). In percentage terms, the number of agreements with the United States and Mexico, Canada's regional partners, is relatively small and on a par with those with Central and Eastern Europe, Africa and South America.

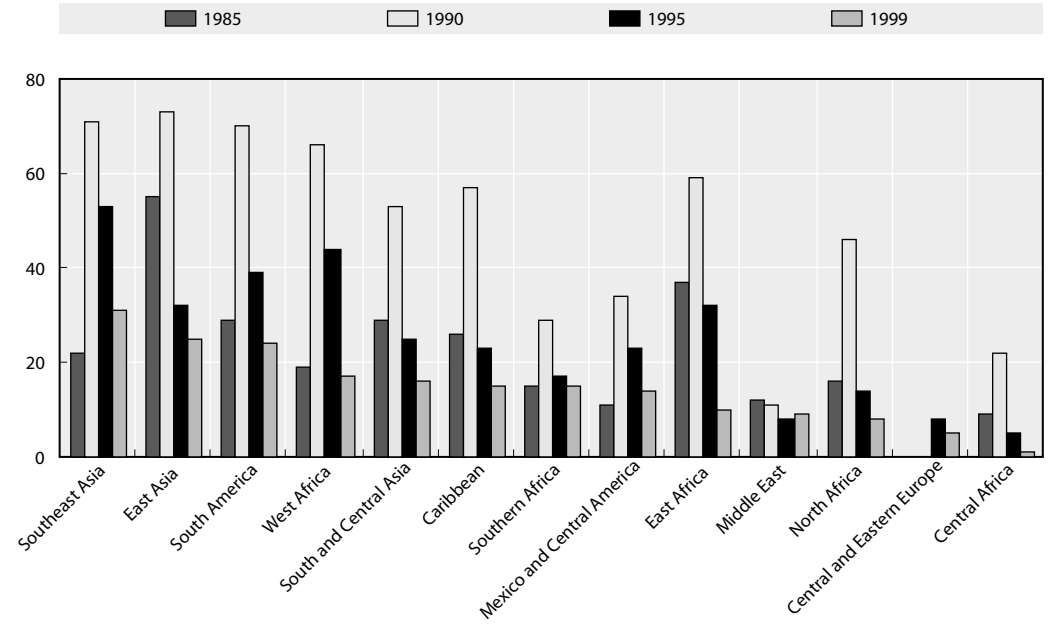
In 1999 undergraduate student and faculty exchange represented the largest share of agreements, and exchange/joint design and delivery of curriculum less than 2% (Figure 2.6). This supports the observation that people mobility has so far been more important for Canadian universities than programme or course mobility.

Figure 2.2. **Number of university development projects in Canada, 1985-99**



Source: AUCC (2000).

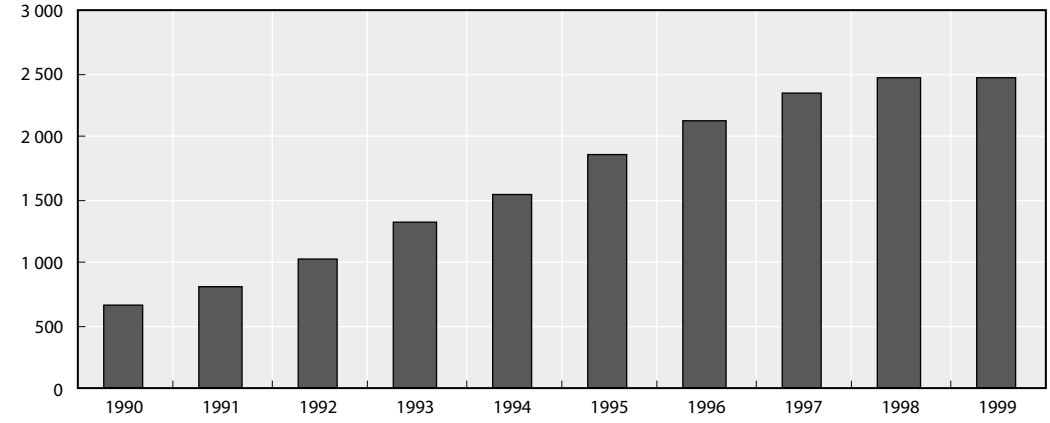
Figure 2.3. **Geographical distribution of university development projects in Canada**



Source: AUCC (2000).

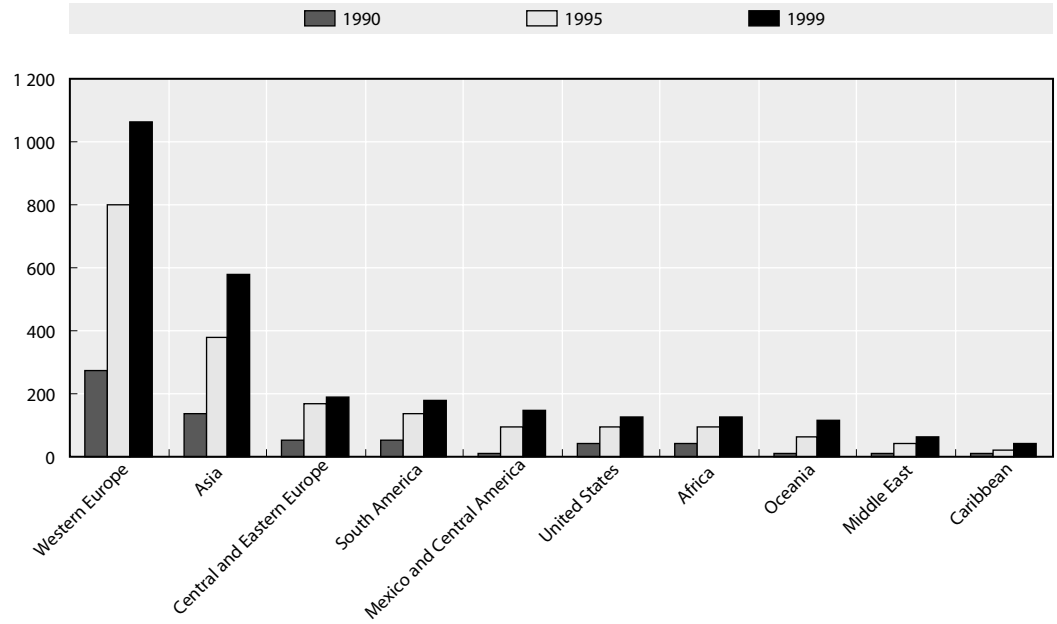
International students in Canada. Since 1980, flows of all levels of international students into Canada (from primary education to higher0 education) have gone through three distinct phases. In 1980-87, the flow was about 20 000 a year, it increased to 30 000 in 1988-94, and

Figure 2.4. **University international exchange agreements with Canada**



Source: AUCC (2000).

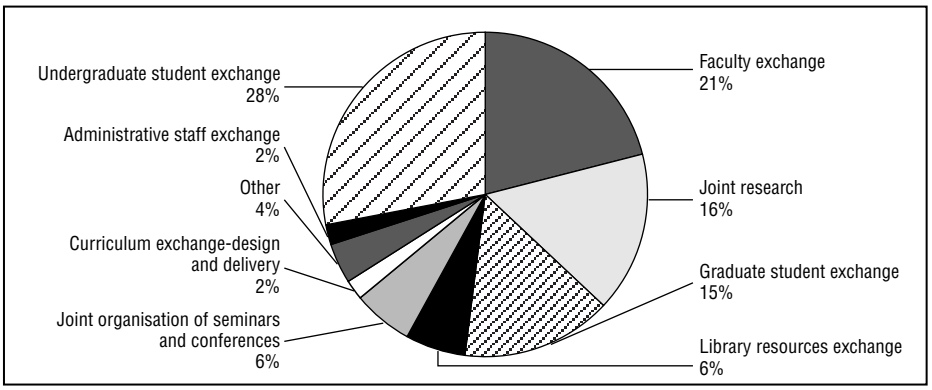
Figure 2.5. **Agreements by world region, 1990, 1995, 1999**



Source: AUCC (2000).

then rose sharply to over 70 000 (CIC, 2003, p. 6). Table 2.4 shows the principal source countries and indicates a steady increase in the number of international students studying in Canada, with China showing the fastest growth rate in recent years. Over the past two decades, there has been a significant decrease in students from Malaysia and Hong Kong, China. This may be attributable to Australia's very successful recruitment efforts; however,

Figure 2.6. **Types of agreements in Canada**



Source: AUCC (2000).

students from Japan and Korea have increased substantially. Overall, students from East Asia (Korea; China; Japan and Hong Kong, China) accounted for 43% of foreign students studying in Canada in 2001.

Table 2.4. **Numbers of international students in Canada, by source country**

Year	France	China	Hong Kong, China	Japan	Malaysia	South Korea	United States	Other	Total
1980	526	287	9 298	772	5 134	61	4 702	15 941	36 751
1985	711	815	11 027	1 237	2 786	334	4 915	16 531	38 356
1990	1 623	1 740	13 565	4 656	1 895	999	6 587	25 657	56 722
1995	2 669	1 730	9 132	7 752	1 610	4 883	7 155	28 200	63 131
2000	5 825	10 576	6 165	9 695	1 014	14 895	11 267	48 524	107 961
2001	6 479	20 160	6 261	10 585	982	19 956	12 216	56 383	133 022

Source: Adapted from CIC (2003), p. 64.

Table 2.5 is revealing on a number of fronts. With the exception of students from Korea and China, international students seek university-level education more than primary, secondary or non-university post-secondary level. In 2001, university-level study accounted for about 44% of all international students in Canada. This is consistent with the numbers from the 1990s. Vocational/technical education (identified as trade education by CIC) in colleges and institutes constituted 13% of all study in 2001, with Korean students making up 50%. Other post-secondary education includes language training and university qualifying programmes; this has increased significantly in the last few years. Gender differences are most evident for Japan, with women outnumbering men by a ratio of 2 to 1. Finally, Mexico is starting to emerge as an important source of international students, although, on average, Mexican students tend to stay in Canada for shorter periods than students from other leading source countries (CIC, 2003, pp. 3-4).

Table 2.5. **International students in Canada by post-secondary education level and source country, 2001**

Source country	Gender	Trade	University	Other post-secondary education	Total
France	Male	86	2 702	177	2 965
	Female	64	2 447	139	2 650
China	Male	942	4 217	4 127	9 286
	Female	735	3 861	3 213	7 809
Taiwan	Male	397	772	492	1 661
	Female	423	841	783	2 047
Hong Kong	Male	289	1 644	339	2 272
	Female	227	1 307	337	1 871
Japan	Male	481	929	509	1 919
	Female	1 061	1 867	864	3 792
Korea	Male	4 345	1 774	314	6 433
	Female	4 360	1 800	347	6 507
United States	Male	173	2 786	412	3 371
	Female	130	3 365	321	3 861
Mexico	Male	350	703	294	1 347
	Female	472	644	348	1 464

Source: Adapted from CIC (2003), p. 80.

Canadian students studying abroad. There is no systematic or reliable means of gathering information at institutional level on Canadian students studying abroad as part of a Canadian degree. As a result, aggregate data at the national level are not available. Institutions are only now establishing ways to capture this information for eventual inclusion in a national database. The 1999 AUCC survey estimated that 0.9% of full-time graduate and undergraduate students enrolled in Canadian universities have a formal study abroad experience, namely about 8 500 students. This only includes students on undergraduate or graduate exchange and students on internship or co-operative education placement for academic credit. It does not include short-term stays such as field trips, research projects or seminars. "Lack of funds or financial support" was seen as the most compelling reason for the low participation rate (76% of respondents ranked it as the number one reason).

There were 29 326 Canadian students studying abroad at university level in OECD countries in 2001 (Table 2.6), a smaller number than the 40 667 foreign students studying at the same level in Canada in 2001. The flows of students are however rather balanced in Canada, which receives 1.39 foreign students for every Canadian student studying abroad in the OECD area. The three preferred destinations are, in order, the United States, the United Kingdom and Australia, all English-speaking countries with respected higher education systems. They enrol 90% of all Canadian university students studying abroad in the OECD area.

In the 1999 AUCC survey, Western Europe and Australia/New Zealand appeared as the most popular destinations for study abroad in terms of interest (Figure 2.7). This is not surprising given language issues, cultural orientations, quality of education and the number of institutional agreements. However, it does raise the question of whether Canadian institutions and students are limiting their options for international and intercultural experiences. Of note is the expressed higher interest in study in Mexico and Central and South America than in the United States. Given that the mobility to the United States represents 75% of the registered mobility of Canadian students, this may indicate

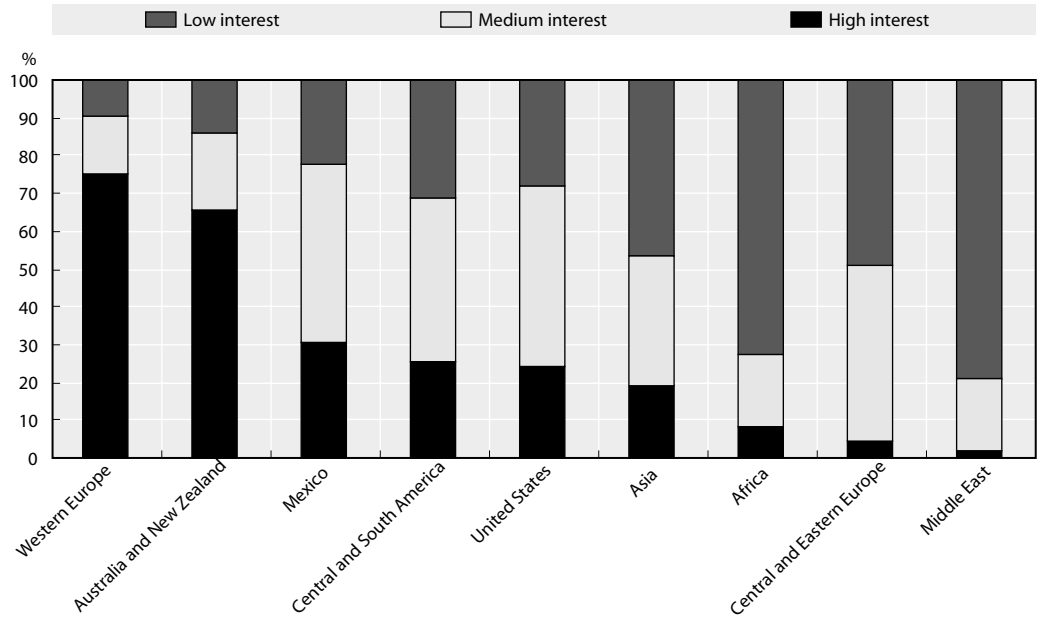
that Canadian students taking full degree abroad are even more likely to go to the United States than Canadian students going abroad as part of a Canadian degree. But the United States, the United Kingdom and Australia are undoubtedly students' preferred destination countries whether for full-time study abroad or for a study-abroad experience as part of a Canadian degree.

Table 2.6. **Canadian students taking tertiary education outside of Canada, 2000/01**

Destination country	Enrolment	Destination country	Enrolment
Australia	1 279	Korea	41
Austria	57	Mexico	33
Belgium	83	Netherlands	53
Czech Republic	28	New Zealand	106
Denmark	42	Norway	52
Finland	71	Poland	101
France	954	Slovak Republic	8
Germany	430	Spain	49
Hungary	68	Sweden	269
Iceland	5	Switzerland	181
Ireland	178	Turkey	9
Italy	56	United Kingdom	3 046
Japan	202	United States	21 925
		Total	**29 326**

Source: OECD education database.

Figure 2.7. **Regions/countries of interest for Canadian students**



Source: AUCC (2000).

Programme mobility – delivery of education and training programmes outside Canada. Comprehensive and reliable statistics on the delivery of education programmes/services abroad are not available. According to the 1999 AUCC survey, 42% of responding institutions indicated that they were actively delivering education programmes or consulting services to other countries. W ithin this group, about 29% described their level of activity as low, 62% as medium and 8% as high. Institutions that were not currently active (58%) described their future level of interest as follows: 50% low, 36% medium and 11% high. This leads to the observation that, overall, Canadian universities have moderate to low interest in exporting education programmes abroad (Knight, 2000, p. 66).

The types of education and training programmes and services exported included joint consulting with foreign-based firms, apprenticeship training, distance education courses and degrees, training and skills development with the private sector, Web-based training in English as a second language, twinning programmes with colleges, customised training, technical expertise and casebooks/databases/course materials. Table 2.7 provides information given by the 42% of universities that indicated they were delivering academic courses or programmes across borders. It does not include training or non-award-based activities, which were fewer in number than award-based programmes (Knight, 2000, p. 71). This information is descriptive and should be interpreted with caution. It emphasises the need for further data collection to assess the level of interest and activity in cross-border delivery of education programmes.

Table 2.7. **General information on academic programmes abroad, Canada, 1999**

Type and number of programmes	Destination country	Description of programme: level and discipline
Distance education (134)	Over 40 different countries identified on five major continents	Primarily at the undergraduate and certificate level Frequently mentioned programmes include business, education, nursing, computing
Distance education with Canadian instructor contact (21)	Countries from francophone Africa were mentioned most frequently. Mexico, Belize, Jordan, Venezuela, Malaysia were also identified	Diploma, undergraduate and master's Computing, environment, education, management mentioned
Developed and delivered by Canadian instructors (32)	Bermuda; Brazil; Costa Rice; Cuba; Indonesia; Japan; Hong Kong, China; Morocco	Primarily masters level Mainly business and management
Jointly developed and delivered with local instructors (50)	20 different countries identified from all continents	Certificates, undergraduate and graduate level Diverse disciplines but business and science most frequently mentioned
Twinning programmes (21)	12 countries identified primarily in Asia	All levels Primarily engineering, business, computing but early childhood education and religious studies mentioned
Joint degree (10)	Egypt, Thailand, France and Mexico	Mainly at graduate level Engineering, business and social development

Source: Knight (2000).

At present, no Canadian university has established abroad a branch campus that offers multiple programmes. Some institutions have a physical presence for the delivery of a specific programme or course, but this is often done through partnerships with local institutions, and the arrangement would not be described as a satellite campus.

Private for-profit programmes/providers in Canada. Of increasing interest is the delivery of education programmes into Canada either through partnerships with Canadian

higher education institutions or through foreign providers establishing a presence either physically or virtually in Canada. The 1999 AUCC survey showed that only about 4% of respondents indicated that foreign institutions/providers were delivering programmes in Canada in collaboration with their institution (Knight, 2000, p. 68). The percentage has probably risen in the last three years, but not significantly. Increased attention is paid to the number of foreign institutions and private providers (primarily from the United States) that are exploring how to register as a foreign provider in Canada for programme delivery or for establishment of a physical campus. In response, new quality assurance and registration bodies have been established in several provinces to ensure that any organisation that wants to recruit, advertise or deliver an award-based programme is assessed and licensed to do so (Knight, 2003). To date, only three foreign, private, for-profit, degree-granting institutions have set up locations in Canada: Phoenix University in British Colombia, De Vry Institute in Alberta, Lansbridge University (virtual) in New Brunswick.

Three Canadian companies, Serebra Learning Corporation, CDI Education Corporation and Thomson Corporation have been listed on the Global Education Index (GEI) established by the Observatory on Borderless Higher Education (Garrett, 2003). GEI companies are private for-profit companies and are categorised into three groups on the basis of their association with the not-for-profit higher education sector/institutions: direct competitor, indirect competitor or service/client relationship with not-for-profit providers.

Serebra Learning Corporation has recently established an e-learning development partnership with Pakistan Virtual University and has sold courses to the University of Waterloo (Garrett, 2003, p. 8) and is categorised as an indirect competitor with not-for-profit providers. CDI Education, by contrast, is labelled as a direct competitor to not-for-profit education institutions. CDI does not have a high profile in Canada, unlike two other American companies that operate in Canada and are also seen as direct competitors: Apollo which owns Phoenix University, and De Vry Institute. Thomson Corporation, a multinational publisher, is categorised as having a service/client relationship with the not-for-profit sector as it offers a range of software services and a form of learning platform to create online course content based on company texts.

Summary. In summary, the key characteristics of cross-border education and internationalisation in Canada can be described as: *i)* institutionally focused but with few mobility programmes funded by the federal government; *ii)* more oriented to student mobility than to programme or institution mobility; and *iii)* concentrating more on academic institutional linkages and partnerships than on development co-operation projects or commercial trade. In terms of geographic focus, it is clear that Canadian students go to English-speaking countries and see the United States as the preferred destination, followed by the United Kingdom and Australia. But the largest number of academic linkages and agreements are with institutions in Europe and Asia, not with the United States or Mexico. The agreements focus more on student and faculty mobility and research partnerships than on curriculum or joint/double degree programmes.

Mexico

Data on internationalisation and cross-border education in Mexico are inadequate or contain major gaps, indicating to some observers the low priority given to the area (Barrow *et al.*, 2004). In Mexican universities, internationalisation has been implemented in the context of a series of federal programmes that "were precise in the definition of their

objectives and spheres, albeit heterogeneous in nature, given that they had no common frame of reference" (Barrow *et al.*, 2004, p. 250). Interviews conducted by Barrow *et al.* indicate that internationalisation is just beginning in Mexican higher education, that is not central to institutional planning and generally consists of a series of *ad hoc* activities. A few public and private universities are the most active (ANUIES, 1999), and, nationally, only a small group of researchers is involved. Academic mobility for faculty and students is the major component of institutional internationalisation. Thus, according to ANUIES (1999), a major priority for Mexican higher education is to become more open; international co-operation and exchange should serve as a major vehicle for innovation.

Academic linkages/partnerships. A national survey of a sample of private and public institutions (Gacel-Avila, 2003) confirmed that institutional agreements are a popular mechanism for facilitating the internationalisation of Mexican higher education. The study showed that public universities had many more institutional agreements than private institutions. However, 53% of private institutions' agreements and 82% of those of public institutions are more or less inactive.

Table 2.8 presents some revealing trends in terms of the geographic distribution of agreements. Public universities have 37% of their agreements with other countries in Latin America compared to only 13% for private institutions. On the other hand, agreements with the United States constitute 45% for private institutions but only 22% for public institutions.

Table 2.8. **Geographic distribution of institutional agreements with Mexico**

Country/region	Public institutions	Private institutions
Latin America	37%	13%
Europe	31%	23%
United States	22%	45%
Canada	7%	12%
Asia	2%	5%

Source: Gacel-Avila (2003).

The focus of international agreements can be broken down as follows: 35% for research co-operation, 32% for teaching activities, 23% for staff development, 7% for cultural exchange and 3% for other (ANUIES, 1999). The most significant source of financing was institutional resources (45%). Other sources were participants (21%), the Mexican government (17%), foreign governments (9%), foreign foundations (4%) and private, national or foreign sources (4%) (ANUIES, 1999).

The survey by Gacel-Avila (2003), which compared public and private institutions' international activities, reveals several other trends worth mentioning. There were almost three times as many faculty mobility agreements in the public than in the private universities. Furthermore, 89% of the public universities provided financial resources to support faculty compared to 42% of the private universities. In terms of agreements that promote student mobility, private institutions had almost twice as many as public institutions. While the private universities emphasise mobility of students, only the public universities offer their students financial support for study abroad.

According to a 1997 ANUIES study (Gacel-Avila, 2003) half of the participants in international mobility went to the United States, about a third to Europe, 7% each to Latin

America and Canada, and 2% to other countries. (The figures do not discriminate between faculty and students.) Similarly, 67% of foreign faculty and students coming to Mexico are from the United States, 15% from Europe, and 11% Latin America, 4% from Canada, and 3% from other countries.

Networks of co-operation. According to Gacel-Avila (2003), 69% of the responding public and private institutions participated in international networks and programmes for international co-operation. The programmes mentioned most often and in order of importance, were:

- ALFA: Programme for the development of human resources in Latin America supported by the European Union.
- CREPUQ: Council of Rectors in the Province of Quebec, Canada.
- CONAHEC: Consortium for North American Higher Education Collaboration.
- PROMESAN: Programme for North American Student Mobility in Higher Education.

Public universities lead with 52% of participation in such networks.

Foreign students in Mexico. There were 1 943 foreign students at tertiary level in Mexico in 2001 (OECD education database), mostly coming from North America (61%) and South America (29%). Foreign students from Europe, Asia, Africa, and Oceania represented about 6%, 2%, 1%, and 0.3% of all foreign students in Mexico, respectively. ANUIES data indicate that 70% of students of foreign origin are first-degree students interested in Mexican history and culture, 14% are postgraduate students and 16% academic staff. In terms of age, 36% were aged 16-21 and 50% were aged 22-27, and 54% were women. About half were not seeking a degree, while 46% were; 34% reported that they would stay in Mexico one semester, 19% two semesters, and 39% more than four semesters. In addition, 54% were studying on their own, 36% were studying under an institutional agreement; 63% had no scholarship support, 18% had a partial scholarship, and 12% were entirely financed by scholarship (ANUIES, 1999).

Private language schools bring in foreign students for language study (especially from the United States), but no data are available. *Open Doors* (Chin, 2002) reports that Mexico was the fifth most popular destination for US students going abroad in college-sponsored programmes, with 8 360 in 2000/01, compared to 7 374 in the previous year. Barrow *et al.* (2004) point out that few Mexican institutions have seen language study as a potential source of revenue from foreign students. Data from 1997 showed 458 newly enrolled foreign students in postgraduate programmes out of a total of 33 800 students, or 1.35% of the total (ANUIES, 1999).

Mexican students studying abroad. There was 14 870 Mexican students studying abroad in the OECD area in 2001. Their main destinations were the United States (62%), the United Kingdom (9%), Spain (8%), France (6%), and Canada (5%) (OECD education database). Mexican students going to the United States increased by 17% between 2001 and 2002 (Chin, 2002). *Open Doors* reported an additional 4 360 students in English as a second language programmes in the United States (Chin, 2002).

Although Mexican students still primarily go to the United States to study abroad, they are more likely to choose other destinations when their studies abroad are sponsored. The 1997 ANUIES study showed that US universities were the primary destination of CONACYT

postgraduate scholarship recipients (49% of the total). Other destinations included the United Kingdom (19%), Spain and France (11% each), Canada (4%), with other countries making up the remaining 6%. Five years later, in 2002, 31% were in the United States, 26% in the United Kingdom, 14% in France, 13% in Spain, 7% in Canada, and the remaining 9% in other countries (CONACYT, 2003). As noted by Gacel-Avila (2003), more Mexican students are choosing the United Kingdom, owing to the recent efforts of the UK student recruitment agency "Education UK". A similar effort in Canada is reflected in a significant increase in Mexican students in Canadian graduate programmes. In terms of areas of study, 31% of scholarships were awarded for sciences and biology, 22% for social sciences, 20% for engineering and technology, 9% for humanities and 18% for other areas.

Among Mexicans going abroad to study, 61% are studying for their first degree (*licenciatura*), 16% are at the graduate level and 23% are faculty (ANUIES, 1999). Two-thirds of the undergraduate students go for short stays or stay for one or two semesters. Many students have difficulty obtaining recognition for their study abroad, since the decision is often made by administrative departments such as the registrar's office (Barrow *et al.*, 2004, p. 246).

The many postgraduate students studying abroad in Europe and North America represent a key element in the process of internationalisation. On their return home, they are liable to take the initiative and leadership in programmes of international co-operation, as they generally maintain close ties with colleagues in universities where they completed their postgraduate studies.

Delivery of education and training programmes outside of Mexico. UNAM has three campuses that offer extension programmes outside Mexico, two in the United States and one in Canada. They provide language and culture-related instruction and report a total enrolment of 1 451 (Gacel-Avila, 2003). Recently, other public Mexican institutions have been exploring different options, such as the University of Guadalajara which is considering the possibility of opening a campus in Los Angeles, California. Another approach has been partnership with a foreign institution, such as the University of Sonora which is planning to open a new campus in the border area of Nogales in collaboration with the University of Arizona.

The Technological and Higher Education Institute of Monterey (ITESM), a private university, is very active in delivering cross-border degree programmes through distance education. ITESM sponsors a virtual university which offers complete undergraduate programmes and some postgraduate programmes online. These programmes, offered in Spanish, are available in Mexico, Spain, a good number of Latin American countries, and more recently, the United States. ITESM's experience and exploratory efforts by public institutions suggest that a market exists for Mexican universities using Spanish as the language of instruction.

Mobility of programmes/providers into Mexico. While data are scarce, there is clearly unmet demand for higher education in Mexico which could be met by foreign providers. Fewer than 15% of eligible young people have access to higher education (Gomez and Sosteric, 1999). There is evidence in the popular press of growing concern about insufficient supervision of foreign providers coming into Mexico. Certainly, Chapter 12 of NAFTA permits foreign providers of educational services to receive "national treatment" when offering their services. In addition, foreign providers have acquired established

institutions. The most prominent example is the Universidad del Valle de Mexico, one of Mexico's largest private institutions, which recently was bought by Sylvan Learning systems, a US for-profit corporation.

Collaboration with the European Union. As reported by Gacel-Avila (2003), academic co-operation between Mexico and the European Union has increased constantly since the 1990s, primarily through the Latin American Academic Training (ALFA) programme created in 1994. The programme's objectives were to establish networks of collaboration between European and Latin American institutions of higher education in the areas of institutional management, human resources training and postgraduate programmes, mobility programmes for postgraduate students, faculty and researchers.

The evaluation of the first phase (1994-99) demonstrates that 846 programmes were approved. On the European Union side, the leading countries were Spain (225), France (86), Italy (81), the United Kingdom (70) and Germany (40). On the Latin American side, Mexico, along with Argentina and Chile, lead with the co-ordination of 28 projects each.

Four European countries have been active in promoting international co-operation with Mexico. These include Germany through the German Agency for Academic Exchange (DAAD), Spain through the Spanish Agency of Ibero-American Co-operation (AECI), the French government and the United Kingdom through the British Council.

Collaboration with Asia and Oceania. Activities with Australia and New Zealand have also increased markedly, in particular for student mobility to Australia, one of the most sought-after countries for Mexican students wishing to study abroad. Equally, Mexico receives a growing number of students wishing to study Spanish from Australia, Korea and Japan. In recent years, several of the largest Mexican universities have opened centres or programmes of studies on Pacific Rim countries (Gacel-Avila, 2003).

Collaboration with Canada and the United States. Among the initiatives worth noting, the North American Student Mobility Programme, sponsored by the Canadian, Mexican and US governments, the agreements between ANUIES and the Conference of Quebecois Rectors, and the Border PACT programme sponsored by CONAHEC have already been mentioned. In addition, the Training, Internship, Education and Scholarship Partnership Initiative (TIES), a USD 50 million, six-year initiative of the US government, was announced in December 2001. The objective is to enable 1 000 Mexicans to pursue undergraduate and master's studies in the United States in fields of mutual development and policy interest, including education, human capital development, health, agriculture, trade, public policy and administration, humanitarian assistance and conflict resolution, transparency and decentralisation, information technology, micro and small business development, natural resources management, environmental science and international finance. The Association Liaison Office for University Co-operation in Development (ALO), an activity of the six major higher education associations in the United States, administers a programme of up to 35 grants to collaborating institutions and private-sector partners. The partnerships focus on enhancing higher education's role in social and economic development and support graduate training for Mexicans, faculty and student exchange, collaborative research, internships, short-term training, workshops, seminars and similar activities.

2.2.2. Regional analysis

There are two important aspects to the regional analysis of key developments in North America. The first is the extent and type of trilateral collaboration within the region and the second the similarities and differences among the three countries in terms of key developments, activities and trends.

North American trilateral co-operation

The development of NAFTA signalled the beginning of a greater interest in the integration of the North American academic community and led to three important trilateral conferences, held at Wingspread (1992), Vancouver (1993) and Guadalajara (1996), which brought together a large group of post-secondary education actors and stakeholders from the three countries. The first conference gave the initial impetus for increased collaboration and looked at the feasibility of joint programmes. The concluding statement from the second event proposed a number of concrete initiatives. These included:

- The creation of a network for distance education and research, the North American Distance Education and Research Network (NADERN).
- Trilateral mechanisms for the recognition of degrees and the accreditation of professions.
- Programmes for collaboration among administrators and scholars.
- North American Student Mobility Programme.
- Creation of centres of North American studies.
- An electronic information network for the promotion of academic collaboration.
- A trilateral programme for researchers and professional training of students.

On the whole, these initiatives progressed unevenly over the past decade (Gacel-Avila, 2003). The NADERN initiative never took concrete form owing to technological challenges, the rapid pace of technological change and the size of investment required. The initiative to promote North American studies has advanced slowly with limited support from Mexico's Ministry of Foreign Relations (SRE), Canada's Department of Foreign Affairs and International Trade and the US State Department. The most consistent effort has been the electronic broadcasting network created and maintained by CONAHEC with support from foundations and the three governments. Finding trilateral mechanisms for the recognition and validation of professional certification has been slow because of differences in the systems for professional certification. To date, there is only one mutual recognition agreement (MRA) for engineering and there is movement on a second for legal services. In engineering, the agreement specifies the education, experience and examination requirements to be recognised in the NAFTA jurisdictions to obtain a temporary licence to practice engineering. The agreement has been approved by Mexico and Canada but only by Texas in the United States. For legal services, the agreement aims at permitting lawyers from NAFTA countries to act as foreign legal consultants in the other NAFTA countries; it has not yet been approved although the recommendation was signed in June 1998. Finally, the assumption that private enterprises would become the natural allies of universities and governments has proved erroneous. An initiative launched by the North American Institute to establish an Alliance for North American Enterprise-University Collaboration never materialised.

The most visible government-sponsored initiative has been the North American Student Mobility Programme. Created in 1995, it has experienced modest success. Five

years after its start, an evaluation co-ordinated by CONAHEC was carried out. It reported that 48 trilateral consortiums had been created and enabled 1 205 students to study abroad over 5 years. When this figure is compared to the total enrolment of university students in the three countries, the results are rather poor. This is disappointing, as the student mobility programme was considered the key initiative. According to the CONAHEC evaluation, the viability and continuity of projects and institutional alliances after the period of financing has only been successful in 47% of cases. In terms of participation, quotas were exceeded for Canada-Mexico exchanges but not for Canada-United States exchanges.

In conclusion, limited progress has been made in furthering regional academic co-operation under the formal trilateral initiatives. Most progress has been achieved in bilateral and trilateral efforts conducted at the institutional level and by networks of institutions such as CONAHEC. The reasons are varied, but the explicit lack of a political will is a significant factor. Without a strong political and financial commitment from all three governments, the administrative, financial and legal barriers are great and only limited success has been achieved. It leaves one questioning whether NAFTA, as a purely commercial trade agreement, is the appropriate vehicle for stimulating academic co-operation on a North American basis (Gacel-Avila, 2003).

Regional trends and comparisons

Student mobility. In addition to the trilateral programmes, higher education institutions generate a small number of academic exchanges. From the Mexican perspective, academic relations and mobility between Mexico and Canada have increased. For example, between 1998 and 2001, the number of Mexican students studying in Canada increased by 32% while the number studying in the United States increased by 8%. A close examination of the 19% increase in the number of Mexican students studying in the United States (Chin, 2003), however, shows that it mainly concerned border institutions, especially community colleges, in the states of Texas, Arizona and California. In Canada, there is a substantial increase in the number of Mexican students, although, on average, Mexican students tend to stay for shorter periods than students from other leading source countries. In 2001, Mexican students only made up 6.6% of the total international student flow into Canada (CIC, 2003).

In general, flows of students in and out of the three countries in the North American region have increased, but the increase does not represent a significant percentage in terms of total international student flows. Asia is the primary source for both the United States and Canada. However, in 2001, the largest numbers of Asian students in the United States came from India, followed by China, while for Canada, China and Korea lead.

Study abroad: numbers and destination. The number of US students participating in study abroad programmes has doubled in the last few years. However, neither Mexico nor Canada has been a popular destination; the United Kingdom and Australia were the most attractive destinations. Canadian and Mexican students have been most interested in studying in the United States, but are more likely to go abroad in other countries when they study abroad as part of a home degree or when they are sponsored.

For Mexican graduate students on a CONACYT scholarship, the United States is the primary destination (31%); only 7.4% go to Canada. For Canada, about 85% go to the United States, while fewer than 1% go to Mexico. Clearly, for both Mexican and Canadian students, the United States is a favoured destination for full programme/degree studies abroad.

Institutional agreements. Both Canada and Mexico report a large number of international academic agreements. For Canada, most are with institutions in Western Europe (40%) and Asia (22%). The share of agreements with the United States (5%) and Mexico (6%, including all of Central America) is similar to that of Africa and South America. Agreements of Mexican public institutions with Canadian universities represent 7% and with American universities 22%, but for private Mexican institutions, the picture changes, as Canada makes up 12% and the United States 45%. In all, Mexican public universities appear to look first to Latin America (37%), then to Europe (31%) and then to the United States and Canada (29%), while for private institutions the order is reversed: United States and Canada (57%), Europe (23%) and finally Latin America (13%) (Gacel-Avila, 2003). Data on the geographic distribution of institutional agreements for the United States are not available. Thus, for Canada, inter-regional co-operation with Europe and Asia appears to be more prevalent than North American intra-regional co-operation. For Mexico, the situation is less clear, because Mexico sees itself as an important member of both the Latin American and the North American regions; the numbers indicate that North America is more important for private institutions and Europe and Latin America for public institutions.

Campuses and programmes abroad. The United States clearly has more programmes and campuses abroad than Mexico or Canada and it appears to look beyond the North American region for delivery of its programmes. Yet most of the small number of foreign universities operating in Canada or Mexico are from the United States. Canada and Mexico are neither major exporters nor importers of post-secondary education programmes, but where foreign delivery of programmes and/or institutions exists, the majority of providers are US institutions and private companies.

Reports on the individual countries and the regional analysis provide evidence that while there is some intra-regional post-secondary educational activity, all three countries tend on the whole to have more collaboration with institutions and countries outside the region. Canadian and Mexican students who tend to take full post-secondary programmes or degrees in the United States are the major exception. Where institutional co-operation is involved, the countries tend to collaborate more with Europe, Asia and Latin America than with neighbouring countries in the North American region.

2.3. Rationales, policy and national actors

This section focuses on the rationales driving internationalisation and cross-border education in particular. It provides information on key national players, both governmental and non-governmental.

A discussion of rationales is of central importance to any report on cross-border education but creates important challenges. The first relates to the availability of concrete information. In Canada, recent surveys specifically address the motivations driving public not-for-profit institutions to internationalise and be active in cross-border education. This type of survey data is not available for Mexico and the United States, so that rationales are expressed in, and can only be interpreted in the light of, national and institutional policies and programmes. In all three countries, of course, the many different actors and stakeholders in the post-secondary sector have specific rationales. This can lead to a situation in which drivers for cross-border education both diverge and converge. Furthermore, the Mexican and US post-secondary sectors are highly diversified in terms of

the types of public, private, for-profit and not-for-profit institutions as well as multinational commercial companies and providers that are active in delivering domestic and cross-border education. Thus, while it is crucial to identify and review rationales, the topic is complex and analysis is often based on interpretation of policy statements or directions rather than supported by hard data. In spite of these limitations, the discussion of rationales can be rich and revealing.

2.3.1. Rationales and policies

United States

In the past decade, the discussion of internationalisation has been increasingly tied to growing multiculturalism in the United States. Since 1995, the Hispanic population has grown by 34% and is projected to grow by 73% in the next 20 years. The Asian and Pacific Islander population has grown by 41% and is projected to grow by 86% (Asia Society, 2003). The mix of ethnicities, languages and religious beliefs in communities and schools has made intercultural learning and understanding a high priority. A Georgetown University study indicated that there are 6 million Muslims in the United States, 3.5 million of whom are immigrants representing 80 countries. In addition, the blurring of the lines of "domestic" and "international" was intensified in the public eye by the events of 11 September 2001.

A combination of rationales underpins internationalisation in the United States. They are: academic (strengthening liberal education; enhancing the quality of teaching and research); economic and commercial (preparing students for careers; generating income for the institution; contributing to local economic development and competitiveness); social (enhancing students' ability to live in an increasingly multicultural and globally connected environment; enhancing the development, excellence and relevance of higher education in other countries; contributing to international understanding and world peace); and national security and foreign policy (producing the experts required to support US foreign policy and diplomacy; creating goodwill and support in other countries) (Green, 2003).

Within higher education, different groups may have different rationales. Faculty members pursue their professional and research interests through international networks and professional societies. They stress the academic and social goals of internationalisation; they have emphasised the internationalisation of undergraduate and liberal education as an antidote to parochialism and perceived education abroad as a "rounding out" of a well-educated young person (De Wit, 2002). Institutional leaders may be motivated by the pursuit of academic excellence, the search for market niche and prestige (*e.g.* a highly internationalised profile as a mark of distinctiveness), or the quest for revenue generated by international students or distance learning courses.

Students may have yet other priorities. US students are very career-oriented, and 67% agree that knowledge of international issues will be important for their careers (Siaya and Hayward, 2003). They also have an interest in expanding their cultural horizons. High school seniors cited "learning things you could never learn in your own country" (63% strongly agreed), becoming proficient in a second language (57%) and experiencing another culture (51%) as their main reasons for international education and study abroad. However, only 37% strongly agreed that international learning would help them find a better job (Hayward and Siaya, 2001).

Although business in the United States is increasingly global, and the growth in international trade is often cited as a compelling reason for internationalisation, there is a diversity of opinions on what constitutes a "globally prepared" workforce. Some skills are associated with a broad education, analytical ability and personal flexibility. Others are more specifically international or intercultural in focus, such as cultural sensitivity and language skills (Bartlett and Ghoshal, 2003). In spite of the abundant rhetoric, there are no data indicating whether specific international or intercultural skills are an important asset in the job market. Indeed, anecdotal evidence suggests that US corporations look to local managers in their operations around the world to provide the needed cultural and language skills.

As noted above, the impetus for federal involvement in internationalisation has changed over the years, with defence and national security as an ongoing rationale and economic competitiveness appearing in the 1980s. As of 2000, the goal of promoting trade has featured as a result of the engagement of the US Trade Representative in WTO discussions; however, trade in education is not currently a topic of interest in the Congress. While the US federal government plays a crucial role in internationalisation through its limited but targeted support, no "internationalisation policy" has been consistently implemented across agencies or supported by a coherent set of federal programmes. Rather, internationalisation is a patchwork of programmes at the federal level and uneven practices at the institutional level. The primary actors are campus stakeholders, and thus their motivations and rationales are crucial.

The responsibility for internationalisation, including cross-border education, and strategic choices for implementing it are likely to remain at the institutional level for the foreseeable future. Institutions will have to continue funding the costs of faculty travel, student scholarships for education abroad and campus programming through an artful combination of internal allocations, gifts and grants, and alliances with other institutions and organisations. As institutional budgets get increasingly tight, it may be difficult for institutions to maintain or increase this support. Federal funding is likely to continue to be available through the continuing programmes, but major new initiatives are unlikely. Enhanced spending on internationalisation at the state level is also highly unlikely in the foreseeable future. The weakening US economy over the last two years has caused severe budget shortfalls in most states, and higher education institutions are coping with reductions in state financial support that range from modest to high. Recruiting and retaining international students and benefiting from the revenue they generate might be more difficult in light of the growing restrictions induced by security issues.

Canada

There is no question about the impact that globalisation is having on post-secondary education and especially its international dimension. However, the drivers and rationales for internationalisation are in a state of flux, if not of turbulence. Different rationales motivate different actors and stakeholders, and this is resulting in some significant changes. This is the situation in many countries around the world, and Canada is no exception.

Because internationalisation is a multifaceted phenomenon, it is not surprising that policy rationales at the national level both converge and diverge. A study by Knight (1996) examined the ranking of internationalisation rationales by the public higher education sector (the higher education institutions), by federal government departments (policy

makers) and by the private industry sector (potential employers). All three sectors identified as their main rationale "to prepare graduates who are internationally knowledgeable and interculturally competent" (Knight, 1996, p. 8). The survey also asked the respondents to identify the most important element of internationalisation for their sector and all three ranked curriculum as number one (Knight, 1996, p. 14). Table 2.9 illustrates the overall rankings (all three sectors combined) of the most important internationalisation rationales in Canada.

Table 2.9. **Overall ranking of internationalisation rationales by three sectors, Canada**

Overall rank	Rationales for internationalisation	Key internationalisation element
1	Prepare graduates to be internationally knowledgeable and interculturally competent	Curriculum
2	Maintain Canada's competitiveness	Foreign students
3	Achieve international higher education standards	Study abroad
4	Scholarship on topics relating to interdependence among nations	Exchange programmes
5	Export education products and services	Work placements abroad
6	Social change in Canada and abroad	Technical assistance abroad
7	Canada's ethnic and cultural diversity	Marketing abroad
8	Income generation for higher education institutions	Research
9	Security and peaceful relations	Foreign language

Source: Knight (1996).

The focus on the preparation of students as the top priority for internationalisation is also reflected in the AUCC Statement on Internationalisation (1995) which states that "every university in Canada has the responsibility to prepare students and to familiarise the wider community with living and working in a context of global interdependence. In a world where human resources are becoming the key to economic growth and social well-being, Canada's universities play a key role (...) Universities prepare highly qualified individuals who have crucial skills in areas that have a direct economic impact on Canada and which enhance the country's international competitiveness. Universities also teach humane values, ethical decision making and knowledge of cultural and social diversity that form the foundation of how Canadians respond to change and to the rest of the world."

The AUCC statement also reflects the historical importance attached to international development co-operation: "Canadian universities have benefited incalculably from the education systems of other nations. Many faculty have been educated in whole or in part abroad. Many of the ideas and technologies that enrich our intellectual life and benefit Canadian society have originated elsewhere. Canada is a developed country in large part because of collaboration with others. It is right therefore, as well as prudent, that Canadian universities, together with Canadian governments and business, maintain a firm commitment to sharing their expertise and resources with other people who require them to realise their own legitimate aspirations." It goes on to say that "the future of all nations is intertwined. Just as the objective of Canadian Official Development Assistance is to support sustainable development, reduce poverty, and contribute to a more secure, equitable and prosperous world, Canadian universities help to build the indigenous human resource capacity essential to any country's sustainable prosperity by contributing to these countries' efforts to find their own paths to development."

International student mobility is a key element of the cross-border component of internationalisation and the AUCC statement underlines the importance of two-way mobility: "One means of better preparing students for the demands of life in the 21st century is to provide them with more opportunities to study and learn abroad. The personal, the educational and, ultimately, the social benefits of stimulating an international openness and understanding among students are immeasurable. International students in Canada are an important resource for our education system. A university without a cosmopolitan mix of students is missing an important dimension of learning."

Finally, the central role that universities play in the search for interdependence among nations is reinforced in the statement and is becoming an increasingly important aspect of internationalisation at the present time: "Greater interdependence of issues makes scholarly exchange and international and inter-sectoral co-operation more important than ever in creating new knowledge and in offering new solutions (...). Universities serve as a forum where views and ideas can be discussed. They provide an important service in raising the level of knowledge and understanding of the issues that affect us all. Universities instil a sense of the 'global village' in the academic community, both in the way they welcome students and faculty from around the world, and in the manner in which their curricula reflect and integrate the international nature of knowledge."

The cross-sector study and the AUCC policy statement on internationalisation reflect the deep commitment that the higher education sector, as well as the government and private sectors, have to the rationale of human development (students, professors, scholars) and the benefits of internationalisation.

In another survey conducted in 1999 by the AUCC, 73% of the responding senior university administrators ranked as most important the "preparation of graduates to be internationally knowledgeable and interculturally competent". This is consistent with the results of the 1993 AUCC survey which also ranked "the preparation of students" as the most important rationale. These findings are fully consistent with the priority rationale identified by sectors (Table 2.9) and thus indicate again a strong degree of coherence between national and institutional motivations for internationalisation.

Table 2.10 lists the motivations, as reported by Canadian degree-granting institutions, for: *i)* Canadian students studying abroad; *ii)* recruitment of international students to Canada; and *iii)* the delivery of programmes outside of Canada. The most important rationale for all aspects of internationalisation is consistently the development of students, faculty and staff. Economic rationales rank third for the last two categories. However, economic rationales have grown in importance since the 1993 AUCC survey.

Table 2.10. **Rationales for specific aspects of internationalisation, Canada**

Internationalisation element	Three most important rationales
Canadian students studying outside Canada	1. Develop intercultural awareness and skills 2. Strengthen international understanding and perspective on global issues 3. Increase job-related skills and marketability
International students at Canadian universities	1. Integrate domestic and international students in and out of the classroom 2. Increase institution's profile and contacts in target recruitment countries 3. Generate income for the institution
Education and training programmes delivered outside Canada	1. Provide international opportunities for faculty and staff 2. Respond to requests from partners or clients 3. Alternative source of income generation

Source: Knight (2000), p. 79.

The primary driver for internationalisation in general and for cross-border education in particular is the development of students and faculty at the institutional level and, translated to the national level, the country's human resource capacity. This in turn is linked to Canada's continuing desire to be a partner in development assistance and to increase its capacity and competitiveness in a world where knowledge is a key national and international asset.

One may imagine on the basis of two observations that the human resources interest will continue to outweigh income-generation benefits. First, Canada is clearly more interested in greater international student mobility than in cross-border commercial delivery of programmes. Second, Canada's new immigration policy aims to attract more international students/scholars (one-way student mobility) and professional workers.

Mexico

As noted earlier, the major rationale for federal programmes supporting internationalisation is the modernisation of Mexico through the development of trained professionals and skilled workers and the improvement of the quality of higher education through international contacts and perspectives. CONACYT, an important provider of support for graduate study abroad, cites as its mission "to promote and strengthen Mexico's scientific development and technological modernisation through the development of high-level human resources" (CONACYT, 2003). NAFTA and other regional trade agreements highlighted the need for a better educated workforce and a higher quality educational system (Barrow *et al.*, 2004). Greater contact and collaboration with higher education in other countries is one important means of improving the quality of teaching and research, as is sending master's and doctoral students abroad to study.

One view of internationalisation policies is as a "side effect of the profound economic changes of the 1980s and 1990s" (Kent, 2002, p. 142) and a major means of addressing the "educational deficit" that hampered Mexico's ability to compete in the world economy. Inefficiencies and low quality in public higher education came to be viewed as a part of Mexico's economic problems. Thus, policy makers looked to other countries to benchmark policies and practices and to provide new thinking. In its initial stages, internationalisation was "not a programme for actually integrating higher education in Mexico with that of other countries, but rather an instrumental perspective used by policy makers to open up options, and to circulate new ideas in a highly politicised national context that had run out of them" (Kent, 2002, p. 145). Looking abroad to assess different models of quality assurance mechanisms was a key strategy in building a Mexican approach to accreditation and quality assurance.

2.3.2. Government departments and agencies

United States

Federal programmes that promote internationalisation are scattered throughout the federal government. Interagency communication is a problem in any large bureaucracy and the US government is no exception. The most important agencies are described below.

The Department of Education supports internationalisation of curriculum on US campuses through a number of efforts, most funded through Title VI of the Higher Education Act. These programmes include: national foreign language and area studies resource centres; foreign language and area studies resource centres; foreign language and

area studies fellowships; centres for international business education and research; national foreign language resource centres; American overseas research centres; undergraduate international studies and foreign information access; business and international education; the Institute for International Public Policy.

The Department also manages the Fulbright-Hayes Programme, which supports faculty and dissertation research abroad as well as group projects and seminars abroad for teachers and administrators. The total appropriation for Title VI and Fulbright Hayes in 2002 was USD 88 million. The Department's Fund for the Improvement of Postsecondary Education (FIPSE) is a comprehensive programme supporting innovation in higher education, including projects in internationalisation. Three consortia programmes support projects in co-operation with higher education institutions in three areas of the world: North America, the European Union and Brazil.

The Department of State administers a variety of educational and cultural exchange programmes. These include: the Education Partnerships Programmes (previously known as the College and University Affiliations Programmes), which promote partnerships between US and foreign higher education institutions; other academic exchanges; and professional and cultural exchanges, including the Citizens Exchange Programme and the International Visitors Programme. The Department also funds a Russian, Eurasian and East European Research and Training Programme (Title VIII) to develop national expertise in these areas. The Department's Foreign Study Grants for US Undergraduates (Gilman Program) provide study abroad scholarships to needy American undergraduates.

USAID supports academic involvement in international development projects, training in the United States for technical and professional personnel from developing countries and linkages with universities in developing nations.

International programmes, exchanges, and co-operation are also sponsored by the Departments of Labor, Energy and Commerce. The Department of Defense supports the National Security Education Programme (NSEP), which provides funds for undergraduate and graduate study abroad in areas less frequently visited by US students and scholars. The National Science Foundation's (NSF) Division of International Programmes encourages collaborative science and engineering research and education by supporting joint projects between US organisations and institutions and their international counterparts.

Canada

In the last decade, interest has increased at the federal government level but remains somewhat fragmented and the sustainability of the commitment somewhat questionable. Several federal government departments/agencies are giving increased attention to international education, with a focus on international student recruitment, domestic student/faculty mobility and international research. The Canadian approach to a national policy on internationalisation can probably best be described as a collective rather than an integrated approach. This will likely continue to be the case given the absence of a federal department of education to spearhead such an initiative. The number of government departments involved in internationalisation of post-secondary education is increasing. This is a positive step but presents challenges for co-ordination. At the provincial government level, the extent and nature of commitments to the international dimension of post-secondary education vary greatly. However, it is at the provincial level that quality assurance of incoming and outgoing programmes and licensing of foreign providers take

place. Whether or not an institution is permitted to charge a differential fee to non-Canadian students is also determined at the provincial level and varies from province to province, from institution to institution and from programme to programme. In 2004, fees for international students were not a key issue on the national education advocacy or policy agenda.

Given the multifaceted nature of internationalisation and the diversity of related policies, it is not surprising that a number of federal government actors play key roles in initiating and responding to the changing landscape of cross-border education. Many of the issues are complex and involve several government departments in terms of policy, programmes and funding. Several departments are also involved in more than one issue.

The Department of Foreign Affairs and International Trade (DFAIT) takes an increasingly active interest in several aspects of internationalisation. Traditionally, it has been responsible for the support of Centres for Canadian Studies in higher education institutions abroad and also for bilateral and multilateral cultural/academic agreements. Trade agreements also fall under its purview. To date, Canada has not made any requests or commitments related to trade for any level of education services in the General Agreement on Trade in Services (GATS). DFAIT has been supportive of trilateral regional co-operation (Canada, Mexico, the United States) and has facilitated the development of memoranda of understanding (MOUs) and mutual recognition agreements (MRAs) for academic and labour mobility. There are signs of increasing interest in international research partnerships and "research diplomacy". Finally, DFAIT has shown interest in and support for the international marketing of Canadian education products and services and played an important role in the establishment of the Canadian Education Centre Network, which presently has offices in 17 countries.

Citizenship and Immigration (CIC) takes the lead on any issues related to international student visas and work permits. Recently CIC passed a new bill, the Immigration and Refugee Protection Act, which aims to facilitate the entry of students into Canada and explicitly acknowledges the benefits of a temporary study period in Canada for prospective independent immigrant applicants. The new act is one of the actions which is leading observers to believe that Canada is taking a more active interest in the recruitment of student/scholars for human resource benefits.

Human Resource Development Canada (HRDC) has been responsible for drawing more attention to two-way student international mobility/internship programmes through the International Academic Mobility programme. At the present time, HRDC supports the Canada-EU Mobility Programme, the North American Student Mobility Programme and a Special Initiatives programme which provides some support for applied research on internationalisation at the institutional level concerning issues such as curriculum, faculty involvement, e-learning.

The Canadian International Development Agency (CIDA) leads Canada's international development efforts. As part of CIDA's programme of work, two special programmes facilitate and fund links between Canadian universities and colleges and partner institutions in the developing world. These programmes concentrate on capacity building in various sectors.

Mexico

The Public Education Secretariat oversees the educational policy of the federal government, supervises the quality of education and provides funding for public institutions, among other activities. It covers all levels of education. For higher education, SEP's role is co-ordinated by the Undersecretariat for Higher Education and Scientific Research and the Undersecretariat for Technological Education.

The National Association of Universities and Institutions of Higher Education (ANUIES) is a group whose members are the country's major higher education institutions. Its broad mission is to improve higher education in the context of a democratic society. Promoting internationalisation is cited in its mission statement (ANUIES, 2003).

Created in 1970, CONACYT exists to strengthen science and technology in Mexico and thereby contribute to the country's modernisation. It is principally dedicated to the generation and application of knowledge, the granting of scholarships to postgraduate students and Mexican scholars, and to promoting international research collaboration. The programme supporting Mexican doctoral study abroad has made a significant contribution to the human resource capacity of the higher education system and to the internationalisation of Mexico's higher education. In 2002, CONACYT granted 12 771 scholarships, of which 2 972 to individuals engaged in graduate or postgraduate study abroad (CONACYT, 2003).

The main function of the Federal Ministry of Foreign Affairs (SRE) is to integrate and articulate international co-operation proposals of Mexican universities and negotiate them in the various intergovernmental commissions. It provides support for Mexican postgraduate students going abroad and also assumes responsibility for the distribution of scholarships given by foreign governments.

2.3.3. Non-governmental organisations

United States

The highly decentralised nature of US higher education and the professionalisation of management have given rise to a robust universe of several hundred higher education associations representing institutions, professional interests within institutions (*e.g.* fund raisers, student affairs officers, business officers, legal counsel) and specific issues (*e.g.* equal opportunity, international exchange, technology). The American Council on Education (ACE) serves as an umbrella organisation for both institutions and associations, with a membership of approximately 1 600 colleges and universities and 250 associations. The major policy actors are six associations in which the chief representatives are the presidents of the institutionally based member associations. The "six", as they are known, are the American Council on Education, the Association of American Universities (AAU), the National Association of State Universities and Land-Grant Colleges (NASULGC), the National Association of Independent Colleges and Universities (NAICU), the American Association of State Colleges and Universities (AASCU), and the American Association of Community Colleges (AACC). Each of these associations engages in advocacy, conducts research and policy analysis, and provides member services such as meetings, publications and consultation. The Association Liaison Office for University Co-operation in Development (ALO) is an activity of the six associations which aims to promote collaboration among higher education institutions in the United States and developing countries where USAID has a presence and to

facilitate communication between the US higher education community and USAID. Funded by USAID, ALO provides grants to higher education institutions through a national peer-reviewed competition.

Many associations are concerned with internationalisation, either as it affects policies and practice on campuses, or in its public policy dimension, or as some combination of the two. NAFSA, the Association of International Educators, is a membership association of more than 8 000 campus professionals concerned with study abroad, international student services and English as a second language. Members of the Association of International Education Administrators (AEIA) are chief international education administrators, and the newly created Forum on Education Abroad is an institutionally based organisation of some 200 members whose institutional representatives are the senior study abroad persons from the member campuses. Each provides an array of membership services.

Although based in the United States, the largest group of members of the Consortium for North American Higher Education Collaboration (CONAHEC) are Mexican; it is the leading organisation for trilateral cooperation. It holds regular meetings, and has an active website and listserv (El-NET) providing timely notices and information. In addition, it supports the Student Organization of North America (SONA) and it has its own North American Student Exchange Programme which serves as a basis for a multi-institutional, multi-level tuition reciprocity mechanism for student exchanges. CONAHEC also has sponsored a number of projects, including Border PACT (Border Partners in Action) which was developed to strengthen collaboration among the institutions along the US-Mexico border, especially around common issues such as health, education, the environment, economic development, and community strengthening.

Another group of associations represents faculty and disciplinary interests, such as the Modern Language Association, the International Studies Association, and the Middle East Studies Association. Yet another group dedicates some or most of its efforts to administering federally funded mobility programmes, including the Institute for International Education, the International Research and Exchanges Board (IREX), the Academy for Educational Development and the American Council on International Education. These associations are also engaged in advocacy with the federal government on such issues as funding for student or faculty mobility, programmes supporting language learning and area studies, or student visa issues.

Organisations form different coalitions with different lead organisations depending on the issue involved. The Alliance for International Educational and Cultural Exchange serves as an umbrella group for some 68 organisations on issues of citizen exchange and academic mobility. ACE is the umbrella for an advocacy group for 28 organisations on Title VI and Fulbright-Hayes programmes supporting international studies, language studies, research abroad and national resource centres on international affairs. “Speaking with one voice”, whether to the US Congress or international organisations, is no simple matter in the United States. A common threat, however, often serves to galvanise the community and make reaching consensus more urgent. The severe implementation problems surrounding the introduction of the Student and Exchange Visitor Information Service (SEVIS), the new computer tracking system for foreign students, and other requirements imposed by the Homeland Security Office that affect the flow of international students to US colleges and universities have brought a swift and unified reaction by the many interested associations.

Canada

Compared to the United States or Europe, Canada has relatively few national non-governmental organisations totally dedicated to the international co-operation dimensions of post-secondary education. However, the numbers increase when one includes NGOs that have internationalisation as part of their mandate or their agenda of key issues. Examples of the first group of NGOs include: the Canadian Bureau for International Education (*www.cbie.ca*), the Canadian Education Centre Network (*www.cecn.ca*), Canadian University Services Overseas (*www.cuso.ca*) and the World University Services of Canada (*www.wusc.ca*).

The NGOs in the second group include the Association of Universities and Colleges of Canada (*www.aucc.ca*) and the Association of Community Colleges of Canada (*www.accc.ca*). The role of these organisations includes a range of activities such as advocacy, research and policy analysis, membership services, placement of volunteers overseas for technical assistance and execution of international development and education projects.

Many NGOs focus on specific aspects of internationalisation (*e.g.* development projects or student recruitment) but as a group they address all facets of internationalisation – international student recruitment and support, student mobility, faculty development, development projects, research, cross-border programmes/education, curriculum, academic linkages and partnerships. In addition, NGOs at the provincial level, such as the British Columbia Centre for International Education (*www.bccie.ca*) and the Alberta Centre for International Education (*www.acie.ca*), address different aspects of international education.

The national NGOs have an important role to play in ensuring that the policies of the various departments or agencies identified above reflect the needs and opportunities of higher education in areas such as funding, immigration and employment policies, health insurance coverage, science and technology policy, official development assistance, technical assistance, export of services and many others.

The statement by the Association of Universities and Colleges of Canada (2003) illustrates that internationalisation is a priority issue for public policy and advocacy work for the higher education sector. "Universities are committed to bringing an international dimension to their teaching, research and community service in order to provide graduates with a global perspective, international knowledge and cross-cultural skills. Many of their activities contribute to this goal, such as supporting study abroad, recruiting international students, participating in overseas development projects and engaging in international research collaboration. (…) Examples of the issues facing universities include: establishing a federal grants programme for study abroad; promoting Canadian universities as a destination of choice for international students and implementing efficient immigration policies and practices; raising awareness of the contribution of Canadian and Southern universities to Canada's development assistance programme; and minimising the impact of international trade pacts such as the General Agreement on Trade in Services (GATS) on the public higher education system."

Mexico

The Mexican Association for International Education (AMPEI) was founded in 1992 for the purpose of bringing together professionals dedicated to the management of international co-operation activities in Mexican institutions of higher education. Its

mission is "to support the improvement of the quality of higher education through international co-operation". Among its activities are training professionals through workshops, conducting research, publishing a journal and recommending policies and practices that promote internationalisation. As mentioned above, the largest group of members of the US-based CONAHEC are Mexican.

2.3.4. Regional analysis

As noted in the introduction to this section, the discussion of rationales is one of the more complex aspects of internationalisation and cross-border education. While acknowledging the limitations imposed by the lack of data on the question of motivations, it is informative to reflect on the general directions and highlights of each country's rationales and to speculate on points of similarities and differences among the three countries.

It is practically impossible to identify a single overarching rationale driving internationalisation in the United States. The events of 11 September 2001 have of course pushed security and political alliances to the forefront of government policy. However, the post-secondary sector is highly segmented and its sub-sectors have their own motivation. For instance, the recent ACE survey (Siaya and Hayward, 2003) of public and private not-for-profit institutions shows that, at the present time, academic rationales are driving a bottom-up approach and the emphasis on internationalisation. More than half a million foreign students in the United States bring prestige, academic enrichment and revenue to institutions. In some fields, such as science, mathematics and engineering, they fill places in graduate programmes for which there is a dearth of US students. There is no information that provides specific insight into the relative importance of the underlying rationales for recruiting foreign students. Some not-for-profit higher education institutions see programme and provider mobility as an important opportunity to gain international reputation and generate income. The Global Education Index (GEI) companies such as media companies and multinational corporations like Sylvan, are yet another private for-profit sub-sector and clearly have income generation high on their list of driving rationales. They work within the larger context of unmet demand for post-secondary education, especially in countries where demographics and the gross national product are creating a favourable environment for international for-profit providers to enter the market. Thus, rationales differ depending on the sub-sector. To some extent, this is true for Mexico and Canada as well.

In Mexico, SEP plays a central policy role for all sub-sectors. The current emphasis on improving the quality of the tertiary sector stands out as the key national policy issue and is being integrated into all aspects of education. In this context, the international dimension of post-secondary education is one avenue for improving quality whether through faculty/scholar development abroad, institutional agreements, international research partnerships or other internationalisation activities. There are, of course, entrepreneurial companies/institutions that are driven by economic incentives to deliver education to neighbouring countries, but this does not seem to be the primary rationale for the large number of public and private post-secondary institutions.

For its part, Canada is host to only a handful of foreign for-profit universities, all of which are US-based commercial companies that have established branches or institutions in Canada. Thus the economic rationale that drives many private providers is limited. The rationales of the public not-for-profit institutions are therefore more important. The

findings of the 1999 AUCC survey demonstrate that academic rationales, as illustrated in the focus on preparing students to be internationally knowledgeable and interculturally competent, are the key drivers for internationalisation in general and for specific aspects of cross-border education as well. The rationales behind international student recruitment, for which Canada is noted, still have a strong orientation to internationalising the Canadian campus, classroom and research. Income generation is one motivation, which is clearly growing in importance for the institutions, but it is not the predominant one. At the national level there appears to be a longer-term view, with international student recruitment seen in terms of human capital. At the national level, there is also increasing emphasis on the role that international and cross-border education can play in knowledge development which, of course, is linked to human resource development.

Once again, the differences are striking but there seem also to be some similarities in the rationales of public and private not-for-profit post-secondary education. At the macro level, academic rationales dominate, albeit for different reasons: quality improvement in Mexico, human (students and faculty) and knowledge development in Canada and the United States. It is no surprise that private for-profit institutions and providers make income generation a high priority but this does not preclude a role for academic, social or political rationales. In the public and private not-for-profit sector, academic and social/cultural rationales may predominate but do not exclude political and income-generation rationales. All in all, what is most striking is the fact that rationales are in a state of transition. This is due to the increasing influence of market forces and competition at the international level; the prevalence of cultural clashes and misunderstandings within and across national boundaries; the increasing importance of regional economic and trade agreements; the emphasis on the knowledge economy; and the realignment of geo-political alliances in light of the existence and threat of terrorism. These trends have direct and indirect implications for the international dimension of education and more specifically the rationales for internationalisation. The implications are often manifested in policies related to immigration, foreign affairs, trade and cultural, scientific and human resources, rather than in education policies *per se* or in explicit statements on rationales (Knight, 2003).

In terms of the key actors, and unlike the situation in Europe, no prominent regional actors influence the development of post-secondary or cross-border education. What is striking for the American and Canadian situation is the absence of a strong national actor in education and a decentralised approach to education policy through state/provincial governments. In Mexico, however, the Ministry of Public Education plays a central role and national government agencies such as SESIC-SEP and CONACYT play a more important role in policy direction and programme development than NGOs. In Canada and the United States, the many NGOs have a more influential role through their advocacy work for internationalisation policy and funding, as well as for programme implementation.

2.4. Trends, issues, challenges

The importance of monitoring existing and emerging trends in cross-border education needs to be underlined. These trends present new opportunities and challenges for the higher education sector especially in the domain of policy and regulations at national, regional and even international levels. Of specific interest to this chapter are the implications for the North America region.

2.4.1. Limited regional focus and activities

As pointed out in the introduction, the three countries are different in size, culture and resources. All three factors contribute to significant differences in the post-secondary education systems. As concluded in the key developments section, there is very little sense of a regional approach to cross-border education. To date, there is limited progress on trilateral initiatives and secondly, the post-secondary education institutions in all three countries have more formal international collaboration with institutions in other regions of the world than with institutions in North America region. This leads to the observation that there is currently a trend for North America which favours more inter-regional cross-border academic mobility than intra-regional mobility. The results of a recent internationalisation survey by the International Association of Universities (Knight, 2004) confirms this trend and shows that of six geographic regions of the world (Asia, Europe, North America, Latin America, Africa, and Middle East) North America is the only region that does not identify intra-regional cooperation in the top three geographical priorities for academic cooperation and mobility.

2.4.2. Student mobility

The question of regionalism has another important dimension in terms of supply and mobility of fee-paying students. Asia is largest supplier of these students and they represent the vast majority of foreign students in both the United States and Canada. What are the implications if intra-regional mobility in Asia-Pacific region grows as is forecasted, or if Europe through the Bologna Process becomes a more attractive destination for foreign students? A significant decrease in the number of international students going to the United States and Canada will have economic, human resource and cultural implications for the higher education sector and perhaps, in the long term, the country as a whole.

For instance, will the relative decline in the share of international students going to the United States mean a different future for the United States in cross-border education? To date, the most important form of cross-border education in the United States has been bringing foreign students to US campuses. However, the US share of mobile students among OECD countries has been declining. With growing visa restrictions, fears of a chilly climate, and aggressive recruiting by other OECD countries both for mobile students and for in-country provision, there may be a further decline. The latest 2003 data on student mobility document almost no growth in international student numbers in the United States and a change in the geographical background of international students in the United States, with a significant decline in students coming from the Middle East (compensated by the rise of other Asian students, especially from India). One could imagine several scenarios: US institutions might turn, like Australia, to off-shore campuses or/and increase their use of distance education to reach students in other countries. Or, there may simply be no new growth areas accompanying the stagnation or decline of foreign students. A review of the national and regional level programmes to fund and facilitate cross-border education shows that there is one small regional mobility programme and, in the case of Mexico and Canada, very few national programmes for mobility. The United States has several well-known programmes like Fulbright, but funding for these initiatives has decreased in real dollars. This points to the reality of limited support and funding at the national level for mobility programmes of any kind and puts the burden of mobility to the institutions and in many cases the students themselves. North America provides a sharp contrast to the European region in this respect: the European mobility programme Socrates

and other related programmes have facilitated the reaping of the academic, political and social/cultural benefits of cross-border post-secondary education at the individual and institutional level.

2.4.3. The potential of ICT

There is a trend of increased interest in the use of new information and communication technologies for the international dimension of education, especially in distance education. Both the United States and Canada are looking to ICT to further internationalisation at home. A recent US awards programme to recognise innovative uses of technology sponsored by the American Council on Education elicited more than 60 entries of innovative practice (American Council on Education, 2003; *www.acenet.edu/programs/international/att/2003_att_award.pdf*). The Canadian study looked at how ICTs could be used to enhance the international and intercultural dimensions of the curriculum for all students, but especially the overwhelming majority who never have a study abroad experience (CBIE, 2003). It is understood that virtual mobility will never replace physical mobility but new international and intercultural opportunities are essential components of any educational experience, and ICT is one possible means of doing so. All three countries have institutions and more recently private providers that are currently delivering programmes electronically to other countries either as part of development projects, commercial initiatives, or academic linkages/exchanges. There are clearly new opportunities for innovation in the teaching/learning process and for greater access through distance delivery but there are also new challenges in ensuring that the quality and the relevance of the education offering is of the highest standard and appropriate for the receiving country.

2.4.4. Quality assurance

Probably the most pressing issue surrounding education programmes and providers across national borders is the issue of quality assurance, namely of who is monitoring and assuring the relevance and quality of the education programmes and qualifications being offered. Both the sending and receiving countries are involved in the policies and regulations for quality assurance; however, given the number and nature of new providers and innovative delivery techniques, new regional or international frameworks may be needed to augment national level efforts. The rise in the number of non-recognised or non-accredited institutions and providers is a key issue in many countries of the world. More private for-profit providers enter the education market for both domestic and cross-border delivery. Mexico and the United States are increasing efforts to register and accredit these providers but there are gaps in the domestic regulatory framework, especially when it involves international delivery.

2.4.5. The growth of the for-profit sector

The for-profit sector is growing rapidly in the United States, and although there is a paucity of data, it is highly likely that the cross-border activities of for-profit institutions will increase. Some for-profit institutions are increasingly recruiting foreign students, others establishing operations or buying institutions in other countries. Distance learning is clearly increasing. This trend could change the landscape of cross-border higher education and reshape the cross-border activities of traditional institutions.

2.4.6. Rationales

The rationales driving the different actors and stakeholders to increase the provision of and participation in cross-border education are complex and diverse. The diversity of motivations are clearly visible in the cross-border activities of US institutions and organisations as often private and public, profit and non-profit, local and international, new and traditional providers are becoming engaged in cross-border education for very different reasons. The political, cultural, academic, economic and social rationales motivating these providers can overlap, differ, complement or be in conflict with each other. This demonstrates how difficult it is to try to generalise and identify rationales for internationalisation and cross-border education for a whole country. It also points to the critical issue of informing the public, students, education sector and employers about the quality of education programmes and the recognition of the qualifications granted.

2.4.7. Brain-drain

The mobility of students, professors, and scholars raises the issue of brain drain/gain and the motivation of countries to use cross-border education to increase their human resource capacity. This phenomenon is also currently referred to as "brain circulation" or "brain exchange" and is a feature of professional mobility as well. There are important implications for national level immigration, human resource development, employment and trade policies for the three countries in the North American region as well as partner sending and receiving countries. As key beneficiaries of the brain drain, the United States and Canada will continue to be important actors for the foreseeable future.

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Chapter 3

Cross-border post-secondary education in Europe

This chapter provides an overview of developments in cross-border post-secondary education in Europe. The analytical focus is primarily on the European Union, with its current 15 member states (all OECD countries), but attention is also paid to developments in countries belonging to the European Free Trade Area and in the ten candidate member countries that have acceded to the Union in 2004 (of which four are presently OECD countries). The first section provides an historical overview of internationalisation and cross-border post-secondary education, and shows the gradual opening of national systems following European co-operation and integration policies. The second section analyses the main policy rationales and instruments in cross-border education in Europe, showing a shift towards more economic rationales over time and a complex co-existence of cooperation and competition. The third section documents the key developments in cross-border mobility of students, programmes and institutions and describes the role of actors and partnerships in these developments. The concluding section presents the main opportunities, challenges and issues related to cross-border developments in Europe.

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This chapter provides an overview of developments in cross-border post-secondary education in Europe. The analytical focus is primarily on the European Union, with its current 15 member states (all OECD countries). Additional attention is paid to developments in countries belonging to the European Free Trade Area (four, three of which are OECD countries) and in the ten candidate member countries that will accede to the Union in 2004 (of which four are presently OECD countries). Examples taken from individual countries are used where relevant. Particular focus is on developments in the higher education sector. This approach seriously limits the amount of information that can be given on individual countries and the level of detail and depth of the analysis of all developments.

However Europe is defined, it represents a large number of countries (almost 30) which are extremely diverse in terms of culture, language, educational systems, etc. It is therefore a major challenge to produce a well-balanced report on developments in the region in terms of supranational and national agendas, policy-led and market-driven approaches and co-operation and competition, all of which play an important role.

In Europe, higher education is provided in some 4 000 institutions catering for approximately 16 million students. Although national systems remain very diverse, the European system can be depicted as one of the world's largest, mainly publicly funded higher education systems. More than 75% of these students study at public institutions and only some 5% at private institutions. In many cases, students pay low or no tuition fees. The European higher education system is not only large, it is also very open. Under EU legislation, students can move freely between countries and institutions. As a consequence, student mobility, particularly intra-European mobility, is the main feature of cross-border education in Europe. Institutions, academics and programmes can also cross borders and do so via the region's many co-operation arrangements and networks. However, when students can move so freely, the need for other forms of cross-border activity (see overview in Chapter 1) may be less clearly felt than elsewhere. However, because European higher education is composed of a few dozen very different national systems, mobility is still hindered by obstacles arising from their lack of harmonisation. Reducing such obstacles is one of the main items on the current European agenda.

The European Union (EU) plays an undeniably important role in the internationalisation of education. Not only has it boosted mobility of individuals and co-operation between institutions through major programmes such as ERASMUS, it is also active in fields such as credit transfer and recognition. Moreover, it plays a key role in achieving greater convergence of the various systems. Still, it should be emphasised that student mobility in Europe is greater outside the EU programmes, that is, there are important flows and initiatives that are not policy-led. Moreover, national initiatives are as important as supranational policies, as all regulatory power for education (including funding, quality assurance, etc.) is located at the national level.

The drivers of change are linked to the general trends of globalisation, enhanced technological possibilities, moves towards knowledge economies and lifelong learning and increasing competition. In Europe, the number of students in tertiary education has more than doubled on average over the last 25 years. This has clearly had consequences for cross-border education. Besides the growing demand for access, the diversification of demand, enhanced economic and human resources interests and the European integration process as such also play a role. Increasingly, there are also concerns about national and regional brain-drain and competitiveness, particularly in relation to the United States. Responses to these challenges include a mix of policy-led and more market-driven initiatives. Countries differ markedly in this respect, as explained below.

The following sections first provide an historical overview, followed by an analysis of the main policy rationales and instruments. Then, the key developments in activities and the role of actors are described. Finally, the main opportunities, challenges and issues related to cross-border developments are presented.

