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*Chapter 9*

**Country Paper on the Republic of Korea  
Cross-border higher education in the Republic of Korea:  
from challenge to opportunity**

by

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**Foreword**

In accordance with decisions taken at the Fourth Ministerial Conference of the World Trade Organization (WTO) held in Doha, Qatar, 9-14 November 2001, the Ministry of Education and Human Resources Development (MOEHRD), Republic of Korea, formulated in March 2003 a proposal for binding market access levels in Korea – an “*Initial Offer List*” – focusing on both higher and adult education.

Several member countries have also proposed *offer lists* to the Korean Government which showed their interest in Korea’s higher educational services market in terms of cross-border education (CBE). Since then the member countries concerned have been, during negotiations, actively seeking optimum profitability in their own interests.

As the World Trade Organization (WTO) time schedule points out, a wide range of educational services will be borderless sooner than expected, following the pattern of the liberalization of industrial and agricultural products since the Second World War.

As the formal deadline for proposals approached, 31 March, 2003, there was increasing controversy by various interest groups in Korea over the contents of the “*Initial Offer List*”, which reflected ‘social expectation’ as well as ‘social apprehension’ regarding cross-border education (CBE).

The Korean citizens who are *in favour* of cross-border education under the GATS regime are extremely interested in its potential positive effects, which could include:

- ***Extending*** the range of choices in educational services.

- **Upgrading** the quality of higher education through a stimulus stemming from cross-border education.
- **Strengthening** the base of training globalized manpower at a low cost.
- **Absorbing** the demand of consumption abroad in domestic arena.
- **Decreasing** the expenditure deficit caused by studying abroad.
- **Completing** the duty of opening markets as a member of WTO, and so on. (Han, 1994; Kim, 2002: 25).

As shown in *Section I* they recognize it as ‘a stimulus or an opportunity’ necessary for upgrading the quality of higher education through marketized competition.

Those citizens who are *against* cross-border education under the GATS regime are very apprehensive regarding its potential negative effects, which could include:

- **Causing** serious damage to domestic institutions already in crisis for survival.
- **Perturbing** national identity by attracting many foreign cultures (i.e. foreign students/professors, Koreans born and bred elsewhere in the world) in the area of education.
- **Raising** the dependency of educational services on foreign capital.
- **Accelerating** the outflow of expenditure necessary for education.
- **Diffusing** commercialized commodities over the area of education.
- **Spreading** a sense of incompatibility between rich and poor, and so on. (Choi, *et al.*, 1991).

They recognize it either as a ‘challenge’ or ‘crises’ for their survival.

The author of this chapter stands in favour of the potential positive effects, and thus this thesis aims to review the regulatory mechanism of the Republic of Korea in preparation for full-scale cross-border education (CBE) as shown in *Section II*.

Based on these mechanisms this paper also aims to find the best way to meet the requests of member countries which seek to gain a share in Korea’s educational services’ markets. It should be mentioned that the author’s own perspectives are reflected in this chapter, irrespective of attitudes at the governmental level.

Next, in *Section III*, the paper formulates – in order to grasp the extent of social concern regarding cross-border higher education – a “Questionnaire Survey, October 2002”, designed and implemented by the author of 4,657 people working at various levels of the education sector. On the whole, the outcome reflected *social*

*apprehension* as well as *social expectation* regarding cross-border educational services. In addition, it also attracted much attention and debate throughout the country as a whole.

Finally, in *Section IV* the chapter concludes, reflecting on the path of Korea's spectacular economic growth since the early 1960s, that cross-border trading of industrial products posed a serious threat or a challenge at the initial stages, but finally brought stimuli or opportunities for Korea to 'take-off' economically. Cross-border higher educational services in Korea are also expected to follow a similar path: from that of being a 'challenge' to that of becoming an 'opportunity'.

As the OECD points out, cross-border higher education will promote (i) innovation, (ii) efficiency, and (iii) quality control in the area of educational services, and so will provide consumers with opportunities to choose high quality services. (OECD(a), 2002: 10).

## **I. THE CURRENT SITUATION OF HIGHER EDUCATION IN CRISIS**

### *(i) Rapid expansion in quantity and its side-effects*

The Korean higher education system has experienced a spectacular expansion in quantitative terms during the past three decades. Referring to general university (4 years, including the universities for additional teacher training) and junior college (2 or 3 years), the number of institutions has expanded – more than doubled from 152 in 1970 to 340 in 2004 – and the number of enrolled students has skyrocketed by 14.4 times from 192,087 in 1970 to 2,757,573 in 2004. The advancement rate of high school graduates to higher education reached 81.3 per cent in 2004 (MOEHRD & KEDI, 2004). This suggests that higher education has become so universalized that it is accessible to practically everyone in Korea.

In cultural terms, the importance placed on education goes back to Confucian values, which put a great emphasis on academic status. Such tradition has long prevailed over the Korean mind-set, and has led to an unbelievable education fever.

In addition, the *financial benefits* (i.e. total amount of lifelong income guaranteed by higher education) and *non-financial benefits* (i.e. social status depending on education) incurred from higher education *rose*, which also contributed to the continued over-heated demand for higher education (Lee, 2002).

Until recently, higher education institutions in Korea have become more specialized and can be categorized as follows:

- general university,
- university for training teachers,
- junior college,
- industrial university,
- distance education university and
- graduate school, this includes independent graduate schools that do not have separate undergraduate schooling.

The enrolment capacities of general universities and junior colleges mean that they occupy an important position in the arena of higher education. With the exception of graduate schools, general universities have 44.7 per cent, and junior colleges have 37.8 per cent of total enrolment capacity. These statistics suggest that the GATS regime will exercise a great deal of influence on them more than any other type of higher education institution. In fact, the Ministry of Education and Human Resources Development (MOEHRD) has proposed the “*Initial Offer List*” with an emphasis on these institutions in response to the GATS regime; and member countries have, as well, also proposed similar lists emphasizing institutions.

Specialization and rapid expansion has characterized the higher education arena during the past decades with however many consequences. Due to the continuance of over-demand for university places, higher education institutions have been less concerned with attracting first-year students, and as a result have put less energy and resources into improving the quality of their teaching. A degree begins to lose its value as time passes and the Korean labour market gives less credit to older degrees. Educational institutions have already fallen into a ‘moral hazard’ from which national competitiveness will lag behind the world-class knowledge frontier as long as these institutions fail to seek drastic reform as soon as possible (Lee, 1998). For further reading regarding the quality of higher education, see Lee(a) (2003).

Consequently, it is a well-known fact that foreign accreditation agencies also look down on the value of degrees awarded in Korea. Two years ago (May 2002), the country was shocked when a Korean student with a domestic bachelor's degree from Korea, who also completed an undergraduate programme in Australia, was not allowed to proceed to the graduate programme or to enter the highly-skilled labour market in that country. Due to the fact that the Australian University Quality Agency (AUQA) did not acknowledge the quality of the Korean diploma; and in spite of the fact that the authorities of institutions were willing to recognize its value. On the one hand, this suggests that institutions in Korea are seen just as 'degree mills' at the international level. It was thought, on the other hand, that the agency would not credit degrees received in Korea due to a lack of information regarding Korea's education system standards. In other words, that is one of the prices Korea has to pay as a result of its deeply-rooted protectionism which stands against and wards off the 'rapidly globalizing educational services market'.

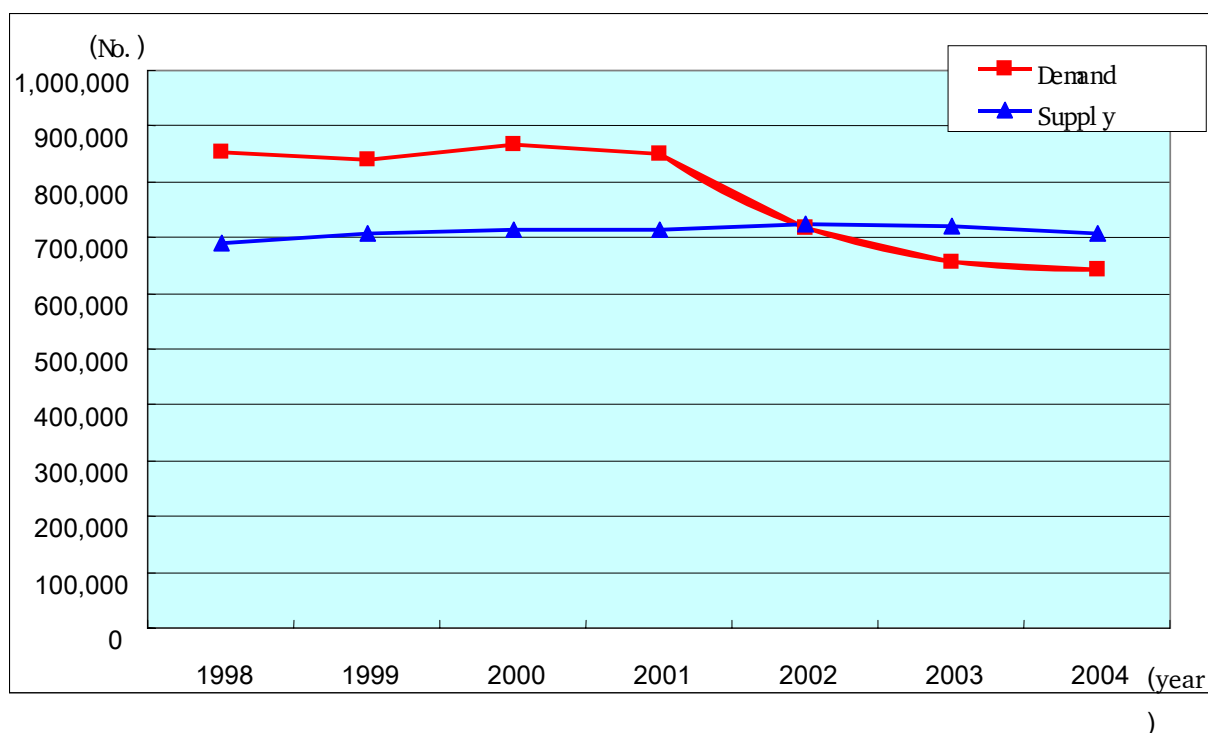
What is needed now is that Korea makes higher educational institutions both 'internationally competitive' and 'compatible' with a knowledge-based economy as soon as possible. Since the mid-1990s, quality control mechanisms began to work full-scale both at the governmentally-led level [implemented by the formal accreditation agency, the "Korean Council for University Education (KCUE)"] and at the institutionally-led level (Im Yeon Ki, *et. al.*, 1999). However, it will take a considerable amount of time to witness such drastic changes everywhere. In positive terms, the GATS regime may be a *stimulus*, and at the same time, a *good reason* to apply further pressure on drastic reform of the quality control mechanisms in Korea's higher education arena.

(ii) *Higher education institutions in the struggle for survival*

Recently, the environment surrounding higher education institutions has changed more rapidly, than expected, for the worst (Lee, 2001).

*Firstly*, the decreasing pool of 18-year old students is already beginning to threaten the institutions' survival. This threat will not alleviate with time just as long as Korea's low birth rate continues. The following *Figure 1* shows institutions faced with a survival crisis. It can be seen that since 2003, the higher educational services market has changed from 'over-demand' to 'over-supply'.

**Figure 1. Trend of demand and supply for higher education (1998-2004)**



Source: Korean Educational Development Institute Data Base (2005)

**TO UNESCO FORUM: BE KIND ENOUGH TO RE-SET THIS FIGURE. THE COLOURED LINE COURBES DO NOT PRINT AT ALL AND THE Demand/supply BOX IS LOPSIDED: Thank you/Author and Pauline.**

Moreover, in quantitative terms, the over-supply capacity is likely to continue due to the fact that there are still a minimal number of potential new entrants from within Korea and the GATS regime is powerful enough to attract foreign institutions, specifically for foreign services, as long as Korean aspiration for higher educational services remains unsatisfied.

Secondly, the financial crisis of 1997 was a great momentum to reassess the value of degrees in the labour market. Until then, graduates from prestigious institutions could easily get high-paid jobs irrespective of their ability, with the so-called ‘screening effect’.



However, as many foreign companies began to enter Korea's market after the financial crisis, there was a re-evaluation of the value of higher education within the country's labour market. There is now a tendency to employ highly-skilled workers regardless of their degrees. At the same time, as the students witness the layoffs made by many businesses during the financial crisis, they prefer jobs for life such as sole-proprietorship businesses rather than a job in a life-long workplace.

This means that a life-long stable income has become the most important guideline to university selection. Specifically, foreign language ability has become so important for one to get a job that studying abroad has become a necessity for students, and also leads students to be in favour of the GATS regime.

These changes in perspective of those seeking higher education have clearly aggravated the under-enrolment rate of institutions which are reluctant to reform and respond to such demands, and this has meant that such institutions have furthermore been recognized as being less competitive. *Table 1* suggests that currently many institutions are, and will be in future, more seriously confronted with a crisis for survival.

**Table 1. Enrolment rate of institutions by foundation and location (2004)**

(Unit: number)

Enrolment rate (%)	Junior colleges				Universities			
	National/public		Private		National/public		Private	
	Capital	Local	Capital	Local	Capital	Local	Capital	Local
10 - 20%	0	0	0	0	0	0	0	1
20 - 30%	0	0	0	1	0	0	0	1
30 - 40%	0	1	0	1	0	0	1	1
40 - 50%	0	0	0	5	0	0	1	1
50 - 60%	0	0	0	12	0	0	1	4
60 - 70%	0	2	0	19	0	0	0	9
70 - 80%	0	0	0	11	0	0	0	10
80 - 90%	0	2	1	16	0	1	1	8
90 - 100%	0	1	4	8	1	2	1	14
100 - 110%	2	3	15	12	2	19	54(4)	27(7)
110 - 120%	0	2	14	3	1	0	4	4
Over 120%	2	0	15	6	0	0	0	2

Source: Korean Educational Development Institute Data Base (2005).

Note:

(1) Enrolment rate = (number of enrolled freshman/number of enrolment capacity) x

100.

(2) Excludes industrial universities, universities for training teachers, air and correspondent university in counting the number of universities.

This recent decline in enrolment suggests why educational institutions (supply-side) in Korea have been severely reluctant to adopt the GATS regime – seeing it as a ‘challenge’ – and on the contrary, why students and parents (the demanders of educational services) are extremely in favour of it – seeing it as an ‘opportunity’. Standing neutral between these two parties, the Government is likely to pay more attention to the policy of the educational institutions for the time being; but has also begun to force institutions to develop and reform in preparation for a long-term full-scale cross-border higher education system. The “*Initial Offer List*” compiled by the MOEHRD implies the dilemma that Government faces in such a controversy. While the Government sought to recognize the necessity of full-scale cross-border higher education as a benchmark for Korea’s institutions and proposed an “*Initial Offer List*” to WTO member countries, it had to keep in mind the situation of institutions. So the issue of a regulatory mechanism still remains unaddressed.

## **II. THE REGULATORY MECHANISM IN CROSS-BORDER HIGHER EDUCATION**

In accordance with the GATS regime, the regulatory mechanism is critically grounded on the principles of (i) market access, (ii) national treatment, and (iii) domestic regulation.

Among these principles, market access is defined as commitments providing the parameters within which foreign services and service suppliers gain market access to a country’s services sectors. National treatment is defined as treatment no less favourable than that accorded to domestic services and service providers (Hoekman; Kostecki, 1995: 132). Domestic regulation is defined as qualification requirements and procedures, technical standards and licensing procedures.

By mode of services provision, Korea has for a long time been operating its regulatory mechanism as follows. The regulations regarding market access, national treatment and domestic regulation are concentrated more on Mode 3: Commercial Presence. Very few countries have presented Korea with initial offer lists reflecting such a regulatory mechanism. They demand that the higher educational services market be simply deregulated. This attitude confirms that regulatory mechanisms should be an extremely important issue of negotiation with foreign representatives.

The following rules that govern how higher education services are provided show the regulatory mechanism being implemented in Korea's higher education arena at present (Committee for Publishing Korea's Education Law (Ed.), 2002).

(i) *Market Access*

*Mode 1: Cross-Border Supply:*

Recently a few institutions, including cyber-universities, began to provide the services in the mode of cross-border supply [i.e. service flows from one member country's territory to the territory of another member country], but there are no regulations regarding this. Also there are now not many of these types of joint-programmes. The Government recognizes the necessity to regulate them for quality control, but it is mostly impossible to grasp the trade of on-line degrees.

*Mode 2: Consumption Abroad:*

According to domestic regulations, those who have achieved a schooling year above the middle school are legally allowed to study abroad [i.e. consumer moves onto the territory of another member country to obtain service], so that graduates from higher education are freely able to do so. In year 2002, 3,201 graduates went abroad to participate in foreign educational services, and 11,121 foreign students had enrolled at domestic institutions by 2004 (MOEHRD & KEDI, 2004). Meanwhile, as foreign language ability has become compulsory in labour markets, many students go overseas seeking short-term language training.

Since the consumption of education abroad greatly increased following the liberalization of overseas travel in 1989, a negative public opinion has been widespread, on the whole, on the over-outflow of foreign currency deficit stemming from studying abroad and private debt due to higher education financing elsewhere in the world. According to the statistics cited by MOEHRD & KEDI the Korean foreign currency deficit borne by this outflow increased up to US\$2.47 billion in 2004, recording the worst among OECD Member Countries in 2004 (MOEHRD & KEDI, 2005:48-49).

If *Mode 3: Commercial Presence* and *Mode 4: Presence of Natural Persons* were adopted under the GATS regime, the demand for education abroad and the social concerns about this could be minimized.

*Mode 3: Commercial Presence:*

The regulations mainly concentrate on the mode of commercial presence [i.e. service suppliers of a member country establish, for service provision, a territorial legal presence in another member country]. Among them, the regulations regarding

foreign institutions' own decisions on enrolment capacity, academic fields and geographical locations as seen below seem to be *stubborn enough barriers* to crowd out high quality foreign institutions. The truth being, in reality, is that the regulations forced foreign educational corporations to take such big risks in investing here that they hesitated in establishing their own institutions in Korea's higher educational services market right up until 2004. These regulations are outlined as follows:

- Only a non-profitable educational corporation is allowed to establish an institution.
- The educational corporation has to be equipped with a school building, playground and 'for-profit' properties necessary for education.
- In establishing the institution, the size of a school building, playground, 'for-profit' properties for education, and the number of teachers should be satisfied.
- When beyond half of the total 'for-profit' properties for education needed in establishing the institution are contributed by a person with a foreign nationality, the nationality of the majority (2/3) of prescribed board members is not taken into account.
- Regulation on the institution's enrolment capacity, specifically concerning the institutions for training teachers, doctors, and graduate school students.
- In substance, the new institutions are not allowed to establish in Seoul (Capital of Korea) and its surrounding suburbs.
- In establishing virtual institutions or intra-company institutions, the same terms as those of general institutions must be satisfied.

Consequently, the above regulations were taken into great consideration when drawing up the "*Initial Offer List*" of Korea.

Meanwhile, a few of Korea's institutions have already run their own or joint programmes, and have planned to enter foreign higher educational services markets. According to the author's investigations, October 2002, nine institutions have been running their own or joint programmes, and an additional 13 institutions have been trying to do so, covering over a wide range of academies delivering educational services as prescribed by *Mode 3: Commercial Presence* (Lee, *et al.*, 2002: 61, 70).

#### *Mode 4: Presence of Natural Persons:*

In terms of market access, there are no restrictions regarding the mode of presence of natural persons. Natural persons [i.e. export of manpower, people distinct from juridical persons such as companies/organizations] have access to Korea's higher

educational services market. In 2004, 1,734 foreigners occupied a teaching post in Korea's higher education system.

### *National Treatment*

#### *Mode 1: Cross-Border Supply:*

In terms of national treatment [i.e. treatment no less favourable than that accorded to domestic services and service providers], there are no regulations regarding the mode of cross-border supply. Even though the Government recognizes the necessity to protect consumers' rights through quality control at the national level, in reality it is entirely impossible to do so. Finally, the quality control regarding cross-border supply still remains in the hands of consumers.

#### *Mode 2: Consumption Abroad:*

In terms of national treatment, there are no restrictions regarding the mode of consumption abroad.

#### *Mode 3: Commercial Presence:*

As in market access, the regulations on national treatment are also concentrated on the mode of commercial presence as follows:

- Joint programmes and curriculum with foreign institutions are permitted in the fields of basic science, high technology, international studies, and specialized fields.
- In joint programmes and curriculum with foreign institutions, foreign teachers must take responsibility for half of the total number of classes.
- Both the central and the local government are respectively able to provide financial subsidies to 'domestic' educational corporations or institutions that support private higher education institutions.
- Regulations on the raising of tuition fees: As a rule institutions are allowed to make decisions regarding the rate of fee increase but usually the Government urges them to keep it in check, under the inflationary rate.

#### *Mode 4: Presence of Natural Persons:*

In terms of national treatment, there are no restrictions regarding the mode of presence of natural persons.

#### *(iii) Domestic regulation*

In terms of domestic regulation [i.e. qualification requirements and procedures, technical standards and licensing procedures], the regulations are concentrated on the mode of commercial presence.

*Mode 1: Cross-Border Supply:*

In terms of domestic regulation, there are no regulations regarding the mode of cross-border supply.

*Mode 2: Consumption Abroad:*

In terms of domestic regulation, there are no restrictions regarding the mode of consumption abroad.

*Mode 3: Commercial Presence:*

In terms of domestic regulation:

- Regulations regarding the methods of screening of students and the school year.
- Regulations on the private use of budget for items outside the educational services.
- In the case of the dissolution of an educational corporation, one of the rules is that remaining properties should be returned to a public or national account and cannot be disposed of by the corporation.
- It is not allowed that properties necessary for education i.e. school buildings, playgrounds, education facilities, be put aside for the corporation's disposal,
- In the case of merger and/or acquisition (M&A) between educational corporations, a consensus of the majority (two thirds) among prescribed board members is required and permission given from the Minister of MOEHRD.
- Educational corporations and private education institutions should pay their teachers at least equal or higher a rate than that of Civil Servants.

*Mode 4: Presence of Natural Persons*

In terms of domestic regulation the teachers should not be suspended or removed from office without negotiation.

As mentioned above, the regulations in higher education of Korea are extremely concentrated on *Mode 3: Commercial Presence*. As discussed, some regulations regarding qualification of an educational corporation, the financial and accounting affairs, the location of new institutions outside of Seoul and its surrounding suburbs, the enrolment capacity and so on must be controversial in actualizing cross-border higher education.

### III. THE POTENTIAL ISSUES AND SOCIAL CONCERNS IN DISPUTE

To examine the prospects of cross-border higher education in the long-term, the question of how these regulations can be put into force must be addressed. However, the two important parties in this debate, ‘consumers’ and ‘suppliers of educational services’, are in between several poles of thought so much so that they are unable to draw up a social consensus for the time being.

On the sidelines the author designed and implemented a “Questionnaire Survey in October 2002” with a focus on these controversial regulations, targeting 4,657 key players in the education arena, which included Senior Civil Servants, teachers of higher education and secondary school, high school students and their parents, and researchers.

The following just points out the major issues of controversy, social concern regarding cross-border education, and refers to the author’s policy research paper published in 2002 (Lee, *et. al.*, 2002).

(i) *Market access: with a focus on commercial presence*

According to domestic rule, it requires very many terms to establish and direct private institutions, including virtual ones, as follows:

***Issue 1:***

***Only a ‘non-profit’ educational corporation, including local government, is allowed to establish its own private school meaning that the corporation must supply the resources necessary for education.***

The above reflects Korea’s mind-set that the educational services have long been recognized as non-profitable and for public good, even though people recognized the necessity of commercial presence for its quality control. However, foreign institutions which are expected to enter Korea’s services market may have a willingness to seek out ‘for-profit’ activities. When ‘for-profit’ activities are not allowed it may dissuade the establishment of those high quality institutions that, however, consumers demand. The truth is that Korean citizens fear that if foreign institutions are allowed to seek ‘for-profit’ activities, and as a result allow low quality educational services to compete for entrance into the country’s market, they will ‘ride the wave’ of Korean education fever.

Between traditional mind-set and realism, the former seems of low risk at the early stage. Instead, the Government is expected to allow them to look for ‘for-profit’ activities in Free Economic Zones (FEZs). To make cross-border higher education a good way to stimulate domestic higher education, the FEZs should attract high quality institutions, giving them positive incentives including tax, financial support, and subsidies. Likewise, the respondents of the Questionnaire supported the establishment of foreign institutions, but failed to support those institutions in pursuit of profit, as shown in *Tables 1* and *2*.

**Table 1. The establishment of foreign institutions (percentages)**

	Absolutely Not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	168(6.8)	361(14.6)	547(22.1)	1171(47.4)	122(4.9)	104(4.2)	2,473(100)

**Table 2. The ‘for-profit’ activity of foreign institutions (percentages)**

	Absolutely Not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	295(11.9)	807(32.6)	625(245.3)	548(22.2)	39(1.6)	159(6.4)	2,473(100)

**Issue 2:**

*In accordance with laws for governing Seoul and its suburbs it is mostly forbidden to establish new higher education institutions in these areas.*

Since the 1970s, laws for governing Seoul and its suburbs have been implemented to prevent over-population and its consequences. However, the demand for institutions in these areas, which is 37.5 per cent of the total number of enrolled students, has become bigger and bigger irrespective of tuition fees, and it is true to say that severe competition for higher education places occurs in these areas. In this context, foreign institutions also will try to provide their own educational services in less risky high-demand areas. The respondents were roughly divided in the support for the renewed establishment of foreign institutions in Seoul and its suburbs, as shown *Table 3*.

**Table 3. The establishment of foreign institutions in Seoul and its suburbs (percentages)**

	Absolutely not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	240(9.7)	622(25.2)	668(27.0)	705(28.5)	86(3.5)	152(6.1)	2,473(100)



**Issue 3:**

***The enrolment capacity of higher education institutions, with the exception of graduate schools and independent graduate schools, should take into great consideration the institution's facilities and human resources. Institutions should adhere to the enrolment capacity guidelines set out by the Minister of MOEHRD – such as the number of students per teacher. Meanwhile, the enrolment capacity of institutions which train teachers and medical students, and the restrictions on their location in Seoul and its suburbs, must be determined by the Minister of MOEHRD.***

Such restrictions, specifically in terms of fields and locations, look illegal from the standpoint of market access. The number of institutions closely connected with training, i.e. teachers and medical staff, find foreign institutions favourable due to the low risk involved. In reality, a certain member country has already proposed lifting barriers in this area to establish its own institution of oriental medicine.

In Korea it is necessary to attract high quality institutions in order to even out severe competition and maintain a balance of education quality between institutions and their locations, taking into consideration education fever and the geographically unbalanced quality of higher education. The respondents also replied in the affirmative in terms of foreign institutions being permitted to set their enrolment capacity, as shown in *Table 4*.

**Table 4. The autonomous decisions of foreign institutions regarding the setting of enrolment capacity (percentages)**

	Absolutely not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	154(6.2)	518(20.9)	758(30.7)	810(32.8)	72(2.9)	161(6.5)	2,473(100)

(ii) *National treatment: with a focus on commercial presence*

**Issue 1:**

***Joint programmes with foreign institutions are allowed only in the fields of basic science, high-technology, international studies, and other specialized fields.***

Until recently, with one exception, most of the *initial offer lists* from member countries did not make clear statements to Korea regarding their proposed fields of study in cross-border education. This suggests that a wider range of study may be targeted, sooner or later, by cross-border higher education. As long as Korea is seeking to provide domestic consumers with high quality services covering a wide range of disciplines, the fields of any joint-programmes must be further extended. This regulation was not put under survey, and so public opinion on this issue could not be measured.

*Issue 2 :*

*Regarding the management of higher education secured by joint-investment, full-time foreign teachers must formally take the responsibility of implementing the curriculum, and in the case of joint-classes, they must teach over half of the total number of classes in their native tongues.*

This regulation suggests that in institutions partially funded by joint-investment, foreign teachers should consist of more than half of the total number of teachers. Due to the potentially high cost involved, when foreign institutions count formal full-time teachers, they will include those who work in Korea and the homeland at the same time. If this were the case, there would be the concern that educational services may become weakened, contrary to the goals of cross-border higher education. This regulation was not put under survey, and so public opinion on this issue could not be measured.

***Issue 3:***

***In terms of nationality of board members governing educational corporations, more than half of the prescribed board members should be Korean. However, when over half of the basic funds and resources are contributed by foreigners, the nationality of the majority (2/3) of the prescribed board members is not taken into account.***

The regulation regarding the nationalities of the board members governing educational corporations gives them more flexibility in proportion to the ratio of financial contribution, and this may be enough to induce foreign institutions to enter Korea's higher educational services market. However, it may be unreasonable that even when a foreign person or firm contributes all funds, the minority (1/3) of board members should still be Korean; it seems logical to disregard the nationalities of board members in such a case. However, the respondents answered in the negative, as shown in *Table 5*.

**Table 5. Nationalities of board members are not taken into account in the cases of total contributions of basic properties (percentages)**

	Absolutely not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	355(14.4)	953(38.5)	618(25.0)	332(14.4)	39(1.6)	176(7.1)	2,473(100)

***Issue 4:***

***Both central and local governments have the right to support educational corporations and private institutions in the form of financial subsidies.***

Most member countries do not financially support those institutions established by foreign educational corporations, even on their own territories. This is clearly an unfair barrier in terms of national treatment under the GATS regime. When foreign institutions are allowed to establish themselves in Korea's higher educational services market, they also request the Government to provide them with subsidies as well. Meanwhile, such subsidies may be an effective means to persuade high quality institutions to enter Korea's market so that they may complement the weakness of domestic institutions. However, the respondents answered in the negative, as shown in *Table 6*.

**Table 6. The provision of subsidies for foreign institutions (percentages)**

	Absolutely not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	447(18.1)	988(40.0)	495(20.0)	345(14.0)	36(1.6)	162(6.6)	2,473(100)

***Issue 5:***

***In reality, differentiation and autonomous decisions regarding tuition fees among institutions in Korea are, to some extent, not allowed irrespective of quality of educational services they provide.***

The institutions in Korea have the right to a certain degree to set their tuition fees. However, these rates are agreed upon in consultation with the central government, which takes into account other factors such as the inflation rate. Meanwhile, tuition fees have been restricted irrespective of the quality of educational services, due to the deeply-rooted fact that education is recognized as a public good, and as such its price can be set beneath or equal to its average cost of production.

On the contrary, foreign institutions are expected to fix their tuition fees in keeping with the quality of their own educational services. This trend seems irreversible, as educational services continue to be recognized as marketable and private goods throughout the world, particularly, under the GATS regime. In order to upgrade the quality of higher educational services, the impact on fees should be considered. However, the respondents answered in the negative, as shown in *Table 7*.

**Table 7. Differentiation and autonomous decision regarding tuition fees for foreign institutions (percentages)**

	Absolutely not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	248(10.0)	845(34.2)	583(23.6)	569(23.0)	66(2.7)	162(6.6)	2,473(100)

(iii) *Domestic regulation: with a focus on commercial presence*

***Issue 1:***

***Institutions seeking to establish themselves must be equipped with a school building, playground, educational resources and a sufficient number of full-time teachers. After approval, the school building and playground shall be the responsibility of the educational foundation.***

The foreign institutions investing in Korea may be taking a considerable risk due to the uncertain demand for their educational services, irrespective of their goals, ‘for-profit’ or ‘non-profit’, which leads them to take a lease rather than to become owners of their education facilities. For instance, the establishment of educational institutions on the grounds of the combination of ‘hardware including a school building, playground from domestic institutions and software including education programme from foreign institutions’ is imaginable.

Real estate properties that are ‘for-profit’ are recognized as an essential investment for the provision of educational services, functioning as a ‘guarantee’ for the survival and profitability of the educational enterprise, with a similar warranty regarding duties. If this practice is permitted, unfavourable discrimination against domestic institutions is likely to occur, and the duties of foreign institutions may become more or less fragile. The respondents answered in the negative, as shown in *Tables 8 and 9*.

**Table 8. The lease of educational facilities for foreign institutions (percentages)**

	Absolutely not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	270(10.9)	673(27.2)	808(32.7)	538(21.8)	33(1.3)	151(6.1)	2,473(100)

**Table 9. Non-ownership of ‘for-profit’ properties for foreign institutions (percentages)**

	Absolutely not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	312(12.6)	725(29.3)	907(36.7)	326(13.2)	36(1.5)	167(6.8)	2,473(100)

**Issue 2:**

***Such ‘for-profit’ properties should gain an annual income in proportion to, or beyond, 5 per cent interest rate, and over 80 per cent of this income should be reinvested for school management***

It requires capital investment for all institutions to run smoothly, irrespective of nationality. According to the current law of Korea, an educational corporation should take possession of those basic properties which gain regularly capitalized profits in proportion to, or beyond, a 5 per cent interest rate. Less- and non-profitable properties are not recognized as basic ones. As such, it would seem that only a capitalist who owns highly ‘for-profit’ properties is entitled to run an educational corporation.

In a few member countries not only ‘for-profit’ properties but also ‘non-profit’ ones like the fixed or variable capital in the form of subsidies and grants are counted in estimating the basic properties necessary for education. Meanwhile, educational corporations in Korea make less financial contribution than one would expect, depending much on the tuition fees. To force foreign institutions to adhere to such a rule may seem unfair. This regulation was not put under survey, and so public opinion on this issue could not be measured.

**Issue 3:**

***In the case of donations, exchange or mortgage of basic properties necessary for education, the educational corporation should get permission from the administrative authorities. Higher educational institutions must not, at their own discretion, transfer or lend operational funds.***

This regulation is prescribed in order to prevent arbitrary expenditure of basic funds, but it also may restrict the financial administration of, and rights to, property. However, properties owned by educational corporations have long been recognized as a warranty for insuring the survival of the school, so are inherently non-transferable from the education arena. It is also an extremely effective mechanism to stop an educational corporation from falling into moral hazards.

This regulation may be enough to dissuade an educational corporation to invest in large amounts because the risk of return is too great. Likewise, insisting on a non-transferable accounting system may also dissuade investment because institutions would not be allowed to make remittance of profits from educational services.

Clearly, their administrative authorities would be more willing to seek tangible and intangible profits in Korea's higher educational services market, consequently, this issue of profits and their administration, will be a 'hot issue' in a wide range of GATS negotiations. When many incentives are needed to attract high quality higher education institutions, it may be reasonable to reform the current accounting system, as long as those institutions are not derailed of their duty towards educational services providers. In positive terms it is known that the Korean Government will allow the capital necessary for education to flow-in and flow-out of the Free Economic Zones (FEZs) soon. However, the respondents answered in the negative over both issues, as shown in *Tables 10 and 11*.

**Table 10. The right to dispose of basic properties for foreign educational corporations (percentages)**

	Absolutely not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	246(9.9)	881(35.6)	716(29.0)	454(18.4)	23(0.9)	153(6.2)	2,473(100)

**Table 11. Remittance of profit for foreign educational corporations (percentages)**

	Absolutely not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	358(14.5)	915(37.0)	631(25.5)	378(15.3)	31(1.3)	160(6.5)	2,473(100)

**Issue 4:**

***In the case of dissolution, or M & A, of educational corporations, there must be a 2/3 majority vote in favour among the prescribed board members, and final authorization of the Minister of MOEHRD.***

In order to ensure quality control of foreign institutions, their arbitrary activities such as dissolution or M & A in non-education areas, should be kept in check. As well as maintaining the rule of “the persons of over 2/3 of prescribed board members ...”, it is also necessary to make an amendment that sets a ratio of members in terms of their nationalities. Even when the board members are all foreigners, in the case of a 100 per cent investment, such a rule should also be applied, extending to the final authorization of the Minister of MOEHRD. This regulation was not put under survey, and so public opinion on this issue could not be measured.

**Issue 5:**

***The Government possesses the responsibility and gives final authority regarding the school year calendar, the number of enrolled students, and the methods of screening students by higher education institutions.***

The establishment of cross-border higher education is expected to provide a wide range of services to consumers, especially those previously dissatisfied with domestic providers. However, if foreign institutions are forced to abide by the regulations outlined above, with the enrolment capacity, screening methods and school year calendar all designated by the Government, the diversity in Korea’s education system may be undermined; as educational diversity is one of the aims of cross-border education. In positive terms, the Government should *step aside and remove their influence* in this area in order to attract high quality foreign institutions. The diversity would lead to higher competition between many institutions and would surely upgrade the quality of higher education in Korea. This regulation was not put under survey, and so public opinion on this issue could not be measured.

**Issue 6:**

***It is not permitted for higher education institutions to force teachers into temporary retirement, nor to demote or dismiss them without valid reasons. Valid reasons for dismissal may include involvement in the labour movements, political activities, and collective strikes.***

The specialized and restrictive labour rights conferred on teachers may be a serious obstacle for foreign institutions, which are accustomed to labour rights equal to other sectors of the labour movement. In particular, the effective removal of educators' rights to participate in political activities may be recognized as an oppression of freedom of expression. It is evident that the Korean higher education system is far off from global standards in terms of school management and workers' rights in the field of education.

