

Internationalisation of Higher Education

**Where are international
students going?**

**What are the new forms
of cross-border education?**

**What are the different policy
rationales and approaches
to cross-border education?**

**How does GATS relate
to education?**

**What are the main policy
challenges?**

For further information

For further reading

Where to contact us?

Introduction

Higher education has become increasingly international in the past decade as more and more students choose to study abroad, enrol in foreign educational programmes and institutions in their home country, or simply use the Internet to take courses at colleges or universities in other countries. This growth is the result of several different, but not mutually exclusive, driving forces: a desire to promote mutual understanding; the migration of skilled workers in a globalised economy; the desire of the institutions to generate additional revenues; or the need to build a more educated workforce in the home countries, generally as emerging economies.

Cross-border higher 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. On the other hand, delivering foreign educational programmes and institutions so that students can study at a foreign college without leaving home has been largely driven by educational institutions themselves. It has been made easier by institutional frameworks which grant substantial autonomy to higher education institutions and by the policies adopted by receiving countries.

But the growth and diversification of cross-border education raises a number of questions for governments and higher education institutions. Is capacity being increased to meet growing demand? Is access being widened? Are costs being lowered for students or governments? Is liberalisation an answer to the growing importance of private provision as well as the rise in the demand for higher education? This Policy Brief outlines the current position and puts forward an agenda for OECD policy makers under the following headings:

- quality and recognition;
- access and equity;
- financing and cost;
- using cross-border higher education to build capacity;
- policy coherence. ■

Where are international students going?

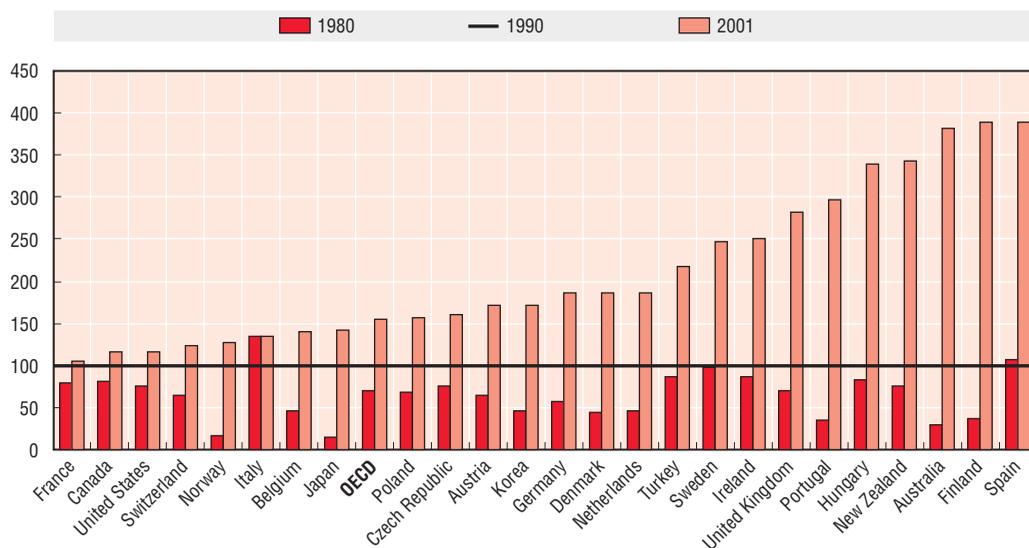
Students going abroad to study is the major form of cross-border higher education. The number of foreign students in OECD countries has doubled over the past 20 years to 1.6 million (Figure 1 and Table 1). OECD countries receive around 85% of the world's foreign students, but most of them are concentrated in just six countries. In 2001, the United States accounted for 30% of foreign enrolments, the United Kingdom 14%, Germany 13%, France 9%, Australia 7% and Japan 4%. The four leading English-speaking countries alone (the United States, the United Kingdom, Australia and Canada) account for more than half (54%) of all foreign students in the OECD area.

