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Internationalisation and Trade in Higher Education
Opportunities and Challenges

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.

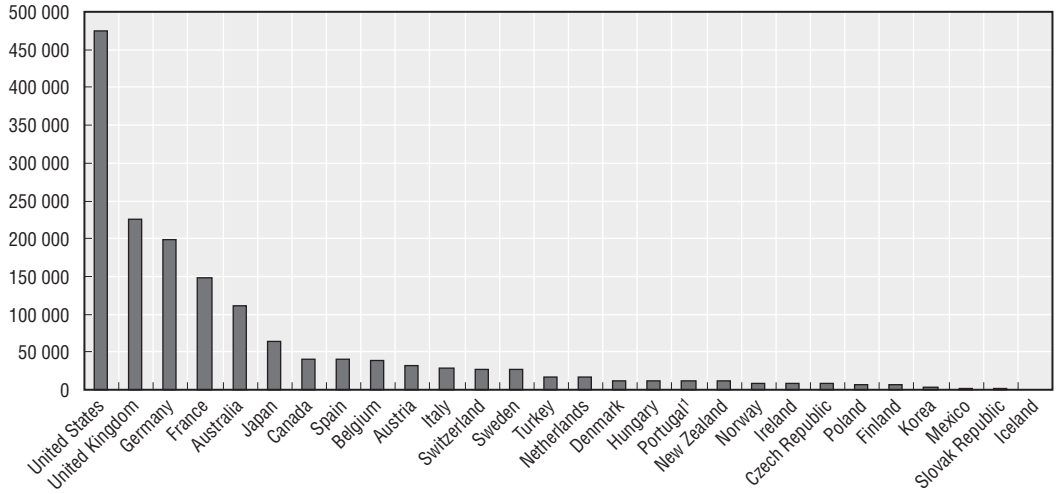
Enrolment of foreign students

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**

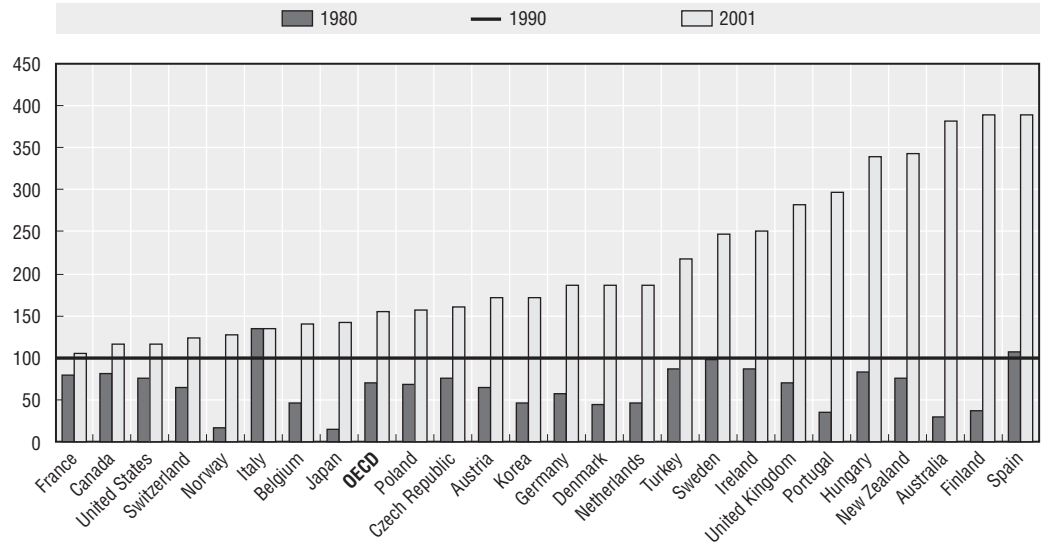


1. 2000.

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)**



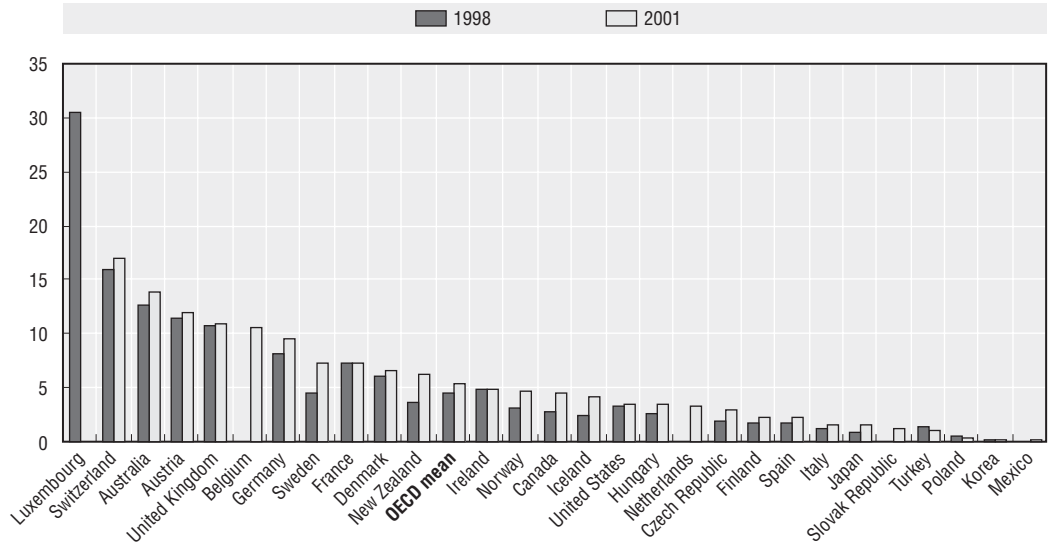
Note: "Foreign students" are defined in the note to Figure 5.1 and in Annex C. The "OECD average" is the mean average of all OECD countries for which data are available for the years concerned. The countries shown are those which enrol substantial numbers of overseas students and which have data for 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.