As the domestic education system exists in a free market, it may be difficult to introduce such principles in the near future. However, as historically experienced in Western countries, flexibility in marketized teacher's mobility may be an essential stimulus in reforming the higher education services to be more competitive than ever. The respondents also replied in the affirmative, as shown *Table 12*.

**Table 12. Flexibility in teacher's mobility in foreign institutions (percentages)**

	Absolutely not-allowed	Not-allowed	No Opinion	Acceptable	Absolutely Acceptable	No Response	Total
Number	150(6.1)	466(18.8)	748(30.2)	883(35.7)	68(2.7)	158(6.4)	2,473(100)

#### **IV. CONCLUSION: ANALYSIS OF FUTURE TRENDS**

The author's perspective of Korea, as a Korean citizen himself, is that the personalities/characters of Korean citizens look 'inward' rather than 'outward'. From a geopolitical and historical perspective the people have a strong self-defence instinct which is over and above anything else.

Even in the midst of severe controversy in the domestic political arena regarding an 'open-door' policy, the citizens never opened the doors by themselves. This has only come about when forced by foreign powers. Throughout the history of modern times, one should keep in mind that liberalism has prevailed over protectionism, and that the *challenge* or the *stimulus* stemming from liberalization since the 1960s has become a strong reliable springboard for Korea's economy to take-off from its under-developed state.



Likewise, public opinion has clearly been divided into those *for* and those *against* cross-border educational services. On the whole, one can see that the protectionist sentiment still remains strongly rooted.

For future success, what is now needed is to make higher education institutions competitive on a world-class level, so that they may train human resources compatible with the knowledge- and information-based era of today. GATS must be a stimulus or an opportunity for institutions to be more competitive than ever. It is a well-known fact that some countries have tried for ages to attract world-class high quality institutions with support at the national level, recognizing them as strategic partners necessary for training human capital and globalizing industries.

(<http://www.sedb.com/educorp/detailed.jsp>.)

On the contrary, current regulatory mechanisms are so complicated that they may ‘crowd out’ those institutions which seek ‘markets of opportunity’ in the Republic of Korea. However, as soon as a number of regulations are lifted – with the aim of encouraging foreign investment, investors and institutions – it will be important to carefully monitor and filter low-quality services. As it is impossible for a country to attempt this alone, it will require close co-operation and complicity between the member countries of the World Trade Organization (WTO).

Taking all this into account with the risks involved, Korea should keep in mind four principles of actual legislation pertaining to cross-border education (CBE):

- (1) ***Liberalizing*** gradually and reciprocally.
- (2) ***Locating*** in principle to foreign institutions outside of Seoul and its suburbs for a balanced development of all regions.
- (3) ***Putting*** priority on the quality of foreign educational services, and finally
- (4) ***Absorbing*** the demand for consumption abroad in the domestic arena.

Adhering to these principles, the “*Initial List of cross-border educational services*” in the Republic of Korea should be changed from a ‘positive’ list (importing of goods and services with the permission of government in principle), to a ‘negative’ one (importing of goods and services without the permission of government in principle) over time.

Meanwhile, it should be pointed out that a few years ago the central government designated several areas as Free Economic Zones (FEZs). The MOEHRD, irrespective of GATS, also planned to attract world-class educational institutions to the FEZs, in order to make Korea a central port of education and research in the long run. In reality, it is well-known that many foreign institutions are extremely interested in this plan (MOEHRD, September, 2003). Aside from GATS and in a much different way, FEZs could also give this country a good opportunity to experience the effects of cross-border educational services on an experimental basis.

Educational services have always been of prime importance, in a number of countries, as export items. (See Deupree, *et al.*, 2002 for further reading). Korea's industry has achieved great development – as a late-comer since the 1960s – consequently it is also to be expected that the educational services market will follow a similar path. However, one should remember that *poor liberalization* is sometimes much better than *good protectionism*.

\* \* \*

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## **GLOSSARY**

GATS provides for four modes of supply of services categorized as follows:

*Mode 1: Cross-Border Supply:* Refers to a situation where the service flows from the territory of one member country onto the territory of another member country, i.e. an architect can send his architectural plan via electronic means; a teacher can send teaching material to students in any other country; a doctor practising in Germany can advise his patient in India via electronic means. In all these cases, trade in services takes place and this is equivalent to cross-border movement of goods.

*Mode 2: Consumption Abroad:* Refers to a situation where a consumer of a service moves onto the territory of another member country to obtain the service. For example, a tourist uses hotel or restaurant services abroad; a ship or aircraft undergoing repair or maintenance services abroad.

*Mode 3: Commercial Presence:* Implies that service suppliers of a member country establish a territorial legal presence in another member country with a view to providing their services. In this case, the service supplier establishes a legal presence in the form of a joint venture/subsidiary/representative/branch office in the host country and starts supplying services.

*Mode 4: Presence/Movement of Natural Persons:* Refers to export of manpower, covers

situations in which a service is delivered through persons of a member country temporarily entering the territory of another member country. Examples include independent service suppliers (e.g. doctors, engineers, individual consultants, accountants, etc.). However GATS covers only temporary movements and not citizenship, residence or employment on a permanent basis in the foreign country.

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## **Session III: Presentation of Country Papers 1**

### ***Chapter 10*** ***Country Paper on Indonesia***

#### **Higher education in Indonesia and the role of cross-border higher education**

by

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#### **1. Introduction**

Indonesia is at present still experiencing the aftermath of a serious economic crisis. One of the results is less funding in real terms for education. This means that, on the one hand, it is difficult to improve and expand education programmes in Indonesia, while on the other hand the societal demand for higher quality output is increasing. The “Long-Term Guidelines of Higher Education Development, 1996-2005”, which were set out before the onset of the current economic crisis, were based on the normal condition of economic growth of 7 per cent annually. However due to the present economic conditions, the growth figure until the year 2000 was just around zero, causing even some day to day activities to be reduced to minimal or even eliminated. It is just over the last four years that economic growth started to pick up to a level of around 4 per cent. Another big problem is to retain students and staff within the higher education system, as the annual income per capita came down from US\$1,200 in early 1997 to less than US\$300 in 1999 and is now around US\$1,000. It directly affects students with less fortunate economic backgrounds, since their families cannot provide any longer neither stipend nor tuition. Even if their tuition is waived, many still cannot support their livelihood. In such economic crisis, allocating greater public funding to higher education is difficult to justify as there are more pressing needs, such as the provision of affordable staple food, labour intensive jobs, and fellowship programme in basic education to retain children in the school system. The recent Tsunami disaster in Aceh will also affect economic growth in the next few years.

Consequently, freezing or even reducing higher education development will put the future of the nation at stake. According to a study in OECD countries by the

World Bank (WB/IBRD), economic development is correlated with the development of higher education (World Bank, 1998). Advances in information technology and communications gave birth to a new phenomenon, i.e. globalization, which integrates nations into a global community and an open market. Interaction and co-operation between the different cultures of the global community of the next century will cause values to be mutually acceptable and the emergence of universal and global core values. Globalization, besides changing patterns of economic interaction, will also change higher education. There will be a demand that the quality of graduates also meet international standards.

Here the author stresses that the keyword in globalization is ‘sharing’ and considers education as a basic public good and human right.

El-Khawas *et al.*, (1998) based on a study on higher education in Argentina, Brazil, Chili, and Indonesia suggested four key directions for reform, i.e.:

- Encouraging* differentiation of institutions.
- Providing* incentives for public institutions to diversify sources of funding.
- Redefining* the role of government in higher education; and
- Introducing* policies explicitly designed to give priority to quality and equity objectives.

In operational terms this means that universities should have autonomy and practice internal quality control, while external quality control is performed by accreditation agencies. To cope with this situation the ‘new paradigm in higher education’ was introduced. To offer the public more opportunities for quality higher education new legislation has also been introduced to facilitate foreign institutions of higher education to establish higher education institutions in co-operation with Indonesian partners.

The definition of cross-border education in this discussion is the situations where teachers, programmes, institutions/providers or course materials cross national borders (Vincent-Lancrin, 2004). Cross-border programmes (CBP) vary enormously in scope, from programmes that are general in nature to others which are more targeted on a specific profession or need, like the Masters in Business Administration (MBA) and English as a Second Language (ESL) Programmes.

A very important aspect of cross-border education (CBE) should be ‘sharing’, preferably through networks, and whenever possible ‘twinning’ between institutions in the home countries and the host countries.

## **2. Indonesian higher education: a vision for 2010**

In a globalized world, a nation’s competitiveness is defined by its country’s economic relationship with world markets, while its products tend to come less from abundant natural resources and cheap labour than from technical innovations and the creative use of knowledge, or a combination of both (Porter, 2002). The ability to produce, select, adapt, commercialize, and use knowledge becomes critical for sustained economic growth and improved living standards. Solow (2001) and other scholars have demonstrated the striking difference in Gross National Products (GDP) between countries that can be accounted for by their investment in knowledge. Moreover, a nation’s competitiveness can only be achieved when its citizens are well-educated and are able to lead meaningful lives. A national higher education system should obviously provide students with good scientific knowledge. It should also contribute to the process of shaping a democratic, civilized, humane, inclusive society, maintaining a role as a moral force and as the bearer of the public conscience. *At the end of the day higher education should educate students to lead meaningful lives.*

From this perspective, the “Indonesian higher education vision, 2010” contains the following features (DGHE, 2003a):

**quality** education that reflects students’ needs, develops students’ intellectual capacity to become responsible citizens, and contributing to the nation’s competitiveness;

**access and equity**, providing opportunities for all citizens to develop to their highest potential levels throughout life; and

**autonomy** for the tertiary education institutions coupled with accountability and supported by a legal, finance, and management structure, that encourages innovation, efficiency, and excellence. Autonomy also brings a shift in the regulatory environment, which now must encourage innovations at the level of individual institutions.



### **3. Current issues in Indonesian higher education**

The most pressing contemporary issues in higher education in Indonesia include the following:

**Enrolment capacity:** At present the 98 state tertiary institutions can only enrol about 100,000 new undergraduate students each year and 3,000 graduate students. The private universities can enrol about 250,000 students. The total number of students enrolled in state tertiary institutions is about 1,000,000, while there are about 2,500,000 in the private universities, bringing the total number of students in tertiary institutions to about 3,500,000 or a gross enrolment rate (GER) of about 14.6 per cent in 2004 (DGHE, 2004).

**Equity and participation rate:** The economic downturn at the end of the last millennium was a challenge to the efforts for amplifying the rate of participation while taking into account equity (gender, social, and regional) in enrolment. The number of students on scholarship of some kind is only around 11 per cent of the total number of students (DGHE, 2004).

**Quality of education:** The quality of education is not uniform throughout the system. Usually the state universities are better than the private ones. An external quality assurance system in the form of a National Accreditation Board for Higher Education (NABHE) is in place. A programme review system is used to review about 11,000 study programmes now registered. At present about 80 per cent of all tertiary study programmes have been reviewed. The issue of quality is of course also related to funding.

**Funding:** Sources of funding for state tertiary institutions are government budget allocations (60 per cent) and tuition fees (40 per cent). Funding from other sources is very limited. The average funding per year for state tertiary institutions is only about US\$1,000 per student, while the real need per year would be about US\$2,500 per student. Tuition fees for regular students in state tertiary institutions range from US\$50 to \$500 per year. Many state tertiary institutions have established special/extension programmes with higher tuition fees in order to increase their income. Because of this shortfall, maintenance in many state tertiary institutions suffers. Most private tertiary institutions do not get government support, so that their income is almost exclusively from tuition fees, which ranges from US\$500 to \$7,000 per year.

With the new policies and shifting role of the DGHE, schemes of financial incentives have been introduced which are open to state and private universities and should steer institutions towards quality, efficiency, and equity. These schemes are based on competitive funding among equal institutions or a tiered competition.

**Internal efficiency of the educational institutions:** The internal efficiency – especially in the private universities – is still low, causing a shortage of manpower in certain disciplines.

**Relevance of the curriculum to the needs of the society:** Many university graduates cannot find employment. The curriculum is blamed for this situation as being not relevant to the needs of society. At present only about 25 per cent of students are in the area of engineering and science.

**External efficiency:** Many graduates work in areas outside their area of education. Although some feel that this shows they have been well educated to be able to work outside their area of education, others feel there is a waste of resources, especially as there are so many engineers working outside their field. Of course the state of development and economic situation of the country is also an important factor in this matter.

**Governance:** University governance structures at present do not have sufficient autonomy to ensure institutional integrity and to fulfil the responsibilities of policy and resource development. Public universities are treated as part of the government bureaucracy, and private universities as part of the foundations to which they belong. New laws and regulations must be enacted to clearly define the role of leadership in universities.

### **3. Impact of globalization on higher education**

Although the economic conditions at present are not so good, Indonesia, with its population of 220 million, is still a good market for international education, whether for delivery in Indonesia or for recruiting students to study overseas. Many advertisements from institutions engaged in cross-border education and in recruiting students for studies overseas appear almost daily in the local newspapers. Many are from reputable institutions, but some come from institutions, which are of doubtful reputation (French, 1999). There are no accurate figures, but it is estimated that about 20,000 Indonesians study abroad each year. On the one hand, the number of students taking part in some kind of cross-border education within the country is estimated at about 5,000

compared to the number of students in Indonesia these numbers are relatively low. On the other hand the number of foreign students in Indonesia is also relatively low. Most foreign students come from Malaysia, because of language similarities. Students from developed countries usually come to Indonesia to do an elective, usually in Indonesian language or culture, or a research project. The number of foreign students studying in Indonesia is about 5,000, out of which about half are from Malaysia.

Globalization has also an impact on the national higher education system and higher education institutions, because globalization means that graduates from Indonesian universities must compete with graduates from overseas universities. At the national higher education system level the push of globalization made the government loosen control on the higher education system. More autonomy is granted to higher education institutions. At the institution level, globalization forced the universities to be more competitive in running the institutions and in quality. The public demands that universities deliver more efficient education of better quality.

Regional co-operation between universities in the Region is established in the form of the Association of South East Asian Nations (ASEAN), University Network (AUN) and in the framework of the South-East Asia Ministers of Education Organization (SEAMEO) network. Both the AUN and SEAMEO networks have their headquarters based in Bangkok, Thailand. AUN is at present, with the support of the European Community (EC), promoting mobility in the region, and between the region and Europe by establishing a regional Credit Transfer Scheme (CTS).

## **5. Higher education development plans in Indonesia**

During the period 1975-1985, development in the higher education sector was focused to shift from random growth to systematic growth, with improvement in productivity, capacity, and system development as the priority. During the period 1985-1995 development efforts were focused on consolidation of (i) previous achievements; (ii) improvement of institutional capacity; (iii) infrastructures; (iv) management; (v) productivity, and (vi) quality. During this period considerable attention was given to improve polytechnic education (producing highly skilled middle-level technicians) and graduate education (producing researchers and university lecturers). The capacity has been vastly expanded. In 1994 the gross participation rate has been increased from 9 per cent (1.5 million students enrolled) in 1985 to 11 per cent or 2.25 million students enrolled in various types of higher education institutions.

Currently the structure of the national economy is at a stage to move toward industrialization. The existing proportion of student enrolment however does not reflect the demand to support the trend. The student enrolment is currently predominant in social science and education (73 per cent). Only 15 per cent are enrolled in engineering and technology and 12 per cent in other natural science programmes, such as health, agriculture, and basic science.

The current low participation rate gives a great opportunity for further expansion. It is hoped to increase the participation rate to 15 per cent by the year 2005 and to 25 per cent or 6.1 million students by the year 2020. As can be seen in *Table 1*, most of the increase will be in the private institutions, i.e. from 1.4 million to 4.7 million in 2020. If we look at the number of students leaving the secondary schools, only less than 50 per cent continue to higher education. Most of the high school students, who do not continue, do so for economic reasons.

**Table 1. Projected student enrolment 1995-2020 in different higher education institutions (in millions)**

<b>Year</b>						
<b>Institution</b>	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>
Public	500	590	715	850	1,010	1,200
Private	1,400	2,200	2,900	3,600	4,200	4,700
Others	400	350	305	250	220	200
<b>Total</b>	<b>2,300</b>	<b>3,140</b>	<b>3,920</b>	<b>4,700</b>	<b>5,430</b>	<b>6,100</b>

*Source:* Directorate General of Higher Education (DGHE), 1999.

## **6. Higher Education Long -Term Strategy 2003-2010 (HELTS).**

The goals of the HELTS are:

Improvement of national competitiveness.

Improvement of quality of graduates, research, and community/public service.

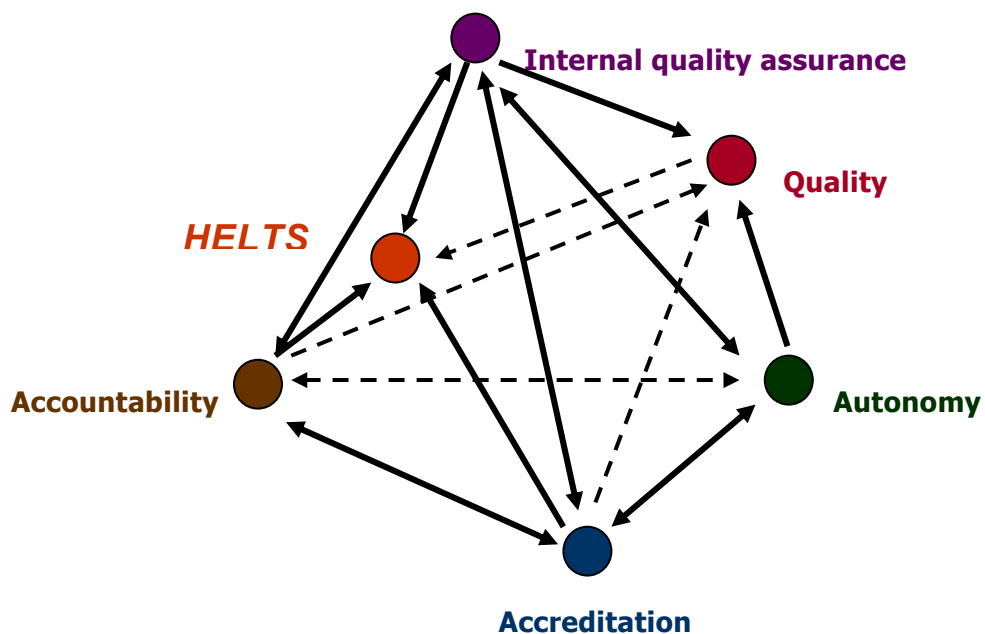
Improvement of the internal organization of higher education institutions (improvement of organizational health).



7. **New paradigm in higher education in Indonesia**

In view of the issues in higher education as mentioned above a new policy in higher education management in Indonesia is at present developed with the aims of improving (1) relevance; (2) academic atmosphere; (3) institutional management; (4) sustainability; and (5) efficiency. It is known by its acronym 'RAISE'. To achieve these objectives the new paradigm in higher education management was introduced. The goal of the new paradigm is to improve the quality of higher education. The new paradigm of higher education consists of 4 major points, i.e. (i) autonomy, (ii) accountability, (iii) accreditation, and (iv) evaluation (see *Figure 2*).

**Figure 2. The new paradigm for higher education management**



## 8. Cross-border education in Indonesia

Although the economic conditions at present are not so good, Indonesia, with its population of 211 million, is still a good market for international education, whether for cross-border or for recruiting students to study overseas. Many advertisements from institutions engaged in cross-border education and in recruiting students for studies overseas appear almost daily in the local newspapers. Many are from reputable institutions, but some come from institutions, which are of doubtful reputation (French, 1999).

There are no accurate figures, but it is estimated that about 20,000 Indonesians study abroad each year. The number of students taking part in some kind of cross-border education within the country is estimated at about 5,000. Compared to the number of students in Indonesia, these numbers are relatively low.

There are several types of cross-border education. The most common types are:

**Branch campuses:** campuses set up by an institution in another country to provide its educational programmes to foreign students.

**Franchises:** an institution (A) approves an institution (B) in another country to provide one or more of (A's) programmes to students in (B's) country.

**Articulation:** the systematic recognition by an institution (A) of specified study at an institution (B) in another country as partial credit towards a programme at institution (A).

**Twining:** agreements between institutions in different countries to offer joint programmes.

**Corporate programmes:** many large corporations offer programmes for academic credit from institutions, and this often involved crediting across national borders.

**Distance education programmes:** those distance education programmes that are delivered – through satellites, computers, correspondence, or other technological means – across national boundaries.

Cross-border education has its advantages. By enrolling in a cross-border education programme one can study subjects which are normally not available in the host country. The least a student can gain from a well-organized cross-border education programme is the mastery of a foreign language and sometimes just the mastery of a foreign language can open many job opportunities.

Issues in cross-border education are:

- (1) How will new delivery systems change the character and effectiveness of instruction?
- (2) How will learning be assessed and certified?
- (3) Who will regulate a global market to assure quality?
- (4) Will the new technologies save or add to educational costs?
- (5) Who will benefit from cross-border education?
- (6) Will cross-border education and broaden post-secondary access, or are they liable to deepen the divide between the rich and poor, educational haves and have-nots?"  
(College Board, 1999).

Instruction is not merely presentation and learning is not merely absorption (AAHE, 1998). Cross-border education, looked at from the host country side, should have an added value for the host side, especially when it is a developing country. It should be complementary rather than competitive to national education. Among the types of cross-border education at present only co-operative arrangements with host institutions and credit transfer programmes will give some added value to institutions in host countries. The World Trade Organization (WTO) should not make rules on cross-border education (GATE, 1999), that are unfair to developing host countries, as the education market is a very imperfect market and for market forces to work efficiently and fairly, the players must be on a level playing field. In many countries, like in Indonesia, education is not considered as a commercial venture, but as a non-profit organization and getting an education, at least to a certain level of compulsory education, is considered as a basic human need or a basic human right. Some kind of regulation for non-local higher and professional education is certainly necessary, not to restrict but to protect the people. Also, in most countries providers whether traditional or non-traditional have few regulatory barriers to entry (College Board, 1999).

In Indonesia universities are also the place where the intellectuals of the next generation, coming from various parts of the countries and different strata of the society, meet and intermingle. It is considered as a place where young people from various provinces can discuss national issues. The importance of this aspect of university life is considered very important, so that even if the new law on autonomy gives far-ranging powers to the provinces, universities are still considered as national institutions. Students who are able to take part in cross-border education will come from the upper strata of society. These students will miss the opportunity of having interaction with their peers from other provinces and social strata. So the vision of students collecting certificates or degrees without ever setting foot in a classroom would be in contrast to what university life in Indonesia should be.



The types of cross-border education using the Internet also create problems of equal access, because only very few students can afford internet access, so that this may be another example of ‘advantage magnifying advantage’ (Gladieux & Swail, 1999).

On the other side the host countries should also take into account the possibility of cross-border education, when planning their higher education programmes. The public in the host countries should also be informed about cross-border education and how to evaluate the different programmes offered, because only when the public can make informed decisions will cross-border education be beneficial and have an added value for the host countries. Most people in the developing host countries cannot differentiate between cross-border education programmes, which are good or bad e.g. most cross-border programmes advertise that their programmes are accredited without mentioning by which accreditation body, so that one cannot know whether that accreditation body is *bona fide*. Furthermore, even when the name of the accreditation body is mentioned only very few people will know whether it is *bona fide*.

## **9. Epilogue**

In this era of globalization education is also borderless. Cross-border education is one of the ways of delivering education across national boundaries. Countries, which are hosts in the cross-border education system, should open themselves to this phenomenon. They must take cross-border education into consideration when planning their own higher education programmes and also prepare the public for cross-border education, so that they can make an informed decision when using cross-border education. International organizations, like the World Trade Organization (WTO), when making rulings about cross-border education, should be aware that “education is a very imperfect market and that market forces can only be fair and efficient, when the playing field is level and education is considered by all a basic human need and public good”. Some kind of regulation is necessary, not to restrict but to protect the people, as in most countries only few regulatory barriers to entry are in existence (Tadjudin, 2003).

The author firmly believes that “every country has to ensure that the cross-border programmes offered, are of a high standard and have an ‘added value’ for the student and the host country and that the results of these quality-control processes be published and readily assessable on the Internet”.

Regional quality assurance networks like the Asia Pacific Network for Quality Assurance (APQN), and international networks like the International Network for Quality Assurance Agencies in Higher Education (INQAAHE), should also explore the possibilities of establishing a formal international recognition process for higher education accreditation bodies. Issues of accreditation and credentialing are problematic enough in the realm of traditional higher education. In cross-border education, especially the virtual-based type, it presents a whole new dimension of complexity (College Board, 1999).

Another issue which should be promoted is that cross-border education in this era of globalization should become a ‘means of sharing’. Without an adequate quality assurance (QA) and system of sharing and development of networks, the host countries which are mostly developing countries, will be put under great pressure and sufferance.

\* \* \*

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*Chapter 11*  
*Country Paper on Australia*

**Cross-border higher education in Australia**

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**Introduction**

The growth of cross-border higher education and increase in number of international students in Australia has been remarkable indeed. The reasons for this are complex, but rest mainly on the increasing market-like co-ordination of Australian higher education, funding diversification and the continuing privatisation of the public higher education sector.

This paper outlines the development of cross-border higher education in Australia. *Section I* begins with a detailed discussion of the higher education policy background that is essential to an understanding of why Australia has become a world leader in international higher education. Next, in *Section II* the paper briefly examines some of the reasons for Australia's success in international higher education. Then *Section III* examines the rise of cross-border higher education in this country with a policy shift from aid to trade with respect to international students. The discussion is loosely organized around the General Agreement on Trade in Services (GATS) four modes of service delivery. Next *Section IV* gives a summary of Australia's GATS commitments and a few of the quality assurance (QA) issues. The paper concludes with a look at where Australia may be heading with respect to cross-border higher education (see *Section V*).

## I. BACKGROUND TO AUSTRALIAN HIGHER EDUCATION

Australia is a federation of six states and two territories. An exceptional feature of the higher education sector is that the states have legislative control of higher education institutions, whilst financial responsibility (since 1974) rests with the Commonwealth. The nation's higher education sector consists of 37 public universities, some of which are quite large with enrolments in excess of 45,000 students, two small private universities and a number of small specialist institutions both public and private. The federal government is presently attempting to change the authority structure of higher education by taking over from the states' legislative control and by changing legislation to facilitate the introduction of substantially more private providers. The latter initiative has direct implications for cross-border education (CBE) and will be discussed in more detail in the conclusion to this paper.

Whereas in terms of landmass Australia is the sixth largest country in the world – approximately the same size as the Continental United States – it has a population only slightly larger than the Netherlands. Most of the nation's population of some 20 million people (0.3 per cent of world population) is highly urbanized. “The country's economy is 1.9 per cent of the Gross Domestic Product (GDP) of the OECD, and accounts for about 1 per cent of world trade”, Department of Education, Science and Training (DEST, 2003a: 3). Historically, the nation's wealth was based on primary products – mineral and agricultural. But in recent decades there has been a deliberate attempt by Government and industry to switch the basis of the Australian economy from primary products to knowledge – to create what one Prime Minister termed in the 1980s as the Clever Country. While in the early 1970s, about 21 per cent of Australia's GDP was based on manufacturing and 5.4 per cent on agriculture, presently those figures are 12 per cent and 3.6 per cent respectively. As the Chief Economist of one of the country's largest banks put it: ‘Australia's economic growth will increasingly be linked to the mortarboard not the sheep's back ...’ (The Sydney Morning Herald, 2004). Australia has a well-developed but comparatively small science base, with the majority of its R&D effort concentrated in the public sector.

*Policy initiatives:* Throughout the 1970s and into the 1980s, policy-makers and institutional leaders alike became increasingly concerned about the future of Australian higher education. This culminated in a push at the end of the 1980s to make higher education more relevant to national economic needs and priorities.

The 1988 federal Government White Paper initiated a dramatic transformation of Australian higher education which, amongst other things, led to the abolition of the binary distinction between universities and Colleges of Advanced Education (CAEs) and the creation of the Unified National System (UNS) in which there is now a much smaller number of significantly larger institutions, all called universities. The reforms also placed the need for selectivity and concentration of research squarely on the agenda. These events are often referred to as the Dawkins' Reforms, in recognition of one of their primary architects, the then federal Minister of Employment, Education and Training, the Honourable John Dawkins.

In July 1988 the White Paper on higher education was adopted by the Federal government and set in train a period characterized by the dismantling of the binary system; a challenging of the view that teaching and research are inextricably linked; the emergence of new systems of funding and emphasis for higher education institutions to diversify their funding sources; a sharper sense of the real importance of research to economic well-being; a growing appreciation that for relatively small countries such as Australia, concentration and selectivity are essentials in any national research policy; and a much greater emphasis on institutional management (Dawkins, 1988). The major policy shifts can be summarized as follows:

- shift in some of the cost of higher education from the state to the individual; the government lessened its financial commitment through the introduction of such mechanisms as the Higher Education Contribution Scheme (HECS) – partial tuition payment through the tax system;
- enhanced national and international competition for students and research income;
- greater emphasis on accountability for the government dollar;
- greater deregulation within the higher education sector;
- increased reliance on income gained from sources other than the Commonwealth; and
- clear expectation that higher education contributes to economic prosperity and the knowledge economy.

With the change of federal government in March 1996, it became clear that the size of the task to which higher education must adapt had in fact substantially increased. The “Higher Education Budget Statement, 1996” from the then newly elected Liberal coalition government regarding higher education placed additional pressures and challenges on this sector. Key changes announced in the 1996 budget statement included:

- A reduction of operating grants by 5 per cent over three years.
- A lowering of the HECS repayment threshold; an increase in level of HECS payments; and the introduction of differential HECS according to course of study.
- No Commonwealth supplementation of academic salary increases.
- An insistence upon return of funds if enrolment targets are not met.
- A phasing out of postgraduate coursework enrolments from Commonwealth funded load.

The funding changes have had a profound and largely negative effect on higher education from which the sector is still reeling. Total public investment in Australian universities peaked in the mid-1990s and then decreased through to 2001. The funding cuts to higher education initiated in 1996 did not really start to bite until the end of the decade. But with the advent of the New Millennium, it was generally recognized that Australian higher education faced a funding crisis (Chubb, 2000; 2001). Funding of Australian higher education increased during the period 1995-2000 with respect to all sources of revenue (see *Table 1*). However, direct public funding from the Commonwealth government declined by 11 per cent in real terms – Australia being only one of two OECD countries in which this occurred. And, while total funding increased by 12.5 per cent in real terms, total student load increased by 21 per cent (Phillips *et al.*, 2002: 28).

Nearly all of the recent reviews and changes to Australian higher education have attempted to address the funding issue in one form or another – with government primarily relying on market mechanisms rather than increased public subsidies to solve the problem.



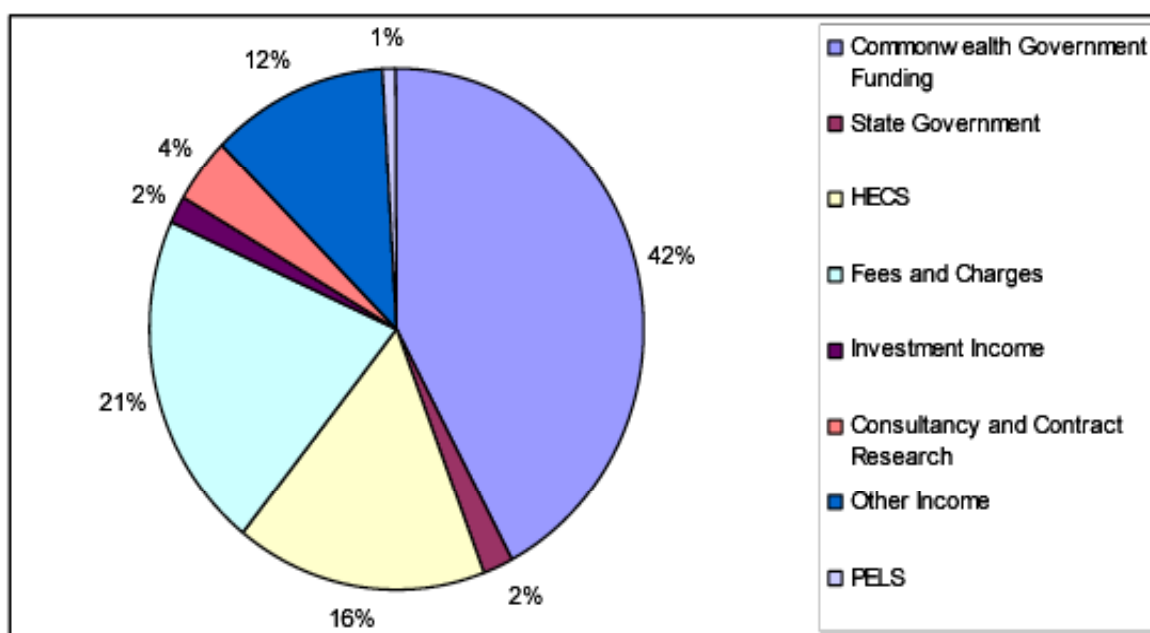
**Table 1. University revenue by source 1995-2000 (AUD\$Billion)  
(adjusted by CPI to 2000 terms)**

	1995	1996	1997	1998	1999	2000	Per cent change
Commonwealth	4.7	4.9	4.7	4.6	4.4	4.2	-11.0
HECS	1.0	1.0	1.3	1.5	1.7	1.7	68.9
Fees	1.0	1.2	1.3	1.4	1.6	1.7	75.3
State	0.1	0.1	0.1	0.1	0.1	0.1	25.8
Other	1.5	1.5	1.4	1.3	1.3	1.6	7.9
<b>TOTAL</b>	<b>8.3</b>	<b>8.6</b>	<b>8.8</b>	<b>9.0</b>	<b>9.1</b>	<b>9.3</b>	<b>12.5</b>

Source: Phillips *et al.*, 2002: 26.

The Government itself says that it no longer funds, but subsidizes higher education. Substantially less than 50 per cent of the revenue for higher education comes direct from the Commonwealth (*Figure 1*).

**Figure 1. Source of revenue 2002**



Source: Department of Education, Science and Training (DEST, 2004)

Throughout 2002 the federal government conducted a review of Australian universities under the banner *Higher education at the crossroads*. Despite a number of position papers and numerous submissions from the sector, Government policy was merely announced as a *fait accompli* as part of the 2003 budget statement. The package of higher education reforms was entitled *Universities: Backing Australia's Future*. Though there is commitment of some new money, basically the policy continues the trend towards greater privatisation of higher education funding through increasing tuition fees, allowing institutions to set their own fees (within a range) and allowing institutions to enrol a greater number of full-fee paying domestic undergraduate students. A most significant change is the introduction of an undergraduate student loan scheme that can be used to pay tuition at any recognized higher education provider, including private providers. After protracted debate and a number of amendments to the recommendations, the following recommendations were accepted by the Australian Parliament in December 2003:

- More than 34,000 new Commonwealth supported places.
- Increasing the Commonwealth contribution per student place by 2.5 per cent from 2005, building to a 7.5 per cent increase by 2007, conditional on institutions providing staff with genuine choice of industrial agreements and adherence to the National Governance Protocols which are designed to encourage efficiency, productivity and accountability in the sector.
- Providing greater support for regional campuses.
- Raising the repayment threshold under Higher Education Contribution Scheme-Higher Education Loan Programme (HECS-HELP) from AUD\$24,365 in 2002-2003 to AUD\$35,000 in 2004-2005 (AUD\$36,184 in 2005-2006) which will significantly improve the financial position of many graduates with lower incomes.
- AUD\$327 million for two new scholarship programmes over the next five years to assist students with education and accommodation costs.
- More than AUD\$50 million in additional funds over five years to support a range of equity initiatives.
- From 2005, universities will be able to set student fees within a range from AUD\$0 to a maximum 25 per cent above the current HECS rates.
- Increasing the maximum number of Australian fee-paying students (with the exception of medicine) from 25 to 35 per cent of a total course cohort.
- A new programme to enable all full-fee paying students undertaking an award programme at an eligible institution to borrow the amount of their tuition fees from the Commonwealth. These loans will be subject to the same repayment arrangements as under the HECS-HELP programme.

- Providing Student Learning Entitlements to cover the duration of a Commonwealth-supported student's course for up to seven years with flexibility for an extension in the case of longer courses.
- Providing places for the National Priority areas of nursing and teaching and special fee arrangements to encourage people to enroll in these fields.
- A new "Learning and Teaching Performance Fund" will be introduced from 2006 to reward institutions that best demonstrate excellence in learning and teaching. A total of AUD\$251 million will be allocated under the fund between 2006 and 2008.
- A new "National Institute for Learning and Teaching in Higher Education" will be established with ongoing annual funding of AUD\$22 million from 2006.
- A total of AUD\$83 million will be allocated between 2006 and 2008 under the new Workplace Productivity Programme to encourage improvements in workplace productivity.
- Additional funding of AUD\$4 million over five years on quality initiatives including additional funding to enhance the operations of the Australian Universities Quality Agency (AUQA) in relation to offshore audits.
- A new "Collaboration and Structural Reform Fund" will be established for three years from 2005 to encourage innovation and collaboration within the sector.
- Approximately AUD\$40 million in transitional funding to ensure that no institution is disadvantaged under the new funding arrangements.