3.1. Historical overview

3.1.1. The post-World War II period: closed national systems

The European history of internationalisation in higher education goes back to the Middle Ages when "wandering students" traversed the continent to study at different centres of learning. This early example of academic mobility inspired the well-known mobility programme of the European Union, named after a famous Renaissance "wandering student": Erasmus of Rotterdam. Recently (2002) this programme celebrated its one millionth student. However, the example of the ERASMUS programme does not substantiate the argument, often advanced, that higher education has always had, and has inherently, an international character. Since the 19th century, European nation states have played a crucial role in the development of the modern university. In this context Neave (2001) refers to two centuries of nationalism in higher education. Furthermore, only a few higher education institutions in Europe can lay claim to a centuries-old international tradition for the simple reason that two-thirds were established after 1900 and half after World War II. The modern university, therefore, is typically a national institution (Scott, 1998).

However, the second half of the 20th century saw a gradual change in the extent to which higher education policy was nationally determined and oriented. National governments increasingly began to interact on (higher) education policy, with the OECD, UNESCO and the EU Council of Education Ministers serving as important forums. In the discussions, comparisons of educational policies, in particular their effects, assumed increasing importance. As a result, these organisations began to undertake the collection and analysis of international comparative data. In addition, more policy attention was paid to the internationalisation of higher education itself with a view to moving beyond existing schemes for academic mobility to policies to encourage higher education institutions to internationalise their core functions of teaching, research and services. In most countries such policies were initiated from the second half of the 1980s, with Sweden leading the way in the 1970s. In some cases, OECD reports indicating a narrow national orientation in the fields of higher education and research served as a catalyst for individual countries to develop internationalisation policies, but the major spur to action was generally the

process of European integration and more specifically EU programmes in the field of higher education (Kälvermark and van der Wende, 1997).

It is evident that geo-political factors played a major role in the internationalisation of higher education in Europe following World War II (Blumenthal *et al.*, 1996, De Wit, 2002). The post-war reconstruction of Europe was supported in part through the stimulation of scientific co-operation between the United States and Europe. The Fulbright programme is a prime example. These policies led to a multiplicity of bilateral, individual, research-orientated contacts and enhanced north-north mobility and co-operation. The process of decolonisation in the 1950s and 1960s resulted in new forms of mobility and co-operation aimed at the development of a new intellectual stratum in the former colonial nations. In the first instance, students from these countries were enrolled in European universities (south-north mobility), sometimes in regular programmes (for example, in Germany and France) but also in specially designed institutions such as the Institutions for International Education in the Netherlands. Subsequently, certain countries emphasised developing training capacity within the former colonial nations by way of north-south co-operation. The first forms of multilateral exchange and co-operation were then developed in the 1980s as part of the process of European integration and led to the creation of the world's largest programme of this nature – the ERASMUS programme, now part of the SOCRATES Programme for Education and Youth. After the fall of the Berlin wall, individual European nations and the EU developed extensive co-operation programmes with the countries of Central and Eastern Europe. In the framework of the EU programmes (including TEMPUS), this took the form of multilateral exchange and co-operation, but this time on a west-east axis.

A closer look at European-level policies shows that the European Economic Community (EEC), after its founding in the 1950s, initially addressed educational matters only in the areas of vocational training and the transition from education to work, including the professional recognition of qualifications (Neave, 1984). Vocational training was, however, not considered a priority policy issue. A first Council Decision of 1963 did not lead to general guidelines until 1971 (De Wit and Verhoeven, 2001). It was also in 1971 that EC Education Ministers met for the first time. In 1976 they decided to set up an information network as the basis for a better understanding of educational policies and structures in the then nine-nation European Community and established an Action Programme in the Field of Education (Brouwer, 1996; Wächter *et al.*, 1999; De Wit and Verhoeven, 2001). The information network was formalised in 1980 by the establishment of Eurydice (the information network on education in Europe). When higher education became part of the European agenda in the 1970s, the main objective was to encourage co-operation by enhancing contacts between higher education institutions, promoting student mobility and improving possibilities for academic recognition (Brouwer, 1996). It was thus in this period that the first programme for student mobility and co-operation was launched. The Joint Study Programmes (JSP), predecessors of the ERASMUS programme, were established in 1976 and remained in operation for about a decade. In sum, the traditional pattern in the 1970s was a closed national education system, regulated and funded by the state. This reflected the view that the particular character of education systems in the member states should be fully respected but that co-ordinated interaction among education, training and employment systems should be improved.

3.1.2. The 1980s-1990s: European co-operation programmes

In the mid-1980s interest in educational co-operation increased in the context of EC policies aimed at completion of the Single Market by 1992 and the development of "European citizenship". The legal basis for Community action in the area of vocational training was extended (Brouwer, 1996; De Wit and Verhoeven, 2001). A second generation of mobility programmes was launched: COMETT, a programme for co-operation between higher education and industry in the field of technology in 1986 and ERASMUS in 1987, followed by a range of other programmes such as DELTA, PETRA, LINGUA, etc. (Wächter *et al.*, 1999; De Wit and Verhoeven, 2001). ERASMUS funded the mobility of students and staff, the creation of university networks in all fields of study, as well as measures to promote and support recognition of study abroad periods by means of granting academic credit (European Credit Transfer System – ECTS). It became the EC's flagship programme. In its first year (1987/88) some 3 200 student exchanges took place. In 2000/01 there were 111 100 (estimated number) (see Table 3.1). Today, more than a million students have studied abroad under the auspices of the ERASMUS programme. ERASMUS remained an independent programme until 1994.

Table 3.1. **ERASMUS student mobility: actual[1] numbers of students sent and hosted by country**

	Hosted	Sent	1997/98 ratio
United Kingdom	20 938	10 582	1.98
Ireland	2 844	1 509	1.88
Netherlands	4 939	4 171	1.18
France	15 193	15 263	0.99
Sweden	2 941	3 173	0.93
Spain	11 426	12 468	0.92
Denmark	1 562	1 796	0.87
Germany	10 991	13 785	0.80
Norway	818	1 071	0.76
Portugal	1 382	1 834	0.75
Austria	1 744	2 438	0.72
Iceland	88	123	0.72
Greece	994	1 431	0.69
Belgium	2 855	4 233	0.67
Italy	5 697	9 334	0.61
Finland	1 836	3 052	0.60
Total	**86 248**	**86 263**	**1.00**

1. Actual numbers vary substantially from the often-published estimated numbers, related to the take-up of available grants, which is on average 47.5% (Teichler, 2002, p. 44), and can be published only after finalisation of all administrative procedures and are consequently less recent.

Source: Teichler (2002).

In many cases, the new EC programmes were also a boost for developing national policies for internationalisation in the various member states. In the first instance, these policies were also mainly focused on mobility and exchange of individuals (Kälvermark and van der Wende, 1997). The national structures between which the individuals moved, however, were not questioned. The "principle of subsidiarity"[1] and the sovereignty of member states with respect to their educational systems legitimated and limited EC action in this area. Both were laid down in the Maastricht Treaty concerning education and training. Articles 126 and 127 clearly state that the EC encourages co-operation between

member states and only supports and complements policy action at the national level; it fully respects countries' responsibility for the content of education, the structure of their education systems and their cultural and linguistic diversity (Maastricht Treaty, 1992). The period between the mid-1980s and mid-1990s was thus characterised by a strong focus on European integration (completion of the Single Market) and consequently on intra-European mobility, mainly triggered by the launch of the EC programmes.

Table 3.2. **Foreign students by host country, 1995-2001**[1]

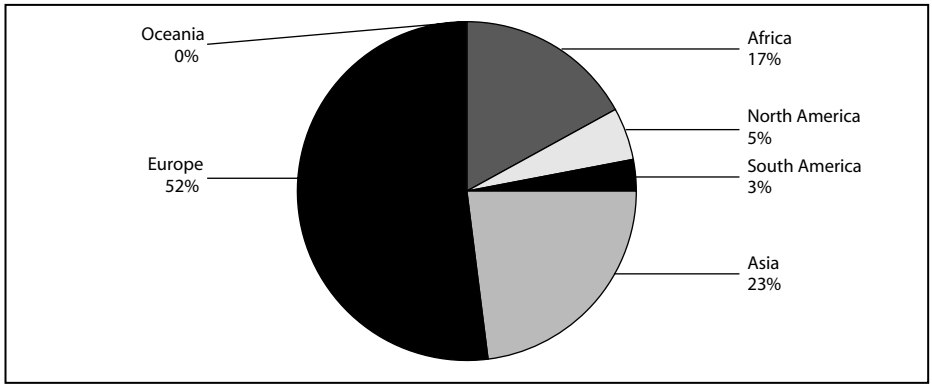
	1995		1998		2001		Change in %
	Number	% of enrolment	Number	% of enrolment	Number	% of enrolment	
Austria	25 175	10.76	28 447	11.5	31 682	12.0	25.85
Belgium[2]	34 966	9.92	7 355		38 150	10.6	9.11
Czech Republic	2 836	1.59	4 074	1.9	7 750	3.0	173.27
Denmark	8 313	4.9	11 022	6	12 547	6.5	50.93
Finland	2 566	2.01	4 331	1.7	6 288	2.2	145.65
France	165 350	7.98	148 000	7.3	147 402	7.3	–10.85
Germany	154 536	7.17	171 150	8.2	199 132	9.6	28.86
Hungary	6 394	3.76	6 636	3.2	11 242	3.4	75.82
Iceland	159	2.15	194	2.4	421	4.1	164.78
Ireland	5 177	4.26	6 904	4.8	8 207	4.9	58.53
Italy	23 743	0.13	23 205	1.2	29 228	1.6	23.10
Luxembourg			559	30.5			
Netherlands			13 619	2.9	16 589	3.3	
Norway	11 158	6.45	5 750	3.2	8 834	3.7	–20.83
Poland	5 202		5 443	0.5	6 659	0.4	28.01
Portugal[3]	6 140	2.04			11 177	3.0	82.04
Slovak Republic					1 690	1.2	
Spain	21 403	1.4	29 000	1.7	39 944	2.2	86.63
Sweden			12 579	4.5	26 304	7.3	
Switzerland	17 517	11.82	24 344	15.9	27 765	17.0	58.50
UK	156 977	8.66	209 554	10.8	225 722	10.9	43.79
Total	**647 612**		**712 166**		**856 733**		**32.29**

1. A recent study commissioned by the European Parliament on statistics on student mobility (Lanzendorf and Teichler, 2002) concluded that while the promotion of student mobility as a policy instrument in the new work programme on education in Europe (see EC, 2002 and 2003c) has been enhanced, the quality of comparable European mobility statistics is decreasing. The main reason is that owing to changing social contexts in Europe (notably labour migration), foreign citizenship is losing relevance as a statistical criterion for identifying mobile students (see also Footnote 7). Recommendations for overcoming the current shortcomings are being considered.
2. For 1998 Flanders only.
3. Portugal data for 1995 and 2000.

Source: OECD education database.

Table 3.2 displays flows of incoming students to European countries. The first conclusion to be drawn is that, except in two countries, the number of foreign students has increased considerably (above 32%) over the last years. A second conclusion is that Europe still hosts more foreign students (more than 850 000 in 2001) than the United States (547 000 in 2000/01). In fact, the market share of the United Kingdom, Germany and France together (36%) is larger than that of the United States (30%) (see Table 3.3). Concern over the increasingly strong position of the United States as a destination for study abroad should therefore be viewed more closely in this light: it holds for extra-regional mobility. As Figure 3.1 makes clear, slightly over 50% of the mobile students in Europe are from within the region, and intra-regional mobility is the fastest growing component (see Figure 3.2).

Figure 3.1. **Percentage of foreign students in Europe by continent of origin, 2001**



Source: OECD education database.

Furthermore, a comparison of Table 3.1 and Table 3.2 clearly demonstrates that despite the substantial mobility under the ERASMUS programme, over four times more mobility within Europe takes place outside this framework, part of it under quite substantial regional programmes such as the NORDPLUS programme in the Nordic countries.

Despite the impressive overall numbers, a large majority of students in the EU pursue tertiary education in their own country: only 2% of tertiary-level students study in another member state or EFTA/EEA country. Mobility at this level is most widespread in Luxembourg (68%), Iceland (17%), Lichtenstein (22%), Greece (11%) and Ireland (10%). For the candidate countries the pattern is similar: again 2% on average. Cyprus is a notable exception (56%) (Eurydice, 2002). In terms of numbers, Greek students who study elsewhere in Europe lead with almost 55 000 in 2001 (see Table 3.4). Most study in the United Kingdom (where they represent 14% of the international student body). The United Kingdom and Germany host the most European students, with 111 000 and 70 000, respectively (Eurydice, 2002) (see also Section 3.3.6).

From 1995, the ERASMUS programme continued as part of SOCRATES, a broader "umbrella" programme for general and higher education. Although the fundable activities remained virtually unchanged from those of the previous programme, some important new emphases were introduced (Wächter *et al.*, 1999). First, there was a stronger focus on the development of European (internationalised) curricula. It was assumed that this was an adequate way to achieve more in-depth academic co-operation, that European (or internationalised) curricula would better accommodate the joint learning of students from different national backgrounds, and that such curricula would also offer a European dimension to students who do not study abroad. A second reform related to management practice: the Commission introduced the Institutional Contract, which covered the totality of its EU-funded activities in the area of education. Institutions were encouraged to develop an institutional strategy on European co-operation. Third, a growing range of countries, notably in Central and Eastern Europe, were included in the programme.

At the same time, the second half of the 1990s was characterised by two different trends. On the one hand, the focus of the EU programmes by and large continued to be on intra-European mobility. On the other hand, rapidly growing demand for higher education, especially in transition countries, was increasingly met by the cross-border (or transnational) supply of educational programmes and services.[2] A global market for higher education was developing, with certain countries exporting higher education and others importing it. This market was estimated to have an annual value of several billion US dollars. Expectations about its growth were spurred, among other things, by great hopes (and fears) engendered by information and communication technology (ICT) applications in this area. This trend introduced the notion of international competition and enhanced the economic rationale of internationalisation agendas and activities (van der Wende, 2001a, 2001b).

In Europe, the United Kingdom was the first to take an explicit export and trade perspective on higher education, with clear objectives regarding the recruitment of international fee-paying students (Elliot, 1998, p. 32). Later, other countries also geared their internationalisation policies more towards economic benefits and more internationally competitive higher education sectors. The coexistence of these two trends meant that European higher education institutions had to consider their internationalisation strategies in the light of two contrasting paradigms, that of traditional (and mainly European) co-operation and that of the new international (and global) competition (van der Wende, 2001a). They had to examine more closely their role and position as European universities in the wider international scene (CERC/CRE, 1999). At national and European levels, greater international competition led to a growing awareness of the need to strengthen the position of European higher education. The fact that the United States proved to be the main exporting nation on the global higher education market were clear warnings. In addition, it became clear that the United States gained not only direct economic benefits but also substantial benefits in terms of human resources and R&D from the inflow of foreign students (see Section 3.4.1). Awareness of increasing competition was the basis for one of the main arguments for making curricula more compatible with worldwide patterns of degree structures, *i.e.* the development of a European Higher Education Area. These initiatives were presented in the Sorbonne and Bologna Declarations, which are discussed below.

3.1.3. The end of the millennium: the Sorbonne and Bologna declarations

In 1998, a major initiative to achieve greater convergence between higher education systems was taken by four European countries (Germany, France, Italy and the United Kingdom), when they called upon other European countries in the Sorbonne Declaration to join them in an effort to harmonise the architecture of the higher education systems in Europe. In response, 29 European countries expressed their intent to establish a European Higher Education Area by 2010 by signing the Bologna Declaration in 1999. The need to respond to global challenges and international competition is clearly stated in the introductory text of the declaration: "We must look with special attention at the objective to increase the international competitiveness of the European system of higher education. The vitality and efficiency of any civilisation is measured in fact by the attraction that its cultural system exerts on other countries. We need to ensure that the European system of higher education acquires in the world a degree of attraction equal to our extraordinary cultural and scientific traditions." (Bologna Declaration, p. 2). The Bologna Declaration states further that to establish the European Area of Higher Education and to promote the

European system of higher education throughout the world, the following objectives will have to be attained:

- Adoption of a system of degrees that are comparable and easy to read in order to promote European citizens' employability and the international competitiveness of the European system of higher education.
- Adoption of a system based on two cycles; the first, of three years at least, qualifies for the European labour market.
- Establishment of a system of credits – the European Credit Transfer System (ECTS) – including those acquired outside the context of higher education, provided they are recognised by the university system as an appropriate means of favouring wide student mobility.
- Elimination of remaining obstacles to the effective exercise of the rights to free mobility and equal treatment.

The Bologna Declaration is a document which marks a turning point in the development of European higher education. It should be emphasised that by signing the Bologna Declaration, each signatory country freely committed itself to reform its higher education system in order to achieve greater compatibility and thus lead to overall convergence at European level. The reform was not imposed upon national governments or higher education institutions. The Bologna Declaration aims at creating convergence; it does not aim at the standardisation or harmonisation of European higher education. The fundamental principles of diversity and autonomy are respected. The Declaration reflects a search for common European solutions to common European problems (CERC/CRE, 1999).

The Bologna Declaration led to a wide range of actions at national level in the various signatory countries. In interaction with higher education actors and stakeholders, governments undertook initiatives of varying scope to achieve the objectives of the Bologna Declaration. They focused in particular on the reform of degree systems (*i.e.* the introduction of the bachelor-master system) and the expansion of ECTS (Haug and Tauch, 2001). The first milestone in the process was the meeting in 2001 of Ministers of Education in Prague. This meeting emphasised certain aspects of the Declaration, in particular the role of quality assurance in ensuring high standards of quality and in facilitating the comparability of qualifications throughout Europe. This gave a boost to the establishment of the European Network of Quality Agencies (ENQA) in 2000. It also encouraged closer co-operation between recognition and quality assurance networks and agencies, *i.e.* between ENQA and the National Centres for Academic Recognition (NARICs) and the European Network of Information Centres on Recognition and Mobility (ENICs).

A second ministerial meeting in the Bologna process took place in September 2003 in Berlin to review progress and to set directions and priorities for the next stages. In preparation, a third evaluation was undertaken of the implementation of the Bologna Declaration (Reichert and Tauch, 2003). It reports that, in legal terms, good progress has been made. Some 80% of the Bologna signatory countries either have the legal possibility to offer two-tier structures or are introducing them; consequently, 90% of the higher education institutions in these countries have or will have such a structure. It also states that although general awareness of the Bologna process has increased considerably, the implied reforms have yet to reach most of the higher education actors at the grass-roots level (academics). Key actors recognise that the driving force behind the Bologna process is the need to enhance the quality of higher education and increase the employability of graduates. However, regular and close

involvement of professional associations and employers in curricular development still seems to be rather limited. It is stated that: "To do justice to the concerns of stakeholders concerning the relevance of higher education and the employability of higher education graduates, without compromising the more long-term perspective proper to higher education institutions and to universities in particular, may well be the most decisive challenge and success factor of Bologna-related curricula reforms." (p. 11). Furthermore, the report emphasises that to ensure that the implementation of the new degree structures is not carried out only on a superficial level, European qualification frameworks and quality assurance need to be elaborated. There should be greater transparency and enough common criteria to allow for mutual recognition of national systems.

At the Berlin ministerial meeting (2003) the number of Bologna signatory countries was extended to 40. In line with the preparatory report, intensification of efforts was decided in the following key areas:

- *Quality assurance*: by 2005 all countries should have quality assurance systems in place that include certain characteristics, including a "system of accreditation, certification or comparable procedures" and international participation, cooperation and networking.
- *Two-cycle system*: all countries should at least have started the implementation by 2005, and an elaboration of an overarching framework of qualifications for the European Higher Education Area (EHEA) should be undertaken.
- *Recognition*: by 2005 every student should be given an International Diploma Supplement.

Furthermore, the Berlin Communique reaffirmed the social dimension of the Bologna process. It stated that higher education is a public good and a public responsibility and that academic values should prevail in international cooperation. A direct link was made between the Bologna Process and the objectives of the Lisbon council (see Section 3.1.4), which have a strong economic orientation related to global competitiveness. The latter signals the growing convergence between the Bologna and the European Commission agendas. Finally, an additional area of action was defined related to the closer linking of the European Higher Education Area (EHEA) and the European Research Area (ERA). In this respect, actions should focus in particular on doctoral studies and on cooperation networks (Berlin Communique, 2003).

The involvement of the European Commission in the Bologna process is not limited to its membership in the Follow-up Group. It actively (also financially) supports various activities that are considered part of the process. This concerns in particular projects in the area of quality assurance, the tuning of educational structures and the development of (especially joint) masters' degrees (EC, 2003a, 2003b; Tauch and Rauhvargers, 2002). Indeed, there is a growing convergence of the Bologna and the European Commission agendas.

Owing to the Bologna process, European-level policy has had a marked impact on the higher education curriculum and system in most European countries, and the international dimension of national higher education policies is being enhanced (van der Wende, 2001b). Although the term harmonisation is still unacceptable, national governments recognise the need for convergence of higher education systems and for shared policy goals. At the same time, and despite the active involvement of the EC, the role of the supranational (EU) level has remained formally unchanged. According to the current EU Treaty: "At European level, education in general and higher education in particular are not subjects of a common European policy: competence for the content and the organisation of studies remains at national level." According to Article 149, the

Community's role is still limited to "contributing to the development of quality education by encouraging co-operation between Member States".

At the same time, European universities were more exposed to competition and becoming more aware of it. It was recognised within the academic community that competition – long established in Canada and the United States – was gaining ground in much of Europe (CVCP, 2000). It was increasingly recognised, although not always appreciated, that higher education is becoming a global enterprise and that the fundamental challenges, especially those created by the new environment of technology, globalisation and competition, are very much the same across nations and continents (Green *et al.*, 2002). The European Commission was aware of this and looking towards a more coherent response to globalisation. In a commissioned report it was recommended that to face the challenges of globalisation, the European Union should both enhance internal co-operation, especially geared towards creating more convergence and transparency (*i.e.* the Bologna process), open up to other countries and regions, and strongly market the quality of its education to the outside world (Reichert and Wächter, 2000). The last recommendation was linked to the notion that Europe had lost its leading position as a destination of study abroad in the world for non-Europeans.

A Commission report of 2001 (EC, 2001a) set out some initial responses to the challenge of global competition in the field of education. It explicitly referred to the market-oriented approaches of the United Kingdom, France, Germany and the Netherlands (see Section 3.3.6), and to the fact that the United States hosts the majority of the world's foreign students (see Section 3.4.1). It concluded that the Community should ensure that its education activities include a more systematic international dimension and that it should give greater visibility to its efforts to promote Europe as a centre of excellence and to attract students seeking an international education. This document formed the basis for the establishment of the ERASMUS Mundus programme (see Section 3.3.5). The notion of competition and the need for action in the field of education is firmly established in the European Commission. The Commissioner for Education and Culture, Viviane Reding, stated in an interview that: "Competition between universities is a healthy thing. If our European universities, and I do not only mean those that are world-renowned, but the bulk of them, do not raise the quality of what they offer, then the race – that is already on – with universities arriving from the United States and other continents will be lost." (Forum, 2002)

3.1.4. The turn of the millennium: the Lisbon Summit

In a broader political context, the challenges relating to globalisation and the knowledge-driven economy were also acknowledged by the heads of states and government of EU countries (the European Council) at their meeting in Lisbon in March 2000. They agreed on the following strategic target for 2010: "To become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable growth with more and better jobs and greater social cohesion" (EC, 2002). In the view of the Council, these changes required not only a radical transformation of the European economy, but also the modernisation of the social welfare and education systems. Therefore, it called on the Education Council (the EU Education Ministers) and the European Commission to examine the specific objectives of education systems, focusing on common concerns while respecting national diversity. At the same time, the Council defined a new approach to political co-ordination applicable in areas such as education and training: the "open method of co-ordination", whose main purpose is to achieve greater convergence towards the main EU

goals by helping member states to develop their own policies to reach them. This provided both the initial impetus and the political basis for the preparation and adoption in 2002 of a detailed work programme on the future objectives of education and training systems (EC, 2002), which made clear that education was to be a key factor in meeting the target set out at Lisbon. The Barcelona European Council (March 2002) underlined this by pointing out that education was one of the bases of the European social model and that Europe's education systems should become a "world quality reference" by 2010.

The characteristics of the open method of co-ordination, with common objectives translated into national action plans and implemented through consultative follow-up and peer review, show some overlap with the Bologna process. The Commission sees the method as a new instrument which may pave the way for coherent policies in areas such as education where a common policy is not feasible but where there is a real need for convergence. While it respects the breakdown of responsibilities envisaged in the treaties, this method provides a new co-operation framework for achieving convergence of national policies and the attainment of certain shared objectives. It is based essentially on:

- Identifying and defining jointly the objectives to be attained.
- Commonly defined yardsticks (statistics, indicators) enabling member states to know where they stand and to assess progress towards the objectives.
- Comparative co-operation tools to stimulate innovation, the quality and relevance of teaching and training programmes (dissemination of best practice, pilot projects, etc).

The new work programme on the future objectives of education and training systems is based on the following strategic goals:

- Improving the quality and effectiveness of education and training systems in the EU.
- Facilitating the access of all to education and training programmes.
- Opening up education and training systems to the wider world.

These three goals are worked out in 13 specific objectives (EC, 2002; EC, 2003c).

The Commission has proposed five European benchmarks for education and training, which will help to measure progress and support the exchange of best practices and peer reviews with a view to reaching the Lisbon target by 2010. The three benchmarks most relevant for post-secondary education are:

- Member states should ensure that an average of 85% or more of 22-year-olds in the EU have at least upper secondary education.
- The total number of graduates in mathematics, science and technology in the EU should increase by at least 15%, with a concomitant decrease in the gender imbalance.
- The average level of participation in lifelong learning in the EU should be at least 12.5% of the adult working age population (25-64).

On 6 February 2003, the Education Council held a policy debate on the adoption of these benchmarks. The vast majority of delegations agreed to this initial selection. The German delegation expressed some concern over the benchmarking concept: they agreed provided that it would not entail harmonisation of national education policies. The Education Council adopted the benchmarks at its session on 5-6 May 2003 and will submit them to the European Council in spring 2004. In July 2003, a first (draft) report on the performance and progress of education and training systems in Europe (according to the established indicators and benchmarks) was published (EC, 2003g).

It is too early to assess the effects of this new method, but the initiative demonstrates that the Commission is enlarging its field of operation and policy implementation in education. It openly states now that in addition to areas where Articles 149 and 150 of the Treaty define European competencies, under which EU programmes such as SOCRATES are being implemented, action is also taken in the context of the EU on the basis of political co-operation between member states. It is not expected, however, that the legal basis for such actions will be extended. In the draft of the EU Constitution (which will replace the existing Treaties), the competencies of the EU have remained virtually unmodified compared to the previous treaties. They are now more clearly presented and divided into three categories: exclusive competencies of the Union (like commercial policy); competencies shared with the Member States (agriculture, transport, environment, social policy); and competencies of supporting, coordinating and complementary action (like, for example, in education), which excludes any harmonisation of the laws of the Member States. The draft Constitution has thus left the legal framework for Community action in the field of education unchanged. The document refers also to the "open method of coordination" (without calling it so) by stating that in several fields of action "and in close cooperation with the Member States, the Commission may take any useful initiative to promote coordination […], in particular initiatives aiming at the establishment of guidelines and indicators, the organisation of exchange of best practice, and the preparation of the necessary elements for periodic monitoring and evaluation" (article III-148). It does not, however, give any specific provisions for such coordination in the field of education.

3.2. Policies and rationales

3.2.1. Shifting rationales

As shown in the previous section, geo-political factors have played an important role in the development of internationalisation in Europe. Internationalisation has played a role in responding to and supporting processes of post-war reconstruction, decolonialisation and nation building, and economic and democratic reform, through co-operation, capacity building, knowledge transfer and the education of a local intellectual cohort to modern and international standards. In this context, one can speak of a *political* rationale behind the process of internationalisation. But other rationales also play a role. Within EU policies and with a view to "European citizenship", there is particular concern for promoting mutual understanding and knowledge of different languages and cultures: the *cultural* rationale. Since the 1980s, a more explicit *academic* rationale has focused on internationalisation as a means to enhance the quality of education and research. Finally, a fourth rationale has come to assume an increasingly prominent role in relation to the three mentioned previously: the *economic* motive for internationalisation. In its various forms this relates, directly or indirectly, to the international competitive power and position of a region, country, education system or individual institution. A distinction can be made between the short-term and the long-term objectives of the relevant policies.

3.2.2. The growing economic orientation

During the last decade, the economic rationale has become more prominent in Europe, although there is a clear difference between the short-term and the long-term benefits. The short-term objectives of generating direct institutional income and/or enhancing contributions to the national economy mainly play a role in fee-based systems, such as

those of the United Kingdom and the Netherlands. In other countries, the perspective on benefits is mainly long-term. In these countries, enhancing the international competitiveness of the system is considered and supported in the first instance as an area of investment (for the benefit of society and the economy). Other countries (for instance in Central and Eastern Europe) are concerned about the marketability of their higher education systems and would like to increase the recognition of their degrees abroad. The push to recruit and market internationally is obviously less felt in countries that are not (yet) able to accommodate the growing national demand for higher education and where the systems are consequently oversubscribed.

The growing importance of the economic rationale implies that the co-operation paradigm is increasingly paralleled by a significant competition paradigm (more at present between Europe and other parts of the world than among European institutions). However, this may change as a result of funding pressures on institutions, either to charge fees or to earn more income from non-state sources. This appears to be linked to the impact of globalisation on higher education. Economic globalisation increases the demand for international competencies among graduates and the recruitment of foreign students. Trade in educational services is becoming an increasingly important economic factor for countries as well as institutions.

A recent study (Caille *et al.*, 2002) indicates that in at least 40% of European countries internationalisation is partly driven by economic rationales related to the international competitiveness of the system and/or to the export of higher education programmes and services. Whereas in the mid-1990s only the United Kingdom and the Netherlands had a more or less clearly economic-driven policy for recruiting foreign students, the range of such countries is expanding. Haug and Tauch (2001) report that attracting more foreign students is also a national policy aim in Norway, Sweden, Austria, Finland, Ireland, Germany, France, Switzerland, Malta, Hungary and Latvia. Germany and France have developed national-level policies for this type of recruitment and for the international marketing of their higher education systems (see Section 3.3.6). In their most recent report on the Bologna process, Reichert and Tauch (2003) state that enhancing the attractiveness of European higher education in the rest of the world ranked third after improving quality and enhancing graduate employment. Also in the Nordic countries, where international cooperation in higher education has traditionally been driven by a range of non-economic arguments, overall the economic dimension of internationalisation is becoming more important in the national internationalisation policies of at least three of the five Nordic governments. Based on a recent study, Maassen and Uppstrøm (forthcoming, p. 8) report that this is particularly the case in Denmark and Norway. The Danish government supports the ambition of making the universities attractive for foreign students and offered universities the possibility of charging tuition fees to non-EU students. Norway has made it clear in the WTO/GATS negotiations that it is in favour of minimal national barriers to trade in higher education, amongst other things, as a way to stimulate more internal competition between institutions and improve quality in the Norwegian system. As part of an overall reform plan for higher education, Norway aims to attract more foreign students by increasing the number of academic courses offered in English and developing a more international student environment in Norwegian institutions (Norwegian Ministry of Education, 2002). The other three countries have not gone this far. Finland has also carefully started to address the importance of the economic dimensions of internationalisation of higher education. Sweden is arguably more "neutral": it is aware of the importance of the economic dimension of internationalisation, but the Swedish authorities

will not try to influence the institutions directly on this. In Iceland, the economic dimension of internationalisation has so far not been explicitly put on the political agenda.

Countries such as the United Kingdom and the Netherlands are increasingly dependent on foreign recruitment for attracting sufficient numbers of talented students and graduates in fields like science and technology where interest among national students has declined. They often seek in particular to attract graduate students or young researchers in order to maintain their research capacity and standards. In their efforts to recruit foreign students from outside the European Union, countries and institutions must often compete with the United States, which is for many of the world's students the most popular destination for study abroad. Moreover, the United States also attracts European students and scholars (see Section 3.4.1). Countries have also become aware that non-European providers of transnational education (such as the University of Phoenix, a US-based provider) consider Europe an interesting market. These providers focus in particular on countries that cannot meet the demand for higher education in terms of volume or flexibility (Dos Santos, 2000; Adams, 2001). This new form of competition is considered by some as a potential threat to the position and market share of European higher education institutions.

The United Kingdom not only desires to attract human capital, it also seeks economic gain, as the following statement makes clear: "Internationalisation in the UK can be summarised as the mobilisation of the skilled human resources needed to make the UK a more internationally competitive trading nation and to maximise export earnings by selling education services to paying customers." (Elliot, 1998, p. 32). The main shifts in UK policy have been an emphasis on increasing its share of the overseas student market (coming to the United Kingdom) and assisting its universities to enter the cross-border and e-learning markets. In 1997, the Dearing Report published the results of the government's National Committee of Inquiry for Higher Education. The economic rationale behind the government's thinking on UK higher education was made clear, as explained by Clive Booth: "The recognition that UK higher education is a major export industry in its own right, that it underpins international economic relations and that it needs to perform and be judged internationally, informs nearly all Dearing's thinking and recommendations. One member of the committee, asked in a seminar about the committee's neglect of the political, cultural and educational rationales for internationalisation, made it clear that they had hardly entered into the committee's thinking at all." (Afterword by Clive Booth in Elliott, 1998, p. 42). In 1999, the Prime Minister endorsed a campaign to raise the United Kingdom's share of international students among the four leading English-speaking countries (United States, United Kingdom, Australia and Canada) from 17% to 25% by 2005 (from the base year of 1996/97). A target was set to increase international student numbers by 50 000 in higher education and by 25 000 in further education by 2005, again from the base year of 1996/97. For the academic year 1999/2000, non-EU enrolment in higher education was up by approximately 10 000 students from the base year numbers, *i.e.* an increase of almost 10% over a three-year period (*www.britishcouncil.org/promotion/pmi.htm*).

Although the notion of international competition and thus of the economic rationale for internationalisation is becoming more widespread, few countries mention direct financial gain as an important motive for international marketing (besides the United Kingdom, only the Netherlands and to a limited extent Malta, Latvia and Hungary) (Haug and Tauch, 2001). Most countries take a longer-term or broader economic perspective on labour market and research needs and the safeguarding of the higher education sector through the inflow of talent. Of course, interest in direct financial benefits depends on

whether or not the higher education system is tuition-based. Related to this is the difference between countries that take a market approach and those that take a public policy approach, with consequent support for the investment of public funds in this area.

3.2.3. The pressure from Anglo-Saxon countries

The issue of international competition in higher education is increasingly discussed in Europe, and comparisons with the United States are of current concern. The fact that the United States is better able than Europe to attract and retain "foreign brains" is becoming more serious in an age in which a highly educated labour force is of crucial economic importance for the knowledge economy (see also Section 3.4.1). The situation is made more critical by Europe's demographic profile (an increasingly ageing population). Comparisons between the United States and Europe are becoming more prevalent at the European Commission (see for example the above quote from Viviane Reding, Commissioner for Education and Culture). In the Commission's recent communication on "The Role of Universities in the Europe of Knowledge" (EC, 2003d), such comparisons play an important role in defining the challenges to European higher education. And in the Lisbon process (see Section 3.1.4), the defined benchmarks systematically include the score of the United States on the various indicators.

Competition from Anglo-Saxon countries is especially felt owing to their strong position in the international higher education market (54% of the world market, see Table 3.3). Their advantages include English as a *lingua franca*, flexible degree structures, more student-centred approaches, strong traditions in distance learning, off-shore delivery strategies (especially the United Kingdom and Australia), (differential) fee systems which give institutions incentives to market themselves actively, including overseas, and governments which actively support such strategies. Additional factors are likely to include the use of ICT, which facilitates the cross-border delivery of programmes and the rise of virtual universities. In particular in the United States, the tradition of public-private partnerships and the availability of venture capital for investments in the education industry make an important difference when compared with the situation in Europe. Thus, competition from Anglo-Saxon countries comes not only from traditional higher education institutions but increasingly also from for-profit universities mainly based in these countries.

3.2.4. Competition and co-operation

European countries vary with respect to their strategic approach to competition. Many view European co-operation as the best way to compete internationally. Reichert and Tauch (2003) found that three-quarters of all higher education institutions prefer joint programmes or similar co-operation activities as a way to promote their attractiveness. Certain countries, generally in north-western Europe, seek to compete individually on the international market. As a consequence, they may be competing against each other in markets outside Europe. Indeed, in some cases, they compete with domestic institutions in other European countries (for example, Greece).

The increased focus on competition does not mean, however, that co-operation is being ignored or becoming less important. Rather, it becomes a more strategic means of competing effectively and is reflected in the many networks and consortia established among institutions (see Section 3.5.2). At the same time, however, the interaction among institutions has become more complex: they may operate in partnership in some markets and as competitors in others. Reichert and Tauch (2003) note that the conflict between co-operation and competition has

strengthened as a result of the decrease in funds for higher education. Institutions can try to combine wider access, diversified provision and concentration on excellence, but often have to pursue one option to the detriment of the others (p. 59).

The co-operative approach to internationalisation that most continental European countries seem to pursue is related to more general perceptions and steering models (*e.g.* regulatory and funding systems). Although various countries are moving towards a certain market orientation in higher education, *i.e.* more student-as-consumer models, continental Europe generally does not take a market and trade view of higher education. This can mostly be explained by a political and value-based perspective in which (free) access to higher education is seen as a public good and responsibility, a view which conflicts with that of higher education as a private good and/or a commodity that can be traded on a (world) market. As a consequence, motivation to compete internationally may be absent or seen as undesirable. Moreover, in cases where higher education funding is entirely provided by the state, students cannot be charged fees and institutions have limited autonomy. They thus have few incentives and no real options for competing internationally.

A more transparent degree structure (*i.e.* the Bologna process) and the introduction of accreditation systems will be necessary, although not sufficient, for competing on a world market. More student-centred approaches and flexibility, as well as high standards in student services and facilities, may be required. Some of these requirements will be especially difficult to satisfy for systems or institutions that have not yet been able, quantitatively and/or qualitatively, to cope with the challenges of massification. Furthermore, institutions in countries with less widely spoken language are at a disadvantage. Weak institutional experience with mid- to long-term investment strategies or the impossibility of developing such strategies because of national regulation may be another complicating factor. Finally, in countries where governments do not encourage international competition in the field of higher education, circumstances may make it less easy for institutions that wish to compete. Examples of countries which have chosen to support their higher education institutions in their international marketing include the United Kingdom, Germany, France, the Netherlands and Norway (see Section 3.3.6).

The main rationales at the institutional level for delivering or receiving cross-border education include:

Delivering institutions and countries	Receiving institutions and countries
• Responding to demand for higher education in countries whose public systems cannot meet the demand (*e.g.* China, Malaysia)	• Opportunities to partner with foreign providers (for institutional/local profile, learning and innovation)
• Invitation from other countries for teaching collaboration at undergraduate or postgraduate levels (to specific higher education institutions)	• Expansion of student numbers and capture of local market share
• Building on existing arrangements and franchises (see below)	• Ability to respond to unmet local demand
• Planned efforts to enhance or create an international profile (*e.g.* Universitas 21, the Worldwide Universities Network)	• Access to specific skills (*e.g.* information technology skills)
• Extension of existing networks (*e.g.* consortium of research-led universities)	• Savings on sending students overseas
• Extension of local e-learning capabilities to the international domain (*e.g.* Global University Alliance)	

Source: CHEA International Commission meeting, January 2003, OBHE Surveys.

It should be noted that many countries are both importers and exporters of education.

3.2.5. Market liberalisation: EU and GATS

The liberalisation of education markets prompted by initiatives of the World Trade Organisation (WTO), in particular the General Agreement on Trade in Services (GATS), is likely to increase international competition in higher education. European higher education institutions are aware that cross-border trade in educational services may endanger their social role, their position and the market monopoly they may have. Their representative bodies are therefore very critical of further liberalisation of the higher education market and the role of the WTO in this process. European governments are mostly concerned that further liberalisation may undermine their authority in this field and the existing arrangements for public funding of higher education institutions (and their students). However, certain countries also see the opportunities arising from international competition and an open higher education market. As the European Commission negotiates with other WTO member countries on behalf of all EU member states, it started a round of consultations with member states in mid-2002. This process revealed that most member states consider that the commitments already given are quite sufficient. Some would like to explore the scope for withdrawing from existing commitments, as they fear the loss of the public service character of their systems. The final position of the EC implies that no further concessions will be offered and that the United States will be asked to take commitments on privately funded higher education, *i.e.* to broadly match the EU level of commitments. Recently, the EU Commissioner Viviane Reding stated that: "The commitments which the European Community countries have entered into in the GATS are limited to privately funded education services. […] The Commission will not do anything which would undermine values which are widely accepted and shared in Europe regarding such issues as academic standards, social cohesion and equitable conditions of access, the maintenance of cultural diversity, academic freedom or the role of research. […] It would nevertheless be helpful if the various interests in member states were to treat the debate on the GATS as a reminder that they, too, need to take account of the growing internationalisation of education in the fields in which responsibility for action lies with them." (EducatioNews, 2003)

Finally, it is of interest that Norway, together with 17 countries throughout the world, has established an Education Group in the GATS negotiations which acts as a forum for education questions, *e.g.* regarding quality assurance.

3.2.6. International competition and intergovernmental co-operation

Increased international competition has encouraged national governments to increase co-operation in order to achieve greater cohesion among higher education systems. Europe is an obvious level for joint action. The EU's main rationale for action has been an economic one, with increasing accent on concerns related to global competitiveness. This is clearly visible in the Lisbon agenda and in the recent Communication on the Role of Universities (EC, 2003d). At the same time, the Bologna process emphasises co-operation and public good arguments, underplaying, in a way, the competition aspect and the fact that certain countries have deliberately introduced market mechanisms and competition in higher education as part of new steering concepts. It is therefore uncertain whether the Bologna process will result in an adequate solution to the challenges of globalisation, competition and WTO liberalisation (van Vught *et al.*, 2002). The European Union is moving beyond mobility and recognition issues into the wider policy field. The Bologna process has facilitated this change, but the main boost came at the

Lisbon Summit, where the heads of state and government gave the Commission a mandate to undertake action, without, however, enlarging the Commission's formal responsibility or the legal basis for such action. Notwithstanding these limitations, the Commission has clearly enlarged its interests and ambitions in the higher education area. Fulfilling these ambitions may be difficult, however, owing to the lack of direct policy instruments. The concurrent enlargement of the Union, with ten new countries from Central and Eastern Europe, may increase the challenge.

3.3. Policy instruments

The EU Treaty provides the main regulatory framework at European level for cross-border post-secondary education. It regulates *i)* the free mobility of students and professionals (teachers, researchers); *ii)* the recognition of professional qualifications; and *iii)* the free movement of services.

3.3.1. The free mobility of students and professionals

As a result of several judgements of the European Court of Justice, the general principle of free movement of persons within the European Union has been strengthened in the area of vocational training. In the early 1980s and in various legal cases it stated that admission, and the conditions of admission, to vocational training fell within the legal ambit of the (then) EEC Treaty, and it confirmed that university studies could be regarded as a form of vocational training (Brouwer, 1996). Furthermore it stated that on the principle that discrimination on the basis of nationality was illegal, access to education could not be restricted on grounds of nationality. It argued that migrant workers and their families could claim educational rights within the framework of free mobility of workers, and on this basis, it confirmed the rights of all EU citizens with respect to education. The Court stated that if a country allowed its nationals an advantage, it had to allow all EU citizens the same advantage, *e.g.* the right to enter higher education or the right to work for higher education institutions (De Wit and Verhoeven, 2001, p. 186). These statements broadened the legal basis for Community-level co-operation in the field of higher education; of which the ERASMUS programme is the best-known example. From a legal perspective, it can be said that this "negative integration" (prohibiting discrimination) has its limitations. Moreover, the Treaty's provision is limited to admission and does not include the actual participation of students, which could have given students equal rights in the area of student financial support. However, the Court decided that support for living costs of students did not fall within the provisions of the Treaty. As these public services differ greatly across the European member states, it was felt that too large flows of foreign students to countries offering the best conditions would force such countries to abolish their support systems. This is one of the reasons why, so far, no positive regulation has been worked out (Verbruggen, 2002, p. 32).

The equal treatment principle implies that in all member states students from other EU countries are treated as domestic students and pay the same tuition fees as national students. The situation with respect to tuition fees in Europe varies. In some cases, students do not pay any fees or compulsory contributions but in others they pay registration and/or tuition fees and/or compulsory contribution, *e.g.* to student organisations (see also OECD, 2002a).

In some cases, institutions are allowed to charge differential fees to students from outside the EU. In the Netherlands, this may represent up to five times the fees charged to

domestic students (although there is considerable diversity, especially at graduate level). In the United Kingdom, institutions may charge three to ten times the domestic fee at bachelor level and two to three times the fee at graduate level. In its recent White Paper, *The Future of Higher Education* (2003), the UK government has indicated that English universities may charge up to GBP 3 000 in fees for domestic students. EU students will be charged a similar amount (HMSO, 2003, CM5735, p. 90).

Although EU regulations facilitate mobility within the EU, mobility of students, teachers and researchers from outside the EU may be more problematic. Depending on individual countries' regulations, costs for visas and other legal documents can be quite high and procedures may be complicated. In the case of recruitment, employers have to be able to prove that the vacancy could not be filled by a worker from within the EU (a criterion also used in other parts of the world). Some countries (*e.g.* Germany) have recently developed a more selective immigration policy, which distinguishes among various categories of workers, thus enabling the inflow of certain students and researchers from outside the EU. The United Kingdom has sought to make it easier for students to enter the United Kingdom for study. For example, student visas are now valid for multiple journeys and thus allow unlimited travel in and out of the United Kingdom during their period of validity. In addition, students have the right to work both during and immediately on completion of their studies. They can work up to 20 hours in term time. The government has also made it easier for spouses of students to work in the United Kingdom, and the Department for Trade and Industry has announced a Global Enterprise Scholarship to encourage talented young people to study in the United Kingdom and remain to set up businesses to be run by Trade PartnersUK (*www.dfes.gov.uk/pns/DisplayPN.cgi?pn_id=2001_0085*). Furthermore, the United Kingdom has launched a special initiative to allow individuals with exceptional personal skills and experience to come to the United Kingdom to seek and take work or be self-employed (the Highly Skilled Migrant Programme). The success of the pilot scheme, which began in January 2002, has been such that the programme has been extended indefinitely. At present (from January 2003), priority applications are only available for qualified general practitioners (doctors) (*www.ind.homeoffice.gov.uk*).

3.3.2. Recognition of professional qualifications

The European Union has no legislative powers with respect to the academic recognition of degrees and diplomas. However, it has competence for the *professional* recognition of academic qualifications, which is regulated by binding legislation in the form of "general directives". Legislation in this field aims at giving all EU citizens the effective right to practise their profession in any EU country. In the area of professional recognition, the first initiatives were taken in the 1960s and 1970s. The first target was *de jure* professional recognition (of regulated professions). After initial attempts to harmonise curricula in these fields, a strategy of general directives was adopted, stating that degrees completed after at least three years of higher education leading to regulated professional status should be recognised unless substantial differences can be proved. The directives do not apply, however, to non-regulated professions, which depend on *de facto* recognition (Wächter, 1999; Divis, 2002).

Within the concept of recognition, the idea of acceptance (a qualification may be recognised as the nearest comparable degree if differences are small enough to be overlooked) has recently gained some ground in Europe. The Council of Europe/UNESCO Recognition Convention of Lisbon (1997) adopts the idea of acceptance and has shifted the

burden of proof from the student to the host country. Mutual trust in other countries' educational systems (including quality assurance) makes such a change of attitude possible. With respect to academic recognition, two important networks are involved, the National Centres for Academic Recognition (NARICs, established in 1984 by the EU) and the European Network of Information Centres on Recognition and Mobility (ENICs, established in 1994 by the Council of Europe and UNESCO). These networks collaborate to a high degree: ENIC and NARIC activities are carried out by the same national agencies. As mobility and employability are among the main objectives of the Bologna Declaration, there has been renewed attention to recognition of degrees. At least at European level, the necessary legal framework is now mainly in place, with the Council of Europe/UNESCO Convention and the EU directives (see above). Attention should now focus on implementing this framework, *i.e.* use of instruments like ECTS[3] and the Diploma Supplement.[4] These instruments will be very important because transparency increases the need for information. At the same time, European higher education is likely to become more diverse (diversifying demand for lifelong learning, etc.), despite the establishment of the two-cycle degree structure. The employability issue has strengthened the focus on recognition for the labour market. In particular, the non-regulated part of the market and the recognition of competencies gained through non-traditional forms of learning and relevant work experience will be a challenge. Finally the Bologna process (especially the Prague Communiqué) urges stronger co-operation between quality assurance and recognition agencies (see also Section 3.1.3 and Section 3.3.4).

3.3.3. The free movement of services

Besides the free movement of persons, the EU Treaty also provides for the free movement of goods, capital and services. Article 49 of the Treaty states that restrictions on the freedom to provide services within the Community shall be prohibited in respect of nationals of member states who are established in a state of the Community other than that of the person for whom the services are intended. It also states (Art. 50) that a person providing a service may, in order to do so, temporarily pursue his/her activity in the state where the service is provided, under the same conditions as are imposed by that state on its own nationals. The Treaty furthermore states that services shall be considered to be services when they are normally provided for remuneration. Services include in particular activities of an industrial character, activities of a commercial character, activities of craftsman and activities of the professions. This gives a legal basis for cross-border delivery of services. However, the European Court of Justice has produced jurisprudence stating that education is not a service as defined in the EU Treaty. In this respect the definition of "services" in the WTO/GATS context is much more comprehensive than that in the EU Treaty. So far, however, there has been no pressure to resolve this contradiction.

In sum, the EU Treaty offers a regulatory framework for cross-border education through its provisions concerning the free movement of students and teachers, their right to enter vocational training (including higher education) on the same conditions as the state's nationals, and the recognition of professional qualifications obtained in another member state. These regulations facilitate the mobility of individuals and the right to equal treatment. It does not regulate trade in education, as education is not perceived as a service in terms of the Treaty. The fact that students can move quite easily across the EU in search of opportunities for study (mode 2),[5] that teachers can exercise their profession (mode 4), and that providers cannot charge these EU citizens higher fees than their own domestic

students, may explain why in fact relatively little cross-border trade in educational services by foreign commercial presence (mode 3) has emerged so far within the EU. There are some notable exceptions, however (see Chapter 4).

In certain cases, countries use, and complement, the frameworks offered by the EU Treaty for bilateral or multilateral co-operation with neighbouring countries. In the Nordic region, the NORDPLUS Programme facilitates the mobility of students at Nordic institutions of higher education (*i.e.* in Sweden, Finland, Denmark, Iceland, Greenland and the Faeroe Islands). Like the EU programmes, this programme facilitates temporary or short-term mobility. The EU frameworks also provide for long-term mobility (completion of an entire degree programme abroad). This usually results from individual initiative, although certain countries (*e.g.* Sweden, Norway, the Netherlands and Denmark) encourage this type of mobility with grant schemes. Bilateral use is also made of the EU frameworks for measures other than mobility, such as co-operation between Germany and France (through the Collège franco-allemand) or between the Netherlands and adjacent German federal states, with a focus to develop joint or double degrees and, in the latter case, to develop on joint quality assurance arrangements as well.

3.3.4. Quality assurance

The trends towards increased European co-operation and mobility, on the one hand, and greater international competition, on the other, have created a need for the (smoother) recognition of degrees and a demand for more internationally oriented quality assurance (and/or accreditation) (van der Wende and Westerheijden, 2001; van Damme, 2002). The challenges that the complex international environment represents for quality assurance were considered by the ENQA at its launch in 2000. They were summarised as follows (Campbell and van der Wende, 2000):

- How can quality assurance contribute to improving the international comparability of higher education and the recognition of diplomas and degrees, in the first instance in the European context (Bologna process) but also in the wider international context?
- Which methods and mechanisms for quality assurance and accreditation will best facilitate such international comparability and can be linked with recognition measures such as credit transfer and accumulation, including lifelong learning tracks?
- How can the international dimension of higher education be better integrated in quality assurance systems and methods? How can co-ordination between actors and agencies in the field of quality assurance and those involved in internationalisation including recognition agencies be improved?
- At what level should initiatives in this area in Europe be undertaken, and by whom?

These challenges and questions were taken up in different contexts (van der Wende and Westerheijden, 2001). Various possible approaches to a more international (or European) approach to quality assurance were developed. For example, ENQA commissioned a typology for the quality assurance of new providers and types of provision (ENQA, 2002). Yet, realisation of a coherent or integrated European approach to quality assurance in practice has yet to materialise. The situation is rather a mix of (mostly) bottom-up and (some) top-down initiatives by a range of different stakeholders.

First, there is co-operation at European level as described above, stimulated by the European Commission and implemented mostly through ENQA (European Network for Quality Assurance in Higher Education), including co-operation with EUA (European

University Association) and ESIB (the National Union of Students in Europe). The Commission has also launched, under the SOCRATES programme, various institutional-level projects (co-ordinated by EUA) in the area of quality assurance, most prominent of which is the "quality culture" project, which seeks to inculcate a quality culture in the participating higher education institutions. Second, there are multi-country initiatives such as the Joint Quality Initiative, led by the Dutch and Flemish governments. This is an informal (and growing) group of countries that want to take the harmonisation of quality in higher education further – or at a faster pace – than the Bologna process, which involves over 30 countries. The first result was the identification of comparable outcomes of degree levels in the so-called "Dublin descriptors". Third, there is a range of institution-level initiatives, notably the Tuning Project aimed at identifying outcome levels in terms of disciplinary competencies, and the continuing institutional evaluation programme of the EUA. This level also includes various university consortia that are engaging in cross-institutional quality assurance (*e.g.* European Consortium of Innovative Universities, Universitas 21 and the *Nordverbund*). Fourth, at the level of disciplines and professions, initiatives are being taken towards European or international accreditation (*e.g.* the European Quality Improvement System [EQUIS] of the EFMD [European Foundation for Management Development], or the new scheme of the European Association for Public Administration Accreditation [EAPAA]). In addition, there are cross-border evaluations through international peer review. These have taken place since the early 1990s, but have been given renewed impetus with the Trans-European Evaluation Project (TEEP) that is taking place at the time of writing. There is concern to make these evaluations more integrated with national quality assurance systems and to use more explicit sets of internationally agreed criteria for quality judgements, including the Dublin and Tuning descriptors.

In summary, there are many activities at various levels with many highly active groups and agencies. Although some activities that seem to show some general tendencies have been described here, there is not, as yet, a clear overall strategy or co-ordination. The Bologna process provides a framework to some extent, and increasing synergy with EC actions may further stimulate the coherence of different initiatives and their outcomes. But the risk exists that "Europe may be moving out of a jungle of degrees into a jungle of quality assurance and accreditation standards, procedures and agencies" (Haug and Tauch, 2001, p. 36). The reasons behind the present situation need to be understood. European level initiatives and even co-operation are difficult to achieve because authority and competencies with respect to quality assurance of higher education are firmly at the national level. There still are major differences in the understanding of what constitutes quality, ranging from pragmatic fitness for purpose approaches to notions of academic excellence and elitism. Controversies also exist with respect to the concept of accreditation. It is seen on the one hand as the way to compatible and comparable degree systems (because it is based on minimum standards), but on the other hand as a threat to current high levels of quality and the improvement function of quality assurance (because of the "race to the bottom" supposedly induced by minimum standards). Furthermore, actual criteria, methods and procedures for quality assurance both within and between European countries are very diverse. Finally, the increasing diversification of higher education institutions and programmes should be kept in mind. Many of the current initiatives are intended to overcome these problems. However, this will not be easy or may even prove to be impossible, and may actually further support a concept of open accreditation systems (van der Wende and Westerheijden, 2003).

It is acknowledged that the growth in cross-border or transnational education represents particular challenges. The main problems appear to be related to regulation, quality assurance and recognition (Campbell and van der Wende, 2000). The Council of Europe and UNESCO have jointly developed a code of good practice on quality assurance and recognition of transnational education. ENIC/NARIC networks and ENQA have jointly developed an agenda that should focus on challenges in the area of globalisation, privatisation, diversification and virtualisation of higher education (*e.g.* quality assurance of transnational education). A joint task force will work on the channelling of information, the development of a joint format for the description of programmes and qualifications that will also address transnational education.

At the national level, the United Kingdom was the first country to develop specific approaches to the quality assurance of education delivered abroad and/or in partnership with foreign institutions. While distance learning institutions like the Open University have been treated the same as other institutions in the UK's quality assurance system, the United Kingdom has developed guidelines for the quality assurance of distance education (QAA, 1999a and b) (see also Section 3.3.6). The United Kingdom also has a range of professional accreditation arrangements with professional and statutory bodies. The Netherlands and Germany have introduced national accreditation systems alongside the new bachelor-master degree structures. In both cases, an Accreditation Council has been established, mainly for recognition of the actual accreditors of programmes. Both systems are open in principle to accreditors from other countries. The Dutch system will also explicitly provide for cross-border education delivered into the country. In Flanders, accreditation will be introduced in the context of the new higher education act on the introduction of the bachelor-master system. It is foreseen that the Dutch and Flemish accreditation systems will co-operate transnationally. Norway and Switzerland also recently introduced accreditation systems, while countries in Central and Eastern Europe have had such systems for some time (Westerheijden, 2001).

3.3.5. ERASMUS Mundus

In terms of policy instruments, the EU programmes for education discussed above obviously represent a major category. The EU has recently taken a quite important step in this respect by introducing the ERASMUS Mundus programme (see also Section 3.1.3). This new scheme is intended to strengthen international links in higher education, by enabling students and visiting scholars from around the world to engage in postgraduate study at European universities, as well as by encouraging the mobility of European students and scholars. The basic features of the programme include a global scholarship scheme for third-country nationals linked to the creation of "European Union Masters Courses" at European universities (with some relation to the Bologna process). These postgraduate courses would involve study at several higher education institutions in different member states and would be distinguished by their European label. It is planned to create around 90 inter-university networks to provide 250 EU master's courses by 2008. Partnerships between EU master's courses and third-country institutions would also be encouraged. Like the Fulbright Programme in the United States, the programme will help strengthen intercultural dialogue and will communicate national/regional cultures and values more effectively to the rest of the world. The budget for the ERASMUS Mundus project is EUR 180 million for the period 2004-08. By supporting the international mobility of 1 000 scholars and 4 200 students (currently envisaged), ERASMUS Mundus intends to

prepare EU participants and partner countries for life in a global, knowledge-based society (EC, 2003e).

3.3.6. Other instruments: international marketing

A final category of policy instruments relates to the international marketing of higher education systems, programmes and services. As mentioned, the range of countries that focus on the recruitment of international students for economic reasons (short of long-term effects) has increased over the last decade (see Section 3.2.2). The situation in three major host countries (the United Kingdom, Germany and France) is discussed below.

Table 3.3. **Share of top seven receiving countries, 2001**

United States	30%
United Kingdom	14%
Germany	13%
France	9%
Australia	7%
Japan	4%
Canada	3%
Total	**81%**

Source: OECD education database.

The United Kingdom undoubtedly has the strongest market position and track record in this respect (14% of the world market and around 225 000 foreign students in 2001).[6] The Prime Minister's initiative mentioned earlier (see Section 3.2.2) also involved developing a global marketing strategy and a three-year promotion campaign for UK education and training, expanding a national scholarship scheme, making visa restrictions more "user friendly" for students and easing restrictions on work possibilities for international students in the United Kingdom. In January 2000, the United Kingdom launched a UK education brand in order to co-ordinate better the individual marketing initiatives of UK institutions. The brand and marketing campaign is managed directly by the British Council, but several government departments and national agencies are involved. The British Council works in 109 countries worldwide and has a staff of 7 300 and a turnover of EUR 650 million. As a result of this campaign, research has been undertaken into international students' perceptions of study in three main provider countries (the United Kingdom, the United States, Australia) and markets have been prioritised, with eight countries (Brazil; China; Hong Kong, China; India; Japan; Malaysia; Russia; and Singapore) identified as first priority and 20 as second priority (Australia, Brunei, Cyprus, the 7 Gulf states, Saudi Arabia, Indonesia, Korea, Mexico, Pakistan, Chinese Taipei, Thailand, Turkey, United States and Vietnam). In the second category, two countries are in "wider Europe": Turkey and Cyprus (*www.britishcouncil.org/promotion/pmi.htm*). Furthermore, a scoping study into the value of a single Internet site to promote UK higher education resulted in a favourable report in 1998. Full operation of the site was scheduled for 2000 (HEFCE, 1999a) and it was recommended that the site should contain information on ICT-based and other distance learning provision (HEFCE, 1999b). The site, Higher Education and Research Opportunities in the United Kingdom (HERO), is now operational (*www.hero.ac.uk*) and offers information on distance learning, including courses available and institutions offering this possibility (public universities, private organisations and professional bodies). The site has links to the Open University's International Centre for Distance Learning

(ICDL) which has a database of UK courses and programmes available through distance learning and includes 5 000 learning opportunities from more than 300 providers. Another relevant policy initiative concerns the monitoring by the Quality Assurance Agency (QAA) of UK overseas collaborations and the development of relevant codes of practice (*e.g.* QAA's Code of Practice on Collaborative Provision and Guidelines on the Quality Assurance of Distance Learning; and the British Council Educational Counselling Services' Code of Professional Standards and Ethics for Member Institutions [related to overseas' marketing]) to protect the United Kingdom's reputation, to promote the profile of the United Kingdom in terms of its quality assurance arrangements and to assist individual higher education institutions. Finally, the eUniversities project (UK eUniversities), being taken forward by the Higher Education Funding Council for England, seeks to support e-learning initiatives in all UK institutions. An element of this project was through a commercial vehicle offering a range of online courses, developed by institutions independently or in collaboration. More recently, the focus of the project has changed to one of helping institutions embed e-learning in all their programmes.

Germany holds the second place (with 13% of the world market and over 190 000 foreign students in 2001).[7] In the second half of the 1990s it became clear that Germany's policy nearly entirely relies on human resources and that worldwide trade could not leave competition for the best brains to other countries (such as the United States, which receives many German postdocs). Both the German government and the higher education institutions saw the need to enter a new era of internationalisation, with the development of new "products", an international campaign to market German higher education and the abolition of some legal and administrative obstacles. In 2000, the "Investment into the Future Programme" was launched by the government with a budget of EUR 108 million for three years. A national marketing campaign was established, the Joint Initiative for the Promotion of Education and Research in Germany. It has 35 members, including the federal government and the states, and is chaired by the Minister of Education and Research, and its secretariat is run by the DAAD (German Academic Exchange programme). It defined its goals as enhancing the attractiveness of German higher education, improving legislative conditions relating to status and work permits, and promoting Germany's higher education and research abroad. It aimed to double the number of foreign students at German universities. This aim was endorsed in various official resolutions by the prime ministers of the German states and by the federal chancellor. To this end, federal support programmes were created to develop internationally attractive (English-taught) curricula and international networks, to reform graduate and doctoral education, and to award more scholarships. Additional funding comes from the individual states. In parallel, conditions for foreign students and researchers have been improved. Visa regulations and procedures have been liberalised, work permits are now easier to receive, proof of financial security has been facilitated and demands in terms of language ability were reduced or at least tailored to the needs of the student's curriculum. Also in 2000, complementary action was taken. The higher education institutions established their own marketing consortium: GATE (Guide to Academic Training and Education in Germany). This programme co-ordinates image and marketing campaigns in specific countries, *e.g.* presentations at education fairs, road shows, etc. The consortium has more than 100 institutional members (for a moderate institutional fee) and is funded under the Joint Initiative. A budget of EUR 17 million for 1999-2004 is allocated 50% to scholarships, visits, and events, 30% to image campaigns and 20% for marketing

materials, Web sites, CD-ROMs, etc. In addition, DAAD offers access to its international network of 13 branch offices and 30 regional study and information centres that implement GATE programmes and the image campaigns abroad. From 2000/01 to 2001/02 the number of international students in Germany has risen by 12%, particularly from target countries where campaigns were conducted, such as China (40%), India (27%), Thailand (20%), Russia (17.5%) and Vietnam (14%) (Bode, 2002; DAAD, 2001a; Hoffmann, 2002).

France takes third place as a host country for international students (9% market share and over 147 000 foreign students in 2001).[8] Promotion of French higher education and research aims to exploit fully the quality of the French system by seeking talented international students and scholars. By succeeding in their chosen field, international students can contribute to the dynamism of the French cultural, social, and economic model. Numbers of foreign students especially from outside former colonies should be increased so that French companies abroad have a sufficient supply of personnel with French credentials. This task is in the hands of the EDUFRANCE Agency, established in 1998, which has links to both the education and the foreign affairs ministries, the latter being responsible for a scholarship fund. There were 176 French higher education institutions linked on a fee-paying basis to EDUFRANCE in 2004, which provides them with information and marketing services. Besides its headquarters in Paris, EDUFRANCE's international infrastructure consists of 77 small support centres in 36 countries. It has an annual budget of EUR 4.1 million. Like other national agencies, it markets the domestic higher education system by organising and attending educational fairs abroad. It also helps French institutions to meet the foreign demand for English-speaking or bilingual educational programmes or to adapt the domestic demand in some fields to international students. The agency reported recently that 460 programmes, almost double the number offered the previous year, are available for foreign students, of which 67% are at the postgraduate level and 40% are at least partly taught in English (*www.edufrance.fr*). In 2004, EDUFRANCE was taking part to the design of new governmental measures to attract capital, investment, strategic activities and skills in France. Aiming at becoming the primary host country in Europe for foreign students, the French government wishes to attract talented postgraduate international students, especially in business and management and in scientific and technological fields.

The Netherlands has a very small market share (with around 16 600 foreign students in 2001 [see Table 3.1 and Table 3.2], only 3.3% of total enrolments), but, along with the United Kingdom, it is a country that explicitly recognises international higher education as an export that is part of the Dutch services sector (Nuffic, 2003). Recognition by the Ministry of Economic Affairs and the efforts of the Ministry of Education have enhanced the international position of Dutch higher education over the last few years. A consortium led by Nuffic (Netherlands Organisation for International Co-operation in Higher Education) has been established, in which both the government and higher education institutions participate. The international infrastructure is limited to overseas offices in Asia. Present discussions concern a shift from short-term economic benefits (generating institutional income and a direct contribution to the national economy) towards more long-terms economic effects: recruiting international talent for labour market shortages (especially in science and technology areas).

Norway also has only a small number (8 834) and share (3.7%) of foreign students at present. However, to encourage institutions to market themselves internationally, the government recently introduced an "internationalisation premium" into the funding

formula of institutions. This measure is part of the overall reform plan for higher education (Norwegian Ministry of Education, 2002).

Reichert and Tauch (2003) report that although enhancing the attractiveness of European higher education is considered an important driving force of the Bologna process (see Section 3.2.2), only 30% of Europe's higher education institutions use targeted marketing strategies to recruit foreign students. Notable exceptions are the United Kingdom and Ireland, where more than 80% of the institutions conduct targeted marketing. The authors comment (p. 51) that in terms of future challenges: "Most higher education institutions still have to define their own institutional profiles more clearly in order to be able to target the markets which correspond to their priorities. In the competitive arena of international student recruitment, higher education institutions will not be able to avoid marketing techniques if they want to position themselves internationally, even if such efforts may go against the grain of established academic culture and habits."

3.4. Key developments in activities

3.4.1. The size and growth of cross-border education in Europe

In Europe, the emergence of cross-border education and especially e-learning provided by foreign institutions has raised some concern. Recent studies (Dos Santos, 2000; Adams, 2001) show that the main European importers of what is called transnational education (TNE) are Greece, Italy and Spain. The main exporters to these countries are the United Kingdom and the United States. The studies point out that TNE can widen access to quality higher education and that its growth is often a sign that the national systems are not responding to student needs. These needs may be quantitative: the national higher education structure is unable to meet demand. They may also indicate the need for more flexible, student-centred or competency-based learning than provided by the national system. The studies also acknowledge, however, that regulation, quality assurance and recognition are the main problems related to this type of education.

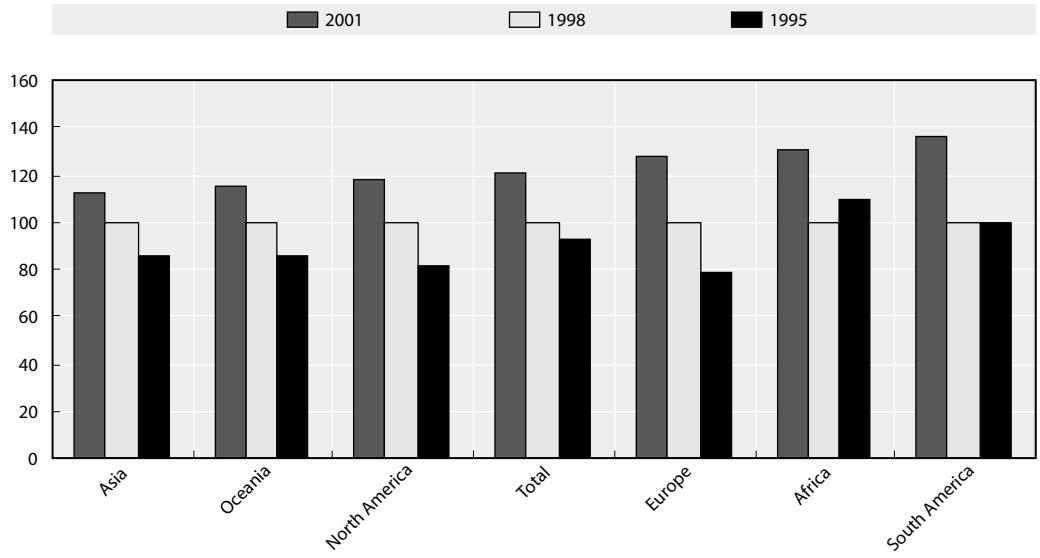
Also, from a wider international perspective, it is recognised that there is a range of reasons for the trends in cross-border education and e-learning. The latter is driven by the possibilities of ICT (including its potential flexibility) and the aim to enhance quality and, if possible, reduce the costs of education for both institutions and students. The growth of cross-border education is subject both to push factors (*e.g.* the search for income or new academic partnerships) and pull factors (*e.g.* global demand and the inability of local public systems and governments, especially outside of Europe, to cater for the demand). The chosen focus of cross-border education depends on many things, including language and culture, historic ties and relationships, academic relevance, altruism, prestige and economic advantage.

Student mobility

General statistical overviews of student mobility in Europe were presented above (see Section 3.1.2 and Section 3.3.6). The overall growth in student mobility (Figure 3.2) has led to sometimes significant imbalances between the inflow and outflow of students at the level of individual countries.

As Table 3.4 illustrates, the main host countries all receive more students than they send abroad. The index of the United Kingdom is exceptional (receiving 8.96 students for

Figure 3.2. **Growth in number of foreign students in Europe by continent of origin, 1995-2001 (1998 = 100)**



Note: Because of a change in the classification in 1997, the series of 1995 are not fully comparable with those of 1998 and 2001 – but still represent a good approximation though.

Source: OECD education database.

one domestic student sent abroad),[9] but still much lower than that of the United States (15.79) and Australia (23.06). Sending countries such as Iceland, Ireland and Italy have negative indexes. For Greece this can only be estimated owing to incomplete statistics (see also Section 3.4.1).

EU mobility programmes such as SOCRATES have in-built mechanisms to balance the inflow and outflow of students, which relate to the reciprocity principle of such exchange programmes. As displayed in Table 3.4, ratios differ less than they do in long-term or free mobility flows but the United Kingdom still has the greatest imbalance between incoming and outgoing students.

With respect to the level of education, 85% of long-term international students in Europe mainly pursue tertiary programmes in general education (ISCED 5A/6) against 81% of all students. Only 9% follow tertiary vocational programmes (ISCED 5B) against 14% of all students. In the United Kingdom, only 9% of British students take postgraduate programmes, compared to 26% from the EU and 41% from other overseas countries (OECD, 2002a, p. 94). ERASMUS students are mainly undergraduates.

The fields of study in which foreign students in Europe are relatively more interested (as compared to the percentage of all students who choose these fields) are: health studies, humanities and arts and agriculture. Poland, the Czech Republic, Hungary and Italy have an especially high proportion of foreign students in health programmes. In the United Kingdom the most popular courses are business studies and art and design, and over 25% of Greek students study science and technology. In France, business and science studies lead, with 36% and 21% respectively of the courses offered for foreign students (*www.edufrance.fr*). For ERASMUS students the most popular fields are business studies and

management (18.9%), languages and philology (14.9%), engineering and technology (12.3%), and social sciences (10.2%) (Teichler, 2002).

Table 3.4. **Index of foreign students per domestic student abroad in tertiary education, 2001**

	Foreign students	Domestic students abroad	Index
Austria	31 682	11 531	2.75
Belgium	38 150	10 074	3.79
Czech Republic	7 750	4 874	1.59
Denmark	12 547	6 144	2.04
Finland	6 288	9 678	-1.54
France	147 402	47 586	3.10
Germany	199 132	54 481	3.66
Greece	m	54 812	m
Hungary	11 242	7 121	m
Iceland	421	2 425	–5.76
Ireland	8 207	15 370	–1.87
Italy	29 228	41 483	–1.42
Luxembourg	m	5 787	m
Netherlands	16 589	11 792	1.41
Norway	8 834	14 072	–1.59
Poland	6 659	19 175	–2.88
Portugal	m	10 838	m
Slovak Republic	1 690	8 969	–5.31
Spain	39 944	26 195	1.52
Sweden	26 304	14 825	1.77
Switzerland	27 765	8 031	3.46
United Kingdom	225 722	25 195	8.96
Total	**845 556**	**412 459**	**1.98**

Note: Foreign students refer to foreign students studying in OECD countries only. m: missing.
Read: In 2001, Austria received 2.75 foreign students for 1 domestic student sent abroad.
Source: OECD education database.

Programme and institution mobility (PIM)

Sometimes referred to as "transnational education", programme and institution mobility includes a variety of types of delivery mechanisms and provision including educational programmes offered to students abroad via branch campuses, twinning programmes, articulation arrangements, franchised courses and distance and online learning. Although these types of arrangements may appear to be discrete, in reality there is often varying degrees of overlap between them. To a large extent, the level of overlap depends on factors such as the nature of the provider(s), student demand, the local economy and regulatory context, and the particular subject. For example, some countries have approaches to quality and standards that require periods of study abroad, in other cases, there are specific local perceptions of the value of foreign degrees or delivery modes (such as views of distance learning) that will necessitate adopting a tailored approach to transnational education in that country.

Students that participate in PIM arrangements are located in their home country and are registered with European or other overseas' universities for particular programmes/courses of study. They can either study on courses designed solely for distance-based study, or study on more traditional courses which utilise a mixture of

delivery modes; the specific components vary by provider and local context. Under such arrangements it is generally the programme that crosses national borders rather than faculty or students, although in reality under many types of PIM arrangement all actors can be mobile to differing degrees.

It is perhaps best to view PIM programmes on a spectrum with purely virtual and online provision at one end, and with traditional face-to-face teaching at the other, whilst recognising that, in fact, most PIM provision operates somewhere in between and may involve a combination of delivery modes (*e.g.* distance learning courses often include intensive periods of face-to-face teaching). Provider institutions range from virtual universities at one end of the spectrum, to traditional "bricks-and-mortar" institutions at the other. In practice, institutions can assume many different guises based on complex interactions between dimensions such as ownership (*e.g.* private, public, corporate), constitution (*e.g.* single institution, partnership, consortia), commercial position (*e.g.* for-profit, non-profit), location (*e.g.* offshore, campus-based, virtual, international), or delivery mode (*e.g.* online, distance, campus-based).

The majority of PIM provision takes place in the developing world or in transition countries, notably in Asia, Central America and Central and Eastern Europe. The Middle East is an up-and-coming region and there is also provision in Africa. The market is dominated by the Anglophone countries, particularly the Unites States, Australia, and, in Europe, the United Kingdom (although other European countries such as Spain, France, Germany and the Netherlands are also involved). The overseas delivery of education via PIM programmes is a major and growing market for the United Kingdom, and has been for some time (CVCP, 2000). Figures for this sector are unavailable, but estimates suggest that over 200 000 overseas-based students follow United Kingdom-based programmes while some 2 million UK professional qualifications and examinations are taken overseas and this market is growing at 10% a year (see *www.britishcouncil.org/promotion/pmi.htm*). The UK Prime Minister's Initiative (see Section 3.2.2) aims to work with providers to develop a strategy to promote overseas delivery for all sectors (British Council, 2003a).

There is also a clear trend among "for-profit" providers (usually from the United States) to expand internationally, either through acquisition or by opening campuses and extending the reach of their online activities. It is possible that these for-profit institutions are increasingly looking abroad because the for-profit tertiary education sector in the United States is already relatively saturated. According to figures from Sylvan Learning Systems, college enrolments are growing three times faster at international than at US level (OBHE, 2003, Breaking news, 12.03.03).

Distance-orientated provision. Distance-orientated provision of cross-border post-secondary education is delivered by a variety of institutions operating in Europe: virtual universities, distance learning institutions, international institutions, corporate institutions, and traditional universities offering distance education.

Virtual universities operate at one extreme of the PIM spectrum. In their purest form, these are institutions whose only contact with students is by remote means. Several EU countries have developed virtual universities at national level, including France, the United Kingdom, Sweden, the Netherlands and Finland (Kess, 2003). Other virtual universities are collaborative ventures involving consortia of countries, often with support from international agencies (*e.g.* UNESCO, the World Bank).