Europe is the largest receiving region among OECD countries with 840 000 foreign students but many of these students are moving from one European country to another. About half (52%) of foreign students in Europe are European. North America receives fewer students in absolute terms (with 520 000 foreign students in the United States, Canada and Mexico), but ranks first in terms of openness to other regions,

with Asian students representing almost two-thirds (60%) of all foreign students in North America.

Asia heads the list of regions sending students abroad for higher education, accounting for almost half (43%) of all international tertiary-level students in the OECD area. Europe is a close second, accounting for 35%, followed by Africa (12%), North America (7%), South America (3%) and Oceania (1%). About 57% of all foreign students studying in OECD countries were from outside the OECD area in 2001. Looking at individual countries, China (including Hong Kong) sends the largest number of students abroad, accounting for 10% of all international students in the OECD area, followed by Korea (5%), India (4%), Greece (4%), and Japan (4%). More than two-thirds (70%) of all Asian students abroad study in three English-speaking destinations: the United States, the United Kingdom and Australia. While Asian students mainly use cross-border education to acquire a full degree on a full fee-paying basis, American and European students favour a short two-way mobility, in the case of Europeans mainly on a subsidised fee-paying basis. ■

Figure 1. Growth of foreign students in some OECD countries over the last 20 years (1990 = 100)



1980 and 1990: data for Germany exclude the former East Germany.
 Source: UNESCO for 1980 and 1990, except for Japan (Ministry of Education); OECD education database for 2001.

Table 1. Foreign students in the OECD area – top OECD receiving and sending countries, 2001

Number of hosted foreign students		Number of foreign students abroad	
United States	475 169	China	124 000
United Kingdom	225 722	Korea	70 523
Germany	199 132	India	61 179
France	147 402	Greece	55 074
Australia	110 789	Japan	55 041
Japan	63 637	Germany	54 489
Canada	40 667	France	47 587
Spain	39 944	Turkey	44 204
Belgium	38 150	Morocco	43 063
Austria	31 682	Italy	41 485
Italy	29 228	Malaysia	32 709
Switzerland	27 765	United States	30 103
Sweden	26 304	Canada	29 326
Turkey	16 656	Indonesia	26 615
Netherlands	16 589	Spain	26 196
Denmark	12 547	United Kingdom	25 198
Hungary	11 242	Hong Kong	23 261
New Zealand	11 069	Russian Federation	22 004
Norway	8 834	Singapore	19 514
Total OECD	1 580 513		

Source: OECD education database.

What are the new forms of cross-border education?

In fact, going abroad to study is only one form of cross-border education. An increasing number of students are being offered, and taking advantage of, a new option – taking a degree or other post-secondary course offered by a foreign university without leaving their home country. Programme and institution mobility has grown over the past decade and is likely to meet a growing demand in the future.

Programme mobility is the second most common form of cross-border higher education after student mobility. It involves cross-border distance education, including e-learning, generally supplemented by face-to-face teaching in local partner institutions, but mainly takes the form of traditional face-to-face teaching offered via a partner institution abroad. The relationships between foreign and local institutions are regulated under a variety of arrangements, from development assistance to for-profit arrangements. Commercial arrangements are becoming prominent in the Asia-Pacific region, mainly through franchises and twinning arrangements. Under a franchise arrangement, a local provider is typically licensed by a foreign institution to offer whole or part of a foreign edu-

cational programme (generally leading to a foreign degree) under stipulated contractual conditions. Franchise arrangements do however take many other forms. Under a twinning programme, students are enrolled with a foreign provider and are taught 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.

Institution mobility is still limited in scale, possibly because it involves more entrepreneurial risk, but it has become an increasingly important feature of cross-border education: it corresponds to foreign direct investment by educational institutions or companies. The typical form of institution mobility is the opening of foreign campuses by universities and of foreign learning centres by educational providers. It may also involve the establishment of a distinctly new rather than affiliated educational institution or the take-over of all or part of a foreign educational institution.