According to the Minister, the recommendations will result in an increase in public investment in the sector of AUD\$2.6 billion over the next five years and AUD\$11 billion over the next ten years (DEST, 2004: 3). Most of the funding increases come at the end rather than the beginning of the periods identified.

*Quality assurance:* A national, formalized approach to quality assurance came later to Australia than it did to many other countries. The quality movement in Australia only really began in the early 1990s with the 1991 publication of the Report of the then Minister for Higher Education (the Honourable Peter Baldwin): *Higher education: quality and diversity in the 1990s*. The Minister's principle initiative in relation to quality was to provide additional funds of AUD\$70 million a year for three years, equivalent to two per cent of operating grants, from 1994 for a quality assurance and enhancement programme. How this was to be done was left to the then Higher Education Council (HEC) to investigate, resulting in its 1992 Report: *Achieving quality*.

The Council (HEC, 1992: 73) recommended “maintaining and improving the quality of higher education” and went on to suggest the desirability of a trans-institutional assessment, that is, a competition. It proposed the submission of institutional profiles and funding for achievements, not for needs.

The HEC Report led to the establishment of the Committee for Quality Assurance in Higher Education (CQAHE) in 1993 – independent from but reporting to Government. Quality assurance was to be ascertained by locating universities along two axes of measurement: *first*, in relation to their development of internal systems of performance review; and *second*, in relation to their excellence, as evidenced largely by external measures, such as research productivity.

CQAHE conducted its first quality review in 1993, inviting institutions to submit quality assurance portfolios that were then assessed by review panels whose membership was drawn from both the higher education sector and industry. Institutional participation in the quality review was voluntary but, not surprisingly, given that the rankings attached additional financial income, all universities chose to participate. Results were reported in March 1994 (CQAHE, 1994). Institutions were divided into six groups: Group 1 institutions were assessed as having excellent outcomes in research, teaching and learning and community services; well-developed planning processes which support the quality assurance processes; and evidence of international as well as national referencing. They received 3 per cent of their operating grant as reward money. Group 5 institutions received 1 per cent of their operating grant for having sound outcomes in focused areas but less well-developed processes; or improving outcomes supported by generally sound processes. The eight institutions in Group 6 shared (though not equally) the final AUD\$2.7m. consolation prize. The older research universities dominated the two top quality assurance rankings.

The Committee repeated the exercise in 1994 (CQAHE, 1995a) (focusing on teaching) and 1995 (CQAHE, 1995b) (focusing on research and community service). The 1994 results (reported in February 1995) were similar to those of 1993, though this time institutions were placed in only three groups (what some commentators regarded as excellent, good and poor).

In reporting the 1995 results, the Committee adopted a more complicated classificatory scheme, but nonetheless, as was the case in 1993 and 1994, the older research universities won most of the available quality assurance money. The Committee was discontinued after its 1995 review.

Institutions not only competed for the available quality money, but far more importantly, for status and prestige. The CQAHE insisted that its quality assessments should not be interpreted as measures of the relative strength or worth of institutions. But this is exactly how the popular press and the institutions themselves did interpret the results. Those institutions that ranked high in the quality tables used this information in various market campaigns for staff and students, particularly fee-paying overseas students. The institutions that did less well in the quality competition criticized the process itself.

In comparison to other countries, the Australian approach was unique in that it rewarded institutions which could demonstrate both excellent quality assurance procedures and outcomes (Moses, 1995). But as is the case in other countries where governments are moving towards market steering of higher education, quality and other measures of institutional performance are increasingly being based on output measures. Market steering of higher education favours *ex post* accountability measures over *ex ante* ones for institutions themselves are given the responsibility for inputs and processes (Maassen & van Vught, 1992).

The Australian Qualifications Framework (AQF) was established in 1995. It lists all post-school education providers and accreditation authorities and the approved qualifications offered by all education sectors. A new approach to quality assurance was introduced in 2000 with the establishment of the Australian Universities Quality Agency (AUQA). AUQA is an independent agency owned and funded by the federal and state governments.

In Australia, Universities are established by the states and territories and are regarded as self-accrediting institutions. The states and territories also have responsibility for accrediting other higher education providers. AUQA audits the quality assurance processes of the independent universities on a five-year cycle as well as the procedures adopted by state and territory accrediting authorities. The audit reports are made public, but have no direct funding implications for the institutions.

AUQA was established, in part, in response to the fear that unscrupulous private provider would set up in some states and territories and tarnish Australia's international reputation and threaten its standing in the Asia international student market. In 2000, a set of National Protocols for Higher Education Approval Processes were endorsed by the Ministerial Council for Education, Employment, Training and Youth Affairs (MCEETYA) "to ensure consistent quality assurance criteria and standards across Australia" (DEST, 2004: 23). The Protocols cover five broad areas:

Protocol 1 – Criteria and processes for recognition of universities

Protocol 2 – Overseas higher education institutions seeking to operate in Australia

Protocol 3 – The accreditation of higher education courses to be offered by non self-accrediting providers

Protocol 4 – Delivery arrangements involving other organizations

Protocol 5 – Endorsement of courses for overseas students

The Protocols are legally binding and prevent institutions operating as a university unless they are listed on the AQF register as a self-accrediting institution. According to the first Protocol, the defining characteristics of an Australian University are:

- (a) authorization by law to award higher education qualifications across a range of fields and to set standards for those qualifications which are equivalent to Australian and international standards;
- (b) teaching and learning that engage with advanced knowledge and inquiry;
- (c) a culture of sustained scholarship extending from that which informs inquiry and basic teaching and learning, to the creation of new knowledge through research, and original creative endeavour;
- (d) commitment of teachers, researchers, course designers and assessors to free inquiry and the systematic advancement of knowledge;
- (e) governance, procedural rules, organization, admission policies, financial arrangements and quality assurance processes, which are underpinned by the values and goals outlined above, and which are sufficient to ensure the integrity of the institution's academic programmes; and
- (f) sufficient financial and other resources to enable the institution's programme to be delivered and sustained into the future.

As can be seen from the above, the defining characteristics of an Australian university strongly endorse the principles of unity of teaching and research and a broad, comprehensive curriculum. However, as will be this principle is presently under challenge.

## **II. INTERNATIONAL HIGHER EDUCATION: FROM AID TO TRADE**

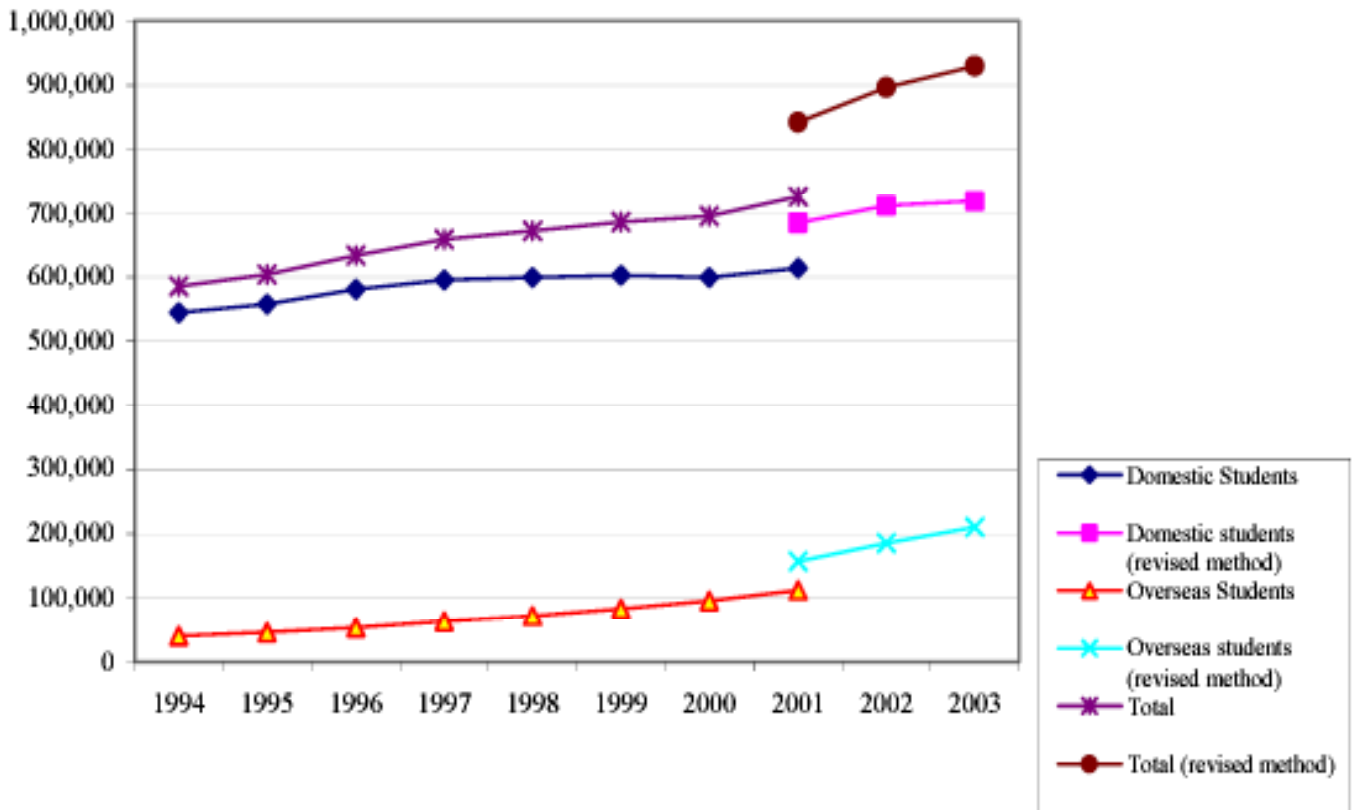
In the early 1980s, there were about 25,000 overseas students studying in Australia. Up to that time, the education of overseas students was seen mainly as a form of foreign aid. Students were subsidized by Government aid programmes and fees were not paid directly to institutions. But the 1987 Green Paper on higher education foreshadowed a more market-oriented approach to foreign students by stating that “full-fee paying overseas students provides another important source of potential revenue growth” (Dawkins, Green Paper, 1987, p. 83) – quite an understatement as it turned out. Initially, the overseas student target group was mostly from South-East Asia.

In 1988, the Government recognized that “the subsidized overseas student programme was no longer satisfactorily meeting its aid, education or economic objectives” (DEET, 1991: 380). From the beginning of 1990, all foreign students would enter Australian universities on a full cost basis, and Government deregulated the overseas student market by allowing individual institutions to directly recruit overseas students and to set and retain fees with no corresponding reduction in Government operating grants. The change in policy was justified in the following terms:

“In the light of significant external economic changes and changes in the policy and administrative environment, Australia could no longer see itself so much as a donor of education and training services to developing countries, a benefactor, but more as a partner where mutual benefits for individuals and countries is the desired outcome”. (DEET, 1991: 380).

In 2003 Australian universities enrolled nearly one million students, about 23 per cent of who were full-fee paying international students (see *Figure 2*). Fees paid directly to higher education institutions from overseas students rose from AUD\$627 million in 1997 to AUD\$1.423 billion in 2001. Presently, overseas students contribute about 13 per cent to the total higher education budget.

**Figure 2. Domestic and overseas students 1993 to 2003**



*Source:* Department of Education, Science and Training (DEST, 2004).

The overseas student market is worth more than AUD\$5.6 billion annually to Australia and makes it one of the nation's largest export earners (see *Table 2*).



**Table 2. Australian major exports of goods and services, 2002- 2003, 2003- 2004**

	<b>2002-2003 (AUD\$m)</b>	<b>2003-2004 (AUD\$m)</b>
<b>Major categories of goods and services</b>		
Crude materials, inedible, except fuels	21,466	20,739
Mineral fuels, lubricants and related materials	23,803	20,381
Food and live animals	18,399	18,158
Commodities and transactions not classified elsewhere (in the SITC)	13,117	13,700
Machinery and transport equipment	13,530	11,923
Manufactured goods classified chiefly by material	12,605	11,339
Tourism	9,434	10,212
Transportation services	7,467	7,564
<b>Education services</b>	<b>4,896</b>	<b>5,622</b>
Chemicals and related products	5,093	5,288
Miscellaneous manufactured articles	4,413	4,267
Other business services	3,704	3,592
Miscellaneous business, professional & technical	3,170	2,985
Beverages and tobacco	2,725	2,694
Gross inward insurance premiums receivable	1,645	1,678
Computer and information services	1,091	1,128
Financial services	984	1,004

*Source:* Australian Vice-Chancellors' Committee (AVCC, 2005).

Since the late 1980s, there has been substantial growth in Australian higher education, from about 485,000 students in 1990 to more than double that in 2004. However, in recent years, most of the student growth has been fuelled by overseas students (see *Figure 2*). In the period 1995 to 2001, the number of commencing domestic students increased by 8.6 per cent, while the number of commencing overseas students rose by 146 per cent (Phillips *et al.*, 2002: 8).

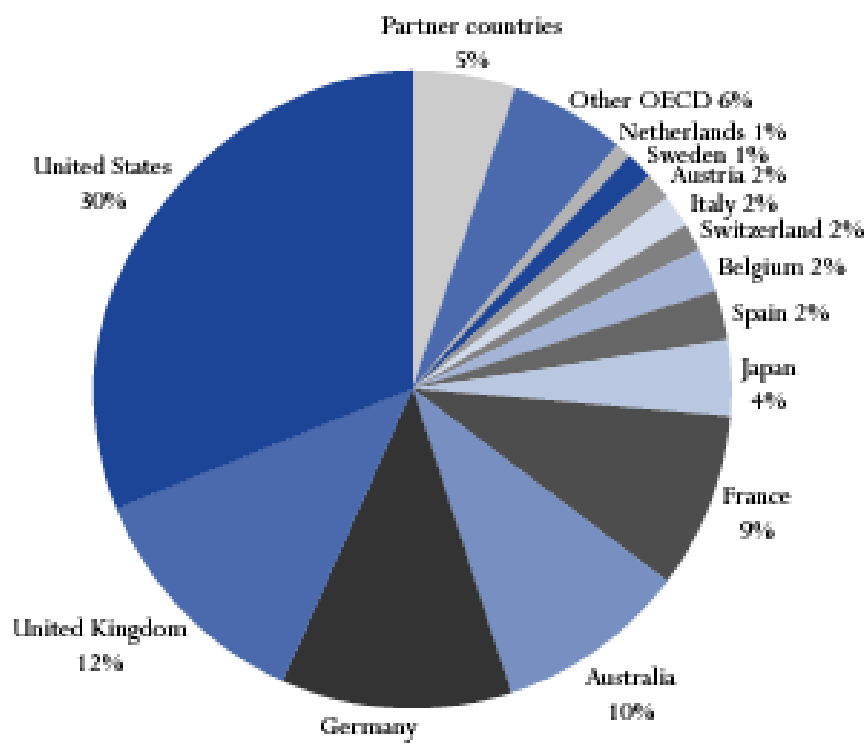
The slow growth in domestic student numbers does not indicate a slacking in demand but lack of available places to meet demand (*ibid*). However, the preliminary 2005 enrolment statistics indicate some slackening of domestic student demand for higher education places and some indication that demand from overseas students may have peaked as well. These factors will be taken up in the conclusions (see *Section V*).

### **III. CROSSBORDER HIGHER EDUCATION, AUSTRALIA**

This section of the paper will concentrate on Australia's phenomenal growth of cross-border higher education.

*Profile of cross-border higher education:* Overseas students are not randomly distributed, either internationally or within the higher education sectors of individual countries. "A relatively small number of countries enrol the vast majority of foreign students studying in the OECD area and in other partner countries reporting such data" (OECD, 2004; 296). As can be seen from *Figure 3*, five countries – Australia, France, Germany, UK and the USA – account for about 73 per cent of all students studying abroad.

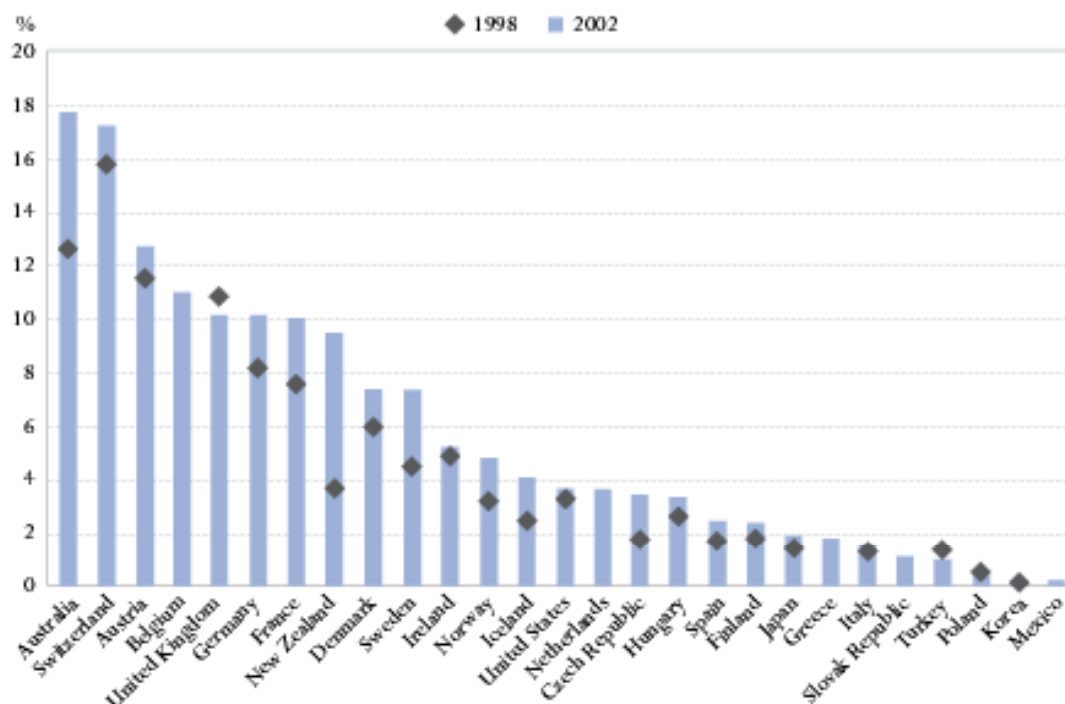
**Figure 3. Distribution of foreign students in tertiary education, by country of study (2002)**



*Source:* Organisation for Economic Co-operation and Development (OECD, 2004: 297).

While *Figure 3* puts Australia in fourth position in terms of absolute numbers of students studying abroad in actuality it is about equal, second with the UK, based on current data. Also, citizenship restrictions inflate somewhat the number of overseas students studying in Germany. In terms of the proportion of foreign students in relation to total student enrolments, Australia has become the world leader (see *Figure 4*).

**Figure 4. Percentage of foreign students to total enrolments in tertiary education (2002)**



Source: Organisation for Economic Co-operation and Development (OECD 2004: 293).

In terms of country of permanent residence, overseas students studying for Australian qualifications are concentrated mainly in a few Asian countries (see *Table 3*). The increase in overseas students coming from China (excluding Hong Kong) and India is particularly pronounced.

**Table 3. Overseas students: country of permanent residence, 1991-2003 (selected years)**

	1991	1998	2002	2003	% change on 2002
<b>Country (a)</b>					
Singapore	3,542	14,104	29,956	29,878	0 %
Hong Kong (SAR of China)	5,137	11,924	26,956	29,169	8 %
Malaysia	7,294	13,132	23,725	27,267	15 %
China (excludes SARs and Taiwan Province)	1,558	2,275	19,596	27,020	38 %
Indonesia	2,270	6,880	11,981	11,865	-1 %
India	334	2,703	8,390	11,133	33 %
United States of America (USA)	626	1,531	8,325	9,418	13 %
Thailand	695	2,376	5,202	5,815	12 %
Taiwan	0	1,908	3,977	4,410	11 %
Norway	8	577	3,868	3,991	3 %
<b>Sub-Total</b>	<b>21,464</b>	<b>57,410</b>	<b>141,976</b>	<b>159,966</b>	<b>13 %</b>
Other	12,944	14,773	43,082	50,428	17 %
<b>Total number of overseas students</b>	<b>34,408</b>	<b>72,183</b>	<b>185,058</b>	<b>210,394</b>	<b>14 %</b>

*Source:* Australian Vice-Chancellors' Committee (AVCC, 2005).

In terms of level of course, overseas students are concentrated in bachelor degrees and coursework masters degrees (see *Table 4*). Moreover, they are concentrated in a narrow band of study areas, with about 60 per cent of overseas students enrolled in management and commerce and Information Technology (IT) courses (see *Table 5*). This is the case for both onshore and offshore programmes.

**Table 4. Overseas students by level of course, 1996-2003**

	<b>1996</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Broad Level of Course</b>					
Doctorate by Research	3,030	3,565	4,126	5,361	5,856
Doctorate by Coursework	16	232	348	782	802
Master's by Research	1,020	885	935	1,131	1,163
Master's by Coursework	7,211	20,022	25,963	48,949	59,397
Other postgraduate	2,872	4,481	5,907	10,224	9,659
Bachelor	37,559	63,194	71,060	108,019	120,522
Other undergraduate	293	523	599	1,097	1,704
Non-award courses	1,183	2,705	3,404	9,495	11,294
<b>Total number of overseas students</b>	<b>53,188</b>	<b>95,607</b>	<b>112,342</b>	<b>185,058</b>	<b>210,397</b>

*Source:* Australian Vice-Chancellors' Committee (AVCC, 2005).

**Table 5. Overseas students: onshore and offshore by field of education, 2001- 2003**

	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Onshore Students</b>			
Agriculture, environment and related studies	835	1,096	1,185
Architecture and building	2,380	2,861	3,155
Creative arts	4,497	6,683	7,738
Education	2,181	3,492	4,305
Engineering and related technologies	8,263	11,146	13,529
Food, hospitality and personal services	20	19	11
Health	4,809	7,222	8,506
Information technology	15,440	25,253	25,292
Management and commerce	30,576	47,296	56,281
Natural and physical science	4,210	5,931	6,814
Society and culture	7,313	9,200	14,121
Non-award courses and mixed field programmes	3,460	11,440	10,947
<b>Total number of onshore overseas students</b>	<b>83,992</b>	<b>131,639</b>	<b>151,884</b>
<b>Offshore Students</b>			
Agriculture, environment and related studies	21	54	50
Architecture and building	419	659	792
Creative arts	933	1,217	1,429
Education	625	1,133	1,251
Engineering and related technologies	782	2,442	3,265
Food, hospitality and personal services	5	-	-
Health	3,753	4,670	4,322
Information technology	3,655	5,983	6,631
Management and commerce	16,251	34,306	37,199
Natural and physical science	386	656	791
Society and culture	1,297	295	2,436
Non-award courses	139	2,004	347
<b>Total number of offshore overseas students</b>	<b>28,266</b>	<b>53,419</b>	<b>58,513</b>
<b>Total number of overseas students</b>	<b>112,258</b>	<b>185,058</b>	<b>210,397</b>

Source: Australian Vice-Chancellors' Committee (AVCC, 2005).

*Offshore programmes:* In terms of modes of supply, some foreign students are undertaking Australian higher education courses entirely by distance education while remaining domicile in their home country:

*Mode 1: Cross Border Supply.* But that would be only a very small proportion of the overall number of overseas students. The bulk of higher education overseas students (about 72 per cent) have moved to Australia in order to undertake their degrees.

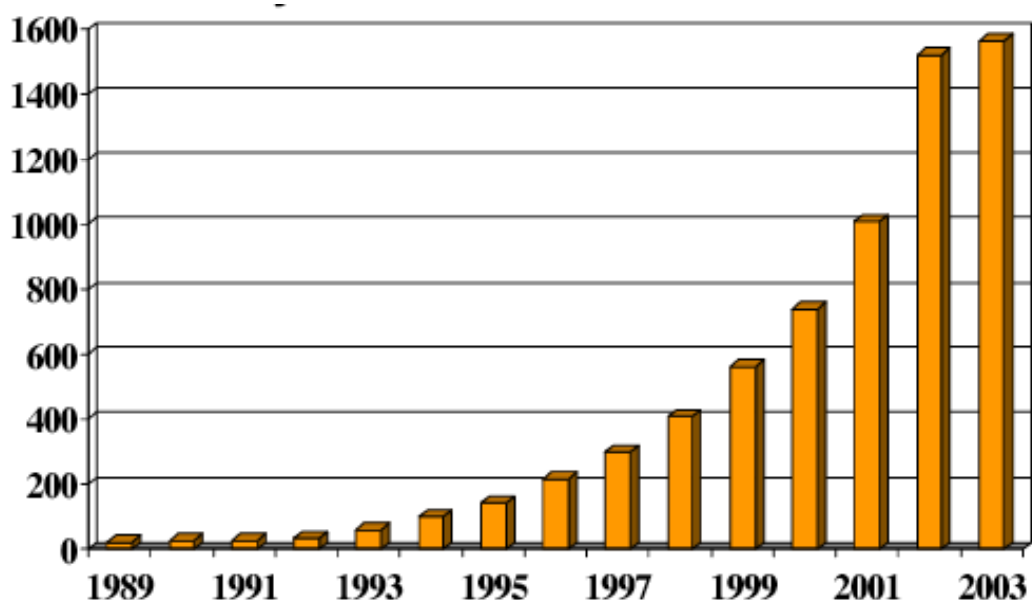
*Mode 2: Consumption Abroad.* However, in recent years, the fastest growing component of the Australian higher education student market has been with respect to the following mode.

*Mode 3: Commercial Presence* or what is termed in Australia as offshore education programmes. Between 2001 and 2003, the number of offshore overseas students more than doubled, while the number of onshore students increased by 45 per cent. The number of offshore programmes did not really start to dramatically increase until the late 1990s (see *Figure 5*).

*Mode 4: Presence of natural persons.* Offshore programmes regularly require Australian academics to visit partner organizations or branch campuses in foreign countries for teaching and related purposes. Obviously, with the rise in number of such programmes, the international movement of Australian academics has increased substantially, particularly within the Asian Region. However, there is little data on actual numbers of staff movements. But one indicator of the size and significance of academic staff travelling overseas to service offshore educational programmes is the fact that the National Tertiary Education Union (NTEU) has published a guide to assist academic staff with their legal rights with respect to engaging in such activities (NTEU, 2004).



**Figure 5. Current offshore programmes of Australian universities cumulative by year of first intake**



*Source:* Australian Vice-Chancellors' Committee (AVCC, 2004).

As can be seen in *Table 6*, more than 70 per cent of all offshore programmes of Australian universities are in China (including Hong Kong) Malaysia and Singapore. Moreover, as is the case with onshore overseas students, the number of overseas students enrolled in offshore programmes are not randomly distributed, but concentrated in a few universities (see *Annex A*).

**Table 6. Current offshore programmes of Australian universities (by year of first intake), Pre: 2000-2003**

	<b>Pre - 2000</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>Total (a)</b>
<b>Country</b>						
China	98	30	22	24	24	200
Hong Kong (SAR)	154	21	26	23	16	227
Indonesia	15	3	2	1	3	25
Malaysia	174	59	28	24	29	321
Singapore	194	43	30	58	53	375
Other	260	62	39	43	18	421
<b>TOTAL</b>	<b>895</b>	<b>218</b>	<b>147</b>	<b>173</b>	<b>143</b>	<b>1,569</b>

*Source:* Australian Vice-Chancellors' Committee (AVCC, 2005).

The AVCC defines offshore “as higher education award-bearing programmes offered outside Australia (including distance learning) and [usually] delivered in partnership with a local organization” (Garrett & Verbik, 2003: 2). There are a number of different models of offshore arrangements. In some cases, an Australian university may establish an entire branch campus offshore. Universities enter into partnerships with other universities or private providers to provide one or more courses entirely in a foreign country. In other cases, the overseas partner offers the first years of a degree programme, and then students come to Australia for the final year. The NTEU (2004:12) list a number of models that singularly or in combination are used by Australian universities in their offshore delivery:

- **Twinning programmes** which characterized Australian universities early involvement in offshore education. Students may study for a period of time offshore and then at the onshore campus of an Australian university, or exclusively offshore, also known as a 3+0 programme (i.e. 3 years offshore, no time spent at an on-campus Australian university). The trend is now for students to complete their entire Australian degree offshore. Students generally have the same material, lectures and examinations as those on the onshore campus. Academic staff in these programmes are usually hired locally but selected by the Australian university according to established selection criteria. Australian staff may also teach for periods of time in the offshore programme and for a specified portion of the programme.
- **Franchised programmes:** A local offshore institution delivers an Australian university programme with quality assurance and control by the Australian university. The Australian university is not directly involved in having its staff teach the programme.
- **Moderated programmes:** A local offshore institution teaches its own programmes with quality assurance from an Australian university which then offers advanced standing in an Australian university to graduates of the local programme.
- **Offshore campuses:** An Australian university establishes a campus of the institution offshore where local and Australian staff members are hired to deliver programmes and onshore staff also may teach for periods of time. For example, Monash University has established offshore campuses in Malaysia and South Africa and RMIT has a campus in Vietnam.
- **Online programmes:** Programmes are delivered through the Internet, with support from Australian onshore staff.

Most offshore programmes are taught in the English language, though there are programmes where the local language is used for instruction, either through interpreters or by other means. But probably the key defining characteristic is that the programmes are revenue-generating for the Australian universities.

There are various non-revenue generating student exchange programmes between Australian universities and their sister institutions overseas. Such programmes usually involve a 'Memorandum of Understanding' between an Australian and overseas university which allows students from the respective country to study for credit one or more semesters tuition free. The Government has promoted the benefits of sending Australian students to overseas universities for part of their higher education programme through scholarships and other schemes.

But the Australian student uptake of such exchange programmes has been minimal, and overall, at least in terms of numbers, student exchange is an insignificant component of Australian cross-boarder education (see *Table 7*).

**Table 7. Number of exchange students sent and received by Australia, 1996-2001**

<b>Country of host institution</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Exchange Students Sent by Australia</b>						
Canada	168	161	264	349	395	492
China	61	65	55	78	36	40
Indonesia	40	30	41	25	37	17
Japan	208	211	271	232	242	249
Korea	31	42	39	45	40	27
Thailand	54	49	20	23	39	18
USA	369	443	604	597	654	653
Other countries	377	400	648	746	1,004	1,147
<b>Total Sent</b>	<b>1,308</b>	<b>1,401</b>	<b>1,942</b>	<b>2,095</b>	<b>2,447</b>	<b>2,642</b>
<b>Exchange Students Received by Australia</b>						
Canada	225	320	301	313	371	457
China	5	15	6	5	4	17
Indonesia	11	2	0	1	6	0
Japan	171	173	250	280	277	312
Korea	77	60	48	55	69	76
Thailand	11	39	8	21	32	83
USA	560	703	876	952	998	1,038
Other countries	600	757	1,134	1,408	1,642	2,,51
<b>Total Received</b>	<b>1,660</b>	<b>2,069</b>	<b>2,623</b>	<b>3,035</b>	<b>3,399</b>	<b>4,134</b>

*Source:* Australian Vice-Chancellors' Committee (AVCC, 2005).

(i) ***Why Australia?***

There are various reasons for the Australian higher education cross-border success story. First, and obviously, for various reasons, there has been a strong demand within the Asia and the Pacific Region for international education. Second, within the context of a deregulated, competitive higher education environment, coupled with declining public revenue, several Australian universities found full fee-paying overseas students a financial godsend. As this market rapidly expanded, so did its national importance. Both individual universities and Government have been keen to promote cross-border education. A large and complex infrastructure has developed to maintain and further the international student market and includes such organizations as the Department of Education, Science and Training (DEST); Australian Education International (AEI); Austrade; Department of Foreign Affairs and Trade (DFAT); state higher education offices; and IDP (a private company owned by Australia's universities). According to the NTEU (2004: 13):

“The motivations for university involvement in the recruitment of offshore and onshore international students have varied but one of the key concerns has been financial. In response to the decline in Government funding, universities have sought out alternative sources of revenue, and the international student market has been attractive. An IDP survey of Australian universities in 2000 found that for the majority surveyed, the generation of additional sources of income and the increased profile of an institution's international reputation were the two key motivations for university involvement in offshore ventures. The internationalization of Australian universities is also seen to provide educational, cultural and social benefits to Australian staff and students but financial considerations remain paramount”. (NTEU, 2004: 13).

Clearly, aggressive marketing has helped Australia recruit international students. Other factors include the relatively quality of Australian higher education; the perception that Australia is a safe country in which to live; the possibility of immigration to Australia upon completing a qualification; and relative cost advantages. The Asian financial crises of the late 1990s, coupled with a relatively weak Australian Dollar, made studying in Australia financially attractive. Even today, the cost of an Australian degree is internationally competitive (see *Table 8*).

**Table 8. Range of tuition fees for overseas students by broad field of study, 2003 (in US\$)**

	Australia		Canada		United Kingdom (UK)
<b>Undergraduates</b>	US\$	US\$	US\$	US\$	US\$
Arts and social sciences	6,700	- 10,050	3,729	- 11,585	6,653 - 20,500
Business and Commerce	5,360	- 13,668	3,749	- 20,103	10,086 - 16,564
Communications	5,360	- 11,256	7,154	- 11,585	10,168 - 12,874
Computer science	7,035	- 15,410	4,064	- 10,010	10,660 - 23,780
Education	6,700	- 10,921	3,729	- 12,001	10,589 - 19,742
Engineering	9,112	- 15,973	5,446	- 16,935	10,660 - 20,746
Science	7,424	- 15,410	4,064	- 14,675	10,168 - 23,780
<b>Postgraduates</b>					
Arts and social sciences	7,370	- 10,854	2,873	- 20,440	8,000 - 20,500
Business and Commerce	6,700	- 20,502	3,559	- 29,508	7,380 - 45,920
Communications	7,558	- 15,494	5,184	- 10,512	11,808 - 12,792
Computer science	7,662	- 16,080	1,763	- 8,401	11,193 - 25,420
Education	6,700	- 10,559	1,550	- 9,605	5,986 - 15,836
Engineering	9,648	- 17,186	1,916	- 14,288	11,193 - 26,543
Science	7,960	- 18,492	14,675	- 16,580	10,988 - 24,600

*Source:* Australian Vice-Chancellors' Committee (AVCC, 2005).

Cost also plays an important factor in the popularity of offshore enrolments where students can gain a degree from an Australian university while remaining at home. Some governments have also been keen to reduce the number of their nationals travelling overseas for higher education qualifications. However, how profitable offshore programmes are for the Australian institutions given cost-sharing agreements with overseas partners and high overheads in terms of staff travel and related factors remains an open question.

**(ii) *Quality assurance and cross-border education***

In Australia, the decline in funding per student place in the context of overall dramatic increase in student number over the past decade has been linked to issues of decline in quality. A similar link is made with respect to international students as well. The National Liaison Committee for International Students in Australia (NLC) has argued that:

“... there is a perception that international students have been recruited for revenue raising purposes to offset cuts in Commonwealth funding for higher education. The increase has been of great concern due to no prior planning for expanded capacity to accommodate these international students. Amongst others, concerns include international student fees, student class sizes and student-staff ratios; decrease in student contact with staff; and difficulty in finding accommodation on and off campus”. (NLC, 2002: 2).

Some Australian universities with large numbers of international students, such as the UNSW, have capped at 25 per cent the proportion of the student body they will permit to be international.

As mentioned above, the deregulation of international student fees appears to have been a great success in Australia. But there is a danger, as the National Liaison committee for International Students in Australia (NLC) notes, if the perception builds overseas that international students are subsidising Australian higher education and getting little in return, it will eventually reduce enrolments. The NLC (2002: 8) maintains that “educational institutions should ensure that revenue from international student fees directly fund the cost of education and related overheads before being channelled into other areas. The current perception that revenue from international student fees do not directly fund the cost of their education has resulted in dissatisfied students and a disgruntled community ... ”.

The NLC is not only concerned whether the higher education sector can bear the dramatically increased numbers of international students coming to Australia, but also is worried about the quality of offshore initiatives:

“However, international students who are enrolled in institution programmes through offshore schools have become a worry in being able to maintain the quality and reputation of Australian education. This is because these students are often enrolled in the courses using different assessment standards and criteria from their onshore counterparts. Further, there have been discrepancies in teaching standards, quality of education and support services in these offshore campuses as compared to onshore campuses. This causes an inequality in student standards and subsequently a difference in preparation for the work environment upon graduation. Given that offshore campuses are beyond the legislative control of the Commonwealth Government, it is imperative that Australian institutions be constantly reminded of these issues when they are forming educational alliances or creating campuses. The Australian University Quality Audit Committee (AUQAC), in including an audit on offshore activities of the institutions, shows its concern in the effects of these activities on the higher education industry”. (NLC, 2002: 4).