Some EU universities have adapted and/or extended their activities into the virtual arena in the light of developments in ICT and cross-border higher education (prominent examples are the UK's Open University, *Fernuniversität* in Hagen, Germany, and the Universitat Oberta de Catalunya in Spain), whilst some newer virtual institutions have been established for particular purposes. For example, the UK government established an eUniversities project overseen by the Higher Education Funding Council for England, with UK eUniversities Worldwide (UKeU), as a commercial venture to market UK higher education and professional development courses to students, business and industry overseas. The project first aimed to compete globally with virtual and corporate universities, but its focus has recently changed to helping higher education institutions embed e-learning across provision, within a more blended approach to learning. In contrast, the Swedish virtual university aims to facilitate collaboration across Swedish universities and to reach remote Swedish communities.

A different model is the *Université Virtuelle Francophone* launched in 1998 by the *Agence Universitaire de la Francophonie* (AUF), a Montreal-based multilateral organisation. The UVF comprises 430 francophone public and private universities, research institutions and international agencies. This virtual university funds and supports more than two dozen international collaborative research projects promoting international co-operation, teaching development and content creation. The AUF also manages a number of university programmes and training institutes located in developing countries. Six programmes are currently being offered by partnerships of francophone universities and five graduate-level training institutes are operating, including one in Bulgaria. These institutes are managed multilaterally in conjunction with the relevant governments and are supported by faculty from French, Swiss, Belgian and Canadian universities. The students are awarded degrees equivalent to those of French universities and are trained as potential future managers for local companies or faculty for universities in the region. The AUF is seeking to transform its links to former colonies into networks for development.

International agencies also help countries to increase their higher education capacity via the use of online courses (at low cost). A project to set up the Avicenna Virtual Campus, a UNESCO-led project to deliver online science and technology course modules at low cost, provides an example of joint funding: EUR 3.7 million from the EU, EUR 920 000 from UNESCO and various state governments for three years from 2003. The project will train faculty to develop materials to be delivered at networked knowledge centres; the courses will be developed by the 18 partner institutions and validated by a scientific council for each discipline. The network is working with institutions focused on open and distance learning in France, the United Kingdom, Italy, Spain and other Mediterranean countries outside the EU.

Distance-learning institutions offer their own courses designed for situations where learners and teachers are separated by physical distance. They offer programmes that may include elements of electronic, online, correspondence and face-to-face delivery modes, depending on context. The institution may or may not have a physical presence within the originator country's education system and in the host country. Distance-learning institutions can include, for example, public sector "open universities" which were established to provide opportunities for non-traditional students to study for higher education qualifications by the distance method. Historically, they offered courses by correspondence materials combined with short on-campus courses and tutor support,

although they are increasingly moving into the on-line mode in terms of content, learning support and interaction with students.

In 2003, the United Kingdom's Open University had 202 000 students from 41 countries and is the largest university in the United Kingdom. Around 30 000 (14%) of its student body are located outside the United Kingdom, and around 42 000 students are in collaborative teaching programmes with other institutions in the United Kingdom or overseas. Open University students must live in the United Kingdom or the European Union at the start of their course, but certain degree programmes are offered in Singapore and Central and Eastern Europe, through partners and also via the Internet. The Open University has invested GBP 30 million in e-learning and is regarded as Britain's main e-learning institution and its international division, the Open University Worldwide (OUW), positions the UK Open University as a global provider of distance learning beyond the EU, and as a partner in collaborative programmes with overseas universities, colleges and companies. Other examples of specialist national distance learning institutions include the Spanish National University of Distance Education (UNED) and the French National Centre for Distance Learning (CNED).

Some *international institutions* offer "international" programmes/qualifications that are not part of any specific national educational system. These programmes can be offered by consortia, either of traditional public universities (such as the Worldwide University Network, a consortium of 13 research universities in the United Kingdom, the United States and China, or the Coimbra Group), or a mix of public universities and companies (such as Universitas 21 Global or Cardean University). There are also single international institutions such as the College of Europe in Belgium.

Corporate universities established by large corporations also develop their own study programmes offered directly to students, and are not necessarily part of any national education system. These institutions could be placed in the distance-learning or commercial presence categories, since they often have learning centres in a range of countries.

Finally, many *traditional* "face-to-face" institutions offer specially designed programmes by distance or e-learning to students studying in another country. In the United Kingdom, it was estimated that more than 70 institutions offered distance-learning courses in addition to on-campus learning in 1998/99 (CVCP, 2000, Part 2, p. 40). In April 2003, the ICDL database (mentioned above) listed 105 UK universities and university colleges offering distance-learning courses (*www-icdl.open.ac.uk*). A specialist example is the University of London's external programme (that manages most of the university's distance learning provision) for 30 000 students studying for 90 different qualifications in over 180 countries (*www.londonexternal.ac.uk/external_programme/index.shtml*). The programmes are either conducted entirely by self-study or through a full-time or part-time course offered by a private or state institution overseas (these colleges are not accredited by the University of London).

Although distance-orientated cross-border post-secondary education has gained in importance over the last decades, it has become a significant medium for only a relatively small number of institutions and students in Europe. The Observatory on Borderless Higher Education undertook an international survey of online learning in Commonwealth countries in 2002. Data from this survey reveal that of the 42 (out of 106) UK institutions that responded, 62% had developed an online learning strategy and most had done so since

2000. However, a central finding of the survey was that online learning has had the greatest impact (to date) on campus rather than at a distance. The main rationales for undertaking online learning were: enhancement of on-campus teaching and learning (first), improved flexibility of delivery for on-campus students (second), and keeping up with the competition (third) (OBHE, 2002, *Briefing Note*, 7.8.02, p. 4). Furthermore most universities had very small numbers (less than 5%) of their international students studying online at a distance (although in a small number of universities the figure was 25%). The 33 responding institutions with adequate data reported an approximate total of 8 102 international students studying on relevant online programmes. According to published data on international recruitment for 2001, these institutions recruited a total of 73 480 international students (HESA). On the raw figures, students studying online learning at a distance represented 11% of all international students. However, within these data, just seven institutions accounted for 75% of international online recruitment. For the other 26 institutions, the proportion of international students studying at a distance on line was 3.9% (compared with 26.8% as the average proportion for the other seven). This medium is so far significant for only a tiny minority of institutions in the United Kingdom, and there is no evidence that it is more important in other European countries. Few surveyed institutions reported that they were in pursuit of new international markets for online provision. Interestingly, UK institutions were less likely to cite pursuit of new international markets than institutions in the "other developed" countries category (including countries such as Canada, New Zealand and Australia).

Commercial presence. Following the removal of fee restrictions for foreign students in some countries in the 1980s, a number of institutions developed models that facilitated the recruitment of international students in their home country who were unable to afford full-time study abroad (*e.g.* twinning arrangements, franchising, branch campuses). These models are described under mode 3 of the GATS as "cross-border trade in educational services by foreign presence". In practice, they take different forms. Franchising, programme articulation, validation arrangements correspond to programme mobility, while foreign direct investment through branch campuses or the ownership of institutions abroad rather corresponds to institution mobility. European institutions and students are involved in all of these forms of commercial presence.

Franchising describes an arrangement where a whole course or programme from an institution in one country is licensed, delivered, and supported (by contract) entirely by staff in an overseas institution or organisation. There are other kinds of franchising arrangements dealing with, for example, the assessment of student learning or the verification of the assessment for award qualification; however, these arrangements fall out of the scope of this report. The UK higher education sector is said to have earned about GBP 250 million in 1996/97 from overseas franchised courses and to be operating in 69 countries (Bennell and Pearce, 1999, quoted in CVCP, 2000, Part 2, p. 40). The UK higher education sector seems to be the most active in this field in Europe.

The overlap between types of PIM courses is highlighted by an example in Hungary, where distance learning programmes are offered by two private institutions, using franchised courses. Euro-Contact Business School operates a franchise arrangement with the UK Open University. Qualifications include a master's of business administration (MBA), the latter taught in English. Both local and UK tutors operating from regional hubs provide tutorial support. The largest distance learning institution in Hungary, the Dennis

Gabor College, teaches bachelor's programmes from the University of Hertfordshire in the United Kingdom and had approximately 20 000 students in 2000. Other examples are the distance learning courses in German that are offered by *Fernuniversität* in Hagen, in partnership with the German Vocational Training Institution from a centre in Hungary. These courses are cheap (with free tuition and course materials and an enrolment fee of approximately GBP 23), which shows that these arrangements are not necessarily commercial.

Programme articulations are another type of inter-institutional arrangement, whereby 2 or more institutions define a joint study programme in terms of study credits and credit transfers (*e.g.* twinning, part-franchises, and articulation agreements). Generally students on such courses study for part of their course at home, and then travel overseas for the later part of their study. In addition, faculty from the provider institution often travel to teach in the host countries on twinned courses.

Validation arrangements cover situations where an institution in one country awards its qualification for a course designed entirely by a partner institution overseas. Awarding institutions often do not offer comparable programmes or qualifications in terms of subject focus or content in their home country. The Open University in the United Kingdom, for example, provides a "Validation Service" (OUVS) to institutions, companies and other providers nationally as well as internationally.

The term "*branch campus*" (or satellite campus, overseas, offshore campus) describes a situation similar to a franchise arrangement, but where the franchisee is actually an overseas campus of the franchiser and therefore does not depend largely on local partners for programme delivery and support. The development of a branch campus often represents an extension of long-standing arrangements for recruiting international students for some providers and represents a deepening commitment to international provision. The majority of branch campuses appear to be built on existing alliances and franchise arrangements.

It should be noted that the line between a "campus" and something more modest (*e.g.* a study centre or partnership with a local institution) is somewhat blurred. For example, Monash University (Australia) has "campuses" in Malaysia and South Africa, but "centres" in Italy and the United Kingdom (and recently in Washington, DC). The former are independent, the latter are an association with local institutions. In some cases, the distinction involves a transition from one phase to another, for example, the branch campus in Madrid of the United States-based Saint Louis University began as a study abroad arm but half of its students are now local.

The independent branch campus model offers European (and other overseas) institutions greater institutional control as well as a higher local profile. In addition, it also appears to be well-suited to undergraduate education, offering a contrast to distance education and online learning which is largely targeted at the postgraduate (or working adult) market (OBHE, 2002). However, the number of branch campuses worldwide is relatively small to date, and they do not enrol significant numbers of international students.

The international branch campus is not of course a new phenomenon in European countries. A number of universities, particularly in the United States, have long-standing branch campuses overseas (*e.g.* Stanford University in various major European cities, Western Maryland College in Hungary, etc.). Historically, the US model of a branch campus

typically featured a very small international centre dedicated to short-stay study abroad arrangements for ex-patriots (*e.g.* Georgetown University with "campuses" in Italy and Turkey that enrol only 20-25 students per semester). Other long-standing US examples include Webster University's European campuses, the American Intercontinental University's London campus and the Thunderbird Business School's French campus (OBHE, Briefing Note No. 5, June 2002).

However, as new forms of branch campuses emerge, they also present competition for indigenous providers as they change their focus from providing international experience for domestic students to local recruitment. This alternative focus for the international branch campus (which has been evolving since the mid-1990s) has emerged to serve two distinct markets:

- Local recruitment of indigenous (18-21-year-old students) in nations with inadequate higher education capacity.
- Local recruitment of working adults in countries where this population is inadequately served by traditional higher education.

The first market is targeted by UK (*e.g.* De Montfort University Business School in South Africa and University of Nottingham in Malaysia) and "traditional" public and private US universities (*e.g.* University of La Verne and University of Indianapolis in Greece, and Webster, Richmond, New York University [NYU]). The second market is often the focus of private and for-profit providers, particularly from the US (*e.g.* the University of Phoenix has centres in Germany, Ireland and the Netherlands) that offer an alternative, more vocationally focused approach to the curriculum and to teaching and learning.

Recently more European countries have begun to offer PIM arrangements outside the European Union. A good example is Singapore where, although the majority of foreign universities operating are from the English-speaking world and English is the dominant medium of instruction, the presence of the German Institute of Science and Technology (GIST), a Dutch institution (*Technische Universiteit Eindhoven*), and a global French-based institution (INSEAD) shows Singapore's willingness to source English language provision from countries where English is not the mother tongue (OBHE, 2003, *Breaking News*, 12 February). Established in January 2002, GIST is a partnership between the National University of Singapore (NUS) and the *Technische Universität München* (TUM). GIST is both the first independent foreign subsidiary of a German university and the first German university with a full English-language curriculum. GIST is offering master's programmes in industrial and financial mathematics and industrial chemistry and has plans for biomedical engineering and integrated circuit design. GIST draws on the faculty of both universities and on industry specialists. GIST is a significant development in the German higher education system, part of the Exporting German Study Courses programme that includes projects in Cairo and Hanoi.

Another type of foreign presence in European higher education is where commercial providers either partially acquire private universities abroad or seek full ownership where country regulations allow (Ryan, 2002; OBHE, 2002, p. 8). This corresponds to foreign direct investment. Perhaps the best example of this approach in the European context is Sylvan Learning Systems. Sylvan has expanded internationally through Europe, targeting both types of post-secondary market described above. Sylvan markets its Sylvan Signature approach which combines a vocational curriculum, information technology development, English language proficiency and sustained attention to teaching and learning (OBHE

Breaking News, 12 March 2003). Sylvan Universities International has on-campus programmes in Spain, Switzerland and most recently in France, as well as in non-EU countries. The purchase in France of a management school for USD 8 million involved payment of a premium for a licence to operate elsewhere in France (Ryan, 2002; see also above on Sylvan and CEC). Sylvan has invested heavily in its acquisition: for example, at Universidad Europea in Spain, Sylvan built new facilities, including a USD 11 million sports complex, and installed one of the first campus-wide wireless networks in Europe.

Another US for-profit company that is expanding internationally is the Career Education Corporation (CEC). It has just acquired the INSEEC Group (also known as Formastrat SA) which operates nine post-secondary institutions in Paris, Bordeaux and Lyon. The institutions offer the equivalent of bachelor's and master's degrees to about 4 000 students; subjects include business education, advertising and communications, healthcare and pharmaceuticals. CEC is expanding internationally and now owns 78 campuses and a growing online division, with a combined total of 79 500 students. CEC's acquisition strategy involves acquiring "schools of choice" that offer one or more of its four curricula. The company then upgrades and expands provision, faculty and facilities as required, followed by investments in marketing, student retention and work placement (OBHE, 2003, *Breaking News*, 24 February).

In addition, although the Egyptian Law on Private Universities (Law 101, 2002) stipulates that more than half of their capital should be Egyptian, which effectively prohibits overseas ownership of local institutions (*www.egyptguide.net/education/universities/*), one French and one German private not-for-profit university have recently opened in Cairo (in 2002 and 2003 respectively): the French University of Egypt and the German University in Cairo. They are both locally owned and accredited, as well as receiving accreditation in France and Germany. Both universities receive assistance from institutions in their respective home countries and the German university received funding from German development aid.

The transnational picture is constantly changing. It is affected by changing patterns of demand and supply (including increases in competition in particular markets) as well as changes in regulation. In Greece, for example, the government has introduced reforms to streamline its system for recognising foreign degrees. Except for Luxembourg and Iceland, Greece has the world's highest proportion of students studying at a foreign university per capita (5 275 per million), a reflection perhaps of the perceived market value of foreign degrees. The new legislation covers recognition from other EU countries and aims to streamline current arrangements. A number of disciplines will be fast-tracked for immediate recognition (among them, archaeology, history, psychology and law). Complying with EU directives allowing for the free movement of professionals, professional qualifications (*e.g.* pharmacy, medicine, dentistry) have been recognised since 2000. The new regulations apply at present to degrees completed entirely in the country of the awarding institution, excluding most study-abroad exchanges, branch campuses, distance learning and franchise arrangements with the private sector. Given that some foreign universities already operate independently in Greece, such as the University of Indianapolis (United States) and the University of Wales and Middlesex University (United Kingdom), new policy measures might become necessary to take into account the new landscape of higher education (OBHE Breaking News, 14 March 2003). Similar situations

may happen in other European countries as a consequence of a growing cross-border mobility of educational programmes and institutions.

Temporary mobility of academics and researchers for educational purposes

The EU programmes provide important opportunities for temporary or short-term mobility of academics and researchers, although their relative importance is difficult to evaluate owing to a lack of data on mobility outside these programmes. Within the SOCRATES programme, academics spend time in an institution in another country to teach, to learn about the foreign country's educational system, to exchange ideas with colleagues, etc. Teaching staff mobility under SOCRATES grew substantially between 1997 and 2000 (from 7 000 to 12 000). Table 3.5 displays the most recent numbers according to home country.

Table 3.5. **Teacher mobility under SOCRATES by sending country, 1999/2000**

Belgium	696	Italy	739	Iceland	13	Slovak Republic	114
Denmark	223	Netherlands	582	Norway	150	Bulgaria	34
Germany	1 528	Austria	310	Cyprus	9	Estonia	64
Greece	318	Portugal	362	Czech Republic	368	Lithuania	89
Spain	1 160	Finland	707	Hungary	323	Latvia	44
France	1 288	Sweden	357	Poland	594	Slovenia	51
Ireland	145	United Kingdom	1 259	Romania	602	**Total**	**12 129**

Source: SOCRATES Education and Training homepage (*europa.eu.int/comm/education/erasmus.html*).

Table 3.5 shows that almost 60% of mobile teachers come from the five largest countries (Germany, France, United Kingdom, Spain and Italy). The proportion of ingoing and outgoing mobility is quite balanced without specific intervention by the Commission. Most mobility is in engineering and technology (13%), languages and philology (13%), business and management (11%), and social sciences (11%). Some patterns can be observed: staff from Central and Eastern Europe are more inclined to teach in Germany than in the United Kingdom. Finland attracts many staff from the Baltic countries (perhaps because they have alternative programmes such as NORDPLUS, see Section 3.3.3) (Teichler, 2002).

The EU's framework programmes for research and technological development offer the main opportunities for the temporary mobility of researchers within Europe. Under the 5th Framework Programme, researcher mobility was facilitated by Marie Curie Fellowships. In 2001 a total of 1 299 researchers in the following disciplines were involved: life sciences (37%), environmental and geographical sciences (14%), physics (14%), chemistry (10%), engineering (10%), mathematics and ICT (8%), social sciences and humanities (4.5%) and economics (3%). This largely reflects the priorities of the 5th Framework Programme. The main receiving countries were the United Kingdom (30%), France (15%), Germany (13%) and the Netherlands (10%). There are more imbalances than in the mobility of teaching staff. The United Kingdom had almost six times more incoming than outgoing researchers, Spain almost three times more outgoing than incoming, and the Netherlands almost twice more incoming than outgoing (EC, 2001b).

As in the case of flows of students, the United Kingdom is a major importing country. Various studies confirm its strong position. In Europe, it hosts the largest number of international postgraduate students (about 75 000 in 1997), of which 36% from other

EU countries. Greece provides the United Kingdom with the largest number of postgraduate students (7 889 in 1997), followed by Germany (4 095) (Watts, 1999). A recent study on the mobility of academic researchers in ICT and biotechnology states that the top UK research universities are the main European destination for researchers in these fields owing to their quality, the relative openness of the system and the English language (EC, 2001c).

Migration of the highly skilled (ISCED levels 5-7) increased in the 1990s, especially from Asia, and the United Kingdom is among the main receiving countries (with the United States, Canada and Australia). This mobility concerns in particular students and temporary workers (researchers, engineers and information technology specialists). The contribution of highly skilled workers to economic growth and achievements in host countries, in particular to research, innovation and entrepreneurship, is increasingly recognised (brain gain), and the myth that the reverse problem – loss of talent, skilled labour and human capital (brain drain) – only affects developing and transition economies has been dispelled (OECD, 2002b, 2002c).

Science and technology (S&T) indicators reveal that the EU produces the largest number of science and technology graduates and postgraduates (PhD) (2.14 million in 2000, compared to 2.07 million in the United States and 1.1 million in Japan. In terms of percentages of all graduates, they represent 26% in Europe, 21% in Japan and 17% in the United States). The EU, however, employs fewer researchers (5.4 researchers per 1 000 labour force, against 8.7 in the United States and 9.7 in Japan) (OECD, 2003). According to a recent European report, many of Europe's best brains still prefer to go to North America for better employment opportunities. The report also stated that about 4% of the total pool of European human resources in S&T (a rough 400 000 out of 11 million) work in the United States. Nearly 75% of European PhDs would like to go to the United States after their PhD. The United States is not only attracting larger numbers of European researchers, it is also proving capable of retaining them with competitive career and employment opportunities (European Commission, 2003f). Although not true in all fields, this growing trend must be taken seriously, since it is generally recognised that the period following the PhD is likely to represent a researcher's most productive years. Brain gain to the EU comes from other European countries (50%) and developing countries. Europe appears to hold less attraction for North Americans. Foreign S&T students are seen as a key target and a factor for the future of Europe's research and development (R&D) capacity. These issues are all the more important given the EU's aim (see Sections 3.1.4 and 3.2.3) to become the most competitive and dynamic knowledge-based economy in the world by 2010. However, R&D expenditure in the EU, at 1.9% of GDP in 2000, is lower than in the United States (2.8%) and Japan (close to 3%) (OECD, 2003). The aim is to increase EU R&D expenditure to 3% by 2010. Another important effort is the recent 50% increase for human resources in science (to EUR 1 580 billion) under the 6th Framework Programme in order to prevent brain drain to other parts of the world. Reichert and Tauch (2003) found that most European countries have developed national brain drain prevention and brain gain promotion policies.

Individual countries are also concerned. Obvious signals at the level of governmental policy are the recent GBP 20 million scheme (funded by the British government and the Wolfson Foundation), which aims to attract Britain's leading expatriate scientists back, mainly from the United States and Canada where they have emigrated since the 1950 and 1960s, and to encourage top young researchers to come to the United Kingdom. The United Kingdom plans to increase the salaries of post-docs by 25% and increase funding for the

hiring of professors. Similar initiatives (grant and scholarship schemes) to attract more students and researchers exist in Germany.

Finally, the brain drain issue is not only the concern of governments. The European Round Table of Industrialists (ERT), in a recent report, stated that European industry continues to suffer from a shortage of scientists and engineers. A significant share already comes from outside the EU. To get the best researchers, companies are recruiting worldwide, and partly for the same reason, an increasing amount of their R&D effort is based outside the EU. In fact the ERT believes that the Lisbon target is unrealistic unless accompanied by a dramatic reappraisal of Europe's approach to innovation and its framework conditions for business (ERT, 2003).

3.4.2. The importance of adult and vocational education

It is difficult to estimate the relative importance of adult and vocational training, as fewer (reliable) statistics are available. However, adult and vocational education is a very significant area of cross-border post-secondary education. In terms of intra-European mobility, the EU provides important opportunities through the LEONARDO Programme. Around 40 000 students were mobile in the context of this programme between 1995 and 1999 (European Commission, 2003d, p. 11).

European co-operation is also increasing in the vocational education and training sector, the so-called "Bruges-Copenhagen process". Following the "Bruges" initiative of the Directors General for vocational training (October, 2001), Education Ministers of 31 European countries (member states, candidate countries and EEA countries) adopted the Copenhagen Declaration on enhanced European co-operation in vocational education and training (30 November 2002). The declaration gives a mandate to develop concrete actions in the fields of transparency, recognition and quality in vocational education and training. The declaration states that: "Strategies for lifelong learning and mobility are essential to promote employability, active citizenship, social inclusion and personal development. […] An enhanced co-operation in vocational education and training will be an important contribution towards ensuring a successful enlargement of the European Union and fulfilling the objectives identified by the European Council in Lisbon." Lifelong learning has become the guiding principle for the development of education and training policy. In the view of the Commission, it encompasses learning for personal, civic and social purposes as well as for employment-related purposes. It takes place in a variety of environments in and outside the formal education and training systems. Lifelong learning implies raising investments in people and knowledge; promoting the acquisition of basic skills, including digital literacy; and broadening opportunities for innovative, more flexible forms of learning. The aim is to provide people of all ages with equal and open access to high-quality learning opportunities, and to a variety of learning experiences, throughout Europe.

In light of the scarcity of research on transnational education in lifelong learning, only a few general trends can be discerned. A study by Tooley and Taylor (2002) did not attempt to quantify the scale, scope or distribution of non-higher education transnational education. On the basis of the literature and a database review, it found a rapidly growing range of activities in this area. In the area of distance learning, nearly one-third of the providers from the United Kingdom, France and Germany together provide slightly less than one third of the provision. While some data suggest much greater UK provision, population-adjusted figures tend to reduce their significance. In the case of the large ICT certification programmes, the considerable American presence relates to US leadership in

this industry sector (see Adelman, 2000; van der Wende, 2002). This market dominance is reflected in the curriculum and content of training programmes. The report also indicates that transnational education is limited in terms of the curricula. There is a much wider range of modules than of full degree courses, particularly in the non-formal sector. While teaching English is a major activity throughout Europe, there is evidence that teaching native languages to foreigners is on the increase, at least in some countries. Moreover, some general interest or personal development courses can be classed as transnational.

3.5. Nature of actors and partnerships

3.5.1. The nature of actors

Tertiary institutions in Europe are predominantly public: 76.6% of all students study in a public institution, 18.5% study at government-dependent private institutions and only 4.8% are enrolled in entirely private institutions.[10] The second category is especially important in the United Kingdom (100% of institutions) and in the Netherlands (80%). Entirely private institutions are mainly found in France, Italy, Portugal, Sweden and Switzerland (OECD education database).

3.5.2. The nature of partnerships

Academic partnerships

As mentioned previously (see Section 3.3.1), in all member states students from other EU countries are treated as domestic students. For this reason, most partnerships within the EU are of a co-operative rather than a competitive nature.

Co-operative academic partnerships in Europe have increased enormously over the last decades. Growth has been stimulated by and large by the EU programmes for co-operation and mobility. In both the EU and CEE countries, the current involvement of institutions in ERASMUS partnerships is close to 40% on average. There are, however, quite important differences among countries: the participation of Belgian institutions is close to 80%, in Italy, Greece, Norway, Germany and Sweden it is between 60% and 70%, but in the United Kingdom it is only 33.8% and in France only 26.2%. Despite these low percentages, the United Kingdom and France, together with Germany, are popular destinations for mobile students and thus intensively involved in the partnerships in the programme: United Kingdom (84.8%), France (80.6%) and Germany (83%). In the United Kingdom and France, therefore, a relatively small number of institutions receive the many ERASMUS students who go there. The type of activities undertaken in the partnerships mostly concern student mobility (96.8%) and teaching staff mobility (88.8%). There is also a considerable focus on the introduction of ECTS (55.9%), but little attention to curriculum development and intensive programmes (10.9% and 12.5%). Co-operation between institutions is organised by bilateral co-operation agreements. An institution participating in ERASMUS has such bilateral agreements with on average some 47 partner institutions, and the number is closely correlated with the size of the institution. Institutions with up to 500 students established on average only ten bilateral co-operation agreements, while large institutions with over 20 000 students co-operate with 150 partner institutions on average (Teichler, 2002). Some of the co-operative partnerships have grown (often with the support of ERASMUS) into quite well-known networks and consortia. Examples are the Coimbra Group, the Santander Network, the European Consortium of Innovative

Universities (ECIU), the Utrecht Network, the IDEA League (technical universities) and the recently established League of European Research Universities.

Other interesting examples of academic partnerships can be found in certain (border) regions, such as the ALMA network (universities in the Netherlands, Belgium and Germany), the transnational university (Dutch-Flemish) in Belgium, the *Collège franco-allemand*, the Baltic co-operation network and the University of the Arctic. Interesting also is the announcement by the French and British Education Ministers of the development of the Transmanche University as a regional university, a higher education network linking institutions in Kent in the United Kingdom and in Nord-Pas de Calais in France; it builds on a number of existing joint regional development programmes. Its development involved costs of GBP 1.4 million to create a new university out of the partners (Kent, three universities in Lille and the *Université du Littoral* based in Boulogne, Calais, St Omer and Dunkirk). The new institution will have both a physical presence and involve some rebalancing of new and partner facilities. The aims are to enhance exchanges and collaboration between faculty and students and promote the attractiveness and competitiveness of the region – including the opportunity to bid for funding from the EU and elsewhere (the new institution will enable access to funding that the individual institutions could not access independently). The focus will be on research programmes and postgraduates in particular fields (students will arrive in Autumn 2004) and tuition will be in English and French (OBHE Breaking News, February 2003).

Partnerships in e-learning

Intensive co-operation is also taking place in the area of e-learning. An impressive range of networks and consortia have been established in this area in the 1990s. These were based on the one hand on the idea that e-learning in particular requires the joining of institutional forces, in terms of expertise and investment. On the other hand, sharing of content and materials would be very beneficial for both institutions and students. Student choice and opportunities for developing a European dimension in curricula would be enhanced, especially for those who do not study abroad. The European Commission has explicitly supported this type of virtual mobility, through various special projects, but also as part of programmes such as ERASMUS.

E-learning networks can be distinguished according to different types (van der Perre, 2003):

- Professionally oriented or discipline-oriented networks operating at faculty or departmental level.
- Expertise networks in ICT and e-learning (such as initiated by the Coimbra network, the EUA [European Universities Association], EuroPACE, EDEN [European Distance and E-Learning Network], EADTU [European Association of Distance Teaching Universities], the European ODL Liaison Committee [a co-operation Forum for the European organisations of open and distance learning], etc.).
- Strategic alliances such as EUNITE (European Universities Network for Information Technologies in Education).

EUROPACE is an excellent example of an expertise network. A trans-European network of 40 universities, companies and learning organisations, it employs a methodology of networked e-learning for joint research, information and training, with a portal site and virtual campus (database). EUNITE has established a "virtual class and campus" consortium agreement among some ten institutions across Europe which makes possible

the sharing and joint development of materials and courses and the virtual (augmented) mobility of students. Furthermore, it covers intellectual property rights (IPR) and copyright, the use of course management systems and transfer of credits. Finally there is an initiative to create a Virtual University for Europe (VirtUE) involving various other networks. However, few of these initiatives are as yet operational in terms of offering online courses for students across Europe. Many obstacles need to be overcome related to language, copyright and IPR, quality assurance, credit transfer, etc.

It should be emphasised (again) that the types of partnerships described above are entirely driven by co-operation. As EU students from partner institutions have in principle free access to provisions of partner institutions (see Section 3.3.1), these initiatives do not aim to generate income for the institutions or to develop particular market significance. Besides these many co-operative partnerships there are also various competition-orientated partnerships, designed to operate on non-EU markets (where they are able to charge differential fees). Examples from the United Kingdom are the Global University Alliance (two UK universities, a commercial company and seven other universities outside Europe); Worldwide Universities' Network (eight US and UK universities). Many other initiatives are described in Section 3.4.1.

3.6. Opportunities, challenges, issues

In any region – and Europe is no exception – there are some common challenges and opportunities and many that are specific to individual countries. Such challenges are both strategic and operational in nature. Some challenges come from within the region and others arise from external pressures.

Strategic challenges that are common to European countries include:

- Competition from outside the region – and from newcomers to the region – to attract European students, researchers and professionals.
- Achieving and maintaining competitiveness so as to attract students and researchers to Europe, and in particular to counteract the shortage of scientists and engineers in Europe as well as the longer term problem of "an ageing professoriate".
- A drive towards further internationalisation, while maintaining cultural heterogeneity as a particularly attractive regional feature.
- Enhancing the region's general attractiveness to encourage student and staff mobility from elsewhere into Europe.

Some of the key internal strategic challenges include:

- Continuing efforts to promote student mobility and inter-institutional collaboration in programme development and joint degrees.
- Creation of education and training opportunities that will increase the employability of graduates within Europe and beyond.
- Continuing efforts towards convergence of higher education systems in Europe through the Bologna process and related projects on credit accumulation (as well as transfer) systems, qualification frameworks, evaluation systems and criteria.
- Capacity-building for new entrants to the EU and the European Higher Education Area.
- Creation of more flexible and open higher education systems to cater for the variety of learner needs in the context of lifelong learning.

Europe's historical and cultural heritage gives the region particular strengths. Beyond a rich and diverse set of cultures, the region's strengths include a variety of democratic political traditions, experience of post-war reconstruction and nation building, and the present collective experience of creating a unique political, economic and social framework that balances diversity with co-operation and convergence among the region's nations. However, some of these strengths also present operational challenges because of the variety of languages, the diversity of institutional governance structures, the variety of funding arrangements, differing government stances towards higher education and the varied relationships between institutions, students, industry and commerce. To meet some of the challenges, these operational issues must be tackled and, indeed, are being tackled in a variety of national and regional initiatives.

Opportunities for Europe to engage in cross-border post-secondary education are many and varied. They can be clearly divided between intra-regional co-operation and mobility and extra-regional activity. The increasing demand for access to higher education outside Europe – at a variety of levels – creates an opportunity for European institutions either to follow students to their home countries and regions or to encourage them to come to Europe, or some mix of both. In parts of continental Europe (France or Italy, for example), undergraduate class sizes are already large, so that attracting foreign students may not be as clear an option as, for example, in the United Kingdom. In addition, incentives (whether economic, social or academic) for developing international outreach strategies need to be clear within individual countries and institutions and this is not yet the case in all countries.

To date, although a number of regional initiatives are under way under the umbrella of the EU, the main effort remains national, driven by particular national circumstances and agendas. Indeed, in certain cases, notably in the United Kingdom, a "co-operative European" approach to cross-border developments may create tensions owing to a national approach that potentially competes with other countries in the region (although this is not unique to Europe). In addition, as the economic imperatives for cross-border activity outside Europe have become stronger, divisions between countries have become sharper. These differences are clearly visible in relation to debates surrounding the GATS, which has polarised opinion around those who can contemplate higher education as a "private commodity" within a "competitive export market" and those for whom higher education is a "public good" (that is free at the point of delivery).

Opportunities for cross-border initiatives exist at a variety of levels: at the individual level, in terms of individual students and staff; at the programme and degree level, involving disciplinary co-operation (and also twinning and franchising); and at the institutional level in terms of partnerships, strategic alliances, joint ventures and virtual institutions. However, there are also real challenges associated with the operation of collaboration and partnerships at the group and institutional level (whether cross-border or not) as well as attitudinal issues that need to be addressed. Countries vary in terms of their attitudes towards imports and exports of post-secondary education (often in direct relation to their experiences as importers or exporters) and their perspectives on competitive versus collaborative relations with other countries. Long-standing cultural and social co-operation is potentially challenged by strengthening economic drivers in cross-border developments.

The wide variety of initiatives that are in train to encourage and enhance cross-border activity range from elaborating an appropriate framework for such developments in terms of regulatory, quality assurance and recognition arrangements to the provision of incentives and support through funding, marketing, infrastructure support, immigration procedures and mobility schemes. In addition, many collaborative projects are designed at the least to develop mutual understanding and at best to create entirely new opportunities for attracting students and staff from within and outside the region (for example, new virtual universities, branch campuses and consortia of institutions). Moreover, the activities designed to break down boundaries between types of institutions, types of programmes and sectors in the interests of creating more flexible opportunities for learners as part of lifelong learning should not be forgotten. This remains a challenge in the region, not least in terms of adequate data to chart growth and success.

In conclusion, cross-border post-secondary education in Europe has developed and changed over time. It is still growing and diversifying. While there are barriers to overcome in order to attract students and staff to Europe, these are progressively being tackled. Significant exporting opportunities exist for the region, and individual countries have particular advantages or disadvantages in relation to them. These opportunities will continue to grow, albeit at different rates depending on a range of local factors. In relation to cross-border activity, Europe's diversity makes it difficult to achieve a collective regional approach. On the other hand, the framework of the EU can support joint initiatives that facilitate dialogue and collaboration in the interests of regional competitiveness and attractiveness.

Notes

1. The subsidiary principle implies that in the areas which do not fall within its exclusive jurisdiction (*e.g.* education), the Community shall only take action if and in so far as objectives can be better achieved by the Community than by the Member States acting separately because of the scale or effects of the proposed action.
2. This concerns higher education activities in which learners are located in a country different from the one in which the awarding institution is based.
3. ECTS is aimed at facilitating the recognition of study abroad periods. The system contains the following elements: a credit point system (60 points per academic year), an information package (on course content, structure, and workload), a learning agreement between the student, the home and the host institution, and a transcript of records.
4. The Diploma Supplement provides information on: the level of qualification, workload, content and results, the function of the qualification in the national framework, and a short description of the educational system.
5. These are the modes of cross-border delivery, as distinguished in the context of the GATS (WTO).
6. OECD education database (see also Table 3.2).
7. OECD education database (see also Table 3.2). This figure, however, includes non-nationals with German high school degrees, so-called *Bildungsinländer*, who account for approximately 30% (Bode, 2002; DAAD, 2001b).
8. OECD education database (see also Table 3.2).
9. The number of students opting to study at foreign universities is estimated at 1 000 a year (British Council, GETIS, 2003).
10. A government dependent private institution is defined as an institution which is financed at more than 50% by the government. An independent private institution is defined as an institution which is financed at less than 50% by the government. A predominantly public institution is defined as an institution which is financed at almost 100% by the government.

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Chapter 4

Cross-border post-secondary education in the Asia-Pacific region

This chapter documents recent developments in cross-border post-secondary education in the Asia-Pacific region. It shows how burgeoning demand for education in the Asia-Pacific region, in the context of the growing inter-country mobility of business, research, technology and education, is the chief driving force in the internationalisation of higher education in the region. The first section gives a historical, geographical and economic overview of the region that allows one to better understand the diversity of needs and potential for cross-border education across countries. It also places countries of the Asia-Pacific region in the global context of cross-border post-secondary education. The second section shows how three broad rationales shape the internationalisation of education in the Asia-Pacific region: the demand for foreign education by students and their families, the policies and priorities of national governments, and the interests of foreign and local institutions. The third section analyses how national governments have designed measures to advance the internationalisation of higher education and research and secure three broad sets of objectives, severally and together: education capacity-building objectives; academic, cultural and political objectives; and trade objectives. The fourth section provides information on trends and statistics on student mobility as well as on programme and institution mobility: the Asia-Pacific region appears as the world's laboratory for demand-driven, trade-oriented mobility of people, programmes and institutions in education and gives an overview on how countries regulate these activities. The fifth section analyses the role of partnerships in cross-border education in Asia and the sixth section examines the implications of these trends for students, importing countries and exporting countries.

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4.1. Historical and geographical overview

4.1.1. *Introduction*

The Asia-Pacific region comprises half of the world's population, spread across some forty countries, with a wide range of economic development. It is the largest regional source of international students, providing 43% of foreign students studying in OECD countries in 2001. The main form of cross-border education is the pursuit by students of a full foreign degree, abroad or at home, on a fee-paying basis. The key driver is student demand. The guiding policy rationale for governments in many developing countries is capacity building.

This chapter focuses on cross-border education in East Asia, Southeast Asia, South Asia and the Pacific. It takes in a long arc of Asian nations from Pakistan to Korea and Japan, and also includes Australia, New Zealand and the small island nations dotted through the Pacific Ocean. It excludes the Middle East and the emerging nations of central Asia.

In the last 20 years this mega-region has been fundamentally transformed by economic growth, modernisation and globalisation. In turn, the social demand for higher education and cross-border relationships in education has undergone a transformation of equal magnitude, while national education systems have often lagged behind. The change is not just in the size of international and higher education in the Asia-Pacific region, but in the character of these activities.

During the period of decolonisation after World War II, cross-border education was largely aid-based and designed to provide an alternative path of development to that offered by communism. Students from South and Southeast Asia, selected mostly by home governments, travelled to the OECD nations – mostly the United States, the United Kingdom, Canada and Australia – for advanced training and research degrees. Enterprising private students, especially from Japan, British Hong Kong and the former British territories of Malaysia, Singapore, India and Pakistan, also entered the English-language countries for degree programmes. In 1954/55 there were 34 232 foreign students in American tertiary institutions of whom 30% were from Asian countries (OECD, 2002a, p. 12). At this stage, China, isolated by Cold War diplomacy and pursuing a strategy of building national capacity *sui generis*, was almost fully outside the international circuit.

As the East Asian economies grew and consolidated, beginning in Japan and Korea and followed by Chinese Taipei and a newly engaged mainland China, the flow of private students to the United States increased. The United States continued to admit foreign students largely on the basis of foreign aid objectives, and scholarship funding played a key role. In 1980-82, the Thatcher government's creation of a full fee-based market in international education in the United Kingdom in order to generate export revenue and supplement scarce university funding, along with similar decisions in Australia in 1985-88, opened the way to a more commercial era. The long period of spectacular economic growth in East and Southeast Asia, albeit punctuated by recessions in the 1980s and late 1990s, generated a rapidly expanding middle class in the Asia-Pacific countries just at the time when the United Kingdom, Australia and New Zealand were recruiting actively and the

globalisation of finance, communications and business was augmenting the value of foreign degrees. The result has been a spectacular increase in the volume of student movement from the Asia-Pacific region, including South Asia, to the OECD countries, especially the English-language providers, and in the movement of educational programmes and whole campuses from the OECD countries into the nations of East and Southeast Asia. This latter form of internationalisation, dubbed here "programme and institution mobility", which includes online education communicated across borders, is one harbinger of things to come and challenges many conventional assumptions about the nature of international education.

The burgeoning demand for education in the Asia-Pacific region, in the context of the growing inter-country mobility of business, research, technology and education is the chief driving force in the internationalisation of higher education in the world today. Aid policy continues to play a role, particularly in relation to the smaller nations of the Pacific, and in Japan and the United States as foreign providers to the Asia-Pacific region. Government regulatory frameworks are essential to the framing of inter-country student flows and research co-operation. Nevertheless, most international education activity in the region is driven by direct interaction between international providers, on the one hand, and Asia-Pacific students and their families, on the other, and much of the interaction takes the form of full price market exchange. Like education in many Asia-Pacific countries, international education is a business, while also serving social, cultural and policy purposes.

4.1.2. The Asia-Pacific region

Nations of the Asia-Pacific region

The Asia-Pacific region does not constitute a single political, economic or cultural entity. It is complex and diverse, and this adds to the difficulties always inherent in cross-country comparison in a globalising setting (OECD, 2002b; Marginson and Mollis, 2001; Marginson and Rhoades, 2002). The Asia-Pacific nations have been shaped by their history and geography, language and economy, politics and religion, including their relations with each other. The Asia-Pacific region is best understood in terms of several interlocking sub-regions with distinct characteristics:

- Four East Asian nations with dynamic export economies, strong national identities and some common cultural elements: China, industrialised Japan, Korea and Chinese Taipei.
- Eight diverse Southeast Asian nations, most with sizeable populations and a large Chinese diaspora, some with a substantial Muslim element. (Indonesia is the world's largest Muslim nation.) Ranging from modernised Malaysia to Myanmar and Indochina, all have growth potential but are differentially arrayed on the development curve, and they vary in terms of the extent and funding of national educational provision, educational participation and adult literacy, and cross-border engagement.
- Two global hub cities, Singapore and Hong Kong, China. Part-Sino-phone and part-Anglophone, these cities play a key role in the world and regional economies, linking large Asian markets with the Anglophone and European countries, and they are active in reciprocal knowledge economy and cross-border education flows.
- Eight South Asian nations, including the very large populations of India, Pakistan and Bangladesh. South Asia is characterised by a common Indian cultural heritage, substantial populations located outside the modernised urban economy, and a socially and geographically uneven distribution of educational provision and literacy.

- The tiny nations of the Pacific plus Papua New Guinea, a larger undeveloped nation.
- Australia and New Zealand, economically integrated with East and Southeast Asia through trade in education and other sectors, while also linked to the Atlantic zone. They are multicultural in their population origins, and use English as their national language.

Of the modernised and developed nations, the four members of the OECD – Australia, Japan, Korea and New Zealand – share robust export profiles, sophisticated financial systems, well-developed services sectors, high penetration of information and communication technology (ICT) and extensive education systems with levels of domestic participation on the whole above the OECD average and well above the rest of the Asia-Pacific region. Singapore; Hong Kong, China and Chinese Taipei are strong economies and modernised societies with high levels of ICT penetration and strong R&D activity, especially Chinese Taipei and Singapore. Their domestic education systems are of good quality but have insufficient capacity to meet local demand, and many people in these relatively globalised nations are aware of the advantages of foreign education. Malaysia, combining highly developed metropolitan regions with a typical Southeast Asian rural/peasant hinterland, is less advanced but similar.

The developing countries comprise the great bulk of nations and populations in the Asia-Pacific region. Many are growing rapidly in economic terms, and part of the middle class accesses education from foreign providers because domestic education is inadequate in quantity or quality, and/or because foreign education confers advantages. This group includes: the emerging global giant China, the largest site of unmet educational demand in the world; another global giant in India; Indonesia; other large nations including Pakistan, Bangladesh, Sri Lanka, Vietnam and the Philippines; and many smaller ones (Table 4.1). Though all are categorised as "developing" there is much variation in national educational capacity and the propensity for international education. This group includes Cambodia, Laos and Myanmar, which along with the nations of South Asia and Papua New Guinea are the poorest countries in the Asia-Pacific region in per capita terms.

Linguistic diversity in the Asia-Pacific region

Culturally and linguistically there is enormous variation within the Asia-Pacific region and less common linguistic ground than in Europe and the Americas. Just over half of the world's living languages are in Asia as a whole, including West and Central Asia (2 197 languages, 32%) and the Pacific (1 311, 19%). Papua New Guinea alone is home to one-sixth of the world's language groups, most spoken by only a few thousand people. The region also contains five local languages spoken by 100 million people or more (Table 4.2). This linguistic diversity poses problems for higher education, especially for distance education modes. Nevertheless, much of this diversity is contained within nations where there is a dominant national language widely used as a second language. English is also used in this manner in some Asia-Pacific countries.

Other Asia-Pacific national languages with 30 million or more speakers are Filipino/Tagalog in the Philippines (45 million), Thai in Thailand (45 million), Burmese (33 million) and Lao and Isan in Laos, which are also spoken in Thailand (30 million). Other national languages are in Nepal (17 million) and Sri Lanka (14 million). In addition there are the sub-national regional languages of Bhojpuri and Maithili (60 million), Gujurati (45 million), Kannadu (45 million), Malayalam (35 million) and Oriya (30 million) in India; Min-nan (55 million), Xiang (48 million) and Hakku (35 million) in China and Chinese Taipei; and Sunda in Java and Indonesia (30 million).

Table 4.1. **Asia-Pacific countries: population, economy and public investment in education**

	Total national population (2001)	Gross domestic product (GDP) (2001)	Gross national income (GNI) per capita (2001)	Services product as % of GDP (2001)	High technology goods as % of manufactured exports (2001)	Adult illiteracy (people 15 and above) (2001)	Government education spending as % of GDP (2000)
	Millions	USD $ billion	USD $ PPP	%	%	%	%
East Asia							
China	1 271.1	1 150.1	3 950	33.6	20.4	14.2	2.9
Hong Kong	6.7	162.6	25 560	85.6	19.5	6.5	4.1[2]
Japan	127.1	4 245.2	25 550	--	26.0	--	3.5
Korea	47.3	461.5	15 060	54.1	29.1	2.2	3.8
Taiwan	22.4	309.4*	14 087*	67.2	--	--	2.4
Southeast Asia							
Cambodia	13.1	3.4	1 790	37.5	--	32.0	1.6[2]
Indonesia	213.5	152.2	2 830	37.1	13.4	13.2	0.9[2]
Laos	5.3	1.7	1 540	25.0	--	35.2	1.6[2]
Malaysia	23.8	90.0	7 910	41.9	56.9	12.6	7.5[2]
Myanmar	51.1	--	--	32.5	--	15.3	0.5
Philippines	80.1	74.7	4 070	53.3	70.2	5.1	3.5[2]
Singapore	4.1	92.7	22 850	68.3	59.7	7.7	3.7
Thailand	62.9	120.7	6 230	49.3	31.1	4.5	4.3[2]
Vietnam	78.9	31.2	2 070	39.1	--	7.5	--
South Asia							
Afghanistan	22.5	--	--	--	--	--	--
Bangladesh	131.5	47.1	1 600	51.7	--	60.0	2.1[2]
Bhutan	0.7	0.5	--	28.6	--	--	5.2
India	1 017.5	457.0	2 820	48.8	--	42.8	4.1
Maldives	0.3	0.6	--	75.7	0.0	3.1	2.9[2]
Nepal	23.2	5.5	1 360	39.2	--	58.3	3.7
Pakistan	140.5	60.8	1 860	52.0	0.3	56.3	1.8
Sri Lanka	18.7	16.3	3 260	54.1	--	8.4	2.0[2]
Pacific							
Australia	19.4	368.6	24 630	69.3	10.0	--	4.7
Cook Is.	[0.018]	0.1*	4 355*	75.6	--	7.1	--
Fiji	0.8	1.6	4 920	58.6	--	--	5.2
Kiribati	0.1	[0.043]	--	76.5	--	--	--
Marshall Is.	0.1	0.1	--	71.5	--	--	16.6
Micronesia	0.1	0.2	--	--	--	--	5.5
Nauru	[0.012]	--	--	--	--	--	--
New Zealand	3.8	48.3	18 250	64.1	8.4	--	6.1
Papua New Guinea	5.2	3.5	2 450	31.2	18.9[1]	36.1	2.3
Samoa	0.2	0.2	6 130	59.7	--	1.4	4.2
Solomon Is.	0.5	0.3	1 910	--	--	--	3.6
Tonga	0.1	0.2	--	59.8	--	--	5.3
Tuvalu	[0.011]	[0.014]*	--	--	--	--	--
Vanuatu	0.2	0.2	3 110	75.0	1.2[1]	--	7.3

1. 2000 data.
2. 2001 data.

-- Data not available.

GNI per head data based on Atlas methodology; Purchasing Power Parities reflect local buying power.

* Gross national product data for 2000 not 2001, and not converted for PPPs.

Source: Asian Development Bank (2003); World Bank (2003).

Table 4.2. **Major languages used in the Asia-Pacific countries, 1999-2000**

Language	Main countries of use	Number of speakers world-wide (million)
English	Australia, New Zealand and widespread	1 000
Putonghua ("Mandarin")	China, Taiwan and migration	1 000
Hindi and Urdu	India, Pakistan, Nepal and migration	900
Bengali (Bangla)	Bangladesh, India regional and migration	250
Bahasa (Malay/Indonesian)	Indonesia, Malaysia, Singapore	160
Nihongo (Japanese)	Japan and migration	130
Punjabi	Pakistan and India regional and migration	85
Wu	China regional	85
Jawa	Indonesia regional (Java)	80
Marathi	India regional	80
Hankukmal (Korean)	Korea and migration	75
Viet (Vietnamese)	Vietnam and migration	75
Telugu	India regional, Malaysia	70
Yue (Cantonese)	China regional incl. Hong Kong and migration	70
Tamil	India and Sri Lanka regional and migration	65

Note: Language groups refer to a primary language plus alternate languages close enough to it to enable a relatively high level of communication. For more details see source.

Source: Linguasphere Observatory, *www.linguasphere.org/*

Nations that use a national language, English and local dialects include India (national language Hindi), Pakistan (Urdu), Bangladesh (Bengali/Bangla), the Philippines (Filipino, from Tagalog) and Malaysia (Bahasa Maleyu). In Malaysia; Singapore; Hong Kong, China; Chinese Taipei and Korea, there is growing use of English in education, particularly in science and mathematics. In most other nations, English is understood in educational circles as the dominant language of communications, media and research, more for reading and writing than speaking. Though English is pre-eminent as a global second language, and this is reinforced by the role of English in ICT (Crystal, 1997), it should not be assumed that most Asia-Pacific nations will adopt English as the language of higher education, or even that English will remain the one clearly global language. Putonghua ("Mandarin") is used by as many speakers worldwide as English and is unshakeable as the main language of China. Hindi/Urdu, Bengali or Bangla, Malay/Indonesian and Japanese also constitute very large communities. Future higher education in the Asia-Pacific region will be expressed in the major languages of use, including English. Providers, including foreign providers, will need to be competent in one or more of the large language groups listed in Table 4.2 as well as in English.

4.1.3. Educational and technological capacity

Educational participation

In most Asia-Pacific countries, the OECD norm of near universal secondary education has yet to be established. Exceptions with high participation are seven of the eight most developed countries, plus Thailand. The middle-range participation group includes China, most of Southeast Asia and South Asia and four Pacific nations. Most Pacific countries are in the low participation group (Table 4.3). However, the data do not tell the full story. For example, Indonesia has above average rates of participation, but hours are inadequate and the resource quality of many institutions is poor.

Table 4.3. **Asia-Pacific countries: participation in secondary education**

High rate of participation in secondary education (over 80%)	Gross secondary enrolment ratio female/male	**Medium** rate of participation in secondary education (45-80%)	Gross secondary enrolment ratio female/male	**Low** rate of participation in secondary education (less than 45%)	Gross secondary enrolment ratio female/male
	%		%		%
East Asia		***East Asia***		***Southeast Asia***	
Taiwan, 2000	100/98	Hong Kong, 2000	79/75	Myanmar, 1999	36/36
Korea, 2000	98/97	China, 1999	58/65	Laos, 1999	27/39
Japan	--			Cambodia, 1999	15/29
Southeast Asia		***Southeast Asia***		***South Asia***	
Singapore, 1999	--/128	Philippines, 1996	78/77	Pakistan, 1999	24/35
Malaysia, 1999	103/93	Indonesia, 1998	77/77	Bhutan, 1999	9/11
Thailand, 1999	89/87	Vietnam, 1999	58/64	Afghanistan	--
Pacific		***South Asia***		***Pacific***	
Australia	--	Maldives, 2000	84/74	Kiribati, 1998	47/42
New Zealand	--	Sri Lanka, 1999	74/68	Micronesia, 1998	43/45
		India, 1999	39/59	Fiji, 1998	35/37
		Bangladesh, 1999	50/45	Nauru, 1998	37/32
		Nepal, 1999	38/56	Tuvalu, 1998	35/31
		Pacific		Solomon Is., 1998	18/30
		Samoa, 1999	77/70	Vanuatu, 1999	25/21
		Tonga, 1998	71/64	Papua New Guinea, 1999	18/26
		Marshall Is., 1998	51/47		
		Cook Is., 1998	49/42		

-- Data not available.

Source: Asian Development Bank (2003). See also Acedo and Uemura (1999).

Table 4.4 shows a substantial loss of students from the Southeast Asian systems in the later years of secondary school, especially in Malaysia and Indonesia. In these countries, the participation of 15-19 year-olds is just over half of the OECD mean, and participation in education falls away after age 20. In China in 2000 only 17% of the secondary school population qualified for degree-level study, and only 8% entered degree courses. In Indonesia the corresponding figures were 19% and 14%. The Philippines and Thailand have higher participation than most. However, in the Philippines much of the educational infrastructure is under-resourced. As in Indonesia, the group of world-class universities is small.

ICT networking capacity

The Asia-Pacific nations exhibit a highly varied capacity to support networked educational technologies. The variations are more extreme than the variations in face-to-face educational provision and participation. Only eight nations have levels of personal computer and Internet use sufficient to enable mass online provision: Hong Kong, China; Singapore; Australia; Japan; Korea; Chinese Taipei; New Zealand and Malaysia. All have more than 270 Internet users per 1 000 population and all but Malaysia have more than 220 computers per 1 000 population. Of the others, Thailand and some island countries are ahead of the pack but well below the top group. China has 26 Internet users per 1 000 population. ICT capacity is very undeveloped in most of South Asia, Myanmar, and Indochina apart from Vietnam. In Cambodia and Laos, Internet use is prohibitively expensive. More detail is provided in Section 4.4.4 and Table 4.20.

Table 4.4. **Participation in upper secondary and tertiary education, selected Asia-Pacific countries as compared to OECD mean, 2000**

	Students as a proportion of the population aged:			Proportion of school population qualifying for degree courses	Proportion of total population entering degree courses	Average expected years of tertiary education* (all courses)
	15-19 years	20-29 years	30-39 years			
	%	%	%	%	%	Years
OECD in Asia-Pacific						
Australia	81.8	28.2	14.9	67	59	3.0
Japan	--	--	--	69	39	--
Korea	78.6	23.9	1.4	60	45	3.7
New Zealand	72.4	21.4	9.0	65	70	3.1
Other Asia-Pacific						
China	--	--	--	17	8	0.4
India	--	--	--	34	--	--
Indonesia	38.5	3.0	--	19	14[1]	0.6
Malaysia	46.5	6.0	0.5	14	22	1.1
Philippines	--	--	--	53	41	1.4
Thailand	60.2	--	--	27	40	1.8
United States	73.9	21.2	5.4	--	43	3.4
OECD country mean	**77.1**	**21.4**	**4.9**	**55**	**45**	**2.5**

1. 2001 data.
-- Data not available.
* Average expected years of tertiary education per student. These data cover participation at all age levels, including both full-time and part-time enrolment.
Source: OECD (2002b); OECD education database.

In Hong Kong, China; Singapore; Chinese Taipei and Malaysia, considerable electronic networking capacity is combined with significant unmet demand for education and a high volume of offshore education. In other countries where unmet demand is a driver, such as China, Indonesia and Thailand, ICT capacity remains weak. Nevertheless, new public or private investments in telecommunications, satellite dishes, cable roll-out, servers and bandwidth could change this situation comparatively quickly.

Resources for education

One explanation for the variation in participation rates is found in the level of investment in education. In the Asia-Pacific OECD nations, public investment in tertiary education is below the OECD average although private spending is relatively high (Table 4.5). Public investment is very low in Indonesia and Myanmar, so that the infrastructure is poor, professional salaries are low, school hours are fragmented and coverage of the rural population is poor. It is also low in Laos, Cambodia, Papua New Guinea and all of South Asia. In Indonesia, education constitutes just 5.2% of all public spending, less than half the OECD mean and a quarter of spending in Thailand, Malaysia and the Philippines. Public investment is not high in China and Chinese Taipei but there is significant private investment. Though the public education budgets in Singapore; Korea and Hong Kong, China are solid rather than large, education absorbs a high proportion of total public spending and is buttressed by private investment. Public outlays on education as a proportion of GDP are higher in the small Pacific nations with limited private capacity, and very high in wealthier Malaysia, which spent 7.5% of GDP on the government funding

of education (2000), 1.3% on tertiary education institutions (1999), which is higher than many OECD countries, and a remarkable 0.6% of GDP on subsidies to families for tertiary education (OECD, 2002b). It should be noted, though, that Malaysian participation is lower than the OECD mean. Many Chinese and Indian families unable to access public institutions send their children offshore for study.

Table 4.5. **Spending on education, selected Asia-Pacific countries compared to OECD mean, 1999**

	Annual spending per student on secondary education institutions	Annual spending per student on tertiary institutions (all courses)	Spending on tertiary education institutions as a proportion of gross domestic product, from public and private sources			All forms of public spending on education as a proportion of total public spending*	
			Public	Private	Total	Tertiary education	All sectors
	USD $*	USD $*	%	%	%	%	%
OECD in Asia-Pacific							
Australia	6 850	11 725	0.8	0.7	1.5	3.4	14.6
Japan	6 039	10 278	0.5	0.6	1.0	1.2	9.3
Korea	3 419	5 356	0.5	1.9	2.4	2.4	17.4
New Zealand	--	--	0.9	--	--	--	--
Other Asia-Pacific							
China	833	5 798	0.5	0.4	0.8	3.1	13.0
India	295	--	0.6	--	--	2.4	12.6
Indonesia	242	1 047	0.2	0.2	0.4	1.2	5.2
Malaysia	1 813	7 924	1.2	0.1	1.3	8.3	25.2
Philippines	406	1 060	0.7	--	--	3.4	20.6
Thailand	--	--	0.9	0.2	1.1	6.7	28.0
United States	8 157	19 220	1.1	1.2	2.3	--	--
OECD country mean	**5 465**	**9 210**	**1.0**	**0.3**	**1.3**	**2.8**	**12.7**

-- Data not available.
* Spending per tertiary student in US dollars converted to Purchasing Power Parity (PPP).
Source: OECD education database.

Private investment in tertiary education plays a larger role in the Asia-Pacific region than in western Europe. As Table 4.6 shows, private investment is well above the OECD mean in Korea, Japan and Australia. Korea has a remarkable level of investment in education, most of it financed privately. A high 63% of the costs of educational institutions are borne by households, compared to the OECD mean of 15%. In 1995 total Korean expenditure on education was 13.3% of GDP, 4.4% public, 8.9% private, perhaps the highest of any developed nation (OECD, 2000). Again, the efficiency of national investment – here the private component – must be examined. Malaysia and Korea are discussed further in Section 4.3.2.

Table 4.6 shows the public/private split of the costs of tertiary education in selected countries. In Japan 56% of the costs of educational institutions are paid by households, in Indonesia 49%, in Thailand 16%. In Malaysia they pay 7% inside the country but much more for students who are educated offshore without state support. In India the figure is zero but in China it is 21%. Chinese families that send their children offshore for education are accustomed to doing so without state support, more so than Indian families.

Table 4.6. **Public/private split of spending on tertiary education institutions and household expenditure on tertiary education, selected Asia-Pacific countries compared to the OECD mean, 1999**

	Direct expenditure on tertiary education institutions by source		Share of spending by households in total direct expenditure	Household spending on tertiary tuition fees per student*	Subsidies from government per student for fees, ancillary services, living costs*
	Public	Private			
	%	%	%	$US p.a.	$US p.a.
OECD in Asia-Pacific					
Australia	52.4	47.6	33	3 836	2 935
Japan	44.5	55.5	56	5 705	--
Korea	20.7	70.3	63	3 350	111
New Zealand	--	--	--	--	1 494
Other Asia-Pacific					
China	56.8	43.2	21	1 225	222
India	99.7	0.3	0	--	--
Indonesia	43.8	56.2	49	502	--
Malaysia	92.7	7.3	7	650	4 251
Thailand	83.3	16.7	16	--	--
United States	46.9	53.1	--	7 299	2 134
OECD country mean	**79.2**	**20.8**	**15**	**1 550**	**1 502**

-- Data not available.

* Spending per tertiary student converted to Purchasing Power Parity (PPP).

Source: OECD (2002b), p. 190; OECD education database.

The patterns of funding and participation in the Asia-Pacific region have two main implications. First, apart from the OECD countries – Japan, Korea, Australia and New Zealand – the Asia-Pacific region is underprovided with good quality education relative to domestic demand. While many families are interested in an English language education offshore for its own sake, foreign education is needed in most countries to augment local provision, not just to substitute for it. Governments are encouraged to facilitate foreign education because it supplements national capacity. Second, in most Asia-Pacific countries, including large ones such as China, Indonesia, Korea, the Philippines and Thailand, middle-class students and their families are accustomed to private investment in education. In addition, in East and Southeast Asia, it is widely believed that a foreign English-language education can provide status and positional advantages and perhaps superior quality. These factors combine to encourage high demand for foreign education on a fee-paying basis and a continuing increase in cross-border movement, thereby enabling the growing global market in international education. This does not mean that cultural goals, and cultural effects, are unimportant in driving cross-border activity. People undertake education to acquire cultural attributes. But it means that in the Asia-Pacific region the trade and market aspects of cross-border education are important and affect its character and distribution.

4.1.4. Educational typology of the Asia-Pacific nations

In relation to cross-border education, the nations of the Asia-Pacific region fall into five broad groups (Table 4.7), though some overlap more than one group:

1. *Developed exporter nations with strong domestic capacity and a minor role as importers of education:* Australia and New Zealand. These nations, English-speaking providers cheaper to access than the United States and the United Kingdom, have developed a predominantly

entrepreneurial approach, driven by individual universities with the support of national governments for which cross-border education provides export revenues and is a catalyst for long-term business relationships, particularly in Southeast Asia and China. Revenues from international education are crucial to the financial viability of many universities. Cross-border education also has a role in aid policies, mostly focused on the smaller nations located in the Pacific, but aid objectives are less important than trade objectives.

2. *Developed nations with a strong domestic capacity but active as importers,* particularly of English-language education: Japan and Korea. Japan is also a large-scale exporter, particularly to China and Korea. Both countries have a predominantly non-commercial and explicitly policy-driven approach to cross-border education. In Japan international education is expected to achieve foreign aid and international relations objectives within the Asia-Pacific region and encourage the internationalisation of Japanese universities.

3. *Developed or intermediate nations with inadequate domestic capacity, active as both importers and exporters*. This group includes Singapore and Hong Kong, China, Chinese Taipei and Malaysia, which falls between groups 3 and 4. India has an export role but is closer to group 4. (China and others in group 4 may become exporters in future.) All of these nations are relatively competent in English, especially Singapore and Hong Kong, China, and this helps them to be active cross-border players. Chinese Taipei is building a domestic capacity in English-language education and can export English teaching to China. All these nations have significant buying power and constitute important markets for cross-border provision. At the same time their education systems attract students from neighbouring states, for example Malaysian students to Singapore and other South Asians to India, and have some globally recognised strengths, such as business training in Singapore, engineering and ICT research in India. In most of these countries, cross-border education is understood as an economic activity, while at the same time governments see it as instrumental to nation building and global relations, a policy sphere in which a range of objectives is pursued.

Table 4.7. **An Asia-Pacific regional typology of cross-border education**

1. Developed exporter nations with strong domestic capacity and minor role as importers	2. Developed nations with a strong domestic capacity but also active as importers	3. Developed or intermediate nations with inadequate domestic capacity, active in both import and export	4. Intermediate nations with inadequate domestic capacity globally active as importers only	5. Undeveloped nations, with low domestic participation and relatively weak demand for education imports
Australia, New Zealand Trade focus. English-language education creates market potential as exporters	Japan, Korea (Taiwan) Language base limits exporter function, though Japan is a large exporter. Non-trade objectives dominate policy approach	Singapore, Hong Kong (Taiwan) (Malaysia, India) Major markets for provider nations. Import and export is mostly English-language education. Mixture of trade and other policies. Focus on building knowledge economy	China, Vietnam, Philippines, Thailand, Indonesia, Sri Lanka, Pakistan (Malaysia, India) (Bangladesh, Fiji) Major markets for provider nations, especially English-language education. Policy dilemmas: import or build domestic capacity?	Laos, Cambodia, Myanmar, Papua New Guinea, small island nations (Bangladesh, Fiji) As they develop these nations will join group 4

Note: Intermediate cases are indicated in brackets.

4. *Intermediate nations with inadequate domestic capacity active as importers while relatively undeveloped as exporters*. This is the largest single bloc in the Asia-Pacific region, in terms of both number of countries and number of students. It includes China, Vietnam, the

Philippines, Thailand, Indonesia, Sri Lanka, Bangladesh (which while very poor on a per capita basis, has long imported English-language courses for the elite) and Pakistan. In China and Thailand, for example, there is an absolute shortage of tertiary places; in other countries, such as the Philippines, domestic capacity is greater but there are few high quality opportunities. Unmet demand in these countries creates a major market for the exporting nations and is a key factor in the growth of cross-border education at world scale. Although these nations are underdeveloped or unevenly developed in socio-economic terms, they have emerging middle classes increasingly able to invest in cross-border education. National governments see cross-border education and research as having the potential to assist national development, while also creating dilemmas because of their potential to threaten national identities and augment net "brain drain". All of the nations in this group must remain vigilant and determine the balance between national and foreign providers and the extent to which research training should be sponsored offshore or research capacity built at home.

5. *Relatively undeveloped nations, characterised by both low domestic participation and weak demand for cross-border education*. These countries include Laos, Cambodia, Myanmar, Papua New Guinea and small island nations in the Pacific and Indian Oceans: the Maldives, the Solomons, Tonga, Tahiti and so on. As these nations develop, some, such as Cambodia and Myanmar, might be expected to join group 4.

4.1.5. *The Asia-Pacific region in global context*

Demographic and economic drivers of the demand for education

The growing global markets are constituted above all by two factors: on one hand, the economic and cultural weight of the United States; on the other hand, the economic/demographic weight of China, India and the rest of South Asia, and Southeast Asia. The United States pulls the world towards it, taking in a growing number of the rising generation and those who can invest in their own mobility and for whom an English-language and American education represents an entry to the global labour market. In the wake of the United States, the other English-speaking countries also benefit from the demand for English-language education. The largest concentrations of this demand are found in the Asia-Pacific countries, where there is also a growing capacity for private investment.

East Asia, Southeast Asia and South Asia constitute a zone of great demographic and economic weight, with well over half the world's population and a vast economic potential. China and India are the two largest nations and Indonesia is fourth in terms of population. Ten of the world's 16 cities with over 10 million population are in the region, and three more will reach this size by 2015 (Table 4.8). Seoul and Bangkok are nearly as large. These cities constitute immense concentrations of present and future demand for education.

Notwithstanding the currency crisis of 1997-98 and the long Japanese recession, the economic performance of the East Asian economies has been remarkable. Japan's role as leader of growth has been assumed by Korea, Chinese Taipei, Singapore and China (Table 4.9). National per capital income in China was only USD 890 in 2001, but when local purchasing power is taken into account, low labour costs mean USD 3 950 per head in purchasing power parity terms (World Bank, 2003). On some projections, China will produce 20% of world GDP within two generations. Between 1985 and 1997, China sharply increased its presence in the medium- and high-technology sectors.

Table 4.8. **Mega-cities, world and the Asia-Pacific region, 2000 and 2015**

Cities projected to have more than 10 million people in 2015		Population in (millions): 2000	2015
Asia-Pacific countries			
India	Mumbai	16.1	22.6
	Calcutta	13.1	16.7
	Delhi	12.4	20.9
Bangladesh	Dhaka	12.5	22.8
Pakistan	Karachi	10.0	16.2
China	Shanghai	12.9	13.6
	Beijing	10.8	11.7
	Tianjin	9.2	10.3
Japan	Tokyo	26.4	27.2
	Osaka	11.0	11.0
Indonesia	Jakarta	11.0	17.3
Philippines	Metro Manila	9.9	12.6
Other countries			
United States	New York	16.7	17.9
	Los Angeles	13.2	14.5
Brazil	Sao Paulo	18.0	21.2
	Rio de Janeiro	10.7	11.5
Mexico	Mexico City	18.1	20.4
Argentina	Buenos Aires	12.0	13.2
Nigeria	Lagos	8.7	16.0
Egypt	Cairo	9.4	11.5
Turkey	Istanbul	9.0	11.4

Source: ADB (2003).

Table 4.9. **Real GDP growth in China, 1985-2001 (percentage over previous year)**

1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
13.5	8.9	11.6	11.3	4.1	3.8	9.2	14.2	13.5	12.7	10.5	9.6	8.8	7.1	7.8	8.0	9.3

Source: ADB (2003).

In Southeast Asia, Singapore, Malaysia and the Philippines have also restructured dramatically in favour of more technologically intensive industries, partly financed by foreign investment. Korea has sustained a strong export profile largely through domestic investment (OECD, 2000, pp. 29-30). In Southeast Asia, Malaysia has had the strongest growth. On the whole, Thailand has been successful, despite being hard hit in the currency crisis. Vietnam, which has sustained an average 6% growth rate for the last decade, albeit from a low base, may be another emerging giant. The Philippines – once the strongest regional economy – and particularly Indonesia have developed less consistently but constitute important potential educational markets. In South Asia, India has opened up its markets to some degree, increased foreign trade and created a strong global presence in the information technology (IT) sector, including training.

The East and Southeast Asian countries, as well as Australia and New Zealand, share the cultural and economic influence of their Chinese diaspora, which has a pivotal global role because of its active economic and cultural relations with both China and the United States. Along with Chinese Taipei and Hong Kong, China, these Chinese are the primary source and conduit for investment in mainland China. They also constitute much of the

cross-border migration and education in the Asia-Pacific region and much of the globally mobile labour force in high-skill areas. South Asian and Korean expatriates play a similar global role on a smaller scale, for example Indian IT professionals in the United States.

Growing demand for globally mobile labour

The growing demand for international education is also a cause, consequence and symptom of globalisation. In industries at the cutting edge of the knowledge economy such as ICT, financial management, research, science and engineering, the pool of globally mobile labour is expanding (OECD, 2002d). All cross-border relations are enhanced by global communications, international mobility is encouraged by cheaper air travel, and a growing number of people in every nation deal routinely with agents operating across borders. Mobility is enhanced by inter-country transfers of multinational companies and the cross-border activities of recruitment firms (ILO, 2003). Some graduates become peripatetic, working in many different locations and perhaps moving back to their country of origin for part of their careers. National and cultural identities become more flexible as people maintain continuous cross-border linkages.

Table 4.10. **Foreign tertiary students from the Asia-Pacific region studying in all OECD countries and in the United States, 2001**

Country of origin	Number of students studying in OECD nations, 2001	Proportion of all foreign students in OECD nations, 2001 (%)	Rank of source country in the foreign student flows to OECD	Foreign students in the United States, 2001
China	124 000	8.5	1	51 986
Korea	70 523	4.8	2	39 624
India	61 179	4.2	3	47 411
Japan	55 041	3.8	5	40 328
Malaysia	32 709	2.2	11	6 761
Indonesia	26 615	1.8	14	10 082
Hong Kong, China	23 261	1.6	17	6 615
Singapore	19 514	1.3	19	3 613
Thailand	18 172	1.2	21	9 703
Pakistan	10 478	0.7	35	6 026
Vietnam	8 110	0.6	45	1 754
Bangladesh	6 694	0.5	51	3 568

Source: OECD education database.

Many Asia-Pacific students and their families expect that a foreign education, particularly one provided in the provider nation, creates advantages because of the growing importance of globally mobile labour, business and knowledge. Study abroad also creates migration opportunities and foreign credentials may be an advantage at home (though this is more uncertain). The growth of mobile labour and the utility of cross-border skills feed both the demand for education and the potential for its supply, creating new opportunities for both graduates and education providers. Preparation for globally mobile business and all cross-border relations, including electronic communications, is enhanced by cross-border study. Thus in international education the fastest-growing disciplines are business and computing/ICT, and the chief growth is in courses in English, the main language of communications, cross-border business and knowledge transfers. Given the fecundity of globalisation, the growth of cross-border education would have occurred whether supported by governments or not. For the most part, governments have supported

it, facilitating cross-border study and (less consistently) cross-border movement by providers.

The flow of students from the Asia-Pacific region to OECD countries

While globally mobile capital and information flow largely from North America and Europe to Asia, the main flow of people is in the other direction. Of the foreign students in tertiary institutions in OECD countries in 2001, China (8.5%), Korea (4.8%) and India (4.2%) were the largest source countries and Japan (3.8%) the fifth largest. As Table 4.11 shows, in 2001, almost half of the foreign students moving from the Asia-Pacific region to the OECD countries went to the United States (44.3%). Of other major English-language providers, Australia (12.5%) preceded the United Kingdom (11.3%). Overall, 71.8% of foreign students from Asia and Oceania enrolled in English-speaking systems. (Here "Asia" includes the Middle East, and Germany counts some children of guest workers from Turkey and elsewhere as foreign students. Confining "Asia" to East Asia, Southeast Asia and South Asia, the dominance of English-language providers is clear.)

Table 4.11. **Foreign students from Asia-Pacific entering tertiary education in OECD countries, by country of study, 2001**

Destination of Asia-Pacific students (students studying in OECD countries only)	Students from Asia*	Students from Oceania	Students from Asia/Oceania	Proportion of all students from Asia/Oceania (%)
United States	294 230	4 011	298 241	44.3
Australia	77 849	6 534	84 383	12.5
United Kingdom	74 400	1 790	76 190	11.3
Germany	67 658	323	67 981	10.1
France	19 828	200	20 028	3.0
Canada	14 630	510	15 140	2.3
Turkey	10 944	31	10 975	1.6
New Zealand	7 971	1 200	9 171	1.4
All other OECD countries	89 322	1 089	90 411	13.4
Total Asia-Pacific students in OECD	**656 832**	**15 688**	**672 520**	**100.0**

* Asia here includes Central Asia and the Middle East. Oceania includes Australia, New Zealand and the Pacific.
Source: OECD education database.

The role of foreign study relative to domestic enrolments is greatest in Malaysia, despite the high investment in domestic capacity. In 2000, Malaysians studying abroad represented 7.7% of the national tertiary enrolment, greater than for all but four OECD countries. Cross-border study also plays a substantial role in Singapore and Hong Kong, China. In 2000, Korean students studying abroad represented 2.3% of domestic numbers, China 1.5%, Indonesia 1.0%, Thailand 0.9% and the Philippines 0.2%. For New Zealand, they were 3.5% and for Australia only 0.6% (OECD, 2002b, p. 245).

The American magnet

Among foreign students studying in American degree-granting institutions in 2000/01, the five largest sources were in East Asia, with 43% of all foreign students, followed by Canada, Indonesia and Thailand (see Table 4.10 and Chapter 4.2 for more details). The next five countries combined – Turkey, Mexico, Germany, Brazil and the United Kingdom – provided fewer students than either China or India. The majority of Chinese students

studying abroad go to the United States, with Japan the next most frequent destination. The role of the United States peaks at the graduate, especially the doctoral, level. More than 80% of Chinese students studying in the United States are postgraduates, mostly taking science or technology-based courses. An American degree creates superior opportunities in universities and sectors such as ICT, and, other things being equal, a better start in most fields. On the supply side, the United States provides scholarship support that is generous by the standards of most countries, and it encourages the migration of professionals in high demand.

Arguably much of the cross-border demand for American, and to a lesser extent British and Australian, education, is migration-related. It contributes to a "brain exchange" often experienced as "brain drain" in the Asia-Pacific region. The overall impact of "brain mobility" appears negative for China. In the last two decades half a million skilled workers were lost, while shortages of technical and managerial personnel are a brake on development (Guochu and Wenjun, 2002, pp. 189-200). Of the 1990-91 American doctoral recipients from China, 88% were still working in the United States in 1995. The corresponding figure for Indian graduates was 79% (Cervantes and Guellec, 2002b). Among overseas Chinese students over the 1978-99 period to all countries, 75.0% failed to return, including 85.9% who studied in the United States, 62.6% in Japan, 55.1% in Australia, 53.2% in the United Kingdom and 52.4% in France (Iguchi, 2003, p. 49).