Although such services might not offer students the same cultural and linguistic experiences as foreign study, they involve lower personal costs than studying abroad and can lead to beneficial spillovers in the receiving country's higher education sector. In the

degree-granting sector, the growth of for-profit cross-border education through programme and institution mobility is mostly driven by “traditional” public or private not-for-profit educational institutions that increasingly offer private provision.

Australia is a striking example of a country whose provision of cross-border higher education is increasingly carried out in the student’s home country through programme and institution mobility: between 1996 and 2001, “offshore” enrolments increased from 24% to 37% of all international students enrolled in Australian institutions. Most of these students attended traditional campuses/courses outside Australia (28% of all international students in 2001), while fewer (9% of all international students) were enrolled offshore in distance education, although this number is growing. More than half of the international students from Singapore and Hong Kong, China studying in an Australian educational institution are enrolled in offshore courses. ■

What are the different policy rationales and approaches to cross-border education?

Four different, but not mutually exclusive, approaches to cross-border higher education emerge. Three of them – skilled migration, revenue generation, capacity building – have a strong economic drive and have emerged in the 1990s while the fourth, mutual understanding, has a longer history.

The *mutual understanding approach* encompasses political, cultural, academic and development aid goals. It allows and encourages mobility of domestic as well as foreign students and staff through scholarship and academic exchange programmes and supports academic partnerships between educational institutions. This approach does not generally involve any strong push to recruit international students. Examples of countries using this approach so far are Japan, Mexico, Korea, or Spain. The European Union’s Socrates-Erasmus programme also corresponds to this approach, involving student and teacher exchanges, networking of faculties and institutions across Europe and joint development of study programmes.

The *skilled migration approach* shares the goals of the mutual understanding approach but gives stronger emphasis to the recruitment of selected international students and aims to attract talented students to work in the host country’s knowledge economy, or

render its higher education and research sectors more competitive. Scholarship programmes may remain a major policy instrument in this approach but they are supplemented by active promotion of a country’s higher education sector abroad, combined with an easing of the relevant visa or immigration regulations. Sometimes, specific services are designed to help international students in their studies and their stay abroad and more teaching takes place in English. This approach can have a variety of targets, such as students from certain areas, post-graduates or research students rather than undergraduates, or students in a specific field. This approach generally results in a rise in the number of international students. Examples of countries having adopted this approach are Germany, Canada, France, the United Kingdom (for EU students) and the United States (for post-graduate students).

The *revenue-generating approach* shares the rationales of the mutual understanding and skilled migration approaches, but offers higher education services on a more or less full-fee basis, without public subsidies. 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 and protect international students, for example through 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 General Agreement on Trade in Services (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. Examples of this approach are Australia, the United Kingdom (for non-EU students), New Zealand, and the United States (for undergraduates).

The *capacity-building approach* encourages cross-border higher education, however delivered, as a relatively quick way to build an emerging country’s capacity. Scholarship programmes supporting the outward mobility of domestic civil servants, teachers, academics and students are important policy instruments; so is encouraging foreign institutions, programmes and academic staff to come and operate for-profit ventures, generally under a government regulation which ensures their compatibility with the country’s nation- and economy-building agendas.

Twinning arrangements and partnerships with local providers are encouraged (and sometimes compulsory) in order to facilitate knowledge transfers between foreign and local institutions. In the short run, this approach results in large numbers of outgoing students and of foreign revenue-generating educational programmes and institutions. Examples of this approach are mostly found in South-East and North Asia and in the Middle East, e.g. Malaysia; Hong Kong, China; China and Singapore. ■

How does GATS relate to education?

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

Education stakeholders are mainly concerned that the GATS could undermine public funding and subsidies as well as the governments' ability to regulate quality in higher education. However, the public education sector is in principle not covered by the GATS negotiations and no member country has yet expressed interest in including it. Moreover, the GATS has no discipline that compels WTO members or countries making commitments in education services to abandon the public funding of their higher education system or extend it to foreign institutions or students, unless they decide to make such a commitment. So far, no country has made such a commitment. The setting of quality standards is also outside the scope of trade agreements and of the GATS in particular. The GATS mandates the development of any necessary disciplines to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services. But these disciplines do not exist as yet. The GATS does not provide for, or seek to undertake, recognition of qualifications either. Recognition agreements must however be notified to the WTO so that other interested members can know about them. In short, the possible impact of GATS on domestic education

systems will depend on the commitments made by countries, which have been limited and conservative so far.