There are some important differences with respect to official quality assurance arrangements between onshore and offshore higher education programmes, as the NTEU (2004: 16) summarizes:

“For students studying onshore, the major legislative framework, the *Education Services for Overseas Students (ESOS) Act*, is designed to protect the interests of international students on visas by providing tuition and financial security guarantees and ensuring a nationally consistent approach to the registration of universities providing programmes to international students. The legislation requires any provider that recruits, enrolls or teaches overseas students in Australia to register with the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), and register in each state or territory where the course is offered. In other words, providers require both federal and state Government approval. Providers who do not meet the requirements of the legislation can have their registration withdrawn ....”.

“In contrast to onshore programmes, Commonwealth and State Governments do not require registration for Australian higher education programmes that are offered entirely offshore and, where international students will not enter Australia to study as any part of the programme. Institutions must endeavour to ensure, however, that income derived from offshore programmes covers the cost of provision, a requirement which applies to offshore courses which lead to an Australian higher education qualification and to arrangements where overseas institutions are licensed by an Australian institution to offer courses”. (NTEU, 2004: 16).



In auditing the quality assurance procedures of Australian universities, AUQA includes their offshore operations. Where a university has a significant involvement in an offshore operation, the AUQA auditors may visit the offshore site of delivery and interview students, teaching and support staff. In the 2003 budget, the Federal government provided AUQA with additional funding to pursue offshore audits. However, it does not appear that the Government feels this to be sufficient to protect the offshore market and is currently exploring an alternative framework for quality assurance for overseas students studying offshore. According to DEST (2004: 29), “The framework will look to codify best practice and will be self-sustaining. It will take account of the practices currently followed by best practice providers”.

In April 2005 DEST issued a Discussion Paper entitled “A national quality strategy for Australian transnational education and training”. This Discussion Paper canvases various options for establishing a quality assurance framework that will cover the activities of all education sectors, vocational and school education, English language courses and foundation programmes. The strategy (DEST, 2005: p.1) supposedly will fulfil four principles:

1. Ensure that Australia’s quality assurance framework is well understood and well regarded within Australia and internationally;
2. Make clear to providers and consumers the accountabilities in offshore education and training;
3. Ensure that accreditation and audit functions are undertaken transparently; and
4. Ensure equivalence between courses/programmes offered within Australia and offshore.

The Discussion Paper (DEST, 2005 p. 3) proposes three models for consideration:

- *Augmented Current Model*: Maintaining the current arrangements and lines of responsibility for transnational quality assurance but with greater sharing of information and best practice.
- *Advisory Board Model*: A joint industry-government board would develop standards, codify best practice and establish protocols in relation to offshore activities. Functions would remain with the current quality assurance authorities.

- *National Authority Model*: While governments would remain responsible for quality assurance arrangements, a National Authority would be established to which the existing state and territory regulatory bodies would delegate quality assurance functions for offshore provision.

The Discussion Paper appears to favour the *National Authority Model*. But whatever arrangement is finally enacted, it is clear that the Australian Government is intent upon protecting this important export sector, making higher education one of the most regulated of all Australian industries, despite the continued decline in Government funding of the sector.

#### **IV. SUMMARY: AUSTRALIA'S GATS COMMITMENTS**

At the beginning of 2003, the Australian Department of Foreign Affairs and Trade (ADFAT) summarized the Government's GATS commitments as follows:

“With regard to education, our commitments relate only to private tertiary and secondary schooling and English language teaching services. We have made no commitments in primary education. We do not have any national treatment obligations for services supplied through commercial presence (i.e., foreign private universities and language schools establishing in Australia). This means that the Government is not restricted in its ability to treat Australian and foreign private education service providers differently (e.g. in relation to access to subsidies)”. (ADFAT, 2003).

Tangas & Calderon (2004: 125) observe that “there is no special provision for the movement of natural persons in education, so foreign lecturers, teachers and educational managers are subject to the same visa conditions as in any other sector”.

According to the format used by GATS, Australia's higher education; other education, and research and development (R&D) services commitments are listed in *Table 9*.

**Table 9. GATS education and R & D services commitments**

Sector	Mode	Market access limitations	National treatment limitations
Higher education services Covers provision of private tertiary education services, including at university level	(1) Cross Border (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons	<i>None</i> <i>None</i> <i>None</i> Unbound except as indicated in the horizontal* section	<i>None</i> <i>None</i> Unbound Unbound except as indicated in the horizontal* section
Other education services Covers English language tuition	(1) Cross Border (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons	<i>None</i> <i>None</i> <i>None</i> Unbound except as indicated in the horizontal* section	<i>None</i> <i>None</i> Unbound Unbound except as indicated in the horizontal* section
Research and development services R&D on social sciences and humanities	(1) Cross Border (2) Consumption Abroad (3) Commercial presence (4) Presence of natural persons	<i>None</i> <i>None</i> <i>None</i> Unbound except as indicated in the horizontal* section	<i>None</i> <i>None</i> <i>None</i> Unbound except as indicated in the horizontal* section Permanent residence requirement for psychologists (Western Australia)

Source: Murphy (2004), p. 5-6.

*Notes:* \*Horizontal commitments are rules that apply to all services sectors. Where *None* has been inscribed, it does not mean no commitment has been given. It means that there are no limitations on the commitment except as specified for all service sectors in the horizontal section at the commencement of the schedule.

Where Unbound is used, it means no commitments have been given and therefore the regulatory power of Australian Governments is not circumscribed by the National Treatment and Market Access Articles. (Murphy, 2004, p. 6).

Australia has been one of the leading proponents of GATS from the very beginning. In February 2005, trade negotiators met in Geneva to discuss second round offers for inclusion in GATS due in May 2005. At the time of writing, it was not known what additional terms and conditions Australia may be negotiating. However, according to some:

“Australia has been identified as one of the key ‘GATS pushers’ at the Geneva meetings. Australian negotiators have formed an alliance with 14 other countries, with the purpose of pressuring other WTO members, including developing countries, to increase their service commitments under GATS. The other countries in the alliance are the USA, the European Union (EU), Japan, Canada, Chile, Hong Kong, Iceland, India, Korea, Mexico, New Zealand, Norway, Singapore, Switzerland and Taiwan. This alliance is influenced by service industry cartels, like the US Coalition of Service Industries and transnational service corporations, such as Suez, Halliburton, FedEx and American Express”. (AFTINET, Bulletin 110, 18.2.2005).

With respect to the allocation of government subsidies, by not (yet) committing to National Treatment for Commercial Presence, Australia has retained the right to discriminate between domestic and foreign private providers establishing in Australia. However, as Tangas & Calderon (2004: 127) observe:

“While the Australian Government maintains that it is not required to extend public funding to foreign institutions operating in Australia because it has not committed to National Treatment for commercial presence, a strict application of the Most Favoured Nation principle would require Australia to treat foreign private providers in the same way as it treats domestic private providers in, say, loans for postgraduate and distance education study. If this were the case, foreign providers would have far greater incentive than currently to seek access to the Australian market ....”. (Tangas & Calderon, 2004: 127).

Awareness in Australia of the GATS negotiations and agreements and other free trade issues has increased in recent years. Free trade debates researched a crescendo at the beginning of 2004 with the signing of the free trade agreement with the USA. However, in general, there has been very little discussion of GATS amongst the higher education community. This is largely due to the fact that most of the negotiations take place outside the education portfolio and are located in the Department and Ministry of Foreign Affairs and Trade. AFTINET (2004: 2) states that “the Australian Government has strongly supported expansion of the GATS agreement, despite strong concerns about GATS from many community organizations. Australia’s initial offer was only made public in April 2003 in response to a strong community campaign demanding greater accountability and transparency”.

## V. CONCLUSIONS: ANALYSIS OF FUTURE TRENDS

A 2002 study conducted by IDP and the Centre for International Economics (CIE) predicts that:

“... total demand for Australian education will increase 9-fold between 2000 and 2025 and Australia’s share of global demand for higher education will increase from 3 per cent in 2000 to 8 per cent in 2025. Total demand for international higher education in Australia will exceed 996,000 students by 2025, offshore programmes offered on offshore campuses and through distance education will comprise 44 per cent of this total demand, or 436,000 students, and Asia will continue to dominate the global demand for Australian higher education increasing from 83 per cent of demand in 2000 to 92 per cent in 2025. China (including Hong Kong), Malaysia, India and Indonesia are projected to generate the highest levels of demand”. (Bohm *et. al.*, 2002, quoted in NTEU, 2004).

By the beginning of 2005, there was a good deal of speculation that foreign student numbers may have peaked in 2004 and will now decline. One possible reason for a decline (if it is to occur) is related to a stronger Australian dollar making travel and living cost more expensive for overseas students. Other countries in the Asia and the Pacific Region are starting to attract international students and are competing directly with Australian universities. Hong Kong, for example, “is now expected to relax its immigration controls so more non-local students – including those from China – will be allowed to study in its universities when the academic year begins in September” [2005] (Maslen 2005: 1).

Also, as the higher education sectors in many Asian countries continue to expand and mature there will be less pressure on students to seek education abroad.

Of course, the future is not predictable. But it seems unlikely that the Australian international student market can continue to increase for much longer at the same rate as it has in recent years. But more importantly, with nearly one-quarter of higher education students being foreign nationals, the nation is starting to face the question of how much more expansion is socially and culturally desirable.

The Australian success story in cross-border education has been mainly one based on financial necessity, with Australian universities more dependent upon fees from foreign students than any higher education system in the world. If a sudden and dramatic decline in international students is to occur, several Australian universities would face grave financial difficulties. Government has promoted a competitive, market-driven higher education environment where universities have been forced to diversify their funding base. But most of the non-commonwealth money for higher education comes from student fees – both international and domestic.

But it seems likely that funding competition will continue to increase in Australia, as the Government embraces GATS and the enhancement of free trade in educational services. “There is a danger that free trade negotiations will overly emphasize commercial considerations, leading to increased global vertical exchanges and perhaps to less open collaboration between academics” (Tangas & Calderon, 2004: 127).

As mentioned at the beginning of this paper, the Government is encouraging greater diversity of Australian higher education through relaxing the criteria of what constitutes a university and how educationally comprehensive an institution must be to be designated a university. In particular, Government is promoting the idea of specialized, teaching only universities, much along the lines of for-profit universities in the USA. If the policies reflected in the Minister’s recent Discussion Paper entitled “Building university diversity: future approval and accreditation processes for Australian higher education” are accepted, then it is likely that Australia will see the establishment of more private higher education providers, either locally grown or imported from overseas. Carnegie Mellon, for example, is presently negotiating the establishment of a branch campus in Adelaide. The extent to which such private providers will attract international students remains to be seen (out of about 30,000 higher education students in private institutions in Australia at present, only about two or three present are from overseas).

However, it is clear that the recent introduction of a Government subsidized student loan scheme will provide the domestic financial means for the expansion of a private higher education sector – particularly if the public funding of the public universities is not significantly increased. In a sense, private providers will be publicly subsidised, as is the case in the USA: “in the USA private for-profit higher education institutions are primarily means for leveraging public rather than private money. Without governmental student financial support it is doubtful that many proprietary institutions would exist”. (Garrett & King, 2005: 11).

The further diversification of Australian higher education should be encouraged. Also, Australian higher education and the nation as a whole has benefited greatly from the presence of a substantial number of international students. The presence of overseas students has enriched the universities and the communities in which they are located culturally, socially and intellectually. But this has been in spite of the fact that the main motivating forces have been financial necessity and market competition. It may be time that Australia puts the ‘good’ back into public higher education and devotes the resources necessary to sustain that public good aspect of the sector for present and future generations.

## Annex A

### Commencing and all overseas students by state, institution and onshore/offshore status, 2003

State/Institution	All students		
	Onshore	Offshore	Total
<b>New South Wales</b>			
Australian Film, Television and Radio School	0	0	0
Avondale College	222	25	247
Charles Sturt University	3,063	5,495	8,558
Macquarie University	6,582	1,297	7,879
National Institute of Dramatic Art	6	0	6
Southern Cross University	448	1,634	2,082
The University of New England	574	934	1,508
The University of New South Wales	9,666	513	10,179
The University of Newcastle	2,342	1,243	3,585
The University of Sydney	8,672	719	9,391
University of Technology, Sydney	5,490	1,180	6,670
University of Western Sydney	3,705	4,571	8,276
University of Wollongong	4,798	2,871	7,669
<b>Total New South Wales</b>	<b>45,568</b>	<b>20,482</b>	<b>66,050</b>
<b>Victoria</b>			
Deakin University	4,133	1,439	5,572
La Trobe University	2,960	1,078	4,038
Marcus Oldham College	0	0	0
Melbourne College of Divinity	38	0	38
Monash University	13,723	2,273	15,996
Royal Melbourne Institute of Technology	7,372	6,652	14,024
Swinburne University of Technology	3,733	0	3,733
The University of Melbourne	8,749	72	8,821
University of Ballarat	1,424	1,180	2,604
Victoria University of Technology	5,627	44	5,671
<b>Total Victoria</b>	<b>47,759</b>	<b>12,738</b>	<b>60,497</b>



<b>Queensland</b>			
Bond University	598	348	946
Central Queensland University	7,228	1,688	8,916
Christian Heritage College	7	0	7
Griffith University	5,930	338	6,268
James Cook University	1,563	94	1,657
Queensland University of Technology	5,421	166	5,587
The University of Queensland	5,878	57	5,935
University of Southern Queensland	7,358	0	7,358
University of the Sunshine Coast	570	0	570
<b>Total Queensland</b>	<b>34,553</b>	<b>2,691</b>	<b>37,244</b>

(continued)

**Commencing and All Overseas Students by State, Institution and Onshore/Offshore Status, 2003 (continued)**

<b>State/Institution</b>	<b>All students</b>		
	Onshore	Offshore	Total
<b>Western Australia</b>			
Curtin University of Technology	6,634	6,990	13,624
Edith Cowan University	2,465	1,743	4,208
Murdoch University	1,516	475	1,991
The University of Notre Dame Australia	642	0	642
The University of Western Australia	2,023	801	2,824
<b>Total Western Australia</b>	<b>13,280</b>	<b>10,009</b>	<b>23,289</b>
<b>South Australia</b>			
Tabor College	0	0	0
The Flinders University of South Australia	1,320	547	1,867
The University of Adelaide	2,840	138	2,978
University of South Australia	2,847	7,045	9,892
<b>Total South Australia</b>	<b>7,007</b>	<b>7,730</b>	<b>14,737</b>
<b>Tasmania</b>			
Australian Maritime College	173	0	173
University of Tasmania	1,207	692	1,899

<b>Total Tasmania</b>	<b>1,380</b>	<b>692</b>	<b>2,072</b>
<b>Northern Territory</b>			
Batchelor Institute of Indigenous Tertiary Education	0	0	0
Northern Territory University	235	48	283
<b>Total Northern Territory</b>	<b>235</b>	<b>48</b>	<b>283</b>
<b>Australian Capital Territory</b>			
Australian Defence Force Academy	123	0	123
The Australian National University	2,279	374	2,653
University of Canberra	1,339	918	2,257
<b>Total Australian Capital Territory</b>	<b>3,741</b>	<b>1,292</b>	<b>5,033</b>
<b>Multi-State</b>			
Australian Catholic University	1,055	137	1,192
<b>Total Multi-State</b>	<b>1,055</b>	<b>137</b>	<b>1,192</b>
<b>TOTAL</b>			
TOTAL 2002	134,646	50,412	185,058
Per cent change on 2002	14.8 %	10.7 %	13.7 %

*Source:* Department of Education, Science and Training (DEST, 2004).

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## **Session IV: Presentation of Country Papers 2**

### *Chapter 13* *Country Paper on Malaysia*

#### **The implications of WTO/GATS on higher education in Malaysia**

by

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### **INTRODUCTION**

This country paper takes the stand that Malaysia, since the 1980s, has been working at providing varying modalities to cater for the liberalization of higher education – a liberalization that presently is further discussed and negotiated through the General Agreement on Trade in Services (GATS). Malaysia's efforts have been described as the practice of autonomous liberalization in the field of higher education. These measures are considered autonomous because they have been voluntary government-led measures. Liberalization has taken place *via* appropriate legislation, the aim of which has been to encourage and legislate the participation of the private sector (both local and foreign) in the development of the higher education sector in Malaysia.

The need for private sector involvement has been spurred on by various reasons which range from economic factors to the science and technology ideology which underpin the crucial need for skilled and competent human resources in the context of the 'knowledge economy'. The expansion of the private higher education industry has resulted in a bifurcation of higher education in Malaysia – a dual system of private and public institutions of higher learning. This dual system is driven by varying legislative applications because the functions of the dual higher education sector are coloured by different national needs.

The public sector has been largely driven by ‘national social development needs’ and the private sector by ‘market-driven global needs’. This dual system attains a complex perspective in the multi-ethnic complexion of our nation.

Another issue that is of concern is the fact that the public higher education sector, given that it is government-funded, is excluded from the concerns of GATS. This may provide it with a false sense of security because with the rapid changes that are taking place in the nation, and on the global scene, no sector can avoid being impacted by these emerging competitive challenges. In contrast, these changes are embraced rapidly by the private higher education sector. This then raises crucial issues that need to be considered for public institutions of higher learning to be able to compete effectively with the private sector in this period of further liberalization of higher education.

## 1. WHAT IS GATS?

Trade in higher education services is a billion dollar industry! As a result of this, higher education has been classified as a commodity that can be traded and benefited from. Privately funded higher education services are therefore categorized in the service sector under the realm of GATS. The General Agreement on Trade in Services (GATS) is the emerging international trade agreement encompassing services and currently being negotiated under the auspices of the World Trade Organisation (WTO). It is a multilateral agreement through which WTO member countries commit to voluntary liberalization of trade in services, which include education. The aim of GATS is to promote trade.

Jane Knight, an expert in the internationalization of higher education, provides a clear exposition of the concerns with the challenges posed by GATS in the field of higher education. Knight (2003) says:

“International trade agreements such as GATS, which clearly identifies education as a service sector to be liberalized, is relatively new territory for the education sector. This is why debate within national and international trade agreements such as GATS is necessary and welcomed. However the discussions need to move from speculation towards informed analysis. The introduction of GATS serves as the catalyst for the education sector to move more deliberately into examining how trade rules may influence higher education policy, and *determining whether the necessary national, regional and international education frameworks are in place to deal with the implications of increased cross-border education, including commercial trade.*” [Highlighted italic emphasis by Knight (2003: 2)].

## 2. MALAYSIA, AUTONOMOUS LIBERALIZATION AND GATS

Malaysia has been forward looking and already has in place education frameworks to deal with the development of cross-border education (CBE) in the private higher education sector. If one examines the permutations of the nature of cross-border education in Malaysia, and the measures that have been instituted to regulate the private higher education industry, it is clear that Malaysia has, all these years, already been practicing autonomous liberalization. This depicts Malaysia's vision in planning for the challenges of the liberalization of higher education within the scope of GATS expectations and negotiations. The definition below explicates clearly the link between autonomous liberalization and GATS.

“Autonomous liberalization refers to the General Agreement on Trade in Services (GATS) requirement that WTO member countries develop modalities for the treatment of liberalization undertaken voluntarily since previous negotiations, in order to allow countries to receive ‘credit’ for this liberalization in the current built-in agenda services negotiations”.

(GATS <http://www.usembassy.at/en/us/glossary.htm>) (Accessed on 1/4/2005)

Malaysia has voluntarily developed modalities for liberalization – these are reflected through various higher educational opportunities. These educational opportunities can be classified into the categories of trading services as depicted below – trading services which allow countries all over the world to carry out and benefit from trade in education with Malaysia and vice-versa.

GATS defines four modes of trading services which can be applied to the higher education sector. These are:

*Mode 1: “Cross-border supply”* where Services are supplied to one country from another.

*Mode 2: “Consumption Abroad”* where consumers or firms make use of Services from other countries.

*Mode 3: “Commercial Presence”* where a country sets up branches to provide Services to other countries.

*Mode 4: “Presence of Natural Persons”* the possibilities offered for the entry and temporary stay, on a member country's territory, of foreigners in order to supply a Service.

“Guide to reading the GATS schedules of specific commitments and the list of Article II (MFN) exemptions” at <http://www.wto.org/english/tratop e/serve e/guide1 e.htm> (Accessed on 1/4/2005)



In this paper, *Mode 1: Cross-border Supply* will be regarded as the supply of programmes and fields of study to one country from another. This will include both virtual and conventional modes of delivery. The virtual mode of delivery will not be included in this paper because cross-border e-learning activities and distance education in Malaysia are yet to be regularised.

*Mode 4: Presence of Natural Persons* also will not be taken account of and discussed because it is difficult to get comprehensive information on the movement of scholars. This may be due to the fact that international trade in this sector focuses on the mobility of students.

The next section will discuss the varying factors that have led to planning for autonomous liberalization in the field of higher education.

### **3. THE RAPID GROWTH OF HIGHER EDUCATION IN MALAYSIA: LATTER HALF OF THE 20TH CENTURY UNTIL NOW**

In the latter half of the 20th Century the higher education field has seen tremendous development and attained an importance unparalleled in Malaysia's history. Of notable significance is the fact that cross-border education developed even before the 1980s and has now become a predominant feature of the higher education landscape in Malaysia.

In fact, higher education has become so crucial to the nation's development that a separate ministry has been set up devoted only to this level of education – the Ministry of Higher Education (MOHE). The primary and secondary education levels have remained the responsibility of the Ministry of Education (MOE).

#### **4. THE SET UP OF THE MINISTRY OF HIGHER EDUCATION (MOHE)**

This took place after the General Elections in 2004 when the Ministry of Education was revamped so that a new Ministry of Higher Education (MOHE) could be created. This was a clear signal that higher education be given special attention so that the nation's aspirations to make Malaysia a regional centre of excellence for education could be given fresh impetus and direction.

(<http://policystudy.uitm.edu.my/en/home.jsp>, accessed on 21/03/2005)

#### **5. FACTORS THAT HAVE LED TO AUTONOMOUS LIBERALIZATION IN EDUCATION**

The rapid development of the higher education industry has been driven by a number of reasons which will be examined in this section. These reasons are underpinned by socio-economic factors and the science and technology ideology that underlie Malaysia's aspirations to be an industrialized nation by 2020. These are reasons that impinge directly on the capacity of tertiary education to meet with the required development of human resources for the nation. These are reasons that have spurred Malaysia to open its boundaries to foreign partnerships and ventures in the field of education.

##### **(i) *Industrialization and the knowledge-based economy: impact on tertiary education and human resources development***

In the master plan for the knowledge-based economy, it is expressed in no uncertain terms that "The battle for a shrinking pool of Foreign Direct Investment (FDI) worldwide is intensifying and Malaysia's competitiveness and low labour costs are eroding fast." FDIs are crucial for a country's economy because they are not only a means of capital for developing countries but also a way to transfer production technology, skills, and innovative capacity and also provide access to international marketing networks (Mallamally & Sauvart (1999).

(<http://www.imf.org/external/pubs/ft/fandd/1999/03/mallampa.htm>).

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Given this situation, one of the ways in which Malaysia needs to compete to remain one of the most dynamic, productive and fastest growing economies in the world is by undertaking a strategic initiative to develop into a knowledge-based economy (k-based economy). (Knowledge-Based Economy: Master Plan, 2002: iii)

In the Malaysian context this is defined as “an economy in which knowledge, creativity and innovation play an ever-increasing and important role in generating and sustaining growth. ... in a knowledge-based economy, educated and skilled human resources, or human capital is the most valuable asset”. (Knowledge-Based Economy: Master Plan, 2002: iii)

The urgency with which human capital needs to be developed is exhorted by the recommendations of the National Brains Trust of Education (NBTE). The National Brains Trust is a Committee made up of established and experienced members of Malaysian society from the fields of education, politics, economics and non-governmental organizations (NGOs).

The Report states:

“The P-economy demands a brawn-intensive, disciplined workforce. The K-economy demands a brain-intensive, thinking, creative, innovative and disciplined workforce. ***Malaysia today has a world-class workforce for the P-economy. But we have a poor workforce for the K-economy.*** Unfortunately, with the rise of the K-economy, a global transformation that cannot but gather pace, there has been a fundamental structural shift whereby economic value will increasingly come from knowledge-intensive work and increasingly less from physical production (although this will remain important). The shift from a poor K-economy workforce to a world-class K-economy workforce has to be rapid and dramatic. There is little time to lose”. (Report of the National Brains Trust on Education, 2002:1)

Therefore in this environment, universities, as the powerhouses of intellectual knowledge are integral for the development of human resources that are both educated and skilled. Tertiary education is the major means of meeting human resources needs for Malaysia to achieve its vision of becoming an industrialized nation, according to the Education Development Plan, 2001-2010. (Education Quarterly, 2001).

In the year 2000, only 14 per cent of the labour force in Malaysia possessed tertiary education qualifications and this will have to be significantly increased in order to meet the needs of a knowledge-based economy. To help achieve this, the Ministry of Education has targeted 40 per cent of the 17-23 age cohorts in tertiary education by 2010. (Report of the 8th Malaysia Plan, Malaysia, 2001-2005: 23) This means an additional 71,000 places a year need to be found. (Olsen A. 2002).

Graduates in science and technology are critically needed to enhance Malaysia's technological capacity. Unfortunately, from 1993-1998, only 27 per cent of Malaysia's graduates are from the science and technology (S&T) fields. This is very low compared to that of advanced countries. There is therefore a big gap between the country's demands for knowledge workers versus its supply. (Knowledge-based Economy Master Plan, 2002)

While public universities have been doing an excellent job of contributing to the human resource development of the nation, they will find it difficult to drastically increase the number of students without over-extending their existing services and facilities. Therefore, this led to a consideration of encouraging the private industry to provide for tertiary education to meet with national human resources needs.

Apart from the need to increase the number of Malaysian students in the field of science and technology, there were a number of other factors that have resulted in the opening of the doors to the private sector to participate in the tertiary educational sector.

(ii) *Impact of the Asian Economic Crisis*

The next reason was spurred by the Asian Economic Crisis in 1997 and 1998. "The rapid movement of speculative funds across borders paralyzed a number of economies and caused untold harm". (Hng, 2004: 145) This crisis resulted in a tremendous increase in the outflow of funds from the country to which the educational sector contributed significantly. "Up to RM2 billion flows out of the country annually when Malaysian students study abroad". (June R., 2004: 9). Therefore there was a need to encourage Malaysian students to study locally and to save on foreign exchange. To encourage local students to study in Malaysia and thus save on foreign exchange meant that more tertiary seats would have to be made available and again for this the private sector had the means to provide the opportunities.

(iii) *Attracting foreign students*

The internationalization of education and the increasing importance of strengthening the economy *via* the higher education sector also led to the doors being opened for entry of the private sector.

The above challenges are not exclusive to Malaysia but extend to many other countries. These concerns are also being examined in the European context as well. The publication, “Internationalization of Higher Education” edited by Wachter, B. (1999) and which was spurred by a request from the International Association of University Presidents (IAUP) signals the seriousness with which Europe is viewing the internationalizing of education and the impact on tertiary education.

The opening chapter of the publication, “Internationalization in Higher Education” explains clearly the European concerns. It says:

“Compared to most other institutions of society, and in some countries more than in others, higher education institutions have long enjoyed a privileged status of self-sufficiency. .... In recent years, however, the trend towards a genuine higher education market, with strong elements of competition, has started to affect more and more higher education systems. Given limited and in many cases reduced state funding for higher education, and given the need to find alternative sources of income, this trend towards a higher education market is likely to ... move economic considerations still higher up the agenda and challenge academic aims and traditions”. (Wachter, Ollikainen & Hasewend, 1999: p. 18).

As a result of the above trend, universities in Europe are working towards increasing their income base. One of the main ways in which this is being carried out is by attracting foreign students to study in their universities. The following figures from the Organisation for European Co-operation and Development (OECD) provide an idea of the extent of the economic pie that one is dealing with globally. OECD had estimated the value of the international student market at US\$30 billion (RM 114 billion) in 2000. The USA accounted for a share of 40 per cent of this pie, with the United Kingdom (UK) claiming 25 per cent.

In the same way, given the economic imperatives underpinning higher education, it was also necessary to attract foreign students to tertiary institutions in Malaysia. Given that the public universities serve a strong social function in providing educational opportunities to Malaysians at rates heavily subsidized by the Government, public universities are only allowed to take in only 5 per cent of foreign students for the science and technology streams and 25 per cent for the social sciences and humanities (Author's personal communication with the Registrar's office of *Universiti Kebangsaan Malaysia*, Malaysia). Therefore the Government needed to allow for the set up of private tertiary education to be able to attract foreign students who would contribute not only economically to the respective private institutions but also the nation. As the Deputy Minister of Higher Education, Datuk Fu Ah Kiew said, "Malaysia, even with 50,000 students will be nibbling at the crust with just 1 per cent", (New Sunday Times, 2004: 15). This is a small amount compared to other more advanced countries but this is the target for the year 2005 and it will still be a start. (The figure of 50,000 includes not only foreign students in institutions of higher learning but also those who attend private primary and secondary schools.)

Therefore, the above were the factors that provided the impetus for Malaysia to establish a transnational mode of education through its aspirations to be a regional centre of education. Parallel with this was the need to establish the educational framework for autonomous liberalization in education.

## **6. ESTABLISHING MALAYSIA AS THE REGIONAL CENTRE OF EDUCATION**

Malaysia has since the mid-1990s aspired to be the regional centre of education. This was reiterated by the Minister of Higher Education (MOHE) recently: "...we are presently trying to make Malaysia the regional and international hub of educational excellence which would house world-class educational institutions that produce world-class researchers and graduates". (Education Guide Malaysia, 2004: 2)

In line with this aspiration, the Government is set to ensure that policies and procedures are in place to assist and facilitate the advancement of higher education in Malaysia.

## **7. LEGISLATION UNDERPINNING THE AUTONOMOUS LIBERALIZATION OF EDUCATION**

As part of the plan to develop Malaysia into a regional center of education and to attract foreign students to Malaysia's shores, and to develop the human resources necessary for the nation, it was necessary to establish the transnational mode of education with institutions of higher learning from other countries.

This led to urgent moves to reactivate educational reforms to provide the flexibility needed for the private sector to participate in tertiary education. The then Ministry of Education (MOE) pushed through several pieces of legislation to provide for the flexibility and to position Malaysia as a regional education hub and of greatest consequence to the private higher education sector was The Private Higher Education Act 1996 (Tan, 2002:91). This meant that foreign universities could set up offshore branches in Malaysia, which is regarded as *Mode 3: Commercial Presence* of the GATS trade services description, that of establishing foreign presence in another country *via* higher education. In addition, local colleges could develop educational partnerships with foreign universities. This took the form of twinning arrangements (franchising as well as credit transfers) between foreign partners and local private institutions of higher learning. This is regarded as a *Mode 1: Cross-border Supply* of the GATS trade services description, where programmes from foreign partners are utilized in the home country.

## **8. THE PRIVATE HIGHER EDUCATION ACT OF 1996 AND ITS RELATIONSHIP WITH GATS**

“The significance of the Private Higher Educational Institutions Act is that for the first time, the privatization and legitimization of higher education was legitimated. At the local level, the Act provides for the establishment of colleges, university colleges and private universities, sanctioning the privatization of higher education. At the international level, the Private Higher Educational Institutions Act provides for foreign universities to set up branches in the country, reflecting the liberalization of higher education”. (Tan, 2002: 98)

This Act encourages international and private providers to participate in the higher education industry but sets out very detailed requirements for approval. There are 99 sections in all and the main legislative measures are discussed below:

Private institutions of higher education with the status of university or university colleges and branches of foreign universities can be established in Malaysia upon the invitation made and with the approval of the Minister of Education.

“The term ‘invitation’ has caused much debate within private higher education circles as there is no provision of definition for it. It is argued that the ambiguity of the term has a strong implication for the types of private university to be set up in Malaysia”. (Tan, 2002: 97) “This is clearly at odds with the GATS market entrance principle”. (Ziguras, 2001) With the negotiations taking place through GATS, it is anticipated that the market forces will determine the branch campuses that will be set up in Malaysia – the term ‘invitation’ may not be able to hold as much significance as it has in the past”.

Foreign providers must incorporate as a local company in partnership with one or more Malaysian firms (with the possibility of Ministry intervention on matters of share of equity between partners and composition of the board of directors).

“In terms of equity, a foreign university can only hold up to a maximum of 49 per cent of the equity in its branch campus in Malaysia while at the same time need to ensure that out of the remaining equity, at least 30 per cent must be Bumiputera-owned. As of March 2005, there is no plan to ease or abolish this equity requirement as it is seen as a measure to protect domestic interest in these foreign branch campuses.”(Department of Private Education, Ministry of Higher Education, 2005).

Foreign providers have to seek Ministry permission to operate each intended programme of study. Assessment is undertaken by an organization called the ‘*Lembaga Akreditasi Negara*’ (translated as the National Accreditation Board and known by its acronym LAN). Once approved, institutions may award appropriate degrees (if they have degree awarding powers) and their students apply for state loans.

APIIT, the Asia-Pacific Institute of Technology, which is one of the leading educational institutions in the field of computers and technology, raise an important point in the context of the liberalization of education when it stresses that, “It has ... become painfully clear based on APIIT’s experience that while our programmes have achieved LAN accreditation in Malaysia, this has had very little bearing on achievement of accreditation / recognition overseas. ...

Therefore it is also strongly recommended that the Malaysian government work to seek greater acceptance of LAN Accredited courses overseas. For example, a



WTO-GATS framework might include stipulations whereby countries would automatically recognize and award local accreditation to Malaysian programmes which have achieved LAN accreditation. “ (APIIT’s paper on WTO-GATS Commitments for the Higher Education Sector, 2004)

The other important provisions of the Act are:

Malaysian Studies, Islamic Studies and Moral Studies are compulsory subjects which must be taught in private higher education institutions (PHEIs). It is stated that all Malaysian students in PHEIs must attend and pass the National Language A, Malaysian Studies and Islamic Studies/Moral Studies courses while foreign students in PHEIs need to attend, but are not required to pass the National Language B, Malaysian Studies and Islamic Studies/Moral Studies courses. These are prerequisites to obtaining their diploma or degree.

“This is a measure taken to ensure that socio-cultural issues important to the nation – issues of language, identity, values and religion – are still very much part of both the Malaysian and foreign students experience and study. Several CEOs of private higher education institutions and a Vice-Chancellor of a public university have argued that this imposition of curriculum can be seen as a trade-off between opening access of higher education and the need to address the national ideology, which is mandated in the New Economic Policy”. (Tan, 2002: 104).

As of now, there are no plans yet to abolish this requirement with the advent of GATS. English may be used as the medium of instruction only with the prior approval of the Minister of Education. “The reality in the private education sector is that English is used as the medium of instruction. There was no enforcement of the national language act in the private sector because the Government realized that for the educational sector to flourish, freedom with regard to the medium of instruction policy had to be given. After all, the private educational sector was largely driven by funding from the corporations and wealthy individuals. The Government did not in anyway provide funding for the private education sector”. (Gill, 2002: 113).

## **9. BILATERAL CONSULTATION ON NEGOTIATIONS THROUGH GATS**

We turn now to an example of bilateral consultation on negotiations through GATS at a meeting in Geneva – this is between Australia and Malaysia.

### **Australia's Stand**

Australia expressed strong interest in higher education.

They enquired whether there were any changes since the inception of autonomous liberalization through the establishment of branch campuses.

They also requested for exemption for foreign students for the compulsory subject – Moral Studies.

### **Malaysia's Response**

the scope of the Higher Education Fund has been extended to provide loans to Malaysian students studying at foreign branch campuses;

the Malaysian Qualifications Framework is underway and should be implemented soon (Report of the Services Week of the Council for Trade in Services – 27th Nov. – 3rd December 2004)

that the students at public universities also have to sit for equivalent courses at higher credit loads.

In turn, Malaysia requested for recognition of qualifications in particular the MBBS programme offered by the Monash University branch campus. The Australian Medical Council is requested to extend the accreditation process to Malaysia. There were a number of other matters that were raised by member countries, and by the Government of Malaysia, but the Ministry of Higher Education has felt that the relevant issues should initially be released by the Ministry which they plan to do in May 2005. But having a look at them none of the issues seem overly problematic because Malaysia already practices autonomous liberalization for higher education.

We turn now to Malaysia's experience in establishing a commercial presence in other countries.

Malaysia, now has higher education systems / individual providers with sufficient maturity and ambition to export. The following table depicts the Malaysian private institutions of higher learning that have set up branch campuses in other countries.