The United States encourages cross-border research degrees as a way to build its capacity as a knowledge economy. In 1997, foreigners earned 45.8% of all doctoral degrees in engineering, 43.9% in mathematics and computing, and 30.6% in natural sciences (Cervantes and Guellec, 2002a, p. 78). In 2000, more than 50% of doctoral students from China and India who were studying in the United States had "firm plans" to stay upon completion of their studies (Tremblay, 2002, p. 44).[1] Over the period 1981-90, India provided 3.6% of total immigration to the United States but 13.4% of professional highly skilled migrants. In the 1990s there were sizeable net movements of Indian software professionals to the United States, the United Kingdom, Canada, Germany, Australia, Singapore and some western European nations (Gayathri, 2002, pp. 202-205).[2] In the Philippines an estimated 30-50% of IT workers and 60% of doctors emigrate. "Brain drain" is affected by relative earnings as well as opportunities and can occur in fields where local opportunities are abundant, generating labour shortages. Over 70% of the 7 000 nursing graduates each year leave the Philippines, where there are about 30 000 unfilled positions in the public and private sectors. Whereas professional Filipino migration to East Asia or the Middle East tends to be temporary, designed to augment family earnings back home, migration to North America tends to be permanent. Like the Philippines, Sri Lanka is a net labour exporter with a similar mix of temporary and permanent departures (Skeldon, 2003, p. 15; ILO, 2003, pp. 74-75). Even Australia and Japan are affected by "brain drain". Only the United States, the global magnet for highly skilled people – 47% of all foreign-born PhD graduates remain in the United States – largely avoids the downside of mobility (Tremblay, 2002, p. 44; Cervantes and Guellec, 2002a, p. 92).[3]

However, to understand "brain mobility" simply as a one-way transfer of human resources and revenues is to misunderstand it. While "brain exchange" is not symmetrical, there are flows in both directions. Highly skilled migrants do not transfer completely: many retain active links with their country of origin, reinvesting and sometimes migrating back. In the longer run, the global pull of India, China and others will increase, as local business, earnings and employment opportunities grow. American stay rates for graduates from the

developed economies of Korea, Japan and Chinese Taipei are significantly lower than for China and India. In the second half of the 1990s, the Japanese rate was 13% and the Korean rate was 11% (Cervantes and Guellec, 2002a, p. 92).

The global role of Australia

In Australia, the number of full-fee international students has grown very rapidly, particularly in higher education and specialist English-language colleges. In the last decade, its share of the world population of foreign students has doubled, from 4% to 8%. In 2001 Australian universities earned USD 756 million from foreign students in tuition revenues (DEST, 2003) and education exports generated overall USD 2.15 billion, 13.1% of total Australian trade in services (see Chapter 1, Table 1.3). In 2001, foreign students represented 13.9% of all students, the second highest level in the OECD after Switzerland and 18% when foreign campuses and distance education are included (IDP, 2002). Yet the Australian export industry is less than two decades old and emerged from a system in which no tuition fees were charged to any students, and foreign-student numbers were subject to strict quotas.

Comparisons with the United States and the United Kingdom point up Australia's characteristics as an education exporter. Its exports are concentrated in the Asia-Pacific region, reflecting its geographic location. Australian exports are more concentrated than American and British exports in terms of fields and levels of study. Foreign students mainly study business and computing/ICT. In comparison to other English language providers, Australia attracts a lower proportion of foreign students to the science-based disciplines, including engineering and agriculture, and a lower proportion to the humanities/arts than the United States, the United Kingdom and western Europe. Only a small proportion of Australia's international students are in postgraduate research programmes: while 18.1% of foreign students in Switzerland are in advanced research programmes, 16.6% in the United States, 11.6% in the United Kingdom and 11.2% in Austria, in Australia there are just 5.4% in research master's or doctoral programmes (OECD education database). Australia recruits well, especially in business and ICT, enjoys a cost advantage relative to the United States and the United Kingdom, provides a relatively low-risk environment and is located at the edge of Asia (AEI, 2003; Marginson, 2001).

Student flows into the Asia-Pacific countries

As Table 4.12 shows, flows of international students out of the Asia-Pacific region are not matched by student flows into the region. Among the OECD countries, Australia and Japan are the main regional providers, and most of their foreign students are from within the region. Australia's main sources are Singapore; Hong Kong, China; Malaysia; China and Indonesia. Japan's are China and Korea. In Australia and New Zealand, as in the United Kingdom, foreign students pay higher tuition fees than most domestic students. In Japan and Korea fees are the same for both. In New Zealand, foreign students represented 6.2% of enrolments, but only 1.6% in Japan. For other regional providers, foreign students were 3.4% of students in Malaysian tertiary education in 2000, a rapid increase from 0.7% in the previous year, and 0.1% in India, the Philippines and Thailand (OECD education database).[4] These figures and Table 4.12 probably understate the role of regional nations as cross-border providers, partly because the non-university tertiary sector is not fully covered. Skeldon notes that there were 78 812 foreign tertiary students in Japan in 2001, 44 711 in China in 1999 and 7 300 in Chinese Taipei in 2000 (Skeldon, 2003, p. 15).

Table 4.12. **Foreign students enrolled in selected Asia-Pacific countries, by origin, 2001**

Country of study	Continent where students were from:							
	Asia	Oceania	Africa	N. America	S. America	Europe	Unknown	TOTAL
OECD nations								
Australia	77 849	6 534	3 837	5 477	920	12 763	3 409	110 789
Japan	58 170	443	676	1 474	761	2 106	7	63 637
Korea	3 299	28	44	220	41	135	83	3 850
New Zealand	7 971	1 200	143	648	106	998	3	11 069
Other nations								
India	4 004	31	2 558	275	0	120	0	6 988
Indonesia	266	31	3	26	0	51	0	377
Malaysia	16 217	57	1 552	67	24	553	422	18 892
Philippines	1 656	28	69	503	4	63	0	2 323
Thailand	1 445	30	19	113	4	147	750	2 508

Source: OECD education database.

Despite the massive flows in the other direction, few students go from the United States and the United Kingdom to the Asia-Pacific region. Most of these enrol in Australian institutions. Australia also exhibits the characteristic Anglophone asymmetry. In 2000 there were close to 20 times more foreign students in Australia than domestic students studying abroad, an even higher ratio than the United States (Table 4.13). In Japan the flows are balanced, while in Korea student outflows are much higher than inflows.

Among students from OECD countries who study abroad, Japanese and Korean students systematically enter foreign language environments. In 1998, 92.2% of Japanese students and 63.1% of Koreans studied in English. The majority from Australia (78.3% in 1998) and New Zealand (96.4%) enter other English-speaking systems. Of the 21.7% of Australians going to other linguistic environments nearly all enter French (9.4%) or German (7.0%) universities. Only a handful of Australians study in Asia-Pacific universities where Chinese languages, Japanese or Bahasa are spoken. However, this may change in the future as it becomes more common for Asian languages to be studied in Australian schools.[5] This pattern is similar for the United States and the United Kingdom, where more than half the students studying abroad enter English-speaking institutions, and the rest mostly speak French or German, particularly American students (OECD, 2002d, p. 60).[6] This may limit the English-speaking universities' current capacity for internationalisation in the Asia-Pacific region.

Regional convergence?

Does the Asia-Pacific region constitute a single "market" or the regional node of a single "world market" in education? The question is misleading. First, there is much more to cross-border activity than trade relations. Second, the trade dimension – which plays a larger role in some countries than others and in some disciplines, such as business studies, than others – consists of several interlocking markets rather than a single market. There are markets in face-to-face courses in certain fields; in short courses in English and other skills; in online delivery by non-profit and commercial providers; in patents and commercial research; and in academic labour itself. Third, cross-border education involves a complex pattern of bilateral and multilateral relationships among Japan, Korea and

China; within South Asia; among Malaysia, Singapore and Indonesia; between Australia and New Zealand; between Australia and Japan, and so on. These relationships are conditioned by long-term geographical and historical-cultural factors and are continually being reshaped by economic capacities and incentives.

Table 4.13. **Number of foreign students compared to number of domestic students abroad, selected nations in the Asia-Pacific region compared to OECD, 2001**

	Foreign students, 2001	Foreign students as % of all students in domestic system, 2001	Domestic students abroad, 2001	Domestic students abroad as % of all students in domestic system, 2001	Foreign students as ratio of domestic students abroad, 2001
OECD nations					
Australia	110 789	13.9	4 805	0.6	23.06
Japan	63 637	1.6	55 041	1.4	1.16
Korea	3 850	0.1	70 523	2.3	-18.32
New Zealand	11 069	6.2	6 165	3.5	1.80
Other Asia-Pacific					
China	--	--	124 000	1.0	--
Malaysia	18 892	3.4	32 709	6.0	--
Philippines	2 323	0.1	4 758	0.2	--
Indonesia	377	n	26 615	0.9	--
Thailand	2 508	0.1	18 172	0.9	--
India	6 988	0.1	61 179	0.7	--
United States	475 169	3.5	32 549	0.2	15.79
United Kingdom	225 722	10.9	27 358	1.2	8.96
OECD as a whole	**1 580 513**	**5.3**	**664 437**	**--**	**2.36**

-- Data not available. n: negligible

Source: OECD education database. See note of Figure 1.2

Will the Asia-Pacific region come to play a more coherent educational role? Most Asia-Pacific governments support cross-border links in education as one means of integrating nations for military-strategic, economic and perhaps cultural reasons. There are many instances of government-supported bilateral programmes in international education. Efforts at convergence are localised rather than regional, such as collaborative programmes between institutions and educational agreements between neighbouring states. There is nothing like the European Union or the Bologna declaration. Multilateral activities are on a modest scale: for example, the Association of Southeast Asian Nations (ASEAN) countries maintain formal programmes for student and staff exchange, and research collaboration. In the Asia-Pacific region, the main dynamics are not among the countries in the region, they are between regional nations and the English-language providers, especially the United States. The Asia-Pacific countries share parallel rather than common educational relationships with the English-language providers.

4.2. Policies and rationales

If European higher education is primarily policy-driven and US higher education is a market dominated by the leading universities, then Asia-Pacific higher education relates variously to the state, universities and academic networks, students and families, and national and cross-border market forces. Some public universities are administered by government departments or are directly regulated by the state, as in China and Singapore.

In the Philippines, Australia and New Zealand, the government steers from a greater distance and university autonomy is the norm. In China, Malaysia, Japan and Indonesia, there are moves to increase institutional autonomy. Generally, the more prestigious the university, the greater its scope to act. Private-sector institutions are regulated but less closely than public institutions. In some countries, universities operate in the global sphere as independent agents; in others, cross-border dealings are supervised closely; in still others, no universities are capable at this time of a global role. In most cases, students who access foreign higher education are only subject to light or moderate regulation by national governments. Compared to education in national systems, the hand of national government is weaker in international education and institutional autonomy and market forces are stronger, except in the case of foreign campuses and courses on national soil.

In economic terms, international education is financed by a mix of private investment by students and families; scholarship and subsidy support from national governments, foreign universities, private foundations, global agencies and non-government organisations; and donations in kind, particularly in the form of shared labour time and communications by educational institutions and their personnel. The costs and benefits are many and overlapping. The commercial production of international education generates positive externalities in the form of closer cultural and political ties, the augmentation of basic research and the strengthening of the national educational infrastructure. In turn this creates long-term potential for international trade in all sectors. The establishment of closer educational ties across national borders, which increases national and global educational public goods (Kaul *et al*., 1999), opens greater potential for individual investment in private education.

Three broad rationales shape the internationalisation of education in the Asia-Pacific region: demand for foreign education by students and their families, the policies and priorities of national governments, and the interests of foreign and local institutions. To a lesser extent, education is also affected by global rationales and by international organisations agencies such as the World Bank. The most dynamic and important element is the growing demand for cross-border education.

4.2.1. Student demand for cross-border education

In addition to the demographic and economic growth of the Asia-Pacific countries and the growing demand for mobile labour, the demand for cross-border education is also driven by the age-old desire for individual betterment. Cross-border work and study constitute an ever-expanding route towards educational and social advancement beyond the confines of the nation. Increasingly, the drive for upward social mobility can be pursued on the global scale. Communications, including e-mail and Web sites, make this larger setting more accessible. If tertiary education was always a positional good (Hirsch, 1976), cross-border education offers a much larger range of content and price options. Also, cross-border education broadens the options of students and families who see education as personal development, formative of mind and personality. According to the OECD study, *China in the World Economy*:

"The explosion in [educational] participation is a direct response to combined social and economic demand. As economic conditions improve and the Chinese people enjoy more prosperous lifestyles, the demands and expectations of parents for the education of their children grow, especially for university education. It is no longer simply a case of aspiring to attend a university, but, rather, of going to a good one. While in the past families built up savings in order to pass on the wealth to their children, they are now more

interested in using these savings (estimated at RMB 60 trillion) to invest in their children's education. This is a distinctive Chinese cultural feature, which is not found in countries that opt for high levels of public spending (OECD, 2002e, pp. 789-790)."

The drives for economic gain, for social status and cultural distinction, and for learning and personal cultivation are difficult to separate, in the social sciences or in real life. Demand for cross-border education is shaped by several factors:

- The availability of educational opportunities in the country of origin. Significant unmet demand among middle-class families for good quality tertiary education is a major driver of foreign education in countries such as China, Thailand and Malaysia.
- The financing of educational provision in the country of origin. If good quality education at home is provided free of cost or nearly so, families will be less interested in investing heavily in cross-border education, though some will still do so.
- The educational opportunities available offshore.
- The aggregate cost of those opportunities, including the scope to work while studying.
- Economic, social and cultural motivations leading people to favour a cross-border education, especially an English-language education, including the potential for migration. These motivations function whether or not there is unmet domestic demand.
- The freedom and economic capacity to access cross-border education.

4.2.2. Government policies and strategies

Regional governments are committed to international relations in higher education for several reasons. In the emerging East and Southeast Asian nations, foreign education augments insufficient domestic capacity. Higher education is also a primary vehicle for modernisation, and "internationalisation" means opening to and selectively appropriating foreign models for national purposes. Here the economic benefits of educational internationalisation are necessary to national technology and business capacities in a global context. In developed exporter nations, such as Australia and New Zealand, international education directly augments revenues. In both importer and exporter nations, the flow of foreign students and the negotiation of cross-border twinning, franchising and accreditation/recognition arrangements bring institutions from different countries closer together; this tends to encourage cross-border academic relationships. In extending their educational capacity via cross-border linkages, nations improve their global competencies, raise academic quality and enrich their research and innovation systems. The various policy rationales for the internationalisation of education tend to overlap. There is more synergy between cultural, academic, political and economic aspects than the framing of debate as "trade versus aid" suggests. Aid opens up zones for trade. At the same time, while the region is the most active sphere for world educational trade, such trade sustains large-scale cultural contacts and is a powerful vehicle for encouraging all kinds of cross-border mobility of people and ideas.

Governments are well placed to advance or hinder cross-border links. Much of the impetus for the globalisation of higher education is due to government policies and programmes. If trade and competition in education are market-driven, then governments have been instrumental in establishing the regulatory framework for trade and in shaping investment in human capital as a commodity (Marginson, 1997). If educational collaboration is sustained by academic cultures and at least partly separate from the state,

these autonomous cultures nevertheless owe their existence to long-term public investments in basic research and academic scholarship. Cross-border partnerships between individual institutions are often supported by government funding.

Policy options and mechanisms

Governments shape the internationalisation of education in three main ways: by regulating cross-border flows, by subsidising individual students and by establishing programmes designed to encourage cross-border linkages, collaboration or trade.

Regulatory frameworks differ from country to country. In contrast to Europe, there is no supra-national authority to encourage a common approach. Regulation has been largely shaped by national interests and national political contexts, and has tended to lag behind the explosive worldwide growth of direct institution-to-institution and institution-to-student relationships, particularly in cross-border distance education. Where frameworks are incomplete or ambiguous, national decision making is more likely to be arbitrary and politicised, with a potential to retard both academic and commercial exchanges.

In the exporter nations of Australia and New Zealand, the main policy objective is to sustain the flow of net revenues from foreign students, thereby reducing the fiscal cost of higher education. However, they recognise that benefits of cross-border education to their countries are more than just financial. Their export industry is regulated through economic incentives, visa rules and negotiated country-to-country protocols; and, as in the United Kingdom, it is underpinned by a national system of quality assurance. Australia protects its domestic system by confining subsidies to local institutions, restricting the use of the term "university" and subjecting the accreditation of private providers and courses to government approval.

In contrast, most importer nations supervise cross-border dealings directly. For example in Malaysia; Singapore; Hong Kong, China; China and Vietnam, movements of personnel, institutions and programmes into the country must be specifically approved by the national government. However, online education is technically difficult to track and largely exempted from controls unless associated with an onshore presence, such as a local partner organisation, which makes supervision easier. In all countries, regulatory frameworks determine the recognition of foreign qualifications; this affects the local value of foreign qualifications and thus students' incentives to study offshore. Once a student goes offshore and leaves the national jurisdiction, the regulatory role of the importer nation recedes, and the regulatory framework of the exporter nation becomes more important. Malaysia has offices in some countries where its citizens are educated, but most importer nations provide little offshore back-up. International students may lack the social protection normally provided to citizens, such as health services, which are no longer covered by their own country while they lack entitlement in the country where they study.

Governments support the international education of individuals via scholarship and sponsorship arrangements that shape patterns of movement. Malaysia provides extensive scholarships through the Public Service Department, Ministry of Education, and MARA, for the bachelor level and for the postgraduate training of teachers, academics and public servants, mostly in the United Kingdom and Australia. Nearly all the scholarships are allocated to ethnic Malays and others classified as *bumiputra* (sons of the soil) rather than Chinese and Indian students whose families must invest privately in offshore courses. Thailand also provides scholarships for public officials and students. In 2001,

5 206 scholarship holders were sent abroad for education, 45.9% to the United States and 21.6% to the United Kingdom, 8.6% to Australia and 8.5% to Japan (Chalamwong, 2003, p. 61).

Governments also fund a range of cross-border programmes, for example in languages. In most non-English-speaking nations, English-language competence has become a primary concern. Although private returns to English-language skills are often good, demand for these skills is often insufficient to meet needs. Governments encourage the mastery of English by importing foreign English teachers into the national system and sending nationals to study abroad. Some also promote their own language and culture in the global setting via exchange schemes and language programmes for foreigners on shore. Japan has pursued such programmes. Other kinds of programmes sponsor academic exchange and research collaboration (see Section 4.4.3) and student exchange (see Section 4.4.1).

4.2.3. Educational institutions

The relations of Asia-Pacific tertiary institutions with the broader world vary. Strong universities and those specialising in fields such as IT or medical research often have many well-developed cross-border relationships. Many others sustain some cross-border activity through research, staff exchange or international students. Still others are entirely focused on local concerns. Other things being equal, universities with high status and strong resource bases have the best opportunities to invest in global developments, given the medium-term risk horizons and the role of reputation in attracting international partners. Nevertheless, the leading national institutions are not always the most enterprising. Once the minimum necessary resource threshold is reached, global competition may be more open than national competition, providing emerging institutions with the opportunity to "trump" local competitors and move up the national hierarchy through global initiatives that attract resources and prestige.

Individual universities often cite internationalisation as part of their programmes of internal reform, and an orientation towards the global environment is a key factor in leadership strategies (Marginson and Considine, 2000). Cross-border activity is a means of gaining autonomy from government, and a measure of autonomy is a necessary condition for the direct institution-to-institution dealings that are essential to global effectiveness. Moves towards university autonomy are often coupled with globalisation. The Indonesian government recently established five semi-autonomous universities with greater freedom to raise and spend funds. At the University of Indonesia, the move to autonomous responsibility is linked to the need to respond effectively to globalisation, to generate income and to create relations with industry (Marginson and Sawir, 2003).

Many universities from outside the region, noting opportunities for revenue raising and academic collaboration and the long-term potential, especially in China, are active in the Asia-Pacific region. English-language providers are more focused on student recruitment, western European universities on knowledge exchange. Cross-border visits and memorandums of agreement have mushroomed. The commercialisation of higher education in Asia has affected relationships between Asia-Pacific countries and foreign institutions in many ways. It has fostered a climate of export competition, so that by attending market fairs, by examining Web sites and course catalogues, and by consulting agents, students aim to be well-informed "consumers" of foreign offerings. At the same time, host countries have used their prerogatives and responsibilities to be selective about the kind of education they allow into their system, to set conditions and to shop around.

In Malaysia; Hong Kong, China and Singapore, and increasingly also in China and Indonesia, there has been widespread adoption of twinning, franchising and other partnership arrangements between local institutions and English-language providers, especially from Australia and the United Kingdom. In twinning programmes students enrol in the Asian country for stage 1 of the degree or diploma and move to the foreign country for stage 2. In franchising programmes, the whole programme is provided in the Asian country with the foreign institution providing curricula, assessment and quality assurance as well as putting the university crest on the degree certificate. The quality of provision is more readily maintained under twinning arrangements, where the practical requirements of stage 2 force an effective alignment of stages 1 and 2, than with franchising. At worst, franchising can be a cynical exercise whereby a local provider "rents" the English-language university credential while providing teaching and assessment of dubious value. In response to such problems, UK and Australian authorities have strengthened offshore quality audits.

Government programmes to facilitate cross-border research collaboration are designed to increase the speed and volume of knowledge transfer, and to "globalise" research awareness, so that researchers focus on the larger map of international practice instead of confining their vision to the work of their national peers. This is a particularly important issue in countries where English is learned as a foreign language, such as China, Korea, Indonesia and Thailand. It is also an issue in Malaysia where much of the output of research and scholarship is locally refereed and confined to nationally circulated journals that remain unknown offshore. Among universities in the developed world, located both inside and outside the region, some have specialised in Asian and Pacific studies, such as Leiden University in the Netherlands and the Australian National University which has many academic links in the region (see Section 4.5.2).

4.2.4. Global rationales

International agencies and non-governmental organisations (NGOs) affect cross-border education by influencing government policies and institutional behaviour and by funding individual students. National governments have limited fiscal scope to pursue modernisation projects and may be subject to political and cultural constraints. The World Bank and the Asian Development Bank provide loan and aid programmes in many countries, including programmes to improve higher education and research capacities, change policy priorities and transform institutional cultures. For example, bilateral and multilateral aid organisations are active in numerous projects in China. Such programmes tend to emphasise internationalisation objectives – international agencies and NGOs have a *prima facie* faith in internationalisation as a medium of development – and may encourage longer-term international perspectives and linkages that outlast the period of dedicated funding.

National governments and institutions also take a global perspective directly. The leading Asia-Pacific universities now take a global view (while the horizon of lesser institutions remains national or provincial). Increasingly, university performance is judged against internationally recognised indicators such as research and publications. Meanwhile, the mentality of policy makers is also shaped by models derived largely from the United States and the United Kingdom – mixed public and private funding, university autonomy, market competition, industry-university links, quality assurance systems and performance management. American models play a growing role in the Asia-Pacific region, particularly in countries with historic ties to the United States such as Korea, Japan, Chinese Taipei and the Philippines. UK institutions exercise a normative influence in the

former British colonies of Hong Kong, China; Malaysia and Singapore; and in South Asia. Hong Kong, China; Malaysia and Singapore also deal extensively with Australia and New Zealand, which bear a British stamp. Nevertheless, the region is not solely focused on the English-speaking world. Most Asia-Pacific nations support active linkages with European universities, especially in Germany, France, the Netherlands and Scandinavia. French institutions retain some authority in Indochina. China, Thailand and Indonesia, where the British and/or American influence is historically weaker, network widely in both English-speaking and the western European worlds, as well as to regional nations such as Japan and Australia. Throughout the region, policy makers and university leaders are interested in examples from more successful economies in the region itself. Japan was long the Asia-Pacific nation most likely to be cited in other countries. Now Indonesian university leaders' statements about international models that impress them cite China, Singapore, Korea or Malaysia (Marginson and Sawir, 2003). Singapore's efforts to position itself as a hub in the global knowledge economy are widely respected.

Imperatives to globalise are sometimes in tension, sometimes in harmony with national objectives. In China state higher education institutions reflect national policy and are the principal sites for China's international relationships. China wants to develop a system of world-class universities, which by definition means internationalised universities. This requires a major cultural change in education given that China, like other Asian countries, faces a largely English-language form of globalisation. At the same time these world-class universities will be expected to be vehicles for both sustaining a national identity *and* fashioning a distinctive Chinese contribution to the world through education and research. Xiamoming and Haitao (2000) discuss these tensions in Chinese higher education. Similar tensions have long been unresolved in Japanese universities. The same story is now being played out in higher education in many Asia-Pacific nations.

4.3. Policy instruments

The policy instruments at the disposal of national governments are employed to secure three broad sets of objectives, severally and together, through measures designed to advance the internationalisation of higher education and research. These are education capacity-building objectives; academic, cultural and political objectives; and trade objectives.

4.3.1. Meeting capacity-building objectives

For Asia-Pacific governments' intent on building national capacity through education and research, cross-border education constitutes a valuable policy tool. The capacity-building objective is consistent with both "aid" and "trade" approaches to international education. The international mobility of students and programmes can enhance nations' ability to meet the demand for education despite budgetary constraints. It offers opportunities for the development of human resources and the expansion of the professions, the training of government personnel, and the enrichment of science and industry. Foreign education can broaden the range of specialisations, for example in expensive science-based areas. Foreign education provided within the country supplements the education infrastructure and local skills. Collaborative research across borders can transfer knowledge and technologies. The mobility of students and ideas enhances the effectiveness of nationally based institutions, especially when the movements are multi-directional and there is an approximate symmetry between inward and outward flows.

Yet cross-border education can be a mixed blessing for national capacity: inward and outward flows are not always symmetrical. By no means all offshore students return, especially those in sought-after and strategic areas such as engineering, IT, biotechnology and the teaching of English. Graduates who do return may lack opportunities to use their training. Foreign providers operating inside the country, including online providers, are often more interested in generating revenue than in transferring knowledge. Regulating cross-border education so as to maximise the benefits for capacity building is a challenging task for Asia-Pacific governments.

Governments find themselves grappling with several associated policy questions:

- *What is the required national capacity?* What level and type of education provision and enrolment? What mix of specialisations and general (foundation) education? How broadly should tertiary education be provided across different socio-economic layers and ethnic groups which might have a differing capacity or inclination to invest privately?
- *Government as provider and/or government as regulator?* To what extent should national education capacity requirements be met by direct government provision and/or public financing of institutions and/or individuals? To what extent should national capacity be created through private investment and to what extent in institutions, including cross-border ones, operating at arms length from national government?
- *National providers or foreign providers?* To what extent should national requirements be met by local institutions and by foreign providers? What are the implications for patterns of public/private investment and educational regulation, for example quality assurance?
- *Foreign provision in foreign countries and/or foreign provision at home?* To what extent should foreign provision be developed onshore (within the nation) in the forms of franchising, twinning, foreign campuses and/or cross-border distance education?
- *Minimising brain drain and maximising brain gain.* If students are being educated offshore, what mix of policies will maximise their future contribution to national capacity? What policies will attract expatriates and foreigners to work in the nation?
- *Augmenting research and maximising technology transfer.* What is the best way to develop effective cross-border research collaborations so as to maximise the building of national intellectual and technological capacity now and in future?

Asia-Pacific nations are not operating on a level playing field. They have different economic and education potentials and approach these issues from different starting positions. Nations such as Singapore, with strong education and research infrastructures in some fields, can make meaningful choices between local and offshore training. They might invest in collaborative international ventures or they might concentrate on building local infrastructure. For others, with greater dependence on cross-border education, it is a question of maximising the benefits, minimising the down side, and if possible setting policies in place that will build local capacity in the long term.

4.3.2. Building national capacity

China wants to be a middle-income country by 2020. Tertiary education is central to the national growth strategy. It is expected to provide the emerging generation with ICT skills and specialist training and constitute the framework for lifelong learning and adult retraining. It is planned that it will reach 15% of the 18-22 age cohort by 2010, compared to 11% in 2000; social

demand for education is growing so rapidly that the 15% target will probably be reached in 2005/06, as the pressures for rapid expansion seem overwhelming. One estimate suggests that annual demand for higher education in China will grow from 8.1 million students in 2000, to 44.6 million in 2025 (Bohm *et al.*, 2002, p. 37). While China is creating mass tertiary education it also plans a modernised internationally competent elite sector. Project 211 is designed to create 100 high-quality universities offering study in key disciplines (OECD, 2002e, pp. 787-791).

New tertiary education infrastructure is expensive and takes time to build. In China, this raises complex problems of national/regional/local co-ordination and of distance provision. New staff and staff retraining are required on a massive scale. For example there is a severe shortage of English-language teachers and trainers of English teachers at all levels of education. Many graduates in English move to better-paid positions in the business sector rather than stay in public employment. The level of per capita taxation is half that of India, and bricks-and-mortar education financed by the state is unlikely to grow quickly enough to meet either government targets or social demand. This creates the need for alternative forms of provision and financing: student tuition charges, the growth of private education inside China, distance education using broadcast and online technologies, and foreign provision either within or outside China. Demand for foreign education is driven both by inadequate capacity and by investment in position. Given that unmet demand for education is potentially high and alternate methods of financing and provision will probably provide for a large part in future, China's scale has immense implications for the global development of cross-border and distance education.

Other larger Asia-Pacific nations with potential for unmet demand for tertiary education on a massive scale are Thailand (Hirsch, 2002, p. 5) and Vietnam. With its low national expenditure on education, Indonesia offers explosive potential for unmet demand but has been retarded by under-development, political unrest and a faltering growth rate. The Philippines already has an extensive infrastructure and relatively high participation, but because education is under-funded and much of the infrastructure is poor, there will be growing demand for foreign education as a substitute for local offerings. From the capacity-building viewpoint it would be better to reinvest in local infrastructure than to subsidise foreign study.

As noted, Malaysia and Korea invest heavily in education, yet the patterns of foreign education suggest that national capacity is inadequate. Malaysia combines very high public funding with middling participation, especially outside the main cities, and modest R&D at 0.6% of GDP. Per student funding at the tertiary level is USD 7 924, slightly below the OECD country average, yet tertiary participation rates are less than half the OECD level. In the 1990s the government encouraged a regulated private sector to soak up unmet demand, but Malaysia still depends heavily on foreign education for both government-sponsored and private students. If upper secondary participation rises to OECD levels, demand pressures on the inadequate tertiary infrastructure will increase. An extraordinary 0.6% of GDP is absorbed in scholarships and loans largely for *bumiputra* families. This sustains the ethnic imbalance in domestic participation instead of funding a commonly accessible education infrastructure directly. Policy favours overseas research training rather than building domestic research capacity. Doctoral graduates returning to universities and government often lack facilities to continue their line of specialisation. Sponsored doctoral degrees, most accessed by *bumiputra*, function more as a system of selection for professional careers than as platforms for research work. Malaysia's engagement in foreign education needs to complement national capacity rather than retard it.

Korea spent 13.3% of GDP on education in 1995, including 4.4% in public financing, 5.7% in private spending on tuition, books, transport and other education-related costs, and 3.2% on private tutoring (OECD, 2000). The last is spent by parents to secure an advantage in the competition for tertiary places. Private investment in tutoring is encouraged by large class sizes in the public sector and intensive competition for preferred tertiary institutions: universities are officially ranked, and institutional quality and status are highly stratified. In turn, high private investment and stratified tertiary participation encourage families unable to access leading national universities to invest offshore. The OECD (2000, p. 15) comments that Korean investments "have not been put to the most efficient use". In certain respects Korean education is remarkably successful: illiteracy has been virtually eliminated, measured educational attainment is at the highest international levels, secondary education is virtually universal, more than four-fifths of high-school graduates enter university or college, drop-out rates are very low and gender disparities virtually absent. Yet as in Malaysia, too many resources are used to create positional benefits for individuals rather than to fund the common institutions. There is much dissatisfaction with those institutions. Schools are seen as tradition-bound and didactic, and universities as underperforming in research and insufficiently internationalised. Foreign education ought to be feeding into domestic strengths rather substituting for them.

4.3.3. National capacity and foreign providers

To meet unmet demand, Asia-Pacific governments face hard choices. They need elite specialists and globally competent sub-populations, but they also need to distribute education more broadly and equally. The fruits of economic development are already shared unequally between a modernising urban sector and the rural hinterland and urban unemployed. In Vietnam in 1998, 75% of the wealthiest quintile participated in upper-secondary education and 37% in tertiary education; among the poorest quintile the rates were 8% and 0.4% (Nguyen, 2002, p. 3; see also Bhushan *et al.*, 2002).[7] Alternate mechanisms such as tuition-based private colleges, technology-based distance education and foreign provision onshore or offshore are more readily accessible to urban and high-income families than to others. With participation already distributed unevenly, the wrong strategies will exacerbate the gap between haves and have-nots.

In relation to foreign providers, the cheapest and quickest policy outcomes are derived from training outside the country, especially training financed by students and families themselves. Politically it is easier for governments tacitly to encourage offshore movement to tuition-charging locations than to extend fee charging at home, especially in public-sector institutions. Yet privately funded offshore study generates weaker economic and educational returns than any other mode. First, privately funded offshore graduates are less likely to return than public students subject to bonds and other conditions. Second, while offshore education augments the human capital of individual graduates, public good spillovers are minimised: unless the right kinds of work organisation, infrastructure and personnel are in place, the knowledge and skills brought back by overseas graduates will be underutilised.

Foreign education within the nation can create broader benefits. It can foster academic jobs and expand infrastructure (classrooms, libraries, laboratories and IT equipment); create educational programmes and textbooks; and add testing services, administrative systems and policy blueprints. Foreign providers may put competitive

pressure on local providers and generate useful imitations. Policy statements from several countries note the capacity-building potential of institutional and programme mobility. China wants to "attract high quality educational resources from overseas" to "introduce globally advanced curriculum and teaching materials which are in urgent need in China" (NCN, 2003). Indonesia has made legal provision for locally based co-operation with foreign universities to "improve and enhance the performance of higher education" and to "maintain, develop, empower and expand science, technology and/or arts". Malaysia has admitted several foreign branch campuses (see Section 4.4.3). Singapore has also encouraged foreign providers. In Korea, however, restrictive national regulations governing the size of campus lots and the facilities provided create prohibitively high costs, particularly in Seoul. The norm of low tuition fees is another barrier (OECD, 2000, p. 69).

Foreign providers inside the country raise new issues. Local providers may resent the competition. The foreign curriculum is less readily regulated and might undermine, or be seen to undermine, local culture and educational traditions. National governments must decide the extent to which they want foreign providers to offer diversity and difference and the extent to which they must be homogenised as a part of the national system.

4.3.4. *Brain drain, brain gain and brain exchange*

Governments must not only minimise "brain drain" but maximise "brain gain" and facilitate "brain exchange" on advantageous terms. For example Singapore loses some graduates and working professionals to the United States and western Europe, but draws lower-cost immigrant IT workers from China and Malaysia. Like the United States, Australia and New Zealand have offered IT professionals preferential visa treatment. "Brain drain" affects developed countries such as Australia, Japan and Korea as well as the developing countries. There is also "brain gain" in some developing countries, though net "brain drain" is much more serious there than elsewhere. Chinese Taipei turned its net loss rates around by combining economic development with public subsidies to encourage graduates to return. The proportion of returning graduates rose through the 1980s and into the mid-1990s at which point it was possible to withdraw the subsidies.[8]

Rates of return are affected by a number of factors: whether the students are state-sponsored or private; whether graduates can emigrate to the country of study, or elsewhere, including national policies on citizenship and dual citizenship; availability of fast-track visa schemes; work opportunities at home and overseas; relative earnings and conditions of work; and relative attractiveness of living in different countries. Governments can use policies and programmes for cross-border training, with differential effects on return rates, to fashion national capacity selectively. For example, Malaysia secures very high return rates among government-sponsored students, mostly *bumiputra*, through the bonding conditions attached to the scholarship and through career prospects on return. The return rate among privately supported students with no career guarantees, mostly from Chinese and Indian families, is less favourable to the nation.[9]

4.3.5. *Cross-border research collaboration and higher education capacity building*

In much of the region, international research collaboration and knowledge transfer are retarded by underdeveloped research capacity. Even in affluent regional economies other than Australia and New Zealand, university research constitutes a smaller share of national R&D effort than in most of OECD Europe and North America, thereby limiting basic research and doctoral training. The first priority in higher education has been growth

of student enrolments and resources for teaching. No doubt the high costs in science-based fields deter many governments from starting the long process of building research infrastructure of international quality at university level. Nevertheless Japan; Korea; Chinese Taipei; Singapore and Hong Kong, China have boosted research funding in universities. Singapore universities are a major part of the national R&D effort and the National University of Singapore accounts for one-tenth of R&D (Braddock, 2002). Cross-border higher education offers one means of fast-tracking the development of university research. In Hong Kong, China and Singapore, international linkages between universities are now well established and contribute significantly to the development of local university research. Universities in Hong Kong, China also function as a knowledge "bridge" between China and the West (Postiglione, 2001, 2002). In Korea, the government established the S&T Globalisation Strategy in 2001 to facilitate cross-border work.

To join the global knowledge circuits, Asia-Pacific researchers and academics need more than the willingness to collaborate and learn: they must have something to offer. Investing in research infrastructure and grants builds local potential directly, and also indirectly, via feedback effects from cross-border capacity and higher graduate return rates. "Countries that have succeeded in fostering the return of skilled migrants have done so not just through specific return migration programmes but through long-term and sustained efforts to build the national innovation infrastructure" (Cervantes and Guellec, 2002a, p. 92). In turn, returning graduates build more cross-border collaboration and more national capacity in a continuous global feedback loop. Where local capacity in higher education is weak, sending students abroad for research training is zero-sum to national capacity building, partly because students fail to return. Asia-Pacific nations that augment local research capacity in their universities are best equipped to gain from internationalisation. Cross-border activity is part of national capacity, but not a substitute for local capacity building. International activity and national capacity in higher education are interdependent.

4.3.6. Meeting academic, political, cultural and socio-economic objectives

Building international links in education has many and often unpredictable consequences. It is an open-ended process, paralleling the larger processes of globalisation that are its genesis and consequence. Academic links provide resources and sites that facilitate diplomatic and political relationships and aid economic relations in education and other sectors. Trade relationships generate closer cultural contacts, develop linguistic skills and facilitate public knowledge goods. Student and staff exchanges create networks with multiple potentials. Cross-border activity feeds on itself and readily spills over into new spheres. Governments throughout the region are committed to cross-border educational links regardless of the degree to which they pursue trade objectives in education or use cross-border education as a means of augmenting national capacity. This commitment is furthered through many different mechanisms: scholarships, exchange schemes, grants targeted to cross-border collaboration, the regulation of cross-border movement, and so on.

Australia: educational trade as a strategy for national realignment

In the second half of the 1980s, Australia established international marketing of education as one means of sensitising the nation to global competition (Dawkins, 1988) and establishing closer economic and cultural relations with East and Southeast Asia. The first substantial migration from Southeast Asia had been the entry of Vietnamese "boat

people" in 1975 after the war in Vietnam, a period which also saw the consolidation of diplomatic and economic relationships with China. Under the Hawke-Keating Labour governments of 1983-96, the "Asianisation" of Australia was a dominant policy theme (Keating, 1995, pp. 187-224): Australia, a power with a European heritage and primarily Asian and Pacific interests, needed to integrate more closely with the region. Education was seen as a vehicle for cultural understanding with downstream political-strategic and economic benefits. While later Australian governments have been less committed to an Asian identity, they have continued to support international education not as a source of revenue but as a mechanism for facilitating future economic relations with the Asia-Pacific countries. Cross-border business students today will do cross-border business tomorrow.

Other internationalisation strategies

Singapore has positioned itself as a global academic "hub" in the cross-border knowledge economy. It supports the involvement of many foreign institutions as "twinning" partners of local private providers and has licensed selected foreign universities to operate. As noted, it also subsidises international research linkages and has created research concentrations in fields from biotechnology to education, staffed partly by foreign academics. Hong Kong, China also sustains a relatively large foreign provider presence and an internationally active academic staff.

Malaysia's commitment to international linkages is expressed largely by sending Malaysians offshore and encouraging them to maintain the resulting cross-border networks, rather than by encouraging foreigners to work in Malaysian public universities. Salary levels, which are centrally regulated, are a disincentive to potential recruits from Singapore, the English-speaking countries and western Europe. Most foreign recruitment is from Indonesia and South Asia on a contract basis. Permanent positions are confined to nationals and mostly to *bumiputra*.

In Indonesia the leading universities are committed to internationalisation strategies in the form of closer engagement with a range of high-quality American, European and other providers. At the national flagship Universitas Indonesia, several academic units have used their new autonomy to pursue international linkages directly and university leaders are active in international associations (Marginson and Sawir, 2003). In regional public universities, international engagement is modest and maintained by a handful of academics with foreign doctoral training. Concerns are voiced about the insularity of the national academic culture.

Similar concerns have been expressed about Korea where more thorough-going internationalisation of academic life is seen as one key to national development. In OECD (2000), the Korean universities were found to be too insular. Though publication rates were increasing, they remained low relative to resources; rates of cross-border ownership of inventions and patents and co-authorship of published articles were also relatively low. Korean institutions needed to network across borders more effectively, develop stronger foreign-language skills, especially in English; conduct more cross-border research ventures and contribute more to international journals; expand staff and student exchange programmes; appoint more staff from outside their own ranks; and forge joint awards with foreign providers (OECD, 2000, pp. 57-72). Under the S&T Globalisation Strategy, Korean government measures include funding the participation of foreign researchers and organisations in national R&D programmes via grants for collaboration, promoting foreign investment in Korean R&D, and expanding international interaction and exchange. One

important step has been to facilitate the employment of foreign researchers within Korea through a "green card" system (Korea, 2002).

Research by Postiglione (2001, 2002) shows that in China, academics working in universities in the most globally linked parts of the country, the Eastern coastlands and Beijing, are very aware of the imperative to internationalise. Cross-border links include research, publication and instances of joint degree programmes. At Beijing Technological University (TU), 70% of the academic staff believe that the curriculum should become more international in its focus; at Shanghai TU the proportion was 75%. At Shanghai TU, 95% of staff reported that international connections were an important factor in evaluating the performance of staff; at Beijing TU the proportion was 57%. About nine out of ten in both institutions were expected to read international books and journals.

4.3.7. Meeting trade objectives

As the governments of Australia and New Zealand see it, trade in education not only raises revenue and improves the trade balance, it also helps to shift these countries from their historic reliance on primary production (agriculture, mining, and "living on the sheep's back"). The New Zealand Ministry of Education notes that "the export education industry is the sort of high value-added knowledge industry that has been identified as key to New Zealand's future" (New Zealand, 2002a, p. 7). As noted, in 2001 Australia generated USD 2.15 billion from education exports, or 13.1% of services exports. A net USD 107.1 million was obtained in revenues for distance/online and offshore-provided education. International tuition provided 11.4% of Australian university income from all sources (DEST, 2003). In 2001 New Zealand education exports were worth USD 353.5 million, or 8.1% of total services exports. The corresponding US figure was 4.2% (see Chapter 1, Table 1.3). Both governments emphasise that this trade promotes both the financial and non-financial benefits of international education. In its Negotiating Proposal for Education Services submitted to the World Trade Organization (WTO), Australia "sees the liberalisation of trade in education services as the most effective way of encouraging the internationalisation of education and enhancing flows of students between countries" (WTO, 2001a). New Zealand notes "significant wider benefits in domestic education and in the development of international relations and trade" (New Zealand, Ministry of education, 2002a).

Australia: co-ordinating the competitors

The Australian government established the commercial marketing of university education in 1985-88 at the same time as it established competition for public and private revenues as an integral part of the co-ordination of the sector. In their early forays into Southeast Asia, Australian universities often undercut each other, using negative referencing of rival universities as a shortcut to establishing market share. The government decided that if the reputation of Australian higher education was to have sufficient weight in the longer term to enable Australia to increase its overall market share, competition between universities would have to be modified. It subsidised the co-ordinated promotion of Australian education in East and Southeast Asia, establishing Education Centres in each of the Australian Embassies, and participated in education fairs in which negative referencing was strictly eliminated. These strategies were successful. The learned capacity of Australian institutions to move adroitly between collaboration and competition was no doubt one of the conditions that enabled Australia to double its share of the global market in the 1990s.

Foundations of Australian exports

From the 1950s to the 1970s, Australian institutions were active in the Colombo Plan, especially the University of New South Wales and Monash University which later played a large part on the export market. In addition to the official scholarships there were places for private international students, partly subsidised by Australia, and in 1980 there were 8 800 foreign students (Throsby, 1999, p. 12). Australia made a full policy transition from an aid-based international education programme to a trade-based programme in 1988. Over the next 15 years, public funding of the Australian public universities – the dominant sector which enrols 98% of students – was constrained and they had strong incentives to expand international marketing. Institutions were unable to charge direct fees to more than a few undergraduates. International education, and to a lesser extent domestic postgraduate coursework programmes, were the main source of discretionary revenues. The government initially specified fee levels that would fully cover costs and prohibited subsidisation of fee-based places (New Zealand did the same). It removed limitations on the number of fee-based international enrolments and phased out most of the subsidised aid-based places. These moves put international education on a fully commercial basis and created an open-ended source of autonomous revenue in what had been a regulated and publicly funded system. Once the new market was established, fee levels were deregulated, leaving universities free to set fees and subject to market forces.

From the beginning, the government wanted all public universities to become competent in the international market. Early marketing was conducted with government assistance in Southeast Asian capital cities. Fee-for-service marketing in the Asia-Pacific region emerged at the same time as government policies that refashioned Australian higher education as a competitive market. Universities underwent an organisational and cultural transformation and developed business-like operations and a greater sophistication in managing commercial services. The new model of institution has been dubbed the "Enterprise University" (Marginson, 2000; Marginson and Considine, 2000).

In the early years, the Australian government also co-ordinated immigration/visa policies with education policies. In the 1990s, however, because of students overstaying on student visas, visa allocations were tightened for several countries, including mainland China. Tensions between immigration and education policies have been much discussed between universities and government, and the government has continued to promote the export market. In 2003 it allocated resources to promote Australian education in emerging markets and loans to encourage Australian students to enter foreign universities for part of their courses. These initiatives were funded by higher visa charges. A number of projects relating to quality assurance were also announced.

In certain institutions, international education has become so large that departments, and in some cases corporate entities run as businesses, specialise in a range of functions including international marketing, student enrolment and administrative support, English-language preparation, reception and orientation services, non-academic counselling on accommodation, health services and immigration requirements, and so on (McBurnie, 2000).

New Zealand provides another example of an integrated, government-led strategy for promoting education exports. In late 2002, the Ministry of Education proposed an Export Education Development Fund and a related export development programme, to be supported through an Export Education Levy of 0.5% of gross tuition income from international students (New Zealand, 2002b). The programme draws together institutions

and a range of government agencies, including the Ministry of Education, the Ministry of Foreign Affairs and Trade, the New Zealand Immigration Service, the New Zealand Qualifications Authority, and Trade New Zealand. While acknowledging that institutions must compete to attract international students, the strategy aims to encourage co-operation and co-ordination in promotion and communication, industry capability building, quality assurance and research. The Ministry of Education sets out a three-year plan for brand development, marketing and promotion of New Zealand education internationally. Components include publications, an enhanced Web site, local and foreign media liaison, an International Education Visits Fund (IEVF, established in 2001) for short visits by educators and policy makers to their overseas counterparts, with reports to be published on the Web and a programme of professional development for staff to better equip them for dealing with international students. A related research programme addresses the national economic impact of export education, international student satisfaction, industry statistics and interactions between international students, their institution and the local community. IDP Education Australia runs an equivalent research programme.

Malaysia and Singapore

Malaysia and Singapore aim to be hub providers of education in the region. In 2001 Malaysia spent USD 585.5 million on education imports (3.5% of all services) and received USD 65.3 million in export revenues (0.5%) (OECD statistics on trade in services) and hopes to correct this imbalance. With public institutions largely funded by government, most of the growth in foreign students is in the private college and university sector. The private sector, including foreign providers, comprises about 600 institutions.[10] The Ministry of Education approves start-ups and enforces regulation, and the National Accreditation Board (LAN) handles accreditation, approval and quality audit. Teaching at the institutions is not subsidised and depends on fees, but domestic students have access to low-interest loans. The medium of instruction is English. Foreign students are mostly from China and Indonesia. The ministry has appointed the Malaysian Education Service to promote Malaysian education in Indonesia, providing data on institutions and courses, liaison with schools, individual counselling, recruitment and placement services (AEI, 2003).

Singapore's education institutions also draw students from the region, notably from Malaysia and Indonesia. Fee-based courses in higher and vocational education are actively promoted. The National University of Singapore offers 40 scholarships a year to students from ASEAN countries; and the Department of Education provides ASEAN 2000 scholarships covering tuition fees and living expenses for two years of study for the Singapore-Cambridge General Certificate of Education (Ordinary Programme), followed by two years study at the advanced level. In vocational education Singapore offers job placement programmes: for example tourism and hospitality students from Indonesia must complete work placement as part of their three-year diploma programme. These work placement programmes are provided with the co-operation of hotels in Singapore (AEI, 2003).

4.4. Key developments

4.4.1. *Student exchange*

The pattern of student movement between Asia-Pacific countries is different from that in western Europe. Cross-country movement is mainly for acquiring a full degree on a

fee-paying basis (see Section 4.4.2). This is distinct from shorter student exchanges as part of a domestic degree, whereby two or more institutions arrange for students to carry out part of their studies, usually a semester or a year, at a partner institution. In this case there is normally no transfer of fees between institutions and any tuition charges are received by the home jurisdiction. The trade aspect, consisting of foreign students' contribution to national revenue via transport and living costs, is incidental.[11] In the Asia-Pacific region these exchange activities are less well established than in Europe. The drive in many countries to invest privately in a foreign education is not matched by a comparable willingness of governments or families to support supplementary international experience as part of the domestic degree. This is not necessarily an either/or question: most regional governments are committed in principle to the expansion of both forms of internationalisation.

Data on this non-commercial form of student mobility are collected – or in many instances not collected – under the auspices of the University Mobility in Asia and the Pacific (UMAP) programme. Aggregate data for UMAP countries are not currently available. Data are patchy compared with the detailed information kept on fee-paying student mobility. Australia keeps the most detailed information (Table 4.14).

Australia receives more exchange students than it sends. There is balance with Thailand, Japan and Canada but the volume of American and Korean students entering Australia exceeds the reverse flow. More Australians go to China and Indonesia than *vice versa*, perhaps reflecting those countries' lack of support for student exchange and/or their role in the fee-paying market. As these data suggest, Australia lacks a tradition of international study periods. Students are more inclined to go on vacation during or after their degrees than to study abroad. Official reports and speeches and statements by academics express concern about low mobility. Barriers identified by students include lack of information, difficulties with course compatibility and cost (Davis *et al.*, 1999). A new income-contingent loan scheme is being established to assist Australian university students to study abroad. Overseas Fee HELP (OS-HELP) will offer full-time undergraduate students in Commonwealth supported places at public higher education institutions loans of up to AUD 10 000 to finance their overseas study. In 2005, a total of 2 500 OS-HELP loans will be available, increasing to 10 000 loans per year by 2008.

Table 4.14. **Exchange students entering and leaving Australia,[1] 1990/2001**

Receiver/provider nation	Australian students going abroad			Foreign students entering Australia		
	since 1990	in 2000	in 2001	since 1990	in 2000	in 2001
Canada	2 113	395	492	2 216	371	457
China	444	36	40	63	4	17
Indonesia	228	37	17	45	6	0
Japan	1 949	242	249	1 897	277	312
Korea	297	40	27	476	69	76
Thailand	336	39	18	254	32	83
United States	4 436	654	653	6 509	998	1 038
Other countries	4 715	1 004	1 145	8 445	1 582	2 161
Total	**1 792**	**2 447**	**2 641**	**1 698**	**3 339**	**4 144**

1. Institutions surveyed only. Includes movements to and from countries outside the Asia-Pacific.

Source: AVCC (2002).

Subsidised student exchange is important in the Asia-Pacific region because it can partly compensate for the dominance of English language provider countries in fee-paying education and enable a more reciprocal international exchange. The region is adapting European models to facilitate student mobility. Schemes include UMAP, based on ERASMUS, and the UMAP credit transfer scheme (UCTS) modelled on the European ECTS. There is great scope for expansion of this aspect of international education, but it needs broad-based commitment in a critical mass of countries.

4.4.2. Consumption abroad: foreign students

Many factors affect the choice of foreign education, or, in the parlance of the General Agreement on Trade in Services (GATS), "consumption abroad". Push factors include national economic development and educational capacity and costs. Pull factors include the opportunities provided by globalisation and globally mobile labour, the prestige of foreign degrees and the potential for migration to the host country (see Section 4.1 and Section 4.2.1). Other factors include the availability of home or host country subsidies for foreign education, visa requirements of host countries, foreign currency requirements, the costs of travel, health care and children's schooling in the host country and access to work there. Where full fees are charged and students/families cover living costs, employment opportunities are often crucial. Work may also be sought as part of the international experience.

On the pull side, consumption abroad may be affected by quotas on the total number of foreign students and/or THE number from a particular country or in institutions or courses. Quota restrictions are more common in countries that provide subsidised education than IN those charging fees. Access to the host country system and to some courses may also be affected by the extent of recognition of prior qualifications and perhaps the capacity to transfer credit for prior studies. There are also requirements as to demonstrable competence in the language of instruction, mostly English. Research on decision making by students and families confirms that motives are complex. The benefits lie not only in the educational programme and the internationally portable qualification but also in the immersion in an English-language or Western culture.

Table 4.15. **Reasons for choosing to study abroad, survey of 1 000 students from ten Asian countries**

Reasons for studying abroad	Proportion of Asian students naming this reason (%)
Foreign education of better quality	28
Desire to broaden experience	26
Desire to live overseas	23
Foreign education more highly respected	17
Family wanted student to study abroad	14
Course not offered/difficult to enter locally	14
Desire to improve English skills	10

Note: The figures do not total to 100%: students could provide multiple responses for some questions and not all students responded to all questions.

Source: EduWorld (2001).

As a report to the Asia-Pacific Economic Cooperation (APEC) Group on Services notes: "an important feature of consumption abroad is the experience of living in another country. The depth of that experience can be affected by various impediments, such as rules on working in the host economy. The importance of this 'experiential learning' is often overlooked but may

help to explain the dominance of consumption abroad in terms of the modes of supply of education services. For many foreign students, the time spent experiencing a different culture is an important part of acquiring an educational qualification" (APEC, 2000, p. 28).

EduWorld (2001) analysed responses from over 1 000 undergraduate internationals in the United Kingdom, the United States and Australia who come from the ten major Asian sources: China; Hong Kong; China; India; Indonesia; Japan; Malaysia; Singapore; Korea; Chinese Taipei and Thailand (Table 4.15). In considering where to study, the key choice factors were country (54%), course (18%), institution (17%) and city (10%). Three-quarters of the students had friends or relatives in the country of study. International study was financed by the family in 82% of cases, followed by student self-financing (8%) and government scholarships (4%).[12]

In their study of Chinese students from eight cities in China studying abroad, Mazzarol *et al*. (2001) find that ease of obtaining information about the host country and courses is the primary determinant of the location of study. This is followed in importance by the social and cultural environment including safety, crime and tolerance; climate; the quality of education and portability of qualifications; and the availability of part-time work. Other factors include the presence of an established population of foreign students, government guarantees of quality, the cost of travel to and from the country, and prior family experiences. The students separated English-language countries into two tiers. The first tier, the United States and the United Kingdom, was associated with institutions of high reputation. Australia, Canada and New Zealand constituted the second tier, providing attractive environments and a cheaper English-language education. Australia also benefited from geographic proximity to Asia. Selection of the United States, especially at postgraduate level, was strongly affected by reputation despite perceptions that the environment was not fully safe. There was a widespread assumption that a US education was the optimum choice.

Family and finance

In research on choice-making among Thai students studying in Australia, Pimpa (2003) found that family members often strongly influence decisions about studying abroad. The normal sequence of choice was decision to go abroad, country, city, academic programme and university. Choice of programme was seen as the most important. Family influence was greatest in relation to the decision to go abroad, country and city. The influence of information from family members as well as financial factors was greatest for young students (see box below).

Table 4.16. **Comparative cost of foreign study in the English language countries, master of business, 2001**

	Visa charge	Annual tuition fees (median)	Annual living costs (average)	Total annual costs (median)
	$US	$US	$US	$US
United States (private)	45	24 810	8 529	33 339
United States (public)	45	10 898	8 529	19 427
United Kingdom	48	10 376	8 783	19 159
Canada	81	5 944	6 906	12 850
Australia	156	7 055	5 427	12 482
New Zealand	45	6 209	5 503	11 712

Note: Total annual costs exclude visa charge. Exchange rates as at 1 June 2001 used for conversion to USD.[13]
Source: IDP (2001).

In a study of the comparative costs of higher education courses in the English-speaking countries IDP Education Australia found tuition fees were lowest in New Zealand and Canada and highest in US private universities and the United Kingdom. The average cost of living was lowest in New Zealand, followed by Australia; it was highest in the United Kingdom and the United States (Table 4.16). Total costs were also affected by the length of courses. In the case of the master of business, the median is two years in the United States, 1.5 years in Australia and Canada and one year in the United Kingdom and New Zealand. Thus total costs were considerably cheaper in New Zealand than elsewhere.[14]

Investing in real estate to invest in education

The decision to undertake international education is often a family affair. Education can entail significant commitment – and sacrifice – for two or three generations: parents, grandparents and student may all contribute to costs. Australian university personnel at international education marketing exhibitions in Asia are often asked about the costs of housing, and real estate companies sometimes exhibit in the foyer. One practice of the more affluent is for the family to purchase a house or unit in the city convenient to where their (sometimes several) children will study. This saves expenditure on rent, and the effort of finding accommodation anew for each student. Those who are close in age can reside together and the family can more closely care for them while they are abroad. Often this additional investment in consumption abroad is cost-effective. As property values rise relatively steadily in many Australian cities, the house can then be sold at a profit when the studies are completed. This can significantly offset the cost of tuition fees, if not pay for them altogether.

Source: Anecdotal evidence from interviews with families conducted by staff from Monash University, Australia.

Table 4.17. **Growth of international student enrolments in Australia, 1994-2001**

Sector of education	International enrolments, 1994	International enrolments, 2001	Change from 1994 to 2001 %
Higher education (public)	43 721	124 734	+185.3
Higher education (private)	--	4 532	--
Vocational education (public & private)[1]	19 479	39 845	+104.6
English language colleges (private)	26 173	49 380	+88.7
Schools (public & private)	12 780	15 112	+18.2
Total all sectors[2]	102 153	233 408	+128.5

Note: These data refer to enrolments, not students, and are not strictly comparable to data in previous tables. A minority of students, principally in vocational education and English language colleges enrol in more than one programme per year.

1. Non-degree courses
2. Excludes a small number of private higher education enrolments in 1994.

-- Data not available.

Source: Australian Education International (AEI) (2003).

The IDP study identified pronounced variations in health cover costs and work arrangements. In the United Kingdom, health cover is free for international students enrolled in courses of more than six months' duration, and free public health cover is also provided in

parts of Canada. In the United States, Australia and New Zealand students must take out private health cover. The United Kingdom has the highest cost of living of all five countries but the most generous regime for student work: no special permissions are required. Students in the United States and Canada cannot work off campus without government permission. In Australia international students may work up to 20 hours a week in study periods and full time in break periods provided they obtain a student visa with work rights. In New Zealand students may work up to 15 hours a week and full time in the summer break.

Foreign students in Australia

Between 1994 and 2001 in Australia, the number of international students enrolled in public higher education almost tripled, from 43 721 to 124 734, an average annual growth rate of more than 15%. Growth persisted during the Asian financial crisis of 1997-98 (Table 4.17).[15] The price of the Australian dollar was low relative to the US dollar and sterling so that through most of the period total Australian costs were one-third lower than costs in the United Kingdom and American public universities (Table 4.16). International student enrolments in non-degree tertiary courses, English language colleges and secondary schooling in Australia have fluctuated more than university enrolments, but numbers in all sectors have grown significantly overall (Table 4.18). In 2001 4 337 foreign students were enrolled in the small private higher education sector.

In higher education the fastest growing mode is enrolment in the importing nations, with Australian degree courses provided by local partner organisations or by Australian branch campuses, and distance education is now mostly online. In 2001, there were 86 269 foreign enrolments in Australia and 42 802 offshore, the latter having grown by 22.6% since 2000 and five times since 1994 (see Sections 4.4.3 and 4.4.4). The main sites of Australian offshore enrolment in 2001 were Singapore (13 112), Hong Kong, China (12 426), Malaysia (8 211) and China (2 563, up from 1 009 in 2000).

Table 4.18. **Australian educational exports: number of international student enrolments by sector of education and national origin, 2001**

	Higher education	Non-degree vocational education	English language colleges	Schooling	Total all sectors
China	9 098	2 542	10 902	4 282	26 824
Hong Kong SAR	19 479	2 274	1 795	1 054	24 602
Singapore	21 964	761	8	431	23 164
Malaysia	17 972	1 413	202	644	20 231
Indonesia	10 484	4 638	1 868	1 629	18 619
Korea (South)	2 714	4 005	9 336	1 996	18 051
Japan	2 351	3 087	6 276	1 142	12 856
Thailand	3 629	2 164	4 742	590	11 125
India	6 188	4 128	32	68	10 416
Taiwan	3 106	861	2 599	625	7 191
United States	4 076	553	10	131	4 770
Vietnam	1 690	779	794	231	3 494
Brazil	218	809	1 842	380	3 249
Czech and Slovak Republics	112	1 351	1 773	6	3 242
Norway	2 892	72	21	6	2 991
All other countries	23 100	10 406	7 180	1 897	42 583
Total	**129 073**	**39 843**	**49 380**	**15 112**	**233 408**

Source: AEI (2003).

Table 4.18 shows that the largest importers from Australia are China; Hong Kong, China; Singapore; Malaysia; Indonesia; Korea; Japan; Thailand and India. In higher education Singapore; Hong Kong, China; Malaysia and Indonesia lead; in non-degree vocational education, the leaders are Indonesia, India, Korea and Japan; in English language colleges, China, Korea, Japan and Thailand are most prominent; in schools, China, Korea and Indonesia lead. Despite the dominance of the Asia-Pacific region, Australian institutions recruit on all continents. In 2001 there was more than 20% growth in students from Bangladesh, Cambodia, the Philippines, Jordan, Lebanon, Turkey, United Arab Emirates, Botswana, Kenya, Mauritius, South Africa, Zimbabwe, Canada, Colombia, Mexico, Venezuela, Hungary, Italy, Poland, Russia, Spain, Denmark, France, Germany, Ireland, Sweden, the United Kingdom and Fiji (AEI, 2003).[16]

Australia's capacity for international education is enhanced by the high proportion (23.6% in 2000) of foreign-born among its citizens (OECD, 2002c), more than double the level in the United States and a very different situation from Japan (1.3%) and Korea (0.4%). In Sydney and Melbourne, almost 10% are Asian-born. This provides a relatively cosmopolitan urban environment for the students from Chinese families who make up most of Australia's foreign enrolment. At the same time, Australia mostly provides traditional Anglo-Australian curricula and pedagogy and the official language is English. Concerns are expressed that courses lack sensitivity to cross-cultural variations and there is insufficient mixing between international and local student populations. A study by Smart *et al*. (2000) found that international students exhibit a greater desire to mix with locals than *vice versa*. International students are more likely to see cultural differences as an inhibiting factor, while many local students state that international students are unwilling to mix and fail to "adjust".

Table 4.19. **Foreign student enrolments by level and field of study**

	Proportion of foreign students in research degrees	Index of concentration of foreign students relative to local students[1]				
	%	Humanities, arts	Business, law, social science	Science (inc. ICTs)	Engineering, manufacturing construction	Agriculture
Australia	5.4	0.53	1.54	1.04	1.22	0.58
New Zealand	2.7	0.57	1.72	0.92	1.07	1.02
Japan	--	1.17	0.87	0.68	0.89	1.43
Korea	13.2	--	--	--	--	--

1. 1.00 means that the same proportion of foreign students enrol in the field of study, as local students. A higher index indicates that foreign students are relatively highly concentrated in that field.
-- Data not available.
Source: OECD education database.

As noted above, Australia's international student profile is concentrated in certain fields of study (Table 4.19). The most popular higher education courses in 2000 were business, administration and economics (49.8%); science, mostly computing/ICT (15.0%); arts/humanities (10.3%); and engineering/surveying (7.7%). Popular non-degree vocational fields were business, administration, economics (58.0%); science, mostly computing (21.4%); and arts and humanities (7.8%). The most rapid growth is in coursework master's and graduate diploma programmes; enrolments in research programmes are low.

All of Australia's 38 public universities enrol onshore international students, though numbers vary. The largest international populations in 2000 were at RMIT University in Melbourne (9 035, or 29.2% of the student body), Monash University (8 852, or 21.3%), the University of New South Wales (6 491, or 20.6%), Charles Sturt University (5 223, or 18.7%) and the University of Melbourne (4 902, or 14.7%).[17] The main concentrations were in Melbourne in Victoria and Perth in Western Australia. RMIT derived 23.2% of its total revenue from international education (DEST, 2003), a high level of exposure in this dynamic market. A study by Bohm *et al.* (2002) for IDP Australia estimates that between 2000 and 2025 world demand for higher education in Australia will increase eight-fold, with almost two-thirds generated by four countries: China (21%), Malaysia (14%), India (14%) and Indonesia (11%). The share of enrolments from Singapore and Hong Kong, China is expected to diminish. Such expansion would lift foreign students to half of the total student body and would necessitate greater investments in onshore bridging programmes, English-language assistance and changes to curricula. However, realisation of this forecast depends on a host of factors, including Australia's price *vis-à-vis* the United States and the United Kingdom and its visa policy on China.

Foreign students in New Zealand

New Zealand's course profile is similar to Australia's, with a concentration in business and a lower ratio of research students (2.7%) (Table 4.19). In 2001 the largest groups of foreign university students were at the University of Auckland (2 225), the University of Waikato (2 041), Auckland University of Technology (1 773), and Massey University (1 687).[18] In 2001-02 the largest providers were China, India and the United Kingdom (New Zealand, 2002). In the polytechnic sector, there were 2 568 foreign students at the UNITEC Institute of Technology and 1 138 at Manukau Institute of Technology. There were 6 397 foreign students in private tertiary institutions, including 2 449 from China (New Zealand, 2002). The New Zealand government declares that "international students are easily absorbed into the increasingly cosmopolitan society of New Zealand, which now boasts 6.6% of the population being of Chinese origin or descent".

Foreign students in Malaysia

Malaysia wants to strengthen its expertise in English-language instruction to compete effectively with the Anglophone countries. Because tuition is lower than in Australia and New Zealand, it has genuine prospects of doing so, although there are concerns that some foreign students are using short stays in Malaysia as a bridge to the English-language countries. Between 2000 and 2001 the number of foreign students rose from 3 508 to 18 892 (OECD education database), mostly in private colleges and universities. In 2003 there were 900 foreign students (3% of total students) at the University of Malaya, the most internationalised public university. The university wants to raise this to 10%. However, Malaysian private colleges and universities will probably remain the main site for growth in international education.

Foreign students in Japan

According to the Japanese government, in May 2000 there were 64 011 foreign students in Japan, with 90% from Asia (57 938), followed by Europe (2 220) and North America (1 241). One in seven was funded by Japanese government scholarships. The main sources were China (32 297), Korea (12 851), Chinese Taipei (4 189), Malaysia (1 856), Indonesia (1 348) and

Thailand (1 245). There were 27 795 foreign students at undergraduate level in universities, and 23 580 at graduate school, with the remainder spread across colleges and university preparation courses. While 40.5% of the foreigners were enrolled in science and technology courses, 58.4% of scholarships were awarded in these fields (MEXT, 2001). In Japan the primary objective of international education is not to provide courses for fee-paying foreigners but to fulfil objectives related to foreign policy and the internationalisation of education: to balance the outflow of Japanese students to the United States and other countries; to increase the diversity of students studying in Japan; to provide foreign aid to developing countries in Asia; and to use English-medium teaching for foreigners to augment the English skills and international awareness of local universities, staff and students who share classes with foreigners. This last objective may work against foreign students' own aims as they may wish to acquire Japanese language and culture (Hashimoto, 2003).

Korean students abroad

Departure figures show that 187 470 Koreans studied abroad in 2000, with 34.2% in Japan, 33.9% in the United States, 10.0% in Canada, 6.6% in Australia, 6.5% in the United Kingdom and 2.2% in New Zealand. There has been rapid growth in Canada's short English-language courses which operate as a gateway to education in the United States. Though international education is present in Korean culture, it is officially tolerated rather than encouraged, as study abroad puts pressures on local institutions that need enrolments and drains foreign balances.[19]

4.4.3. Programme and institution mobility (PIM)

Cross-border education is traditionally associated with internationally mobile students. However, internationally mobile programmes and institutions are an important and growing phenomenon. This is widely referred to as "transnational education" (TNE) and in GATS trade parlance as mode 3, "commercial presence". Here the term "programme and institution mobility" (PIM) is used. PIM provides opportunities for students to earn a foreign degree while remaining at home, creates new forms of partnership and delivery, and is of major importance for student enrolments. When PIM courses are taken into account, the number of international students from Asia-Pacific region enrolled in foreign institution may be half greater than the number of mobile students.

Several kinds of delivery fall under the heading of PIM:

- In *locally supported distance education* students use foreign curriculum material designed for independent study, augmented by local facilities and teaching provided by the foreign provider institution and/or by the host-country partner.
- *Twinning programmes* are fully taught on the basis of a foreign syllabus and timetable. Students carry out part of the course in the home country and complete it at the home base of the foreign institution. Throughout, students are formally enrolled with the foreign provider.
- Under a *franchise arrangement* a local provider is licensed to offer a foreign degree under stipulated conditions. The nature and quality of the programme depends on those conditions.
- *Branch campuses* provide classes, laboratories, offices and library. These are bricks-and-mortar facilities offering complete degrees in fully taught programmes operated by a foreign provider as a wholly-owned or joint venture (McBurnie and Pollock, 1998).

These terms are often used interchangeably; definitions overlap and new terms appear in response to local conditions and new initiatives. Franchise and twinning arrangements are often referred to as branch campuses, a term which has greater status in the international education marketplace.

PIM is creating a new picture of education in the region, which sometimes resembles an education supermarket. Education centres in shopping malls display a smorgasbord of foreign university crests in their front windows. They range from modestly funded small businesses to those financed by industry with money seeming no object; from basic "chalk and talk" facilities to state-of-the-art ICT and audiovisual learning technology superior to the equipment at the home campus of the foreign provider. In other cases PIM takes the more familiar form of fully equipped campuses of foreign universities such as Nottingham, Curtin and Monash in Malaysia; or is blended with local public universities as in the case of foreign partnerships with universities in Hong Kong, China. Most PIM exporters, chiefly from the United Kingdom and Australia, are traditional public universities or colleges in their home jurisdiction but are designated as private providers in the host jurisdiction.

Based upon a survey of providers, IDP describes the Australian PIM as postgraduate (56%); in business, administration and economics (51%); located in Hong Kong, China; Malaysia or Singapore (72%); and with a mean enrolment of 40 students, 54% of whom are enrolled in full-time study.[20] The chief delivery modes are face-to-face teaching (40%) and supported distance education (40%). The Australian universities are chiefly partnered with private institutions or providers (51%) or public education institutions (25%). Typically, the Australian university is responsible for academic matters, including curriculum, assessment and quality assurance; the partner provides physical facilities, administration and market promotion. Teaching services are provided either predominantly by the local partner or by both parties (Davis *et al.*, 2000, pp. 36-37 and pp. 130-131). In all cases, the Australian university owned the intellectual property in the course.

The extent of PIM

It is not easy to gauge the extent of PIM because it tends to fall outside the government data-gathering systems in both the exporter and the importer nations, which tend to focus on domestic programmes. However, some data are provided by the main exporting nations and by certain host countries. In 2002 Australian PIM degree programmes enrolled 45 030 students, chiefly in Asia, out of 157 296 international students (*www.idp.com*). Between 1996 and 2001 Australian PIM enrolments rose from 24% to 37% of all international enrolments. IDP has forecast 83 000 Australian PIM enrolments by 2010 and a massive 300 000 by 2025, or 47% of all international enrolments (Bohm *et al.*, 2002), although such forecasts should be treated with caution. In 1996-97 British institutions enrolled about 140 000 PIM students and about 200 000 international students in the United Kingdom itself (OECD, 2002f, p. 104).

International branch campuses

The international branch campus is a small but growing element of cross-border mobility. In contrast with the traditional American understanding of the term, the Observatory on Borderless Higher Education based in the United Kingdom notes that the "new model of the international branch campus is concerned primarily with local recruitment rather than international experience for domestic students". The Observatory lists 23 existing or planned examples. Ten are Australian: four in Malaysia, two in Vietnam

and one in South Africa, Thailand, Fiji and the United Arab Emirates. Seven are from the United States: two in Greece, two in Cyprus, and one in China, Thailand and Qatar. UK institutions have three campuses: two in Malaysia and one in South Africa. There is one French campus in Singapore. Foreign branch campuses are also planned by institutions in India and Singapore, mainly in Asia. The Observatory acknowledges that its report is a work in progress and there are "blurred lines between what a campus is and what is something more modest". The list is already out of date in some respects (OBHE UK, 2002, pp. 1-2).

For those attracted to the traditional on-campus student experience, the branch campus is more likely to replicate this than a franchise or distance education programme. Arguably, universities can exert greater quality control over branch campuses than over franchise programmes. The commitment demonstrated by the solid presence of a local campus has spin-off benefits for foreign institutions, such as an edge in bidding for local government projects and better links with industry. There is greater potential for conducting research and for community service, as well as teaching. At the same time, the investment in land, capital assets and other physical resources is costly and exposes the exporting institution to much greater financial risk than franchise arrangements, where the local partner provides the infrastructure.

PIM activity in the countries of the region

In Hong Kong, China in 2001, about 600 foreign awards were offered through public universities, private institutions and distance education centres. UK institutions accounted for half, Australian providers one-third, and the United States and others the rest. Most of the local public universities offer English-language foreign programmes via self-funded corporate arms that provide fee-based continuing education and professional development. In 1999 the University of Hong Kong's School of Professional and Continuing Education (SPACE) taught a student load nearly equivalent in size to that of the parent institution (Young and Cribbin, 1999; McBurnie, 2002a). In 2001 150 overseas education institutions and 40 overseas professional bodies offered 645 courses in Hong Kong, China alone or with local partners (Olsen, 2002, p. 5).

In addition to its local universities, the Singapore system includes private post-secondary providers, with courses usually provided in partnership with, or validated by, foreign institutions. Since 1997, Singapore has collected statistics on students in and graduates from these "external" private diploma and degree programmes. More than half are enrolled in programmes accredited by UK institutions and 40% by Australian institutions. Student numbers have risen sharply, both in absolute terms and as a share of all Singapore students. From 1997 to 2000 the number of bachelor-level enrolments in these external programmes rose from 13 990 to 21 010 (50.2%), while such enrolments in the public system increased from 31 730 to 37 650 (18.7%). In 1997 there were 30 external bachelor graduates for every 100 from the public system; in 2000 the ratio was 57:100. In postgraduate enrolments in 2000, there were 2 330 externals and 3 680 locals, 63:100. Clearly, PIM education has a major function in the Singapore knowledge economy. The same data show that external PIM enrolments were heavily concentrated in business and management: 68.2% of all external bachelor enrolments and 90% of external postgraduate enrolments. Other fields were ICT with 19% of enrolments at bachelor level, humanities and social sciences, and health sciences (Singapore, Department of Statistics, 2000, 2001).

Box 4.1. **Malaysia's International Medical University**

The International Medical University (IMU) in Kuala Lumpur provides a notable example of successful university development through internationalisation. The IMU is a fully fledged private and commercial university whose specific mission, as a part of Malaysian medical education, is to provide internationally linked degrees in medicine and pharmacy. The IMU was established in 1992 in consultation and partnership with five foreign medical schools. It is now fully accredited by the Malaysian government for undergraduate programmes and is in the process of establishing research degrees, including a medical research PhD. The IMU generates an annual profit, while conducting a comprehensive programme of medical research. It is underwritten by the group of 24 leading foreign university schools that are its twinning partners. The medical degree is provided in two forms. All students complete the first 2.5 years at the main IMU campus in Kuala Lumpur. Subsequently they have the choice of completing their education in Malaysian hospital facilities or entering one of the medical faculties of IMU's 24 international partner universities in the United Kingdom, Ireland, Australia, New Zealand, Canada and the United States. The Australian schools include Melbourne, Sydney, Newcastle and Queensland; the British schools include Edinburgh, Glasgow, Manchester and Liverpool. The one American partner is Jefferson Medical College. The deans of the IMU's partner medical schools meet in Malaysia once a year to assess the quality of the curriculum and the programmes and to share perspectives on medical education across national borders, a process fruitful for all concerned, as several partners testify. Pharmacy students enrolled at IMU enter the Strathclyde University (United Kingdom) pharmacy programme at the end of 2.5 years of study in Malaysia and spend the last three semesters in the United Kingdom.