The growth of cross-border higher education has occurred largely in the absence of GATS commitments, driven by factors other than the GATS. It is thus likely to continue irrespective of the GATS, at least in the short run. Whether a country decides to make GATS commitments on education or not, it will still need to deal with many of the issues and challenges that arise from these developments. Indeed, many of the policies that may be needed to manage the growth of cross-border higher education and trade in educational services are unconnected with, and unaffected by, the GATS (e.g. student visa requirements and policies regarding quality assurance, accreditation and recognition of qualifications).

Cross-border higher education represents an important source of export revenue in some OECD countries and is increasingly provided through commercial arrangements. Foreign students incur large expenditures to cover living, education and travel costs. Although there are differing views across countries and regions, education is increasingly seen as a potential commercial stake for the future. Export revenue related to international student mobility amounted to an estimated minimum of US\$ 30 billion in 1998, or 3% of global services exports. In Australia and New Zealand, educational services rank, respectively, third and fourth in terms of services exports, and fourteenth and fifteenth in terms of exports as a whole. ■

What are the main policy challenges?

Cross-border higher education raises mainly traditional educational policy issues: quality, access and equity, cost, contribution of education to growth.

Quality and recognition

Countries providing and receiving cross-border higher education have a common interest in strengthening quality provision (either to protect their learners or to maintain the reputation and attractiveness of their higher education system abroad).

The variety of higher education systems and the lack of transparent information about and readability of those systems worldwide leave room for low quality and even rogue providers (degree mills) and rogue quality assurance and accreditation agencies (accreditation mills) to

operate. While national quality assurance and accreditation systems partly resolve quality issues in cross-border student mobility, programme and institution mobility often fall outside their scope. Programme and institution mobility can carry quality risks to a greater or lesser extent, for example depending on its form (franchise, twinning arrangement, e-learning, etc.). While still limited in scale, fraud – that is the selling (or buying) of fake degrees – is increasingly becoming an issue: it lowers the overall perception of the quality of cross-border higher education.

The recognition of international degrees is also important for facilitating periods of study abroad and for allowing students holding foreign degrees to work in their own country or, more generally, in the international labour market.

New developments in cross-border higher education raise crucial policy challenges:

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

Access and equity

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

However, student mobility and foreign education can involve equity issues. The growth of cross-border education could lead to the displacement of domestic students by international students, if it is not carefully monitored by governments and educational institutions. Moreover, student mobility remains primarily self-financed by students and their families; students generally self-finance their participation in cross-border educational programmes operating privately in Asia.

Students from lower economic and educational backgrounds participate less in cross-border student mobility. This is also the case for students from minority backgrounds in the United States. In some cases though, cross-border education can increase the access of minorities to higher education: this is the case for Malaysian students from the Indian and Chinese minorities. Student mobility is gender-neutral in the European Socrates-Erasmus programmes and favourable to female students in the United States (because most outgoing US students study humanities), but favours male students in most Asian sending countries, reflecting a higher participation of male students in higher education in these countries as well as, possibly, a tendency for families to invest more in education for boys than for girls. Although some of the gaps between different population groups may be bridged mechanically as equity in access to tertiary education is achieved in the sending countries, the governments and other education stakeholders of receiving as well as sending countries willing to tackle the equity issue in cross-border higher education could:

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

Financing and cost

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

The first strategy is to grant international students indirect subsidies. Indeed, as long as it does not require capacity expansion, teaching international students represents a marginal cost for universities. Moreover, where there is a decline in student numbers in a system or in certain fields, international students allow the reduction of the average cost of higher education (by increasing the teacher-student ratio) and the maintaining of variety in their educational offers. Indirect subsidisation alleviates (but does not totally remove) the funding issue for international students. This strategy implicitly relies on a reciprocity principle between countries/institutions, and especially so in a context of growth of cross-border mobility of students.