### Commercial Presence in Other Countries

INSTITUTION	APIIT	SEDAYA	INTI
Location Established Date	Pakistan-1998 & Sri Lanka-2000 India-2001 Australia - 2004	Bangladesh-1996	China-1993 Hong Kong-2001 Thailand-2000 Indonesia-2001
Courses Offered	Bachelor in Computing, Business Administration, Business Information Technology	Bachelor in Engineering	Bachelor in Business Administration, Computer Science, Software Engineering, Arts, Accounting, Business Computer, Management, Marketing. Master of Business Administration, Information Systems, Business Foundation Programme, English Improvement Programme

It will be relevant to present the extent to which APIIT's investments overseas are received by host countries, particularly in relation to local regulatory stipulations for the accreditation / recognition of programmes offered. This section has been extracted from APIIT's paper on WTO-GATS Commitments for the Higher Education Sector, 2004. APIIT's experience\* has been varied based on the target country, and is summarized as follows:

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\* Author's Note: \*\* I would like to acknowledge the generosity of the Asia Pacific Institute of Information Technology (APIIT) for its willingness to share its experience and knowledge in the area of the challenges of establishing a commercial presence abroad.

## **APIIT's Experience: Sri Lanka & Australia**

### **Sri Lanka**

Their experience in Sri Lanka has been largely positive, where there are no established regulations dealing with foreign educational provisions, and where such ventures are welcomed by the Board of Investment (BOI). At present, there is minimal involvement of local educational authorities in the setting up and operation of foreign educational ventures in Sri Lanka.

### **Australia**

In Australia, they have also received cooperation, and while stringent regulations do exist with regard to foreign provisions, these are quite transparently and fairly administered, and therefore not restrictive in nature.

## **APIIT's Experience: Pakistan and India**

The countries where APIIT regularly encounters restrictions are Pakistan and India. In these countries, local regulatory bodies exist, such as the Higher Education Council (HEC) in Pakistan and the University Grants Commission (UGC) / All-India Council for Technical Education (AICTE) in India. While regulations and guidelines exist for the accreditation and recognition of foreign provisions by these bodies, there is a significant lack of transparency in the administration of these procedures.

These processes tend to be under the control of local academic personalities, who would naturally not tend to view foreign provisions favourably, in a somewhat "protectionist" stance. As a result, there is very little predictability in the outcome of such processes.

Having focused on the rapid growth in the private higher education sector, it will be pertinent at this stage to examine the impact of this on the public higher education sector.

Public universities are excluded from the scope of schedule of commitments underpinning the Trade in Services, since they are funded by the government in contrast with the privately-funded higher education sector. (Hunt 2005) Does this mean therefore that public institutions of higher learning are buffered from the competitive winds that are blowing from the private higher education sector? What is the level of awareness of academic management of public universities to these impending competition and challenges?

As a result of the liberalization of education within the regulatory framework stipulated above, there developed a bifurcation of higher education in Malaysia – the private higher education sector, offering courses in English which are largely market-driven and the public higher education sector which uses *Bahasa Melayu* as the medium of instruction and which only recently reinstated English as the medium of instruction for the fields of science and technology. For further discussion, see Gill (2004).

But before we discuss the implications of this bifurcation of higher education, it will be pertinent to paint a landscape of the private higher educational industry in Malaysia. This can then be juxtaposed against the development of the public higher education sector.

## **10. LANDSCAPE OF PRIVATE HIGHER EDUCATION**

Tan (2002) and Lee (1999) provide a thorough description and analysis of the development of the transnational mode of education in the private higher education industry in Malaysia. Pertinent aspects will be summarized below.

### *Private local universities*

These are engineering universities set up by the three public utility corporations, Telekom (the National Telecommunications Company) which set up the Multimedia University, *Tenaga Nasional* (the National Electricity Board) which set up University Tenaga Malaysia and Petronas (the National Petroleum Company) which set up *Universiti Teknologi Petronas*. The majority of the private universities offer courses in the fields of engineering, science and technology, computer science and information technology, multimedia, business administration and management.

### (2) *International Branch Campuses*

There are three branch campuses of foreign universities, (i) Monash University, and (ii) Curtin University of Technology from Australia; and in addition, there is (iv) Nottingham University from the United Kingdom (see Tan, 2002: 131).

### (3) *Private Colleges*

In the 1980s stronger linkages were established between private colleges in Malaysia and several major universities overseas. These linkages allowed for the development of credit transfer and twinning programmes.

Credit transfer concept provides students with the widest options and

choices of universities as it allows the conferment of degrees *via* accumulation of credits. These credits are accumulated locally and are then transferable to American universities and certain Australian and British universities. The remaining credits are then acquired at the foreign university where the students are enrolled. (Lee, 1999:43). This concept emerged during the early 1980s with Kolej Damansara Utama being the first to offer it with universities in the United States of America (USA). This was commonly known as the “American Degree Program”. (Tan, 2002:110).

Twinning degrees are those conferred by foreign universities. The local institution is linked directly to one foreign institution or a consortium of universities which sets the curriculum, tests and institutional standards of the programme. Twinning degrees are in the forms of 2 years local +1 year abroad, 1 year local +2 years abroad or 2 years local +2 years abroad. (Lee, 1999:42). The global economic recession, coupled with the imposition of full fee policies on foreign students in the United Kingdom (UK) sparked the emergence of the twinning degree programmes in the mid-1980s (Tan, 2002:110).

*Among the colleges who were pioneers in offering twinning degree programmes was Kolej Damansara Utama which collaborated with Middlesex University in 1986 to offer the first British twinning programme in Malaysia. Similarly, in the same year, the Metropolitan College, collaborated with the Royal Melbourne Institute of Technology, which became the first Australian twinning programme in Malaysia. Soon after, other colleges followed suit. Courses were largely in the business, commerce, management and engineering fields.*

In 1998, the Malaysian Government granted approval for some private colleges to offer foreign university courses that would be taught entirely in Malaysia by college staff (sometimes with the participation of foreign university lecturers). These are called 3+0 programmes and they were allowed for a trial period of five years in response to the Asian currency crisis, which made it impossible for many students to complete the final year(s) of his/her course at overseas institutions. (Tan, 2002:161) Due to their popularity and success, 3+0 twinning degrees are now still being offered in private colleges and university colleges alike.

(4) *Upgrading of colleges to university college status*

As of March 2005 there are eight private university colleges in Malaysia. A university college is an upgraded private college. In future, it can be further upgraded to the status of a private university.

*After being upgraded, university colleges are given a five-year time span after which they must confer their own degrees – degrees which are ‘home-grown’ – with a curriculum that is set by the private institutions themselves with their own expertise or with the assistance of experts either from Malaysia or overseas. (Department of Private Education, Ministry of Higher Education, 2005).*

Table 1 shows five of the eight universities/colleges, and the major courses offered by them.

**Table 1. University colleges and major courses offered**

<b>UNIVERSITY COLLEGES</b>	<b>MAJOR COURSES OFFERED</b>
Lim Kok Wing University College of Creative Technology	Arts & Culture, Design and Media
University College Sedaya International	Music, Engineering, Information Technology and Business, Applied Sciences, Pharmacy, Medicine and Social Science
Kuala Lumpur Infrastructure University College	Engineering Infrastructure, Business Infrastructure, IT Infrastructure, Linguistic Infrastructure & Liberal Arts and Science & Material.
Asia Pacific University College of Technology and Innovation	Computing, Internet Technology, Multimedia, Software Engineering, Business Computing, Management, e-Marketing, and e-Commerce
Sunway University College	Information Technology and Multimedia, and Business Administration

Some of the requirements set by the Ministry of Higher Education (MOHE) that a private college needs to fulfill to be accorded the status of university/college are:

- (i) Adherence to the Private Higher Education Act.
- (ii) An excellent and a proven track record. Experience in running a private college is a fundamental criteria.
- (iii) A convincing financial standing.
- (iv) Qualified and well-grounded academic staff.
- (v) Deep-seated in research and development (R&D).
- (vi) Propagating market driven courses.
- (vii) Possess LAN accreditation.
- (viii) A solid Quality Assurance System (QAS).
- (ix) A registered campus locality with the necessary infrastructure and up-to-date facilities.

(Department of Private Education, Ministry of Higher Education, 2004).

## 11. THE INCREASING DIVIDE BETWEEN PRIVATE AND PUBLIC HIGHER EDUCATION

### 1. *Comparison of student numbers in private and public higher education sectors*

After approximately 15 years, the private sector education industry has developed extensively and now has a student population of 203,391 for the period 1999-2000, increasing to 232,069, by May 2001. Enrolment at public universities was 167,507 in 1999-2000 (MAPCO, 2001, November). In 2005, the student enrolment further increased to 286,874 in private institutions and 297,905 in public institutions (Lip in The Star, 24th March, 2005: 12). These numbers reflect the increasing demand for places in private higher education institutions despite the higher fee structures compared to public universities.

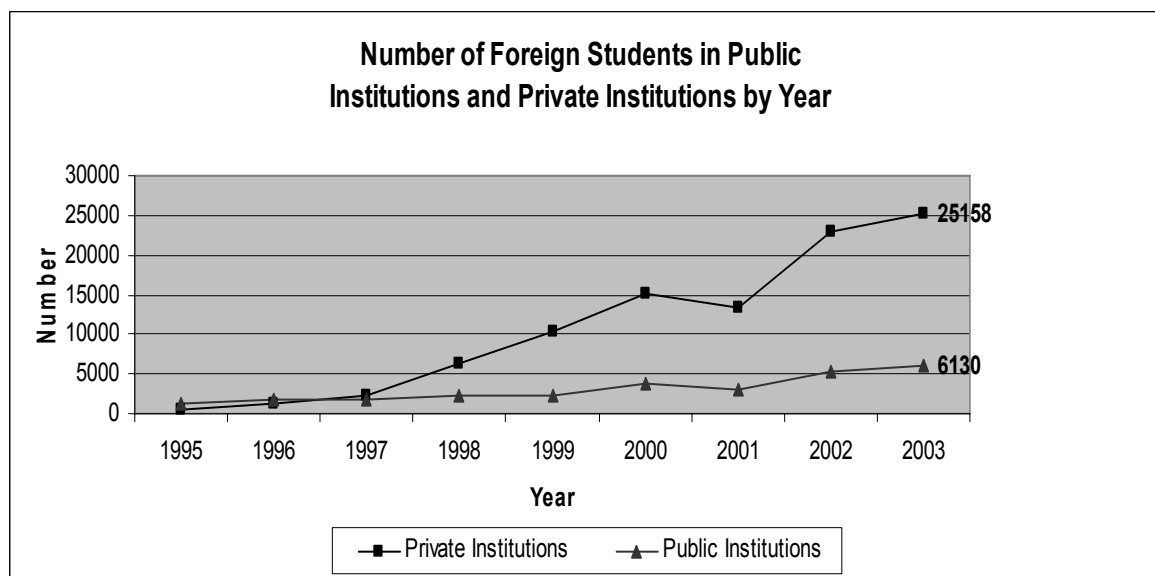
### 2. *Foreign students in public and private institutions of higher learning*

*In Graph 1, the ratio of foreign students in public as compared to private institutions of higher learning, in the years from 1995 to 1997, was equally balanced. This status quo however quickly changed starting in 1998 when a sharp increase of foreign students was seen in private higher education sector. This trend continued for the years ahead whereas no significant increasing trend was seen in public universities.*

*By the year 2003, the number of foreign students in the private higher education institutions, at 25,158, was quadruple that of public institutions of higher learning which only had 6,130 foreign students (Department of Private Education, formerly Ministry of Education: 2003).*



**Graph 1. Number of foreign students in public and private institutions yearly**



3.

*The impact of the growth of private tertiary education on public universities*

Public universities are excluded from the scope of schedule of commitments underpinning the Trade in Services, since they are funded by the government in contrast with the privately-funded higher education sector. (Hunt, 2005). *Does this mean therefore that public institutions of higher learning are buffered from the competitive winds that are blowing from the private higher education sector? What is the level of awareness of academic management of public universities to these impending competition and challenges?*

To get a flavour of the viewpoints of academic management in public universities, we will refer to initial findings from a Government-funded research project on “Language policy and planning in higher education: responding to the needs of the knowledge economy.” (Gill, Hazita, Norizan & Fadhil, 2003-2005).

One of the questions in the interview schedule is: *“What is the impact of the development of the private sector higher education industry on public higher education institutions?”* 37 members of academic management ranging from Deputy Vice-Chancellors to the Deans of the faculties of science and technology disciplines were involved.

Data analysis is still on-going but we are able to share some of these respondents' comments to provide a picture of their opinions.

The viewpoints range from being *acutely aware* of the challenges posed by private institutions of higher learning to that of *denial of the impact* and a *total confidence* in the present *status quo*. Listed below are samples of the responses collected through field interviews by Gill (2004-2005).

**Dean of the Faculty of Computer Science of a public university:**

“Students go to universities which have good reputation and public universities have good reputation, good professors, lecturers and facilities and if this good standard is maintained, there should be no impact”. (*Author's personal interview conducted on the 30-11-2004*).

**Dean of Engineering of a public university:**

“We are always the preferred choice so there is very minimal impact. It will not influence our curriculum or the routine of our work which has been done this way all this while. There is no competition for student enrolment”. (*Author's personal interview conducted on the 19-10-2004*).

Deputy Vice-Chancellor (Academic Affairs) of a public university:

“We are struggling at the moment with ensuring that we develop human resources capability necessary for our nation, without having to worry about the challenges of external competition.” (*Author's personal interview conducted on 22-2-2005*).

Dean of Electrical Engineering of a public university:

“I realize that public universities need to do something about the emergence of private institutions of higher learning and can no longer be complacent. If nothing is done by the universities, the public universities will be left behind”. (*Author's personal interview conducted on the 5-8-2004*).

Dean of Faculty of Information Science and Technology of a public university:

“Surely there will be a big impact as those good students who have money will go to private institutions”. (*Author's personal interview conducted on the 20-9-2004*).

It can be seen that some academic leaders are aware of the challenges posed by the flourishing private higher education sector. This is good and if this awareness is channelled appropriately into efforts to ensure excellence in teaching and learning, research and publications in public universities then it is not of concern. What is of concern is the contrasting viewpoint of those who feel that public universities still

hold the upper hand in the education field and that they do not need to worry about private universities.

This raises the question of “*whether public universities can afford to live in denial in the face of challenges posed by the rapidly growing and increasingly competitive private higher education sector?*” To answer this question, it would be relevant to examine two challenges that public universities face at the moment as a result of the bifurcation of higher education in Malaysia.

The *first challenge* results from the fact that the two systems of education in the country – the private and the public – use different languages as the medium of instruction. The former uses English as the medium of instruction whilst the latter uses *Bahasa Melayu* (except for the recent change in 2005 to the use of English for science and technology disciplines in public universities). This bifurcation of higher education has serious social and political consequences, as explained below:

(2) “*First*, private universities are more expensive than public universities, which are heavily subsidized by the Government. This means that students enrolled in private universities are usually from middle-class families, whereas those from working-class families can only afford to enrol in public universities. *Second*, the majority of the students in the public universities are Malays, whereas the majority of the students in the private universities are Chinese. As a result, undergraduates are divided not only along socio-economic lines but also among ethnic lines”. (Gill, 2004: 147).

Compared with their counterparts in the private universities, graduates of public universities are disadvantaged when seeking employment in the private sector because of their weaker English competence, although they are doing well in the government sector where *Bahasa Melayu* is largely used. The linguistic disadvantage facing graduates from public universities manifests itself in the large number of degree holders (approximately 18,070) who are not able to obtain jobs (Mustapha M., The Sun, 28 March 2005). Datuk Mustapha Mohamed, the Executive Director of the Government-sponsored National Economic Action Council, articulates the reasons for this problem by saying:

“It has to do with the courses taken, and ... also their poor performances in, and command of, the English language”. (Mustapha M., 2002, March 14: 1 & 12).

(3) The *second challenge* is put forward by the Prime Minister who holds the view that the responsibility for unemployment is partly contributed by the fact that the courses taken by graduates do not meet market demands – while the President of the

Malaysian Employers Federation (MEF) commented that ‘there are plenty of jobs available but graduates lack language skills to make them suitable for employment’. (Lip, G. in The Star, 2005: 12).

(4) Even though it seems that public universities are sheltered from the regulatory framework instituted *via* autonomous liberalization for higher education, they have to keep up with the quality assurance measures and ensure that they have excellent teaching and learning, research and publications. They cannot live in denial – behind protective walls of a steady assured flow of students, of not having to compete for student clients. Presently, this is because of the fee structure in public universities that is heavily subsidized by the Government. But over time, if the differential in quality and standards becomes more distinct between the public and the private, and if the output of public universities does not meet with standards required in the private sector industry, which are the main employers in the nation, there will be serious problems. These will be problems of irrelevancy which will lead to unemployment, which in turn will lead to socio-economic and ethnic problems that will be unsettling for the nation.

## **Conclusion**

Liberalization of education should not be viewed only as *a threat* but more importantly it should be viewed as *a Friend* of our nation. Key elements of ‘meritocracy’, ‘equal opportunities’ and ‘competition’ are keywords that will be integral in our 21st Century higher education industry – whether private or public.

Continuous application of these keywords in our academic work processes will be necessary to enable us to *maximize the opportunities and challenges* that GATS and the liberalization of education have in store for us.

\* \* \*

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Erlbaum Associates. She has published a book entitled, “International communication: English language challenges for Malaysia”. Her latest achievement was to be the first Asian to be invited to present the Keynote Address at the Japanese Association for College Teachers’ Association’s (JACET) Annual Convention at Nagoya, Japan, 3-5 September, 2004.

In 1999, she received Universiti Kebangsaan Malaysia’s (UKM) Excellence Award for Enhancing the Image of UKM at the National/International Levels, in the category of Human Resources Development. This was for one of the highlights of her career as the module writer, chief facilitator and coordinator of the Intercultural Communication Training Programme for 10,000 volunteers for the XVIth Commonwealth Games, 1998. This resulted in a publication entitled, “Capturing the Malaysian spirit to communicate across cultures”.

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## Session IV: Presentation of Country Papers 2

### *Chapter 14*

*Country paper: Mongolia*

### **Implications of WTO/GATS on Higher Education in Mongolia**

By

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Mongolia

*Abstract*

#### ***MONGOLIA AT A GLANCE***

*Population: 2,373,493: Males: 1,177, 981. Females: 1,195,512.*

*Urban: 57 per cent. Rural: 43 per cent. Population density: 1.5 per sq km.*

*Population growth rate: 1.4 per cent.*

*Literacy rate: Males 98 per cent/Females: 97.5 per cent.*

*Unemployment: 17.5 per cent. Poverty head count: 35 per cent.*

## **Introduction**

Mongolia is a landlocked nation located in the heart of Central Asia with an area of 1,560 million square km, bordering the Russian Federation to the North, and the People's Republic of China to the South, East and West. According to the "Population and Housing Census 2000", the population stood at 2.4 million with an annual growth rate of about 1.5 per cent. In 1999, the percentage of population under 15 years of age was 35.8 and people under 35 years of age made up 75 per cent of the population, with 58.6 per cent urban inhabitants (NSO, 2000). Mongolia is a homogeneous nation populated mainly by Mongols, but a small proportion (up to 5 per cent) is represented by Kazaks. The official language is Mongolian and since the 1940s the Cyrillic alphabet is in use replacing a thousand years-old traditional script. Mongolia has a relatively equitable level of human capital development.

Mongolia's adult literacy rate was 97.8 per cent (men 98.0 and women 97.5 per cent) in 2000, compared to the developed countries. As from 1991, Mongolia has seen a transition period from the single-party ruled command economy to an energetic multi-party democracy and market-oriented economy.

Mongolia's main economic activities are mining and agriculture which occupy 60 per cent of the workforce and contribute 40 per cent of the Gross Domestic Product (GDP). Foreign currency earners include gold, copper, cashmere and wool. The economy suffered a long depression from the mid-1980s until 1995 when it began to improve, however the country still suffers from severe poverty. Unfortunately, and it is distressing to note, that the most visible impact of the transition process has been an increase in poverty, with 36 per cent of the population living below the poverty line. All the while protecting the high levels of education and efficient medical care, the nation has achieved in past decades, the Government is struggling with the challenge of bringing under control this poverty situation.

This chapter highlights the Mongolian higher education system and its relationship with the World Trade Organization (WTO)/General Agreement on Trade in Services (GATS). It should be noted that Mongolia became a member country of WTO on 19 January, 1997.

## **I. THE MONGOLIAN EDUCATION SYSTEM**

The national education system of Mongolia consists of a complex set of successive education programmes for formal schooling and a broad range of non-formal educational activities devoted to the various target groups of the population. The following levels of education and corresponding formal schooling institutions in Mongolia are:

Pre-school education – kindergartens. In 2004, the enrolment rate of 3 to 7 years olds in 687 kindergartens was 30 per cent of relevant age cohort.

General education in Mongolia is over ten years (4-years primary, 4-years secondary, and 2-years upper secondary.) Basic education (4 + 4) is compulsory and provided by the state free-of-charge. The Law on “Primary and Secondary Education” in Mongolia, modified in 2002, contains amendments to the reform of the secondary education school system to 11 years compulsory schooling from 2005. There are over 710 institutions of primary, and lower and upper secondary education in Mongolia. Secondary schools enrol about 557,000 pupils that constitute 22.0 per cent of Mongolia’s population. The gross enrolment rate (GER) of children aged 8-15 years in primary and middle schools was 98.3 per cent in 2003. Primary and secondary schools are a priority of the Government, and expenditure in this category in 2005 accounted for 52.2 per cent financial contribution to education.

Vocational education and training is provided by 35 professional training and production centres. As well, some branches of higher educational institutions offer vocational training as a first phase of their undergraduate programmes. Overall, vocational education and training programmes enrol about 22,000 students. The Government spends on vocational training about 3 per cent of total education expenditure.

Higher education (diploma-equitable to associate degrees, bachelor, master, and doctorate) programmes are offered by colleges, institutes and universities. There were 102,632 undergraduate students attending higher educational institutions in 2004 (MECS, 2005).

In terms of funding, the education sector receives the biggest share of Government expenditures i.e. over 24 per cent of Government expenditures in 2005. This is nearly 9 per cent of GDP, positioning Mongolia favorably in comparison with the transition economies, and other countries of similar income levels.

However, it should be noted that education is more expensive to ‘deliver’ in Mongolia than in other countries. The very sparse population, the high costs of heating, and high percentage of school-age population (nearly a quarter of the total population) increase the cost of providing Universal Basic Education (UBC). Mongolia shows an anomalous situation with respect to education – there is a reverse gender gap (contrary to what could be expected) with fewer boys than girls at all levels of the education system.

## **II. NATURE AND EXTENT OF HIGHER EDUCATION IN MONGOLIA**

### ***1. Types of higher education institutions***

The first modern type of higher educational institution – the National University of Mongolia (NUM) – was established in 1942. Until recently, higher education in Mongolia was totally state-controlled. The period since the late eighties has been characterized by a gradual transformation to more democratic structures. Starting with the introduction of an elected presidency of higher educational institutions by academic staff, elements of institutional self-governance and institutional autonomy have taken over in the current higher education system of Mongolia. These new principles are now protected by state legislation.

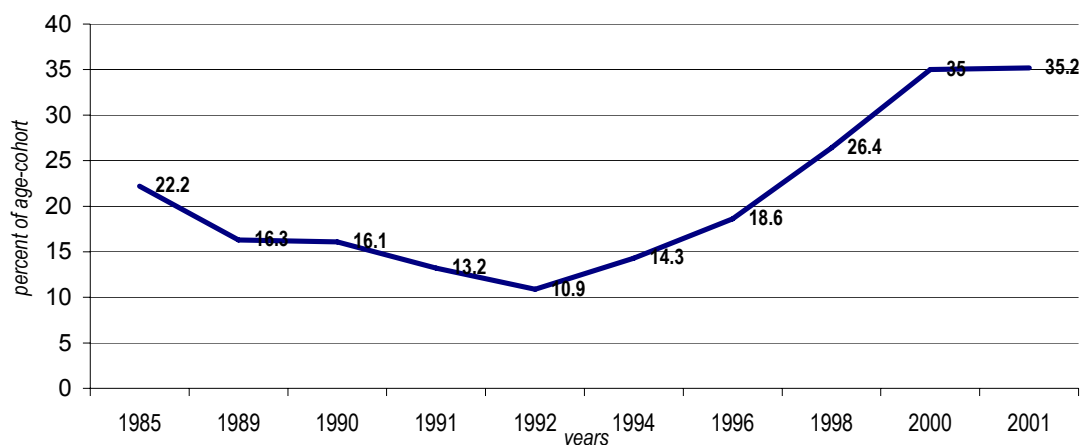
Until recently, higher educational programmes were offered by only seven fully state-subsidized public universities and institutes. As a result of the government-lead restructuring of tertiary education institutions, as from the end of the eighties, the public higher education system has expanded in numbers of institutions and enrolment figures. There were 48 public institutions offering higher education programmes in the country in 2004. Although the Government provides basic facilities and capital equipment, public universities and other higher education institutions alike generate their revenue mostly through a student-fee system.

Since 1990, private institutions have started to appear. The new Constitution adopted in 1992 permitted the setting up of private and non-government property-based institutions by individuals who met pre-conditions set by the Government.

For Academic Year 2003-2004, 128 private higher educational institutions were functioning offering programmes, mainly in the fields of economics, management, law, computer science, languages, and fine arts. In addition, there were seven branches of foreign higher educational institutions functioning in Mongolia in 2004.

More than ten per cent of an age-cohort continues on to higher education. *Figure 1* depicts trends in higher education enrolment since 1985. Year 1985 was the culmination of the Socialist period of Mongolia's development when higher education was fully supported by the state. Since then the stagnation of national economy began with the beginning of the collapse of the socialist system. The impacts on higher education, of the recession that followed this stagnation and continued until 1993, are evidenced by drastic decreases in enrolments. Until this date, the Government continued to fully subsidize public institutions and exercise the control of the government quota system on enrolment.

**Figure 1. Higher Education Gross Enrolment Rate (GER) (percentages), Mongolia.**

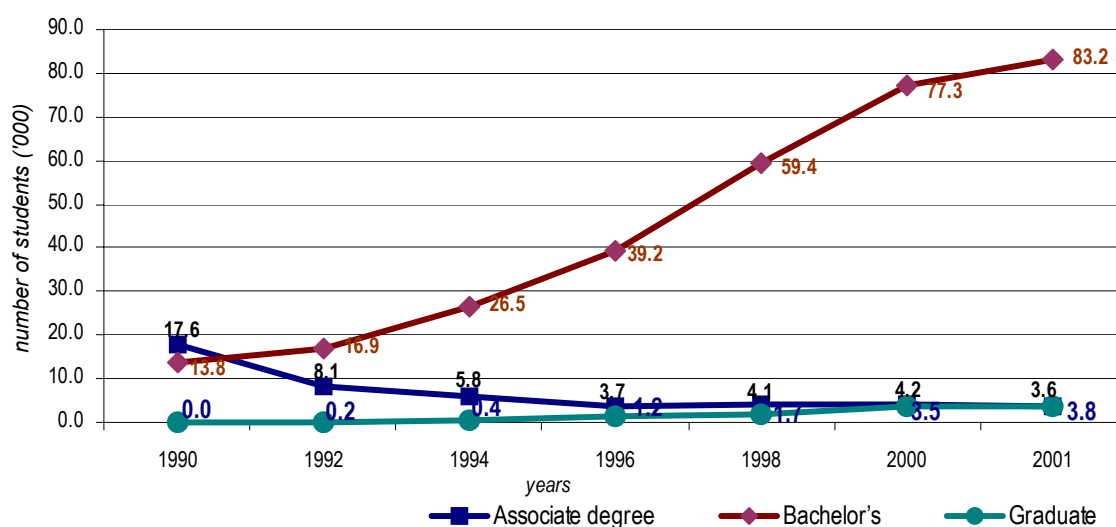


*Source:* The Ministry of Education, Culture and Science (2002), Mongolia.

A student fee structure was introduced in 1993, accompanied initially by transforming budget allocations to student loans that could be turned into grants, depending on academic achievements. Unlike most other countries, student fees in Mongolia are expected to cover the full cost of teachers' salaries, laboratory expenses, and other expenses (Bray, *et al.*, 1994).

Obviously, the amount collected depends on the number of students. Until 2003, the Government provided funds for partial coverage of expenses of building maintenance and upkeep. Despite these shifts, annual tuition costs have remained at the same relative level as when the fee structure was first introduced. Furthermore, the transfer to the tuition fee system did not have any effect on higher education enrolment; on the contrary there has been a rapid increase in enrolments (see *Figure 2*).

**Figure 2. University and college enrolment, Mongolia.**



*Source:* The Ministry of Education, Culture and Science (2002), Mongolia.

Many factors can be attributed as being conducive to this phenomenon. One of the feasible interpretations is connected with a series of policy decisions towards decentralization of higher education administration and relaxation of admission procedures, accompanied by legislation, of private sector emergence in higher education. All of these decisions were embarked on in the early 1990s.

Graduates from higher education institutions are now entirely responsible for their own employment in the emerging, market-driven economy. Curriculum reforms are underway to move from a lock-step pattern, with six to eight hours of instruction daily, to a format that is based on credit hours and in which there is much more flexibility of scheduling.

According to the 2002 Education Law, the three types of higher educational institutions are classified as ‘university,’ ‘institute,’ and ‘college’.

- *Universities* are institutions capable of carrying out broad-scale research endeavours and academic programmes leading to doctorates.
- *Institutes* are defined as higher educational institutions that are capable of offering master’s level programmes in addition to undergraduate instruction.
- *Colleges* are institutions mainly orientated to undergraduate programmes.

It should be noted that this typology was re-established after four years and still a subject for heated debate due to its impacts on quality and funding concerns.

**Table 1. Higher educational institutions, enrolment end of 2003/2004 Academic Year**

Types of institutions	Number	From which:		Enrolment		
		Public	Private	Total	In public	In private
Universities	13	10	3	56,242	51,842	4,400
Institutes	38	9	29	21,534	10,508	11,026
Colleges	132	29	103	30,962	11,784	19,178
<b>TOTAL</b>	183	48	135	108,738	74,134	34,604

*Source:* The Ministry of Education, Culture and Science (2002), Mongolia.

*Table 1* shows the classification of Mongolian higher education institutions and the public/private breakdown as of 2004. There were over 183 institutions of higher learning in Mongolia, of which 69 were accredited by the National Higher Education Accreditation Council (NHEAC) end 2004. Public institutions enrol more than two-thirds of students (68 per cent). Female students compose 62 per cent of college students.



The institutions offer degree programmes at the Bachelors', Masters' and Doctorate levels in a wide range of disciplines representing the social and humanitarian sciences, natural and exact sciences, engineering and technology, health and agriculture related programmes. The student enrolment leans more towards the social and humanitarian sciences which account for over 60 per cent of the undergraduate student population with the natural sciences and engineering and technology making up only a quarter. It should be pointed out that enrolments in economics, business administration and management programmes are particularly high: 29 per cent of total bachelor's student population. Graduate students pursuing master's and doctorate degrees constitute a very small portion (4 and 1 per cent, respectively) of higher education student population indicating instruction-dominance of institutions. Graduate study is the solely public universities' business; 91 per cent of master's students and 99 per cent of doctoral students pursue their degrees at public universities.

Expenditures on higher education (as a proportion of the education budget) have been increasing since the national economy gave first signs of recovery in the mid-1990s. Private sector provision of higher education in Mongolia is also high and has increased rapidly over the last few years. Government direct support for universities covers basic utility costs, i.e. heating, electricity and water. Other expenses are covered by tuition charges, a large percentage of which are in turn supported by government student aid through a special loan and grant programmes.

The increase in higher education expenditures in recent years is largely attributed to the expansion of the loan programme over the same period, and increased enrolment. The Government also provides scholarships for overseas study.

### **III. REGULATORY FRAMEWORKS FOR QUALITY ASSURANCE**

The Ministry of Education, Culture and Science (MECS) is the central state administrating body that formulates nation-wide educational policy and sets the standards for each level of formal education, including higher education. As well, general provisions on educational matters such as scheduling of the school year, preparation and publication of textbooks for general secondary education, and state examination procedures are administered by the Ministry. During the last decade, significant changes in educational administration and management have taken place in response to political and economic changes brought about by the transition from a central command economy to a market-oriented and democratic society.

As stated in the “State Policy on Education” adopted by the State ‘Great Hural’ (the Parliament) in 1995, decentralization in the education sector through delegation of authority to local governors and even to individual educational institutions has been introduced. For their part, higher educational institutions enjoy much freedom and autonomy in terms of both academic and institutional management (Weidman *et al.*, 1997, 1999).

Numerous legislative reforms reflected in the Education Laws that were adopted and frequently amended since 1990 – Education Law of 1991, package of Education Laws of 1995, substantial changes and amendments made in 1998 towards more liberalization, and newly adopted package of education laws of 2002 – laid the ground for various regulations, which include *inter alia* the national qualification and accreditation framework. Immediately after the enactment of the amendments made in 1998, a National Higher Education Accreditation Council (NHEAC) was created to exercise institutional accreditation in a manner common to North America. While all higher education institutions were required to undergo accreditation, there was a ‘phase-in’ period involving most of the public and only a few of the leading private institutions participating in the first year.

As was mentioned before, 69 higher educational institutions have been accredited by the Council since 1999. Only those institutions which have passed the accreditation process are eligible to receive Government financial support and likewise students enrolled in these institutions are eligible for Government grants and loans. The starting up of accreditation of academic programmes (as distinct from accrediting institutions) is foreseen next year and preparation activities are underway.

In reference to the establishment of NHEAC, in recent years higher education institutions in Mongolia have started practicing internal self-evaluation exercises as an internal quality assurance mechanism (QAM). Overall, it should be noted that the entire process of accreditation is at an initial stage (Weidman *et al.*, 2000).

Furthermore, according to the “Higher Education Law 2002”, both public and private institutions are subject to external reviews – attestations – conducted by the Ministry every four years in order to examine their compliance with, and adherence to, standards and procedures set by the Ministry.

1. *Sub-regional and regional collaboration in regulatory frameworks*

Various meetings are taking place *vis-à-vis* reaching common understanding and approaches to a regional framework, especially in the field of creating favourable conditions for mutual recognition of academic degrees and certificates. Some of these meetings are organized by the UNESCO/PROAP and others with international partners. At the same time, Mongolia has established bilateral intergovernmental agreements with its neighbouring nations, China and the Russian Federation, recognizing academic degrees and certificates. Similar talks are underway with Austria and Poland.

#### IV. CROSS-BORDER HIGHER EDUCATION

Mongolian higher education has been involved in the majority of the modes of the GATS cross-border provision. The GATS defined the following modes of supply:

*Mode 1: Cross-border Supply* (where the service crosses the border not requiring the physical movement of its consumers);

*Mode 2: Consumption Abroad* (consumers get to the country of the supplier); commercial presence (a supplier comes in another country to provide a service);

*Mode 3: Presence of Natural Persons* (people cross the borders on a temporary basis to provide the service).

Compared to other nations, cross-border provision of higher education as it is defined in GATS terms is still low in Mongolia. There is no provision of *Mode 1: Cross Border Higher Education* in or outside of Mongolia.

As for *Mode 2: Consumption Abroad*, Mongolian universities have had experience educating international students as well. The largest providers are the National University of Mongolia (NUM) and the Mongolian University of Science and Technology (MUST). These two universities are major institutions with a student enrolment of 15,000 to 19,000. They offer courses in social and natural sciences, economics, law, management and engineering. The National University of Mongolia has, over the years, had an international student body of not less than 50 international students per academic year.

This has been made possible by the numerous link arrangements that the University has entered into with other foreign institutions of higher learning or by the agreements entered into by the Government of Mongolia with other governments. (See *Table 2*).

**Table 2. Foreign students studying in Mongolian higher education institutions**

Country	Total	Of which: female	Programmes				Source of funding					Other
			Assoc	BA	MA	PhD	GOM*	Private	Institutional	Sending country		
1 Russian Federation	162	91	4	156	0	2	60	69	15	12	6	
2 People's Republic of China	129	48	0	111	14	4	15	112	3	0	2	
3 Republic of Korea	44	14	1	31	7	5	0	40	2	1	1	
4 Turkey	31	13	0	31	0	0	0	31	0	0	0	
5 Japan	22	15	2	15	3	2	1	16	5	0	0	
6 Viet Nam	8	2	0	8	0	0	6	2	0	0	0	
7 Kazakhstan	8	6	0	8	0	0	8	0	0	0	0	
8 Czech	5	2	0	5	0	0	5	0	0	0	0	
9 USA	4	1	0	3	1	0	0	4	0	0	0	
10 Poland	4	2	0	4	0	0	4	0	0	0	0	
11 Iraq	1	0	0	1	0	0	0	1	0	0	0	
<b>TOTAL</b>	<b>418</b>	<b>194</b>	<b>7</b>	<b>373</b>	<b>25</b>	<b>13</b>	<b>99</b>	<b>275</b>	<b>25</b>	<b>13</b>	<b>9</b>	

*Source:* The Ministry of Education, Culture and Science (2002), Mongolia.