As noted, Malaysia has significantly expanded its national education capacity through private providers, including foreign provision via PIM. The Malaysian higher education system consisted in 2001 of 14 local public universities, an International Islamic University funded by several countries, ten private universities including the International Medical University (see Box 4.1), four foreign university branch campuses and over 600 private colleges offering both local and foreign qualifications. From the late 1990s, Malaysia encouraged foreign universities to establish branch campuses, declaring this would assist national industrialisation. The move was seen as urgent, but it was emphasised that "only the best will receive approval" (Razak, quoted in Banks and McBurnie, 1999). In all cases, the foreign university works in partnership with a local provider, not only to maximise the transfer of expertise but also to facilitate regulation by the Malaysian government.

For several years, China has progressively opened its doors to co-operation between local and foreign providers in the delivery of programmes. The Ministry of Education has reported that from 1995 to 2003 these programmes increased nine-fold. In early 2003, there were 712 such programmes. Of these, 261 are post-secondary and higher education degree programmes, 313 are non-degree programmes, and the remaining 138 are pre-tertiary. The main fields were masters of business (36%), ICT (13%), economics (10%) and foreign language (9%). The major partner countries were the United States (154 co-operative arrangements), Australia (146), Canada (74), Japan (58), Hong Kong, China (56), Singapore (46), England (United Kingdom) (40), Chinese Taipei (31), France (24), Germany (14), and Korea (12). Although these courses have been allowed to proliferate, the Chinese authorities have kept open the option of future regulation. Only ten partnerships for the

delivery of degrees have been fully approved by the central government (*China Youth Daily*, 2003).

In Korea the Ministry of Education indicates that it will permit foreign institutions to establish campuses in Korea but there have been no approvals as yet. As noted in Section 4.3.3, high costs have inhibited foreign universities. The ministry has more actively encouraged foreign language institutes by removing restrictions on fees. Both the British Council and the Canadian CEC operate successful and profitable language-teaching centres in Korea.

4.4.4. Distance education/online PIM

Online distance education has been the subject of much speculation and commercial positioning in relation to the Asia-Pacific region. In the last half decade, many English-speaking universities, particularly in Australia and Canada, have developed distance-based courses delivered partly or solely over the Internet. The United States is home to a large commercial online education sector. In the United Kingdom, the Open University is positioning itself as a potential global provider. The Open University, which starts from a reputation for high quality distance education, is creating ICT materials for UK universities via its commercial vehicle, the Open Learning Company. There are also a small number of completely virtual universities. For global providers and Asia-Pacific governments, the question is whether this emerging supply potential is complemented by demand. It is often suggested that the increasing levels of unmet demand in China, Thailand and Vietnam, all of which will be insufficiently provided with "bricks and mortar" for the foreseeable future, constitutes a vast business opportunity for online distance education. There are many company start-ups, and potential demand is subject to continuous market research, though few data are in the public domain (Olsen, 2002). For national governments in much of the Asia-Pacific region, whose objectives are primarily policy rather than commercial, online cross-border provision offers to absorb some of the demand for foreign education with less capital outflow and less potential brain drain.

There are questions about the extent to which online programmes from international providers can replace or complement face-to-face domestic education or replace or complement face-to-face education provided by international providers either as PIM or in the exporter nation. A prototype has yet to emerge that unambiguously has high and increasing appeal to students and their families. While online communications and data retrieval have obvious pedagogical potential as a complement to face-to-face programmes, new ways of teaching and learning that more fully explore the technical possibilities have yet to emerge. It may be that "pure" online education is better understood as a distinctively new product, suitable for certain kinds of students, rather than as a universal substitute for what exists. While the unmet demand for higher education in the Asia-Pacific region is largely for undergraduate education, online education so far works best for students in postgraduate and continuing education programmes, especially for those working full-time for whom screen-based delivery and rapid non-synchronous communications provide welcome flexibility.

Another issue is the cultural content of online programmes. The Asia-Pacific region has large pools of languages that will not disappear (Table 4.2). The great majority of online programmes are in English and are mostly from American sites and often communicate American assumptions and examples. For many students this is part of the appeal. Others may prefer courses more culturally and linguistically diverse, and perhaps produced closer

to home. Culturally flexible cross-border courses are a challenge yet to be met. It is likely that in the longer term the specific cultural requirements for online education will vary from country to country, region to region, across student demographics and fields of study. Cross-border and cross-cultural partnerships will be crucial to achieving variation and flexibility in content, delivery and pedagogy.

For national governments there is an on-going question of whether the technical and cultural content of online courses fits national needs and values. Most governments that permit on-site foreign universities to operate within their territory regulate them carefully. Nevertheless, there have so far been few regulatory impediments to the growth of cross-border online education in the Asia-Pacific region,[21] presumably because of the technical difficulties of controlling delivery over the Internet. In the WTO/GATS round, cross-border online education has been the subject of more commitments than other forms of PIM by Asia-Pacific countries.

Costs and technological capacity

It is as yet unclear whether on-line education will provide cost advantages for students and governments. A study for UNESCO (Bates, 2001) suggests that online education of adequate quality is no cheaper than face-to-face education in on-site institutions, and that it is more expensive than traditional distance education based on mail and broadcast modes except for units of fewer than 100, where the costs of the two modes equalise.[22] Nevertheless, in cross-border delivery, the costs of production (though not of delivery) are carried by the foreign provider. From the point of view of regional governments, this improves the cost equation. However, online programmes depend on broad, affordable distribution of both communication systems and the necessary hardware and software; these capacities are inadequately and unevenly distributed within the Asia-Pacific region. Most of the developing world has poor telecommunications infrastructure, bandwidth, cable linkages and satellite receiver distribution, and insufficient public and private funds to invest in these technologies. Table 4.20 shows that Internet penetration is strongest in the richer East Asian nations. Hong Kong, China; Singapore; Chinese Taipei; Korea and Japan all have more than 400 Internet users per 1 000 population. Australia, New Zealand and Malaysia also have broad networks. The same nations have relatively high levels of computer use, although Malaysia lags behind in this respect. From the policy viewpoint, it is only in these nations at present that online delivery could replace face-to-face delivery on a scale broad enough to enable equitable access. However, while unmet demand is an issue in Malaysia; Hong Kong, China; Singapore and Chinese Taipei, the main pools of unmet demand are located elsewhere.

In China, Thailand, Vietnam and Indonesia, Internet user rates vary from 13 to 57 per 1 000 population. Thailand has the highest rate in this group. China, with a relatively broad telephone network but only 26 Internet users per 1 000, nevertheless constitutes an Internet community of 33.7 million (2001). This is the global prize in the eyes of the commercial companies and universities developing online higher education, many of whom, like Universitas 21 Global, provide course in Mandarin as well as English (see Box 4.2). In Pakistan, India and Bangladesh – despite the human resources and manufacturing capacity of India's ICT industry – the distribution of capacity is still very poor. The distribution of computing is stronger in the small islands of the Pacific, but telecommunications and Internet distribution are poor, despite the crucial need for global linkages in these otherwise isolated communities.

Table 4.20. **ICT networking potential, Asia-Pacific countries, 2000-02**

		Internet users, 2001/2002	Internet users per 1 000 persons, 2001/2002	Internet rate (monthly off-peak charge), 2001	Main phone lines per 1 000 households, 2001	Personal computers per 1 000 persons, 2001
		Million		$ USD		
East Asia						
China	2001	33.700	26	7	138	19
Hong Kong, China	2002	4.310	643	18	581	385
Japan	2001	55.900	440	11	586[2]	315
Korea	2001	22.230	470	8	476	251
Taiwan	2001	11.600	518	--	573	223
Southeast Asia						
Cambodia	2001	0.010	1	104	3	2
Indonesia	2002	4.400	21	12	37	11
Laos	2001	0.010	2	50	9	3
Malaysia	2001	6.500	273	5	199	126
Myanmar	2001	0.010	2	--	6	1
Philippines	2001	2.000	26	24	40	22
Singapore	2002	2.260	551	--	472	508
Thailand	2001	3.500	57	9	94	27
Vietnam	2001	1.000	13	20	38	12
South Asia						
Afghanistan	–	--	--	--	--	--
Bangladesh	2001	0.250	2	17	4	2
Bhutan	2001	0.003	4	--	20	6
India	2001	7.000	7	10	34	6
Maldives	2001	0.010	36	--	101	--
Nepal	2001	0.060	3	16	13	3
Pakistan	2001	0.500	4	13	24	4
Sri Lanka	2001	0.150	8	6	43	8
Pacific						
Australia	2001	7.200	371	13	525	465
Cook Islands	–	--	--	--	--	--
Fiji	2001	0.015	18	--	110[1]	61
Kiribati	2001	0.002	22	--	40	25
Marshall Islands	2001	0.001	17	--	60	50
Micronesia	2001	0.005	42	--	83	--
Nauru	–	--	--	--	--	--
New Zealand	2001	1.100	289	11	500	360
Papua New Guinea	2001	0.050	9	34	14[1]	61
Samoa	2001	0.003	17	--	56	7
Solomon Islands	2001	0.002	5	--	16[1]	48
Tonga	2001	0.003	28	--	99	--
Tuvalu	–	--	--	--	--	--
Vanuatu	2001	0.006	27	--	34	--

1. 2000 data.
2. Data not available.

Source: Asian Development Bank (ADB) (2003); World Bank (2003), *www.worldbank.org/data/countrydata/ictglance.htm*

Table 4.21 shows that the OECD countries in the Asia-Pacific region have relatively strong capacities in ICT but these capacities vary notably in form. Australia, Japan and Korea are all significant aggregate investors in ICT, reflecting high ICT penetration through industry, government and education. However, Korea (especially) and Japan have a stronger investment in ICT infrastructure than Australia and New Zealand, and are much

stronger exporters of ICT-related goods. In Korea, ICT-producing activities constituted 14.3% of production in the non-agricultural business sector in 2000, the second highest level in the OECD after Finland. Korea was especially strong in ICT manufacturing. Japan at 9.9% was also relatively active in this area.

Table 4.21. **ICT industry and capacity in OECD countries, in the Asia-Pacific region and in Anglophone countries**

	Investment in ICT % GDP (1999)	Software investment % NRGFCF (2000)	ICT sector exports % exports (2001)	Broadband penetration rates[2] (6/2001)	Internet hosts (7/2001)	Web sites (7/2000)	Household Internet Quartile 1 (2001)	Household Internet Quartile 4 (2001)
	%	%	%	per 1 000	per 1 000	per 1 000	per 1 000	per 1 000
Regional OECD								
Australia	4.4	9.7	3.3	0.58	91.1	9.4	580[1]	90[1]
Japan	4.8	3.8	24.6	1.08	48.2	1.6	--	--
Korea	4.3	--	31.0	13.78	11.1	6.7	--	--
New Zealand	2.5	--	1.6	0.46	106.2	10.6	717	333
Other Anglophone								
Canada	2.2	9.4	6.0	6.17	183.1	24.7	758	226
United Kingdom	3.4	9.5	20.0	0.27	69.7	24.2	800	110
United States	5.3	14.2	21.4	3.21	275.3	46.5	770[1]	140[1]

1. Data for 2000.
2. Number of DSL (Digital Subscriber Lines), cable modem lines and other broadband per 1000 people
-- Data not available.
per 1 000 = per 1 000 inhabitants or 1 000 households.
NRGFCF = Non-residential Gross Fixed Capital Formation
Source: OECD ICT database accessible at *www.oecd.org*

Korea and Japan

Boosted by heavy government and private investment in ICT, Korea has one of the highest rates of school Internet access and Internet usage in the world (OECD, 2000, pp. 79-82). These patterns appear to favour the development of commercial online education. The government has also promoted distance courses for ICT professionals, with tuition financed by an education credit-bank system, using satellite broadcasting and the Internet (OECD, 2003). It has also supported the development of 16 sites for cybereducation at various Korean universities. It has encouraged Korean universities, and some private and commercial providers, to enter the market for distance education. There has been some collaboration between Korean and US universities in the provision of online distance courses. But there is little information on the cross-border delivery of post-secondary education in or from Korea.

ICT usage is more stratified in Japan than in Korea. Japanese society combines technology-intensive and highly traditional sectors. The technology-intensive sectors have strengths in key areas for education such as multimedia and high-density video transmission. The Japanese national universities are linked by communications satellites which enable high-quality voice and image interchange, thereby lowering the cost of university collaboration within Japan and facilitating international links. Until recently, satellite linkages were more important than the Internet, but at the end of the 1990s there was a rapid increase in the take-up of e-mail in communications with students and of online teaching and learning. Some Japanese universities provide distance education via the Internet and videoconferencing. In Japan there is more video in distance education and face-

to-face classrooms than in the Anglophone countries. Student take-up of ICT to produce and submit assignments has been slower. The prestigious national universities have been quicker than local public universities and private universities to adopt the new technologies on a large scale (Sakamoto, 2001), thereby reinforcing the Japanese pattern of duality.

Japan and Korea have strong indigenous ICT capacities, akin to those of Scandinavian countries, and this provides favourable conditions for sustaining culturally distinct ICT products. While the export potential of ICT-based education products in Japanese and Korean is limited, there is less dependence on English-language software and content and a lower level of foreign cultural penetration of education, compared to countries such as China where the Internet is a largely English-language medium. This could represent a global asset in the future and enable Japan and Korea to develop online education exports in one or more of the global and regional languages–Mandarin and possibly Hindi, Urdu and Bahasa, which are not catered for by Anglophone producers.

Australia and New Zealand

Although Australia and New Zealand have weaker manufacturing and export capacities in ICT than Japan and Korea, they use significantly ICT in higher education and more than Japan and Korea in cross-border post-secondary education. In the last decade, most Australian universities have developed on-line programmes either in addition to or, more often, mirroring face-to-face programmes (Gallagher, 2001). A minority of Australian universities have set out to put all courses on line, and the University of Southern Queensland, has invested in international e-learning as its primary mode. In the second half of 2001 Australia enrolled 12 887 offshore distance education students – 25% more than 12 months earlier – of which 3 643 in Singapore, 2 093 in Hong Kong, China, 1 590 in Malaysia and 813 in China (IDP, 2002). Nearly all such students receive both Internet-based and postal communications as well as some face-to-face services in learning centres managed by partner organisations of the Australian universities in the metropolitan centre nearest them. A survey of providers by IDP Australia found that only 1% of the programmes were fully given on line (Davis *et al.*, 2000, p. 42). However, Australia's role in purely online distance learning may increase. In 2001 it was announced that the World Bank (with USD 1.3 billion over five years) and the Australian government agency AusAID (with start-up funds of AUD 200 million) would collaborate in a USD 1.5 billion "Virtual Colombo Plan" to develop cross-border distance education for the developing world. The first mandate is to provide and support distance learning programmes for training and upgrading teachers. Universities and other providers bid for contracts to provide programmes to 12 countries in Asia, the Pacific and Africa (Borton, 2001). The Virtual Colombo Plan faces formidable long-term difficulties. It needs viable local partners and sustainable technologies and must tailor technologies and content to local circumstances.

Among Australian attempts to develop an online platform, the most significant is Universitas 21 initiated by the University of Melbourne with partners in Australia; New Zealand; the United States; Canada; Scotland; England; Singapore; Hong Kong, China, China Germany and Sweden (see Box 4.2). Most of the partners are leading universities in their nations. Regardless of whether this consortium leads to the successful global online university its founders have envisaged, Universitas 21 has already generated spin-off benefits in the form of collaborative research programmes, student and staff exchange, international benchmarking and cross-border fertilisation of curricula. There is potential for the development of joint degrees and the mutual alignment of "feeder" programmes.

Box 4.2. **The Universitas 21 consortium: the world on-line university-to-be?**

Australia: University of Melbourne, University of Queensland, University of New South Wales

New Zealand: University of Auckland

Canada: McGill University, University of British Colombia

United States: University of Virginia

Scotland: University of Edinburgh, University of Glasgow

England: University of Birmingham, University of Nottingham

Singapore: National University of Singapore

Hong Kong, China: University of Hong Kong

China: Fudan University, Peking University

Germany: Albert-Ludwigs-Universitat Freiburg

Sweden: Lund University

According to the University of Melbourne, "Universitas 21 is an international network of leading research-intensive universities". Its purpose is to facilitate collaboration and co-operation among them and to create entrepreneurial opportunities on a scale that none could achieve independently or through traditional bilateral alliances. Established in 1997, Universitas 21 currently has 17 member universities in ten countries. Collectively its members enrol 500 000 students, employ 40 000 academics and researchers and have 2 million alumni (*www.universitas21.com/*). The universities do not operate as a single unit for research, teaching and programme development except as a platform for global online delivery. While the universities in the consortium have a *prima facie* commitment to collaboration and joint ventures, each also maintains links with a broad range of other partners. For the most part, collaboration within the Universitas group is normally negotiated on a bilateral basis. In 2001 Universitas 21 signed a contract with the British educational publisher Thomson Learning, which led to the joint venture company, Universitas 21 Global with headquarters in Singapore. Its mission is "quality online higher education in a global marketplace". In May 2003, an online masters of business administration (MBA) was launched (*www.u21global.com/cgi-bin/corp.dll/portal/ep/home.do*). Universitas 21 Global's strategic focus is on Asia, with major emphasis on marketing to China. In mid-2003, the Universitas 21 Global Web site used just two languages, English and Mandarin. It is intended that its courses will be accredited by the participating universities in their relevant jurisdictions, using the quality assurance arm of Universitas 21, U21pedagogica.

Singapore

Olsen (2002) notes that in Singapore in 2000, more students accessed undergraduate external degree programmes (21 000) than studied overseas in English-language institutions (18 000), an indication of Singapore's capacity to make effective use of all forms of PIM (see Section 4.4.3), its well-developed technological capacity, its international outlook and the population's facility in English. Singapore also maintains a number of companies active in the development of international online education such as PurpleTrain.com, and NCC Education Limited based in the United Kingdom, both subsidiaries of the Singapore-based Informatics Group.

China

China's educational television network centres on ten provincial TV stations, and its experience with large-scale broadcast education predisposes it for distance-based provision. The Ministry of Education wants to create by 2010 a system of comprehensive lifelong learning using ICT. Steps to achieve this goal will include the rollout of fibre-optic wiring, satellite technology to carry data the "last mile" and eventually broadband; the China Education and Research Computer Network to link universities and other education institutions; the training of staff and students in ICT use; pilot courses in distance learning and the growth of online courses in universities; a growing role for the private sector in distance learning; and the creation of systems of quality assurance for all tertiary education, including distance and online programmes. In 2001, the Hong Kong Open University provided 155 courses to 25 000 students in Hong Kong, China (OECD, 2002b, pp. 792-795).

Other Asia-Pacific countries

In Thailand, growth in participation rates and in numbers of teenagers is expected to increase the number of secondary school graduates by a factor of 2.5 by 2015. This will place immense pressures on tertiary education facilities. The government sees e-learning as one part of the solution and launched the UNINET (International University Network) in 1997. It provides high-speed fibre-optic links to 51 higher education institutions, enabling Internet access and videoconferencing. UNINET also funds the development of on line courses in Thai higher education institutions (Saowapon *et al.*, 2001). Sukhothai Thammathirat Open University (STOU), established in 1970, the nation's open learning centre, is another vehicle for online education via its 2000 Plan. STOU has 450 000 students, 90% of whom work and cannot attend conventional classes (Soekartawi *et al.*, 2002, p. 290).

In countries such as Indonesia and the Philippines, distance education is essential for broadening access to tertiary courses. The dominant modes are still post/print and broadcast, largely the former. In Indonesia, the Open University (Universitas Terbuka), established in 1984, is the principal agent for accredited distance learning and one of five public bodies charged with responsibility for this medium. The Open University has 350 000 students. It plays an important role in professional upgrading courses for teachers, as does distance education in Cambodia and Mynamar (Soekartawi *et al.*, 2002). A number of individual Indonesian universities now want to begin their own distance education. This appears to reflect the recent decision to grant partial autonomy to some institutions, but the Department of Education is concerned about quality control. The government does not approve international providers of distance education and does not officially recognise qualifications obtained this way. There have been instances of restrictions on advertising by international provider (AEI, 2003). In the Philippines, distance education programmes are provided through the Department of Education and the University of the Philippines Open University (UPOU), which offers 20 degree programmes including a PhD programme. It began to offer online tutorial services in 2001, and in August 2002 the Philippines held its first major national conference on e-learning (Soekartawi *et al.*, 2002).

Conclusion

Despite the many formidable obstacles, it is certain the Internet will be used to a growing extent for cross-border education. Online education will develop alongside and as part of face-to-face cross-border education, either by adding e-facilities to largely face-to-face provision or by supplementing distance programmes with contact with teachers,

administrators and other students. Mixed mode approaches blur the standing of online degrees. This may be essential in the face of "buyer" resistance to purely online forms. Mixed mode approaches, especially with partnerships across national borders, also enable flexibility in the face of varying technological capacities and different cultural responses to foreign and English-language education within the region.

4.4.5. *Regulation of cross-border education*

The regulatory framework governing cross-border education in the Asia-Pacific region is being established, as it is throughout the world. Individual governments respond to cross-border initiatives and engage in bilateral negotiations. Contrary to Europe, there is no regional body able to take a multilateral approach. ASEAN and APEC lack the capacity to forge a strong consensus that cuts across national agendas. The one potential multilateral forum is the WTO/GATS. Regardless of the outcome of that process, the main catalysts of the regulatory framework will continue to be individual Asia-Pacific governments and foreign providers.

Trade agreements

The main policy instruments that affect trade in cross-border education are formal trade agreements and membership in multilateral economic bodies. While GATS is the most high-profile agreement, regional and bilateral trade arrangements also contribute. The principal trade body is the Asia Pacific Economic Cooperation (APEC) Education network which falls under the APEC Human Resources Development Working Group and replaced the APEC Education Forum established in 1988. By 2003 members included China; Hong Kong, China; Japan; Korea; Thailand; Malaysia; Indonesia; the Philippines; Singapore; Brunei Darussalam; Chinese Taipei; Vietnam; Papua New Guinea; Australia; New Zealand; the United States; Canada; Mexico; Chile; Peru and Russia. There are also many formal and informal trade relationships. Formal agreements include NAFTA; the ASEAN Free Trade Area of Indonesia, Malaysia, Singapore, the Philippines, Thailand, Brunei, Laos, Myanmar, Cambodia and Vietnam; the Australia-New Zealand Closer Economic Relations Trade Agreement; and bilateral agreements under negotiation. Informal arrangements for economic co-operation include "growth triangles" such as those formed by Southern China; Chinese Taipei and Hong Kong, China (CHT); Indonesia, Malaysia and Thailand (IMT); and Indonesia, Malaysia and Singapore (IMS) (Zainal-Abidin, 2000).

APEC's goals include free and open trade and investment in the Asia-Pacific by 2010 for developed economies and 2020 for developing economies and the promotion of joint research, information sharing and technical co-operation among its members. Education is part of the agenda. It is addressed through mechanisms including the APEC Educational Forum, an intergovernmental consultative group; the University Mobility in the Asia-Pacific (UMAP) programme, which promotes student and staff exchange (see Section 4.4.1); and the Human Resource Development Working Group (HRDWG), which addresses *inter alia* sustainable development, lifelong learning, capacity building, and labour and social protection (Rudner, 1997, pp. 108-111; *www.apecsec.org.sg*). Educational trade, negotiation and cross-border co-operation are also affected by the 1995 APEC Action Agenda commitment to enhancing the mobility of business people (OECD/TD 2002, p. 63).[23]

GATS positions

APEC recently published *Measures Affecting Trade and Investment in Education Services in the Asia-Pacific Region* (2000). The report was co-ordinated by Australia and New Zealand and

included survey responses from most member economies. It identified a range of measures hindering or promoting trade and discussed issues such as potential effects on host governments in terms of access and equity. One of the aims was to "assist economies in preparing for the WTO education services negotiations". To date negotiating proposals for education services have been submitted to the WTO by Japan, Australia and New Zealand. Each proposal endorses trade liberalisation.

The Japanese proposal casts this in the context of capacity building. Japan feels that it has become extremely important to improve the quality of education and research and respond flexibly to the rapidly changing needs of society. It recognises that to pursue these policy objectives implies a certain level of liberalisation, but also requires certain governmental policy measures. Therefore, Japan encourages each WTO member in the course of the forthcoming request and offer negotiations to promote liberalisation in the education services sector through better market access, further assurance of national treatment and deregulation of related domestic regulations (WTO, 2002).

Drawing upon the APEC study, Australia's negotiating proposal lists various impediments to trade, including visa requirements, foreign exchange requirements, qualification recognition, restrictions on ownership and foreign equity, lack of regulatory transparency, employment restrictions, and import restrictions on educational materials (WTO, 1 October 2001). Australia also states that governments must "retain their sovereign right to determine their own domestic funding and regulatory policies/measures" (WTO, 2001a). New Zealand states that the "reduction of barriers to trade in education does not equate to an erosion of core public education systems and standards". It argues that trade can be a means of reducing the public costs of infrastructure and "supplementing and supporting national education policy objectives" (WTO, 26 June 2001).

Some regulations are seen by exporters as barriers to trade but are seen by host countries as necessary to safeguard the integrity of local systems. During GATS negotiations in late 2002, Norway convened an Education Alliance to explore issues arising from the treatment of education as a tradable service. Members include Norway, Australia, New Zealand, South Africa, Japan, India, Uruguay, Argentina, Chile, Thailand, China, Egypt, Senegal, Turkey, Jordan, Kenya and Mexico. The group combines net importers and net exporters, with a range of attitudes toward trade liberalisation, but has a mutual interest in addressing issues of public good, quality assurance and consumer protection (Gallagher, 2002; Stevens, 2003).

National regulation of foreign PIM providers

The Asia-Pacific nations have devised measures to regulate entry and operating conditions for foreign providers both to respond to, and to initiate and promote, the growth of programme and institution mobility. Countries in the region are on a steep learning curve. Arguably, however, they are leaders in grappling with a range of issues such as consumer protection, cultural compatibility, language use, the role of foreign textbooks and curricula, and models of ownership and governance of foreign education via PIM on their own soil. In a survey of member economies, APEC reported that nearly all 14 respondents had implemented "authorisation or licensing schemes for foreign service providers" and related accreditation programmes (APEC, 2000, p. 23). The regulatory approaches taken by some leading importers (Hong Kong, China; Singapore; Malaysia; Indonesia; China), as well as Australia are outlined below.

Since 1997, Hong Kong, China has regulated provision of foreign courses on its soil through the Non-local Higher and Professional Education (Regulation) Ordinance (Government of Hong Kong, 1997a, 1997b, 2001; French, 1999; McBurnie and Ziguras, 2001). The legislation aims to protect Hong Kong consumers by guarding against the marketing of substandard non-local courses. It also aims to enhance Hong Kong's reputation as a community which values reliable and internationally recognised academic and professional standards through a system of registration as well as control over advertisements, refund and use of premises. The full regulations, electronic versions of forms to be completed by applicant providers, a list of current foreign courses and the rationale of the Ordinance are provided on the government's Web site (*www.info.gov.hk/emb/eng/prog_high/nonlocalrules.html*).

Applicants must provide details of proposed courses, including content, delivery, assessment and support services. When foreign providers are partnered with government-recognised local institutions, the head of the latter must vouch for the application and confirm that the programme does not absorb public funding. In other cases, applications are examined by education experts engaged by the government. The documentation is provided to prospective students and there are penalties for false or misleading information. Providers of foreign courses cannot legally operate outside the Ordinance and must submit regular reports. The focus on transparency of information and consumer protection is consistent with the open-market philosophy of Hong Kong, China.

In Singapore, foreign institutions operating with local providers must apply for government approval, supplying details of course content, the status of the foreign provider at home and the division of responsibilities between the foreign and local partners. The local partner may provide physical infrastructure, marketing, logistical and administrative support but not teaching.[24] Regulations are more liberal and fluid for foreign branch campuses such as INSEAD (France) and the University of Chicago Business School (United States). Partnerships with local universities, such as that between Singapore Management University (the first private university) and the Wharton School (University of Pennsylvania, United States), can only be created at government invitation (Singapore Ministry of Education, 2000; Ziguras, 2003).

Malaysia's requirements for foreign providers are set out in legislation dating from 1996 when the country opened its system to foreign branch campuses. There is a five-stage approval and review process, covering educational, business and legal requirements, for foreign providers seeking to establish as fully recognised operators. Addressing the concern to ensure the nation-building role of education, the Private Higher Educational Institutions Act (1996) stipulates the subjects that Malaysian citizens must pass in order to graduate, regardless of discipline: Malaysian studies, Bahasa Melayu, Islamic studies for Muslim students and moral education for non-Muslims (Kandasamy and Santhiram, 2000; McBurnie and Ziguras, 2001).

Programme mobility in Indonesia is a form of twinning. Students can receive qualifications from both the local institution and the foreign provider, on condition that at least one semester is spent studying abroad in the foreign institution. Foreign qualifications must be accredited in the home jurisdiction, and to receive a licence as "working partner" the foreign provider's programme must be evaluated by the Indonesian Directorate General of Higher Education (DIKTI) of the Department of National Education. Co-operation should not be undertaken merely for profit and should be an "equal

partnership" benefiting all parties. Activities should cover a range of academic functions, including teaching, research and community service. The partnership should be consistent with national and institutional priorities, and "must be harmonious with the direction of higher education policy in general, and [...] the strategic plan of the relevant higher education institutions". Further, "co-operation [...] shall be prioritised in the fields in which graduates are especially required". There are also stipulations on the language of instruction. Not more than 50% of the course should be taught in a foreign language without prior written permission from the Minister of Education and Culture. Periodic reports must be submitted to the minister for evaluation (Minister of Education and Culture of the Republic of Indonesia, 1999; Director General of Higher Education of the Republic of Indonesia, 2000).

The "Regulations of the People's Republic of China on Chinese-Foreign Co-operation in the Running of Schools", which took effect from 1 September 2003, sets out requirements for the provision of foreign education and notes that compliant institutions "shall enjoy preferential policies made by the State and enjoy autonomy when conducting educational activities in accordance with law". Conversely, the regulations stipulate that foreign institutions cannot operate independently.[25] The aim is to encourage partnership programmes between Chinese higher education institutions and "renowned foreign institutions of higher learning". Detailed documentation is required on the academic, managerial, and financial resources of the proposed partnership. The information passes through a three-stage approvals process, and approved co-operative institutions will be subject to regular quality evaluation and an independent annual financial audit. There is provision for revoking the operating licence if serious shortcomings are not rectified within a specified time. As in the Hong Kong, China regulations, there are penalties for using false information to recruit students. The institution may use foreign texts, but Mandarin is the "basic teaching language". The institution's head must be a citizen and permanent resident of China, "love the motherland, possess moral integrity, and have work experience in the field of education and teaching as well as compatible professional expertise" (New China Newsagency, 24 March 2003).

In New Zealand, where only a small number of foreign providers are operating, the Education Act 1989 sets the requirements for establishment as public tertiary education institutions as well as the requirements for the use of protected terms such as "university", "college of education" or "polytechnic", and the terms "degree", "bachelor", "master" or "doctor". Hence, foreign educational providers cannot operate in New Zealand using the "university" status they have in their home countries. The Education Act also sets the requirements for registration as a private training establishment (PTE), a registration that gives foreign/domestic providers equal treatment for public funding purposes. Where a foreign course is to be offered by New Zealand and approval is required, the New Zealand provider is required to provide evidence of approval by an overseas agency and details of the approval process undertaken by that agency to the NZ Qualifications Authority (NZQA). If the criteria applied to the proposal are sufficiently similar to those of the NZQA and the process applied was adequately rigorous, the NZQA approves the proposal or negotiates an amended approval process. The NZQA considers the potential for legal, professional or cultural requirements and concerns to impact on the acceptability of the course for NZ conditions. If the course is managed in conjunction with a New Zealand-based organisation, a "memorandum of cooperation" between the partner organisations is required by the NZQA, specifying responsibility for the delivery, assessment, moderation, resourcing, and monitoring of the course.

In Australia in March 2000 the joint federal/state Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) endorsed the "National Protocols for Higher Education Approval Processes". These provided the first agreed national criteria for university recognition, and set out for the first time requirements for foreign providers wishing to establish in Australia. Foreign providers must demonstrate their standing and accreditation in the home jurisdiction and give evidence of comparability of courses "in requirements and learning outcomes to a course at the same level in a similar field in Australia". Delivery arrangements, including "academic oversight and quality assurance", must be "comparable to those offered by accredited Australian providers". Evidence of sound financial and management systems is also required (MCEETYA, 2000, 3.9). Applications are reviewed by an independent expert panel, which examines documentation, inspects facilities and interviews students and staff. Approved institutions are listed on the Australian Qualifications Framework register of bodies authorised to award qualifications. These protocols have yet to be substantially tested by foreign applicants.

4.5. Actors and partnerships

4.5.1. *Actors*

The key agents in cross-border education are discussed above: students and families, governments and higher education institutions. Governments and institutions can be further divided into the two broad groups of importer nations/institutions, and exporter nations/institutions.

4.5.2. *Partnerships*

Educational partnerships in the Asia-Pacific region, which are instrumental in fulfilling the objectives of capacity building and of academic, political and cultural policies and strategies, as well as educational trade have also been examined (see Sections 4.2.3 on institutions, 4.4.3 on PIM and 4.4.5 on regulation). The two major types of partnerships are traditional collegial forms of intergovernmental and inter-institutional academic co-operation; and commercially oriented partnerships developed in the last 15 years to deliver cross-border programmes for payment.

Co-operative linkages across national borders are many and take several forms. These include formal regional and international agreements, agreements between institutions, contracted research projects and other formalised ties between academic units in different universities, as well as informal links among individuals with a shared disciplinary interest. The following is a brief overview accompanied by some examples.

International organisations in which Asian regional representatives participate include UNESCO, the International Association of Universities (IAU), the International Association of University Presidents, the CERI and IMHE arms of the OECD (whose conferences and publications involve both member and non-member countries). Under UNESCO, the Asia-Pacific Centre for Educational Development and Innovation (ACEID) promotes various educational co-operation measures, among them the Regional Convention on the Recognition of Studies, Diplomas and Degrees in Higher Education in Asia and the Pacific. The Convention entered into force in 1985 following a conference involving 31 states (*www.unescobkk.org/education*). To date, there are 14 signatories to the Convention and 30 countries have established National Information Centres (NICs) on higher education qualifications in Asia and the Pacific. Established at the end of the 1990s,

the APEC Engineer Project involves co-operation among 14 countries to promote professional recognition through a system of registration and a mutual exemption framework (see details at *www.apec.org*).

Several regional co-operative organisations are of particular note. UNESCO, IAU and the Southeast Asia Ministers of Education Organisation (SEAMEO) form the Southeast Asian Regional Centre for Higher Education and Development (SEAMEO-RIHED), which regularly produces information about co-operative programmes and details of education systems in the region (*www.rihed.seameo.org*). The Association of Southeast Asian Institutions of Higher Learning (ASAIHL), established in 1956 to promote regional co-operation in education, has more than 150 member institutions from 14 countries. ASAIHL provides conferences, a publications programme and a Fellowship and Academic Exchange Programme with funding from more than a dozen corporate sponsors (*www.seameo.org*). The Association of Universities of Asia and the Pacific (AUAP), established in 1995 and comprising more than 130 member institutions from 18 countries, runs a conference and seminar programme (*sut2.sut.ac.th/auap/*).

Numerous bilateral agreements variously address broad cultural interests, general educational and academic co-operation and specific joint projects. At the APEID meeting in November 2000, Korea reported bilateral cultural agreements with 81 countries; China reported bilateral agreements on education with 14 countries; and Australia reported qualification agreements with five countries (APEID, 2000). Australia is conducting collaborative projects with Malaysia, Thailand, China and India to improve administrative and academic management and research management (see details at *www.avcc.edu.au*).

At the inter-institutional level there are tens of thousands of agreements[26] for research, curriculum development, teaching and student and staff mobility. Australian institutions report signed agreements for academic co-operation to the Australian Vice Chancellors Committee and consolidated lists are posted on its Web site (AVCC, 2003a). In May 2003 there were 4 485 formal agreements between Australian universities and overseas institutions. Major partner countries included China and Hong Kong, China (462 agreements), Japan (369), Thailand (207), Korea (193), Indonesia (158), Malaysia (127). North American and European partners included the United States (695 agreements), Germany (257), United Kingdom (233), France (187), Canada (176) and Sweden (166).[27] The research and other Asia-Pacific linkages of the Australian National University (see Box 4.3) demonstrate the potential of such academic co-operation in fostering internationalisation.

Fee-charging PIM in Asia chiefly takes place through partnerships between local and foreign entities. These may include public universities; corporate arms of public universities, private colleges or training institutions; education/training arms of professional associations or training arms of corporations; and businesses whose core business is not education but which provide capital or other resources (in Malaysia RMIT is partnered with a construction company and Monash with a ceramic pipe and construction company). Hybrid arrangements are common; for example, one partner may be "for-profit" and the other "not-for-profit". Further, institutions that are public universities in their home jurisdiction and which provide internationally mobile programmes are normally defined as private operators by the host government. PIM partnerships are different from the informal arrangements typical of traditional academic co-operation. They are governed by formal contracts, and responsibilities, roles and timelines are specified. In the academic enterprise collegiality is blended with a business approach. The contract may include:[28]

Box 4.3. **The Australian National University: international research links as a primary mission**

The Australian National University (ANU) in Canberra defines its mission in terms of a strong international orientation of the conventional academic kind. It maintains a government-funded Institute of Advanced Studies with specialist research schools in the physical sciences, life sciences, social sciences and Asia-Pacific studies. The Asia-Pacific research school was established at the founding of the ANU, half a century ago, to strengthen Australia's understanding of the Asia-Pacific region. It does no teaching aside from supervision of doctoral research. It sustains a large-scale concentration of research expertise: it has more China specialists and more Indonesia specialists than any university in North America. Approximately USD 275 million of a total ANU budget of USD 325 million per year is allocated to research activity and the services that support it; and approximately USD 35 million are spent by the university on research and teaching in Asia-Pacific studies, perhaps ten times the amount spent by any other Australian university on region-focused academic activities.

This specialist orientation, and ANU's commitment to the Asia-Pacific region, has determined the character of its international orientation. Unlike most other Australian universities, it has not developed a large cohort of fee-paying international students in undergraduate and coursework postgraduate programmes. Rather it sustains regional student and staff exchange to a degree unusual in Australia – students in the Faculty of Asian Studies routinely spend a subsidised semester or two at an Asian university as part of their undergraduate degree – and vigorously builds research collaborations on a global scale. For example the Research School of Physical Sciences and Engineering currently maintains 150 active research programmes and projects with partner universities abroad, located in 27 different countries. The largest group of research collaborations is in Europe/United Kingdom, followed by North America, East Asia and Latin America. In Asia there are research partners in Japan, Korea, China, Chinese Taipei and Singapore; Hong Kong, China and Indonesia. About half of the research school's research publications include a non-Australian as an author. Often, the enrolment of individual doctoral students is the starting point for inter-country collaborations, which have grown and broadened geographically in the last 15 years. The selection of partners tends to be determined by available research funds, especially national government funds for research collaboration and joint activities, and the support provided by larger cross-national schemes. These incentives are driving trends towards larger-scale and more multinational research programmes, with less emphasis on small scale one-to-one academic ties between individual researchers (Marginson and Sawir, 2003).

- *Teaching and assessment:* course materials, delivery of content, academic support, assessment, programme evaluation.
- *Administration and student support:* course administration, unit administration, student counselling.
- *Infrastructure and support services:* library services, academic teaching staff, examinations, classroom facilities, computing services and Internet access, financial arrangements, graduation.
- *Marketing and recruitment:* general course promotion, public presentations, inquiries from the public, applications for admission, student orientation, market research.

Such detail may be atypical of the domestic offerings of both parties.

4.6. Opportunities and challenges

The Asia-Pacific region is the world's laboratory for examining the implications of demand-driven, trade-oriented mobility of people, programmes and institutions in education for students, importing countries and exporting countries. All face opportunities, challenges and issues.

4.6.1. Opportunities

The key benefits of cross-border education in the region are linked to capacity building. At the same time, it must be acknowledged that "brain flows" are not always universally beneficial, that asymmetry is more common than balance, and that the interdependence of local systems, foreign provision and the global environment is complex.

For the student, cross-border education provides access to opportunities for learning and work beyond the national system. These may include living, studying and working in a foreign country and immersion in a foreign language environment, while students enrolled in mobile programmes or institutions can gain a cheaper foreign degree, without disruption to home life or employment.

Importing nations increase the educational opportunities of citizens, and, in the case of internationally mobile programmes and institutions, expand the local education infrastructure and augment employment opportunities for academic, administrative and managerial staff. In the case of fee-for-service education, costs are shifted from the taxation base to the individual student (fees) and the exporting institution (infrastructure and financial risk). In the case of academic and student exchange, importer nations and institutions are sensitised to the world beyond, with short-term and long-term spillovers including the potential for expanded academic collaboration and institutional partnerships. When there is a net brain gain, the economy's human resource base is improved and the country's citizens become more internationally aware. National prestige may even be enhanced by the status of the institutions attracted, as in Singapore.

Exporting nations collect tuition fees; for governments the taxation cost of higher education falls and institutions gain discretionary finance. As with educational imports, there are also powerful non-financial benefits: sharing knowledge and educational programmes across borders creates new opportunities for joint academic projects and economic and cultural engagement. These benefits apply whether international education is provided as aid or trade or a mix of the two. The institution's international profile is enhanced, and the exporting nation expands its foreign alumni and its long-term international networks for staff and students. Other potential gains are a more internationally oriented curriculum, greater mobility for local staff and students and an enriched social, learning and teaching environment. These benefits may also flow to importer nations in some degree.

However, individuals, institutions and nations must have the basic economic and cultural resources to make effective use of their opportunities. These resources are unevenly distributed within populations, between institutions and between nations. Generally, the Asia-Pacific nations and institutions that benefit most from the greater mobility of personnel and knowledge are those with competence and capacity in both local and cross-border activity. They have indigenous strengths in education and research, and they have strong two-way flows. They are robust enough to make their own contribution to global higher education and to attract people, money and ideas. At the same time, they are sufficiently

interested in foreign sites – and linguistically and culturally competent to engage with them – to develop strong, on-going alliances. Such nations and institutions are adept not only in bilateral relations but in the global systems of finance, information and research.

The mobile student must have scholarship support or the financial wherewithal to be a consumer of international education. The importer nation must be sufficiently attractive to draw mobile programmes and institutions. However, without a sound cost model, the commercial exporter institutions court financial disaster. The opportunities are inseparable from the challenges.

4.6.2. Challenges

For the cross-border student, as options proliferate, obtaining detailed, accurate and useful information about courses on offer becomes a greater challenge. Market research by EduWorld, Australian Education International and others shows that students access a variety of information sources, including marketing fairs, Web sites, institutional catalogues, published comparative reviews of institutions, and peers, teachers and graduates. With the potential for growth in courses, non-traditional providers and innovative forms of delivery (including online education), it would be useful for governments and NGOs to seeks ways to ensure that appropriate information is available for student decision making. This challenge relates to matters of quality assurance and consumer protection.[29]

In New Zealand, Australia and other countries with low rates of domestic student mobility, governments and institutions are challenged to encourage study abroad. At the same time, exporter nations do not always fully realise the potential cultural and academic benefits of mixing international and local students. For exporters, there is much scope for strengthening other non-pecuniary benefits, for example enhancing staff development in international education and fostering international awareness in all students through curricula and extra-curricular activities. For institutions and policy makers in English-speaking countries, with the fortunate advantage of providing education in this globally powerful language, there is the challenge of moving beyond mono-culturalism and the one-way flow of people and ideas, and to deepen their cultural capacities so as to engage more effectively with the emerging nations and cultures of the region.

The challenge of quality assurance for mobile programmes and institutions is a concern shared by importers, which need to protect students, and by exporters, which need to maintain market credibility and academic integrity. Importers may implement legislation and enforce registration and review requirements; exporters may audit PIM programmes, for example through the Australian Universities Quality Agency, and the UK Quality Assurance Agency; and by invited reviews by external bodies such as professional associations and the International Organization for Standards (ISO). There may also be opportunity for closer co-operation among countries in forging internationally agreed principles and procedures for quality assurance. Much remains to be done to co-ordinate quality assurance in the Asia-Pacific region.

In addition, public institutions acting in a commercial manner outside their home jurisdiction are exposed to a range of financial, reputational, legal and sovereign risks not encountered at home (McBurnie and Pollock, 2000). Koelman and De Vries (1999, p. 176) suggest a set of principles to guide or regulate the activities of hybrid universities. Several may be particularly apposite for institutions engaged in cross-border education:

- Their public duty (teaching and research) may not be endangered.
- Students should not become the victims of entrepreneurial activities.
- The prestige of the university as a public institution may not be harmed.
- Commercial activities should connect with the core business of the university.
- Entrepreneurial risks should not be shifted onto the taxpayer.

On the other hand, it is argued that if public universities have to make their way in the marketplace, the taxpayer should take some of the risk, on the grounds that the taxpayer gets the benefit of the expanded resources institutions earned through their entrepreneurial activities. A future challenge for current and potential exporter governments may be to put effective guidelines and mechanisms in place to ensure public institutional accountability for entrepreneurial activities.

Notes

1. Asians play a large role in employment-based migration to the United States. They constitute one-third of all US immigrants but one-half of those who receive employment-based immigration visas. Many of these Asians first entered the United States on student visas. For example, since the early 1990s about 900 000 highly skilled professionals migrated to the United States under the H1B temporary visa programme. About half of all H1B migrants were from India. Nearly all entered the IT sector. Some 25% of H1B visa holders in 1999 were previously students in US universities (Martin, 2003).
2. The IT industry in India attracts some people back. In 2000, for example, an estimated 1 500 highly qualified Indians returned from the United States. Nevertheless, more than 30 times that number depart each year (Cervantes and Guellec, 2002a, p. 93).
3. Even so, within the United States there are internal imbalances in the distribution of skills and intellectual competencies, with a tendency to "brain concentration" in the urban centers linked to the global economy.
4. Numbers for Singapore are not available, but Singapore is increasing its export role.
5. In 2001, the most commonly studied languages in Australian schools across all school levels were, in descending order: Japanese, Italian, Indonesian, French, German and Chinese languages (according to the Australian Ministerial Council on Employment, Education, Training and Youth Affairs). In 2002, data collected by Australian State and Territory Boards of Studies found that the most commonly studied languages at the final secondary school level were, in descending order: Japanese, French, Chinese languages, German, Italian and Indonesian.
6. Virtually no Americans enter Spanish-speaking institutions despite the growing role of Spanish in the United States.
7. Between 1993 and 1998, the post-secondary participation of the wealthiest quintile rose from 13% to 37%, but that of the poorest quintile only rose from 0 to 0.4%.
8. The government also encouraged a transnational community in science and engineering, sponsoring meetings and conferences networking Taiwanese at home with those working in the United States and others moving between the two countries. Some graduates returned to establish companies in the government-developed Hsinchu Science-based Industrial Park which provided continuing opportunities for graduates (Luo and Wang, 2002, pp. 255-256).
9. The different outcomes in Malaysia for *bumiputra* and non-*bumiputra*, the predictable result of a bifurcated policy, function as *de facto* national strategy for the formation of an ethnic professional elite.
10. This varies as colleges are opened and closed at the margin of the sector.
11. Nevertheless, in many countries "study abroad" programmes are actually fee-paying programmes undertaken as part of a degree, normally for a semester or a year.
12. Compared to a similar survey in 1997, respondents set a relatively greater emphasis on the experiential/personal development benefits of living overseas, particularly students from

Singapore and Malaysia. They placed less importance on perceptions that a foreign education was of superior quality.

13. Australian dollar = 0.54c, New Zealand dollar = 0.43c, Canadian dollar = 0.66c, Pound Sterling = $1.46.

14. However, there is more variation in the length of business degrees than in the length of most tertiary courses.

15. While there was a temporary downturn in the demand for international education in Southeast Asia and Korea, it can be surmised that Australia benefited from a "substitution effect" whereby some students switched from the more expensive destinations of the United States and the United Kingdom to Australia.

16. In central and southern Europe and in South America, there were more enrolments in Australia's non-degree vocational sector than in higher education programmes. In East Asia, the Middle East and especially in central and southern Europe, the English-language colleges enrolled more students than onshore higher education (AEI, 2003).

17. The share of foreign students exceeded 15% at Curtin University of Technology, the University of South Australia, Central Queensland University, Victoria University, the University of Southern Queensland, the University of Wollongong, Swinburne University and Murdoch University.

18. The shares were highest at Lincoln University, with 803 international students out of a total of 3 119 (25.7%) and Waikato with 15.4%.

19. In 1997 Korean students studying abroad spent USD 3.42 billion on tuition and living costs (AEI, 2003).

20. Full-time students are normally able to engage in longer hours of paid employment in their home country than if they were studying in Australia, owing to visa restrictions.

21. The APEC group in services found that the main impediments related to the distribution of educational materials, but this mostly concerns primary education (APEC, 2000).

22. Bates (2001) argues that the main virtue of online education is not that it provides cheap mass education but that it broadens the educational experience, enabling Internet-based sources and new interactive modes of teaching and assessment.

23. This Agenda includes commitments to exchanging information on regulatory regimes, the streamlining of short-term business visitor visas, and procedures for temporary residency of business people.

24. However, the status of "administrative support seminars" provided for students to supplement distance education materials during the periods between visits by foreign lecturers, is unclear.

25. Operations that predate the regulations must now apply for a "Sino-Foreign Co-operative School Licence" in line with the regulations.

26. Though some are no doubt inactive or lapsed.

27. These agreements include provisions for the following activities: staff exchange (70% of agreements in 1999, 62% in 2003), student exchange (moving from 70% to 72%), research (from 77% to 68%), and study abroad (from 14% to 19%).

28. Monash University Office of International Development, unpublished contract template, 2003.

29. The position of local students in net exporting countries is worthy of attention. In Australia, the effect of international students on the local system – in terms of affecting access and academic standards – has come under closer scrutiny in recent years. An illustrative example is provided by the Office of the Auditor-General of Victoria, Australia, which undertook in 2001-02 a performance audit of the international student programmes of universities in that state (Auditor General Victoria, 2002). The previous such audit (in 1993) focused on whether international students were being appropriately served by universities. The main focus of the later audit was on whether the international student programmes were beneficial or detrimental to local students and the interests of taxpayers. The methodology included gathering and analysing statistical and financial data, examining university policies and procedures and student academic performance, and surveying academic staff. The report confirmed that local students were not displaced by international students (and that such displacement "is both protected against and regulated" by the Commonwealth government) and indeed that the presence of international students contributed favourably to staff-student ratios in high-demand disciplines. Academic standards were a major focus of the report. The Australian press had publicised allegations of preferential

assessment, or "soft marking" of the work of fee-paying international students. The Auditor's study found no evidence of institutionalised soft marking, and concluded that where it exists "it is an isolated and occasional incident", usually resulting from an individual academic giving a (local or international) student the "benefit of the doubt". The report also underlined a range of important non-quantifiable benefits, including cultural and social enrichment for students and the wider community. While the report was generally positive, it demonstrates that there is a challenge for exporting governments to ensure that the concerns of the community are addressed, and that the public is well informed about the local effects of cross-border education.

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Chapter 5

Key developments and policy rationales in cross-border post-secondary education

This chapter offers a synthesis of the key developments in cross-border post-secondary education in the three OECD regions: North America, Europe and Asia-Pacific. The first section presents key data and trends in the evolving picture of cross-border post-secondary education and highlights similarities and differences among OECD regions and countries. It shows that student mobility represents the bulk of cross-border education and is growing steadily in all three regions, but that institution, and to a greater extent, programme mobility are also growing quickly. The second section examines the different policy rationales and instruments behind these developments and distinguishes four general approaches to cross-border post-secondary education: mutual understanding, skilled migration, revenue generation and capacity building.

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This chapter offers a synthesis of the main findings from the chapters on cross-border post-secondary education in the three OECD regions: North America, Europe and Asia-Pacific. The first section presents key developments in the evolving picture of cross-border post-secondary education and highlights similarities and differences among OECD regions and countries. The second examines the different policy rationales and instruments behind this and distinguishes four general approaches to cross-border post-secondary education: mutual understanding, skilled migration, revenue generation and capacity building.

5.1. Key developments in cross-border educational activities

The regional studies show clear growth in cross-border education as part of a broader process of internationalisation of post-secondary education. Student mobility represents the bulk of cross-border education and is growing steadily in all three regions. In comparison, the other types of cross-border education remain relatively minor in most OECD countries. However, they are quite significant in some East Asian countries and are growing quickly overall, albeit from a very low starting point. Programme and institution mobility takes place through academic partnerships, aid development projects, commercial contracts, and may be delivered face to face or at a distance. While institution mobility remains relatively rare, it is growing: typically, Anglo-Saxon not-for-profit educational institutions open for-profit branch campuses in Asian non-OECD countries. Private for-profit companies also increasingly target international post-secondary markets, for example through cross-border e-learning activities or by buying up foreign private universities. Programme mobility is growing much more quickly than institution mobility: typically, public educational institutions from Australia, the United Kingdom and the United States partner with local institutions in Asian non-OECD countries which deliver their educational programmes under various commercial arrangements, especially franchise arrangements.

5.1.1. *Student mobility: patterns and growth*

The number of foreign students enrolled in tertiary education in OECD countries has doubled over the past 20 years. In 2001, there were 1.54 million foreign students in OECD countries, although at about 5% this is still a small minority of all tertiary-level students. However, there are huge differences among regions and countries in terms of both volume and growth. In Australia, around one in seven university students is now from overseas against one in 1 000 in Mexico and Korea. In New Zealand and Sweden, foreign enrolments grew by more than two-thirds from 1998 to 2001.

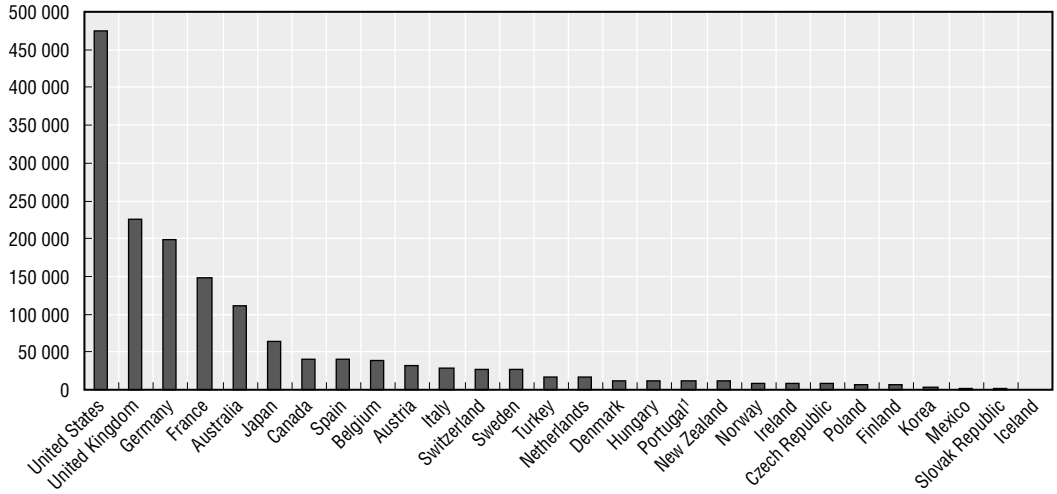
Enrolment of foreign students

Europe (22 OECD countries) is the largest receiving region. In 2001, its 840 000 foreign students represented 5% of its higher education enrolments and 53% of all foreign students enrolled in the OECD area. North America (3 OECD countries) ranks second with about

520 000 foreign students (3% of total student enrolment at tertiary level and one-third of all foreign students enrolled in the OECD area). The five OECD countries from the Asia-Pacific region hosted about 190 000 foreign tertiary education students (2% of total student enrolment at tertiary level and 12% of all foreign students enrolled in the OECD area). However, North America ranks first in terms of openness to other regions, in relative as well as absolute terms: Asian students represent 60% of its intake of foreign students. While European students constitute 52% of all foreign students studying in European OECD countries, American students comprise only 17% of all foreign students in North American OECD countries.

Regional analysis should not, however, hide the strong differences that exist among countries. Over three-quarters of all foreign students in OECD countries are in six countries: the United States (30% of all enrolments in 2001), the United Kingdom (14%), Germany (13%), France (9%), Australia (7%) and Japan (4%) (Figure 5.1). The trends in these and other countries have differed markedly. As shown in Figure 5.2, the 1990s saw foreign student numbers more than triple in Australia and New Zealand, almost triple in the United Kingdom, and grow substantially in Austria, Germany and Japan, while remaining relatively stable in Canada, France and the United States.

Figure 5.1. **Number of foreign tertiary students in OECD countries, by host country, 2001**

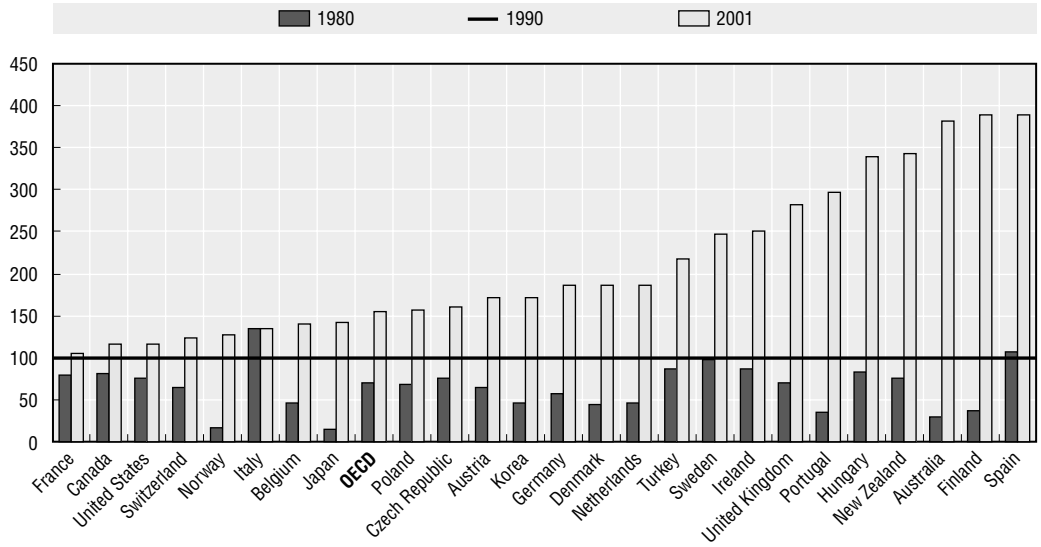


1. 2000.

Note: Apart from Ireland, the United Kingdom, and the United States, 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 international 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. Data for France cover only 82% of its tertiary enrolments (see Annex C for more details). The number of foreign students in tertiary education by country of origin and country of destination can be found on the OECD website: see Table 3.5 at *www.oecd.org/edu/eag2003*.

Source: OECD education database.

Figure 5.2. **Increase of foreign tertiary students in OECD countries, 1980-2001 (1990 = 100)**



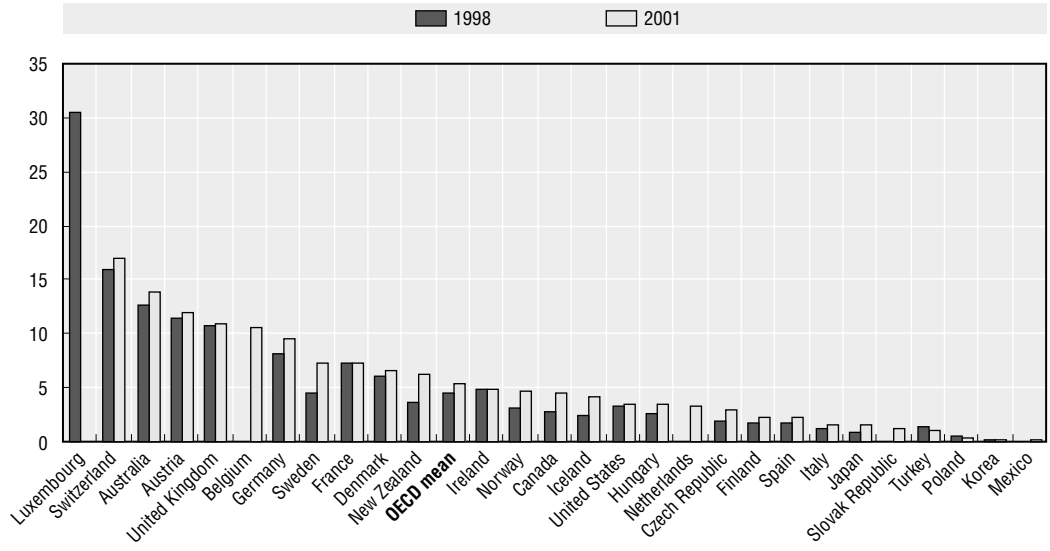
Note: "Foreign students" are defined in the note to Figure 5.1 and in Annex C. The "OECD average" is the mean average of all OECD countries for which data are available for the years concerned. The countries shown are those which enrol substantial numbers of overseas students and which have data for 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/TEMPLATE/pdf/isced/ISCED_A.pdf* for details.

Source: UNESCO for 1980 and 1990, except for Japan (Ministry of Education); OECD education database for 2001.

These trends are altering countries' relative positions as destinations for overseas students. France fell from second to fourth position as a receiving country between 1980 and 2001. There has also been some reduction in the concentration of students in a few large countries: the share of the seven biggest OECD receiving countries fell by 5% between 1998 and 2001. Although the four largest English-speaking countries (the United States, the United Kingdom, Australia and Canada) continue to take 56% of all foreign students, clearly benefiting from the importance of English as the main language of international business, their overall share did not increase over the period. The relative shares of the United States and the United Kingdom declined slightly, while those of Canada, New Zealand, Australia and Ireland grew or remained stable.

One way to look at the intensity of internationalisation in terms of the reception of foreign students is to consider the size of the national tertiary education systems. In absolute terms, the United States is the top receiving country, but it ranks 15th when the size of its tertiary education system is taken into account. It actually receives fewer foreign students than the OECD mean. Proportional to the size of their tertiary education systems, Australia, Austria, Belgium, Switzerland and the United Kingdom take in the most foreign students (Figure 5.3). Among the seven top receiving countries in absolute terms, Japan, the United States and Canada appear to take in fewer foreign students than the average in the OECD area.

Figure 5.3. **Percentage of foreign students as a percentage of all (foreign and domestic) students, 1998, 2001**



Note: The mean has been calculated with data available for both years.
Source: OECD education database.

Foreign students' countries of origin

To understand these trends, it also helps to look at where foreign students are coming from. About 57% of foreign students in OECD countries are from outside the OECD area. The OECD is a net "exporter" of educational services to developing countries and hosted about 85% of all foreign students worldwide in the mid-1990s. Only one non-OECD member country, the Russian Federation, which is the sixth largest in terms of enrolments, is among the top ten receiving countries.[1]

However, in different OECD regions and countries the pattern of origin of foreign students varies considerably. With 43% of all international tertiary-level students in the OECD area, Asia heads the list of regions sending tertiary-level students abroad, followed by Europe (35%), Africa (12%), North America (7%), South America (3%) and Oceania (1%). China, accounting with Hong Kong for 10% of all international students in the OECD area, has the most students abroad, followed by Korea (5%), India (4%) and Japan (4%). Turkey (3%), Malaysia (2%) and Southeast Asian countries like Indonesia, Singapore, Thailand and Vietnam (5% together) also account for a substantial share of outgoing students. However, the proportion of foreign students from Asian countries in the OECD area fell slightly between 1998 and 2001 (by two percentage points) although their numbers continued to grow in absolute terms. In contrast, the number of European students abroad rose faster than the number of students from other regions, increasing by two percentage points over the same period. In Europe, the countries with the largest numbers of students studying abroad in OECD countries are Greece, Germany, France and Italy (Table 5.1).

Another indicator of the intensity of cross-border education in terms of student mobility is the ratio of students of a particular nationality studying abroad to national tertiary

enrolments. Taking the size of national tertiary systems into account changes the picture again. Only four of the top 20 sending countries in absolute terms (Greece, Malaysia, Turkey and Germany) are still in the top 20 sending countries in relation to the size of their national tertiary system. China, Korea and India rank respectively 34th, 25th and 40th. According to this indicator, the countries with the most outgoing students are small (Luxembourg, Iceland, Jamaica) and mostly European (Table 5.1). It should be noted that this indicator is only an estimate, since data are limited to foreign students in the OECD area.[2]

Table 5.1. **Number of tertiary foreign students in OECD countries from the 30 top sending countries (2001)**

	Number of students sent to OECD countries	Rank	Share of tertiary students abroad within the OECD area (%)	Rank	Outgoing students in comparison of domestic tertiary enrolments (%)
China	124 000	1	8.5	34	1.0
Korea	70 523	2	4.8	25	2.3
India	61 179	3	4.2	40	0.7
Greece	55 074	5	3.8	3	11.5
Japan	55 041	4	3.8	30	1.4
Germany	54 489	6	3.7	20	2.6
France	47 587	7	3.3	22	2.3
Turkey	44 204	8	3.0	19	2.8
Morocco	43 063	9	2.9	m	m
Italy	41 485	10	2.8	24	2.3
Malaysia	32 709	11	2.2	9	6.0
United States	30 103	12	2.1	47	0.2
Canada	29 326	13	2.0	21	2.4
Indonesia	26 615	14	1.8	36	0.9
Spain	26 196	15	1.8	29	1.4
United Kingdom	25 198	16	1.7	31	1.2
Hong Kong, China	23 261	17	1.6	m	m
Russian Federation	22 004	18	1.5	46	0.3
Singapore	19 514	19	1.3	m	m
Poland	19 205	20	1.3	33	1.1
Thailand	18 172	21	1.2	37	0.9
Ireland	15 370	22	1.1	5	9.2
Sweden	14 827	23	1.0	12	4.1
Algeria	14 367	24	1.0	m	m
Iran	14 075	25	1.0	m	m
Norway	14 075	25	1.0	7	7.4
Mexico	14 074	27	1.0	39	0.7
Brazil	14 025	28	1.0	43	0.5
Romania	11 537	29	1.0	m	m
Bulgaria	10 478	30	0.9	m	m

m: Not available.

Source: OECD education database.

Regional concentrations

As shown in Table 5.2, concentrations vary greatly within regions and are changing in different ways. In Europe and (to a lesser extent) in North America, students mainly study abroad on their own continent. However, while student mobility is increasingly "regional" in the Asia-Pacific area, almost half of all Asian students opt to study in North America. Most notably, as shown in Table 5.3, the English-speaking countries have three-quarters of

the students from Asia. Most European foreign students remain in Europe, with four in ten going to the OECD English-speaking countries (including 22% in the European English-speaking countries).

Table 5.2. **Percentage of foreign students enrolled in OECD countries by region, 1998 and 2001**

Origin of students	1998					2001				
	OECD countries in					OECD countries in				
	Europe	EU	N. America	Asia	Oceania	Europe	EU	N. America	Asia	Oceania
Europe	79	71	17	1	2	81	72	15	1	2
S. America	40	38	57	2	1	42	40	54	1	2
N. America	39	37	56	2	3	38	36	55	2	6
Asia	28	27	49	11	12	29	28	47	11	12
Oceania	19	19	30	4	47	19	18	29	3	49
OECD countries	52	49	34	6	8	54	50	33	5	8

Note: The table shows that 79% of European foreign students in OECD countries in 1998 were studying in OECD member countries located in Europe, and 57% of foreign students from South America who were studying in OECD countries were studying in OECD member countries located in North America.

Source: OECD education database.

Table 5.3. **English-speaking countries' shares of foreign tertiary students by origin, 1998 and 2001 (%)**

Origin of students	United States		United Kingdom		Australia		Canada		New Zealand		Ireland		**Total of the 6 countries**	
	1998	2001	1998	2001	1998	2001	1998	2001	1998	2001	1998	2001	1998	2001
Asia	47	46	12	12	11	12	2	2	1	1	0	0	**73**	**73**
Oceania	27	26	13	12	39	43	3	3	7	8	1	1	**90**	**92**
S. America	54	52	6	5	1	2	2	2	0	0	0	0	**65**	**61**
N. America	50	50	18	19	3	6	6	7	0	1	2	2	**79**	**85**
Europe	15	13	25	21	2	2	2	2	0	0	1	1	**45**	**39**
OECD countries	32	30	16	14	7	7	2	3	0	1	1	1	**58**	**55**

Note: The table shows that 47% of the foreign students coming from Asia in 1998 were studying in the United States, and 73% of the students from this region were studying in the six English-speaking countries concerned in 1998.

Source: OECD education database.

In 2001, 81% of European foreign students in OECD countries were studying in a European OECD member country, and 55% of foreign students from the Americas who were studying in OECD countries were in a North American OECD country. However, only 23% of the foreign students from Asia and Oceania who were studying in an OECD country were in the same region (*i.e.* Australia, Japan, Korea or New Zealand).[3] Although the number of Asian students in Australia and New Zealand has been growing, most foreign students from this region continue to go to North America and Europe. Between 1998 and 2001, intra-regional concentration increased in Europe and the Asia-Pacific region and decreased in North America. In North America, while there has been an increase in academic relations and mobility between Mexico and Canada, US and Canadian students have been more interested in short-term study abroad in western Europe and Australia than in America. However, Canadian and Mexican students unambiguously favour the United States for taking a full degree abroad.

A number of factors have led students from certain countries to study primarily in certain others, notably geographical or cultural proximity, bilateral agreements and national policies fostering student exchange mobility, larger-scale international programmes, and the possibilities of employment or migration abroad subsequent to study.

In some cases, observed flows partly follow geographical or cultural proximity. English-speaking students go primarily to other English-speaking countries, and Scandinavian students mainly to Scandinavian ones. A large share of foreign students in France come from former French colonies (51% were from Africa in 2001). Nine in ten foreign students in Australia are from the Asia-Pacific region. In North America, most interaction between the United States, Mexico and Canada is concentrated along the borders. Whereas Commonwealth students represented only 7% and 6% of all foreign students in France and Germany, respectively, they represented 40% in Australia, 29% in New Zealand, 21% in the United Kingdom and 21% in the United States in 2001. Five Commonwealth countries (Australia, India, Malaysia, New Zealand and the United Kingdom) received altogether 35% of all Commonwealth students studying abroad (in countries reporting data). These links are generally reinforced by bilateral agreements between countries or national policies to foster student exchange mobility or fund specific international projects involving educational institutions.

Larger-scale international programmes have also fostered international mobility of post-secondary education on a regional basis in the Asia-Pacific region, Europe and North America. The European Union's SOCRATES programme is the oldest and the most ambitious of these, aiming to strengthen European citizenship and promote mobility in employment as well as education. Since 1987, ERASMUS, the main post-secondary element of SOCRATES, has enabled approximately one million tertiary-level students to spend a study period abroad in another European Union (EU) or affiliated country (see Chapter 3). In 2001, student exchanges under the auspices of the ERASMUS programme involved about 111 000 students, *i.e.* 41% of all EU students abroad within EU.[4] This programme has also developed a common European Credit Transfer System (ECTS) and funded teacher mobility.

This programme has also inspired similar programmes, on a much smaller scale, in the Asia-Pacific region and in North America. Created in 1993, schemes aiming at facilitating student mobility within the Asia-Pacific region include the UMAP (University Mobility in Asia and the Pacific) programme based on ERASMUS and the UMAP credit transfer scheme (UCTS) modelled on the European ECTS. Both are administrated by UMAP, a voluntary association of government and non-government representatives of the higher education (university) sector in the Asia-Pacific region. There are no comprehensive data on the scale of this programme, but in 2001 only 3% of international students from the Asia-Pacific region were studying in Australia as part of a student exchange programme (including this one). Similarly, a trilateral governmental programme for student mobility in North America was launched in 1995, prompted by the development of the North American Free Trade Agreement (NAFTA). Its impact has not been significant so far: it enabled only 1 205 students from the three countries to study abroad in one of other two countries between 1995 and 2000.

Finally, the overall mobility trends and the larger intra-European mobility may be interpreted in the light of the possibilities of employment or migration abroad subsequent to study. Mobility within the European Union is facilitated by the absence of visa requirements and by the free European labour market. While common labour markets

(with associated social benefits) exist among Scandinavian countries, within the European Union and between Australia and New Zealand, labour mobility and benefits under NAFTA are very limited, which may have contributed to the relative lack of interest in the student mobility scheme.

The courses most popular with foreign students

Although most foreign tertiary-level students enrol in undergraduate courses, a higher proportion are enrolled at postgraduate level by comparison with domestic students. In the United Kingdom, for example, whereas only 9% of British higher education students are enrolled at postgraduate level, 26% of students from EU countries, and 41% of students from other overseas countries, are enrolled in postgraduate courses. Overall, 48% of international students (from Europe and elsewhere) studying in the United Kingdom were enrolled at postgraduate level in 2001. In the United States, about 45% of international students are enrolled at postgraduate level, compared with 17% of higher education students overall. While international students represent about 4% of all tertiary-level enrolments in the United States, they represent about 14% of students at the postgraduate level. In Australia, 36% of all foreign students were enrolled at the postgraduate level in 2002, against 23% of domestic students.

Table 5.4. **International students' choice of field study compared with domestic students' choice of field study (1999)**

	Education	Humanities and arts	Social sciences, business and law	Science	Engineering, manufacturing and construction	Agriculture	Health and welfare	Services
Canada	0.33	1.00	0.99	1.37	1.72	1.43	0.90	0.46
Denmark	0.33	0.99	0.88	0.83	1.48	1.83	1.31	2.40
Czech Republic	0.09	1.41	1.13	0.80	0.56	0.49	4.99	0.21
Finland	0.51	1.56	0.87	0.99	1.01	1.01	0.77	1.16
Germany	0.55	1.28	0.97	0.90	1.15	0.87	0.81	0.67
Hungary	0.54	1.49	0.43	0.51	1.04	2.52	3.66	0.26
Iceland	0.38	3.73	0.48	0.99	0.32	1.70	0.47	0.00
Italy	0.58	1.01	0.62	0.84	0.78	1.52	3.19	0.05
Japan	0.67	1.17	0.87	0.68	0.89	1.43	1.23	m
Netherlands	0.57	1.48	1.05	1.17	1.28	0.46	0.89	0.41
Norway	0.52	1.40	0.93	1.41	0.98	1.44	0.82	0.59
New Zealand	0.39	0.57	1.72	0.92	1.07	1.02	0.60	1.14
Austria	0.54	1.96	0.82	0.95	1.03	0.77	1.10	0.56
Poland	0.70	2.26	0.78	0.49	0.62	0.43	9.12	0.30
Sweden	0.46	1.18	1.09	1.19	0.95	1.14	1.09	0.75
Switzerland	0.48	1.18	1.00	1.28	1.10	0.65	0.55	1.67
United Kingdom	0.51	0.89	1.34	0.83	1.72	1.29	0.68	0.00
Australia	0.34	0.53	1.54	1.04	1.22	0.58	0.72	0.57
Average	**0.47**	**1.39**	**0.97**	**0.96**	**1.05**	**1.14**	**1.83**	**0.66**

Note: The figures are an index of the extent to which the percentage of international students in a field of study is the same as the percentage for all students in the same field. An index of 1.0 means that the percentage of international students who study a particular field is the same as the percentage of all students studying that field. An index greater than 1.0 indicates that international students study in that field to a greater extent than do students overall. All levels of tertiary education (undergraduate and postgraduate) are covered. "Services" include personal services, transport services, environmental protection and security services.
m: Not available.

Source: OECD education database.

Compared with all students, a larger share of international students also enrol in advanced research programmes (PhD level). In 2001, international students enrolled in advanced research programmes represented on average 10.2% of all students at the tertiary level, but only 3.8% of all (domestic and foreign) students in the countries for which data are available. This pattern is true of most of the active players in cross-border education. In Australia, however, international research students only represented 3.9% of all foreign tertiary students, compared to 5.4% of domestic students (and 5.1% of all students). This indicates that the decision to go abroad to study is more likely to be taken for advanced research studies than for initial tertiary education (and/or that international students study longer than average).

Finally, overseas students also differ somewhat from domestic students in terms of fields of study. In the English-speaking countries in particular, larger shares of overseas students than students overall enrol in engineering, social sciences, business and law (Table 5.4). In the United States, for example, 20% of all foreign students study business and management and 15% study engineering. Given the cost of studying abroad, these fields may appear to students as having a higher return on human capital investment than some others. The reputation of a particular country for excellence in a particular field, field complementarities between neighbouring countries, recognition of degrees from some countries with possibly minimal re-qualification requirements before practice in other countries are other factors explaining these differences.

However, countries such as the United Kingdom, the United States and the Netherlands are increasingly dependent on foreign recruitment for attracting sufficient numbers of talented students and graduates in fields like science and technology for which interest among national students has declined. They often seek to attract graduate students or young researchers in order to maintain their research capacity and standards. In all the countries included in Table 5.4, the shares of overseas students enrolled in education are smaller than the shares of domestic students. In general, slightly lower shares of overseas students are enrolled in health and welfare (except in Poland, Hungary, the Czech Republic and Italy), and slightly larger shares in humanities and arts.