The second, newer, strategy often places cross-border higher education in a broader reform agenda of funding and governance of domestic higher education systems. So far, the introduction of this fee policy

has preceded rather than followed relatively large enrolments of international students. In addition to most advantages of indirect subsidisation, international students contribute to some extent to the financing of the domestic higher education system. Their full tuition fees help universities to enhance their educational and research capacity. They also give them strong incentives to recruit international students, to become more demand-driven and more entrepreneurial, and possibly to undertake for-profit cross-border activities, such as programme and institution mobility. Governments seeking to encourage their publicly funded higher education institutions to recruit large numbers of international students or undertake cross-border commercial activities should thus:

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

Using cross-border higher education to build capacity

Cross-border higher education may be as important economically to importing as to exporting countries and can indeed help emerging economies, and developing and transition countries to build or strengthen their capacity in higher education as well as meet their unmet demand, if any.

As already noted, cross-border education is one way of increasing domestic access to higher education, which ultimately contributes to growth and development. While student and scholar mobility facilitates the building of international networks, which are essential to access up-to-date knowledge, partnerships of local and foreign universities in programme and institution mobility induce spillovers that can help improve the quality of local provision. Finally, commercial provision of cross-border higher education can allow the building of capacity more quickly

than with domestic or development assistance resources only, and grants receiving countries more negotiating power to dictate their conditions.

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

- Developing countries should ensure that foreign provision meets their needs and quality requirements, and that it leads to actual spillovers.
- Cross-border student mobility might in some cases involve a risk of “brain drain” for the sending country: cross-border education without student mobility might alleviate this risk and create job opportunities at home for the students.
- Trade is not likely to play a major role in countries where there are insufficient funds to pay for unsubsidised (for-profit) education; development assistance in education should thus be encouraged in the least developed countries.

Policy coherence

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

For further information

For further information about the OECD’s work on internationalisation and trade in higher education, contact:

Kurt Larsen, Tel.: (33-1) 45 24 92 02

(email: Kurt.Larsen@oecd.org), or

Stéphan Vincent-Lancrin, Tel.: (33-1) 45 24 92 29

(email: Stephan.Vincent-Lancrin@oecd.org). ■

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Where to contact us?

FRANCE

OECD Headquarters
2, rue André-Pascal
75775 PARIS Cedex 16
Tel.: (33) 01 45 24 81 67
Fax: (33) 01 45 24 19 50
E-mail: sales@oecd.org
Internet: www.oecd.org

GERMANY

OECD BERLIN Centre
Albrechtstrasse 9/10
D-10117 BERLIN
Tel.: (49-30) 288 8353
Fax: (49-30) 288 83545
E-mail:
berlin.contact@oecd.org
Internet:
www.oecd.org/deutschland

JAPAN

OECD TOKYO Centre
Nippon Press Center Bldg
2-2-1 Uchisaiwaicho,
Chiyoda-ku
TOKYO 100-0011
Tel.: (81-3) 5532 0021
Fax: (81-3) 5532 0035
E-mail: center@oecdtokyo.org
Internet: www.oecdtokyo.org

MEXICO

OECD MEXICO Centre
Av. Presidente Mazaryk 526
Colonia: Polanco
C.P. 11560
MEXICO, D.F.
Tel.: (00.52.55) 9138 6233
Fax: (00.52.55) 5280 0480
E-mail:
mexico.contact@oecd.org
Internet:
www.oecdemexico.org.mx

UNITED STATES

OECD WASHINGTON Center
2001 L Street N.W.,
Suite 650
WASHINGTON D.C. 20036-4922
Tel.: (1-202) 785 6323
Fax: (1-202) 785 0350
E-mail:
washington.contact@oecd.org
Internet: www.oecdwash.org
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