\* GOM = Government of Mongolia.

In addition to the institutions mentioned in *Table 2*, specialized courses are offered by other public universities and branches of foreign universities in Mongolia.

Mongolia continues to exercise bilateral relationships with its traditional partners in educational exchange; the partners are former Soviet block countries that provide scholarships to both undergraduate and graduate students. Since 1990, the number of foreign governments, international organizations and private sponsors providing tuition waivers and stipends to Mongolian students studying abroad has significantly increased. On average, the number of such stipends and scholarships is over 200 annually. In addition, there are a large number of self-sponsored Mongolian students studying in various countries abroad i.e. as far as in Australia, Canada, New Zealand and the United States of America (USA). For example, in Japan alone, there are more than 600 students from Mongolia studying on private basis. As students travel privately, there is no official data available to estimate the extent of this phenomenon.

The *Mode 3: Commercial Presence* of foreign providers of higher education in Mongolia is one that is still to make an impact on Mongolia. None of the Mongolian universities has established a satellite branch abroad. The closest are cases of foreign institutions establishing their branch institutions either independently, or jointly, with local institutions since early 1990s. With the liberalization of its education sector, Mongolia welcomes with open arms both national and international private providers assuming to benefit from their contribution to the national development agenda of the country. The first appearance of foreign institutions in Mongolia was accompanied by a privatization of higher education provision. The foreign providers now present in Mongolia are as follows:

Branch of Moscow Pedagogical University, Russian Federation (jointly with the University of Ulaanbaatar, Mongolia).

Branch of Moscow Power Engineering University, Russian Federation (jointly with the University of Ulaanbaatar, Mongolia).

Branch of University of Colorado, USA (jointly with the University of Ulaanbaatar, Mongolia).

Branch of Phlekhhanov Economics Academy, Russian Federation.

Ulaanbaatar Branch of University of Buryat, Russian Federation.

Branch of University of Kemerova, Russian Federation

Branch of Eastern Kazakhstan University in Bayan-Ulgii.

Branch of Eastern Siberia University, Russian Federation

Mongolian International University, Republic of Korea.

Khuree University, Republic of Korea.

Ulaanbaatar University, Republic of Korea.

Maastricht School of Business, the Netherlands (provider of a MBA ‘Out-reach’ programme jointly with the Mongolian Business Development Agency).

Handong Global University, Republic of Korea (provider of a MBA programme jointly with the Finance and Economics Institute).

Spring English Language Institute, USA.

Santis English Language Institute of Inlingua Inc., USA.

According to legislation, international providers must not only fit into the national development vision, but also comply with the national higher education laws. Currently about 600 students are enrolled at undergraduate level in mainly economics, business management and information technology related fields, and about 30 students in MBA programmes.

The *Mode 4: Presence of Natural Persons* is dominated by traditional forms of international exchange funded by external donors. With the entrance to a market-oriented economy, the international community supporting Mongolia’s move to a democracy has been allocating significant funds for the provision of technical assistance. Thus, the European Union’s TACIS/TEMPUS, Fulbright, Humphrey fellowships, IREX and other academic exchange programmes funded by the USA Government, and international consultants and volunteers are major providers of non-commercial academic provision.

## **V. STATUS OF GATS COMMITMENTS AND LIMITATIONS**

Mongolia joined WTO and GATS in 1997. However, there is at present no concrete commitment made under GATS regarding educational services. However, current developments in higher education suggest that activities in this area will pick up in the near future and the country will be able to participate fully and therefore take full advantage of the prospects of GATS.

While there have been no commitments neither made nor under consideration, and no high-level debates have taken place on trade in higher education in Mongolia, universities in the country are no strangers to international trade in higher education. Mongolia has a large body of students studying at institutions outside the country, especially in Australia, Europe, Japan and North America.

## Conclusions

However, there has not been, as yet, any debate at national level on potential implications of cross-border provision of higher education. The reasons may be put down to the low level of research endeavours carried out for investigation of this issue, and the current socio-economic conditions, in a country that changes so rapidly.

Furthermore, much evidence suggests that the general public, as well as major employers, are allegedly inclined to consider education diplomas obtained at foreign institutions better quality than local education certificates.

Hence external education providers – in order to enhance competition and deliver higher quality provision – are welcomed with open arms to Mongolia. Mongolia's unilateral liberalization of participation in the education sector signals the Government's willingness to allow external partners to help develop the sector – in the hope of *enhancing* quality and conformity with international standards through increased *participation and competition*.

\* \* \*

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## Session IV: Presentation of Country Papers 2

### *Chapter 15* *Country Paper on India*

#### **Implications of WTO/GATS on higher education in India**

by

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#### **Introduction**

There is, today, intense speculation in the developing countries regarding the possible implications of the General Agreement on Trade and Services (GATS) on indigenous higher education systems, and more importantly on social orders. The matter has been hotly debated in India and the developments have been reviewed in status papers published from time to time (e.g. Powar, 2002; Powar, 2003; Siddiqui, 2004). Amongst academics there is unanimous support for the view that education should not be treated as a tradable commodity. Yet, there is an apprehension that at a global level higher education will be commercialized in the not too distant future. This arises from the fact that some stakeholder groups see in GATS new opportunities and benefits (Knight, 2003).

In this country paper an attempt is made to summarize India's current position in this regard (see *Section I*). *Section II* focuses on the current status of the Indian higher education system. Next, in *Section III*, the 'trade' in higher education that is presently going on under the GATS four modes of service delivery. The possible repercussions of foreign providers on the Indian higher education system are outlined in *Section IV*.

Then *Section V* describes the regulatory mechanisms that are presently in place; *Section VI* enumerates the steps taken to monitor and promote the quality of education; and *Section VII* shows the possible steps that could be taken to protect and promote national interests.

## **I. GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)**

The General Agreement on Trade in Services (GATS), which came into force in 1996, is a multilateral agreement that is based on the premise that progressive liberalization of trade in commercial services will promote economic growth in World Trade Organization (WTO) Member Countries. It provides legal rights to trade in all services, except those (like defence) provided entirely by the Government. The GATS agreement is made up of three parts. The *first part* is the 'Framework Agreement' containing 29 Articles, the *second part* consists of 'national schedules that list a country's specific commitments on access to the domestic market' and the *third part* consists of a 'number of annexes, ministerial decisions, schedules of commitment' etc. Presently, GATS covers 161 activities falling within 12 services, education being one of them.

Under GATS member nations have obligations of two types – General and Conditional. General obligations are those that apply automatically to all Member Countries regardless of existence of commitments made for any sector. These relate to Most Favoured Nation (MFN) treatment, transparency and establishment of administrative reviews, procedures and discipline. Under conditional obligations each country has to identify, if it so wishes, sectors/sub-sectors, and modes of supply, under which it is willing to make commitments (with limitations if it so desires) relating to market access and national treatment.

The basic principles of GATS are.

There has to be progressive liberalization with the process being irreversible because of binding commitments on negotiated levels of market access.

Countries are free to decide which service sectors they wish to subject to market access and national treatment disciplines. In theory, if a country is unwilling or not prepared to open up a particular service sector it can say so.

Under Most Favoured Nation (MFN) treatment no discrimination can be made amongst members in terms of treatment accorded to the service suppliers. The guiding principle is 'favour one favour all'.

Under the principle of 'National Treatment' nationals and foreigners need to be treated equally. There can be no discrimination between national/local and foreign service-providers. However, under certain conditions there can be limitations on National Treatment.

There has to be transparency with all policies related to barriers to market access and discriminatory restrictions by the members have to be notified.

GATS recognizes four Modes of Trade in Services, namely (i) Cross Border Supply, (ii) Consumption Abroad (iii) Commercial Presence and (iv) Presence of Natural Persons.

Education Services presently has five sub-sectors, namely, (i) Primary Education Services, (ii) Secondary Education Services, (iii) Higher Education Services, (iv) Adult and Continuing Education Services and (v) Other Education Services. There is a proposal from the United States of America (USA) to add (a) Training Services and (b) Educational Testing Services, under (v) Other Education Services.

## **II. SOME BASIC FACTS ABOUT INDIAN HIGHER EDUCATION**

While evaluating the impact of GATS on Indian higher education it is necessary to take into consideration some basic facts related to the system. These are:

India has the third largest higher education system in the world comprising of about 330 university-level institutions, about 16,000 colleges (including some 4,500 professional institutions), about 10 million students and approximately 350,000 teachers. Though the number of students, in absolute terms, is high it represents only about 7 per cent of the population in the relevant age group of 18-23 years. The objective is to increase enrolment to about 14 million by the end of the Tenth Five-Year Plan period, i.e. by 2007-2008.

The Government is the principal contributor to higher education in the country. However, over the years its share in the expenditure on higher education has been steadily decreasing. At 1993-1994 prices, Government expenditure on higher education, per student fell from INR7,676 in 1990-91 to INR5,692 in 1998-1999, a fall of about 25 per cent (Tilak, 2003). There is no evidence to suggest that the trend has since reversed.

Today, the private sector is making a significant contribution to professional education at the degree level. In 2002, there were 977 colleges providing education, at the under-graduate level, in engineering and technology, of which 764 (78.20 per cent) were in the private sector. Likewise, out of the 1,349 institutions offering degree programmes in different branches of medicine and health sciences, 1,028 (76.20 per cent) were in the private sector. In that year, out of the 505 institutions for management education, offering programmes leading to a Masters Degree, 324 (64.15 per cent) were in the private sector. Additionally, there were over 400 private institutions offering post- graduate diploma programmes in different areas of management. Colleges for teacher education have also increased considerably in the country. There were, in 2002, 1,541 colleges in this discipline of which 1,038 (67.35 per cent) were in the private sector (Powar & Bhalla, 2004). The expansion of professional higher education, especially in the private sector, continues. For example, in 2004 there were 800,000 students in technical education of whom 380,000 were in degree-level programmes.

Though the quality of education imparted by different higher education institutions in India is admittedly variable there are quite a few institutions that provide education of a quality that is comparable with that offered at the best international institutions. The Indian Institutes of Technology, the Indian Institutes of Management, the Indian Institute of Science, quite a few central and state universities, and a few privately managed 'deemed universities' are examples. A 'quality movement' initiated in the early 1990s has had a positive impact. The quality of the education provided is monitored by different statutory bodies in the professional disciplines and by accrediting agencies.

International providers are entering the Indian 'education market' in increasing number. Data obtained in surveys of advertisements relating to academic programmes offered by foreign providers, that appeared in Indian newspapers during the periods July to December, 2000 (Powar & Bhalla, 2001) and January to April, 2004 ( Powar & Mukand, 2004) shows that there has been an increase in the number of advertisers from 144 in 2000 to 319 in 2004; in the number of providers recruiting students for their home campuses from 117 to 204; and in the number of providers offering programmes in India, under the commercial presence mode, from 27 to 114. What is disturbing is that nearly a third of foreign providers were not universities, and an equal percentage of their Indian collaborators were not a part of the formal higher education system.

There exists in India a parallel, non-formal stream of education in the form of training institutions that provide skill-oriented programmes while encouraging its students to register at the same time in bachelor degree programmes in the conventional universities. The NIIT Technologies is the prime example.

The academic structure of Indian universities is similar to that of the universities in the Commonwealth (except Canada) and European countries. The basic eligibility is successful completion of 12 years of schooling (Senior Secondary Certificate Examination or equivalent programme). The Bachelor Degree Programme is of three years in the liberal arts and four to five years in the professional disciplines. The Master Degree Programme is of two years. The Doctoral Degree programme involves a minimum of two years of work, but normally takes about four years.

The non-formal institutions have differing programmes. The best-known institution, NIIT Technologies, has two 'domains'. Domain 'A' is an adaptation of the university structure. Domain 'B' is for those who do not aspire for a degree and includes short-term, skill-oriented courses whose value is determined by the market

The fact of the matter is that while many universities in the developed world look upon India as a lucrative market for their educational wares. India itself has a large higher education system capable of providing quality education to the developing countries. It is, therefore, necessary that the developed countries look upon India, not as an importer of education, but as a possible partner in co-operation (Powar, 2004).

### **III. HIGHER EDUCATION AS A SERVICE: FOCUS ON INDIA**

In the present era of globalization, and in an international regime controlled by the World Trade Organization (WTO), education is a service that can be traded through four different modes recognized under the General Agreement on Trade in Services (GATS). These are (i) cross-border supply; (ii) consumption abroad; (iii) commercial presence, and (iv) presence of natural persons. The status and potential of India for trade in transnational education through these different modes is briefly reviewed in the paragraphs that follow.

#### ***Mode 1: Cross Border Supply***

Distance education programmes exemplify cross-border supply of education. These take two forms – conventional distance education using print and audio-visual material and e-learning through the Internet. Conventional distance education is highly developed in the Asian countries and is available at low cost (Yoshida, 2001). India has 11 open universities and 102 centres of distance education in dual-mode universities. They provide education at about 40 per cent of the cost of education through the formal mode. The possibilities of India (or the other Asian countries) importing education from the developed world, through this mode, are low. On the other hand, some Indian universities have recently started offering degree programmes, through the distance mode, in countries having a large Indian Diaspora. The Indira Gandhi National Open University (IGNOU) is the prime example.

Cross-border supply through the Internet (virtual education) has immense potential, especially in disciplines like management and trade that have strong international components. Some well-known training institutes based in India offer, globally, further education programmes in professional areas like computer application (software development). NIIT offers programmes in 44 countries where it also has study centres. There are conflicting views as to whether uncontrolled use of the Internet for higher education should be allowed. There is a danger that the indigenous higher education systems may be inundated by the flow of information from the developed countries. Hence, India and other Asian countries may find the need to regulate cross-border supply of education, using electronic transmission, by framing appropriate legislation or through other measures, including the non-recognition of degrees awarded through the e-mode, and discouraging joint ventures in this area.

## ***Mode 2: Consumption Abroad***

Trade in education by way of consumption abroad finds manifestation in student mobility. The magnitude of this trade, and its potential, is clear from the fact that in 2003 there were approximately 2 million international students worldwide, with the USA hosting nearly a third of them. An Australian study (Bohm, 2003) estimates that by 2025 the total number of international students would be approaching eight million. About 60 per cent of the world's international students come from Asia, chiefly China, India, Japan and South Korea. The major receiving countries are the countries of the developed world led by the USA and followed by the UK, Germany, France and Australia.

In 2000-2001, India sent out 54,664 students to the USA, against only 4,302 to UK, 1,412 to Germany and 239 to France. Australia attracted a larger number (4,578) than the three European countries. While the number of Indian students, in foreign countries, was 61,812 only 7,480 students went to Europe. In contrast, India received in, 2000-2001, only 7,791 students of whom 240 were from the USA, 51 from the UK, 19 from Germany, 23 from France and 44 from Australia (Bhalla, 2002). In the following years, there has been a steady growth in the number of students going to the developed world from India. In the case of the USA the number had increased substantially to 74,603 in 2002-2003 and 79,736 in 2003-2004 (Institute of International Education, 2004). In 2002-2003 the numbers had also increased to 3,303 in Germany and reportedly to about 9,000 in the UK.

As of today, there is little possibility of India restricting the number of students going abroad in spite of the so-called 'brain drain'. However, one cannot rule out the possibility that under special conditions, like economic recession resulting in acute shortage of foreign exchange, it may feel the need to regulate the outflow of students.

The number of international students coming to India is depressingly low. In fact the number of international students in India dropped from 13,707 in 1993-1994 to 5323 in 1998-1999 before again picking up as a result of promotional activities to 8,145 in 2001-2002. The Region-wise break up that year was: East Asia: 248, West Asia: 948, South and Central Asia: 2,519, South-East Asia: 597, Australasia: 45, North Africa: 309, West Africa: 51, East Africa: 1967, Central Africa: 7, South Africa: 35, West Europe: 93, South Europe: 20, North America: 411, South America: 14; and 732 unclassified for lack of data.



During the year five countries, Bangladesh, Kenya, Mauritius, Nepal and Sri Lanka sent more than 500 students with the maximum coming from Nepal i.e. 873 (Bhalla, 2003). India needs to intensify its promotional activities and the University Grants Commission (UGC) is attempting to do so through its Committee for the Promotion of Indian Higher Education Abroad (PIHEA). The private deemed-to-be-universities are also undertaking marketing activities to attract international students to their professional programmes.

### Mode 3: Commercial Presence

Towards the end of the last century a diminishing of governmental support forced many universities in the developed countries to find new means of generating funds for their maintenance and development. The advent of the free-market economy in the early 1990s provided them an opportunity to do so by marketing their educational wares in the developing world where there was a steadily increasing demand for higher education, especially professional higher education. Varied means have been adopted by the foreign providers but, from the commercial point of view, direct involvement through commercial presence has been the most rewarding. Commercial presence itself takes different forms (McBurnie, 2004):

Grant of franchise to local academic institutions or business organizations, which provide the physical infrastructure and administer the programmes. The foreign institutions provide the intellectual property, including curricula and teaching-learning materials, conduct the examinations and award the degrees. The local partner has no say in academic matters (Franchise Model).

Twinning programmes leading to joint-degrees or dual degrees, which are however few in number. More popular are articulation arrangements under which students undertake the major part of their studies in local institutions and then complete the programme on the campuses of the foreign providers. Academic responsibility is shared. The credits earned in the host country are transferred to the provider institution which awards the degree or diploma (Articulation Model).

Establishment of local centres or campuses by the foreign providers in which there is formal (face-to-face) teaching according to academic curricula developed in the home country, but using local faculty (Campus Model).

The Franchise Model is the most common. During the last three to five years an increasing number of western universities are entering into twinning arrangements of the articulation model. The instances of providers starting off-campus centers/ campuses are, however, very few.

The programmes offered by the foreign providers have found ready acceptance in India partly because of unmet demand, but more because of the aura associated with foreign universities that, more often than not, translates into employment opportunities. The ‘consumers’ are largely young people from the more affluent families who are unable to secure admission to the better public institutions, in their own country, because of lower merit. However, considering the total student population the enrolment in the academic programmes offered by the foreign universities is insignificant.

Since the early 1990s there has been a steady increase in the number of foreign providers in the developing countries of Asia. The data with respect to India has been presented earlier. Unfortunately, the list of providers does not include the best universities. Many of the providers occupy lowly positions (in league tables) or are even not accredited as universities in their own countries. A recent development is the steep increase in the number of articulation arrangements, as many as 61 such agreements being recorded by Powar & Mukand (2004). Significantly, the Indian partners are private institutions, some like the Manipal Academy of Higher Education (MAHE), having a reputation of being providers of quality education.

Some reputed private university-level institutions (deemed universities) in India have ventured abroad and set up campuses in countries having a significant Indian Diaspora. Examples are the Birla Institute of Technology and Science (BITS) in Dubai; the Birla Institute of Technology (BIT), Ranchi in Oman and the Manipal Education and Medical Group (MEMG) Manipal, [which is the parent organization of the Manipal Academy of Higher Learning (MAHE) ], in Nepal and Malaysia. By all accounts these ventures are successful.

#### ***Model 4: Presence of Natural Persons***

Movement of teachers and scholars from the developed world to India is at a low level. This is because western scholars are generally not willing to come to developing countries for extended periods. The chances of there being an appreciable increase in teacher mobility from the developed countries to India, for extended periods of service, are remote. However, an appreciable number of Indians take up teaching or research assignments in the developed countries, and the numbers are increasing.

#### IV. SOCIAL CONCERNS

GATS has been a subject of public discussion throughout India. The lay-public has not taken kindly to education being covered under GATS. The Delhi Declaration, 2002, adopted by five organizations working in the field of education has expressed concern about the inclusion of education services under GATS though it unreservedly supports the internationalization of higher education through initiatives of the academic community (ABVP-VB-SB-BSM-ABRSM, 2003). The declaration points out that treating education as a tradable commodity was contrary to the sanctity attached to education and knowledge; that education had a wider role to play in terms of protecting the culture, intellectual independence and the values of a civil society; that foreign institutions will only provide programmes that are commercially profitable; that many Indian educational institutions unable to face the competition of resource-rich foreign providers may have to withdraw from the educational scene with the result that disciplines that have great social and cultural significance, but no market value, will suffer through neglect; and finally that the Joint Declaration on Higher Education and GATS adopted in 2001 by major academic organization of the developed world (AUCC-ACE-EUA-CHEA, 2001) emphasizes that “higher education exists to serve the community and is not a commodity”. While concluding the New Delhi Declaration urged the governments “to take a firm stand in favour of keeping education outside the purview of the trade regime and use all the persuasive powers at its command to mobilize international opinion on this behalf”. (ABVP-VB-SB-BSM-ABRSM, 2003).

The quality of education provided by Indian higher education institutions is variable and only a small percentage of students receive quality education of international standards. The demand for quality education is high, and with a burgeoning upper- and upper-middle class population the universities of the developed world may find a good market for their degree programmes provided they reduce tuition fees. Indeed, fear is being expressed that the Indian higher education scene will, in the not too distant future, have an important western component. If an ‘academic invasion’ does materialize then Indian policy-makers, administrators and educators will have to accept a share of the blame for they have not paid adequate attention to the crucial aspects of financing of higher education and the maintenance of its quality.

Making commitments in higher education would have important implications, including permitting the universities of the developed world to function most freely in India. This in turn could have far-reaching repercussions on the existing Indian higher education system. Most importantly, the concept of higher education, as accepted in India, could change. Today, it is looked upon as a public service that, besides creating and disseminating knowledge, is committed to social service (including sustainable development) and inculcation of human values. In the years to come it may be reduced to a mere commodity. The 'commodification' of education will impinge on national policy relating to free access and equity. Presently, the public higher education sub-system co-exists, even though uneasily, with the private higher education sub-system. The entry of foreign providers, and of foreign capital, would undoubtedly tilt the balance towards the private sector. In addition, the entry of foreign capital into the higher education system may allow the Government to slowly absolve itself of its responsibilities towards higher education, and India could end up with a largely inefficient and languishing public higher education system (the prestigious institutions like the Indian institutes of technology being an exception) and a dominant private higher education sub-system.

Large-scale entry of foreign providers offering high quality education, but at a price, can have a significant impact on the employment situation. While the affluent students will get the benefit of such education, the students of average means, and particularly the poor students, will be adversely affected. In the long run India could end up with three categories of students, the:

- category of highly merited students, who have been able to secure admission to the very reputed public institutions, with excellent faculty and infrastructure;
- category of affluent (though less-merited) students who have had the benefit of high-quality international education; and
- category of average students from economically middle- or lower-class families who could avail of only average-quality education provided by government-funded institutions with inadequate infrastructure.

What should really concern Indian policy-makers is the fate of the third category of students who will comprise the vast majority. In this context it is relevant that in the 57 years since India achieved Independence its higher education system has undergone, through the process of ‘massification’, a remarkable transformation from an elitist system, nurtured by colonial roots, to an egalitarian system, tuned to meet the demands of a vibrant democracy. The new dispensation visualized above could reverse the process and herald the incoming of a new form of elitism.

The mechanism of trade in education services through different modes, the actions that India needs to take to protect its interests and the different regulatory or promotional mechanisms that can possibly be adopted are summarized in *Table 1*.

Table 1. An Indian viewpoint on regulation of foreign providers

<b>Modes 1-4</b>	<b>Mechanism/Purpose</b>	<b>Action Required</b>	<b>Regulation/Promotion Mechanisms</b>
<b>Mode 1: Cross Border Supply</b>	Print media and AV mode	No need to regulate	--
	Internet	Regulate, if necessary, in specific areas	Placing restrictions on Electronic transmission. Non-recognition of degrees obtained through e- mode

<b>Mode 2: Consumption Abroad</b>	<b>Inflow Degree and Diploma Programmes</b> Short Term Programmes  Study Abroad Programmes  <b>Outflow</b> Varied types of programs	Encourage  Encourage  Encourage  Encourage  No action necessary except in case of acute Exchange shortage, or war	Providing incentives, Easing visa requirements Simplifying admission and/ entry procedures Effective marketing Encouraging home institutions  Placing restrictions on release of foreign exchange and currency, and on disciplines and/ or programs of study. Is granted.
<b>Mode 3: Commercial Presence</b>	<b>Joint/ Dual Degree Programmes</b>  Articulation Programs  Branch Campuses  Franchise	Encourage  Encourage selectively  Allow selectively  Discourage	Encouraging home institutions  Encouraging good Institutions  Allowing entry to reputed institutions Restricting number of programs/ disciplines of money repatriated  Disallow franchising
<b>Mode 4: Presence of Natural Persons</b>	<b>Teachers and Experts</b>	Generally encourage but may regulate in specified fields	Scrutinizing of credentials, political leanings.

Source: Powar, K.B. (Author).

## V. THE NEED FOR REGULATION

Unfortunately, most of the activities of the foreign providers in India are commercial in nature and not infrequently the quality of education provided is not of expected standard. The scenario is probably replicated in other Asian countries and this is a matter of concern. Consequently many countries have developed, or are developing, regulatory mechanisms. The All India Council for Technical Education (AICTE), which oversees engineering and management education in India, has issued regulations to control the entry and operation of foreign universities/ institutions for imparting technical education. Hong Kong has issued a “Non-Local Higher and Professional Education (Regulation) Ordinance”. Malaysia has several pieces of regulations that control the operation of foreign educators. In Indonesia foreign providers have to apply for a license to operate as a working partner of a local institution. Recent Chinese regulations require foreign providers to be partnered with a local institution and a multi-staged approval system has been put in place (McBurnie, 2004). The restrictions placed by these Regulations take different forms like:

- placing limitations on the number of programmes, partners and campuses;
- insisting on joint ventures with a local academic partner;
- imposing high licensing fees and/or taxes, and
- regulating the amount of money that can be repatriated.

The All-India Council for Technical Education (AICTE) Regulations require the foreign provider to either establish operation on its own or have collaborative arrangements with a recognized Indian academic institution. The foreign institution needs be accredited in its home country and should give an undertaking that the degree/diploma will be recognized in the home country. The Indian partner has to be an Indian university or an affiliated institution, preferably accredited by the National Board of Accreditation (NBA) of the AICTE. The nomenclature of the degree offered in India has to be the same as that which exists in the parent (home) country. It is specified in the regulations that it would be the responsibility of the foreign university/ institution to provide for and ensure that all facilities are available. The fees charged, and the intake of students, will be prescribed by the AICTE. There are other conditions that aim at protecting the interest of Indian students and provide for overall control of operations by AICTE.

The AICTE Regulations are omnibus in nature and are applicable to foreign universities intending both to enter into collaborative arrangement with Indian academic institutions, and to establish their own campus. It is doubtful if these regulations can be applied, with equal effectiveness, to the different modes of operation like agreements leading to joint or dual degrees, articulation programmes, franchise arrangements or direct operation through (offshore) centers/campuses. It would, perhaps, be better to have separate regulations for different situations.

## **V. QUALITY ASSURANCE AND ACCREDITATION**

The National Policy on Education, 1986 recognized the need to monitor and promote the quality of education through a process of assessment and accreditation (Government of India, 1986, 1992). Accordingly in the 1990s four major accreditation agencies were set up (see Powar, 2005, for a comprehensive description). These are:

- The National Assessment and Accreditation Council (NAAC) under the University Grants Commission (UGC), which undertakes institutional evaluation of all types of higher education institutions.
- The National Board of Accreditation (NBA) under the All-India Council for Technical Education (AICTE), which undertakes programme evaluation in the disciplines of engineering and technology, management and pharmacy.
- The Accreditation Board (AB) of the Indian Council for Agricultural Research (ICAR), which monitors the compliance with norms and standards set for agricultural education in India.
- The Distance Education Council (DEC) under the Indira Gandhi National Open University (IGNOU), which evaluates and accredits institutions offering distance education programmes.

These agencies have been able to inculcate a quality-culture in a large number of institutions. After a slow start, the different agencies are now operating at an optimum level, and NAAC and NBA have started the second cycle of accreditation.



The University Grants Commission (UGC), the All-India Council for Technical Education (AICTE) and other statutory councils like the National Council for Teacher Education (NCTE), the Medical Council of India (MCI), the Nursing Council of India (NCI) and the Bar Council of India (BCI), have prescribed minimum standards as regards, infrastructure, faculty, duration of programme and eligibility criteria, and all institutions are expected to strictly comply with them.

Universities in India are entitled to determine equivalence of degrees and diplomas as thought fit. However, by a Resolution of the Association of Indian Universities (AIU), passed in 1993, universities have generally agreed to grant equivalence on a reciprocal basis provided the eligibility conditions for admission, duration of programmes and course content are similar. The Association of Indian Universities (AIU) has been authorized by the Government of India to grant equivalence to foreign degrees with the degrees awarded by Indian universities.

## **VI. PRESENT STATUS AND FUTURE OPTIONS**

The Indian Government has not made any formal statement on GATS so far as education services are concerned. Being a member of WTO it is committed to progressive liberalization but can take steps in this direction only after the economic, social and political ramifications are analyzed and understood. Keeping in mind the national needs and ethos India is not likely to make any commitments in the sub-sectors of primary education, secondary education, adult and continuing education and other education. However, it is possible that because of international compulsions some concessions may be made so far as higher education is concerned. If the country is obliged to do so it will be necessary, while framing responses, to take into consideration the following (Sharma, 2001):

- The competitiveness of the *education sector*, in general, and of the *higher education sub-sector*, in particular.
- The present status and *possibilities in the future* for trade under different modes.
- The *economic and social needs* of the country, and the national policies with respect to these.

If some commitments are made they will have to be accompanied by limitations that could be nation-specific and even specific to areas/regions of India. The restrictions could relate to free movement of persons, immigration rules, nature of courses, modalities of repatriation of money, subsidies to local institutions, reservations as laid down in the national policy and quality assurance mechanisms (Nigavekar, 2001). The provisions that exist in GATS for exemptions and safeguards will have to be fully utilized.

As already stated, to most people in India GATS is a *challenge* to its existing education system and even a *threat* to the social fabric of the nation. However, a pragmatic appraisal of available information suggests that cross-border education (CBE) *does not, at present*, constitute a major problem. This is because *first*, for the average student cross-border education is neither accessible, nor available nor affordable. *Second*, the foreign providers from the developed countries concentrate on the countries that rank high in the Human Development Index (HDI). Most of their students come from these countries and there are a very small number from countries like India that rank low in the HDI ranking (Daniel *et. al.*, 2005). In order to make a significant incursion into India the foreign providers will have to *cut costs* dramatically, *increase efficiency* and *offer programmes* that are more relevant. Until then the foreign providers can only reach the minuscule minority comprising the ‘creamy layer’.

There are quite a few in India who look upon GATS and related developments as an opportunity to revamp its education system, improve its quality, and take innovative actions that will be consistent with the process of globalization and will, at the same time, generate significant revenue that could be ploughed back into higher education. In the scenario that has emerged in the GATS regime the only option open to our administrators and academics is to act decisively. In order to keep up with international developments it is necessary to:

- **Review**, keeping in view the importance of higher education in the new knowledge era, the national policy relating to the funding of higher education. The urgency of this task has to be appreciated by our political leadership and bureaucracy, and every effort made to provide the long-promised 6 per cent of Domestic National Product (DNP) to education. The allotment to higher education needs to be immediately raised to 1 per cent against the present 0.4 percent.

- **Provide** adequate financial support, at least to the leading research-oriented universities, for the modernization of infra-structural facilities, especially the laboratories, libraries and information technology systems and networks.
- **Recognize** the importance of the close relationship between teaching and research and promote quality research.
- **Implement** academic reforms that are so vital for Indian higher education to be brought in consonance with the higher education systems of the developed world.
- **Develop** a realistic policy towards the role of private enterprise in higher education and its internationalization.
- **Recognize** the role of good faculty in providing quality education and take steps to promote faculty development.
- **Undertake** innovative measures like the establishment of Free Education Zones, akin to the Free Economic Zones, at appropriate locations, like leading centers of learning (Delhi, Pune, Mumbai, Kolkata, Hyderabad and Bangalore), or within the Free Economic Zones.
- **Examine**, keeping in view the expertise available in the area of information and communication technology, the possibility of developing virtual operations and becoming a regional, if not global, provider of higher education.

As of today the situation is unclear. The Government is looking into all aspects and will, no doubt, make sure that the interests of the country are protected.

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## **Session IV: Presentation of Country Papers 2**

### ***Chapter 14.*** ***Country Paper on Thailand***

#### **WTO/GATS and Free Trade Agreement in higher education: Thailand**

by

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#### **Introduction**

The higher education system in Thailand has advanced somewhat both qualitatively and quantitatively. Excellence has been accomplished in some areas but on the whole the higher education system in Thailand depends on knowledge and technologies generated from other countries. The system has progressively expanded with rapid massification over the last two decades. Education services are supplied at private institutions as well as open universities and by distance higher education networks. In 2004 there were 126 higher education institutions with more than 1.2 million students working in practically all academic disciplines. Graduates have served the country well in its modernization and in keeping up with knowledge progress worldwide. Research and the generation of knowledge is, however, a more recent development. Thailand has a long way to go in research activities especially in sciences and technology.

In order to cope with new challenges, cross-border co-operation in teaching and research is needed. Broadening of the mindset of new generations of graduates has become mandatory. At the same time, however, Thailand is in a position to assist neighbouring countries in their development especially concerning higher education. Thus, in cross-border higher education, Thailand is in a position to play dual roles in relation to other countries. Due to knowledge and technological advances Thailand continues to receive transfer from developed countries and at the same time it contributes to the least-developed countries (LDCs) in the region. Thailand should also have exchanges with equal partners to promote mutual understanding and benefits. The arrows in the flow of services can be in both directions but they are of unequal magnitude and strength.

## **2. THE INEVITABLE STORM OF FREE TRADE**

The waves of globalization have caught up with Thailand similar to other developing countries; it is endeavouring to meet the challenges and to take advantage of the opportunities. Agricultural and manufacturing products need to be exported, while many products of high technology are necessarily imported. Services are also both exported and imported. Imbalance and difficulties must be addressed. In order to promote both internal development and external trade, Thailand has had for several years a policy of trade liberalization. It is a member of the World Trade Organization (WTO) and has participated in several rounds of talks. For the General Agreement on Trade in Services (GATS) which is a multilateral agreement under the auspice of the World Trade Organization (WTO), there is negotiation being carried out to set up agreements upon framework and principles such as progressive liberalization, exemptions and a *positive List*.

Services under the GATS agreement would include education, health, information, recreation, finance and others. It is interesting to note that Thailand has included education in the commitment under GATS while it is not included by other ASEAN countries.

The multilateral General Agreement on Trade in Services (GATS) has met with difficulties both from inside negotiations and from general protests outside. Over the last few years many countries have not been satisfied with the progress made and sought bilateral agreements or Free Trade Agreement (FTA) between two countries. Education and services are just a part of the agreements on manufacturing and agricultural products, and not limited to trade in services.



The GATS framework is used only as references; there is thus no principle to safeguard consequences. The resulting agreement is based upon negotiation with no overarching ground rules as with the multilateral GATS. If mutual benefits could be reached, the agreement would be easily accepted. Many exchanges are based on 'give' and 'take'. Requests from negotiating partners are far-reaching. Most countries have asked Thailand to fully open up their higher education system with no limitation.

The following are of serious concern: unequal base, unequal information, unequal preparedness and unequal tactical competencies, not to mention unequal power of negotiation putting small countries at a disadvantage. For instance the Government may decide to open higher education services with no safeguard, in exchange of the sale of agricultural or manufacturing products. It is worse if the negotiation is undergone in secrecy. In general the negotiation is carried out by the Ministry of Trade (MOT). Information about benefits and consequences for free trade in education are under the jurisdiction of the Ministry of Education (MOE). Collaboration can be less than satisfactory. Thus, one should be even more concerned about bilateral FTA than multilateral GATS.

One GATS principle is based on the Most Favoured Nation (MFN) treatment. It means 'favour one, favour all', or equal openings to all nations. The uncertainty here is whether the agreement under FTA would eventually require the same treatment for all other countries when GATS comes into operation. No definite answer is available at this moment as to whether an exemption is possible.

As of December 2004, Thailand signed bilateral free trade agreements with China, India and Bahrain. The agreement with Australia was effective as from 1 January, 2005 and that with New Zealand as from 1 July, 2005. Negotiation is ongoing with Chile, Japan, Mexico, South Korea, Switzerland and the United States of America (USA). Requests to Thailand from many countries for a free market access in higher education and adult education are all inclusive without limitation or restriction. The USA is asking that the use of 'negative lists' or 'lists of items' are not to be included, rather than positive lists or lists of those to be allowed. If negative lists are used, not everything in the lists would automatically be allowed.

Another type of free trade agreement is a group agreement such as AFTA or the Association of South-East Nations (ASEAN) Free Trade Area. At present, AFTA is covering seven areas, and free trade in education and in higher education is suggested by some member countries.

The complexity of the situation can, in many aspects, be analogous to the occurrence of a storm. It is something that is inevitable and to a large extent out of one's control.