Modalities of student mobility

Some mobile students take full degree programmes abroad whereas others go abroad for a limited period of time, possibly through an exchange programme, as part of a degree delivered in their home country. The weight of the different arrangements for cross-border study differs among regions and countries. The Asia-Pacific region is the only region for which the main form of cross-border education is the acquisition of a full degree on a fee-paying basis. Asian students going to the United States mostly follow this pattern. In Europe, Canada and Mexico, the main form of student mobility is a short-term two-way mobility generally not exceeding one year. Within the European Union, only 2% of tertiary-level students are enrolled abroad for the acquisition of a foreign full degree (Eurydice, 2002). Students who do so are often citizens of small or relatively small countries and/or countries whose educational system does not go beyond undergraduate studies: Luxembourg (68%), Iceland (17%), Lichtenstein (22%), Greece (11%), Ireland (10%) and Cyprus (56%).[5] Within the European Union, student mobility is facilitated by the fact that each EU or EFTA/EEA country is obliged not to charge differential tuition fees to EU/EFTA/EEA students and by the free movement of people permitted between these countries. In the United States, 91% of students who participate in study abroad do so for one semester or less.

5.1.2. Programme and institution mobility

Programme mobility and institution mobility encompass several modes of delivery of education and are often linked. Distance education is a form of programme mobility. Students enrol in foreign institutions and follow a foreign curriculum with material delivered by mail, the Internet or other electronic device. In most cases, distance e-learning programmes are supplemented by face-to-face teaching or tutoring provided by local partners or small centres operated by the institution in the foreign students' own country. This often implies institution mobility or franchise arrangements.

Programme mobility often occurs through franchise arrangements and twinning programmes. Under a franchise arrangement a local provider is licensed by a foreign institution to offer a foreign degree under stipulated contractual conditions; in this case there is no institution mobility. Under a twinning programme, students are enrolled with a foreign provider and are taught to a foreign syllabus; they carry out part of the course in the home country and complete it in the home country of the foreign institution. This form of cross-border education typically involves both student and programme mobility. Academic partnerships may involve such forms of programme mobility, but they typically facilitate student mobility by recognising foreign programmes (rather than involving the design of the course materials taught in the foreign institution).

Finally, foreign branch campuses and foreign-owned institutions are the two main forms of institution mobility. Foreign campuses are bricks-and-mortar facilities with classes, laboratories, offices and library; they offer full degree programmes operated and fully taught by a foreign institution as a wholly-owned or joint venture. A foreign-owned institution is an institution controlled by foreign capital but without a mother institution in another country. In some cases, the institution can be operated in association with foreign institutions, generally with a development assistance rationale.

These new types of cross-border delivery of post-secondary education constitute a growing phenomenon. It is difficult to document precisely the extent of these new types of cross-border education because they tend to fall outside standard data-gathering systems which are generally focused on domestic programmes. However, existing data clearly show that commercial programme and institution mobility mostly occurs in the Asia-Pacific region, in Eastern Europe and in South America. It typically involves Australian, British and US institutions operating in emerging economies. The available data also show that cross-border distance learning is in the large majority of cases supplemented by face-to-face courses provided in local learning centres, generally through partnership with a local institution (OBHE, 2002a). Independent foreign branch campuses with bricks-and-mortar facilities exist but represent a very small share of cross-border education. Hence, partnerships with local institutions remain the main vehicle of cross-border education delivered through programme and institution mobility.

E-learning and distance courses

Existing data on the growth and scope of education delivered through distance and e-learning programmes generally do not provide much insight into the reach of these programmes across borders. The unevenness of the scope and growth of distance education and e-learning programmes among OECD countries parallels the unevenness of cross-border activities in this realm. In the last five years, many English-speaking universities, particularly in Australia and Canada, but also increasingly in the United

Kingdom and the United States, have developed distance-based courses delivered partly or solely over the Internet. This trend is also apparent in the Nordic countries. In other countries, distance education is less common in traditional institutions but there are often a few specialised institutions fully dedicated to distance learning. Such institutions now often increasingly use new technologies to complement distance education by mail. Examples are the Spanish National University of Distance Education (UNED) or the French National Centre for Distance Learning (CNED).

In the United States, the number of institutions offering distance education courses and of students taking such courses has grown quickly over the last few years. In 2001, 56% of all accredited institutions offered distance education, up from 44% three years earlier (US Department of Education NCES, 2003). Among them, 34% had degree or certification programmes designed to be completed entirely through distance education (locally or across borders). In 2001, 2.9 million students were enrolled in distance learning courses, as compared to 1.3 million in 1998. This activity has also increased in the United Kingdom; while 70 UK institutions offered distance-learning courses in addition to on-campus learning in 1999, the number reached 103 in 2003 (Weyers, 1999, p. 2, quoted in CVCP, 2000, Part 2, p. 40; ICDL database). Growth has been similar in Australia where most universities have developed online programmes in selected areas, generally mirroring face-to-face programmes. Because of its size and geography, Canada has traditionally had a wide range of distance education courses for domestic students. France and Germany have both launched national programmes to promote e-learning activities in post-secondary education, often in partnership with private companies.

Australia is the only country reporting comprehensive data on international students taking cross-border distance education. International students enrolled in Australian institutions from their home country through distance education represented 9% of the total enrolment of international students in Australia in 2001, compared to 6% in 1996. Early in 2003, they numbered 12 486 (IDP Education Australia). A survey of providers shows that only 1% of the programmes were entirely online (Davis *et al.*, 2000). In New Zealand, a recent governmental study shows that one-third of the 62 activities listed in cross-border education through programme and institution mobility are delivered entirely by distance education, while another 26% are delivered through a combination of campus-based teaching abroad and distance education (New Zealand Ministry of Education, 2003).

An international survey on online learning in Commonwealth countries, conducted in 2002 by the Observatory on Borderless Higher Education, gives an idea of the scale of cross-border e-learning in the United Kingdom (OBHE, 2002b). The 33 responding institutions with adequate data reported an approximate total of 8 102 international students studying on the basis of relevant online programmes. According to published data on international recruitment for 2000/01, these institutions recruited a total of 73 480 international students (HESA, 2002). On the basis of the raw figures, students studying online at a distance represented 11% of all international students. The United Kingdom is thus likely to be one of the most active countries in distance learning cross-border education. However, according to these data, just seven institutions accounted for 75% of international online recruitment. For the other 26 institutions, the proportion of international students studying at a distance online was 3.9% (compared with 26.8% as the average proportion for the other seven).

Cross-border e-learning is so far significant for only a tiny minority of UK institutions; according to the survey, UK institutions were less likely to cite "pursuit of new international markets" than institutions in other developed countries (including countries such as Canada, New Zealand and Australia). For example, among the 202 000 students from 41 countries enrolled in 2002 at the United Kingdom's Open University, a purely distance education institution, about 30 000 (14%) are located outside the United Kingdom and 10 000 study through a partnership with another institution (in the United Kingdom or abroad). Some of these students are British expatriates but 75% of the students in its European operations are local students. With the Open University Worldwide, it is positioning itself as a potential global provider.

There is little information available on the scale of cross-border distance learning in the United States. Anecdotal evidence suggests that institutions offering online master's of business administration (MBAs) are seeking to expand their overseas enrolments. The University of Phoenix, the largest university in the United States in terms of enrolments, has 60 000 of its 140 000 students online, with 4 000 (3%) abroad (Pohl, 2003).

Finally, it should be noted that cross-border education through distance online learning is increasingly considered as a major means of education capacity building. Countries like Thailand or China see e-learning, including cross-border e-learning, as one way to broaden access to tertiary education. International organisations like UNESCO and the World Bank increasingly encourage education capacity building through cross-border e-learning projects. A UNESCO-led project, the Avicenna Virtual Campus, is planned to deliver online science and technology course modules at low cost, with joint funding from the European Union, UNESCO and various state governments for three years from 2003. Developed by 18 partner institutions focused on open and distance learning in France, the United Kingdom, Italy, Spain and other Mediterranean countries outside the EU, the project will train faculty to develop materials to be delivered at networked knowledge centres.

Cross-border education by distance education or e-learning is almost always complemented by campus-based learning centres operated (directly by the foreign institution or by a local partner) in the country of the international student. But these foreign branch campuses also deliver face-to-face education to international students, as described below.

Twinning and franchising arrangements, branch campuses and foreign-owned institutions

Foreign degrees and programmes can be delivered through franchise and twinning arrangements with local providers, foreign-owned branch campuses and foreign-owned educational institutions. In Australia and the United Kingdom, the major part of cross-border education through programme and institution mobility seems to be provided in partnership with local providers. Most foreign-owned branch campuses or universities are from the United States.

With 225 institutions and programmes accredited in the United States and operating abroad in 2001 (CHEA, 2002), the United States probably has the largest number of institutions and programmes abroad. This figure does not include US institutions and programmes abroad that are accredited in the host country (or not accredited at all). Conversely, there are only nine non-US institutions or programmes operating in the United States. The United States ranks first in absolute terms but may not be the most active when

the size of its post-secondary system is taken into account. US institutions operating abroad represent only 3.5% of the country's accredited institutions and most do not correspond to the definition of foreign branch campus used here because they serve US students on study abroad programmes rather than local students. However, some not-for-profit institutions based in the United States have branch campuses, *e.g.* Webster University (seven branch campuses in Europe and Asia), Temple University (one branch campus in Japan). Cornell University, Virginia Commonwealth University, and soon A&M University, have programmes operating in Qatar.

While still uncommon in not-for-profit universities, foreign branch campuses (serving local rather than US students) are increasingly becoming part of the operations of for-profit educational institutions. Moreover, not-for-profit universities often have to set up a for-profit arm to operate abroad (see Chapter 1). Laureate Education, Inc. (ex-Sylvan International Universities) has acquired or expanded nine institutions on four continents within the last four years and decided in 2003 to specialise in international post-secondary activities. Enrolment in institutions in the Laureate's university network is approximately 86 000, and projected revenue for 2003 is USD 410 million. Apollo International, a privately held company partially owned by the Apollo Group (owner of the University of Phoenix) and several of its founders, is a small operation with five overseas campuses and 1 500 students; it is planning or exploring the development of campuses in India, Mexico and Brazil in collaboration with local partners. De Vry, Inc., operates a medical and veterinary school in the Caribbean. Finally, the Career Education Corporation acquired the parent company of American Intercontinental University and thus tripled its overseas enrolment with seven colleges in France, four in Canada and one in the United Kingdom.

Some institutions operating abroad as US institutions are accredited in the United States but have no mother institution there. This is the case of the (independent private) American universities of Cairo (Egypt, 5 000 students), Beirut (Lebanon), Dubai (Qatar), Sharjah (United Arab Emirates), Bulgaria (715 students), Paris (800 students) or of the American International University in London. US institutions are thus present worldwide through independent operations, controlled foreign operations or foreign branch campuses.

Australia and the United Kingdom are likely the two countries most active in cross-border education through institution mobility. The United Kingdom probably ranks second to the United States in absolute terms, just before Australia, while Australia may lead in relative terms (*i.e.* with respect to the size of its post-secondary education system). The regional studies in Chapters 2 to 4 suggest that these three countries are much more active in cross-border education through programme and institution mobility than other OECD countries.

Australia and New Zealand are the only OECD countries currently collecting data on international students enrolled in their institutions operating abroad. In both countries, enrolments of international students in branch campuses have risen significantly over the last few years. In 2002, enrolments of foreign students in Australian institutions operating abroad represented about 29% of all international tertiary students enrolled in Australian institutions. This type of cross-border education has expanded rapidly: in 1996, enrolments of international students on Australian campuses abroad or in Australia-affiliated programmes only accounted for 18%. Just under half of New Zealand's public tertiary educational institutions offered programmes abroad alone or in conjunction with local

partners in Southeast Asia; Hong Kong, China and the Pacific area. An estimated 2 200 international students, or 17% of all foreign tertiary-level students enrolled in New Zealand educational institutions, studied under such programmes in 2001. Programmes taught through branch campuses abroad with face-to-face teaching represented 42% of all New Zealand offshore programmes (New Zealand Ministry of Education, 2003).

In spite of the lack of comprehensive data on the scale of UK programme and institution mobility, it was estimated that international students studying in the United Kingdom or via a franchise arrangement leading to UK degrees represented in 1997 19% of all students registered in UK institutions. Given that international students studying on British soil represented about 11% of total enrolments in that year, international education through programme and institution mobility may have involved about 150 000 students; the estimate should be treated with caution but shows that the scale of British operations abroad is significant. UK higher education is said to have earned about GBP 250 million in 1996/97 from overseas franchised courses and to be operating in 69 countries (Bennell and Pearce, 1999, quoted in CVCP, 2000, Part 2, p. 40). The export value of cross-border programme and institution mobility in higher and further education was estimated at GDP 376.1 million in 2001/02 (Johnes, 2004). Export revenue from programme and institution mobility under cross-border franchised agreements, twinning agreements, joint programmes, validation, subcontracting and distance learning activities thus increased by 50% between 1997 and 2002. While acknowledging the unavailability of fully reliable data, the British Council quotes an estimate of over 200 000 overseas-based students following United Kingdom-based programmes, including both distance learning and study on a foreign campus (British Council, 2003, *www.britishcouncil.org/promotion/pmi.htm*).

Countries like France or Germany are also becoming active in this field. A French university was opened in Cairo in October 2002, followed by a German university in October 2003; both are private not-for-profit universities with Egyptian ownership (and some development aid funding from Germany in the latter case). They receive Egyptian accreditation and are supported and accredited by the French and German governments and are operated with the assistance of several French and German institutions, respectively.

As already noted in Chapter 1, it should be stressed that the nationality of some institutions operating abroad and advertising themselves as "foreign" institutions is sometimes difficult to ascribe. For example, institutions claiming to be "American" institutions may have a relatively loose link to the United States, or even no link at all. Although accredited by the Palestinian Ministry of Higher Education, the private Arab-American University of Jenin (Palestine) is for example not accredited in the United States or owned by US capital (in 2004); it merely offers an American-style education, mostly in English, and is "affiliated" through academic partnerships to three US universities (see *www.aauj.edu*).

Evidence from receiving countries also makes it possible to assess developments in cross-border education through institution mobility. Africa and the Middle East are not covered in this report, but it is clear that the bulk of cross-border post-secondary education through programme and institution mobility occurs in the Asia-Pacific region. Singapore; Malaysia and Hong Kong, China are probably the main receivers of cross-border education through institution mobility, which is also being developed in mainland China. In addition to its local public universities, the Singapore system includes private post-secondary providers, with courses usually provided in partnership with, or validated by, foreign

institutions. More than half of the students in these "external" private diploma and degree programmes are enrolled in programmes accredited by UK institutions and 40% by Australian institutions. Student numbers have risen sharply, both in absolute terms and as a share of all Singapore students. From 1997 to 2000, enrolments in these "external" programmes have grown by 50%, as compared to growth of 19% in the local public system. Enrolments in the external system now represent 57% of all students in the public system at undergraduate level, and 63% at postgraduate level (Singapore, 2000; 2001). In 2000, more students (21 000) accessed undergraduate external degree programmes from their home country (through distance learning and campus-based teaching) than studied overseas in English-language institutions (18 000) (Olsen, 2002).

Similarly, from the late 1990s the Malaysian government has encouraged foreign universities to establish branch campuses on its soil. There are currently four branch campuses of foreign universities and over 600 private colleges offering both local and foreign qualifications. In Hong Kong, China, 150 foreign educational institutions and 40 foreign professional bodies offered 645 courses in 2001, alone or with local partners (Olsen, 2002). Half of the foreign awards offered were from the United Kingdom, one-third from Australia, and the rest from other countries including the United States. Finally, China has reported a nine-fold increase between 1995 and 2003 in foreign programmes (always bound to be offered in co-operation with local institutions). In early 2003, there were 712 such programmes, 37% of them post-secondary and higher education degree programmes. The major partner countries were the United States (154 co-operative arrangements), Australia (146), Canada (74), Japan (58), Hong Kong, China (56), Singapore (46), England (40), Chinese Taipei (31), France (24), Germany (14), and Korea (12). However, by 2003 only ten partnerships for the delivery of degrees have been fully approved by the central government (*China Youth Daily*, 2003).

All the available information points to three OECD countries as the major players in cross-border education through programme and institution mobility: the United States, the United Kingdom and Australia. Growth has been rapid in the Asia-Pacific region and is quite recent, as most examples of international branch campuses or foreign programmes delivered through local institutions had their start in the last decade. Finally, the delivery of international education via partner-based campuses is the major form of cross-border post-secondary education through programme mobility, whether or not to complement distance or online learning.

5.2. Rationales, actors and policy instruments

Although international post-secondary education has always existed to some extent and was long associated with student and academic mobility, it took on greater importance following World War II and in the wake of the decolonisation process, largely with political, cultural and development assistance motivations. Governments defended internationalisation as a means of promoting peace and mutual understanding, establishing or maintaining special relationships with specific countries, including former colonies, stimulating research or helping other countries build capacity. These rationales and the attendant policies are still present today, but they have been complemented, and sometimes supplanted, by new trends and rationales. Although development assistance, mutual understanding and international co-operation in teaching and research rank high on many countries' internationalisation agenda, economic and revenue-generation rationales have become much more important lately. In the following discussion, a distinction is made between four different approaches to

cross-border post-secondary education: *i)* mutual understanding; *ii)* skilled migration; *iii)* revenue generation; and *iv)* capacity building.

Although they have some distinctive features, the four approaches have overlapping rationales and may to some extent be viewed as different ways of achieving similar objectives. What differentiates the approaches lies in the presence and importance of some targeted policy tools. The mutual understanding approach characterises an internationalisation strategy that is not supported by strong targeted policy measures: it has some underlying economic rationales, but these are not backed up by strong policy measures. All other approaches view cross-border education as part of a wider economic strategy, which does not mean that they do not reap the non-economic benefits of cross-border education (cultural, academic, social, geo-political, etc.) or that they do not value them as much as the mutual understanding approach does. The skilled migration and revenue generating approach depict strategies aiming at facilitating the reception of international students (that is, the export of higher education services), whereas the capacity building approach aims at facilitating study abroad of domestic students or the reception of foreign institutions (that is, the import of higher education services). While skilled migration is generally also a component of the revenue generating approach, the revenue-generating approach is the only approach that generates export revenue to the higher education sector. Finally, while one can picture a country as, by and large, adopting a specific approach, its may actually use a mix of approaches. For example, Malaysia uses the capacity building approach as an importer and the revenue generating approach as an exporter of education services. As an exporter of higher education, the United Kingdom uses the revenue-generating approach for non-European students and the skilled migration approach for European students; it uses the mutual understanding approach as an importer of higher education.

5.2.1. The mutual understanding approach to cross-border education

The mutual understanding approach to cross-border education is the common historical basis of internationalisation policies for higher education. In this approach, countries seek openness to the world and strengthened ties between countries through the creation of international networks of political and business elites. The privileged policy instruments thus lie in generally modest student mobility and academic partnership programmes and, for relationships between developed and developing countries, in development assistance projects. Although the mutual understanding can have an economic impact, it does not consider cross-border education as part of a broad and articulated economic policy. Academic, political, cultural and social rationales appear to be seen as more important than short- and medium-term economic rationales. In short, co-operation is much more important than in the three other approaches, which give more importance to international competition. The example of the European Union illustrates how far-reaching the cultural and political components of this approach to internationalisation of post-secondary education can be.

In the United States, the cold war gave US internationalisation policy a more geo-strategic component: foreign aid and technical assistance aimed to stem the influence of the Soviet Union in developing countries through the provision of economic assistance while language and area studies were encouraged at domestic level. Aid through development partnerships between US higher education institutions and partners in countries in which USAID has a presence has declined steadily from the 1960s. In Canada,

education development projects are considered fundamental to its approach to internationalisation. However, after a period of rapid growth, the absolute number of university development projects decreased steadily from 1990 to 1999.

In Australia and New Zealand, the pattern has been similar. Until the late 1980s, internationalisation of higher education was encouraged as part of development assistance policies and as a means towards peace and mutual understanding. Then a more revenue-generating approach emerged. In Japan and in Korea, and in other Asian countries of the region, governments supported selected tertiary-level students to study abroad (mostly in English-speaking contexts) before significant flows of students started to go abroad on their own. Japan has recently emphasised the mutual understanding rationale behind the internationalisation of its higher education system, in part to balance the number of outgoing Japanese students. It also funds foreign student mobility to some extent: one in seven foreign students in Japan is funded by a Japanese government scholarship.

In Europe, although some programmes to enhance academic linkages, academic recognition and student mobility were launched in the 1970s, internationalisation policies were mostly conducted at national level and directed towards development assistance and former colonies. An increased push for internationalisation occurred in the mid-1980s, with mobility programmes like ERASMUS and later SOCRATES pursuing political, cultural and economic goals within the regional boundaries of Europe. The latest developments in European internationalisation of higher education take a broader approach and give more emphasis to extra-European internationalisation.

The first aim of intra-European programmes was to create a "European citizenship" feeling within European youth: student mobility was a means for increasing mutual understanding, knowledge of other European cultures and languages and the development of a feeling of belonging to Europe as a political entity. The second aim was to promote and support academic recognition within Europe as a preparation and requisite for the free mobility of workers and people enabled by the Single Market. Another major feature of cross-border education in the European Union (and associated EFTA/EEA countries) is the obligation to treat international students from other member countries like domestic students. Thus, tuition fees are the same for domestic and foreign EU students within the European Union, where higher education is mainly publicly funded and often free or almost free. This means that even if foreign student mobility does not fall under a mobility programme, it is often subsidised by the host country. Besides the impressive growth in intra-European student mobility, a notable achievement of the European programmes is the striking growth of cross-border academic partnerships between European institutions. Existing data relate to ERASMUS partnerships only and show that 40% of all EU and eastern European institutions are involved in ERASMUS partnerships, on average with 47 other institutions.

At national level, initiatives designed to enhance the internationalisation of higher education have paralleled the EU programmes with similar measures and aims. Development assistance and support of specific countries have continued, especially in European countries with former overseas colonies, but intra-European initiatives have outpaced them as the extent of intra-European mobility shows. The combination of the absence of differential fees (even for non-European students except in the United Kingdom, the Netherlands, Ireland and a few other countries) and of high public subsidies

to higher education in most European countries has represented an additional form of "development assistance" for students from developing countries and emerging economies that is not available to the same extent in other OECD regions.

5.2.2. The skilled migration approach to cross-border education

Although the political, social, geo-strategic cultural and academic rationales of the mutual understanding approach are a common background to international policies in all three OECD regions, the emphasis in the mix of rationales for supporting cross-border education has changed in the last decade, and economic rationales and international competition have taken on greater importance. In the skilled migration approach, cross-border post-secondary education is viewed as a means of supporting economic growth and competitiveness in a knowledge economy. Cross-border education is used in a strategic way in order to attract skilled students that may become skilled immigrants in the receiving country and to stimulate the competitiveness of the higher education system, both considered as crucial for the economic growth in a knowledge economy.

The main feature of the skilled migration approach to internationalisation is a drive to attract larger numbers of foreign students, generally through a combination of agencies that market the higher education sector abroad and an immigration policy that makes it easier for foreign students to stay after their studies. International students are thus expected to contribute to the knowledge economy of the receiving country, especially in the context of an ageing society. Austria, Finland, France, Germany, Hungary, Ireland, Latvia, Malta, the Netherlands, Norway, Switzerland and the United Kingdom have developed domestic policies to recruit more international students. Countries like the United Kingdom or the Netherlands target talented students and graduates in fields like science and technology where interest among national students has declined. Countries such as France have endeavoured to attract foreign students from areas where historical or geographical links with France have been weak. Germany's policy is ambitious in both scale and funding. In 1997, the German Academic Exchange Service (DAAD) started to implement a comprehensive Action Programme encompassing 30 measures aimed at increasing the international appeal of German higher education and research. In 2000, a joint initiative launched by the federal government and the German states and run by the German Academic Exchange Service started a series of initiatives to double the number of international students in German universities. Between 1991 and 1999, the budget of the DAAD increased by 24% and the number of scholarships delivered each year by almost 50%. Similarly, albeit with a lower level of investment, the French government in 1998 created the EDUFRANCE agency to implement worldwide a communications and marketing strategy for French higher education, to offer international students and scholars support services and to supply educational consulting services.

As highlighted in Chapter 2, developments in cross-border post-secondary education in North America are driven more by institutions than by federal or state internationalisation policies. Although a series of initiatives to enhance regional mobility and co-operation in higher education paralleled the creation of NAFTA, their outcome has been very limited. In the United States and Canada, the federal government does not have jurisdictional responsibility for higher education. In the United States, after the end of the cold war, the shift in rationales has been similar to that in Europe. In 2000, the Clinton administration supported the internationalisation of higher education as a driver of US competitiveness but offered no new funding or programmes. However, after the events

of 11 September 2001, national security and political rationales have become more prominent, although visa measures may affect the flow of international students towards the United States.

In Canada, while cross-border higher education is mostly viewed as a tool for institutional and national capacity building, there has also been a shift in recent years towards a more "skilled migration" approach. A study of the ranking of internationalisation rationales for federal government departments and the public and private higher education sectors ranks "maintaining Canada's competitiveness" as the second most important, after "preparation of graduates to be internationally knowledgeable and interculturally competent". Recruitment of foreign students was seen as the main element in achieving this outcome. "Exporting education products and services" and "generating income for higher education institutions" were ranked fifth and eighth, respectively. Operating with the support of Canadian education institutions and the Canadian government, the Canadian Education Centre Network promotes Canada as a destination for international students and as a source of contract training. Moreover, the Immigration and Refugee Protection Act enacted in 2002 by the federal government recognises "facilitating the entry of students (among other temporary residents)" as one of its key objectives and also explicitly acknowledges "the benefits of a temporary study period in Canada for prospective independent immigrant applicants" (CIC, 2003).

This strategy also endeavours to enhance the international competitiveness of the higher education sector, again as a means to stimulate economic growth in a knowledge economy. In Europe, the shift towards more medium-term economic rationales in the approach to internationalisation was initiated by European countries and then endorsed by the European Union. In spite of a co-ordinated policy process for European higher education, the European Union has no jurisdictional responsibility in education. The new internationalisation process combines country initiatives with programmes at European level. In addition to the European student mobility programmes already mentioned, some European countries launched in 1998 a harmonisation process aimed at establishing a European Higher Education Area by 2010. To this end, countries have committed themselves to adopt a common higher education architecture that is clear throughout Europe and to eliminate remaining obstacles to student mobility (like recognition of degrees): this is the ongoing Bologna process which now involves 29 European countries. In light of the fact that more non-European students choose the United States than Europe for study abroad, this initiative seeks to enhance the "international competitiveness of the European system of higher education". Whereas European internationalisation policies have mostly focused on Europe, this initiative is also directed towards the rest of the world and is concerned with the relative attractiveness of Europe for foreign tertiary-level students. In addition to strengthening European identity and co-operation in higher education, policies supporting the internationalisation of higher education have increasingly integrated the idea of worldwide competition for highly qualified students and knowledge workers. The potentially revenue-generating nature of higher education implicitly underpins this new stance, which may be viewed as an attempt to prepare the European higher education sector for worldwide competition (Huisman and van der Wende, 2004). At the European Union level, this new rationale has led to the launch of a new mobility programme targeting extra-European mobility: ERASMUS Mundus. It should be noted, however, that in the Bologna process the economic rationale behind enhancing the attractiveness of European higher education for the rest of the world ranks third after

improving the quality of higher education and enhancing graduate employment (see Chapter 3).

While European countries co-operate to harmonise their national higher education systems and make them more transparent and comprehensible within and outside Europe, some have also adapted their internationalisation policies in higher education to the new view of cross-border education as part of a competitive environment that may have a long-term impact on the knowledge-based economy. Several countries have thus started to market their higher education, to offer new services to attract international students from wider origins (*e.g.* by providing courses in English) or have encouraged their institutions to become more involved in all types of cross-border education. Interestingly, in the EU programmes competition starts at the European borders, but it starts at national borders for national policies on cross-border education. Although most countries largely focus on cross-border activities with extra-European countries, other European countries may also be targeted. However, the degree of commitment of European countries to internationalisation policies varies greatly; the United Kingdom, Germany, France, the Netherlands and the Nordic countries are among the most active.

5.2.3. The revenue-generating approach to cross-border education

Revenue-generation rationales have become important in the strategic vision of some OECD countries (notably Australia, New Zealand and the United Kingdom), in addition to the rationales of the skilled migration and mutual understanding approaches. In other countries, the picture is mixed.

In Australia and New Zealand, the internationalisation policy for higher education has seen a shift in rationales. Both have followed an integrated, government-led strategy for promoting education as an export industry. As the governments of Australia and New Zealand see it, trade in education not only raises revenue and improves the trade balance, it also helps to shift these countries from their historic reliance on primary production. The New Zealand Ministry of Education notes that "the export education industry is the sort of high value-added knowledge industry that has been identified as key to New Zealand's future" (New Zealand, 2002, p. 7).

Australia has built up an integrated internationalisation policy which relies on three components: the gradual introduction of new funding regulations for universities, the co-ordination of the marketing of Australian university education and an immigration/visa policy which facilitates large intakes of foreign students and, like Canada, makes it easy for certain types of students to migrate permanently if they wish. In 1988, Australia introduced differential tuition fees for international tertiary-level students, which gave universities strong incentives to expand international activities, their main source of discretionary revenues. The government specified fee levels that would fully cover the costs of higher education for international students and prohibited subsidisation of fee-based places (New Zealand did the same). It then removed limitations on the number of fee-based international enrolments and phased out most of the subsidised aid-based places for international students. Once the "new international market" was established, fee levels were deregulated, leaving universities free to set fees subject to market forces.

The Australian government established the international marketing of university education in 1985-88 at the same time as it established competition for public and private revenues as an integral part of the co-ordination of the higher education sector. It

subsidised the co-ordinated promotion of Australian education in East and Southeast Asia through the establishment of Education Centres in each of the Australian embassies. Fee-for-service marketing in the Asia-Pacific region emerged at the same time as government policies that refashioned Australian higher education as a competitive market. Universities underwent an organisational and cultural transformation and developed business-like operations and greater sophistication in managing commercial services. Australian institutions thus learned to move adroitly between collaboration and competition when competing for international students. The Australian Government also established nationally consistent quality assurance measures to protect the reputation of its higher education sector as well as international students in Australia, including a legally enforceable national code of practice. Providers must meet specific standards and obligations and be registered by the Australian Government in order to offer courses to overseas students within Australia, and potential students can only obtain a visa if they enrol with an eligible registered provider. These arrangements were designed to protect students' interests while supporting the integrity of the student visa programme.

New Zealand made a similar shift and now officially supports cross-border education for its positive contribution to national development objectives, such as "the promotion of a knowledge-based economy, balanced distribution across [New Zealand] regions and population groups, and the strategic positioning of New Zealand internationally". Prior to 1989, New Zealand hosted international students on the same subsidised basis as domestic and resident foreign students. Empowered by new provisions of the 1989 Education Act which required institutions to charge fees on a full cost-recovery basis, tertiary-level institutions (and subsequently schools) have set about actively recruiting full-fee-paying international students.

The government has supported the exporting of education since 1989 by "facilitating the market by introducing legislation to empower and regulate the recruitment, charging and enrolment of foreign fee-paying international students; advocating liberalisation of international trade in services at multilateral forums and seeking to ease restrictions in the context of bilateral agreements; adjusting visa policies and processes for international students; providing marketing support through Trade New Zealand, and in the early to mid-1990s through funding to NZ Education International Limited; providing and administering a voluntary Code of Practice on pastoral care for institutions hosting international students" (New Zealand, 2002).

In late 2002, the Ministry of Education proposed an Export Education Development Fund and a related export development programme, to be supported through an export education levy of 0.5% of gross tuition income from international students (New Zealand, 2002). The programme draws together institutions and a range of government agencies, including the Ministry of Education, the Ministry of Foreign Affairs and Trade, the New Zealand Immigration Service, the New Zealand Qualifications Authority and Trade New Zealand. While acknowledging that institutions must compete to attract international students, the strategy aims to encourage co-operation and co-ordination in promotion and communication, industry capability building, quality assurance and research. The Ministry of Education has set out a three-year plan for brand development, marketing and promotion of New Zealand education internationally.

Australia and New Zealand are also offering scholarships to foreign students. In New Zealand, an overseas development assistance programme funds about 600 international

students every year. Australia had 4 144 subsidised foreign students under an exchange programme in 2001. Commercial flows nonetheless predominate in both countries, as full-fee-paying international students represent about 97% of international students in Australia, and 95% in New Zealand.

The United Kingdom is one of the few European countries that explicitly mentions export revenues as one of its rationales in its strategic vision for cross-border educational activities, in addition to the longer-term benefits of the skilled migration approach. In the early 1980s, the government made it possible to charge full fees for non-Europeans in order to generate export revenue and supplement university funding. However, only in recent years has the United Kingdom's policy emphasised increasing its share of the non-EU student market and assisting its universities to market British higher education. In 1999, the Prime Minister launched an initiative to raise the United Kingdom's share of international students among the four leading English-speaking countries from 17% in 1997 to 25% by 2005. A target was set to increase international student numbers by 50 000 in higher education and by 25 000 in further education by 2005. The initiative involved developing a global marketing strategy and a three-year promotion campaign for UK education and training, expanding a national scholarship scheme, making visa restrictions more "user friendly" for students and easing restrictions on work possibilities for international students. In January 2000, the United Kingdom launched a UK education brand in order to co-ordinate better the individual marketing initiatives of UK institutions. The brand and marketing campaign is managed directly by the British Council, in collaboration with several government departments and national agencies. As a result, specific markets have been prioritised and the EducationUK (*www.educationuk.org*) website has been developed: it comprises a searchable database of about 24 000 courses in the United Kingdom. Similarly, Funding Councils, Research Councils, Universities UK, and the Standing Conference of Principals, have created a Web site, Higher Education and Research Opportunities in the United Kingdom (HERO) (*www.hero.ac.uk*), in order to centralise information on distance learning, including courses available and institutions offering this possibility (public universities, private organisations and professional bodies). The UK Quality Assurance Agency (QAA) has started to monitor overseas collaborations of British universities and codes of practice to ensure the reputation of British higher education and to promote the profile of British universities in terms of quality assurance arrangements.

Aside from the small contingent of scholarships which it funds for international students, the United Kingdom charges international students from the European Union (and associated EFTA/EEA countries) the same subsidised fees as British students. International students from the European Union represented 44% of all international students in the United Kingdom in 2001. However, the revenue that UK universities earn from fee-paying European students may increase in the near future if, as recommended by the recent White Paper on the future of higher education (DfES, 2003), the British government turns its system of direct subsidisation of students into a revenue-contingent loan system from 2006.

The United States has followed more decentralised strategies than Australia, New Zealand or the United Kingdom. Its approach to cross-border education is a mix of mutual understanding, skilled migration and revenue-generating approaches. This results partly from three features of the higher education system in the United States. First, private for-profit educational institutions in the higher education sector have long been part of the

country's post-secondary education system. Second, the presence of a strong private sector and the size of the system have induced real domestic competition to attract students among post-secondary education institutions. Third, paying a substantial share of the cost of one's higher education is well established in the United States, including in the public university sector. Differential fees target international students but also "out-of-state" students, *i.e.* those students who come from a different state of the United States. Two important characteristics of a revenue-generating approach to internationalisation – full fees and marketing strategies at institutional level – are commonplace at domestic level.

However, US institutions remain on average much more focused on the domestic market than on the international one, except for the small proportion of institutions that have chosen this market as a niche in their development strategy. Hence, the rise in revenues from cross-border education results more from the combination of demand, mostly by Asian students, and of an established funding system than from a deliberate strategy directed towards international students. In 2002, 68% of all international students studying in the United States were primarily funded by personal or family revenues and 76% from non-US resources (IIE, 2002). Also in 2002, about 87% of international undergraduate students were primarily funded by non-US sources (including 80% primarily funded by personal and family sources) but only 60% of postgraduate students (including 52% primarily funded by personal and family sources).

The fact that post-graduate students are more likely to be subsidised by US sources indicates that unsubsidised higher education is mostly for undergraduates. In many respects, the United States has *de facto* adopted the skilled migration approach with respect to international postgraduates and endeavours to attract highly skilled students. The largest share of subsidies for international students comes from the institutions and not the US government: universities and colleges primarily fund (often through private contributions and foundations) 9.2% of international undergraduates and 37.9% of postgraduates, while the US government funds 0.5% and 0.9%, respectively.

In Canada, the shift towards economic rationales in internationalisation strategies is documented at institutional level. Asked to rank their rationales for internationalisation in 1999, senior university administrators ranked "generation of income for the institution" as the third most important rationale for recruiting international students at Canadian universities and for cross-border delivery of education and training programmes, *i.e.* at a higher rank than in the same survey in 1993. This rise of the revenue-generation motivation shows that this rationale is gaining ground in Canada. However, despite the existence of differential fees for international students, the major share of student mobility takes place through student exchange programmes and does not generate additional income for Canadian institutions. Canada is a country where the numbers of outgoing and incoming students are quite balanced.

Finally, it should be noted that several countries are reconsidering or have reconsidered their internationalisation policy in the light of the revenue-generating approach. Although France has not adopted the revenue-generating approach, the creation of EDUFRANCE can be traced to a view of higher education as increasingly influenced by international market forces. Created as a public agency, EDUFRANCE was a fee-for-service marketing agency for French higher education institutions which offered some fee-based help to foreign students (language classes, help in administrative arrangements, etc.). Although the issue of not subsidising higher education for foreign students has never been

discussed, the agency followed to some extent the model of marketing agencies in countries that have adopted the revenue-generating approach. In 2002, acknowledging the tension between its operations and the general approach towards internationalisation of higher education in France, the agency shifted to a free public service approach.

While the Netherlands is one of the few European countries that explicitly view the higher education sector as a potential export industry, discussions to shift towards a revenue-generating approach are currently under way. Scandinavian countries are currently reconsidering their traditionally fully subsidised higher education systems, including for international students. In Denmark, where higher education has traditionally been free for domestic and international students, the government has in the new Higher Education Act given universities the opportunity to charge tuition fees for international (extra-European) students in 2003. In Norway, the government has recently introduced an "internationalisation premium" in the funding of institutions as an incentive to market themselves internationally.

5.2.4. The capacity building approach to cross-border education

A final approach to the internationalisation of higher education, more prevalent in emerging economies, is the capacity building approach. This is an importer perspective which views cross-border education as a means to meet unmet demand as well as to help build capacity for quality higher education. To some extent, cross-border education is viewed along these lines in Mexico and in some eastern European OECD countries. In Mexico, the major rationales underlying federal programmes supporting internationalisation are modernisation through the development of trained professionals and skilled workers and improvement of the quality of higher education through international contacts and perspectives. This rationale is present in the mutual understanding approach to internationalisation and thus common to all countries, but it takes on greater importance in countries whose higher education system does not meet domestic demand in terms of quantity or quality. Although many more Mexican students go abroad to study than Mexico recruits foreign students, Mexico is not a major importer of higher education services.

The chapter on the Asia-Pacific region shows that some countries of East and North Asia support imports of cross-border education services for capacity-building purposes. They encourage both study abroad by domestic students and foreign programmes and institutions in their country. Malaysia provides extensive scholarships for postgraduate study or training of teachers, academics and public servants, mostly in the United Kingdom and Australia. It also has offices in certain countries to assist its citizens studying abroad. Thailand also provides scholarships for public officials and students. Students educated abroad are supposed to help build domestic capacity in higher education when they return home. However, given their cost, scholarship programmes are necessarily limited and capacity building also relies on foreign programmes and institution mobility. Indonesia; Malaysia; Singapore; Hong Kong, China; Vietnam and China encourage foreign academics and foreign programmes and institutions to come to their country. Policy statements from several countries note the capacity-building potential of programme and institution mobility. China wants to "attract high-quality educational resources from overseas" and to "introduce globally advanced curriculum and teaching materials which are in urgent need in China" (NCN, 2003). Indonesia has made legal provision for locally based co-operation with foreign universities to "improve and enhance the performance of

higher education" and to "maintain, develop, empower and expand science, technology and/or arts" (DGHEI, 2000).

It is noteworthy that the capacity building approach can be pursued by facilitating the study abroad of domestic students and opening its barriers to foreign educational programmes and institutions regardless of the commercial or non-commercial nature of the delivery of cross-border education. Despite a possible conflict of interests between exporters and importers (in particular between the skilled migration and capacity building stategies), importing countries that have adopted the capacity building approach can benefit from the three export approaches to cross-border education depicted above, each of them having its advantages. While the mutual understanding and skilled migration approaches may be less expensive to the importers than the revenue-generating approach, the revenue-generating approach can change the nature of the relationship with receiving (or exporting) countries and give the importing countries greater bargaining power to dictate conditions. Most of the foreign educational programmes and institutions in countries that have adopted the capacity building approach operate for profit under regulated conditions.

Indeed, Asia-Pacific countries have devised measures to regulate entry and operating conditions for foreign providers both to respond to, and to initiate and promote, the growth of programme and institution mobility as part of national development strategies. Since 1997, Hong Kong, China has regulated the provision of foreign courses on its soil through the Non-local Higher and Professional Education (Regulation) Ordinance (Government of Hong Kong, 1997a, 1997b, 2001; French, 1999; McBurnie and Ziguras, 2001). The legislation aims to protect Hong Kong students by guarding against the marketing of substandard non-local courses. In Singapore, foreign institutions operating with local providers must apply for government approval, supplying details of course content, the status of the foreign provider at home and the division of responsibilities between the foreign and local partners. Partnerships with local universities can only be created at government invitation (Singapore Ministry of Education, 2000; Ziguras, 2003). Malaysia's requirements for foreign providers are set out in legislation dating from 1996 when the country opened its system to foreign branch campuses. There is a five-stage approval and review process, covering educational, business and legal requirements, for foreign providers seeking to establish as fully recognised operators. Addressing the concern to ensure the nation-building role of education, the Private Higher Educational Institutions Act (1996) stipulates the subjects that Malaysian citizens must pass in order to graduate, regardless of discipline (Kandasamy and Santhiram, 2000; McBurnie and Ziguras, 2001). In Indonesia, programme mobility is a form of twinning: students can receive qualifications from both the local institution and the foreign provider, on condition that at least one semester is spent studying abroad in the foreign institution. According to the regulation enacted in 1999, co-operation should not be undertaken merely for profit and should be an "equal partnership" benefiting all parties and consistent with national and institutional priorities. It "must be harmonious with the direction of higher education policy in general, and […] the strategic plan of the relevant higher education institutions". Furthermore, "co-operation […] shall be prioritised in the fields in which graduates are especially required" (DGHEI, 2000).

Finally, some countries wish to take this approach to build capacity for their own cross-border education activities. As a net importer of higher education services, Malaysia wants to expand into the export market by attracting fee-paying students from the region, mostly from China and Indonesia (and increasingly from Pakistan and other Islamic

countries which might be experiencing difficulties getting visas in the post-September 11 world). Between 2000 and 2001, the number of foreign students in Malaysia has thus been multiplied five-fold to 18 900. In 2003, the Ministry of Education appointed the Malaysian Education Service to promote Malaysian education in Indonesia. Malaysia, Singapore and Thailand increasingly see twinning programmes not just as a means to meet needs domestically but as a way to enhance their own capacity to export educational services to other countries. In the Asia-Pacific region, the relationships between countries exporting higher education services under the revenue-generation approach and countries importing higher education under the capacity building approach are becoming more complex.

5.3. Conclusion

Cross-border post-secondary education has grown significantly over the last decade. Although student mobility remains its typical form, new forms of cross-border delivery have expanded. These developments are the outcome of policies supporting the internationalisation of higher education on the one hand and of the increasing demand for cross-border higher education on the other. Cross-border post-secondary education has developed differently across OECD countries and regions. By and large, student mobility has been policy-driven in Europe and demand-driven in the Asia-Pacific region, while North America has mostly been a magnet for foreign students. Largely driven by institutions themselves, revenue-generating programme and institution cross-border mobility has been facilitated by institutional frameworks which grant substantial autonomy to higher education institutions and by the policies adopted by receiving countries.

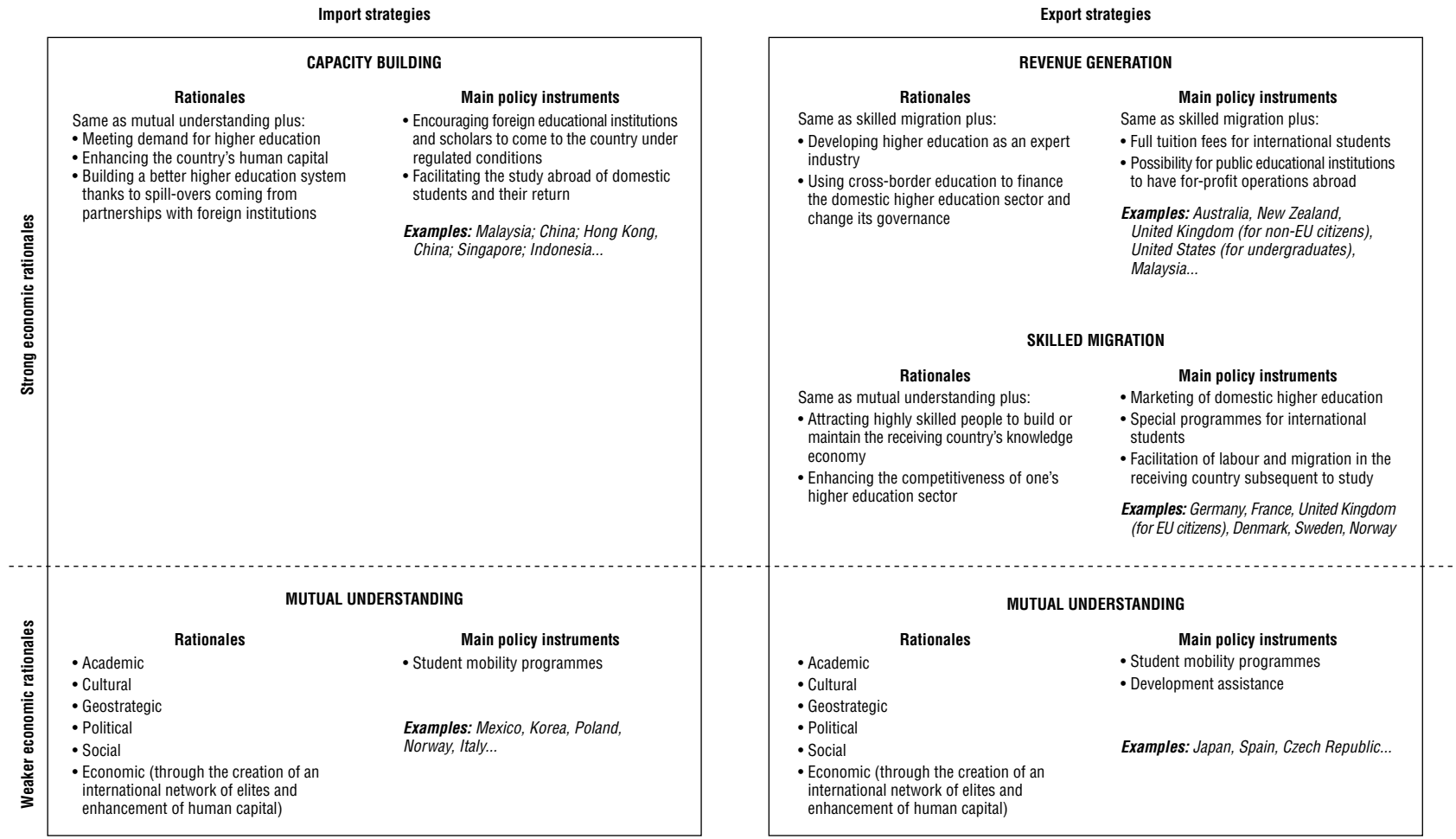
From the analysis of cross-border post-secondary education in three OECD regions, four different, but not mutually exclusive, approaches to cross-border post-secondary education have emerged. These approaches have used different policy instruments (see Figure 5.4).

The mutual understanding approach encompasses political, cultural, academic and development aid goals. It encourages mobility of domestic as well as foreign students and staff through scholarship and academic exchange programmes and supports academic partnerships between educational institutions. In this approach, there is no strong push to recruit international students.

The skilled migration approach shares the goals of the mutual understanding approach but gives stronger emphasis to the recruitment of selected international students. Scholarship programmes may remain a major policy instrument in this approach but they are supplemented by active promotion of a country's higher education sector abroad combined with an easing of the relevant visa or immigration regulations. Sometimes, specific services are designed to help international students in their studies and their stay abroad and more teaching takes place in English. An underlying rationale of this approach is to attract talented people to work in the host country's knowledge economy. This approach can have a variety of targets, such as students from certain areas, postgraduates or research students rather than undergraduates, students in a specific field. This approach generally results in a rise in the number of international students.

The revenue-generating approach shares the rationales of the mutual understanding and skilled migration approaches, the latter in terms of the effort to recruit international students through the promotion of one's higher education abroad and the adaptation of visa regulations. One of its distinctive features is that it offers higher education services on

Figure 5.4. **Four approaches to cross-border post-secondary education**



Source: OECD.

a full-fee basis, without public subsidies. Scholarships and academic exchange programmes are not important policy instruments. Compared to domestic students, foreign students generate additional income for institutions which are encouraged to become entrepreneurial in the international education market. Under this strategy, governments tend to grant institutions considerable autonomy and seek to secure the reputation of their higher education sector, for example through adequate international quality assurance arrangements. This may be complemented by an active policy to lower the barriers to cross-border education activities through trade negotiations in educational services under the GATS or other agreements. This approach generally results in a significant growth of fee-paying student mobility and in strong involvement in cross-border education through revenue-generating programme and institution mobility.

The skilled migration and revenue-generating approaches to cross-border education emerged in the 1990s and represent two key developments in cross-border education. Both approaches share the view that international education is increasingly a competitive market for talent and resources. Both are to a large extent influenced by the emergence of a cross-border educational market related to unmet demand in emerging economies. Economic growth in emerging economies has led to a rise in the demand for higher education in those countries at levels that cannot be met by domestic capacity and has also enabled large contingents of students to go abroad to study on a full-fee basis.

This new environment has led to the capacity building approach to cross-border education in emerging economies. Cross-border post-secondary education, however delivered, is viewed as a quick way to build an emerging country's capacity and is thus encouraged. Scholarship programmes supporting the mobility of domestic civil servants, teachers, academics and students are important policy instruments for this approach. Another instrument is encouragement of foreign institutions, programmes and academic staff to come and operate private for-profit ventures, generally under a governmental regulation which ensures their compatibility with the country's nation- and economy-building agendas. Twinning arrangements and partnerships with local providers are encouraged (and sometimes compulsory) in order to facilitate knowledge transfers. In the short run, this approach results in large numbers of outgoing students and of foreign revenue-generating educational programmes and institutions.

Notes

1. Data on the number of foreign students studying in China are not available..
2. The intensity of internationalisation measured in terms of students abroad may thus be underestimated, in Asia in particular. It must be borne in mind, however, that OECD countries receive some 85% of all foreign students in the world (Larsen and Vincent-Lancrin, 2002), and 94% of all countries reporting data on foreign students in 2001 (OECD, 2003).
3. Note that these data include countries of origin but not countries of study outside the OECD area. Thus they may underestimate the concentration of Asians studying in all Asian countries: about 70% of foreign students in Malaysia and India, for example, are of Asian origin.
4. The share would be even higher if the available data allowed for counting separately the mobile foreign students in the European countries participating in the ERASMUS programme. Altogether, these countries (EU plus Norway and Iceland) hosted 272 828 students from the European Union.
5. See Chapter 3 on Europe.

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Chapter 6

Implications of recent developments for access and equity, cost and funding, quality and capacity building

This chapter provides an analysis of the main educational policy issues raised by cross-border education and points to some emerging issues. The first section shows the possible importance of cross-border post-secondary education for expanding access to post-secondary education, while also stressing possible equity issues. The second section makes the point that student mobility is mainly self-financed and analyses current financing strategies for cross-border post-secondary education. It also shows how programme and institution cross-border mobility can both help reduce the cost of cross-border post-secondary education and raise new funding challenges. The third section clarifies the coverage of the GATS negotiations and shows that its framework does not threaten public funding and public subsidies in the higher education sector. The fourth section shows how cross-border post-secondary education can raise quality issues at the domestic level and stresses that imperfect information about the quality of cross-border provision facilitates the operation of rogue educational providers. It dwells upon the need for national and international initiatives to ensure quality in cross-border post-secondary education. The fifth section focuses on the benefits and challenges of cross-border post-secondary education and trade in educational services largely from a developing country perspective: it documents recent trends in the movement of highly skilled people; stresses the opportunities represented by cross-border post-secondary education for building capacity quickly in post-secondary education; and casts light on the risks for some developing countries. Finally, the last section summarises the main findings and policy challenges.

Drawing on inputs of experts and colleagues, especially Kurt Larsen and Julia Nielson, the author of this chapter within the OECD Secretariat was Stéphan Vincent-Lancrin.

Recent developments in cross-border education have triggered much discussion in the education community about the possible impact of cross-border post-secondary education on domestic educational systems. Much of the discussion initially focused on the inclusion of "education services" in the ongoing GATS (General Agreement on Trade in Services) negotiations at the World Trade Organisation (WTO) and on the "commoditisation" of education. In particular, there was much concern about the uncertain impact of including education services in the GATS negotiations on quality, access and equity of higher education, on domestic authority to regulate higher education systems, and on public subsidies for higher education. Over the last three years, however, as the discussion on trade in educational services has become more informed, it has become clearer that recent developments in cross-border post-secondary education (and not only negotiations on trade) involve both challenges and benefits with respect to access, equity, funding, cost and quality of post-secondary education.

In the context of an increasingly knowledge-driven economy and the democratisation of post-secondary education, education policy makers and decision makers attempt to maximise the quality of and access to post-secondary education at minimal cost. The internationalisation of post-secondary education both reflects and results from the internationalisation of societies and economies. This opens new horizons for countries and educational institutions that seek to address their national concerns, but it also raises new challenges. What role does cross-border post-secondary education play in the broader domestic agendas of education stakeholders? Conversely, can cross-border post-secondary education challenge those agendas? This chapter provides an analysis of the main educational policy issues raised by cross-border education and points to some emerging issues. The first section shows the possible importance of cross-border post-secondary education for expanding access to post-secondary education, while also stressing possible equity issues. The second section makes the point that student mobility is mainly self-financed and analyses current financing strategies for cross-border post-secondary education. It also shows how programme and institution cross-border mobility can both help reduce the cost of cross-border post-secondary education and raise new funding challenges. The third section clarifies the coverage of the GATS negotiations and shows that its framework does not threaten public funding and public subsidies in the higher education sector. The fourth section shows how cross-border post-secondary education can raise quality issues at the domestic level and stresses that imperfect information about the quality of cross-border provision facilitates the operation of rogue educational providers. It dwells upon the need for national and international initiatives to ensure quality in cross-border post-secondary education. The fifth section focuses on the benefits and challenges of cross-border post-secondary education and trade in educational services largely from a developing country perspective: it documents recent trends in highly skilled migration; stresses the opportunities represented by cross-border post-secondary education to build capacity quickly in post-secondary education; and casts

light on risks for some developing countries. Finally, the sixth section summarises the main findings and policy challenges identified in the analysis.

Policy issues in cross-border post-secondary education are difficult to address because the reality of cross-border education is moving very quickly and is still imperfectly informed. Moreover, although it is undoubtedly growing, most of the challenges and opportunities created by cross-border education have not yet been fully perceived so that, in many cases, evidence of positive or negative impacts is limited. However, this chapter relies on available evidence and past trends to identify and analyse current and emerging policy issues.

6.1. Access and equity

Cross-border post-secondary education offers a way to increase access to post-secondary education in some countries, particularly developing countries (Section 6.1.1). However, it also raises equity issues relating to participation in cross-border post-secondary education (Section 6.1.2) and possible equity issues stemming from the growth of cross-border post-secondary education (Section 6.1.3), *e.g.* the displacement of domestic students by international students.

6.1.1. Expanding access to post-secondary education through cross-border provision

Previous chapters have shown that the growth of cross-border post-secondary education can partly be construed as a response to unmet demand in (mostly Asian) developing countries with a growing middle class. In this respect, cross-border post-secondary education appears as a means to increase access of domestic students to post-secondary education. Moreover, it may offer students a wider range of study opportunities than those available in their home country in domestic educational institutions. Given that increased access to post-secondary education appears to be one of the drivers of economic growth in knowledge econoies, cross-border post-secondary education can increase access in receiving countries.

The benefits of access mainly concern developing countries, as most developed countries do not face a large-scale problem of unmet demand. While levels of participation in tertiary education are uneven among OECD countries, almost every second young person (45%) in the OECD area will enter general higher education programmes during his/her lifetime, assuming that current entry rates continue, compared to 26% in the 12 non-OECD countries participating in the World Education Indicators programme[1] for which information is available. On average in OECD countries, a 17-year old can expect to receive 2.6 years of tertiary education, as compared to 1.2 years on average in the 19 countries participating in the programme. Although considerable progress has been achieved in participation in and access to education in developing countries, it remains limited, especially at the upper secondary and tertiary levels that are ultimately crucial for economic development (World Bank, 2002). As Table 6.1 shows, further increases are needed before developing countries approach the stock of human capital available in OECD countries (UNESCO-UIS/OECD, 2002; OECD, 2000).

However important it may be for developing countries, cross-border provision has also expanded access to post-secondary education in small OECD countries like Luxembourg or Iceland. Small countries cannot always afford to offer the whole range of fields domestically and have thus traditionally used cross-border mobility to complement domestic capacity in specific fields.

Table 6.1. **Entry rates to tertiary education and expected years in tertiary education, 2001**

Sum of net entry rates by programme destination and expected years of tertiary education by gender and mode of study, and index of change in total enrolment in tertiary education

	Net entry rates		Expected years of tertiary education (types A, B and advanced research programmes)			Change in enrolment (1995 = 100)		
	Tertiary-type B	Tertiary-type A	Full-time and part-time		Full-time	Total tertiary education	Attributable to:	
	M+F	M+F	M+F	Females	M+F		Change in population	Change in enrolment rates
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
OECD countries								
Australia	m	65	3.1	3.4	1.7	111	103	108
Austria	m	34	2.4	2.5	2.4	110	68	148
Belgium	36	32	2.8	3.0	2.4	112	94	118
Canada	m	m	2.8	3.1	2.1	100	m	m
Czech Republic	7	30	1.6	1.6	1.5	154	99	150
Denmark	9	44	2.6	3.0	2.6	116	93	122
Finland	a	72	4.2	4.6	4.2	120	100	121
France	22	37	2.6	2.8	2.6	99	93	107
Germany[1]	14	32	2.1	2.1	2.0	96	85	110
Greece	m	m	3.1	3.3	3.1	161	96	167
Hungary	3	56	2.2	2.4	1.2	194	100	195
Iceland	10	61	2.4	3.0	1.9	140	104	134
Ireland	18	38	2.6	2.9	1.9	130	111	118
Italy[1]	1	44	2.4	2.7	2.4	106	m	m
Japan[2]	31	41	m	m	m	m	m	m
Korea[2]	55	49	3.9	2.9	3.9	154	85	170
Luxembourg	m	m	m	m	m	m	m	m
Mexico	1	26	1.1	1.0	1.1	134	107	125
Netherlands	2	54	2.5	2.6	2.1	m	m	m
New Zealand	41	76	3.2	3.8	2.1	m	m	m
Norway	6	62	3.1	3.8	2.3	105	93	112
Poland	1	67	2.9	3.4	1.5	234	m	m
Portugal	m	m	2.5	2.9	a	129	98	133
Slovak Republic[1]	3	40	1.6	1.7	1.1	m	m	m
Spain	19	48	3.0	3.2	2.7	120	93	129
Sweden	6	69	3.2	3.8	1.8	126	95	134
Switzerland	13	33	1.8	1.5	1.4	m	m	m
Turkey	10	20	1.3	1.1	1.3	137	m	m
United Kingdom	29	45	2.6	2.9	1.7	114	97	117
United States	13	42	3.5	3.9	2.1	m	m	m
Country mean	***15***	***47***	***2.6***	***2.8***	***2.0***	***131***	***95***	***133***
Non-member countries								
Argentina[3, 4]	35	59	3.0	3.5	0.7	m	m	m
Brazil[2, 4]	m	31	0.9	1.0	0.9	m	m	m
Chile[2, 3]	16	43	m	m	m	m	m	m
Indonesia	5	12	0.7	0.6	0.7	m	m	m
Israel	m	50	2.9	3.3	2.5	m	m	m
Malaysia[4]	m	m	1.3	1.3	1.1	m	m	m
Paraguay[3, 4]	10	m	1.0	1.1	1.0	m	m	m
Peru[4]	m	m	0.6	0.7	0.6	m	m	m
Philippines[3]	x(2)	52	m	m	m	m	m	m
Russian Federation[5]	m	m	3.2	3.6	3.2	m	m	m
Thailand[2]	20	47	1.9	1.7	1.1	m	m	m
Tunisia[2]	m	28	m	m	m	m	m	m
Uruguay[2, 3, 4, 5]	13	30	1.9	2.4	1.9	m	m	m

Note: x(2) means that data are included in column 2. m: missing data.

1. Entry rate for type B programme calculated as gross entry rate.
2. Entry rate for type A and B programmes calculated as gross entry rate.
3. Year of reference 2000, columns 1-2.
4. Year of reference 2000, columns 3-8.
5. Excludes advanced research programmes.

Source: OECD education database.

6.1.2. Equity in participation to cross-border student mobility

Widening access to post-secondary education is as important socially as it is economically. Besides being unfair and conducive to problems of social cohesion, inequitable access among different population groups is a potential waste of valuable human resources. Access to post-secondary education should thus primarily be bound to intellectual ability rather than to wealth, gender, social, ethnic or religious background. Educational policy should ensure that all groups have equal opportunity to access post-secondary education and thus possibly reduce unfair disparities. Equity in participation implies that participation largely reflects the (possibly imbalanced) composition of the overall population. In this respect, gender, income, geography (rural or urban areas), minorities, age, and special needs have traditionally been sources of disparities. It is important to know whether there are disparities in access to and participation in post-secondary education and whether cross-border post-secondary education helps to widen access. Information is often scarce, especially for participation in cross-border provision through programme and institution mobility, but the information that is available gives some insight into current issues.

Gender

On average for 2001, female participation in cross-border student mobility was somewhat lower than female participation in tertiary education in the OECD area. In OECD countries for which data are available, female foreign students account for 47.4% of all foreign incoming students whereas female students account for 51.6% of total enrolments in tertiary education (in the same countries). The two figures are not strictly comparable given that the composition of incoming foreign students is a mix of students from different countries over which receiving countries have little control: ideally, one should compare the female participation in tertiary education and in student mobility in a specific country or the average female participation in tertiary education and in student mobility around the world. However, the comparison gives an approximation of female participation in sending countries/regions when there is a strong regional concentration in the origin of students. The existence of strong imbalances may also raise the question of whether international students should fall under the scope of gender equality policies in the receiving country. Table 6.2 shows that there are disparities among countries. In the United States, Turkey, the Slovak Republic, Hungary, Finland, New Zealand, Canada and the United Kingdom, there is a noticeable gender imbalance in favour of males among international students received; Korea is the only country (for which information is available) with a significant imbalance in favour of female students.

Explanations for the imbalances vary. The small number of foreign students received makes the comparison less significant for the Slovak Republic and Finland. In Turkey and Korea, the imbalance may be due to the relatively low participation of females in tertiary education (by OECD standards). In the United States, New Zealand, Australia, Canada and the United Kingdom, the imbalance reflects disparities in the education of males and females in the main countries of origin of their international students – that is, in Asia. Domestic female participation in tertiary education in the top Asian sending countries is relatively low: 36% in Korea, 45% in Japan, 41% in Turkey, 38% in India, 43% in Indonesia, compared to an OECD mean of 53% in 2001.[2] In the United Kingdom, Indian males represent 75% of all students from India studying in the United Kingdom. It should be noted, however, that the gap between female and male participation in higher education has closed significantly over the few past decades in those countries (OECD, 2000).

Table 6.2. **Female participation in foreign and domestic enrolments at tertiary level, 2001**

	% of female students in total tertiary enrolments	% of females in foreign enrolments
Australia	54.2	46.9
Austria	51.8	51.0
Belgium	52.8	49.1
Canada	56.0	46.0
Czech Republic	50.1	44.9
Denmark	56.4	54.7
Finland	53.9	43.1
France	54.1	m
Germany	48.7	47.8
Greece	51.1	m
Hungary	54.8	43.8
Iceland	62.7	64.8
Ireland	54.7	52.3
Italy	56.0	54.6
Japan	44.9	45.4
Korea	36.0	43.2
Mexico	49.0	m
Netherlands	50.5	49.3
New Zealand	58.6	50.4
Norway	59.3	m
Poland	58.0	m
Portugal	57.0	m
Slovak Republic	51.3	38.7
Spain	52.5	55.0
Sweden	59.1	m
Switzerland	42.7	44.1
Turkey	40.8	26.9
United Kingdom	54.5	47.8
United States	55.9	41.9
OECD mean	**52.7**	**47.4**

Source: OECD education database.

In contrast, the male-female imbalance among international students in Europe (where student mobility is mostly intra-European) reflects the female participation in the tertiary population. Female students represented 59% of outgoing European Erasmus students in 1998, a proportion similar to that in the student population as a whole in the participating countries (European Commission, 2000). Finally, female US students represented 64.9% of US students studying abroad in 2002, but they represent only about 56% of all tertiary students in the United States. Most of the US students who go abroad study the humanities (foreign languages and literature in particular), fields in which women are over-represented. The pattern of participation in cross-border student mobility is thus gender-neutral or favourable to female students in Europe and the United States, respectively.

Minority or ethnic backgrounds

There is little information available on participation in cross-border mobility of students with special needs, but there is some evidence on the participation of minority students in cross-border post-secondary education in the United States and in Malaysia.

Data are collected by countries on their domestic students going abroad, but no information is available on the ethnic backgrounds of international students, as the minority status of racial, ethnic or religious minorities is necessarily country-specific.

In the United States, white American students participate significantly more in student mobility than in the post-secondary degree-granting system, while Asian-Americans and Native Americans slightly under-participate, and Hispanic- and African-Americans significantly under-participate. In 2002, white students represented 83% of American study-abroad students; they represented 70.8% of total US students' enrolments in US degree-granting post-secondary institutions in 2000. For the same periods, Asian-Americans accounted for 5.8% of all American study-abroad students and 6.6% of total domestic enrolments; Hispanic-Americans, for 5.3% of all American study-abroad students and 9.9% of total domestic enrolments; African-Americans, for 3.5% of all American study-abroad students and 11.7% of total domestic enrolments; Native Americans, for 0.4% of all American study-abroad students and 1% of total domestic enrolments; the remaining 2% of study-abroad students were multiracial (IIE, 2003; *www.nces.ed.gov*). Participation of US students in cross-border post-secondary education is thus not minority-neutral. There is no research on the causes of this imbalance. Financial reasons are a lead contender as an explanation, but socio-cultural reasons may also enter: a sizeable portion of minority students are their family's first-generation college students and may be more reluctant to go abroad than other students.

Conversely, as noted in Chapter 4, countries like Malaysia favour ethnic imbalance in government-sponsored participation in post-secondary education (McBurnie and Ziguras, 2001) and in cross-border mobility: most government loans and scholarships are allocated to ethnic Malays and others classified as *bumiputra* (sons of the soil) rather than to students belonging to the Chinese and Indian minorities. As a result, self-financed participation in all forms of cross-border post-secondary education is high among Chinese-Malaysian and Indian-Malaysian students. Given their, until recently, restricted access to the public post-secondary education system, cross-border student mobility but also programme and institution mobility represent an opportunity for those minorities to participate in tertiary education.

Income and socio-professional background

Studies on the income of parents of mobile students show, not unexpectedly, that the economic background of students' families matters more for self-financed cross-border mobility than for sponsored mobility schemes, where educational and professional backgrounds of parents appear to be more determining. In any case, students from more educated professional backgrounds or higher income families are more likely to participate in cross-border mobility than students from lower backgrounds.[3]

The *Euro Student 2000* study shows that, in the seven participating European countries, the probability that a study period will be completed abroad depends on how well-off the student's home is. European students from low-income families study on average substantially less abroad than those from families with higher incomes, even though students from low-income families in some countries receive special financial support. In Flanders (Belgium), 30% of students from high-income families had a study abroad experience as compared to 19% of students from low-income families. In Ireland, 14% of students from high-income families studied for a period abroad, as compared to 8% from low-income families. In the Netherlands, France and Germany, the figures were 19% vs.

15%, 22% vs. 15%, and 24% vs. 14%, respectively. In Finland and in the French Community of Belgium, family income makes relatively little difference, with less than three points between the two groups (15% vs. 13% in Finland, 14% vs. 11% in the French community of Belgium) (HIS, 2002).

The situation is less marked for Erasmus students and possibly other students sponsored by a mobility programme. According to *Euro Student 2000*, such students represent a minority of mobile students in most participating countries. A recent survey of the socio-economic background of European mobile students participating in the Socrates-Erasmus programme shows indeed that Erasmus students are (possibly) not more privileged than other students from an economic viewpoint. Overall, in 1998, 3% of Erasmus students estimated their parents' income as considerably lower than average, 50% as average or lower than average, and 48% as higher or considerably higher than average (European Commission, 2000). This largely reflects the economic composition of student participation in tertiary education in Europe. However, only 2% of the surveyed students indicated that their parents were either unemployed or inactive (as compared to unemployment and inactivity rates of about 8% and 38%, respectively, for people aged over 45 in the European Union in 1998),[4] which shows that economic factors remain important. Moreover, 57% of surveyed Erasmus students had parents in managerial or scientific jobs whereas only 25% of people in employment aged 45 and over in the same countries hold these kinds of positions (European Commission, 2000). The difference in results between the two studies should thus be interpreted with caution: nonetheless, it may indicate that financially supported cross-border mobility generally leads to more equal participation in terms of students' family income, although it still involves strong disparities in terms of the financial contribution of students and their families.

The educational background of parents appears as another significant factor. The survey on Erasmus students also showed that parents' qualifications were the source of significant disparities. While 36% of Erasmus students reported that both their parents had a higher education qualification, and a further 24% that one of their parents had such a qualification, this was the case for only 19% of the population aged 25-59 in the European Union and the share is even lower for the population aged over 45. European students from higher educational backgrounds (but not necessarily from higher income families) thus participate more in cross-border mobility. Given that disparities between low- and high-income families exist even in countries where students from low-income families receive additional funding for their studies, this is probably as true for unsponsored as for sponsored student mobility. European students from a higher educational background may have more accurate perceptions of the actual costs and benefits of cross-border mobility or better information.

Although Europe may largely reflect the situation in other high-income OECD countries, the socio-economic background of mobile students from developing countries may be different. One can expect the educational background of students' families always to play an important role, but differences between the cost of living and studying in the country of origin and in the host country (most likely an OECD country) probably make families' economic backgrounds more decisive. Low- or even average-income families probably cannot afford cross-border student mobility in most cases, especially when it is not sponsored. While gross national income (GNI) per capita (*i.e.* average income per person) in 2001 was USD 890 in China and USD 460 in India, the yearly median cost of living and studying for a bachelor's of business degree amounted to about USD 12 300 in

Australia, USD 13 800 in Canada, USD 19 000 in the United Kingdom and between USD 20 200 (public institutions) and USD 34 300 (private institutions) in the United States (IDP Education Australia and AEI, 2001; see also Table 4.16 in Chapter 4).

Promoting equity of participation in student mobility and cross-border post-secondary education

There may be several reasons for the observed disparities in participation in cross-border student mobility, which require different policy measures.

A population group's lower participation (and graduation) in upper secondary education may lead to lower participation in cross-border post-secondary education owing to lower rates of eligibility. In this case, one can expect participation to reflect the lower domestic participation in tertiary education. Policies fostering participation and educational achievement of disadvantages groups at primary and secondary educational levels are therefore needed. Gender disparities in Asian students' participation in cross-border student mobility (which is reflected in strong imbalances in their top destination countries) typically reflect this situation. This imbalance may disappear if the gap between male and female participation at lower educational levels closes in the sending (developing) countries, as it did in OECD countries over the past 30 years. Gender inequality has already started to diminish as a result of targeted policies in most countries of the world (OECD, 2000).

An imbalance in participation may be correlated with the main fields of study. In the United States, the gender imbalance in favour of females replicates the imbalance in the fields studied by most mobile US students, namely humanities. To change this pattern would imply mobility programmes that target male students in these fields or other fields of study.

Participation in cross-border post-secondary education may also magnify the disparities observed in domestic participation in post-secondary education. A higher level of participation in cross-border post-secondary education by an already privileged (by economic, social, ethnic or cultural standards) group at domestic level would be an index of the elitist character of cross-border post-secondary education on the demand side. Conversely, higher participation of a disadvantaged group at domestic level would show that cross-border post-secondary education contributes to reducing inequity of access at domestic level. Available information indicates that participation in cross-border student mobility tends to strengthen disparities in participation in favour of privileged groups. This is true for ethnic minorities in the United States, for students from lower socio-cultural backgrounds and from lower-income backgrounds in Europe (and probably elsewhere). Malaysia appeared to be one country where cross-border education with or without student mobility can help to counterbalance domestic disparities in participation.

The policy means to overcome these forms of inequity are mobility and information schemes targeting disadvantaged groups. Improving support for participation in cross-border student mobility through grants or student loan schemes helps to overcome disparities of access related to family income. Participation in government-sponsored student mobility in Europe seems to be related less to families' economic backgrounds than to self-financed mobility. While governments, universities and public and private funding organisations endeavour to reduce financial hurdles for

study abroad with scholarships programmes, few scholarships are means-tested or target disadvantaged groups of students. (Some scholarships do support specifically disadvantaged groups though, like the US Gilman International Scholarship programme which provides funding for study abroad to students already receiving US federal financial aid.)

Improving provision of information to lower educational and socio-economic groups on the benefits and costs of cross-border education could also help improve access to cross-border education by increasing their desire to participate. Typically, students from lower educational and socio-economic backgrounds are badly informed or have inaccurate perceptions of the cost and benefits of education; for that reason, they tend to have less desire to participate in post-secondary education (*e.g.* Christie and Munro, 2003). The same phenomenon may be true of these students when it comes to participation in cross-border education: even if they can afford to study abroad, they may either be unaware of cross-border education or underestimate its benefits (and overestimate its cost).

Even when scholarship programmes are means-tested, they are generally too limited to meet demand (see Section 6.2 on cost and funding below). The problem is obviously greater in developing countries. Although this section has focused on student mobility, for which information on student profiles is available, it should be noted that participation of different groups in other modes of cross-border provision of post-secondary education may be very different. Although enrolling in a foreign campus at home is generally more expensive than taking domestic public or private post-secondary education, it is generally cheaper than going abroad to study. However, cross-border post-secondary education involving no student mobility actually poses the same equity issues for access and participation as at domestic level. When financial support for cross-border education is available, its use for alternative and cheaper modes of cross-border provision may help increase equality of access to cross-border post-secondary education (while not providing the benefits of living abroad).

6.1.3. Does cross-border student mobility restrict domestic access to tertiary education?

Cross-border post-secondary education may raise specific issues for equity of domestic access. First, international students might displace domestic students and thus reduce domestic students' access to domestic higher education institutions, especially to elite ones. A greater number of international students in a country may constrain capacity for domestic students and make their access to higher education more difficult or less equitable. A second issue might be easier access for international students to some (prestigious) higher education institutions because they are not subject to the same eligibility rules: this could be unfair to domestic students who might be turned away for reasons other than merit. Finally, cross-border post-secondary education could be used by students to bypass national requirements for study in certain fields (if the requirements are less stringent abroad or in foreign programmes and institutions but the degree is recognised in their home country); in such a case, cross-border post-secondary education challenges the home country's requirements and can be said to be unfair to other (more able) domestic students who would like to do the same but cannot for financial reasons (or any other non-academic reasons). While such issues have not yet been seen as important at national level, they may already be important at institution or field level.

Displacement of domestic students by international students at system level

The possible displacement of domestic students by international students raises an equity issue with respect to access to publicly funded post-secondary education (because the unsubsidised private educational sector has no reason to differentiate among domestic and international students, but also, above all, is not accountable for the use of taxpayers' money). The issue takes different forms depending on the (free or limited) conditions of access to the domestic higher education system for domestic students and on the eligibility of international students for subsidised places in the host country.

In countries in which only a limited number of subsidised higher education places are available for eligible domestic students, international students could be said to displace domestic students either if no distinction is made for domestic and international students for such places and/or if international students receive public subsidies that could otherwise go to domestic students. For incentive reasons, one can expect this issue to become more prominent in countries that have adopted the revenue-generating approach. When institutions are free to set tuition fees for international students and receive more revenue per capita from international than domestic students, they have clear incentives to recruit international rather than domestic students for financial (rather than just academic) reasons. In countries where all eligible students are entitled to subsidised tertiary or post-secondary education, international students cannot be said to displace domestic students overall, since all domestic students are eventually accommodated. A problem might arise, however, at institutional or field level. In Germany, France, Austria, Belgium and Italy, (eligible) domestic university applicants have unrestricted access to most university courses. International students do not displace domestic students because all domestic students get a place at university, though not necessarily in their preferred field. Thus, while it is possible in principle, there is no evidence that displacement of domestic students by international students has been a major issue in OECD countries so far.

A first reason is probably that in most OECD countries international students still represent a small share of the total number of tertiary students, so that displacement is perceived as a marginal issue. In fact, foreign students represent more than 10% of all tertiary students in only five OECD countries: Switzerland[5] (17%), Australia (14%), Austria (12%), Belgium (11%) and the United Kingdom (11%). The presence of a large share of international students may also correspond to an underenrolment of nationals as compared to the country's higher education capacity: enrolments of international students are in that case welcome and encouraged, as in Austria (Huisman and van der Wende, 2004).