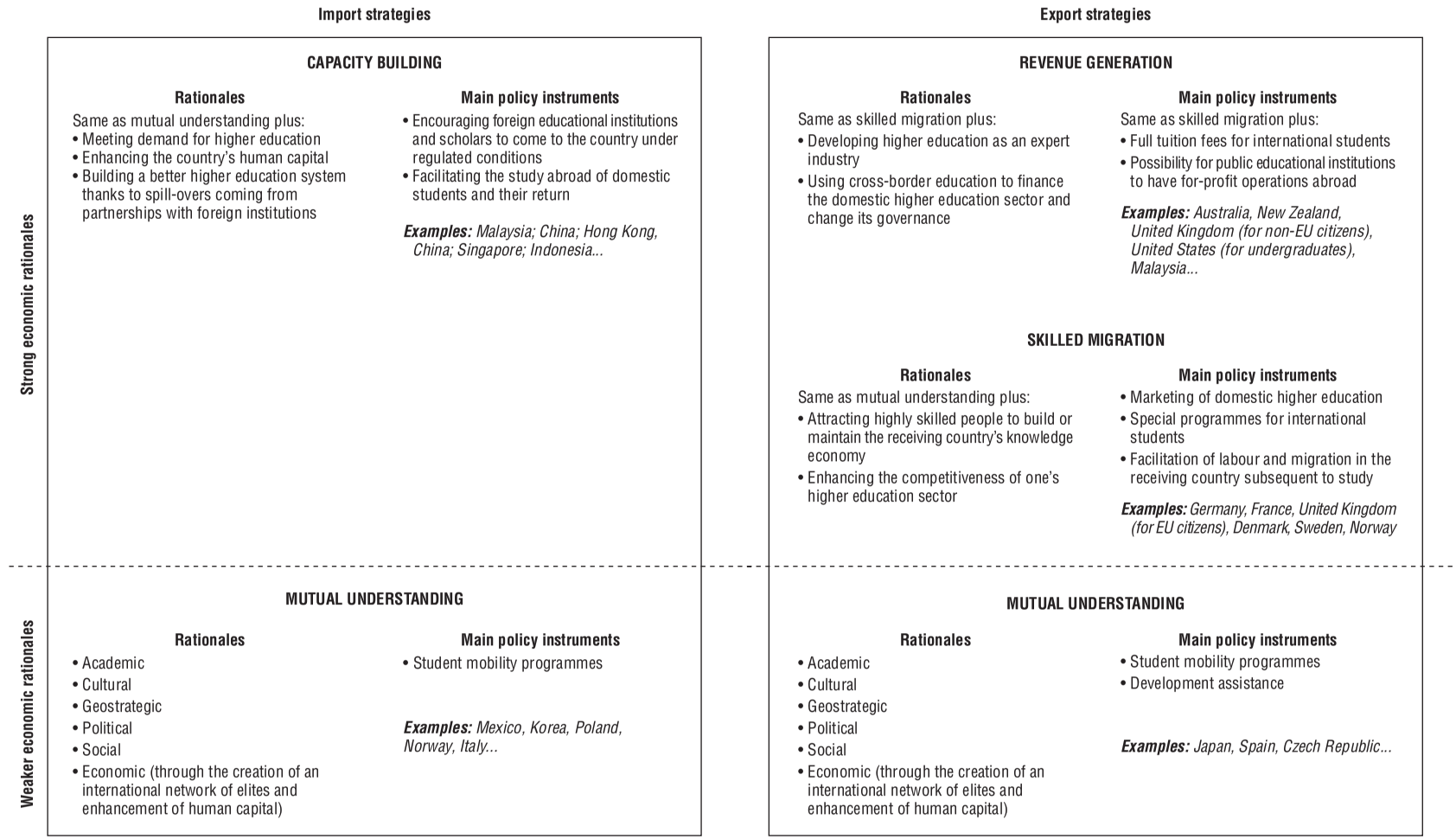
From the analysis of cross-border post-secondary education in three OECD regions, four different, but not mutually exclusive, approaches to cross-border post-secondary education have emerged. These approaches have used different policy instruments (see Figure 5.4).

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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