When the storm in the South China Sea hits land mass, it can create both benevolent and damaging effects. The resulting rain provides the needed water supply. At the same time, it can damage immediately what is in its way, causing floods in the longer term. What one can do is to use the opportunities arising from the water supply, and be prepared for unwanted consequences. The far inland countries not influenced by the storm can have drought.

Free trade both in the form of bilateral Free Trade Agreements (FTA) and multilateral General Agreement on Trade in Services (GATS) is like a storm, representing commercialization of science and commodification of higher education, a global trend or movement. Under such notion, higher education is considered to be a tradable commodity and market mechanisms as well as capitalist principles are the ground rules. Inequity between countries of the world can be worsened. On the other hand, higher education can serve as a driving force in national and regional development, where international transaction can better serve as development assistance. Cross-border higher education can create better understanding and a broader mindset which can be humankind's vehicles towards a more harmonious world.

### **3. GATS / FTA / AFTA**

The multilateral General Agreement on Trade in Services or GATS identifies four modes: *Mode 1: Cross-Border Supply* of services; *Mode 2: Consumption Abroad*; *Mode 3: Commercial Presence* and *Mode 4: Presence of Natural Persons*. This description can help in its understanding and critical analysis. Since they are technical terms used in international agreements, it can be rather difficult for educators and academics to comprehend and at the same time some are ambiguous. Uncertainty regarding future interpretation adds to the complexity. One over-riding principle in the GATS, or multilateral system, is progressive liberalization; once agreed, one cannot turn back.

In Thailand, an analysis has been made to outline the benefits and consequences as a 'giving' as well as a 'receiving' country for the four modes of cross-border education (CBE).

### 3. CROSS\_BORDER SUPPLY OF SERVICES

*Mode 1* of the GATS agreement is cross-border supply of services, which means the supply of services from one country to clients in another country. It was limited in the past. With the rapid advancement of information and communication technology (ITC) one sees a rapid emergence of distant education in many forms and using different media. The whole or part of the programmes toward a degree can be given by higher education institutions in other countries. Television, electronic media and internet can be used, often in combination; at times with or without required residential or classroom education. Virtual university may not have a physical campus. Such cross-border supply serves the unmet needs which have resulted from limited enrolment to existing institutions. It adds to the choices as well as professional upgrade and lifelong education. The providers of services can gain big income which can be in foreign currencies. Some studies have shown that to provide distant higher education of good quality, relatively more investment in facilities and efforts are needed. However, most available programmes are of an uncertain quality. Some are of outright poor quality and even degree mills. It is rather difficult to regulate or control these provisions. Exploitation can occur especially when a degree is socially valued.

Under 'other education' in the agreement, the cross-border supply can be in the form of examination and certification which has become commodified, for instance TOEFL, ISMILE and others. Big income is gained by arranging such examination and certification. Accreditation such as ISO and the quality assurance scheme (QAS) have also become saleable services across national borders.

Through recreational provision via television and electronic media, many countries are faced with a creeping in of unwanted culture and values, such as violence and sexual behaviours. It is worse when coming in the form of education because it affects future generations. Proper balance of intake of global culture and preservation of indigenous heritage is not an easy task. Universality must be in balance with identity and individuality.

In response to the free trade in education services, one must recognize and benefit from the opportunities, while preparing to handle untoward consequences is perhaps more important.

## 5. CONSUMPTION ABROAD

It has been a long-time tradition that students from Thailand seek further academic studies in developed countries, which is necessary for human resources development and can be a part of international development assistance. The situation has somewhat changed over the past two decades, for example when the United Kingdom (UK) and Australia increased tuition fees for foreign students over and above those charged to national students. Higher education clearly becomes a commodity for export. Thailand is spending more budgetary funds on sending students abroad.

Thailand has had in the past limited openings in higher education for foreign students, because of the limited availability even to native students. Recently, however, the Government set a policy to open its higher education to foreigners with a hope of bringing into the country more income. Thailand has been giving scholarships for students from neighbouring countries to come to study but the number is still small. In 2003, there were only 4,170 foreign students in Thailand; up from 3,339 the year before. Among them, 2,742 students were for Bachelors, 933 for Masters, 265 for certificate and 99 for doctoral degrees; 1,200 were from China and about 800 from neighbouring countries. The majority of students (2,816) were self-supported; 749 were benefiting under exchange programmes.

Beside financial gain, this form of cross-border higher education can enhance international understanding and harmony. One should not belittle the benefit of cross cultural education on both sides. Rather than basing it on market mechanisms, brotherhood relationship is certainly a better solution in the long run.

To deal with these challenges, both opportunities and preparedness, there are a number of issues. Student access across national boundaries is hindered by many barriers which can intentionally be increased or decreased. University Mobility in Asia and the Pacific Region (or UMAP) has been active for many years but much more needs yet to be done. Funding is among the most difficult problems. International assistance and many forms of arrangements are in use. Recognition of learning programmes and transferability of credits is easier said than done. Quality assurance and accreditation is a needed tool.

The joint guidelines for quality provision in cross-border higher education jointly elaborated by UNESCO and the OECD is an important development and should help governments in the setting-up of policy and mechanisms. International information network would also help; one can see that under this old mode, many things can be done.

## **6. COMMERCIAL PRESENCE**

Commercial presence across national borders is rather new and expanding rapidly. Services given through local institutions have been available for some times. Offshore campuses and joint ventures are emerging at an alarming rate. For instance, in Thailand and Malaysia, one can see advertisement of the National Institute of Information Technology (NIIT) which is a franchise establishment based in India. It offers training courses in computer technology (CT). Take-over of small local banks by larger ones from abroad is a common sight in Asian countries since the economic crisis. Take-over and merging of universities can be expected.

The benefits to ‘receiving’ countries are similar to other modes. It increases access to advanced higher education which otherwise may not be available in some countries. The increased competition and reduction of monopoly can hopefully lead to an improvement of quality.

For the ‘providing’ countries, income can be gained by the enlargement of markets. In some instance, ideological expansion can be the motive.

Competition, on the other hand, can be dangerous because of imperfection of the market and inefficient consumer protection. Survival of the fittest may be the rule. In one aspect the situation can be expected to bring better quality and the customers eventually benefit. Those with less efficiency would be losers and on the other side of the coin “from survival of the fittest” is “extinction of the losers”. One can see small retail stores being forced out of business following the opening of hypermarkets from international chains. It would be a pity if small colleges and local universities closed down due to the free trade agreement.

Consumer protection against poor quality provision is of utmost importance, but with the diversity of programmes and methods of education, quality assurance and accreditation is difficult. For some modes it may be next to impossible. Strengthening of national capacity will be mandatory.

The answers here would be, to (i) be aware of the opportunities and (ii) establish preparedness.

Market access is a crucial issue. The principle of progressive liberalization in GATS means that once it is open, one cannot turn back. Schedule of commitment including exemptions by the setting of barriers within limits are allowed, but eventually there must be no barriers.

## 7. MOVEMENT OF NATRUAL PERSONS

*Mode 4* of GATS deals with movement of natural persons, or free flow of teachers, researcher and professionals. The beneficial effects for Thailand include the ability to satisfy needed manpower, and the improvement of quality personnel to be expected by increase in competition.

The movement of professionals from Thailand to developed countries has been going on for decades. 'Brain-drain' needs no further deliberation here. The opposite direction of movement can be expected to rapidly increase after free trade agreement and lifting of barriers. Beside the beneficial effects mentioned earlier, there can be a number of points for concern. Oversupply of professionals such as medical doctors has been observed to create unnecessary market and demands. Professional regulation and ethical control would need to be modified. Consumer protection as well as oversight of advertisement and market practices can be said to be beyond existing capability in developing countries at present.

National treatment is a jargon used in the GATS. It means treat everybody *en par*. Eventually, there should be no discrimination between nationals and foreigners. There should also not be subsidies, or if need be, it must be equally distributed. In the mean time, under *Article VI.5*, limitations can be set in the form of technical standards, licensing, and qualification requirement. Domestic regulations are possible.

Similar to other modes, opportunities must be considered and more importantly preparedness is essential.

## **8. PUBLIC AND PRIVATE GOODS**

A set of principles can be considered at this juncture. While higher education gives direct benefit to students, it also contributes to the societal good in general. This is called *externality*. The differentiation between public and private goods can be described in many ways; one is the locus of benevolent outcomes and utility between general public and individuals. Another factor relevant to our deliberation is the depreciation from use. Private goods are limited in quantity and would become less from using or spending. On the opposite side, public goods remain unaffected by use. For instance a television programme broadcasted or a mobile telephone network would not be limited by users. The investment cost remains the same notwithstanding the number of customers. Therefore the bigger number of customers the larger the profit. A larger set-up would create more profit and be more competitive than a small or local service. The same is true for an international or global set-up which is of course larger than a national one. Global public goods and multinational corporations have therefore more competitive edge. TOEFL can generate more revenue than similar programmes in a single country, and thus can put more investment into improving the quality of products and services. In the final analysis, the economy-of-scale comes into play, and the competition is operating on an unequal ground.

## **9. IMPERFECT MARKET**

Both inside a country and between countries, the higher education market is an imperfect one. Unequal information, unequal opportunity and unequal bargaining power can lead to prejudice, injustice, exploitation and conflict. Regulatory mechanisms are in general ineffective. Market dumping and antitrust is an extreme condition that may not be recognized until it is too late. Advertisement of higher education services is a common practice now-a-days; some can perhaps be questioned regarding ethical practices.

Competition in the market can be ferocious. Survival of the fittest may be the rule. In one aspect the situation can be expected to bring better quality and the customers can eventually benefit more.

In the Thai-Australian FTA which has been concluded, Australia is interested in opening universities in Thailand. Conditions posted by Thailand include the following: not over 60 per cent foreign ownership until 2005, offering services in sciences and technologies preferably life sciences, biotechnology and nanotechnology,

locating outside Bangkok and large cities, and Thai nationals should represent at least 50 per cent of university council members. Many critiques have said that it is only on paper or *de jure*. In practice, *de facto*, these limitations would not be effective since proxies have been used in such conditions. When this agreement comes into effect, Thailand must amend the “1999 Act on Business by Foreign Nationals” and the “1992 Private University Act”.

#### **10. MASTER OF BUSINESS ADMINISTRATION (MBA)**

MBA courses being the most popular international offering, can give some insight into the matter. In 2003, 35 MBA courses were offered in Thailand; 12 by Thai state universities, 20 by Thai private universities, 1 by the Asian Institute Of Technology, and since the past few years 2 additional programmes were offered by foreign institutions. Some of the Thai universities organized them in collaboration with foreign institutions. For instance, the Sasin Graduate Institute of Business Administration of Chulalongkorn University is a joint effort with the Kellogg School of the North Western University and the Wharton School of the University of Pennsylvania.

Among 35 MBA programmes in Thailand, 17 per cent are offered in the English language. Competition is indeed strong, and some may use undesirable tactics.

Similarly, joint MBA programmes in collaboration with Western institutions are offered in Hong Kong, Singapore and Taiwan.

#### **11. INTERNATIONALIZATION**

The issue of internationalization and the creeping in of universal or global culture with its advisability and consequences have been discussed in recent years. It appears inevitable that International schools and colleges are mushrooming. At 24 universities in Thailand, 520 so-called international courses were offered in 2004. They emphasize competencies in foreign languages especially English. It is believed by the public to have better quality, and to give better chances to further study abroad. Beside local students, they aim to attract students from other countries. Curriculum is designed in accordance with standards from the United States of America (USA) United Kingdom (UK), China or Japan. In addition to regular subjects, uniqueness comes from locally favoured contents such as tourism, South-East Asian studies and cultures. Marketing and special promotional arrangements are made.



To illustrate this point, the Assumption University, a private university in Bangkok now enrolls 2,000 foreign students from 57 countries, or about 10 per cent of its total enrolment. It was calculated that the University earned THB.400 million from this arrangement last year. They managed to have the educational programmes accepted by the Chinese authority, and more than 800 students came from China.

Undoubtedly, this development leads to increased cost of higher education and more inequity.

How to strike a balance between a global and an indigenous culture is, indeed, a serious matter.

## **12. FOLLOWING AGREEMENT: WHAT MAY HAPPEN**

1. *State institutions* will not be adequately supported and therefore not competitive.
2. *High fees* limit access to only those who can afford them; gaps are widened and inequity gets worse.
3. *Increase* in demand, especially of high cost services.
4. *'Brain drain'* of manpower from public to private sector. The more efficient and flexible private sector can afford to pay better salaries.
5. *Inefficient* regulatory mechanisms for private and foreign institutions, e.g. fee control.
6. *Difficulty* to set standards, norms and quality indicators.
7. *Limited* possibilities for consumer protection activities and information disclosure.
8. *Inability* to oversee contents; safeguard values.

Protection of the losers and preservation of national culture and heritage are important.

### 13. CONCLUSIONS: NECESSARY MEASURES

In order to cope with this inevitable trend, the following suggestions were submitted to the Thai Government at a recent workshop on this matter:

*Open* frontiers as far as necessary if beneficial to the country after careful consideration of opportunities and impacts.

*Build* capability for negotiation, such as adequate information, strategic analysis, and grouping of countries to increase negotiating power.

*Set rules*, regulations and oversight mechanisms within the allowances of the Agreements.

*Improve* internal quality and efficiency of higher education institutions for competition,

*Draw up* proactive plans and actions for inter-country co-operation and benevolent cross-border education (CBE).

\* \* \*

#### **Reference:**

Charas Suwanwela (2005) “Future of Thai higher education under the trend of cross-border free trade”, Chulalongkorn: University Press.  
(Original Thai: for more detailed information).

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(Professor Suwanwela Please give me a few lines of your Biography)

For information Professor Suwanwela never acknowledged his paper; I assume he is happy with this copy FINAL2/ph

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## **Session IV: Presentation of Country Papers 2**

### *Chapter 16* *Country Paper on New Zealand*

#### **A New Zealand perspective Implications of WTO/GATS on higher education in Asia and the Pacific Region**

by

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### **Introduction**

New Zealand is as far away from the experiences of many of the participants of this regional seminar as one can get. However, New Zealand is not as distant as it once was, and its geographic isolation is no longer a barrier. New Zealand is very much part of the global community, and shares the human resources development challenges which confront all nations – the need for a highly skilled, adaptable and innovative society, and a need to open pathways and facilitate lifelong learning. A key response to these challenges has been the development of a national skills recognition system, the National Qualifications Framework (NQF).

Since 1990 New Zealand has been developing and implementing a national qualifications and quality assurance system. The New Zealand Qualifications Authority (NZQA) is responsible for overseeing this development, which it does in conjunction with other educational organizations in New Zealand and overseas.

This chapter provides a general outline and highlights a number of the key

features of the New Zealand system<sup>†</sup>.

## **Background**

There is a tension between the demand that as many people as possible should have qualifications, and the demand that those qualifications should also be of high standards. As the New Zealand tertiary education system has expanded into a mass education system, with increased participation and greater numbers of qualifications being awarded, more attention has been focused on the quality of the education being received.

Providers are hesitant about accepting new Government regulations and their commensurate compliance costs. At the same time most providers are interested in maintaining a reputation for quality. The costs imposed on providers could be reduced, especially by using new technology creatively. Quality assurance has to be more than a paper process. Moderation and audits are expensive, but are vital external checks. The NZQA's powers to impose conditions on the providers it has responsibility for has been increased by recent legislation. These powers are sufficiently flexible to allow a degree of adaptability in their application.

One area in which a reputation for quality is very important is the international education sector. The experience of international students currently engaged with New Zealand education providers is important to the long-term viability of the international education industry. The recognition that international education can provide for the New Zealand qualifications system itself contributes to the sustainability of the export education industry.

This chapter addresses the following issues:

- Types of institutions that provide cross-border higher education services in Asia and the Pacific, and by what modalities;
- Identification and profiling of Asia and the Pacific institutions exporting higher education services, their mode of supply, programme content and targets;
- How cross-border delivery of higher education services is affecting access to educational opportunities for different categories of people;
- The potential impact of GATS on teaching and learning, quality of

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<sup>†</sup> Further information can be obtained from the NZQA website [www.nzqa.govt.nz](http://www.nzqa.govt.nz).

- education, research and community service orientation on the part of universities, academic freedom and employment opportunities; and
- The regulatory frameworks under which cross-border provision of higher education services is taking place.

## **I. Provider types operating offshore‡**

Tertiary education in New Zealand describes all post-school education and training. Tertiary providers include 35 public institutions, including eight universities, 20 institutes of technology and polytechnics, four colleges of education, and three wānanga. There are also 43 Industry Training Organizations (ITOs), and some 860 Private Training Establishments (PTEs), which include English language schools.

In addition, there are many adult and community education providers. Qualifications are offered, ranging from Levels 2, 3 and 4 to Level 10 on the New Zealand Register of Quality Assured Qualifications (see *Annex 3* for further details). The Register has 10 levels. Levels 1-3 are approximately the same standard as senior secondary education and basic trade training.

In New Zealand, the traditional distinction between academic and vocational education has been broken down. All types of tertiary education providers can be accredited to offer degree qualifications, including in some cases, doctoral degrees. The division between secondary and tertiary education has also become less distinct, as the number of pathways to further education and training have increased.

### **Quality assurance in education providers and qualifications in New Zealand**

The New Zealand Qualifications Authority ([www.nzqa.govt.nz](http://www.nzqa.govt.nz)) has an overarching role in quality assuring qualifications and in co-ordinating national qualifications in New Zealand. The Qualifications Authority is directly responsible for the quality assurance of all education and training outside universities. Quality assurance in universities is the responsibility of the New Zealand Vice-Chancellors' Committee ([www.nzvcc.ac.nz](http://www.nzvcc.ac.nz)).

The Qualifications Authority has delegated quality assurance functions for polytechnics, other than for post-graduate qualifications, to the Institutes of Technology

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‡ Information about New Zealand providers operating off-shore is drawn from an unpublished research report (MOE, 2004).

and Polytechnics of New Zealand ([www.itpnz.ac.nz](http://www.itpnz.ac.nz)) and sub-degree courses for the colleges of education to the Association of Colleges of Education in New Zealand ([www.acenz.ac.nz](http://www.acenz.ac.nz)).

Registration, course approval, accreditation, and ongoing quality assurance are the four main features of the quality assurance process used in New Zealand.

### **Registration**

Registration indicates that a private provider is capable of providing high quality education and training in a sound and safe learning environment. The Qualifications Authority registers PTEs; approximately 860 are registered throughout New Zealand. schools, polytechnics, universities, colleges of education and wānanga (providers that focus on teaching and research of Māori tradition and custom) do not need to be registered as they are set up by the Government under legislation.

### **Course approval**

Course approval provides the public with an assurance that courses have been checked for quality. All quality assurance bodies in New Zealand use the same gazetted criteria for course approval. An approved course is a coherent programme that is based on clear and consistent aims, content, outcomes and assessment practices. All courses that enrol international students must be approved courses (unless exempted).

### **Accreditation**

Accreditation signals that a provider is capable of delivering an approved course or awarding National Qualifications Framework (NQF) credits. A provider must be registered and accredited to be able to report credit for standards on the NQF, or to deliver an approved course.

### **Ongoing quality assurance**

The Qualifications Authority, is responsible for registering and accrediting PTEs, Government training establishments (GTEs) and wānanga against Quality Assurance Standard One (QA Standard One). Once registered, audits take place on a cycle varying from one to three years. The Qualifications Authority takes a partnership approach to assessing quality and relies on three main processes:

- ongoing monitoring of provider activity;
- self-evaluation by providers; and
- quality audit.

## **Ongoing monitoring of provider activity**

The Qualifications Authority provides ongoing monitoring of provider quality through liaison with ITOs and Government agencies. Each quality auditor deals with a group of providers based on either geographical or provider type.

Providers are responsible for the quality of their own education and training programmes. They are expected to regularly undertake internal review and self-evaluation of their organization. Internal review enables an organization to self-assess their effectiveness against good practice criteria and to determine where they are in terms of compliance with the Authority's registration and accreditation requirements. Self-evaluation enables an organization to identify areas where improvement is needed and to develop action plans for improvement.

## **Quality audit**

The quality audit is important in safeguarding the interests of existing and prospective students. An audit verifies the performance of a provider as a whole, their management processes for achieving quality learning, and their success as an education organization. Each audit also involves a visit to the establishment. Put very simply, quality audit asks the following questions:

- *What education and training was planned and why?*
- *What resources and processes were put in place to do this?*
- *What actually happened? Was the programme run as planned and were the aims met?*
- *What was changed and why?*

## **Moderation**

Providers are required to submit an annual assessment plan to the Qualifications Authority. For each provider, assessment material for a sample of unit standards together with learner samples, are moderated by specialist subject moderators to ensure the national standard is achieved and maintained. Moderators are in turn moderated by national moderators.

## **Deregistration**

The Qualifications Authority can deregister a training provider and remove accreditation or part accreditation. The quality assurance standards and criteria used in New Zealand are available at:

<http://www.nzqa.govt.nz/for-providers/aaa/resources.html>

### Provider activities offshore

In 2003, 14 out of the 35 New Zealand public tertiary education providers, or just over half, offered programmes offshore. Five of the eight universities were involved in the provision of offshore programmes, as were seven of the twenty institutes of technology and polytechnics and two of the four Colleges of Education. None of the three wānanga were involved in offshore education delivery.

Just five from the 49 private training establishments surveyed by the New Zealand Ministry of Education offered programmes taken offshore in 2003 (see *Table 1*). A total of three of these five private training establishments offered their offshore programmes through cross-border supply (*Mode 1*)§. The other two private training establishments were involved in commercial presence (*Mode 3*).

Table 1. Offshore programmes by providers

Country/Region	2001 Programmes	2003 Programmes
Asia	21	26
Pacific	10	37
China	10	9
Australia	6	11

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#### § GATS Modes:

Mode 1: Services supplied from one country to another (e.g. international telephone calls), officially known as “Cross-Border Supply”;

Mode 2: Consumers from one country making use of a service in another country (e.g. tourism), officially known as “Consumption Abroad”;

Mode 3: A company from one country setting up subsidiaries or branches to provide services in another country (e.g. a bank from one country setting up operations in another country), officially known as “Commercial Presence”; and

Mode 4: Individuals travelling from their own country to supply services in another (e.g. an actress or construction worker), officially known as “Presence of Natural Persons”.



Others	16	6
<b>Total</b>	<b>63</b>	<b>89</b>

*Source:* MoE, 2002.

It is important to note that six out of the seven institutes of technology or polytechnics offered 30 out of 33 programmes. Similarly there were three out of the five universities which offered a total of six programmes. In both cases, there was one university and one polytechnic provider which offered a larger number of programmes using distance education. (See *Table 2*).

**Table 2. Offshore programmes by region**

Type of provider	Number of institutions	Total number
College of education	2	2
Polytechnic/Institute of technology	7	33
University	5	27
Wānanga	0	0
Private training establishment	5	27
<b>Total</b>	<b>19</b>	<b>89</b>

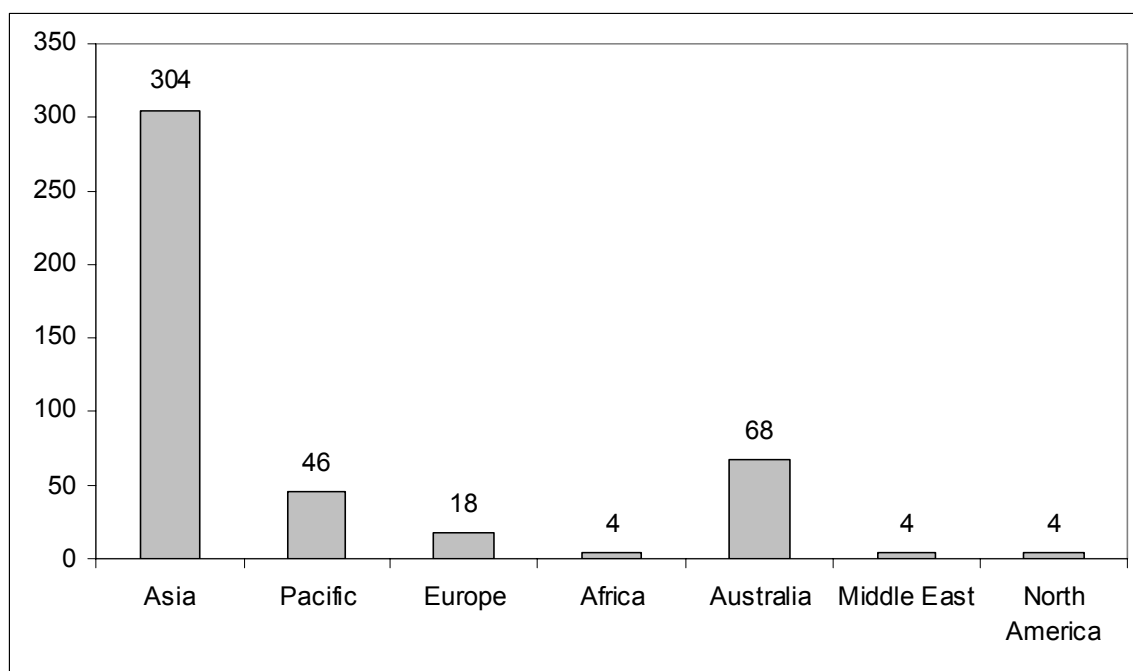
*Source:* MoE, 2002.

In 2003, a total of 26 offshore programmes were offered by New Zealand providers in Asia, and 37 in the Pacific Region\*\*.

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\*\* There are vastly more students enrolled in face-to-face programmes than in distance programmes. As a result, the number of programmes can be misleading if used in isolation.

Figure 1. Location of students enrolled in distance education programmes



## II. Modes of supply in Asia and the Pacific Region

A total of ten New Zealand providers offered 15 programmes through a commercial presence (*Mode 3*) and three providers offered four programmes through the presence of natural persons (*Mode 4*). These 19 programmes were split almost evenly between Asia (10) and the Pacific Region (9). However 76 per cent of the students studying offshore were in Asia, with only 24 per cent in the Pacific Region. Asia was also the main source of international students studying onshore in New Zealand in 2003.

Eight providers offered 70 programmes through cross-border supply (*Mode 1*). While these could potentially be offered 'world-wide' due to their mode of delivery, 68 per cent of students studied in Asia. The Pacific was the third most popular region with 10 per cent (behind only Australia with 15 per cent).

There has been a tendency by New Zealand providers to specialize, and only provide an offshore education service through one mode. Precise details of provider operations, the programmes they offer, and the mode they offer them through cannot be discussed in detail due to the commercially sensitive nature of the information.

## **Programme content**

A wide range of programmes were offered, including Commerce, Diesel Engines for Beginners, and Aromatherapy. The most popular field of study for offshore face-to-face provision was commerce/business administration.

## **Targets**

There are some marked differences between the modes. Half of all programmes offered at a distance (*Mode 1*) were at a post-secondary level, including foundation, vocational and technical courses. In contrast, more than half of the programmes offered through commercial presence (*Mode 3*) were at an undergraduate level. The number of programmes offered through the presence of natural persons (*Mode 4*) was evenly split between undergraduate and postgraduate, with no post-secondary programmes.

## **Comparison with Australia**

Official statistics from the Department of Education, Science and Technology (DEST) show that, for 2003, the number of overseas students enrolled in Australian higher education institutions offshore was 55,819, up by 11 per cent on 2002††. A total of 36 of 49 higher education institutions enrolled students in offshore programmes in 2003.

A survey by the Australian Vice-Chancellors' Committee (AVCC) shows that, as of May 2003, Australian universities provided 1,569 offshore programmes‡‡. This does not include other non-university tertiary education providers, and may include offshore agreements that are inactive or embryonic. More than 70 per cent of Australia's offshore programmes were in China, Malaysia and Singapore.

Offshore activity by Australian tertiary education institutions in 2003 was far ahead of New Zealand, particularly in terms of the numbers of offshore programmes, and in the number and proportion of enrolled international students. In all, 81 per cent of Australian universities offered at least one offshore programme in 2000, while 37.5 per cent of New Zealand universities offered at least one offshore programme in 2003. Australian universities offered an average of 20 offshore programmes each in 2003. New Zealand universities offered an average of six in total offshore programmes in 2003.

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†† Australian Education International (DEST, 2003).

‡‡ Australian Vice-Chancellors' Committee (AVCC, 2003).

New Zealand and Australian providers had a combination of similarities and differences in their regional foci. China was the largest offshore market for providers in both countries. However, the Pacific, which in Australia's case seems to be primarily Fiji, made up a very small proportion of Australia's offshore programmes, less even than South Africa. This contrasts with the importance of the Pacific to New Zealand, as this region was the location of almost 42 per cent of New Zealand's offshore programmes and 24 per cent of offshore students.

### III. Cross-border delivery of higher education

The general increase in cross-border provision of education services is generally seen as a positive development by the New Zealand Government, and on the whole benefits are seen to outweigh the risks and potential downsides.

#### **Students coming to New Zealand**

New Zealand is a net exporter of education services, and in particular large numbers of international students come to study on-shore in New Zealand. For these students New Zealand offers educational opportunities and a quality of education that many will not be able to access in their home nation. New Zealand's English language speaking educational environment is a key attraction, which offers both opportunities to learn English and to study other subjects in English. The overall effect of study in New Zealand should be improving both the intellectual capital of individuals and of their home nations when they return. New Zealand also offers pathways for further study and potential immigration to overseas students who have studied in New Zealand. In addition, New Zealand has international strengths in specific subject areas, for example agriculture and bio-technology, that offer particular benefits to students and to their home nation economies.

The Government has recently introduced a new series of scholarships to enable overseas students who may not otherwise be able to afford study in New Zealand the opportunity of a New Zealand education. These complement existing programmes run by 'non-profit' organizations and individual institutions. The 2004 Budget allocates funding over four years towards up to 100 postgraduate, and from 2006 up to 100 undergraduate scholarships. Academic merit is the main criterion for selection, with the initial target countries being China, Korea, the Association of Southeast Asian Nations (ASEAN) countries, Chile, Mexico, and Brazil, and from 2006 including Japan, North America, Europe and the Middle East.

Students coming to New Zealand to study also help domestic education through bringing an international perspective to courses of study, and the institutional environment, and also bring economic benefits which help to resource the New Zealand education system (and hence educational opportunities for New Zealanders). Alongside the benefits it is acknowledged that there are risks and in particular New Zealand may face capacity constraints that could affect the quality of education for both international and domestic students. One way of addressing these may be to further develop the involvement in offshore education which is discussed below.

### **Students leaving New Zealand**

New Zealand qualifications are of a world class standard. Someone who meets the secondary school requirements for university entrance can expect to be able to enter a university in Australia, the United Kingdom (UK) or United States of America (USA). A graduate with a first class honours degree from a New Zealand university can apply for doctoral programmes at foreign universities.

The Government has recently introduced a new series of scholarships to enable New Zealand students who may not otherwise be able to afford study offshore the opportunity of a foreign education. The 2004 Budget allocates funding over four years towards up to 100 scholarships. Academic merit and contribution to the Government's Growth and Innovation Framework are the main criterion for selection. These scholarships will complement existing programmes run by 'non-profit' organizations and exchange schemes at individual institutions.

### **Offshore education – New Zealand Exporting Services**

New Zealand is also active in the area of 'offshore education' whereby the students stay in their home nation (or may go to another nation other than New Zealand), and the service moves to them. New Zealand has proportionately less involvement in this area than competitor nations such as Australia, the UK and the USA (noting that accurate data is often difficult to source), but it is an area that both 'importer' nations and the New Zealand Government are looking to encourage.

Offshore education provides access to educational opportunities for students who may not be able to afford the cost of study and associated costs in New Zealand, or who are otherwise unable to travel (e.g. because of family responsibilities). It can also provide a cost-effective preparatory step to further education in New Zealand.

Depending on the model of delivery employed, students can benefit through access to high-quality and specialist New Zealand staff, through a New Zealand perspective in course development, delivery and moderation and through potential further education pathways in New Zealand or our competitor countries. It contributes to a greater range of choices for students who do not want to/cannot travel to New Zealand to study for all or some of their study.

#### **Offshore education – overseas-based institutions providing services in New Zealand**

There are also examples of overseas-based providers offering education services in New Zealand. As with New Zealand institutions going offshore there are a variety of ways this can be done from establishing a subsidiary, to working in partnership with an existing New Zealand based institution through to distance delivery/e-learning (or a combination of models). In some instances it is the international student market in New Zealand that is being targeted, in others domestic students or a mix.

This provides elements of increased choice and competition to the provision of higher education services in New Zealand, and can provide access to qualifications that are not otherwise available in New Zealand, but are perceived to have value internationally.

#### **IV. THE POTENTIAL IMPACT OF GATS**

New Zealand depends on trade. Exports and imports underpin growth in our economy. The value of trade is equivalent to two-thirds of this country's total economic activity. Our ability to export is crucial to reaping the rewards for being world-class producers of food, processed goods, manufactured goods, bright ideas and other services such as education and tourism.

New Zealand's ability to compete as a 'knowledge-based economy' and reduce its reliance on agricultural goods trade is strongly linked to continued growth in our services exports.

While New Zealand has traditionally relied on agriculture and industry for export earnings, an emerging area of importance is trade-in-services. Services now account for around a quarter of New Zealand's export earnings and the trend indicates this country will increasingly earn more from exports of services than it spends on intangible products and know-how from overseas. Moreover, access to efficient and cost-competitive services – ranging from business services to transport – constitutes an important underpinning for all domestic economic activity.

New Zealand has an open economy that places few barriers in the way of foreign services providers. That's not the case in all countries; sometimes our service exporters encounter barriers overseas. New Zealand's export interests can best be advanced through our membership of the World Trade Organization (WTO), and our participation in the services negotiations, which promote the maintenance of a rules-based system for trade in services. The certainty and stability of access afforded by the WTO/General Agreement on Trade in Services (GATS) encourages growth and prosperity in developed and developing countries alike.

New Zealand's chief objective for the services negotiation is to improve the access for New Zealand services exporters in key markets and their ease of operation in those markets. Growth in cross-border education (CBE) is occurring even without GATS liberalization. The General Agreement on Trade in Services (GATS) is not a solution for all of the problems of cross-border education. There are alternative approaches, such as education co-operation and mutual recognition agreements. The GATS has the potential to (i) reduce technical barriers; (ii) provide a framework for trade in services; (iii) improve the clarity of rules, and (iv) help in keeping existing markets open.

The Government has made it clear that New Zealand's public services will not be undermined in any way. Under the GATS, the Government retains the right to regulate and fund services supplied in the exercise of Government authority in the manner it determines best meets broader policy objectives. GATS commitments on health, drinking water and public education are not, therefore, on the agenda. The GATS was the first major multilateral trade agreement New Zealand signed up to that explicitly acknowledged the unique position of Maori in New Zealand. This means that now, and in the future, the GATS will not get in the way of the Government taking specific measures in support of Maori service providers.

### **Economic value of education services**

In March 2004 "Education New Zealand", the export education industry body, announced that the value of export education to the New Zealand economy during 2003 reached NZ\$2,277 billion, and that the numbers of international students in New Zealand had peaked in 2003 at nearly 120,000.

### **New Zealand's existing GATS commitments**

New Zealand has only made commitments in respect of education for Primary, Secondary and Tertiary providers. There are no specific limitations on market access or national treatment for these commitments, except for *Mode 4*, "unbound except as indicated in the horizontal section".

New Zealand's general horizontal commitments can be summarized as:

*Mode 3:* Overseas Investment Commission approval required for some investments by an overseas person (being investments > NZ\$10 million, acquisition of rural land;

*Mode 4:* Various limitations on the movement of natural persons for market access and national treatment; and

*Modes 1-3:* National treatment, unbound for current and future measures ... according more favourable treatment to any Maori person or organization in relation to the acquisition, establishment or operation of any commercial or industrial undertaking§§.

Education services were not included in New Zealand's initial offer in the Doha round of negotiations. New Zealand did extend a negotiating proposal for education services on 26 June 2001, considering that there was scope for a balance between pursuing domestic education priorities and exploring ways in which trade in education services can be further liberalized.

### **Potential impact of GATS on teaching and learning**

Trade in education services provides benefits to participating economies at the individual, institutional and societal level, through academic exchange, increased cross-cultural linkages and technology transfer. Increased access to education where it has previously been limited is a vital component in the development of human capital. GATS can help reduce the infrastructural commitments required of Governments, and so free resources to be concentrated on other aspects of education policy.

New Zealand has required foreign students studying in New Zealand to pay full fees since 1989. There is a perception that some public institutions are now dependent on fees paid by foreign students in order to maintain their existing teaching and learning environment. This situation has occurred without GATS and recognition of this issue has led to the development of a strategic approach to ensuring sustainable markets.