Another reason is the fact that all major OECD receiving countries have funding or admission procedures that prevent the displacement of domestic students. Countries like Australia, the United Kingdom (for non-European international students) or Canada exclude international students from the national *numerus clausus* that rules the number of places available in the public higher education system as well as (in most cases) from government funding. The number of available places for domestic students is in principle unrelated to the number of places for international students, so that international students do not displace government-funded domestic students (although some may argue that their places could have been used for domestic students).

With its high share of international enrolments, Australia offers an interesting example. Mentioning comments in the Australian public debate according to which "fee-paying international students are taking university places in preference to domestic students", a recent Australian audit on the impact of international students in universities in Victoria concluded that there was no displacement of domestic students by international students. "Direct displacement of domestic students by fee-paying domestic or international students is both protected against and regulated by the [Australian] higher educational policies" (Auditor General Victoria, 2002, pp. 3-4). Australian regulations prohibit the displacement of government-funded places by full-fee students. Beyond the government-funded places, universities have been allowed to enrol domestic students who are funded by the government but at marginal funding rates, an unlimited number of international full-fee students (who cover at least the full cost of their education), and a limited number of local fee-paying students (who pay slightly less than the international fees). For the university, the tradeoff has not been between government-funded domestic students and international students but between international students and "marginally funded" domestic students. In fact, the audit shows that universities have followed the incentives and notes a decrease in the relative proportion of "marginally funded" domestic students and an increase in the proportion of international (and domestic) full-fee students. However, most institutions have used their full-fee revenues from international students to expand capacity to meet international demand. This has made it possible to increase domestic marginally funded enrolments (though not in relative terms) and has contributed favourably to staff-student ratios in disciplines in high demand.

Under the reforms commencing in Australia in 2005, the federal government and universities will each year negotiate a number of government-funded university places for domestic students in each field of study. Under the new arrangements, universities will be forbidden from enrolling "over-enrolled" domestic students above a specified level, and those with high levels of "over-enrolments" have been making downward adjustments in these enrolments in anticipation of the new requirements. With these changes in the funding procedure and the introduction of a subsidised loan scheme (also from 2005) the trade-off facing universities should disappear.

Displacement of domestic students by international students at institution level

Displacement of domestic students by international students may also occur at institutional level or in specific fields. Even when domestic students have unrestricted access to the higher education system, they do not have unrestricted access to all fields of study or to all institutions. This is particularly true for elite institutions and fields offering high returns in terms of career opportunities. When international students represent a small share of an institution's enrolment and contribute to the prestige of the higher education institution, domestic students are unlikely to raise such equity issues.

While international students generally add to the prestige and academic experience offered by institutions, they generally undergo a different admission procedure from domestic students. In some cases, domestic students may claim that less able international students displace them from elite institutions because the admission procedure for international students is less selective. If institutions determine the number of places for international and for domestic students separately, feelings of inequity may be avoided.

In most cases, the sizeable representation of international students in a field or institution has not been perceived as implying the displacement of domestic students, but rather as a response to the dearth of domestic applicants. This is clearly the case in the United States in engineering and science, where there is a large concentration – and sometimes a majority – of international students (NSF, 2003). Larger economies in general have experienced slower growth or a drop in the share of science and engineering degrees in relation to total degrees (OECD, 2004b). More generally, Australia has not experienced a displacement effect.

A recent US research article claims that foreign students have displaced US-born white men from postgraduate studies at institution level, with the crowding out increasing significantly with the elitist and prestigious character of the institution (Borjas, 2004). While enrolments of foreign students increased in postgraduate studies in US institutions between 1978 and 1998, enrolments of white US male students fell in absolute numbers (although the demographic pool of potential white national graduates rose dramatically over the period). The article does not examine whether the applicant pool followed the same trend as the demographic pool, which may not be the case in all fields (see above). Hence, it does not really challenge the prevalent interpretation of the decline as resulting from a dearth of (qualified) domestic applicants, except in the case of elite institutions where this explanation is less plausible. The study contends that, other things being equal, admission officers might prefer to admit a foreign student because of the possibly higher contribution of foreign students to the cost of their education or the "relative marginal products of the foreign and native students as employees of the university (since many [post-]graduate students typically work as research assistants or teaching assistants)". Even if the displacement in elite institutions is based on the relative academic quality of foreign and domestic applicants, domestic students could claim that their opportunities for access to the best institutions have declined because of the increase in enrolments of international students.

By-passing domestic screening with cross-border post-secondary education

One of the functions of post-secondary education systems is to screen citizens in order to encourage a democratic social hierarchy based on merit and achievement rather than family background. This screening function may be challenged by cross-border education if large numbers of students use cross-border post-secondary education in order to avoid a domestic system based on relative academic abilities and allow them to study in a field that they would not have been able to enter in their home country. Such strategies can be unfair if they are not equally accessible by all students. While they may already be in use in specific fields, they would have to be widely employed before emerging as a significant policy issue. This is unlikely as long as cross-border education remains limited. Moreover, such a strategy can be construed as inequity only in a free labour market or when there is recognition of foreign qualifications, that is, when graduates are allowed to exert the profession acquired abroad in their home country (where they would not have qualified).

6.2. Cross-border post-secondary education: financing and cost effects

Cross-border post-secondary education raises funding issues, given that student mobility and programme and institution mobility incur a financial cost: a cost for domestic students willing to study abroad and for the institutions or countries enrolling

international students. This section highlights how the growth of cross-border student mobility has outstripped the funding available for mobility programmes and analyses the rationales for two different fee policies towards international students: *i*) give them access to subsidised places, like domestic students, or *ii*) charge full tuition fees. While the first corresponds to indirect subsidies to student mobility that may incur scale and scope economies in the domestic education sector, the second is part of a wider higher education financing policy that attempts to give more emphasis to private resources in tertiary institutions' resources. The growth of cross-border post-secondary education activities has induced and resulted from changes in the economy of the post-secondary education sector. Finally, while for developing countries programme and institution mobility may represent a more affordable form of cross-border post-secondary education than student mobility, it raises challenges when carried out by public institutions: Who should take the associated entrepreneurial risks involved?

6.2.1. Who finances student cross-border mobility?

Public and private scholarship programmes exist, but student cross-border mobility is largely self-financed by students and their families. While international students receive funding to a different extent in various OECD countries and regions, the bulk of international student mobility is not primarily funded by direct grants from governments or institutions. In 2003, 66% of all international students studying in the United States were mainly funded by personal and family resources. Only 6% were largely supported by their home government/university or foreign private sponsors, and 24% were primarily funded by US sources (including 21% by US universities) (IIE, 2003). In the European Union, despite the large intra-European mobility programmes (with a yearly budget of about EUR 136 million in the 1990s), independent mobility of students is still prevalent. Moreover, even students taking part in the Erasmus programme, which supports intra-European mobility, are primarily funded by their families: in 1998, family contributions were their main source of income (44%), followed by public grants and loans (21%) and the Erasmus grant (20%) (European Commission, 2000). A survey of over 1 000 international students from the top ten sending Asian countries studying in the United States, the United Kingdom and Australia showed that international study was financed by the family in 82% of cases, followed by student self-financing (8%) and government scholarships (4%) (EduWorld, 2001).

In Norway, all domestic students are entitled to receive public subsidies to study abroad in the country of their choice. Similarly, Denmark grants domestic students public funding to study abroad for at most three years. The Norwegian government supports post-secondary students through grants and loans that cover their living expenses and tuition fees (if any). International students coming to Norway are not entitled to receive those subsidies, but, like Norwegian students, they pay no tuition fee in public universities. From 2005, the funding scheme will be modified for Norwegian students: any kind of education will be eligible for tuition funding, and there will be a shift in the mix between grants and loans. Moreover, a new grant will be introduced for students who need and/or want to undertake a preparatory semester in order to learn a foreign language before starting full-degree education in a non-English-speaking country. This offers a way to fund publicly all domestic students wishing to study abroad, but by OECD standards it is an atypical public financing system for tertiary education. These policies facilitate the mobility of domestic students who wish to study abroad.

One explanation for the limited support of mobility lies in the rapid growth of student cross-border mobility over the last decades, which has outstripped the growth of direct funding for mobility. In Japan, the number of incoming international students supported by the Japanese government increased by a factor of eight between 1978 and 2001, while the total number of incoming international students in Japan increased by a factor of 13 for the same period (MEXT, 2002). In Europe, the budget of the Erasmus programme increased by 6.5% between 1995 and 2001, while the number of European students enrolled abroad in OECD countries increased by 54% and intra-European mobility by 64% (Teichler *et al.*, 2000; European Commission, 2004). The number of students supported by the Erasmus programme doubled between 1990 and 2000, but student grants dropped in absolute terms by about 20%; the coverage of additional costs for study abroad under an Erasmus grant dropped from 89% to 58% while the additional costs not covered by Erasmus were multiplied by five to EUR 1 000 between 1991 and 1999 (Teichler *et al.*, 2000). In the United States, the share of primarily self-financed incoming international students remained stable at around 65% between 1980 and 2002. While the share of international students primarily funded by their home governments or universities shrank from 13% to 3% over the period, the share of international students primarily funded by US universities and colleges doubled, rising from 9% to 21% (while the share of those primarily funded by the US government decreased from 2% to 0.5%).

In spite of financial efforts to support cross-border student mobility in all countries, budget constraints and tradeoffs with other national priorities limit the direct funding of domestic students going abroad and of incoming international students. The reasons for subsidising international students are manifold: as already mentioned in Chapter 1 and throughout the report, the expected benefits of receiving international students justify funding as an investment for possible future benefits and, in the case of students from developing countries, as development assistance; fostering equity in participation in cross-border post-secondary education is another reason. Governments and other sponsoring institutions face a tradeoff: either to support many students through grants that cover a small share of the expenditure incurred by international student mobility or to support more generously a smaller number of students. Countries and institutions have adopted different strategies in this respect, as illustrated by the Norwegian and Danish cases. Many have chosen to spread their effort rather than target a smaller number of students. This policy has encouraged mobility by allowing more students to receive mobility scholarships and grants; it has helped mobile students to cover part of the cost of studying abroad, even when this is not their primary source of financing.

6.2.2. Indirect subsidies to cross-border post-secondary education

Besides directly funding a small share of international students, a majority of (mostly European) OECD countries allow international students to access publicly funded places in their universities (see Table 1.2 in Chapter 1). This policy represents indirect funding of international students. Pursuing this strategy has the advantage of being "invisible", relatively cheap (marginal cost) and in some cases allowing the university sector to maintain capacity and be more cost-effective.

In ageing societies, maintaining capacity in some fields and using the full capacity of one's post-secondary system are reasons to enrol international students. On average,

OECD countries have had a declining school-age population since 1990, and forecasts predict that the school-age population (5-29 years old) will continue to decline over the next ten years. In the OECD area, this age cohort has declined by 4% in absolute numbers between 1990 and 2000 and is forecasted to decrease by a further 6% by 2015 (UNESCO-UIS/OECD, 2002). On the other hand, most OECD countries have a large tertiary education capacity. Most are publicly administered and have high fixed costs that can be only gradually adjusted. In this context, international enrolments represent a marginal cost as long as they simply use the full capacity of the system rather than require its expansion. Even when international enrolments mean some expansion, institutions probably benefit from scale economies. International students can thus actually reduce the average cost of higher education in the country, by (or while) increasing the student-staff ratio. In order to limit the cost to a marginal one, countries such as Belgium have set a quota on international students. If the quota is reached, which is seldom the case, additional international students must be charged a differential fee.

Moreover, international students can help countries and institutions to maintain the variety of their educational offer when there is a dearth of domestic applicants in some fields (or in some institutions). As mentioned in Chapters 2 and 3, international graduate students in engineering and science in the United States and in the United Kingdom compensate for the dearth of domestic applicants and help the institutions (and countries) maintain their academic capacity in those fields. If they only taught domestic students, the cost of teaching those fields might be too high for many institutions.

Reciprocity facilitates this indirect funding strategy. An additional reason for subsidising international students' places is that domestic students can access foreign post-secondary education systems under similar conditions. Depending on the country of their choice, mobile domestic students are subsidised to different extents, but to the same extent as domestic students. In the European Union (and associated countries), the obligation to charge the same tuition fees to domestic and EU students has certainly facilitated the rise of mobility, but this obligation does not extend to loans and other benefits accorded to domestic students (see Chapter 3). The reciprocity principle is sometimes embodied in bilateral agreements.

This type of fee policy gives international students cheaper, and thus easier, access to foreign post-secondary education systems. Although it alleviates the funding issue for students and their families, it does not remove it totally. In Europe, where subsidisation of tuition fees is relatively high compared to the OECD average (see Chapter 1, Figure 1.1) and where EU students cannot be charged higher tuition fees than domestic students, studying abroad nonetheless involves financial difficulties for many students. According to a European study, 57% of Erasmus students reported financial difficulties abroad. This was typically the case for students living with their parents in their home country and for students coming from countries with low direct public support for tertiary studies (Italy, Greece and Portugal). The study concluded that "the difference in the modes of living and the national student financial support systems [seemed] to be the main factors explaining the financial difficulties of Erasmus students. Students who normally live with their parents in their home countries [spent] on average, an extra EUR 310 per month during their study period abroad – more than twice as much as at home. Not surprisingly, accommodation costs [represented] two-thirds of this extra amount." (European Commission, 2000)

It is noteworthy that while this fee policy allows international students to enter, it does not give universities and other post-secondary institutions strong incentives to attract them. It is another story when the institutions charge international students at least the full cost of their studies.

6.2.3. Generating income for universities through cross-border post-secondary education: a mental revolution

While higher education institutions in some countries offer grants to a limited number of international students, some charge international students full tuition fees. This is the case in Australia, New Zealand, the United States (the rule for US out-of-state students in public institutions applies to international students), Canada, and, for non-EU international students, in Ireland, the Netherlands and the United Kingdom. In Australia and New Zealand, government regulation requires higher education institutions to charge international students at a minimum the full cost of their studies, using average rather than marginal cost as a basis. In the United States, international students may in some cases pay less than the real cost of their studies (though more than in-state students) (Winston, 1999). From the international students' viewpoint, this fee policy makes access to cross-border post-secondary education unambiguously more expensive than in countries which allow them to obtain publicly funded places. From the countries' and receiving institutions' viewpoints, this policy serves several purposes: fiscal equity, financing of the domestic system, export strategy in post-secondary education and governance of higher education institutions, in addition to the positive cost and scope effects mentioned above.

Refusing to redistribute public money to international students may be construed simply as fiscal equity. Even though international students actually contribute to at least some receiving country taxes, *e.g.* VAT, their contributions are hardly comparable to those of domestic students' families. Moreover, domestic students are more likely to remain in the country and thus contribute to the country's economy after their studies, both through taxes and human capital. (Section 6.5, on capacity building, shows that return rates of international students actually vary considerably depending on the students' nationalities and probably the host country.) Limited access to publicly funded places in the receiving country may be due to budget constraints or not be politically feasible.

Although permission or a requirement to charge international students full tuition fees may be viewed as the result of an impressive growth in international enrolments, this has not been the case in most if not all of the above-mentioned countries. As Chapters 3 and 4 show, the introduction of full fee post-secondary education for international students in the United Kingdom (1980-82), Australia (1985-88) and New Zealand was meant to supplement public university funding and generate export revenue. In those cases, it preceded rather than followed a massive increase of international student enrolments. In fact, one can see the growth in international enrolments as educational institutions' response to the new financial incentives created by their governments. The Netherlands and Ireland are evidence that this policy does not necessarily lead to massive enrolments of international students, nor does it necessarily follow massive enrolments.

The change in policy regarding international student fees is actually part of a broader domestic agenda regarding the financing of higher education in the new context of mass

education. In a sense, the fee policy has served to trigger a mental revolution in the post-secondary education sector and drive (public) universities towards more entrepreneurial management and less reliance on public budgets (Marginson and Considine, 2000). This presupposes that universities have the financial autonomy to control the use of those private resources. The rise in tuition fee levels (or sometimes the introduction of tuition fees) for domestic students in Australia, the United Kingdom, Canada or the Netherlands in the 1990s is in line with a strategy that changes the financing of the university sector as well as its management. The wish to expand (domestic) access to post-secondary education has been accompanied by a reconsideration of how the cost of post-secondary education should be shared between taxpayers and users, and between different categories of users.

Impact on universities' finances

The cases of Australia and the United Kingdom illustrate these shifts in the financing of public post-secondary education, with higher contributions from student fees, particularly from international students. The common trend in both cases is an increasing share of non-publicly funded or market elements in higher education income and especially of full-fee revenue in higher education institutions' private income.

Revenue of Australian universities from full-fee international students has increased significantly and in 2002 represented about USD 1.1 billion, or 12.5% of the total revenue of Australian universities and 52% of all (domestic and international) revenue from student fees and charges (DEST, 2003). For comparison, in 1995 international students who paid full fees contributed USD 327 million to Australian universities' finances, or about 5.8% of their total revenue and 42% of all student contributions (DEST, 1997). While the total revenue of universities rose by 48% between 1995 and 2002, state funding[6] increased by 20%, (domestic) students' contribution by 92%, fees and charges (from full-fee domestic and international students) by 180%. The revenue from full-fee international students increased more than three-fold, by 229% (while the number of international students increased four-fold). This represents a significant change in the budgetary structure of Australian public universities: state funding and student contributions represented 56% and 25% of their resources in 2002, respectively, as compared to 68% and 13% in 1995.

A similar though less marked evolution occurred in the United Kingdom. British higher education institutions' income from international (non-EU) fees increased by 27.9% between 1995 and 2000, from USD 810 million to USD 993 million, compared to an increase of 8.6% in their total teaching income. One of the main features of UK higher education institutions' finance over this period is the contrast between the slow growth in revenue from public funding and domestic (and EU) students (6.3%) and the significant growth (25%) of non-publicly funded courses (non-credit-bearing courses and non-EU international students). While the latter elements increased their share of total teaching income from 11.7% to 13.5%, including an increase from 8.4% to 9.9% for international fees, the share of state funding remained nearly stable at 58% of total teaching income (Universities UK, 2002). In 2002, fee income from international (non-EU) students totalled USD 1.1 billion, or 27% of total fee income, and 6.5% of the total (teaching and research) income of English higher education institutions (HEFCE, 2004).

While increasing, revenue from international students still represents a relatively small share of university resources.

Table 6.3. **Distribution of public and private sources of funds for educational institutions (1995, 2000)**

Annual expenditure on educational institutions per student in equivalent US dollars converted using PPPs, based on full-time equivalents, and change in public and total expenditure on educational institutions

	All tertiary education									
	2000				1995				Change in public funding per student (%) (1995-2000)	Change in total expenditure (%) (1995-2000)
	Public sources	Private sources[1]	Private, of which subsidised	Expenditure per student	Public sources	Private sources[1]	Private, of which subsidised	Expenditure per student		
OECD countries										
Australia	51.0	49.0	0.9	12 854	64.6	35.4	8.3	13 084	–30	–2
Austria	96.7	3.3	7.7	10 851	96.5	3.5	4.6	11 663	–4	–7
Belgium	85.2	14.8	4.5	10 771	m	m	m	m	m	m
Canada	61.0	39.0	1.7	14 983	56.6	43.4	22.3	12 153	–2	23
Czech Republic	85.5	14.5	n	5 431	71.0	29.0	8.6	8 031	–27	–32
Denmark	97.6	2.4	n	11 981	99.4	0.6	n	11 607	1	3
Finland	97.2	2.8	n	8 244	m	m	m	8 633	m	–5
France	85.7	14.3	2.3	8 373	84.3	15.7	2.6	7 411	15	13
Germany	91.8	8.2	a	10 898	92.8	7.2	a	9 765	10	12
Greece	99.7	0.3	m	3 402	m	m	m	3 301	m	3
Hungary	76.7	23.3	n	7 024	80.3	19.7	n	7 656	–12	–8
Iceland	94.9	5.1	m	7 994	93.0	7.0	m	m	m	m
Ireland	79.2	20.8	m	11 083	69.7	30.3	m	7 189	75	54
Italy	77.5	22.5	6.1	8 065	m	m	m	6 422	m	26
Japan	44.9	55.1	m	10 914	42.0	58.0	m	9 349	25	17
Korea	23.3	76.7	1.1	6 118	m	m	m	m	m	m
Luxembourg	m	m	m	m	m	m	m	m	m	m
Mexico	79.4	20.6	0.6	4 688	77.4	22.6	m	4 713	3	–1
Netherlands	77.4	22.6	2.4	11 934	79.9	20.1	m	11 520	3	4
New Zealand	m	m	n	m	m	m	m	m	m	m
Norway	96.2	3.8	a	13 353	93.6	6.4	n	14 088	–3	–5
Poland	m	m	a	3 222	m	m	m	m	m	m
Portugal	92.5	7.5	m	4 766	96.5	3.5	m	4 415	3	8
Slovak Republic	91.2	8.8	m	4 949	85.3	14.7	m	m	m	m
Spain	74.4	25.6	2.5	6 666	74.4	25.6	2.0	4 792	40	39
Sweden	88.1	11.9	m	15 097	93.6	6.4	a	14 970	–5	1
Switzerland	m	m	m	18 450	m	m	m	15 671	m	18
Turkey	95.4	4.6	n	4 121	97.0	3.0	0.7	3 375	19	22
United Kingdom	67.7	32.3	4.6	9 657	63.9	36.1	16.0	10 572	–17	–9
United States	33.9	66.1	m	20 358	m	m	m	m	m	m
Country mean	***78.6***	***21.4***	***1.9***		***~***	***~***	***m***	***m***	***5***	***m***
Non-member countries										
Argentina	66.2	33.8	0.1		m	m	m	m	m	m
Chile	18.3	81.7	7.0		m	m	m	m	m	m
India	99.8	0.2	m		m	m	m	m	m	m
Indonesia	43.8	56.2	m		m	m	m	m	m	m
Israel	56.5	43.5	n		59.2	40.8	3.0	m	m	m
Jamaica	71.5	28.5	2.3		m	m	m	m	m	m
Malaysia	m	m	m		m	m	m	m	m	m
Paraguay	62.6	37.4	m		m	m	m	m	m	m
Philippines	34.4	65.6	m		m	m	m	m	m	m
Thailand	80.4	19.6	m		m	m	m	m	m	m
Uruguay	99.7	0.3	m		m	m	m	m	m	m

Note: To calculate private funds net of subsidies, subtract public subsidies (columns 3 and 7) from private funds (columns 2 and 6).

1. Including subsidies attributable to payments to educational institutions received from public sources.

Source: OECD education database (for further details on data see *Education at a Glance – OECD Indicators*).

Does this fee policy accompany a decrease in the share of public funding in tertiary education budgets? It does generally, but not necessarily. Table 6.3 shows that the share of public funding in higher education institutions' resources (including subsidies to private sources of education) decreased between 1995 and 2000 in Australia (by 21%), Canada (by 16.2%), the United Kingdom (by 7.6%) or, not significantly, in the Netherlands (by 2.5%). In Ireland and the Slovak Republic, two countries that receive a small number of international students, however, the share of public funding in tertiary educational institutions' resources increased by 10% and 6%, respectively. The rising share of private funding can be seen as a shift towards more entrepreneurial management of universities or a response to new incentives to raise private funding and enrol full-fee students (who represent an increased share in the private resources of universities in Australia and the United Kingdom). Again, it must be borne in mind that an increasing share of private funding is not necessarily due to a decrease in public funding and has in fact no relationship to the level of public funding. A cut in public funding would indeed give higher education institutions additional incentives to leverage private funding and enrol full-fee students. On the other hand, an increase in private funding would ease the shift of public funding from tertiary education to other public sectors. Public expenditure per student in tertiary education institutions decreased significantly between 1995 and 2000 in Australia (–30%) and the United Kingdom (–17%), the two countries with the most active institutions in commercial cross-border post-secondary education, not significantly in Canada (–2%), while they increased in the Netherlands (+3%) and substantially in Ireland (+75%).[7]

Impact on the economy of the public post-secondary sector

From a government viewpoint, this full fee policy incurs several benefits for the domestic higher education system. First, it generates additional income to finance higher education while securing all the other advantages of cross-border post-secondary education: scale and scope economies allowing universities to maintain capacity in some fields as well as all the non-financial benefits of cross-border education (see Chapter 1). Second, it gives higher education institutions incentives to adopt a more demand-driven management, a change in mentalities that affects both domestic and international students. In countries such as the Netherlands, however, it has not led to strong growth in international student enrolments, probably because of the language barrier.

From an institutional viewpoint, there are also several advantages. First, although a decrease in an institution's public funding has sometimes accompanied an increase in income generated by international full-fee students, the institution may nonetheless have a larger budget at its disposal than a higher education institution that is publicly funded to a greater extent. Second, while this fee policy can make educational institutions financially more independent (and thus more autonomous *vis-à-vis* their public supervisory bodies), the additional income from full-fee students may enable higher education institutions to provide students and staff with better library and technological facilities, and in many cases to improve staff wages and recruitment, all of which are comparative advantages in the international marketplace, but also advantages that benefit domestic students. In Australia, enrolments of full-fee international students have made it possible to decrease the student-staff ratio in fields in high demand (Auditor General Victoria, 2002).

Although this fee policy has increased the cost of post-secondary education for international students, competition and a more demanding attitude on the part of fee-paying international students have led higher education institutions to develop academic

and non-academic services tailored to these students. In this sense, international students have benefited from this policy, which may partly explain why more than half of all international students study in English-speaking countries where they pay full tuition fees. (However, as the example of the Netherlands suggests, English-speaking countries have a built-in competitive advantage.) Finally, besides the cultural and academic enrichment domestic students derive from international students, they also benefit from the facilities and changes introduced to attract international students, including the expansion of institutions' capacity. On the other hand, quality issues may become more prominent (see Section 6.4).

6.2.4. New forms of cross-border post-secondary education: funding and cost

The development of new forms of cross-border post-secondary education raises funding policy issues. An important distinction is whether or not such activities are operated in a commercial manner. Public institutions that act commercially outside their home jurisdiction are exposed to a range of financial, legal and sovereign risks not encountered at home and may also put their reputation at risk (McBurnie and Pollock, 2000). One funding issue related to cross-border post-secondary educational activities is whether some of the entrepreneurial risk should be borne by the taxpayer, and, if so, how much of it. This policy issue concerns not only cross-border activities but domestic commercial activities of public institutions as well (*e.g.* non-credit education, e-learning, continuing education). One can argue that if public universities have to make their way in the marketplace, the taxpayer should take some of the risk: the taxpayer gets the benefit of the expanded resources that institutions gain through their entrepreneurial activities. Although the risk of failure exists, as the ups and downs of the e-economy have shown in the early 2000s, such activities can be profitable and generate substantial income for the institutions and ultimately improve the services offered to domestic students.

In some OECD countries, public higher education institutions do not have enough financial and/or decisional autonomy to undertake cross-border commercial activities. In that case, governments seeking to encourage their public post-secondary institutions to participate in such activities should provide them with the autonomy and incentives to do so. In some cases, these incentives may not lead to new activities because of cultural barriers and the habit of working in a non-commercial manner. Institutions from non-Anglophone countries face the difficulties engendered by a world in which English has become the *lingua franca* (and if they choose to offer English-speaking post-secondary education, this involves higher costs).

In countries in which private cross-border education activities are undertaken, it is generally forbidden to use public money for commercial activities: public universities are obliged to set up independent private arms for this purpose, but assessing whether cross-subsidisation occurs or not is difficult. In any case, a future challenge for current and potential exporter governments will be to put effective guidelines and mechanisms in place to ensure accountability for the entrepreneurial activities of public higher education institutions.

For large importers of cross-border post-secondary education and for their students, programme and institution mobility may decrease the cost of cross-border post-secondary education. As regards on-line education, it is as yet unclear whether it will provide cost advantages for students and governments (OECD, 2004c). A recent study suggests that on-line education of adequate quality is no cheaper than face-to-face education in on-site

institutions and that it is more expensive than traditional distance education based on mail and broadcast modes, except for units of fewer than 100, where the costs of the two modes equalise (Bates, 2001). Nevertheless, in cross-border delivery, international students save the often higher cost of living in a foreign country.

However, even if cross-border e-learning were cheaper, on-line programmes depend on broad, affordable distribution of both communication systems and the necessary hardware and software. Most of the developing world has poor telecommunications infrastructure, bandwidth, cable linkages and satellite receiver distribution, and insufficient public and private funds to invest in these technologies. In many cases, this mode of delivery requires costly investments in infrastructure. Depending on the country, this mode of cross-border post-secondary education may be more or less accessible to students, even if its delivery price is relatively lower than going abroad or being enrolled in a foreign face-to-face programme or institution in one's country.

From the student's point of view, cross-border post-secondary education through programme and institution mobility is often more expensive than domestic (public and private) post-secondary education, but it is generally much less expensive than going abroad to the same institution's country where both tuition fees and cost of living are generally higher. From the government's point of view, foreign programmes and institutions do not (generally) incur any costs in terms of public funding or subsidies. Through increased competition (and market mechanisms), foreign programmes and institutions may decrease the cost of post-secondary education in the host country's whole private educational sector, and hence indirectly reduce the cost of post-secondary education for both local students and the government (if the latter subsidises students enrolling in the domestic private sector). However, there is no evidence that such market mechanisms are at work in the education sector. While the United States has one of the largest private education sectors among OECD countries and a less than average rate of subsidisation of tertiary education, it has the highest private and public average expenditure on tertiary institutions in the OECD area, *i.e.* the highest cost of tertiary education for both students and the state (OECD, 2003d).

6.3. The GATS negotiations and its possible impact on public funding and subsidies

One of the recurrent concerns expressed by some education stakeholders about the ongoing GATS negotiations lies in their impact on the public funding of post-secondary education and on the public and private not-for-profit parts of education systems. The GATS is often viewed as an undesirable accelerator of the "commodification" of education, which would lead to the removal of public subsidies and undermine the public service nature of education. This concern is very clear in the "statement on the commodification of education" made by the National Unions of Students in Europe (ESIB).[8] Signed by Iberian and Latin American associations and public universities, the Porto Alegre Declaration[9] (2002) views the inclusion of education in the GATS negotiations as "part of a continued process of drastic public financial support cutbacks and promotion of private education globalization, with the intention of having national governments abandon their specific political function of guidance, direction and management in the areas for which they are socially responsible". One of the rationales for the Joint Declaration on Higher Education and the GATS[10] (2001), which was signed by four associations representing 5 500 American, Canadian and European institutions and which asked for a freeze of the GATS negotiations

in education, is the limited knowledge about the "consequences of including trade in education services in the GATS such as on the quality, access, and equity of higher education, on domestic authority to regulate higher education systems, and on public subsidies for higher education". What impact may the GATS have on public higher education systems? What does the GATS cover and say on public funding and subsidies? This section first clarifies the issues and scope of the GATS and then shows that the potential implications of the GATS for public funding will depend on the commitments made by countries, that is to say ultimately on national decisions.

6.3.1. Privatisation, liberalisation, regulation and the GATS

In order to understand the objectives and stakes of the GATS, it is important to clarify the difference between privatisation and liberalisation, as well as between trade and trade agreements. Indeed, some of the expressed concerns relating to trade and trade agreements do not draw the line between domestic and international trade with sufficient clarity.

Privatisation at domestic level

A threshold issue for any post-secondary education system is whether, or the extent to which, the private sector can participate in the provision of post-secondary education services: this is a privatisation issue at sector level.[11] In many (but not all) OECD countries, the mix of public/private provision differs for formal tertiary education (which is typically predominantly public or not-for-profit) and for further adult or corporate post-secondary education (where private for-profit provision is often predominant, although public and private not-for-profit may also be important). In some countries, the past decades have seen redrawing of the boundary between public and private provision of education, in many cases resulting in increased private sector participation in parts of the post-secondary education sector (see Chapter 1). This has mostly been the case in developing countries.

In some cases, such as the United States, publicly funded systems permit service provision by private suppliers; in other cases, publicly funded and delivered systems co-exist with privately funded and delivered services. The debate, and the decision, about whether, or how, to involve private suppliers in the funding and provision of post-secondary education has essentially been a domestic one.

Such decisions include consideration of, among other factors, national budget priorities and the desire to increase the available resources and access to them; questions about the efficiency of resource use; ensuring that public policy objectives (*e.g.* universal provision, high-quality education) are met; and determining what government should provide and how costs should be shared among different groups in the society. Many countries describe themselves as having a public post-secondary education system, although these systems range from publicly funded and provided, through publicly funded and publicly and privately provided, to systems which include both publicly and privately funded and provided education services.

Public services are not necessarily administered by public institutions. There is no automatic link between student funding arrangements and university management and ownership patterns. The public funding of education can involve some market competition among educational institutions. Some regulatory systems in the university sector are actually based on quasi-market mechanisms, for instance when funding for autonomous

public universities is 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 largely paid for by the state.

The GATS and liberalisation

A different, and often second, question is whether to allow foreign providers to participate in the private provision of post-secondary education: this is a liberalisation issue. It is only at this stage that the GATS enters into play. It deals only with the treatment of foreigners, not nationals, and it has nothing to say on the debate over whether to allow private provision. Many of the issues that arise when considering allowing foreign suppliers also arise for domestic private providers. However, the first question was about *privatisation*; the second question is about whether, or to what extent, to allow *liberalisation*.

Debates over whether to allow foreign private suppliers to provide services may involve some of the following considerations: a desire to increase the efficiency of national private providers by exposing them to competition; use of foreign providers to meet key shortages in the short to medium term; a desire to obtain access to new or additional courses and expertise as well as technologies or skills which may not be available from national suppliers; and a desire to increase the facilities and services available to students beyond what domestic institutions can provide. Equally, consideration must be given to how to ensure the quality of foreign providers as well as to the impact of foreign suppliers on domestic institutions and on the post-secondary education system as a whole (see Section 6.4).

It is only if a country decides to allow foreign suppliers that the GATS comes into play. Even if a country makes no GATS commitments on education, countries that are members of the WTO – and thus members of the GATS – are bound by two basic requirements: most favoured nation treatment (the obligation not to discriminate amongst WTO members) and some core transparency disciplines.

The most favoured nation (MFN) obligation, which is short for "treating all nations as you would your most favoured nation", means that a WTO member cannot discriminate among other WTO members. That is, the treatment that is offered to one member must be offered to all members. There are two exceptions: *i*) if the member in question is party to a regional trade agreement (RTA) notified under Article V of the GATS;[12] and *ii*) if the member has taken out an MFN exemption for the sector. Excluding all foreign suppliers is thus consistent with MFN. All WTO members have a one-off opportunity to claim such exemptions at the time they join the GATS. Some 424 exemptions have been taken, of which 78 apply to all sectors.[13] In principle these exemptions should not last for more than ten years and are subject to negotiation in subsequent rounds. However, a number of members have listed the duration of their exemptions as "indefinite". The most favoured nation obligation does not apply to recognition of qualifications (see Section 6.4 on quality).

For transparency disciplines, three basic obligations apply. First, WTO members must publish promptly, and except in emergency situations, at the latest by the time of their entry into force, all relevant measures of general application which pertain to or affect the operation of the GATS. If publication is not practicable, the information should be made otherwise available. Second, they must reply promptly to requests for information from any other

member and should establish enquiry points for this purpose (developing countries are allowed a longer time to comply). Third, they can notify the Council for Trade in Services of measures taken by other members which they consider affect the operation of the agreement. However, members are not required to provide confidential information if disclosure would impede law enforcement or otherwise be contrary to the public interest or which would prejudice legitimate commercial interests of particular enterprises, public or private.

No other obligations apply unless a country specifically chooses to make GATS commitments on education services.

The difference between trade and trade agreements

If a country decides not to make commitments under the GATS on education services, trade itself will not stop. Indeed, as shown in previous chapters, trade in education services has developed and is increasing, largely independently of the GATS. Trade agreements may facilitate or encourage trade, but trade is rarely initiated by trade agreements (indeed, such agreements tend to be developed in response to trade that is already under way). Thus whether or not a country decides to make GATS commitments on trade in education services, it will still need to deal with many of the issues and challenges that arise from that trade. Indeed, many of the policies that may be needed to manage this trade are unconnected with, and unaffected by, the GATS. This is certainly the case with trade in educational services, where student visa requirements and policies regarding quality assurance, accreditation and recognition of qualifications are much more important to facilitate it.

The question could then be asked, "Why make GATS commitments?", GATS commitments provide foreign suppliers with some predictability and certainty. They can therefore serve to attract foreign investment. However, governments also wish to maintain policy flexibility. While the GATS is a flexible agreement, which allows governments to calibrate their commitments and give themselves room to manoeuvre, some governments may not wish to enter into any commitments. To make this judgment, they must take account of a full range of national policy objectives and interests. For example, the GATS does not prevent members from maintaining monopoly or exclusive suppliers; in fact, it specifically recognises that these are likely to exist or that members might introduce them.

With an increasing number of countries entering into regional trade agreements, a final consideration may be whether countries would consider liberalising trade in education services in the context of a regional trade agreement, but not under the GATS. Whether this is an attractive option will depend upon a country's assessment of, *inter alia*, whether its trade interests are regional or global (*e.g.* some countries may feel more comfortable opening up to foreign investment from their neighbours, but their export interests – such as temporary movement of personnel – may be more global in character); the extent to which key shortages expected to be filled through trade can be met from the parties to the regional agreement instead of from worldwide sources; and the relative costs and benefits of negotiating efforts, relative negotiating power and the scope for leveraging the outcome of one process in the context of another. When countries are involved in deep integration agreements (*e.g.* the European Union or the Southern African Development Community), the broader goals of these agreements may also be relevant.

Liberalisation and regulation

One final point of clarification is that liberalisation is not synonymous with deregulation. The liberalisation process actually often necessitates re-regulation or

regulatory reform. Liberalised markets pose different – and often greater – regulatory challenges and require different kinds of regulatory structures. It is normally easier to regulate a state-owned monopoly than a market with multiple participants that include some foreign ones. Equally, however, while the regulatory challenges may be more complex, regulatory failure is by no means limited to liberalised markets.

It is increasingly recognised that liberalisation needs to be underpinned by appropriate regulation, and that this regulation should be in place before market opening. However, it is also increasingly recognised that developing countries face particular challenges in terms of lack of regulatory capacity (including for enforcement). Decisions about liberalisation must take careful account of the regulatory framework needed.

6.3.2. Public funding and subsidies under the GATS

What is the impact of the GATS for public funding and subsidies in post-secondary education? The claim that any commitment to the GATS will automatically put an end to public funding or subsidies and necessarily lead to the progressive privatisation of higher education is unfounded. Some believe that liberalising international trade in educational services under the GATS might force governments to stop funding their own higher education institutions or students so as not to have to finance every foreign student and every foreign higher education institution. In fact, each country is free to decide to what extent it will publicly finance higher education for its own citizens and whether or not it will extend that funding to foreign students or education providers. This prerogative cannot be called into question by the development of trade in educational services or by GATS negotiations on liberalisation.

Public funding under the GATS

Under the GATS, there is no discipline compelling member countries to finance foreign educational institutions trading internationally in mode 3 (foreign presence abroad or, in our terminology, programme and institution mobility), merely because they finance their own educational institutions. Nor are national governments compelled to subsidise foreign students participating in mode 2 international trade (consumption abroad or, in our terminology, student mobility) because they subsidise their own students.

From the education point of view, a key exclusion of the GATS is for governmental services. The exclusion for governmental services means that none of the disciplines of the agreement applies to them, and no commitments on market access or national treatment covering these services can be made. 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; this means that governments can grant their own public educational institutions and citizens favourable treatment if they wish to do so. There has been much debate about what governmental services actually cover. The general view is that it means services provided "not-for-profit".

However, those opposed to the inclusion of educational services in the GATS negotiations rightly draw attention to the ambiguous definition of public services under GATS. Some public higher education institutions do provide some services on a commercial basis and in some areas compete with institutions that provide their services commercially. Consequently, some agree that these activities would not be covered by the

exclusion for public services. In the absence of a consensus, to clarify it, the scope of the exclusion is unclear.

Some have argued that WTO members should agree an authoritative interpretation to clarify the meaning of this provision. They argue that such a clarification could specify that, for example, the existence of private providers in the education sector does not automatically mean that all public providers are "in competition" with them and are thus brought under the GATS. Others point to the difficulty of finding a definition which would cover the range of health provision models found in all (148-odd) members. They argue that the breadth of the existing definition allows all WTO members to interpret it to cover their systems and that attempts to clarify it might have the paradoxical effect of narrowing the range of systems covered. While the debate about the best way to deal with this continues, all WTO members attach great importance to the principle of excluding their governmental services from the GATS, and none has indicated an interest in narrowing the exclusion. 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.[14] This was a strong signal, but it does not rule out a change of interpretation in future.

In any case, WTO members can define for themselves the exact scope of any commitment they wish to make on educational services, describing what is covered and what is not within their own system. They are free to set as many restrictions as they wish with regard to the liberalisation of a services sector. Therefore, nothing can compel a country to finance domestic and international students and institutions in a non-discriminatory way if it does not wish (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 into question of public subsidies or their extension to international institutions or students. A number of WTO members that made commitments for education services stipulated that they covered only private or privately funded services. Some members have also indicated in their horizontal commitments that public services are excluded for all sectors listed in the schedule.

Subsidies under the GATS

There are currently no disciplines on subsidies under the GATS. The GATS contains a number of areas of unfinished business – issues that were not completed by the end of the Uruguay Round and for which it was considered that more time was needed to undertake negotiations to determine whether or what type of disciplines were necessary. The main areas of unfinished business are government procurement, subsidies, emergency safeguards and disciplines applying to certain types of domestic regulation. There is a mandate (Article XV) to enter into negotiations with a view to developing the necessary multilateral disciplines to avoid the trade-distortive effects of subsidies. Indeed, the GATS does not condemn subsidies *per se*, but recognises that, under certain circumstances, they may have distortive effects on trade. To date (2004), progress under this mandate has been largely limited to information exchange among members on subsidies applied in services. A questionnaire developed at the request of members in 1996 has had few responses, notably because members have experienced difficulty in identifying what might constitute a subsidy, and a subsidy with trade-distortive effects, in services.[15] Notwithstanding the absence of disciplines on subsidies, where a country maintains discriminatory subsidies

(*i.e.* subsidies that are available to nationals but not to foreign suppliers) they should be scheduled as restrictions on national treatment, if a commitment to provide national treatment is being made.

The need for technical assistance for trade negotiations

As shown above, the GATS has no discipline that compels WTO members or countries making commitments in education services to abandon the public funding of their post-secondary education system or extend it to foreign institutions or students, unless they decide to make such a commitment. The public education sector is in principle not covered by the negotiations and no member country has yet expressed interest in including it. Annex B gives a brief overview of the state of play for educational services in the GATS negotiations in 2004.

Given the technicalities of the GATS negotiations and the importance of commitments, there is a need for technical assistance to countries with insufficient capacity for trade negotiations. Although this need is already met by several OECD countries, the WTO Secretariat as well as by other organisations like the World Bank, more help could be given. Moreover, it is important to ensure strong domestic co-ordination between trade negotiators and education stakeholders. Countries like Australia, Norway, Japan or Malaysia have involved both their education and trade ministries in the negotiations on educational services under the GATS.

6.4. Cross-border post-secondary education and quality of education

The impact of cross-border post-secondary education and trade in educational services on the quality of educational provision is one of the major policy issues and one that cannot really be dissociated from cost. In discussions on cross-border post-secondary education, all agree that quality is a central and very complex issue (Knight, 2003). New trends in cross-border post-secondary education may have positive or negative effects on the quality of post-secondary education at both domestic and cross-border levels. How can quality provision be ensured? What impact are commercial cross-border post-secondary educational activities and market forces likely to have on the quality of higher education? In this context, what are the issues for recognition of qualifications obtained through cross-border post-secondary education?

Quality of cross-border post-secondary education is crucial for governments of both receiving and sending countries, whether their concern is skilled migration, income generation or capacity building (see Chapter 5). Quality is also an essential concern both to students and to institutions. The problem of the quality of post-secondary education is more acute for cross-border than for domestic provision of education. At the domestic level, there are several types of quality assurance models for educational institutions. Regional or national public authorities and/or independent quality assurance bodies provide credible guarantees regarding the quality of the educational services that institutions provide (OECD, 2004a; van Damme, 2002). Furthermore, national students have better access to reliable information about educational institutions and a much better understanding of this information than international students. There is a greater risk of receiving poor quality education in cross-border than in domestic provision of education. The relative opacity of information at international level gives degree mills more opportunities to operate at this level than domestically, and they typically take the form of "foreign institutions".

It is beyond the scope of this chapter to deal with the issue of quality in a comprehensive way. Another OECD publication, *Quality and Recognition in Higher Education – The Cross-border Challenge*, is entirely devoted to examining existing domestic and international regulatory frameworks (OECD, 2004a). This section aims to show the main quality issues that may arise for cross-border post-secondary education. It stresses that quality is a common concern for both sending and receiving countries (Section 6.4.1), before showing how new forms of cross-border post-secondary education raise new quality challenges and offer more potential scope for fraud (Section 6.4.2). The possible impact of cross-border post-secondary education on the quality of domestic higher education systems is then examined at the institutional and national levels (Section 6.4.3). The following section (Section 6.4.4) turns to the increasing need for recognition of qualifications and the possible impact of the GATS negotiations in this realm: it shows that the GATS does not jeopardise the competent domestic authorities' right to regulate the quality of higher education, but that trade agreements may put greater pressure on governments and the education community to tackle the recognition issue. Section 6.4.5 shows the need for more transparent information and calls for national and international initiatives to strengthen quality provision in cross-border post-secondary education.

6.4.1. Quality as a common concern in sending and receiving countries

Countries providing and receiving cross-border post-secondary education have a common interest to strengthen quality provision and to co-operate to limit possibilities of fraud: importers, in order to protect their learners and society; exporters, in order to maintain their reputation and ensure their attractiveness.

From the import or demand point of view, "consumer protection" or "learner protection" is one reason why quality of cross-border educational provision is so important. Countries importing educational services need to ensure that their nationals receive quality education when they enrol in a foreign post-secondary education. This is particularly important when governments fund the mobility of their students, for reasons of public accountability, and even more so when they invest heavily in cross-border post-secondary education, for example under capacity-building rationales. Beyond ensuring that students are not cheated by fraudulent institutions, the quality of education may also have economic or social consequences at the macroeconomic level. Professionals who have been poorly trained may do damage in the countries in which they work. The problem becomes more severe as commercial provision of cross-border post-secondary education increases. It is important that institutions providing cross-border education for profit not be tempted to sacrifice quality for easy short-term benefits, a temptation that is arguably much weaker when the benefits are not financial.

Quality of cross-border provision has also become crucial for exporting countries as a kind of "industry brand protection". Countries taking an income-generation or skilled-migration approach to cross-border post-secondary education are also concerned with the quality of provision delivered to international students, either to enhance the attractiveness of their higher education system for the most skilled international students or to secure their market.

Reputation is a major source of the attractiveness of higher education institutions, and quality of provision is obviously one of its essential components. Quality plays an important role in both the skilled-migration and income-generation approaches because it facilitates the enrolment of international students. It is potentially less important for the

mutual-understanding approach, as competition rationales do not play an important role in the exporting country's strategy. Countries (and institutions) that actively recruit international students and scholars need to ensure a high quality of educational provision in order to keep (or improve) their reputation and remain (or become) attractive. Although quality does not rank as high as one would expect in students' choice of where to study (see Chapter 4), it remains an important factor. As noted in Chapter 4, in considering where to study, mobile students' key choice factors are, in order, country (54%), course (18%), institution (17%) and city (10%) (EduWorld, 2001). While awareness of quality (or even reputation) of institutions is mostly local (and difficult to compare across countries), international students clearly tend to assimilate institutions with their country and to build their perceptions on the assumption that quality depends on perceived quality of post-secondary education in a given country rather than in a specific institution. This is evident in a study of Chinese students who tend to separate countries (rather than institutions) into "reputation tiers". The attractiveness of a foreign post-secondary education institution will not depend merely on its objective quality but on the overall perception of the quality of the country's post-secondary education. Countries and institutions that wish to attract international students (rather than just let them in) have to make sure that the reputation of their higher education system is not damaged by the misbehaviour of certain institutions.

Marketing domestic higher education systems abroad is one way to give information to potential international students and to enhance the visibility and reputation of the system abroad. This is particularly useful outside countries' geographic or traditional linkage zones and increasingly so when most exporting countries undertake this activity. In the skilled-migration approach, this concern tends to be limited to purely academic quality, but countries increasingly recognise that quality of other services like courses in English, intensive linguistic support, accommodation support, etc., can make a crucial difference. In the revenue-generating approach, those ancillary services are commonplace, but given the existence of a tradeoff between the financial revenue received and the quality of the education of the international students they enrol, the temptation to lower quality may be greater. It is important to ensure that such issues are not likely to arise.

Finally, the reputation of higher education can be affected by fraudulent foreign institutions. Under commercial provision, some post-secondary education institutions can claim that they offer (for example) UK, US or Australian post-secondary education, even though they have no relationship to the UK, US or Australian post-secondary education systems. Such behaviour does not fall under the jurisdiction of the UK, US or Australian governments, and it can harm the reputation of their post-secondary education systems and institutions. Australia and the United Kingdom are therefore both considering developing a "quality brand", based on the model of the woolmark, that would identify Australian and British institutions operating abroad that are recognised by their respective governments as a way to avoid harm being done to their reputation by an unauthorised educational institution.

6.4.2. Quality issues in cross-border post-secondary education

Quality issues take different forms depending on the type of cross-border mobility involved and require different policy instruments.

First, quality of cross-border education is more at risk under commercial than non-commercial provision (which does not imply that quality is lower when it provided commercially than when it is not). When programme and institution mobility does not

generate income, post-secondary education institutions have no incentive to lower their quality standards: they tend to partner with good quality partners and/or to deliver education at their home quality standards. However, given the costs involved by such activities, institutions may in some cases have difficulties in keeping up these standards. When programme and institution mobility generates money (whether subsidies or profits), the possibility of misconduct is greater, although students or importing countries may be more vigilant if they pay full cost for the educational services. Again, this does not imply that quality of cross-border post-secondary education is higher under not-for-profit than under for-profit provision, but just that the incentives for misconduct (*i.e.* to lower their standards of quality) are higher.

The rise in cross-border post-secondary education and in international trade in educational services carries new potential quality risks for post-secondary education because existing national frameworks for quality assurance, accreditation and recognition of qualifications in higher education are often insufficiently prepared to address cross-border and private provision (OECD, 2004a). Contrary to public institutions, which are generally quality controlled by the relevant authorities, private institutions may not be subject to such controls or may not even fall within the scope of quality assurance and accreditation systems in some countries, although it is generally in their interest to be quality assured and accredited whenever possible. Some (mostly non-OECD) countries have quality assurance systems for their private sector, but not for their public higher education institutions. In other countries, especially in the developing world, no domestic quality frameworks exist, leaving degree mills free to operate. While existing quality assurance and accreditation systems limit the risks of poor quality provision for student mobility, this is much less true for programme and institution mobility.

Quality in student mobility

In cross-border student mobility, quality issues are partly resolved by national quality assurance and accreditation systems, at least when international students opt for traditional, nationally accredited institutions. The problem tends more to be in the sometimes ill-informed choice of foreign universities by international students, when foreign qualifications are not recognised (upon arrival in the host country or on their return home).

Quality issues may also arise at institutional level: post-secondary education institutions may accept below-standard quality from international students, for example by giving them the "benefit of the doubt" in the case of insufficient linguistic abilities (Auditor General Victoria, 2002) or by loosening their admission criteria. Although this can harm their domestic reputation and diminish the value of their degree on the labour market, it may not happen if international students represent a small share of all graduates. Moreover, post-secondary education institutions may sometimes teach international students separately; this can diminish the value of their learning experience (while preventing possible adverse academic effects on domestic students). Quality assurance and accreditation procedures do not always take into account the presence of international students. Besides their regular quality assurance system, Australia and New Zealand have developed codes of good practice for the protection and support of international students. Countries like Malaysia have also developed agencies abroad to assist their mobile students in their study abroad.

Quality in programme and institution mobility

Programme and institution mobility carry greater quality risks, because they are new, less stable and often currently do not fall within the scope of the quality assurance and accreditation systems. Quality risks are more or less acute depending on the form of cross-border post-secondary education mobility. As discussed in Chapter 5 and exemplified in the regional chapters, commercial provision of cross-border post-secondary education through programme and institution mobility can take various forms: distance education, twinning arrangements, franchising arrangements, branch campuses and foreign-owned institutions. Chapter 4 noted that institution mobility through branch campuses or foreign-owned campuses allows universities and providers to exert greater quality control than programme mobility through a franchise.

In franchising programmes, a university (or provider) partners with a foreign institution that teaches the whole educational programme in the foreign country, provides curricula, assessment and quality assurance and puts the university crest on the degree certificate. A foreign post-secondary institution offering franchised programmes needs to follow carefully the implementation of the contract by its local partner to avoid any possibility that the local provider "rents" the foreign university's credentials while providing teaching and assessment of dubious value.

The foreign branch campus is more likely to replicate the traditional on-campus student experience than a franchise education programme. There is greater potential for conducting research and for community service, as well as teaching. The presence of a local campus demonstrates a high commitment that has spin-off benefits, such as an edge in bidding for local government projects and better links with industry. At the same time, the investment in land, capital assets and other physical resources is costly and exposes the exporting institution to much greater financial risk than franchise arrangements, where the local partner provides the infrastructure. This greater financial risk (and other factors) might lead offshore campuses to offer a lower quality of educational provision than their parent institutions. To prevent a decline in the quality of education provision abroad (and at the same time support the international activities and reputation of their own institutions), the British and Australian governments have set up a quality assurance system for the international activities of their universities. Conversely, the Malaysian, Australian and Hong Kong (China) governments inspect foreign educational institutions operating on their soil (McBurnie and Ziguras, 2001). Foreign branch campuses may thus be subject to the quality assurance systems of both countries. Similarly, foreign-owned institutions may or may not be accredited and quality-assured in the host country. Depending on the country, they may or may not fall within the scope of the host country's quality assurance framework.

In twinning programmes, students enrol in their home country for the first stage of the degree or diploma and move to the foreign country for the last stage. The quality of provision is more readily maintained under this arrangement than with franchising, because the practical requirements of the last stage force an effective alignment of educational provision in the two institutions. Similarly, non-commercial academic partnership collaborations between institutions often lead students to get double rather than joint degrees, so that the programme has to meet quality requirements in both countries.

Finally, distance education is potentially the most problematic type of cross-border education, 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 virtual organisations can more readily than others escape the control of relevant authorities. This explains, perhaps, why the larger-scale virtual programmes are 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). In most cases, quality assurance procedures for distance education, including e-learning, still need to be developed.

In sum, cross-border activities through programme and institution mobility, practices and requirements of quality assurance and accreditation are very varied. They are not necessarily – although they are sometimes – subject to the quality assurance and accreditation system of the host country. In certain cases, they are not eligible to be accredited or quality assured in the host country. Some are quality assured by global or other countries' national quality assurance agencies. Others may be accredited and quality-assured for their cross-border activities in their home country or not quality assured at all. This diversity shows that responsibility in this realm is not yet clearly identified. The multiplicity and, in many cases, opacity of quality assurance arrangements still leave room for rogue or poor quality educational providers to enter education markets.

Fighting fraud

Fraud is another new phenomenon that has emerged with the growth of cross-border post-secondary education (Campbell and Middlehurst, 2003). In the education context, fraud means knowingly selling and/or buying fake degrees or certificates with no educational counterpart or an education of very low quality. In some cases, "students" are aware of the fraudulent character of the activity. In other cases, however, they are cheated by the rogue institutions or providers. Beyond degree mills, fraud can also concern independent quality assurance and accreditation agencies that sell accreditation with little regard for quality: these are known as "accreditation mills".

Fraud can thrive with the growth of cross-border post-secondary education and the relative lack of transparency that has often accompanied it. Indeed, most students and employers often have no easy way to find out whether a foreign institution really exists and what its quality is. The increase in fraud cases puts the recognition of foreign education qualifications at risk as well as the reputation of well-established national higher education systems. More generally, it lowers the overall perception of the quality of cross-border post-secondary education. When fraud is perpetrated intentionally by the "student", it turns into a matter of criminal law and the possible policy reaction goes well beyond quality assurance and accreditation.

6.4.3. Does cross-border post-secondary education affect the quality of domestic post-secondary education?

Cross-border post-secondary education may affect the quality of domestic post-secondary education positively or negatively through mechanisms that are quite different at institution and system levels.

Academic quality at institutional level

In most cases, cross-border post-secondary education is supported for its positive effects on the quality of domestic post-secondary education. From a government, student and institutional viewpoint, this is an important reason to engage in and support cross-border

education. Cross-border mobility of people, educational programmes and institutions allows for the training of human resources, for knowledge and information sharing as well as for networking, all of which are crucial for quality academic research, teaching and learning. The circulation of academic ideas and competence across borders is important not only to create better understanding among people but also to stimulate innovation in the academic world. Moreover, programme and institution mobility can help improve the quality of a domestic system through knowledge spillovers between foreign and domestic institutions and through the training of domestic scholars, especially when the domestic country's post-secondary education system lacks quality. Co-operation partnerships between institutions from developed and developing countries can improve the quality of the (generally more recent) higher education institution in the developing country. Some developing countries deliberately encourage foreign institutions from developed countries to partner with their local institutions in order to improve the quality of their higher education system (see Chapters 2, 4, and 5 for a summary). Co-operation between institutions from developed countries has also developed strongly over the past decades.

Cross-border education may raise some quality concerns from the perspective of both international and domestic students. When the number of foreign students increases in an institution, maintaining quality in educational provision depends on the linguistic skills of the foreign students. According to their skills, foreign students will have a higher or lower probability of success in their studies but also of slowing the progress of domestic students. This issue is addressed in most but not all receiving countries, by conditioning the admission of foreign students on language tests or by offering intensive language courses to international students. Avoiding too great a concentration of international students in the same class is also important for the quality of their cross-border academic experience. Concentration may lead at worst to a two-tier education for domestic and international students.

As suggested above, admission criteria for foreign students are another concern for the domestic higher education system: if they are lower than for domestic students, they raise both equity and quality issues. Institutions might be led to adapt their academic offer to students of lower abilities and drop their quality standards. This is unlikely to arise unless international students represent a large share of enrolments. Domestic quality assurance and accreditation systems can help to prevent such possible alterations of domestic quality standards for post-secondary education.

Market forces and quality at the system level

The growth of cross-border post-secondary education also has implications for the quality of domestic post-secondary education systems as a whole. The increase in competition due to cross-border post-secondary educational provision can affect the quality or the credibility of the domestic post-secondary education system, either positively or negatively. Of course, the introduction of market or quasi-market forces in a domestic system need not rely on (for-profit) cross-border education: domestic providers can do this, since market forces are present at the domestic level in the private education sector. To a great extent, liberalisation operates like privatisation and raises the same quality issues.

Some governments encourage for-profit cross-border educational activities in their country in order to introduce market forces in their post-secondary education system. In most cases, the reasoning is that quality will be enhanced in a more market-driven environment because quality will represent a comparative advantage for educational institutions: education institutions are pressed to improve or maintain quality services in

order to remain profitable. Moreover, the financial resources generated by for-profit activities can give universities the means (and motivation) to enhance the quality of their facilities, libraries, recruitment and student management, and subsequently to enhance the quality of their educational services. Successful for-profit providers generally have strong internal quality assurance systems (Cunningham *et al.*, 2000), offer good training to their teaching staff and, in several cases, undertake research on their teaching methods. Market forces should lead educational institutions to adjust better to students' needs and demands. Hence, liberalisation can be a means to improve the quality of the whole domestic for-profit higher education system. This is particularly true for professional and corporate training in the OECD area, where domestic demand is often satisfied by private for-profit providers. By widening the domestic supply, foreign for-profit providers can also indirectly put pressure on public post-secondary education institutions to be more innovative and efficient in their management.

Although the introduction of market forces through cross-border post-secondary education may enhance the quality of the domestic post-secondary education system, in a context of imperfect information it may also affect it adversely. Education is typically a service involving asymmetric information between teachers and learners, institutions and students: institutions have better information than students on the quality of their teaching. Information economics has demonstrated that asymmetric information between provider and consumer may lead to adverse selection: if there are two quality levels of services (high and low) on the market, all high-quality services will be crowded out, leaving only poor-quality services to be traded (see for example the pioneering paper by Akerlof, 1970). To overcome the problem of adverse selection, educational institutions can endeavour to signal the quality of their services to students (*e.g.* by guaranteeing outcomes, publishing examination results or details of salaries/posts obtained by former students). Reputation alleviates the problem to some extent, but to a lesser extent for cross-border than for domestic provision (given that information on reputation is typically less accurate). The main solution lies however in bringing in a third party with consumer credibility to certify the quality of education in institutions. Existing quality assurance and accreditation systems play precisely this role, but, again, in many cases, they do not cover for-profit or foreign institutions' activities. In that case, competition from cross-border providers may negatively affect the quality of the whole private (for-profit) sector, leading to an alignment on the cheapest, not necessarily quality, standards.

Finally, leaving aside the cross-border dimension, the existence of a tradeoff in higher education institutions between adaptation to demand and academic freedom should be borne in mind: some independence with respect to market demand has been an essential element of higher education, though not of vocational or corporate post-secondary education. If universities have traditionally been not-for-profit institutions, even when operating privately, it is precisely so that they can defend values and intellectual positions that are independent of market demand (Larsen and Vincent-Lancrin, 2002). Market forces may lead private for-profit educational institutions to teach or credit false theories merely because they are in demand (for reasons of religious belief, for example). An economy drive might also lead to course standardisation and to the undermining of academic freedom (and to the recruitment of less qualified teaching staff). Market pressures can also affect research, with some institutions purely and simply dropping research on the grounds of profitability, or restricting it to non-innovative research that presents less risk of failure: some private for-profit universities now focus more on teaching than on research (Ruch,

2001). In this context, quality assurance procedures become even more crucial for safeguarding the fundamental values of higher education.

Market forces aside, cross-border post-secondary education through programme and institutions mobility may also have a destabilising effect on the public post-secondary education system. The attractiveness of a post-secondary education partly depends on perceptions of quality, right or wrong, not only on the actual quality of educational provision. In developing countries, post-secondary education institutions from developed countries are generally perceived as providing good quality, regardless of the actual quality of what is provided, especially when they come from English-speaking countries. If domestic students (and employers) perceive the quality of public domestic institutions as lower than that of (for-profit) foreign institutions, such institutions could attract the best students and, in this respect, lower the quality of the public domestic post-secondary education system, although not necessarily that of the whole system. In countries where the public sector is currently perceived as offering the best quality post-secondary education or where there exists a clear and formal hierarchy among institutions, as in India, franchises involving foreign institutions and relatively "low-quality" local providers may alter the current system, especially for middle-quality institutions. So-called "low-quality" institutions may improve their quality through cross-border partnerships, and collaboration with foreign providers may be a sign of their dynamism. Given their prestige, elite institutions in developing countries do not generally tend to seek foreign partners, so that partnerships with foreign institutions through franchises and other commercial arrangements are generally more frequent between middle-quality or low-quality institutions that play the international card to become more prestigious, and they may have legitimate grounds for doing so. However, receiving countries should ensure that perceptions more or less match actual quality at domestic level by extending their quality assurance systems to educational provision through cross-border arrangements.[16]

For their part, if foreign institutions do not monitor thoroughly the use of their "brand", they may unknowingly allow low-quality provision in the domestic country and harm domestic middle-quality institutions (or the reputation of their own country). It is thus important for foreign institutions to be cautious when engaging in their commercial and non-commercial partnerships.

6.4.4. Quality assurance, recognition of qualifications and trade agreements

The development of cross-border post-secondary education increases the need for recognition of education and degrees acquired abroad. However, there is the obstacle of possible differences of quality and/or of requirements for students and institutions in post-secondary education systems. Trade agreements with clauses on recognition of professional qualifications create increasing pressure for better co-ordination of qualifications at academic and professional levels. However, the setting of quality standards is outside the scope of trade agreements and of the GATS in particular.

Recognising qualifications

Recognition of degrees is important to facilitate study abroad periods and to allow students holding foreign degrees to work in their own country or, more generally, in the international labour market. Lack of recognition of foreign qualifications is an obstacle to cross-border education: in their home country, there may be a disincentive for students to study abroad if their qualifications may not subsequently be recognised in their own country;

also, students' options for undertaking further study abroad may be limited from the start if their basic home country qualifications are not recognised by the foreign institution for the purpose of enrolling in higher education or further training. In the Bologna process (see Chapter 3), Europe has developed a policy to facilitate the recognition of foreign studies through the harmonisation of degree structures and creation of a clear explanatory document to accompany diplomas. Although equivalence of degrees is often acknowledged, recognition of foreign studies and degrees remains a case-by-case decision in most cases, including in Europe. Mutual recognition of courses, programmes and degrees is more likely to be automatic in cases of academic partnerships and bilateral agreements between institutions.

Lack of recognition of foreign qualifications can also be a driver of cross-border education. Students may seek to acquire foreign qualifications – for example, by studying abroad, undertaking distance education with a foreign provider or attending the campus of a foreign university established in their home country – to facilitate possible employment in countries where their home country qualifications may not be recognised, or by multinational companies, which may value qualifications from particularly prestigious institutions or commercially important jurisdictions. Trade agreements on professional services represent another driver (OECD, 2004a). Such agreements are not concerned with educational degrees and certificates, but there are obvious links between recognition of foreign academic and vocational degrees and of professional qualifications.

The GATS, recognition and quality assurance

Some opponents of the inclusion of education services in the ongoing GATS negotiations fear that commitments under the GATS might jeopardise the sovereignty of national systems to regulate quality and force them to recognise all foreign degrees regardless of quality or quality standards. This is not the case.

A full chapter of the OECD report, *Quality and Recognition in Higher Education: The Cross-border Challenge*, explores in depth the coverage of recognition of professional qualifications by the GATS and a range of bilateral and regional trade agreements (Nielson, 2004; OECD, 2004a). It argues that trade agreements have so far played a limited role in encouraging recognition of professional qualifications, and that, in the short term, progress may depend more upon the creation of the right system of incentives to encourage professional bodies to embark on complex negotiations. The growth of cross-border professional and student mobility may create pressures to find solutions to the problem of recognition.

The GATS does not provide for, or seek to undertake, recognition. It merely permits members, in pursuing their own recognition initiatives, to break the MFN rule by according recognition to some WTO members and not to others. GATS Article VII on recognition acknowledges that recognition will take place elsewhere, through bilateral or plurilateral agreements among WTO members. The links back to multilateralism are via requirements for these agreements to be notified to the WTO so that other interested members can know about the agreements. These members must be provided with the opportunity, if they wish, to negotiate to join existing agreements or negotiate comparable ones (but there is no requirement that the recognition should be extended, *i.e.* that the negotiations must succeed).

Overall, given the variety of approaches taken by WTO members (which reflect their particular social choices), and the important policy objectives involved, there are no requirements in the GATS regarding the *substance* of recognition (*i.e.* the particular standards to be applied). Disciplines regarding recognition in the GATS framework leave considerable

regulatory flexibility to members to accord recognition as they see fit. The choice of standards or criteria to apply is a matter for each WTO member to determine. While the same standards must be applied to service suppliers from all WTO members, not all service suppliers from all WTO members may meet those standards and will thus be granted recognition.

While not mandating their use ("wherever appropriate") or development ("in appropriate cases"), international standards are encouraged, both for the practice of professions and for the granting of recognition, although it is envisaged that these standards will be developed, not in the WTO but by members working in co-operation with relevant intergovernmental and non-governmental organisations.

Article VI:4 mandates the development of any necessary disciplines to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services. According to the Article VI:4 mandate, any disciplines developed should ensure that measures not subject to scheduling under Articles XVII (national treatment) or XVI (market access) relating to qualification requirements and procedures, technical standards and licensing requirements are based on objective and transparent criteria, such as competence and ability to supply the service; are not more burdensome than necessary to ensure the quality of the service; in the case of licensing procedures are not in themselves a restriction on the supply of a service. These disciplines do not exist as yet. Progress in negotiations under Article VI:4 has been very slow and views of WTO members differ about the sorts of discipline that should be developed. The most controversial provision has been the requirement that any measures relating to qualification and licensing requirements and procedures and technical standards should not constitute unnecessary barriers to trade in services.

In terms of the possible impact of disciplines that might be developed under Article VI:4 on recognition, several points are worth noting. First, there is a general understanding that such disciplines could only deal with non-discriminatory measures. Second, it is unclear that these disciplines will affect a country's ability to set for itself the level that defines the "quality of the service"; that is, possible disciplines could deal with whether a particular requirement is necessary to guarantee that level of quality, but could not question the setting of the quality standard at that level. Third, experience with recognition actually suggests that determinations under possible Article VI:4 disciplines on whether particular licensing or qualification requirements are more trade-restrictive than necessary are likely to be difficult. The limited progress on recognition agreements suggests that it has been very difficult for countries to reach a common view on whether different measures or systems meet the same objective in an appropriate fashion. The lack of agreed international standards in most services sectors is both a cause and effect of the difficulty of making such determinations.

6.4.5. The need for transparent information and international initiatives in quality assurance

What can be done to ensure that international students receive good quality education? What can be done to ensure that educational institutions are not (or do not act like) degree mills on the international education market?[17] Developments in cross-border post-secondary education highlight a need for more transparent information about institutions and systems of quality assurance worldwide and a need for more comprehensive coverage of cross-border post-secondary education activities at the domestic level. The numerous quality issues raised by cross-border post-secondary

education are due to the variety of higher education systems worldwide and the imperfect information about those systems, which increases the room for rogue providers (degree mills) and rogue quality assurance and accreditation agencies (accreditation mills) to operate and the risks that learners will receive a low-quality education and qualifications with questionable validity. Countries should work to build or extend their quality assurance and accreditation systems to cover the cross-border post-secondary education activities of their post-secondary institutions where necessary. As evidenced by the OECD report (OECD, 2004a), existing national frameworks of quality assurance, accreditation and recognition of qualifications in higher education are, in many cases, as yet insufficiently geared towards addressing cross-border and private provision.

New developments in cross-border post-secondary education raise new challenges:

- Learners need to be protected from the risks of misinformation, low-quality provision and qualifications of questionable validity. Strong quality assurance and accreditation systems, with coverage extended to cross-border and commercial provision and non-traditional delivery modes, should guarantee that learners are safeguarded from rogue providers and acquire qualifications that are meaningful and valid.
- Qualifications should be readable and transparent in order to increase their international validity and portability and to ease the work of recognition arrangements and credential evaluators. Reliable and user-friendly information sources on national education systems and qualification frameworks should enhance the transparency of qualifications and inform their holders of their academic and professional validity in the various national systems.
- National quality assurance and accreditation agencies need to intensify co-operation at international level in order to increase their mutual understanding. By developing principles of good practice and their own standards of professional quality, agencies should guarantee that they themselves are trustworthy, that rogue accreditors can be identified and that an international network of quality assurance can be constructed to safeguard academic standards of provision and qualifications.

Of course, during the past decades, various measures, policies and regulatory frameworks have been developed to address these issues and policy objectives. Most measures have been taken at national level, but principles have been adopted and binding conventions on academic recognition have been approved at international level as well. In academic recognition, the international legal and administrative frameworks are largely in place, with UNESCO's regional conventions on recognition; in others, more action is needed to reach the above-mentioned goals (OECD, 2004a; van Damme, 2002; van der Wende, 1999). For example, the UNESCO Global Forum on International Quality Assurance, Accreditation and the Recognition of Quality Assurance in Higher Education, which was launched in October 2002, brought together stakeholders in higher education from Africa, the Arab States, Asia and the Pacific, Europe and North America, Latin America and the Caribbean as well as the Mediterranean. Recognising that existing international frameworks need to be reinforced, it has recommended in its Action Plan that the Regional Conventions on the Recognition of Qualifications (in Africa, the Arab States, Asia and the Pacific, Latin America and the Caribbean and the Mediterranean) need to be reviewed and updated in response to the challenges of cross-border higher education provision, including consumer protection. UNESCO-CEPES and the Council of Europe have also developed a "Code of good practice in the provision of transnational education".

There is a large consensus that existing national and international initiatives need to be co-ordinated and strengthened to meet the policy goals of protection of learners, greater transparency of qualifications, fair and transparent recognition of professions, and increasing international co-operation among national quality assurance and accreditation agencies. In this context, UNESCO and OECD have been asked by their respective constituencies to work on the development of guidelines on "quality provision in cross-border higher education". These guidelines will list the principles underlying actions recommended to governments, higher education providers, as well as quality assurance and accreditation agencies, professional bodies, etc. They will be based on the assumption that countries prefer to have national authority over quality assurance and accreditation issues as well as recognition of qualifications, and thus rely on mutual trust and respect among the diverse stakeholders involved in decisions about these areas.

6.5. Building capacity for post-secondary education through cross-border post-secondary education: development issues

While most OECD countries have built capacity in post-secondary education that largely matches their educational needs, expanding participation in post-secondary education is a considerable challenge for developing countries (see Section 6.1.1 and Table 6.1). In these countries, governmental authorities face growing pressure to increase access to higher education owing to an increasing number of eligible students and a growing population in the young age groups. In the past, OECD countries faced the same issue and responded by building sufficient national capacity. They have also tried to adjust their systems to the changing needs of their societies and economies. The rise of cross-border education now gives developed and developing countries the opportunity to complement, maintain or build capacity in higher education with the help of foreign resources.

Increased access to post-secondary education and a well-trained population contribute to a country's growth and development. It is important to consider whether increased access through cross-border post-secondary education is as conducive to economic growth as increased access through the development of domestic capacity. The economic situation of importing countries and the different forms of cross-border provision enter the equation. Beneficial to developing countries in some respects, growing trade in cross-border education may also involve new costs in other respects. After looking at trends in brain circulation, including risks of brain drain, incurred by cross-border student mobility, this section examines how new forms of cross-border post-secondary education can appear as a solution to brain drain. In emerging economies, international trade in educational services may also foster economic expansion by rapidly broadening participation in post-secondary education, something that is not feasible in their current national systems. However, development assistance to build capacity in cross-border post-secondary education is also an important issue. In less developed countries, it is another way to build capacity in higher education and to train the necessary future academics to work in and develop a local higher education system.

6.5.1. *Cross-border mobility of students and skilled labour migration: brain exchange, brain drain, brain gain*

As evidenced by the regional chapters, part of the growth in demand for cross-border education is migration-related, and increasingly so. Arguably, developing countries' students wish to study in OECD member countries partly for migration-related reasons.

Moreover, OECD member countries increasingly promote cross-border student mobility as a way to attract a skilled workforce and build or maintain capacity for a knowledge economy. The regional chapters have shown that skills-based migration programmes exist in many OECD countries including Australia, Canada, France, Germany, New Zealand, the United Kingdom and the United States.

Brain exchange and brain drain

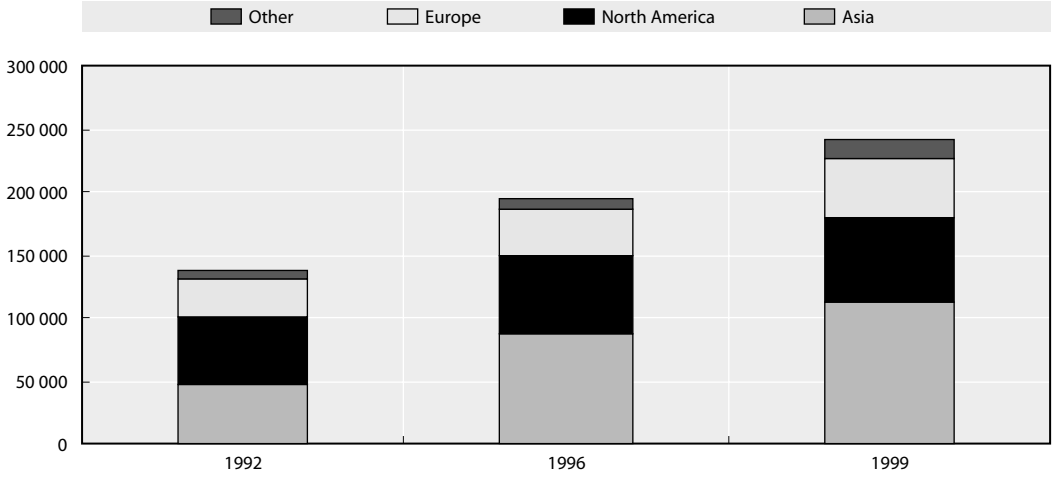
The cross-border mobility of highly skilled people has been depicted as a "brain exchange", or sometimes "brain drain" or "brain gain". Brain exchange, however, stresses that skilled migration or mobility of the highly skilled may, in the short or long run, incur benefits for both receiving and sending countries, whereas brain drain (brain gain) stresses that the overall situation can be experienced as a loss (gain) to the sending (receiving) country at a certain time. Instead of returning to their home country and contributing to its economic, social and academic development, international students may stay in the foreign country in which they studied, or move to another country after completion of their studies (post-docs, etc.). The departure of those human resources may represent a significant economic cost for the students' countries of origin, given that productivity and growth partly depend on the society's level of available human capital.