International students studying in New Zealand can have different desired outcomes from education when compared to domestic students. International students studying at secondary level can be more focused on meeting university entrance requirements than domestic students. International students from Asia are interested in high quality education that is value for money. International students from Australia, Europe, or North and South America, in comparison, are more attracted to study in New Zealand for its scenery, lifestyle and culture. New Zealand will not compromise on the quality of the courses being offered to international students.

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§§ A complete list of all New Zealand's GATS commitments can be found on the WTO web site at [www.wto.org](http://www.wto.org).



A national survey of international students, undertaken for the New Zealand Ministry of Education in late 2003 (Ward & Masgoret, 2004), indicated that while the large majority of international students were comfortable with their level of academic success and are finding academic tasks manageable, a small number (under 5 per cent) experienced great difficulty in their studies, particularly with tasks such as making oral presentations, taking tests or exams, or asking questions in class. A somewhat higher percentage (13 per cent) was not at all satisfied with their self-reported academic progress\*\*\*. International students require good support facilities if they are to succeed academically.

### **Potential impact of GATS on quality of education**

All learners in the New Zealand education system should receive the best possible quality of education to help them achieve to the very best of their abilities. This commitment to quality education applies every bit as much to the international students in New Zealand as to domestic students. Key agencies here are the Ministry of Education (MOE), the New Zealand Qualifications Authority (NZQA) and Education Review Office (ERO).

In order to develop and protect the quality and international reputation of New Zealand's education activities, significant new investment is being made in strengthening quality systems for international education by New Zealand providers, with a focus on educational achievement by international students in New Zealand.

The regulatory frameworks for cross-border education (see section below) will not be undermined by GATS.

### **Research and community service orientation on the part of universities**

There is no expectation of a proliferation of universities from offshore in New Zealand because the use of 'university' is restricted in New Zealand, *Section 292 (4) (a)* of the Education Act 1989. A university is required to meet standards for research and community learning.

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\*\*\* This figure does not imply that this percentage of students were failing academically – merely that they were not meeting their own expectations. The survey did not attempt to compare self-reported academic progress with any objective measures in terms of actual achievement.

Section 162 (4) (a) of the Education Act, 1989 “requires that universities have all the following characteristics and other tertiary institutions have one or more of those characteristics:

- (i) They are primarily concerned with more advanced learning, the principal aim being to develop intellectual independence.
- (ii) Their research and teaching are closely interdependent and most of their teaching is done by people who are active in advancing knowledge.
- (iii) They meet international standards of research and teaching.
- (iv) They are a repository of knowledge and expertise.
- (v) They accept a role as critic and conscience of society”.

Section 162 (4) (b) (iii) stipulates: “A university is characterized by a wide diversity of teaching and research, especially at a higher level, that maintains, advances, disseminates, and assists the application of, knowledge, develops intellectual independence, and promotes community learning”.

GATS may lead to universities becoming more involved in collaborative research if joint ventures with offshore institutions become more attractive.

### **Potential impact of GATS on academic freedom**

GATS is not expected to impinge on the academic freedom of tertiary education institutions in New Zealand, as there currently exists strong statutory protection and cultural norms that support academic freedom.

Section 161 (1) of the Education Act 1989 states that: “It is declared to be the intention of Parliament in enacting the provisions of this Act relating to institutions that academic freedom and the autonomy of institutions are to be preserved and enhanced”. An institution is defined in the Act as a university, polytechnic, college of education, specialist college, or wānanga, i.e. it excludes PTEs.

### **Potential impact of GATS on employment opportunities**

Employment opportunities depend on a number of factors, including:  
recognition of qualifications;  
legislative and regulatory requirements for appropriate qualifications in specific professions;  
ease of travel between countries; and  
general economic situation.

New Zealand has few restrictions on the types of employment that can be entered into by foreign citizens, so further liberalization may have little impact. Liberalization can be achieved without GATS. The Services Protocol of the Closer Economic Relations Agreement between Australia and New Zealand is New Zealand's most extensive services agreement. Commitments under the Protocol cover virtually all sectors and are supplemented by the Trans Tasman Travel Arrangement, which permits the free movement of labour between the two countries, and the Trans Tasman Mutual Recognition Agreement, which provides for the recognition of occupational qualifications and registration.

## **V. Regulatory frameworks**

The regulatory framework under which cross-border provision of higher education is taking place in New Zealand was established by:  
the Education Act 1989;  
regulations promulgated in gazetted criteria.

### **Foreign providers in New Zealand**

All courses leading to degrees and related qualifications awarded in New Zealand must be approved by the New Zealand Vice-Chancellors' Committee (NZVCC) (for universities registered in New Zealand) or the Qualifications Authority (or a delegated quality assurance body). All providers of Qualifications Authority approved courses must be accredited to offer the programmes in question. Other overseas courses will require approval if:  
they are being delivered to foreign students;  
public funding is sought for students enrolling in the course; or  
public funding is sought for the organization providing the course.

An exemption from the requirement for course approval is possible for courses of less than three months duration being delivered to foreign students, if the course is recreational in nature. This includes hobby, leisure, and experiential activities.

Where an overseas course is to be offered in New Zealand and approval is required, the New Zealand provider must provide evidence of approval and details of the approval process undertaken by an overseas agency. If the criteria applied to the proposal are similar to those of the Qualifications Authority and the process applied was adequately rigorous, the Qualifications Authority may negotiate an amended approval process. The Qualifications Authority will consider the potential for legal, professional or cultural requirements and concerns that may impact on the acceptability of the course for New Zealand conditions. So far every application is being examined in detail.

If the course is to be managed in conjunction with a New Zealand based organization, a memorandum of co-operation between the partner organizations is required. The same considerations inform the accreditation process. A memorandum of co-operation must specify responsibility for the delivery, assessment, moderation, resources, and monitoring of the course.

The number of foreign providers currently involved in collaborative arrangements for the delivery of education in New Zealand is small, perhaps around ten to twenty, although the number of applications is increasing. There have been two main hurdles for foreign providers. The first of these is the requirement to establish a corporate body in New Zealand (or to contract with an existing body). Combined with legal restrictions on the use of some institutional names this can prevent foreign providers from directly using their institution name in New Zealand<sup>†††</sup>. The second hurdle has been in establishing the equivalency of degree programmes, especially for Masters Degrees, because of the high level of research required by both teacher and learner.

### **New Zealand providers operating offshore**

The quality assurance requirements for New Zealand providers operating overseas have been developed in tandem with those for foreign providers operating in New Zealand. International delivery of courses requires site-specific accreditation. Any recognized New Zealand-based provider operating overseas must provide evidence to the Qualifications Authority that the overseas operations:

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<sup>†††</sup> In order to be accredited to deliver approved courses in New Zealand, or to deliver courses to foreign students in New Zealand, an education provider must be a registered establishment. The Education Act (1989) requires ministerial consent before ‘university’, ‘polytechnic’, or ‘college of education’ can be used in a provider name. This means that foreign providers have to establish themselves as a private training establishment in New Zealand, or enter into a contractual arrangement with an already registered education provider, in order to deliver education and training in New Zealand.

are covered by the provider's quality management system;  
are consistent with the standards of the provider's New Zealand operations;  
comply with legal requirements in that country; and  
are acceptable to the relevant educational authorities in that country.

Courses delivered overseas by registered providers are subject to the same course approval requirements as courses delivered in New Zealand, and the approval process may be extended to meet requirements of any overseas accreditation body. Where courses are delivered in conjunction with an overseas provider, the approval process must include:

a formal evaluation of the effectiveness of any collaborative arrangements;  
a statement on the standing of the overseas provider and evidence that this organization meets appropriate quality and course management requirements. The requirements must be equivalent to those expected of a New Zealand provider;  
a formal memorandum of co-operation between the New Zealand provider and the overseas provider<sup>†††</sup> details of the quality assurance processes applying to the overseas provider, where appropriate, with respect to the approval, accreditation and monitoring of the particular course under consideration.

In one sense, it is easier for the Qualifications Authority to assure quality among foreign providers operating in New Zealand because the jurisdictional authority is clear. In attempting to assure quality among domestic providers operating in a foreign country the Qualifications Authority's legal mandate is less clear. A New Zealand Government agency requires explicit statutory provision to operate outside New Zealand. The Qualifications Authority has only had this provision since 1998, and an amendment was required in 2001 to allow course approval and accreditation<sup>§§§</sup>.

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<sup>†††</sup> This must include a detailed outline of processes for the management and award of the qualification for students, including the provisions for the management of students and student results should the proposed arrangement cease to operate.

<sup>§§§</sup> Section 253 (1) (g) *"To assist overseas Governments, and agencies of those Governments, by:*

- (i) conducting examinations and assessments;*
- (ii) approving programmes and courses of study;*
- (iii) accrediting providers to deliver programmes and courses of study;*
- (iv) assisting Governments and agencies to develop and conduct examinations, and to develop and confer awards".*

The Qualifications Authority has encountered a wide variety of problems in attempting to assure quality over international borders, including: the reluctance of some foreign agencies to make commitments, or even to acknowledge correspondence; different levels of engagement between local and central Governments; and dealing with unknown and changing local regulations.

### **Code of practice**

The Code of Practice for the Pastoral Care of International Students (the Code) applies to all education providers in New Zealand with international students enrolled. The Code is mandatory to these providers and must be signed by them. The Ministry of Education maintains a register of all Code signatories.

The Code is a document that provides a framework for service delivery by educational providers and their agents to international students. The Code sets out the minimum standards of advice and care that are expected of educational providers with respect to international students. The Code sets standards to ensure that:

- the recruitment of international students is undertaken in an ethical and responsible manner;
- information supplied to international students is comprehensive, accurate and up-to-date;
- students are provided with information prior to entering into any commitments;
- contractual dealings with international students are conducted in an ethical and responsible manner;
- the particular needs of international students are recognised; and
- international students are in safe accommodation.

The International Education Appeal Authority (IEAA) is an independent body established to receive and adjudicate complaints received from international students concerning alleged breaches of the Code\*\*\*\*. The Code requires all providers to have fair and equitable internal grievance procedures for students. These must be exhausted before a student can take the complaint before the IEAA. The IEAA enforces the standards in the Code, and can impose sanctions for a breach of the Code. A serious breach can be referred to the Review Panel, which can remove or suspend an education provider as a code signatory, preventing a provider from enrolling more international students.

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\*\*\*\* The Qualifications Authority records all complaints that it receives about PTEs, Government training establishments and *wananga*, but can only follow up complaints specific to an individual where the student or staff member is willing to be identified. Complaints about universities, polytechnics, or colleges of education are heard by their respective quality assurance bodies.

## **Student fee protection**

The purpose of student fee protection is to protect the interests of students, both domestic and international, in all circumstances that result in a registered PTE ceasing to offer a course in which a student is enrolled. This protection includes all payments made to a PTE by or on behalf of a student and includes accommodation and living expenses, where applicable.

The policy for PTEs has been reviewed and a revised policy was implemented 31 May 2004. The policy is a balance between giving providers a choice of options, while ensuring that all options meet specific criteria††††. The policy is based on these principles and criteria:

the need for students to be given choice, in a course closure event, between alternative providers, where available, and the choice of receiving a refund of the remaining fees;

the Qualifications Authority must be assured of the financial viability of the fee protection supplier;

a higher level of independence between the fee protection supplier and the PTE;

with student trust accounts, students should pay funds directly into the trust account; and

a higher level of reporting by PTEs and fee protection suppliers to the Qualifications Authority, to enable closer monitoring of compliance.

## **Conclusions**

The bulk of international education in New Zealand is still largely ‘consumption abroad’, where students are travelling to New Zealand to study. It is anticipated that more foreign education providers will seek to establish a commercial presence in New Zealand over the next few years. An increase in New Zealand providers operating overseas is also expected, although growth has been flat over the last three years.

Asia still represents a significant market and currently 76 per cent of students studying offshore are in Asia with the remainder in the Pacific Region. The most popular types of programmes offered in the vocational area have included: Diesel Engines for Beginners and Aromatherapy. The most popular types of programmes offered in the higher education area include Commerce, and Business Administration.

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†††† Permissible options for student fee protection include: deferred payment, where students pay in arrears of tuition; standard trust accounts, where fees are drawn down in arrears; static trust accounts, where an amount equal to total liability is held in trust; company or parent body guarantees; bank bonds; student-based bonds; student-based insurance; or Collaborative arrangements.

The general increase in cross-border provision of education services is generally seen as a positive development by the New Zealand Government and on the whole, benefits are seen to outweigh the risks. New Zealand depends on trade. Exports and imports underpin New Zealand's economy, as the value of trade is equivalent to two-thirds of this country's total economic activity. New Zealand's ability to compete as a knowledge-based economy and reduce its reliance on agricultural goods trade is strongly linked to continued growth in export services. Liberalization in international education services may have little impact on education in New Zealand. Liberalization of trade in services can be achieved without GATS.

Tertiary education in New Zealand is well regulated by the Government covering both public and private providers. Regulations govern the activities of foreign providers in New Zealand, providers operating off-shore, a code of practice is in place for the pastoral care of international students, and a student protection scheme has been established to protect the financial interests of students.

New Zealand is well positioned to establish a niche market for international students in partnership with countries in Asia and the Pacific Region which could include both offshore and onshore provision.

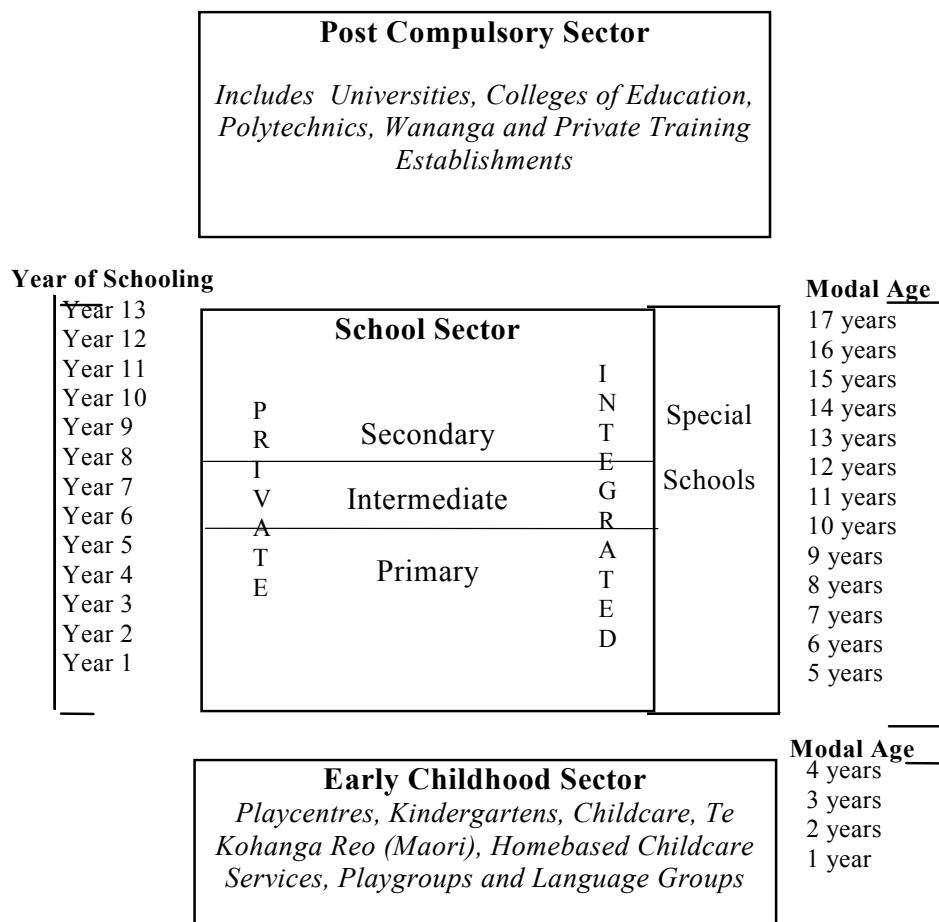
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## Appendices



## Annex 1. The New Zealand education system

Figure 1. Overview of the New Zealand education system



Source: The National Qualifications Framework (NQF) (2002) "The New Zealand Experience". A Paper delivered to the Scottish Credit and Qualifications National Conference, Glasgow, 2002.

## **Schooling in New Zealand**

Compulsory education in New Zealand is divided into primary, intermediate and secondary schooling. Primary schools are the first level. They cater for children from the age of five years –Year 0 – to the end of Year 6. Children in Years 7 and 8 may either be in a separate intermediate school or part of a primary, secondary or composite/area school. Secondary schools usually provided for students from Year 9 until the end of Year 13. Adult students who return to school enter in whichever year the majority of their subjects are in. Area/composite schools, which are usually based in rural areas, combine primary, intermediate and secondary schooling at one location.

### **Types of schools**

While most students in New Zealand attend state-funded schools, parents or caregivers and students have the choice of a number of schooling options. State schools are co-educational (mixed sexes) at primary and intermediate level but some offer single-sex education at secondary level. Lessons are based on the New Zealand Curriculum. Some state schools offer special programmes for adult students or run community education classes.

**Kura kaupapa Māori** are state schools where the teaching is in the Māori language (te reo Māori) and is based on Māori culture and values. The curriculum is the same as at other state schools. Kura kaupapa cater for students from years 1-8 or years 1-13. These schools provide ongoing education in te reo Māori, building on from kāhanga reo (Māori language early childhood education centres). A key goal of kura kaupapa is to produce students who are equally skilled in both Māori and English.

**Special schools** are state schools that provide education for students with special education needs. The curriculum is the same as at other state schools.

**Integrated schools** are schools that used to be private and have now become part of the state system. They teach the New Zealand Curriculum but keep their own special character (usually a philosophical or religious belief) as part of their school programme. Integrated schools receive the same Government funding for each student as state schools but their buildings and land are privately owned so they charge attendance dues to meet their property costs.

**Designated character schools** are state schools that teach the New Zealand Curriculum but have been allowed to develop their own set of aims, purposes and objectives to reflect their own particular values.

**Independent (or private) schools** are governed by their own independent boards but must meet certain standards in order to be registered. Independent schools may be either coeducational or single-sex. They charge fees, but also receive some subsidy funding from the Government.

**Boarding schools** may either be independent or part of a state-funded school. All charge boarding fees.

**The Correspondence School (TCS)** provides distance learning for more than 18,000 students across New Zealand. Students may live a long way from their nearest school, live overseas, study with TCS for medical reasons or have special needs. Secondary students may also enrol in specific subjects if these are not available at their regular school. TCS provides over 300 courses from new entrants to adults seeking to continue education at secondary level. They also offer programmes in early childhood and some specialist adult education courses, such as English for speakers of other languages (ESOL). The school is committed to using information communications technology (ICT) solutions to improve education. Its eSection pilot is currently providing learner centred, on-line teaching for more than 200 students. TCS is making significant investment in ICT solutions to meet the needs of all present and future students.

**Home-based schooling** is available for parents and caregivers who want to educate their children at home.

### ***The New Zealand tertiary education system***

The term tertiary education in New Zealand describes all post-school education and training. Tertiary providers include 35 public institutions, including eight universities, 20 institutes of technology and polytechnics, four colleges of education, and three wānanga.

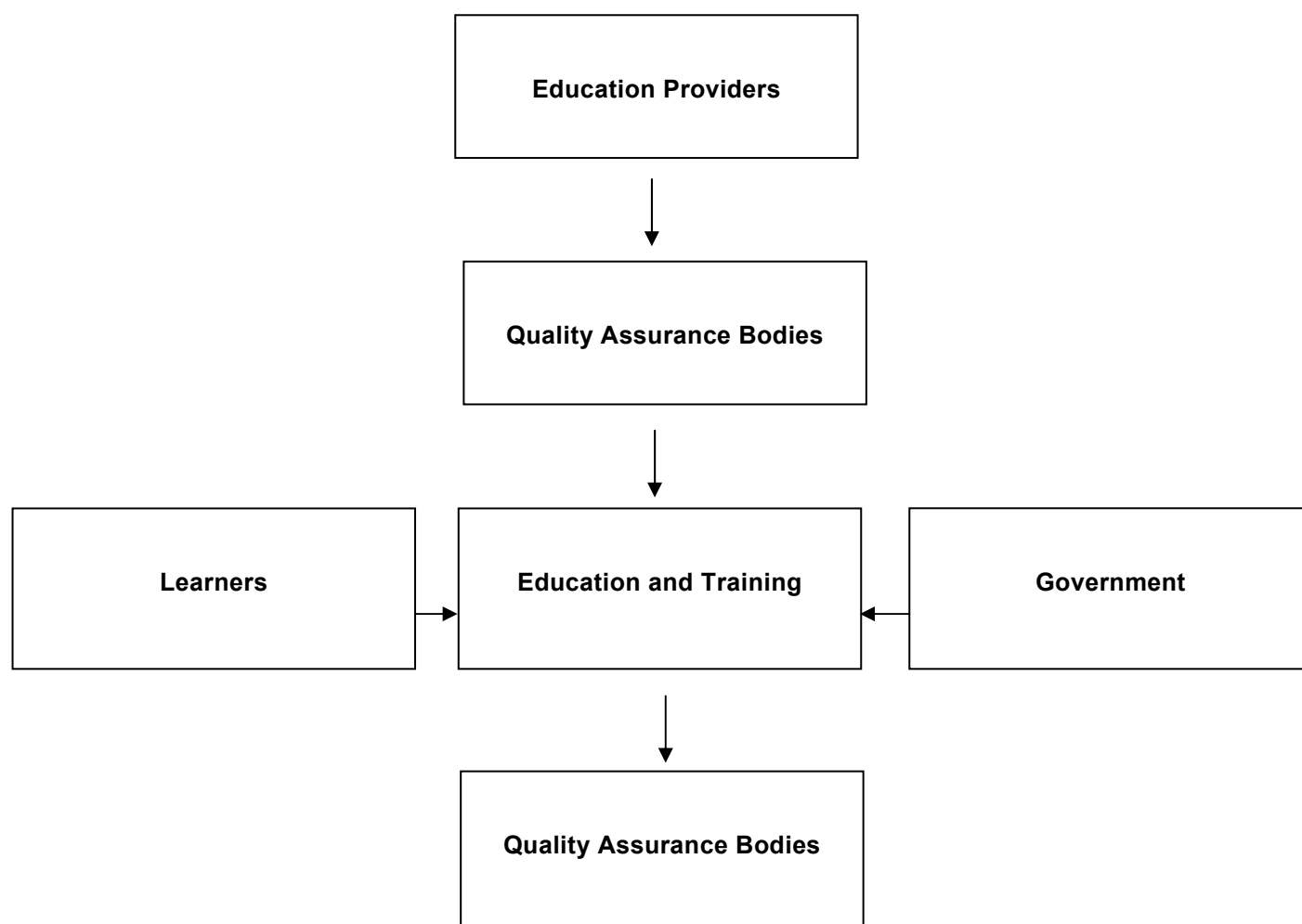
There are also 41 industry training organizations, and some 800 private training establishments, which include English language schools.

In addition, there are many adult and community education providers.

Qualifications are offered, ranging from Levels 2, 3 and 4 to Level 10 on the New Zealand Register of Quality Assured Qualifications. The Register has ten levels. Levels 1-3 are approximately the same standard as senior secondary education and basic trade training.

## Annex 2. Quality assurance of qualifications

Figure 2. Key elements of the qualifications and quality assurance system



**Source:** OECD (2004) “The Role of the National Qualifications Systems in Promoting Lifelong Learning”. Background Report for New Zealand. Paris: OECD. October 2004.

### **Annex 3. New Zealand Register of Quality Assured Qualifications (KiwiQuals)**

#### **Introduction**

All qualifications shown on the New Zealand Register of Quality Assured Qualifications, Te Āhurutanga are quality assured. All qualifications on KiwiQuals have been approved by a recognized body and are delivered by an accredited education or training organization.

KiwiQuals can compare qualifications that are 40 credits or above.

#### **Background**

In March 2001, the Board of the New Zealand Qualifications Authority (NZQA) agreed the policy framework and qualifications definitions for the Register. The Register has the support of the New Zealand quality assurance bodies (QABs): the New Zealand Vice-Chancellors' Committee (NZVCC), the Association of Polytechnics in New Zealand and the Association of Colleges of Education in New Zealand.

The key purposes of the Register are to:

- clearly identify all quality assured qualifications in New Zealand;
- ensure that all qualifications have a purpose and relation to each other that students and the public can understand;
- maintain and enhance learners' ability to transfer credit by the establishment of a common system of credit;
- enhance and build on the international recognition of New Zealand qualifications.

The National Qualifications Framework (NQF), comprising unit and achievement standards, continues to be a key subset of the Register with benefits for learners associated with the setting of national standards and credit accumulation. Registration criteria are intended to ensure that:

- quality assurance of qualifications is consistently applied;
- people can compare qualifications;
- people can make informed choices about which qualification pathway they will pursue;
- The agreed definitions of the names of qualifications support;
- the comparability of qualifications;
- the easy understanding of qualifications;
- international recognition of qualifications.

#### **Credit transfer**

Credit transfer is a process whereby credit already achieved for one qualification is recognised towards a new qualification. This may occur on a case-by-case basis between providers/qualifications developers and individuals or as a structured agreement between

providers.

The Register enables you to view and compare all qualifications that have been quality assured in New Zealand – it does not provide a tool for credit transfer. For more information on an education provider's specific credit transfer policy, please contact the provider directly. Providers have agreed to have consistent credit recognition and credit transfer process in place from January 2004.

Figure 3. The New Zealand register of quality assured qualifications

<b>LEVEL</b>	<b>NAMING SEQUENCE</b>
<b>10</b>	<b>Doctorates</b>
<b>9</b>	<b>Masters Degrees</b>
<b>8</b>	<b>Postgraduate Diplomas and Certificates, Bachelors Degrees with Honours</b>
<b>7</b>	<b>Bachelors, Graduate Diplomas</b>
<b>6</b>	<b>Graduate Certificates</b>
<b>5</b>	<b>Diplomas</b>
<b>4</b>	<b>Certificates</b>
<b>3</b>	
<b>2</b>	
<b>1</b>	

**Annex 4. Relationship structure**

**Figure 4. Relationship structure for the New Zealand**

**Qualifications and Quality Assurance System**



## **Organizations responsible for the development, accreditation, management and award of qualifications and the recognition of learning in New Zealand <sup>\*\*\*\*</sup>**

### **Ministry of Education**

The Ministry of Education (MOE) gives policy advice, implements policies, develops curriculum statements, allocates resources and monitors effectiveness across the early childhood and compulsory schooling sectors. The Ministry's role in tertiary education is focused on the strategic dimensions of policy formation, analysis, advice and monitoring. It is responsible to the Minister of Education and acts as the agent for the Minister in negotiating a purchase agreement with NZQA for the services NZQA provides.

### **Education Review Office**

The Education Review Office (ERO) also reports to the Minister of Education and is the Government department responsible for evaluating and reporting on education in all schools, all early childhood services, and all other forms of pre-tertiary education in New Zealand.

### **The New Zealand Qualifications Authority**

The New Zealand Qualifications Authority (NZQA) is a Crown agency reporting directly to the Minister of Education. The NZQA is responsible for implementing and maintaining a comprehensive framework of qualifications in post-compulsory education and training, and senior secondary schooling. The NZQA is responsible for granting permission for an institution to use protected terms in qualifications such as 'degree', 'national' or 'New Zealand'. The Minister of Education is also required to consent to the use of the terms 'polytechnic', 'college of education', 'university', and 'wānanga' <sup>§§§§</sup>. The NZQA is required by law to work with the NZVCC on matters directly concerning universities. In other areas the NZQA has delegated powers and functions to the APNZ and the ACENZ.

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<sup>\*\*\*\*</sup> See *Annex 2* for a diagram of the relationship structure between these organizations.

<sup>§§§§</sup> A wānanga is characterized by teaching and research that maintains, advances, and disseminates knowledge and develops intellectual independence, and assists the application of knowledge regarding ahuatanga Māori (Māori tradition) according to tikanga Māori (Māori custom).



## **Tertiary Education Advisory Commission**

The Tertiary Education Advisory Commission (TEAC) was established by the Government in April 2000 to provide advice on the future strategic direction of New Zealand's tertiary education system. As a result, a TES has been developed for 2002-2007 and a permanent Tertiary Education Commission (TEC) was established as a Crown entity at the start of 2003.

The TES is an overarching strategy that seeks a more connected, relevant and strategic tertiary sector, with Government funded education and training linked to the wider economic and social goals of New Zealand. Complementing the TES is the Statement of Tertiary Education Priorities (STEP), which outlines the Government's short and medium-term priorities for tertiary education. The TEC will seek to co-ordinate and align tertiary education provision with the TES and the current STEP.

The TEC is responsible for the whole tertiary sector, including: vocational education and training, foundation skills, adult and community education, industry training, universities, polytechnics, colleges of education, wānanga, PTEs and other tertiary providers. The TEC incorporates what were Skill New Zealand and the Tertiary Resource Division of the MOE. The TEC is to work closely with all stakeholders and is responsible for:

- advancing the TES goals;
- giving effect to the STEP;
- allocating funding to tertiary education and training organizations according to a new integrated funding framework;
- building the capability and capacity of tertiary education and training organizations to contribute to national goals;
- advising Government on the TES, STEP and the activities and performance of the sector generally;
- negotiating a new system of charters and profiles to steer the tertiary education system.
- New Zealand Vice-Chancellors' Committee

In 1990, the New Zealand Vice-Chancellors' Committee (NZVCC) assumed some of the functions of the former University Grants Committee at the interface between the Government and the universities. The NZVCC works through a permanent secretariat based in Wellington and has delegated a number of functions to a range of standing committees generally consisting of a representative from each university.

The NZQA consults with the NZVCC to determine criteria for validating and monitoring university qualifications. The NZVCC nominates university representatives to panels convened by the NZQA for the evaluation of non-university degrees.

### **The Committee on University Academic Programmes**

The Committee on University Academic Programmes (CUAP) is the standing committee of the NZVCC that considers academic matters across the university system. These include inter-university course approval and moderation procedures, advice and comment on academic developments, the encouragement of the coherent and balanced development of curricula and the facilitation of cross-crediting between qualifications. The CUAP also has responsibility for oversight of inter-university subject conferences. Its membership includes representation of other tertiary education interests and the student body. A sub-committee of the CUAP deals with matters relating to entrance to universities, although the NZQA has a statutory role as the final body for appeals on university entrance matters.\*\*\*\*\*

### **Institutes of Technology and Polytechnics New Zealand**

The Institutes of Technology and Polytechnics Quality (ITPQ) is a committee of the Institutes of Technology and Polytechnics New Zealand (ITPNZ). The ITPQ operates the authority delegated to the ITPNZ by the NZQA under the Education Act (1989). The ITPQ is responsible for approving polytechnic programmes and accreditation of polytechnics to deliver approved programmes and programmes based on unit standards registered on the National Qualifications Framework up to undergraduate level. The ITPQ has also been delegated the authority from the NZQA to audit polytechnics, and systematically audits all of the polytechnics for compliance and effectiveness. From July 2003 the ITPQ will approve and accredit all degrees, graduate diplomas and certificates in polytechnics, and from 2004 the ITPQ will take over monitoring of all undergraduate degrees in polytechnics.

### **Colleges of Education Accreditation Committee**

*The Colleges of Education Accreditation Committee (ACENZ) holds the delegated authority from the NZQA under the Education Act (1989) for the approval and accreditation of non-degree programmes offered within the colleges of education. The CEAC carries out this function for the ACENZ, and ensures monitoring of programmes is in place. The ACENZ seeks to promote exemplary academic quality assurance through the operation of the CEAC.*

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\*\*\*\*\* See Annex 3 for the New Zealand Universities Academic Audit Unit.

## **Role of social partners in the qualifications system**

Government bodies consult with social partners where appropriate, including unions, employer and education bodies, such as Business New Zealand and the Council of Trade Unions†††††.

The NZQA has a Board of eight to ten members reflective, rather than representative, of education, industry and employer interest groups. The Minister of Education appoints the NZQA Board. The councils of public education institutions are required to include representatives of general and academic staff, students, employers, workers and professional bodies. It is desirable for a council to also be reflective of the ethnic and socio-economic diversity of the communities they serve, and the fact that half the population is female and half is male.

## **The Industry Training Federation**

The Industry Training Federation (ITF) is a membership-based organization, representing ITOs, to the Government. The ITF works with other agencies and sector groups to improve the policy for and delivery of industry training. The ITF has a national office in Wellington. There are currently 41 members of the ITF. The ITF's key objectives are to:

- promote and support the continuous improvement of ITO performance within a quality culture;
- lead the development of policy advice, research and evaluation into all key vocational education and training policies including industry training; and
- influence Government, Government agencies and key sector groups to improve the policy for and delivery of industry training.

## **Industry Training Organizations**

*The Industry Training Organizations (ITOs) are organizations created under the provisions of the Industry Training Act (1992). In 1999, 76 per cent of the workforce was covered by an ITO, rising to 80 per cent in 2001. Some important areas, such as information technology, finance and insurance, health, education, business, management, and law do not participate in industry training. The enabling legislation was updated in 2002, so that ITOs are to provide leadership within industry on matters relating to skill and training needs. This is in addition to the two main roles ITOs had in the original Act: developing and maintaining national industry education and training standards; and making arrangements for the delivery of industry training that meets the current and emerging needs of industry.*

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††††† In New Zealand 'social partners' are often referred to as stakeholders.

All industry training can lead to credit and qualifications on the NQF. ITOs do not deliver industry training, but rather arrange training for employers and employees in their industries. Industry-based training is delivered by individual enterprises. The training is delivered predominantly on the job, often in conjunction with components of off job learning delivered by tertiary education providers. ITOs manage the quality assurance of industry-based training in conjunction with the NZQA by developing unit standards for registration, registering employees as work-place assessors, monitoring training and assessment, and managing learning and reporting systems. 41 of the ITOs are accredited to register assessors.

Employers are key participants in ITOs, helping to build industry ownership of training and training infrastructure. The representation of social organizations, such as unions, varies according to the ITO. However, the new provisions in the legislation require ITOs to develop arrangements for the collective representation of employees in the governance of the ITO.

## **Annex 5. Glossary**

*College of Education:* A college of education is characterized by teaching and research required for the pre-school, compulsory and post-compulsory sectors of education, and for associated social and educational service roles.

*Credit:* is the agreed measure of the amount of learning (estimated by a provider or developer) typically required in gaining a qualification. This estimate of learning time includes direct time spent with teachers, time spent preparing for and doing assignments and time spent in assessment. Credit is awarded when achievement is assessed and meets specified standards. Evidence of achievement can be collected from a variety of sources.

*Credit Transfer:* is a process whereby credit already achieved is recognized towards a new qualification. This may occur on a case by case basis between providers/qualifications developers and individuals or as a structured agreement between two or more providers.

*Hāpu:* clan, sub-tribe.

*Iwi:* folk, people, tribes.

*Māori:* the indigenous inhabitants of New Zealand.

*Pakeha:* New Zealand citizen of European descent.

*Institute of Technology/Polytechnic:* Is characterized by a wide diversity of continuing education, including vocational training, that contributes to the maintenance, advancement, and dissemination of knowledge and expertise and promotes community learning, and by research, particularly applied and technological research that aids development.

*Private training establishment:* means an establishment, other than an college of education, polytechnic, university, or wānanga, that provides post-school education or vocational training.

*Te Reo Māori:* The Māori language.

*Tertiary education institution:* a publicly-funded education provider, such as a college of education, polytechnic, university, or wānanga.

*Tertiary education organization:* a term used to encompass a wide range of organizations involved with tertiary education, including both public and private providers, and ITOs.

*University:* A university is characterized by a wide diversity of teaching and research, especially at a higher level, that maintains, advances, disseminates, and assists the application of, knowledge, develops intellectual independence, and promotes community learning.

*Wānanga:* A wānanga is characterized by teaching and research that maintains, advances, and disseminates knowledge and develops intellectual independence, and assists the application of knowledge regarding ahuatanga Māori (Māori tradition) according to tikanga Māori (Māori custom).

*Whānau:* family.

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### ***Web Pages***

Association of Colleges of Education in New Zealand: <http://www.acenz.ac.nz/>

Institutes of Technology and Polytechnics: <http://www.itpnz.ac.nz/>

Industry Training Federation: <http://www.itf.org.nz/>

Interim Website of New Zealand Legislation: <http://www.legislation.govt.nz/>

New Zealand Department of Labour: <http://www.dol.govt.nz/>

New Zealand Ministry of Education: <http://www.minedu.govt.nz/>

New Zealand Qualifications Authority: <http://www.nzqa.govt.nz/>

New Zealand Universities Academic Audit Unit: <http://www.aau.ac.nz/>

New Zealand Vice Chancellors’ Committee: <http://www.nzvcc.ac.nz/>

Career Services: <http://www.careers.govt.nz/>

Statistics New Zealand: <http://www.stats.govt.nz/>

Tertiary Education Advisory Commission: <http://www.teac.govt.nz/>

Tertiary Education Commission: <http://www.tec.govt.nz/>

Treasury: <http://www.treasury.govt.nz/>

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