Brain exchange cannot be understood simply as a one-way transfer of human resources and revenues from one country to another. For example, while an Asian country may lose some graduates and working professionals to western Europe and the United States, it may also draw immigrant graduate workers from other Asian countries. While brain exchange is not symmetrical, there are flows in both directions. Highly skilled migrants do not transfer completely, as they often retain active links with their country of origin, reinvesting, sending remittances and sometimes migrating back. When there is insufficient demand for their skills in the labour market of their country of origin, developing countries may favour the outbound mobility of highly skilled people. Remittances are also a significant source of income for developing countries, although highly skilled workers seem to remit less than less skilled workers (ILO, 2003). While countries like India have strong evidence of the economic benefits coming from their skilled diasporas, a recent study covering selected developing countries could not marshal any clear evidence that skilled diasporas always contribute significantly to the growth of their domestic economies (ILO, 2003).

While no systematic information is available on brain exchange, converging evidence shows an increase in migration flows of highly skilled workers since the 1990s (OECD, 2002a and 2003a and b). The number of visas issued to foreign highly skilled workers in Japan rose significantly in the 1990s (Figure 6.1). Since the early 1990s, some 900 000 highly skilled professionals (mainly IT workers) from India, China, Russia and a few OECD countries (including Canada, the United Kingdom and Germany) have migrated to the United States under the H1-B temporary visa programme. In the 1990s there were sizeable net movements of Indian software professionals to the United States, the United Kingdom, Canada, Germany, Australia, Singapore and some western European nations (Gayathri, 2002, pp. 202-205). The IT industry in India has attracted some people back. In 2000, for example, an estimated 1 500 highly qualified Indians returned from the United States. Nevertheless, more than 30 times that number depart each year (Cervantes and Guellec, 2002a, p. 93). This is, however, not perceived as a major issue by India, as the Indian labour market cannot absorb all of its IT workers.

China, India and other Asian countries lose more highly skilled people than they receive (see Chapter 4) and this also appears to be the case in Latin America and Africa (Pellegrino, 2001). In the last two decades, half a million skilled Chinese workers emigrated, while shortages of technical and managerial personnel have been a brake on development in China (Guochu and Wenjun, 2002, pp. 189-200; OECD, 2002a, p. 212). Among Chinese students who travelled overseas between 1978-99, 75% failed to return, including 85.9% who studied in the United States, 62.6% in Japan, 55.1% in Australia, 53.2% in the United Kingdom and 52.4% in France (Iguchi, 2003, p. 49).[18] In the Philippines, an estimated 30-50% of IT workers and 60% of doctors emigrate each year (ILO, 2003). While emigration of highly skilled people can occur in fields where local opportunities are abundant and generate labour shortages in the home country, it can also be a response to the lack of job opportunities for these skilled people in the local labour market. Developing countries have different attitudes towards those migration patterns: while some countries like India, China, the Philippines or Malaysia, encourage the temporary emigration of their professionals, others (*e.g.* Caribbean and African countries) consider brain drain as a major issue for their economic development.

Figure 6.1. **Highly-skilled worker visas in Japan, entries**



Source: Adapted from S. Fuess, Jr. (2001), *Highly Skilled Workers and Japan: Is There International Mobility?*, University of Nebraska (Lincoln) and Institute for the Study of Labor (Bonn). NSF Science & Engineering Indicators, 2002.

The problem of "brain drain" for some skills not only affects developing and transition economies but also developed OECD countries like the United Kingdom, Germany, Japan or Australia. Skilled migration between developed countries appears to be dominated by temporary flows of advanced students, researchers, managers and IT specialists and largely corresponds to a two-way mobility (OECD, 2002a; Cervantes and Guellec, 2002b).

Foreign students' stay rates and brain exchange in science and engineering

Increasing competition for skilled international students and academics is part of the broader competition for highly skilled workers and may diminish the positive effects of

cross-border education for sending countries. Although brain exchange occurs between OECD countries regardless of cross-border post-secondary education, *e.g.* as a result of career strategies, war, political, ethnic or religious persecution, cross-border post-secondary education is certainly a powerful catalyst of brain exchange and may lead to brain drain in some cases, when international students do not return to their home countries after their studies abroad. In the United States in 1999, some 25% of H1-B temporary visa holders had previously been enrolled in US universities (Cervantes and Guellec, 2002b). Moreover, in countries where post-secondary education is largely publicly funded, the non-return of highly educated students and academics from a foreign country represents a loss on investment, with the country of origin covering the cost of their education and the country of destination reaping the benefits. It is difficult to evaluate the real cost of skilled emigration given that skilled diasporas may generate economic changes in their home country through investment and business links. Would graduate emigrants have contributed more to the economic and academic development of their home country by returning or by staying abroad? If so, by how much? In any case, there are very different patterns to foreign students' stay rates after their studies abroad.

The United States is the main recipient of foreign students and also probably the main magnet for highly skilled migrants. It is also possibly the only country where foreign students' stay rates after graduation are well documented (Finn, 2003). Table 6.4 shows that there are large numbers of foreign-born scientists and engineers in the United States' highly qualified workforce in science and engineering. In 1999, 27% of scientists and engineers in the United States with a doctorate in science and engineering were foreign-born, a share that amounted to 44.6% in engineering and 46.4% in computer sciences (see Table 6.4). The United States benefits from a brain gain that derives directly from its reception of international students, and the magnitude of the gain has increased steadily since the early 1990s under the combined effects of an increase in doctorates awarded by US universities to foreign citizens and an increase in the stay rates of foreign-born holders of doctorates. The average stay rate[19] of foreign doctoral recipients in science and engineering fields four to five years after graduation increased from 41% to 56% between 1992 and 2001. It rocketed from 65% to 96% for Chinese holders of doctorates, and increased from 72% to 86% for Indians. Stay rates vary considerably by country of origin (Table 6.5) and by field of study (Table 6.6). It is noteworthy that in most cases stay rates do not decline significantly over time and that they partly depend on the economic development of the country of origin, although there appears to be no systematic pattern. China, India, Iran, Israel, eastern European countries, Greece, Argentina but also New Zealand, Canada and the United Kingdom have stay rates of over 50% five years after completion of the doctorate.

Conversely, Japan, Korea, Indonesia and Latin American countries like Brazil, Chile and Colombia have low stay rates. In spite of an increase in post-doctoral training among PhD holders in sciences, France had not experienced a massive brain drain among its PhD holders according to a 1999 survey: only 7% of French PhDs were living abroad three years after receiving their PhD (1996), and only 21% of these declared that they did not wish to return to France (against 60% wishing to return "as soon as they could" or "within a year's time") (Martinelli, 2001). The stay rate of French citizens receiving their PhDs in the United States is about 30%. In 2002, only 3.2% of all US citizens who received their doctorate in science and engineering had definite plans to go abroad (as compared to 23% for non-US citizens with temporary visas [NSF, 2003]).

Table 6.4. **Foreign-born US scientists and engineers, by field and level of highest degree, 1999**

Field of highest degree	Total labour force	Bachelor's	Master's	Doctorate
All S&E	12.2	9.9	19.9	27.0
Engineering	19.8	14.6	31.1	44.6
Chemical	20.2	14.9	34.9	40.8
Civil	21.2	16.1	35.5	51.5
Electrical	23.3	18.3	33.5	47.2
Mechanical	16.5	11.6	33.4	49.2
Other	17.0	11.3	24.2	40.9
Life sciences	11.7	8.8	13.7	26.1
Agriculture	7.9	5.4	14.9	22.7
Biological sciences	13.3	10.4	14.0	27.0
Computer and mathematical sciences	17.1	12.8	26.4	35.4
Computer sciences	21.1	15.2	34.3	46.4
Mathematical sciences	12.5	10.2	15.4	31.1
Physical sciences	15.8	11.2	17.2	29.3
Chemistry	19.3	14.9	24.8	29.7
Geosciences	7.9	5.3	9.8	19.1
Physics and astronomy	18.2	9.8	18.9	32.5
Other	10.4	9.8	8.4	36.1
Social sciences	7.5	6.7	10.0	12.9
Economics	13.5	11.2	25.8	25.9
Political science	7.2	6.3	11.9	15.2
Psychology	6.2	6.1	6.4	7.6
Sociology and anthropology	6.1	5.3	12.4	12.7
Other	7.8	6.4	10.8	21.6

Source: National Science Foundation, Division of Science Resources Statistics (NSF/SRS), Scientists and Engineers Statistical Data System (SESTAT), 1997; Science & Engineering Indicators, 2002.

While the movement of highly skilled people is certainly beneficial to certain transition and developing countries, brain drain is a real challenge and a real risk to others. Governments can use policies and programmes for cross-border training, with differential effects on return rates, to fashion national capacity selectively. For example, Malaysia secures very high return rates among government-sponsored students, mostly *bumiputra*, through the bonding conditions attached to the scholarship and through career prospects on return. The return rate among privately supported students with no career guarantees, mostly from Chinese and Indian families, is less favourable. China has taken various measures to encourage Chinese students to return after their studies abroad, for example through the establishment of an "Office for Returned Chinese overseas students" that offers Chinese students opportunities when they come back. Launched in 2000, Chile's Millennium Science Initiative proved successful in attracting back world-class Chilean researchers (World Bank, 2003). Brazil also has very high return rates (see Table 6.5 and World Bank, 2003, p. 198). Similar measures can also be taken in developed countries: the British government and the Wolfson Foundation have launched a GBP 20 million scheme to encourage the return of leading British expatriate scientists and young researchers to the United Kingdom. Chinese Taipei turned its net loss rates around by combining economic development with public subsidies to encourage graduates to return. The proportion of returning graduates rose throughout the 1980s and into the mid-1990s at which point it was possible to withdraw the subsidies.

Table 6.5. **Percentage of temporary residents receiving PhDs in Science and Engineering in the United States in 1996 who were in the United States, 1997-2001**

Country of origin	Doctorate recipients	1997	1998	1999	2000	2001
China	1 345	93	94	94	95	96
Chinese Taipei	1 044	46	44	42	41	40
Japan	131	24	23	24	24	24
Korea	875	30	25	25	23	21
India	1 093	89	88	87	87	86
Other East Asia	94	59	57	52	52	51
Iran	73	76	73	71	70	70
Israel	61	54	55	53	55	51
Turkey	124	57	56	51	50	50
Other West Asia	215	41	39	36	37	39
Australia	32	47	47	44	37	37
Indonesia	66	19	18	19	19	18
New Zealand	28	71	60	60	60	56
Egypt	86	56	58	50	43	47
South Africa	41	45	40	37	40	43
Other Africa	244	51	49	48	46	47
Greece	108	52	52	51	52	53
United Kingdom	65	61	62	62	58	53
Germany	118	53	49	53	49	48
Italy	65	42	42	40	40	39
France	53	36	32	28	28	30
Spain	49	34	36	43	43	36
Other EU countries	150	40	39	35	39	38
Other Europe, East	200	74	76	74	74	77
Other Europe, West	57	49	49	49	55	48
Canada	215	57	60	61	61	62
Mexico	143	36	30	25	27	29
Argentina	52	55	49	49	53	57
Brazil	204	26	23	22	24	25
Chile	31	31	27	31	24	28
Colombia	31	35	35	28	31	35
Peru	22	62	57	52	46	41
Other Central or South America	61	40	42	42	44	49
Country not specified	753	45	43	43	44	44
Total, all countries	**7 929**	**59**	**57**	**56**	**56**	**56**

Source: Finn (2001), Oak Ridge Associated Universities.

6.5.2. Cross-border post-secondary education: a possible solution to brain drain and a catalyst for capacity building

Encouraging forms of cross-border post-secondary education that do not entail student mobility may involve less risk of brain drain for the developing countries that are affected by this phenomenon. Connections to foreign universities are essential to build international networks and national innovation systems, and some cross-border mobility of students and academics is probably indispensable to achieve this goal. However, programme and institution cross-border mobility makes possible to benefit from foreign connections and foreign knowledge in the absence of temporary emigration. Indeed, at their best, these programmes can give developing countries contact with the most recent knowledge by international standards at little cost when compared to student mobility, and possibly incur less risk of brain drain since students stay in their home country. In some cases, this may not prevent large numbers of students trained in specific fields from leaving their country, as is

the case for Jamaican and Philippine nurses. In a sense, it is even easier if they earn a foreign qualification. However, it may alleviate brain drain in other fields and lead to brain exchange as capacity for higher education is built and economic opportunities increase at home.

Table 6.6. **Percentage of foreign students receiving PhDs in 1996 who were in the United States, 1997-2001, by field and visa type**

	Number (1996)		1997		1998		1999		2000		2001	
Field	All	Temp	All	Temp	All	Temp	All	Temp	All	Temp	All	Temp
Physical science	1 934	1 345	74	67	75	65	74	63	73	63	73	64
Mathematics	600	442	68	59	68	59	67	57	66	57	66	57
Computer science	467	375	72	67	72	66	70	65	70	65	70	64
Agricultural science	543	440	48	40	49	39	48	37	46	38	47	38
Life science	2 409	1 508	71	63	71	61	71	59	72	61	73	62
Computer/electrical and electronic engineering	950	735	78	73	78	72	77	71	76	71	75	70
Other engineering	2 566	1 988	68	62	68	60	66	59	65	58	65	58
Economics	642	525	35	27	35	27	36	27	36	27	36	26
Other social science	872	571	49	37	50	35	50	36	51	35	49	33
Total, all fields	**10 983**	**7 929**	**66**	**59**	**66**	**57**	**66**	**56**	**65**	**56**	**65**	**56**

Note: 74% of foreign doctorate recipients from the class of 1996 under permanent and temporary visas were in the United States in 1997; 67% of foreign doctorate recipients from the class of 1996 under temporary visas were in the United States in 1997.

Source: Finn (2001), Oak Ridge Associated Universities.

All forms of cross-border post-secondary education can indeed help countries to build a national capacity in post-secondary education, and may subsequently trigger a reversal of brain drain. Rates of return of skilled students, academics and researchers are affected by a number of factors: whether the students are state-sponsored or private; whether graduates can emigrate to the country of study, or elsewhere, including national policies on citizenship and dual citizenship; availability of fast-track visa schemes; work opportunities at home and overseas; relative earnings and conditions of work; and relative attractiveness of living in different countries.

In the education sector, the return of highly skilled students and academics depends on the quality of the post-secondary education and research infrastructure, which can be improved thanks to cross-border post-secondary education. "Countries that have succeeded in fostering the return of skilled migrants have done so not just through specific return migration programmes but through long-term and sustained efforts to build the national innovation infrastructure" (Cervantes and Guellec, 2002a, p. 92; see Box 6.1). Investing in research infrastructure and grants builds local potential directly, and also indirectly, via feedback effects from cross-border capacity and higher graduate return rates. In turn, returning graduates build more cross-border collaboration and more national capacity in a continuous global feedback loop. Where local capacity in higher education is weak, sending students abroad for research training is zero-sum to national capacity building, partly because students fail to return. Countries that augment local research capacity in their universities are best equipped to gain from internationalisation. Educational institutions operating in a foreign country are part of that country's local capacity (without being a

Box 6.1. **Skilled migration, brain drain and nation building**

A recent study on return migration patterns in the Asia-Pacific region has identified three distinct stages (Iredale *et al.*, 2003a). Stage 1 is "brain drain": few of the skilled migrants return to their home country, particularly in poor countries *e.g.* Bangladesh. Stage 2 is "reversal of brain drain": large waves of skilled emigrants return to their country, generally in a context of economic growth and opportunities, as in Vietnam in the late 1990s or, to a greater extent, China in the mid-1990s. Stage 3 is characterised by "skilled outflows and return inflows and an increasingly high level of temporary and intermittent circulation of nationals and expatriates", namely "brain circulation", with Chinese Taipei being a good example (Iredale *et al.*, 2003b, p. 182). Skilled emigration and immigration eventually coexist, possibly under the form of short-term brain circulation, but there is no certainty that a country will not become stalled at stage 1 or 2. Based on case studies in five countries, the main findings on return migration of skilled workers are that: *i)* most developing countries in Asia, Latin America and Africa experience most of the brain drain without any or many benefits and do not experience "brain exchange", although this is not the case for Chinese Taipei and increasingly China; *ii)* skilled emigrants seem to follow rather than drive change in their home country and are reluctant to return unless there is overall development or social change; *iii)* "the stronger the economic growth and the more globalised the economy, the greater the rate of return migration as skilled emigrants will not feel that they will drop out of the loop of their profession"; *iv)* government policies, notably science and technology policies, play a role in facilitating return migration, alongside the country's economic, social and political environment.

Source: Iredale *et al.* (2003a).

substitute for domestic capacity building), and may offer opportunities for local academics or return of skilled graduates. Cross-border higher education offers one means of fast-tracking the development of university research. In Hong Kong, China and Singapore, international linkages between universities are now well established and contribute significantly to the development of local university research. International activity and national capacity in higher education are interdependent. China's policy effort to build 100 world-class universities can facilitate the return of highly skilled Chinese international students and academics, who will find work opportunities while maintaining contact with the best academics and scientists internationally. Science parks in Korea, India, Chinese Taipei, China or Costa Rica perform or have performed a similar role and have proved successful for building national innovation systems (World Bank, 2003; OECD, 2003a and b).

Ultimately, cross-border post-secondary education contributes to nation building. Given the importance of knowledge and of a trained workforce as modern sources of economic growth, sufficient capacity in post-secondary education is crucial for economic development. Several examples show that the best strategy for developing a knowledge capacity is to look towards international levels of knowledge rather than to turn inward to learn at home in a first stage (World Bank, 2003). This is one necessary (but not sufficient) condition for a reversal of brain drain in developing countries (see Box 6.1). The global pull of India, China and others will probably increase, as local business, earnings and employment opportunities grow.

6.5.3. Trade and aid: post-secondary education capacity building

Commercial provision of cross-border post-secondary education represents an opportunity for some developing countries because it allows them to build capacity much more quickly than they could do with domestic resources and/or with the help of development assistance, which tends to be limited and erratic (Table 6.7). While it is more expensive for the importing country than aid, trade in post-secondary education does not make them dependent on developed countries' policy agendas: for example, aid assistance often has an indirect cost, either economic (*e.g.* tied aid) or political.

Given that educational institutions in OECD countries often have a major comparative advantage over most institutions in emerging economies and developing countries in terms of quality, it is often argued that their presence might jeopardise the development of national university systems in the short and medium term. While it may unsettle national systems, except for the local elite institutions, in the short term, recourse to foreign educational services may be a means of accelerating the development of a national university system in the medium term. Foreign educational programmes and institutions can provide training for future teaching staff and promote knowledge exchange via partnerships between domestic and foreign institutions. Foreign direct investment is, on the whole, greatly beneficial to the development of developing countries (OECD, 2002b), and this can also be the case in the education sector. There is no reason why academic staff trained through cross-border post-secondary education cannot work and develop a quality national post-secondary education system in their own country. The more trained academic and managerial local staff, the more likely it is that such a system can be created. As in other sectors of the economy, however, foreign investment in educational services may raise issues 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 foreign private investment and long-term public investment and a good reason for a country not to leave its entire post-secondary educational infrastructure to foreign direct investment.

Moreover, international trade in education services can help developing countries to build capacity in trade and to become exporters of education services themselves, possibly to developed countries, given that they benefit from a cost advantage. For example, Malaysia is willing to become a net exporter of educational services, and there are some signs indicating that it is using effectively the knowledge and the expanded capacity gained from its imports of education services to build capacity in trade of education services. As a Muslim country where the cost of living is lower than in most OECD countries, Malaysia may indeed have a comparative advantage for Muslim students from Asia and can sometimes offer them a post-secondary education taught in English, possibly through a franchise agreement with a British, US or Australian university. Malaysia is also starting to attract Australian and New Zealand post-graduate students. In recent years, the number of enrolments of foreign students has rocketed in Malaysia.

As shown in Chapter 4, many middle-income developing countries that wish to reap the possible benefits of cross-border post-secondary education, under commercial as well as non-commercial provision, are promoting partnerships between their 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. The opening of a country's post-secondary education system does not require trade agreements. In

August 2002 developing countries in the WTO made relatively fewer commitments in higher education services than OECD countries. OECD countries represent only 30 of the 144 members of the WTO but have made 25 of the 55 commitments in higher education services (see Annex B). However, among countries that have expressed their views, some middle- and low-income countries have opened their markets to educational services more than higher-income ones. For instance Haiti, Mali, Rwanda, Lesotho, Georgia and Moldova have substantially opened up their adult education markets (the last three have opened up all sectors of education). Although the GATS is designed as a development-friendly multilateral trade agreement, participation in multilateral trade negotiations requires resources and technical abilities that developing countries often lack, hence their lower propensity to participate. To alleviate this problem, several countries, as well as international organisations like the World Bank and the WTO, provide developing countries with technical assistance and training in negotiations.

However, a major concern relating to the growth of trade in cross-border post-secondary education is that it may only benefit developing countries that are already developed enough economically to attract a foreign supply of education. In order to attract foreign direct investment in education or foreign educational providers, countries must have a large enough solvent demand for post-secondary education (and a stable political and economic environment). This is often not the case in the least developed countries, many of which do therefore attract few foreign educational institutions even if they open their markets fully to foreign providers.

Development assistance remains crucial in these countries. The development of trade in cross-border educational provision should not lead to the progressive abandonment of development assistance programmes in post-secondary education in the least developed countries. This may indeed hinder the development of a post-secondary education system in the least developed countries, and increase their educational gap with middle- and high-income countries. Drops in development assistance for post-secondary education for students from developing countries, in the form of scholarships or partial subsidisation of post-secondary education, may be detrimental to the poorest developing countries where the main problem for access to higher education is an inadequate level of economic development. In order to close the post-secondary education gap between developed and developing countries, developed countries and international organisations should consider differential donation policies according to the situations of developing countries and possibly target their educational assistance to the least developed countries.

International trade in educational services thus represents opportunities but also challenges for developing countries, depending on their level of economic development. Table 6.7 shows that development aid to post-secondary education from countries that have adopted the income-generating approach to cross-border post-secondary education is generally relatively low, except for New Zealand. This is clearly the case in Australia and the United Kingdom, where development assistance to post-secondary education has dropped significantly between 1995 and 2001. While the share of official development assistance to post-secondary education in all education development assistance decreased from 83% to 20% in Australia and from 24% to 2% in the United Kingdom, it increased on average in OECD countries from 16% to 47% over the same period. The data should be interpreted with caution, however, given that development assistance (which often funds projects) is irregular. Moreover, development assistance to post-secondary education does not necessarily reflect countries' commitment to development assistance in education nor

to development assistance in general: countries may have priorities other than education on their development assistance agenda. The share of development assistance devoted to education has in fact slightly declined from 11% to 9% between 1995 and 2001. For example, Denmark contributes more to development assistance (as a percentage of its GDP) than any other DAC member, but its development assistance to post-secondary education is inferior to that of other OECD countries, though increasing. And while the share of Canadian development assistance to education has increased by 1% between 1995 and 2001, the 29% decrease of funding for post-secondary education in this educational development assistance clearly indicates a shift of priorities towards basic education, possibly in relation to the inclusion of basic education in the Millenium development goals. Nevertheless, Table 6.7 shows that development assistance for post-secondary education is generally very modest. In certain cases, it implies that trade in educational services may thus be effective for quickly building capacity in post-secondary education. In other cases, a decrease in development assistance could widen the gap in post-secondary education between the developed and the least developed countries. One way to limit this risk would be to target development assistance for post-secondary education to the least developed countries, where there is no market for commercial cross-border provision.

Table 6.7. **Official Development Assistance (ODA) to post-secondary education and education (1995, 2001)**

	ODA to post-secondary education (million current USD)		ODA to post-secondary education as % of GDP (current prices levels and exchange rates)		Share of ODA in education devoted to post-secondary education (%)		Share of total ODA devoted to education (%)		Total ODA as % of gross national income (total resource flows)	
	1995	**2001**	**1995**	**2001**	**1995**	**2001**	**1995**	**2001**	**1995**	**2001**
Australia	246.44	13.49	0.661	0.037	83	20	24	9	0.34	0.25
Austria	76.11	52.98	0.324	0.279	78	80	18	13	0.27	0.34
Belgium	47.79	39.85	0.173	0.175	63	61	14	13	0.38	0.37
Canada	100.94	50.48	0.174	0.072	71	42	9	10	0.38	0.22
Denmark	5.02*	10.05	0.033*	0.063	22*	52	5	2	0.96	1.03
Finland	5.54	0.21	0.043	0.002	37	1	7	9	0.31	0.32
France	m	415.38	m	0.315	m	54	22	24	0.55	0.32
Germany	78.17	445.77	0.032	0.240	6	78	18	16	0.31	0.27
Greece	m	5.14	m	0.044	m	63	34	10	m	0.17
Ireland	m	m	m	m	m	0	18	20	0.29	0.33
Italy	67.50	12.99	0.062	0.012	100	21	6	9	0.15	0.15
Japan	223.82	401.87	0.042	0.096	14	51	9	7	0.27	0.23
Korea	m	m	m	m	m	0	4	8	m	0.06
Luxembourg	m	m	m	m	m	m	12	m	0.36	0.76
Netherlands	6.78	23.24	0.016	0.061	6	11	6	9	0.81	0.82
New Zealand	27.12	20.86	0.446	0.406	95	74	34	33	0.23	0.25
Norway	m	51.71	m	0.305	m	68	3	7	0.86	0.80
Portugal	17.69	10.58	0.165	0.096	57	34	18	17	m	0.02
Spain	29.24	43.66	0.050	0.075	39	31	8	11	0.24	0.30
Sweden	16.73	15.97	0.067	0.073	17	40	8	4	0.77	0.77
Switzerland	9.65	5	0.031	0.020	41	18	3	4	0.34	0.34
Turkey	m	m	m	m	m	0	m	40	0.06	0.04
United Kingdom	40.06	3.65	0.035	0.003	24	2	10	7	0.29	0.32
United States	m	110.74	m	0.011	m	35	5	3	0.10	0.11
DAC Country Total	993.58	1733.62	--	--	16	47	11	9	0.39	0.36

* 1994 instead of 1995.

Source: OECD DAC statistical database.

6.6. Summary and policy challenges

This chapter argues that cross-border post-secondary education raises mainly traditional educational policy issues: access and equity, cost, quality, contribution of education to growth. These issues relate to cross-border post-secondary education in two different ways: first, governments and education stakeholders should consider how their policy agendas for the enhancement of equity in access, quality, and the financing of higher education could be extended to the different forms of cross-border post-secondary education; second, they should consider how cross-border post-secondary education activities may affect their domestic policies on equity, quality, and the funding of higher education, as well as their economic policies.

6.6.1. Access and equity

First, cross-border post-secondary education represents one way of increasing access to post-secondary education in countries where local supply does not meet demand.

Second, equity in participation in cross-border post-secondary education can be enhanced. The probability of participation in cross-border student mobility depends on factors like gender, minority, parents' income and education.

- Students from lower economic and educational backgrounds participate less in cross-border student mobility; while the economic factor is probably predominant overall, the educational factor also appears to be important.
- Participation in cross-border student mobility is gender-neutral in the European Socrates-Erasmus programmes; favourable to female students in the United States (because most outgoing US students study humanities); and favourable to male students in most Asian sending countries (reflecting a higher participation of male students in higher education in these countries as well as, possibly, the propensity of families to invest more in boys than girls).
- Students from minority backgrounds participate less than others in cross-border student mobility in the United States. Conversely, in Malaysia, students from minority backgrounds use all forms of cross-border education as a means of increasing their opportunities of access to higher education.

Third, the growth of cross-border student mobility might have an impact on the access, as well as on the equity of access, of domestic students to a domestic post-secondary education system, particularly through the displacement of domestic students by international students at system or institution levels.

Policy challenges

- ❖ Countries facing a problem of unmet demand for tertiary education on a large scale should consider as one solution the facilitation of access for their citizens to the different forms of cross-border educational provision (student mobility, programme mobility, institution mobility).
- ❖ Although some of the gaps between different population groups may bridge mechanically as equity in access to tertiary education is achieved in the sending countries, the governments and other education stakeholders of receiving as well as sending countries willing to tackle this issue could:

  - Improve financial support for participation in cross-border education through targeted and means-tested grants or student loan schemes.
  - Improve the provision of information on the benefits and costs of cross-border student mobility to students from lower educational and socio-economic backgrounds.

❖ Governments and education stakeholders should take into account the possible impact of cross-border education on the access and equity of access of domestic students when developing internationalisation policies.

6.6.2. Financing and cost

Although public and private investment in scholarship programmes supporting student mobility has increased over the past decades, the growth of cross-border student mobility has outstripped the growth of these resources, and student mobility remains primarily self-financed by students and their families. This is also the case for many cross-border educational programmes in Asia that operate privately. However, cross-border post-secondary education with no (or limited) student mobility is more financially accessible to students than cross-border mobility (although it does not provide the cultural benefits of living in another country).

While they all have small scholarships programmes supporting inbound and outbound student mobility, OECD countries adopt two broad strategies of funding regarding incoming international students: 1) subsidising international students at the same rate as domestic students; 2) requiring international students to pay full tuition fees. Through the living expenditure of international students in the receiving country, both strategies generate export revenue for the receiving countries.

The first strategy grants international students indirect subsidies and has the following advantages:

- As long as it does not expand capacity, teaching international students represents a marginal cost for universities.
- Where there is decline in student numbers in a system or in certain fields, international students allow the reduction of the average cost of higher education (by increasing the teacher-student ratio) and the maintaining of variety in their educational offers.
- Indirect subsidisation alleviates (but does not totally remove) the funding issue for international students and is cheaper administratively than direct subsidisation through a dedicated scholarship programme.
- This strategy implicitly relies on a reciprocity principle, and especially so in a context of growth of cross-border mobility of students.

The second, newer strategy often places cross-border post-secondary education in a broader reform agenda of funding and governance of post-secondary education. So far, the introduction of this fee policy has preceded rather than followed (relatively) large enrolments of international students. The strategy has the following advantages:

- International students contribute to some extent to the financing of the domestic post-secondary education system; international students' fees complement public funding and other private funding and help universities to enhance their educational and research capacity.
- It gives universities strong incentives to recruit international students as well as to undertake for-profit cross-border activities, like programme and institution mobility.

- It gives universities incentives to become more demand-driven and more entrepreneurial.
- Where there is decline in student numbers in a system or in certain fields, international students allow the reduction of the average cost of higher education (by increasing the teacher-student ratio) and the maintaining of variety in their educational offers.
- It could allow the targeting of subsidies at disadvantaged incoming international students.

It is noteworthy that the effectiveness of the incentives given to universities depends on the financial autonomy of institutions and their ability to control the use of those private resources, and that for-profit programme and institution mobility raise new issues when they involve publicly funded institutions.

Policy challenges

- ❖ Countries wishing to facilitate programme and institution mobility in order to increase their domestic access to tertiary education should consider extending any public support to domestic students enrolling in foreign programmes that meet their domestic requirements.
- ❖ Governments seeking to encourage their publicly funded post-secondary institutions to recruit large numbers of international students or undertake cross-border commercial activities should provide them with the autonomy and incentives to do so.
- ❖ A future challenge for many governments will be to put effective guidelines and mechanisms in place to ensure accountability for any cross-border entrepreneurial activities of publicly funded higher education institutions.

6.6.3. Quality and recognition

Quality issues can arise in the delivery of cross-border post-secondary education, whether at home or abroad, but also in domestic post-secondary education, as a result of the growth of cross-border activities.

It should be stressed that countries providing and receiving cross-border post-secondary education have a common interest in strengthening quality provision and in co-operating to limit the possibility of low quality education: importers, in order to protect their learners; exporters, in order to maintain the reputation and attractiveness of their post-secondary education system.

- While national quality assurance and accreditation systems partly resolve quality issues in cross-border student mobility, programme and institution mobility often fall out of their scope. Programme and institution mobility can carry quality risks to a greater or lesser extent, for example depending on its form (franchise, twinning arrangement, e-learning, etc.).
- The recognition of international degrees is important for facilitating periods study abroad and for allowing students holding foreign degrees to work in their own country or, more generally, in the international labour market.
- The variety of higher education systems and the lack of transparent information about and readability of those systems worldwide leave room for low quality and even rogue providers (degree mills) and rogue quality assurance and accreditation agencies (accreditation mills) to operate.

- While still limited in scale, fraud – that is the selling (or buying) of fake degrees – is increasingly becoming an issue: it lowers the overall perception of the quality of cross-border post-secondary education.

Policy challenges

New developments in cross-border post-secondary education raise new policy challenges:

- Learners need to be protected from the risks of misinformation, low-quality provision and qualifications of questionable validity. Strong quality assurance and accreditation systems, with coverage extended to cross-border and commercial provision and non-traditional delivery modes, should guarantee that learners are better safeguarded from low quality and rogue providers and acquire qualifications that are meaningful and valid.
- Qualifications should be understandable internationally and transparent in order to increase their international validity and portability and to ease the work of recognition arrangements and credential evaluators. Reliable and user-friendly information sources on national education systems and qualification frameworks should enhance the transparency of qualifications and inform their holders of their academic and professional validity in the various national systems.
- National quality assurance and accreditation agencies need to intensify co-operation at international level in order to increase their mutual understanding. By developing principles of good practice and their own standards of professional quality, agencies should guarantee that they themselves are trustworthy, that rogue accreditors can be identified and that an international network of quality assurance can be constructed to safeguard academic standards of provision and qualifications.

6.6.4. Using cross-border post-secondary education to build capacity

Cross-border post-secondary education may be as important economically to importing as to exporting countries. Some Asian countries have shown how cross-border post-secondary education could be used for their economic development.

Cross-border post-secondary education can indeed help emerging economies, and developing and transition countries to build or strengthen their capacity in post-secondary education:

- Cross-border education is one way of increasing domestic access to post-secondary education, through outbound student mobility as well as through inbound programme and institution mobility; ultimately, a well-trained population contributes to growth and development.
- Cross-border student and scholar mobility facilitates the building of international networks, which are essential to academic knowledge as well as, more generally, to the creation of national innovation systems and to international business.
- Partnerships of local and foreign universities in programme and institution mobility induce spillovers and can help improve the quality of local provision; a good quality and large enough post-secondary education system favours the return of sufficient numbers of highly skilled emigrants.
- Commercial provision of cross-border post-secondary education allows the building of capacity more quickly than with domestic or development assistance resources only and grants receiving countries more negotiating power to dictate their conditions.

Policy challenges

When using cross-border post-secondary education to build capacity, developing countries should be aware of some of the risks it also involves:

- Developing countries should ensure that foreign provision meets their needs and quality requirements, and that it leads to actual spillovers.
- Cross-border student mobility might in some cases involve a risk of "brain drain" for the sending country; the return of highly skilled migrants depends (among other factors) on the job opportunities in their home country as well as on the migration policies of both sending and receiving countries; cross-border education without student mobility might alleviate the risks of brain drain and create job opportunities at home for domestic mobile students.
- Cross-border provision should be a complement of, rather than a substitute for, domestic provision.

While the commercial provision of cross-border post-secondary education is one important means by which developing countries can build their domestic capacity in post-secondary education, trade is not helpful in countries where solvent demand is insufficient.

- Development assistance in education should be encouraged in the least developed countries.

6.6.5. Impact of the GATS on public funding and quality regulation

The impact of GATS on cross-border post-secondary education and on trade in educational services should be kept in perspective. The growth of cross-border education has occurred largely in the absence of GATS commitments. This growth is driven by factors other than the GATS and is thus likely to continue irrespective of the GATS. Whether a country decides to make GATS commitments on education or not, it will still need to deal with many of the issues and challenges that arise from these developments. Indeed, many of the policies that may be needed to manage the growth of cross-border post-secondary education and trade in educational services are unconnected with, and unaffected by, the GATS. Student visa requirements and policies regarding quality assurance, accreditation and recognition of qualifications are, for example, much more important.

- The public education sector is in principle not covered by the GATS negotiations and no member country has yet expressed interest in including it.
- The potential implications of the GATS for public funding of higher education will depend on the commitments made by countries; that is to say it will rest ultimately on national decisions. The GATS has no discipline that compels WTO members or countries making commitments in education services to abandon the public funding of their post-secondary education system or extend it to foreign institutions or students, unless they decide to make such a commitment. So far, no country has made such a commitment.
- The setting of quality standards is outside the scope of trade agreements and of the GATS in particular. The GATS mandates the development of any necessary disciplines to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services. These disciplines do not exist as yet.
- The GATS does not provide for, or seek to undertake, recognition. Recognition agreements must however be notified to the WTO so that other interested members can know about them.

Policy challenges

Given the technicalities of the GATS negotiations and the importance of commitments, governments should:

- Ensure strong domestic co-ordination between trade negotiators and education stakeholders.
- Finance technical assistance to countries with insufficient capacity for trade negotiations.

6.6.6. Policy coherence

Cross-border educational activities bring into play many actors and policy areas in a country. An effective policy strategy regarding cross-border post-secondary education must take into account this diversity and ensure the highest co-ordination, or compatibility, between several policy agendas.

In some cases, countries will first have to clarify and prioritise their rationales for allowing or encouraging cross-border post-secondary education and choose an appropriate approach, one that is most likely to combine elements of the four approaches identified in the report: mutual understanding; skilled migration; revenue generation; and capacity building.

Policy challenges

- Given the impact of many policy areas for cross-border education, an effective strategy for monitoring cross-border education must be coherent with other national policies such as:
  - Migration and visa policy.
  - Trade policy.
  - Development assistance in education.
  - Quality assurance and recognition policy.
  - Other domestic educational policies;
  - Economic policy.
- Governments should make sure that this strategy will be endorsed by educational institutions and other education stakeholders by:
  - Giving them incentives to implement it.
  - Giving them adequate financial and non financial resources to implement it;
- Governments should develop the regulatory frameworks necessary for:
  - Minimising possible risks associated with cross-border post-secondary education.
  - Ensuring that cross-border provision meets their national educational and cultural values.

Notes

1. Nineteen countries participate in the OECD/UNESCO World Education Indicators (WEI) programme: Argentina, Brazil, Chile, China, Egypt, India, Indonesia, Israel, Jamaica, Jordan, Malaysia, Paraguay, Peru, Philippines, Russian Federation, Thailand, Tunisia, Uruguay and Zimbabwe.
2. Chinese figures are available only for enrolments in advanced research programmes, where the share of female enrolments in all levels of higher education is about 26%. For comparison, in 2001 the share of female students enrolled in all advanced research programmes amounted to 26% in Korea and Japan, 34% in Indonesia and 36% in Turkey and India, while the OECD average was about 41%.

3. The distinction between the economic and professional backgrounds reflects the fact that high educational attainment and cultural background is not always correlated with high income, and vice versa. People holding a tertiary education degree earn more on average than people holding an upper secondary degree; however, the formers' average earnings can range from 24% to 110% more, within the OECD area. Where the difference is relatively small, some professions may require more education than others, while being less or equally well paid (*e.g.* school teachers, public researchers, etc., in some countries).
4. Unemployment and inactivity rates cannot be added. An unemployed person is part of the active population, according to the European Labour Force Survey.
5. In Switzerland, a significant share of these students are resident foreigners, which somewhat changes their status (see Annex C).
6. For this calculation, state funding includes Commonwealth government financial assistance, state government financial assistance and Commonwealth payments through the Higher Education Contribution Scheme.
7. In Ireland, it has been decided to lower student tuition fees in tertiary education in this period.
8. *www.esib.org/commodification/esib.html*
9. *www.gatswatch.org/educationoutofgats/PortoAlegre.doc*
10. *www.aucc.ca*
11. In this section, privatisation refers to the decision or debate about whether more private provision in the education sector should be encouraged, and not to the question of turning public institutions into private ones.
12. Article V (Regional Integration Agreements) requires that these agreements have substantial sectoral coverage; do not a priori exclude any mode of supply; and provide for the elimination of substantially all discrimination between the parties. Flexibility on these conditions applies to agreements between developing countries. While a number of regional trade agreements have been reviewed by the WTO members in the Committee on Regional Trade Agreements, no consensus has been reached on the compliance of any agreement with GATS Article V or GATS Article XXIV (the parallel provision for trade in goods).
13. The majority of these exemptions are in transport (151 exemptions, or 35% of the total) and communications (104, or 25% of the total, of which 85 are audiovisual services).
14. See WTO Press Release on 28 June 2002: *www.wto.org/english/news_e/pres02_e/pr299_e.htm*
15. Documents relating to the work on subsidies – including background notes by the WTO Secretariat on information on subsidies from WTO Trade Policy Reviews and responses to the questionnaire by a number of WTO Members – are publicly available via the WTO Web site: *www.wto.org*
16. A recent report to UNESCO and the Commonwealth of Learning based on four country studies shows that having a good quality assurance system did not necessarily change the reputation of institutions or perceptions of students in these countries (Middlehurst and Woodfield, 2004). A good quality assurance system is one important factor among several that come into play.
17. *www.quackwatch.com/04ConsumerEducation/dm0.html*
18. In 2003, at the OECD/Norway Forum held in Trondheim on 3-4 November, the Chinese authorities declared that the return rate had strongly increased since 1999 and that China's "brain drain" problem had been significantly alleviated. This is supported by a recent survey showing the existence of an emerging reversal of the brain drain in China (Keren *et al.*, 2003), although the reversal has not started for Chinese students studying in the United States (see Table 6.5).
19. The "stay rate" does not measure whether foreign students stayed continuously in the United States, but how many foreign doctorate recipients from a specific year were in the United States a few years later. Some of those graduates may leave the country and come back. For example, the stay rate for the class of 1991 was 58% in 2001 but it would be 81.5% if the rate were to represent the proportion who had worked in the United States for at least one year during the 1992-2001 period (Finn, 2003).

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ANNEX A*

A basic guide to the General Agreement on Trade in Services (GATS)

The GATS is a framework agreement for the trade in services. It includes general obligation, obligations which apply only where specific commitments are made; and a framework for making commitments to open specific service sectors to foreign suppliers.

The first part of the GATS consists of general obligations, as well as some obligations which apply only where commitments for particular sectors are made. An example of a general obligation is the "Most Favoured Nation" or MFN requirement, which requires WTO Members to treat all other WTO Members as well as they treat their most favoured country. That is, treatment offered to one WTO Member must be extended to all other Members. (There are some exceptions to MFN, see below.) Some transparency requirements are also general obligations (*e.g.*, the requirement to publish or otherwise make publicly available at the national level all relevant measures of general application which pertain to the agreement), while others only apply where a commitment has been made (*e.g.*, the requirement to notify other WTO Members via the WTO Council for Trade in Services of any new or changes to existing laws, etc., which significantly affect trade in services covered by a commitment).

The second part of the GATS sets out the framework for what are known as "specific commitments" under which countries decide which service sectors they want to allow foreign suppliers to enter, and under what conditions. The actual commitments undertaken by each WTO Member are contained in individual schedules of commitments which are annexed to the agreement. The text of the agreement and the schedules of commitments for each WTO Member are available on the WTO website at *www.wto.org*.

Market opening commitments

What is a commitment?

GATS commitments are guaranteed minimum treatment offered to other WTO Members; countries are always free to offer better treatment if they wish, but they cannot offer worse. Commitments are binding – that is, they cannot be changed without paying compensation to other Members (this takes the form of a commitment in another area of equal value to the one being changed or withdrawn). Commitments are also MFN – that is, the access offered is open

* This annex was written by Julia Nielson (OECD, Trade Directorate).

to suppliers from all other WTO Members (*i.e.*, you cannot offer access to suppliers from some WTO Members and not others – subject to the exceptions set out below).

What are modes of supply?

For the purpose of making commitments for each service sector, the GATS divides services into four modes of supply (in education services, this corresponds roughly to programme, student and provider mobility):

- Mode 1: cross border trade (*e.g.*, distance education – a student in Kenya undertakes a degree on-line with a university in the United Kingdom);
- Mode 2: consumption abroad (*e.g.*, a Kenyan student goes to the United Kingdom to undertake a degree at UK university);
- Mode 3: commercial presence (*e.g.*, a United Kingdom university establishes a branch campus in Kenya);
- Mode 4: temporary movement of persons as service suppliers (*e.g.*, a university lecturer from the United Kingdom moves to a university in Kenya to teach a course for one year).[1]

It is worth noting that a WTO Member's mode 2 commitments for a particular service cover only whether it allows its own nationals to consume services abroad, not whether it allows foreigners to consume services in its territory (*e.g.*, mode 2 commitments by Australia cover the consumption abroad of education services by Australian students, not by foreign students within Australia). A WTO Member's mode 4 commitments cover the acceptance of foreign service suppliers into its territory, not the sending of its own nationals abroad as service suppliers (*e.g.*, Australia's mode 4 commitments cover whether it allows, *e.g.*, foreign university lecturers to teach in Australian universities, but not whether it allows Australian lecturers to teach in universities overseas).

What are market access and national treatment?

For each service sector or sub-sector, and for each mode of supply within that, countries make commitments as to the level of "market access" and "national treatment" they will offer. Read together market access and national treatment commitments inform a foreign supplier about the access they will have to the WTO Member's market and any special conditions that will apply to them as foreigners. In making commitments, a WTO Member has three main choices:

- A commitment to provide full market access and/or national treatment for a particular mode – that is, to maintain no restrictions – is indicated in the schedule by "None".
- No commitment to provide anything on national treatment and/or market access for a particular mode, this is indicated by "Unbound" (*i.e.*, no bound commitment undertaken).
- Partial commitments for market access and/or national treatment, with the remaining restrictions listed in the schedule.

There are 6 types of restrictions on access to their market for a given service that countries need list in their commitment if they want to use them. These restrictions can apply to both nationals and foreigners or only to foreigners. They are:

- Restrictions on the number of service suppliers, including in the form of monopolies or exclusive service suppliers (*e.g.*, the number of universities permitted).

- Restrictions on the total value of service transactions or assets (*e.g.*, foreign private universities must not have assets worth more than, e.g., USD 50 million).[2]
- Restrictions on the total number of service operations or the total quantity of service output (*e.g.*, number of students which can be enrolled).
- Restrictions on the total number of natural persons that may be employed in a particular service sector or that a service supplier may employ (*e.g.*, numbers of lecturers employed).
- Restrictions on or requirements for certain types of legal entity or joint venture for the supply of a service (*e.g.*, a foreign university must enter into a joint venture with a local university to be able to provide services in the territory).
- Limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment (*e.g.*, that foreign private university is limited to 30% of the equity in the newly established joint venture with a local university).

National treatment means that foreign services and service suppliers are granted treatment no less favorable than that accorded to like national services and service suppliers. This can mean formally identical or formally different treatment – the key requirement is that it does not modify the conditions of competition in favor of services or service suppliers who are nationals instead of foreigners. National treatment can also cover both *de jure* and *de facto* discrimination; that is, even if a measure applies to both foreigners and nationals it may still be discriminatory if its *effect* is to discriminate against foreign suppliers. However, national treatment does not require a Member to compensate for any inherent competitive disadvantage which results from the foreign character of the relevant service or service suppliers.

A key consideration in national treatment is whether the services or service suppliers are "like". The GATS, like other WTO Agreements, does not define "like" and panels under the WTO dispute settlement system have tended to approach the issue of "likeness" on a case-by-case basis, taking into account, *inter alia*, consumer perceptions of the degree to which a particular good is like, and its substitutability.

WTO Members are free to make no commitment on national treatment, or to provide partial national treatment provided they list the measures they maintain which discriminate in favor of nationals in their schedule. Unlike for market access, there is no specific list of the types of measures that have to be scheduled. Members must judge whether a measure breaches national treatment and therefore should be scheduled. A measure may not be considered discriminatory if it is genuinely open to both national and foreigners to fulfill it – *e.g.*, a requirement for a degree of proficiency in a certain language need not be discriminatory if it is genuinely possible for foreigners to be able to learn the language and achieve the required level of proficiency. Some examples of the types of measures which would need to be listed in the schedule as limitations on national treatment include: eligibility for subsidies reserved to nationals; the ability to lease or own land is reserved to nationals; and citizenship requirements for professionals.

What are my options in making commitments?

In making commitments, WTO Members have a number of choices:

- They can exclude an entire sector (*e.g.*, education) or parts of a sector (*e.g.*, everything other than adult executive training courses) from their commitments. WTO Members

are free to define the sector as they wish – they can refer to a list developed for the GATS negotiations,[3] or the United Nations Central Product Classification to which the GATS list refers, or they can use their own definitions.

- They can exclude some modes of supply. For example, a WTO Member may decide to permit its nationals to attend university abroad (mode 2) but not permit foreign universities to establish in their territory (mode 3).
- They can place limits on the "market access" they offer (*e.g.*, they can limit the number and type of foreign education providers and the activities in which they can engage).
- They can discriminate against foreign providers in favor of nationals (*e.g.*, by placing additional conditions or requirements on foreign education providers, or restricting some activities or benefits to national providers).
- They can discriminate amongst foreign suppliers (*i.e.*, they can give better treatment to suppliers from some countries) if they have an MF N exemption for the relevant service or are party to a regional trade agreement notified under Article V. Countries had a one-off opportunity to claim exemptions from MFN at the time they joined the GATS.
- They can commit to providing less access than they currently actually provide (*e.g.*, a country may commit in the GATS to allowing foreign universities to have up to 30% equity in joint venture with national universities, but may in practice under their national law allow foreign universities to have up to 50% equity in joint ventures with national universities). Because a commitment is a binding guarantee of minimum treatment, countries often commit to less than they currently offer to leave themselves room to manoeuvre (in the example above, to change the national law to drop the equity limit from 50% to 40%). Indeed, many current GATS commitments represent significantly less openness than actually exists in the country concerned.
- They can commit to liberalise at a chosen future date to give themselves time to ensure that the necessary regulatory frameworks are in place (*e.g.*, they can commit to allowing foreign universities to establish in their territory provided they are in joint ventures with local universities but only from 2010).
- Developing countries have additional flexibility to liberalise fewer sectors and to attach conditions to access offered. Additionally, other Members should facilitate their participation in trade, including by liberalising modes and sectors of interest to them, and should establish special contact points to provide information to developing country service suppliers.

What happens in request and offer negotiations for commitments?

Requests

Under request-offer negotiations, each WTO submits requests to its trading partners. These requests can be made to other Members individually or to groups of Members. While some countries tailor their requests to specific trading partners, others have submitted nearly identical, general requests to a number of countries. Requests can take the form of:

- A request for the trading partner to make commitments in a new sector (*i.e.*, a sector not already included in its schedule).
- A request to remove an existing restriction or to reduce its level of restrictiveness (*e.g.* if a country has a foreign equity limitation of 49% in a given sector, another WTO Member

may request that limit to be removed altogether – *i.e.*, that 100% equity be allowed – or that it be raised to 75%).

- A request to remove an existing MFN exemption.
- A request to make an additional commitment in its schedule covering particular regulatory practices aimed at making sure that liberalisation is effective. For example, additional commitments were used in the negotiations on telecommunications for countries to commit to providing an independent regulator for the sector.

The exchange of requests as a process has traditionally been purely bilateral, with countries communicating directly with one another. The WTO Secretariat does not normally have a role to play.

Offers

In the next stage, WTO Members submit offers in response to all the requests they have received. Countries usually prepare a single offer in response to all requests received. Countries may choose not to offer anything in response to some requests, or not to satisfy all points in some requests, and they are free to do so. The choice of what to offer is a decision of each WTO Member. Some countries have already indicated that they will not be making requests or offers on particular sectors (notably, health and education) in the current round of negotiations.

For the sake of clarity, WTO Members have submitted their initial offers in the form of a revision to their existing schedule of commitments, with changes indicated in strike-out and bold.

While requests are addressed bilaterally to negotiating partners, offers are traditionally circulated multilaterally (*i.e.*, to all WTO Members). This is because, under the MFN rule, access offered to one WTO Member is automatically offered to all WTO Members. Given this, the offer is shown to all WTO Members, and even Members which did not initially make any requests can consult and negotiate with a country that has submitted an offer. Equally, some countries may choose not to submit their own requests, judging that their interests are covered by others' requests and knowing that whatever those other countries manage to negotiate in terms of access will automatically be extended to them under MFN (*e.g.*, some countries may not use scarce administrative resources preparing a services request of the US if Brazil or the EC are going to request the same thing).

The submission of offers can also trigger further requests, including by countries which had not yet submitted requests, and then the process continues and becomes a succession of requests and offers. As with most types of negotiations (*e.g.*, pay negotiations), initial requests can be ambitious, and initial offers more minimal, with a compromise emerging in the process of negotiations.

The rules negotiations

In addition to negotiations for market opening commitments, negotiations under GATS are also ongoing on a number of rules issues. These are parts of the agreement which were not finished when the agreement was first negotiated, but for which mandates to develop rules were included (in some cases, these mandates refer to the development of any necessary rules, meaning that WTO Members could decide that no rules are necessary after all). These mandates concern four main areas: a possible emergency safeguard (Article X);

government procurement (Article XIII); possible disciplines on trade distorting subsidies (Article XV); and possible disciplines on certain types of domestic regulation (Article VI.4).

Emergency safeguard negotiations (Article X)

A safeguard is a mechanism that allows WTO Members to temporarily suspend their commitments in the event of unforeseen and negative consequences for domestic suppliers. While such mechanisms exist for goods trade, there is currently no safeguard for services. GATS Article X mandates negotiations on the question of an emergency safeguard. Negotiations have been underway since 1996, but the original deadline has been extended several times.

Progress in the negotiations has been slow both because of differences of view amongst WTO Members on the desirability of a safeguard, and technical and conceptual difficulties in developing safeguard for services. The nature and coverage of any safeguard mechanism is still to be determined. A number of developing countries have indicated that the quality of any offers they would make would be influenced by whether or not any commitments they ultimately undertook would have access to an emergency safeguard.

Government procurement (Article XIII)

A number of important GATS provisions currently do not apply to government procurement. In particular, three key provisions do not apply: WTO Members are not bound to treat all other WTO Members equally (*i.e.*, MFN does not apply) and commitments on market access and national treatment in a sector do not cover government procurement. Government procurement is defined in GATS as "the procurement by governmental agencies of services purchased for governmental purposes and not with a view to commercial resale or with a view to use in the supply of services for commercial sale".

GATS Article XIII mandates negotiations on government procurement in services within two years of the entry into force of the WTO Agreement (*i.e.*, within 2 years of 1 January 1995). However, to date, there has been relatively limited interest in these negotiations for a number of reasons, including: the greater priority placed by a number of WTO Members on concluding the safeguard negotiations, and the parallel efforts to develop a multilateral agreement on transparency in government procurement applying to both goods and services.

Subsidies (Article XV)

There are currently no specific disciplines on subsidies under the GATS,[4] and understanding of the issue is still at an early stage. This is reflected in the language of Article XV, which states that Members recognize that, in certain circumstances, subsidies may have distortive effects on trade in services. Article XV mandates Members to enter into negotiations with a view to developing the necessary multilateral disciplines to avoid such trade distortive effects of subsidies.

Article XV does not condemn subsidies per se, indeed, it notes the negotiations shall recognize the role of subsidies in relation to the development programmes of developing counties and take into account the needs of Members, particularly developing countries, for flexibility in this area.

Article XV also mandates that Members shall exchange information concerning all subsidies related to trade in services that they provide to their domestic service suppliers. In 1996, a questionnaire developed asking WTO Members to identify any subsidies they thought were relevant. However, the survey has had relatively few responses, including because Members have experienced difficulty in identifying what might constitute a subsidy, and a subsidy with trade-distortive effects –in services. Work on subsidies under Article XV is still at a relatively early stage.

Certain types of domestic regulation (Article VI.4)

Article VI.4 mandates the development of any necessary disciplines to ensure that non-discriminatory measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services. That is, these measures should be:

- based on objective and transparent criteria, such as competence and ability to supply the service;
- not more burdensome than necessary to ensure the quality of the service;
- in the case of licensing procedures, not in themselves a restriction on the supply of a service.

These disciplines *do not* exist as yet. Progress on Article VI.4 has been very slow and there are different views amongst WTO Members on sort of disciplines that should be developed. Some Members argue that any disciplines should only focus on increasing transparency, and that any "necessity test" is itself not necessary. Others argue that other WTO Members should be free to challenge requirements they feel are trade restrictive and be able to suggest other – equally effective and reasonably available but less burdensome – ways of achieving the same objective. Some Members have also expressed concern that a necessity test could allow other WTO Members to "second-guess" the decisions of national regulators; others argue that a necessity test would only look at whether there were other, equally effective and reasonably available but less trade restrictive, ways to achieve the same objective.

Notes

1. Mode 4 covers only temporary movement. While temporary is not defined under the GATS, permanent migration is explicitly excluded. In practice, most WTO Members' commitments under mode 4 range from a couple of days (*e.g.*, for business visitors) to up to 5 years.
2. This is a strange example and, indeed, it is difficult to find an example of this type of market access restriction in education services. These types of restrictions are much more common in, for example, financial services.
3. This list is the Services Sectoral Classification List (MTN.GNS/W/120), known as W/120. It is available at *www.wto.org*. Use of the list was voluntary.
4. Although it should be noted that discriminatory subsidies should be scheduled as a limitation on national treatment in sectors where commitments are being made.

ANNEX B*

Negotiating proposals, requests and offers under GATS: what has happened on education services? (May 2004)

Phase one: general negotiating proposals

In the first phase of the negotiations – roughly between their commencement on 1 January 2000 and the WTO Ministerial in Doha in 2002 – a number of members tabled general proposals outlining their interests in the services negotiations (these proposals are all available at *www.wto.org*).

Out of approximately 126 proposals in total, **4 proposals were tabled on education services** by Australia, Japan, New Zealand and the United States. References for these proposals are below.

Phase two: requests and offers

To date, **initial requests** have been received from about 35 WTO Members. As requests are communicated between the WTO Members concerned, and not via the WTO Secretariat, there is no central collection point for requests. It is thus not possible to have an exact number of requests, nor to have an overview of their content. While some WTO Members have made their requests – or summaries of their requests – public, others have chosen not to. It is the decision of individual WTO Members whether or not to make their initial requests public. The information below is thus drawn from public sources, such as websites of governments or non-governmental organisations.

In terms of **education services**, of those countries which have released their requests or summaries of their requests, the following information was found. **Canada**, which released its requests, indicated that it would not be seeking commitments from its trading partners in health, public education, social services or culture. **Switzerland** released a summary of its requests and, while noting that it was an exporter of education services, indicated that it had not made any requests on education services.[1] The requests of the **European Communities and its Member States** were leaked to the public and include a request on education services to the United States only. The request is for the United States to make commitments under Higher Education Services (CPC 923): to make commitments in modes 1, 2 and 3 for privately funded educational services and in mode 4

* This annex was written by Julia Nielson (OECD, Trade Directorate).

to commit for privately funded educational services as referred to in the section "horizontal commitments". **New Zealand** has also indiated that it has made requests on education services.[2] According to press reports, **Norway** also made requests on education services.[3]

Both Australia and the United States released summaries of their requests. **Australia** indicated that it would be making requests oriented to ensuring that orderly, transparent processes are in place for accrediting courses and programmes offered by Australian institutions, and seeking greater transparency in approval processed for Australian institutions seeking to establish a presence off-shore.[4] The **United States** indicated that it was requesting increased access for higher education, training services and testing services provided in traditional institutional settings, such as universities or schools, or outside of traditional settings, including workplaces, or elsewhere. Training services include job-related courses, often requiring hands-on operation of tools, equipments, and certain devices. Educational testing services include designing and administering tests, as well as evaluating test results. The United States noted that it was not requesting commitments in primary or secondary education, nor was it requesting commitments with respect to public institutions, subsidies or other assistance in the education sector. The United States states that its approach did not seek to displace public education systems, but rather proposes to help upgrade knowledge and skills though privately provided educational and training programmes while respecting each country's role of prescribing and administering public education.[5]

Japan also released a summary of its requests, noting that it included requests on education services for commitments on market access and national treatment in higher education, adult education and other education services, etc. (Regarding higher education, Japan noted that it recognises the necessity of appropriate regulations in order, among others, to maintain the quality of education and protect students. Japan requests that transparency of these regulations be ensured.)[6]

A leaked document[7] indicates that both **Mexico** and **Brazil** have made requests to the United States on education services. According to this (unverified) source, Brazil has requested the United States to clarify if commitments on education services inscribed in its schedule of commitments from the Uruguay Round also apply to the sub-federal level. Brazil also notes that, with regard to national treatment for the provision of adult education services and other educational services through all modes of supply, scholarships and grants may be limited to US citizens and/or residents of particular states and may, in some cases, only be used at certain states' institutions or within certain US jurisdictions. Brazil requests the United States to take full commitments under national treatment in this regard. According to the same (unverified) source, Mexico has requested the United States to eliminate all restrictions on national treatment for the provision of adult education services and other education services through all modes of supply.

In terms of **initial offers**, as at May 2004, 42 WTO Members had submitted initial offers. They are: Argentina; Australia; Bahrain; Bolivia; Bulgaria; Canada; Chile; China; Chinese Taipei; Colombia; Costa Rica; Czech Republic; European Communities and its Member States; Fiji; Guatemala; Hong Kong, China; Iceland; India; Israel; Japan; Korea; Liechtenstein; Macao, China; Mexico; New Zealand; Norway; Panama; Paraguay; Peru; Poland; Senegal; Singapore; Slovak Republic; Slovenia; Sri Lanka; St Christopher & Nevis; Suriname; Switzerland; Thailand; Turkey; United States; and Uruguay.

Several initial offers have been derestricted by the Member concerned and are publicly available on the WTO website.[8] In addition, some Members have made their initial offers, or summaries thereof, publicly available on their internet sites. It is the decision of the individual member whether or not to make their initial offer public.

Offers on **education services** have been made by 9 WTO Members, the majority of which are developing countries or transition economies.[9] Of these offers, 7 represent new offers (that is, they include a new entry) and 4 are improvements to existing access (these figures come to more than 9 because some offers contain both new and improved access). Of these, two were public on the WTO website (as at May 2004): Japan and Turkey (document references are below). Another two were available via other websites: Switzerland's offer is available on the Swiss Government website (*www.seco.admin.ch*); and Panama's offer is available at the European Services Forum website (*www.esf.be*).

The United States has also indicated in its offer that it is considering including in its offer commitments on Higher Education Services (including training services and educational testing services, but excluding flying instruction). These commitments would include, *inter alia*, the following limitations:

- Nothing in this agreement will interfere with the ability of individual US institutions to maintain autonomy in admissions policies, in setting tuition rates, and in the development of curricula or course content. Educational and training entities must comply with requirements of the jurisdiction in which the facility is established.
- The granting of US federal or state government funding or subsidies may be limited to US schools. Scholarships and grants may be limited to US citizens and/or US residents of particular states. Tuition rates may vary for in-state and out-of-state residents.
- Additionally, the commitments would make clear that: admissions policies include considerations of equal opportunity for students (regardless of race ethnicity or gender), as well as recognition of credits and degrees; state regulations apply to the establishment and operation of a facility in the state; accreditation of the institution and its programmes may be required by regional and/or specialty organisations; required standards must be met to obtain and maintain accreditation; foreign-owned entities may be ineligible for federal or state funding or subsidies, including land grants, preferential tax treatment, and any other public benefits; and to participate in the US student loans programme, foreign institutions established in the United States would need to meet the same requirements as US institutions.

Further information

WTO

Further information is available from the WTO website (*www.wto.org*). Under "trade topics" the Services page provides information on the agreement, a database of members' commitments as well as a separate section on the negotiations.

The WTO Secretariat also produced a series of background notes on the main service sectors covered by the agreement, including education –see WTO, Council for Trade in Services, "Education Services: Background Note by the Secretariat", S/C/W/99, dated 23 September 1998.

Negotiating proposals on education:

- Australia – S/CSS/W/110, dated 1 October 2001.

- Japan – S/CSS/W/137, dated 15 March 2002.
- New Zealand – S/CSS/W/93, dated 26 June 2001.
- United States – S/CSS/W/23, dated 18 December 2000.

Negotiating offers:

- Japan – TN/S/O/JPN, dated 7 April 2003
- Turkey – TN/S/O/TUR, dated 3 September 2003
- United States – TN/S/O/USA, dated 9 April 2003.

OECD

The OECD website (*www.oecd.org/ech/tradepolicy/services*) also features a range of recent studies on trade in services undertaken by the Services Project of the Trade Directorate. These include studies on: temporary movement of service suppliers under GATS mode 4; identification of services exports by developing countries; a survey on WTO Members' preparations for the negotiations in terms of intra-governmental coordination and consultation with stakeholders; and quantifying the gains from services liberalisation.

Notes

1. See "Négociations GATS 2000: les requêtes suisses", Secrétariat d'État à l'économie politique et commerce des services, Berne, août 2002, available at *www.seco.admin.ch*
2. See Ministry of Foreign Affairs and Trade, "General Agreement on Trade in Services: September 2003 Update", available at *www.mfat.govt.nz*
3. See "Asmal Shuns WTO Deal on Education" in *Business Day* (Johannesburg), October 7 2003.
4. See "GATS to Open Doors for Australian Exporters", Media release by The Hon. Mark Vaile, MP Minister for Trade Australia, dated Monday 1 July 2002 (available at *www.dfat.gov.au*).
5. See Office of the United States Trade Representative, "US Proposals for Liberalizing Trade in Services Executive Summary", dated 1 July 2002, available at *www.ustr.gov*
6. See Ministry of Foreign Affairs of Japan, "WTO Services Trade Negotiations Outline of Japan's Initial Offer", April 2003, available at *www.mofa.go.jp/policy/economy/wto/*
7. See GATS requests by state, available at *www.citizen.org*. Please note that the veracity of this information is NOT confirmed.
8. As at May 2004, offers were available in this series from: Australia, Canada, Chile, European Communities and its Member States, Iceland, Japan, Liechtenstein, New Zealand, Norway, Slovenia, Turkey and the United States.
9. This is the WTO definition of developing countries, under which countries self-select as developing. Some OECD members are developing countries in the WTO.

ANNEX C*

Definitions and technical notes on the data

Tertiary education, higher education, post-secondary education

"Post-secondary education" refers to courses leading to qualifications at a higher level than the end of upper secondary school.

In terms of the International Standard Classification of Education (ISCED) of 1997, post-secondary education encompasses: post-secondary non-tertiary education (ISCED 4), whose content is not significantly more advanced than upper secondary programmes, but which serves to broaden the knowledge of participants who have already gained an upper secondary qualification; the first stage of tertiary education (ISCED 5), which includes largely theory-based university undergraduate degrees (ISCED 5A) and typically shorter advanced vocational qualifications focusing on practical, technical or occupational skills for direct entry to the labour market (ISCED 5B); and advanced research programmes that lead directly to the award of an advanced research qualification, *e.g.* Ph.D. (ISCED 6). More details on these classifications are provided in *Education at a Glance – OECD Indicators*.

As used in this report, the term "post-secondary" also encompasses adult learning programmes that do not necessarily lead to formal qualifications like degrees, although possibly to "certificates", etc. The terms "tertiary" or "higher" education are used interchangeably and refer to ISCED 5-6.

Foreign students: definitions and coverage

The currently available data on cross-border post-secondary education is uneven in its coverage of the full variety of different institutions and courses in post-secondary education. Almost all of the cross-border data refer to the "tertiary education" component of post-secondary education, namely ISCED levels 5 and 6. Within tertiary education, there tends to be more extensive information on university courses than on other types of tertiary study. However, in other instances the national data do not always clearly distinguish the levels of education to which the data apply.

Although the data on foreign students refer to non-resident international students who came to that country to study in some countries, most countries' data include both resident and non-resident foreign tertiary students (ISCED 5A, 5B and 6). Thus, "foreign

* This annex was written by Karine Tremblay and Stéphan Vincent-Lanvin (OECD, Directorate for Education).

students" are generally an overestimate of international mobile students, 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. Data for France cover only 82% of its tertiary enrolments.

In principle, the coverage of the data shall be limited to programmes which last a minimum of 1 semester full-time equivalent. Students on short-term postings (*i.e.* less than a full school year) to institutions in other countries and who remain enrolled in their "home" institution and/or continue to pay their fees to their home institution should not be recorded as foreign students in the host country. Unfortunately, this is often the case of exchange students. Finally, a student from country A enrolled in a programme provided by an institution located in country B through distance education should in principle be recorded as a foreign student of country B, which is not always the case in practice. Variations between national and OECD data for a given country result from the necessary adjustments required to make country data comparable internationally.

The OECD is working with member countries to improve the scope and quality of internationally available data on the cross-border mobility of students, academics, educational programmes and institutions.

Operational definitions of "foreign students"

Australia: Foreign students are defined on the basis of a combination of variables that can distinguish them from domestic students (residence permit, country of birth, permanent home residence, year of arrival in Australia). The number of foreign students reported comprises only the higher education sector, *i.e.* ISCED 5A/6 and the higher education component of tertiary type B level. Foreign students enrolled in distance education programmes are included.

Austria: Foreign students are defined as non-Austrian citizens, thus including permanent residents. Data on the citizenship of students are partly missing at tertiary type B level.

Belgium: Foreign students are defined by nationality rather than citizenship. Data do not distinguish resident from non-resident foreign students at the tertiary level. The number of tertiary students who came to Belgium for the purpose of study is therefore *overestimated*.

Data do not include foreign tertiary students enrolled in the German Community or those enrolled in distance education programmes or independent private institutions of the French Community. In both cases, the corresponding foreign enrolments are thought to be marginal. Foreign students enrolled in Flemish distance education programmes are included.

Czech Republic: Foreign students are defined as non-Czech citizens, thus including permanent residents.

Denmark: Foreign students are defined as non-Danish citizens, thus including permanent residents.

Finland: Foreign students are defined as non-Finnish citizens, thus including permanent residents. Foreign students enrolled in distance education programmes are included.

France: Foreign students are defined as non-French citizens, thus including permanent residents.

Germany: Foreign students are defined as non-German citizens, thus including permanent residents. Students with double citizenship are counted as German students. Data on tertiary foreign students do not include foreign tertiary students enrolled in advanced research programmes. Foreign students enrolled in distance education programmes are included.

Greece: Foreign students are defined as non-Greek citizens, thus including permanent residents. Data on tertiary foreign students do not include foreign tertiary students enrolled in tertiary type B programmes.

Hungary: Foreign students are defined as non-Hungarian citizens, thus including permanent residents, but excluding members of neighbouring countries' Hungarian minorities. Data on tertiary foreign students in tertiary type B programmes include only those enrolled in colleges and universities.

Iceland: Foreign students are defined as non-Icelandic citizens, thus including permanent residents. Foreign students enrolled in distance education programmes are included.

Ireland: Foreign students are defined by foreign domiciliary address, thus excluding permanent residents. Data on tertiary foreign students include only full-time enrolments.

Italy: Foreign students are defined as non-Italian citizens, thus including permanent residents. Foreign students enrolled in distance education programmes are included.

Japan: Foreign students are defined as non-Japanese citizens, thus including permanent residents.

Korea: Foreign students are defined as non-Korean citizens, thus including permanent residents.

Netherlands: Foreign students are defined as enrolled students with foreign nationality. Data on tertiary foreign students do not include foreign tertiary students enrolled at the Open University or in advanced research programmes.

New Zealand: Foreign students are defined as non-citizens, thus including permanent residents. However, most Australian students are not counted as foreign students.

Norway: Foreign students are defined as non-Norwegian citizens, thus including permanent residents. Foreign students enrolled in distance education programmes are included.

Poland: Foreign students are defined as non-Polish citizens, thus including permanent residents. Data on tertiary foreign students do not include foreign tertiary students enrolled in advanced research programmes. Data cover only students enrolled for full curriculum studies or full academic year, not those enrolled for one or two terms.

Slovak Republic: Foreign students are defined as non-Slovakian citizens, thus including permanent residents. Foreign students enrolled in distance education programmes are included.

Sweden: Foreign students are defined as non-Swedish citizens registered in the Swedish population register, thus including permanent residents. Students who are not registered in the Swedish population register (mainly from other Nordic countries) are *not included*. Foreign students enrolled in distance education programmes are included.

Switzerland: Foreign students are defined as non-Swiss citizens, thus including permanent residents.

Turkey: Only foreigners who come to Turkey for the purpose of study are counted as foreign students. Data on tertiary foreign students do not include foreign tertiary students enrolled in advanced research programmes.

United Kingdom: Foreign students are defined by foreign domiciliary address, thus excluding permanent residents.

United States: Foreign students are defined as students who are neither US citizen, immigrant (permanent resident), or refugee, thus excluding permanent residents. These may include holders of F (student) Visas, H (temporary worker/trainee) Visas, J (temporary educational exchange-visitor) Visas, and M (vocational training) Visas.

Data tables

Data for Figure 1.2. Index of foreign students per domestic student abroad in tertiary education by OECD country, 1998 and 2001

	1998	2001
Australia	21.1	23.0
Austria	2.6	2.7
Belgium	m	3.8
Canada	1.2	1.4
Czech Republic	3.7	1.6
Denmark	1.9	2.0
Finland	-1.9	-1.5
France	4.0	3.1
Germany	3.7	3.7
Greece	m	m
Hungary	1.2	m
Iceland	-11.9	-5.7
Ireland	-2.8	-1.9
Italy	-1.4	-1.4
Japan	1.0	1.1
Korea	-27.2	-18.3
Luxembourg	-6.3	m
Mexico	m	-7.2
Netherlands	m	1.4
New Zealand	1.1	1.8
Norway	-1.9	-1.6
Poland	-2.3	-2.9
Slovak Republic	m	-5.3
Spain	1.3	1.5
Sweden	1.0	1.8
Switzerland	3.6	3.5
Turkey	-2.1	-2.6
United Kingdom	8.0	8.9
United States	16.0	15.8
Total OECD	**2.3**	**2.4**

Source: OECD education database.

Data for Figure 2.1. Number of US study abroad students

Year	Number of students
1985/86	48 483
1987/88	62 341
1989/90	70 727
1991/92	71 154
1993/94	76 302
1994/95	84 403
1995/96	89 242
1996/97	99 448
1997/98	113 959
1998/99	129 770
1999/00	143 590
2000/01	154 168
2001/02	160 920

Source: Chin (2003) (*http://opendoors.iienetwork.org/*).

Data for Figure 2.2. Number of univesity development projects in Canada, 1985-99

	1985	1990	1995	1999
Caribbean	26	57	23	15
Central Africa	9	22	5	1
Central and Eastern Europe	0	0	8	5
East Africa	37	59	32	10
East Asia	55	73	32	25
Mexico and Central America	11	34	23	14
Middle East	12	11	8	9
North Africa	16	46	14	8
South America	29	70	39	24
South and Central Asia	29	53	25	16
Southeast Asia	22	71	53	31
Southern Africa	15	29	17	15
West Africa	19	66	44	17
Total	**280**	**591**	**323**	**190**

Source: AUCC (2000).

Data for Figure 2.5. International exchange agreements in Canada by world region

	1990	1995	1999
Africa	47	99	125
Asia	133	374	576
Caribbean	10	24	37
Central and Eastern Europe	52	168	194
Mexico and Central America	15	98	151
Middle East	12	43	63
Oceania	9	66	119
South America	54	138	177
United States	44	94	128
Western Europe	273	797	1 059
Total	**649**	**1 901**	**2 629**

Source: AUCC (2000).

Data for Figure 5.1. Number of foreign tertiary students in OECD countries, by host country, 2001

	Number of foreign students
Australia	110 789
Austria	31 682
Belgium	38 150
Canada	40 667
Czech Republic	7 750
Denmark	12 547
Finland	6 288
France	147 402
Germany	199 132
Hungary	11 242
Iceland	421
Ireland	8 207
Italy	29 228
Japan	63 637
Korea	3 850
Mexico	1 943
Netherlands	16 589
New Zealand	11 069
Norway	8 834
Poland	6 659
Portugal*	11 177
Slovak Republic	1 690
Spain	39 944
Sweden	26 304
Switzerland	27 765
Turkey	16 656
United Kingdom	225 722
United States	475 169
Total OECD	**1 580 513**

* 2000 instead of 2001.

Source: OECD education database.

Data for Figure 5.2. Increase of foreign tertiary students in OECD countries, 1980-2001 (1990=100)

	1980	2001
Australia	30	382
Austria	64	172
Belgium	47	139
Canada	81	116
Czech Republic	76	161
Denmark	45	186
Finland	38	389
France	79	105
Germany*	58	186
Hungary	83	340
Ireland	87	250
Italy	135	134
Japan	15	141
Korea	45	172
Netherlands	47	187
New Zealand	76	343
Norway	16	128
Poland	68	156
Portugal	35	296
Spain	107	389
Sweden**	98	247
Switzerland	65	123
Turkey	87	217
United Kingdom	70	282
United States	77	117
Country Mean	**71**	**156**

* In 1980, Federal Republic of Germany without German Democratic Republic.
** 1985 instead of 1980, and 1989 instead of 1990.

Source: UNESCO for 1980 and 1990, except for Japan (Ministry of Education); OECD education database for 2001.

Data for Figure 5.3. Percentage of foreign students as a percentage of all (foreign and domestic) students

	1998	2001
Australia	12.6	13.9
Austria	11.5	12.0
Belgium	m	10.6
Canada	2.8	4.6
Czech Republic	1.9	3.0
Denmark	6.0	6.5
Finland	1.7	2.2
France	7.3	7.3
Germany	8.2	9.6
Hungary	2.6	3.4
Iceland	2.4	4.1
Ireland	4.8	4.9
Italy	1.2	1.6
Japan	0.9	1.6
Korea	0.1	0.1
Luxembourg	30.5	m
Mexico	0.0	1.1
Netherlands	m	3.3
New Zealand	3.7	6.2
Norway	3.2	4.7
Poland	0.5	0.4
Slovak Republic	m	1.2
Spain	1.7	7.3
Sweden	4.5	7.3
Switzerland	15.9	17.0
Turkey	1.3	1.0
United Kingdom	10.8	10.9
United States	3.2	3.5
OECD mean	**4.5**	**5.3**

Source: OECD education database.

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