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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.

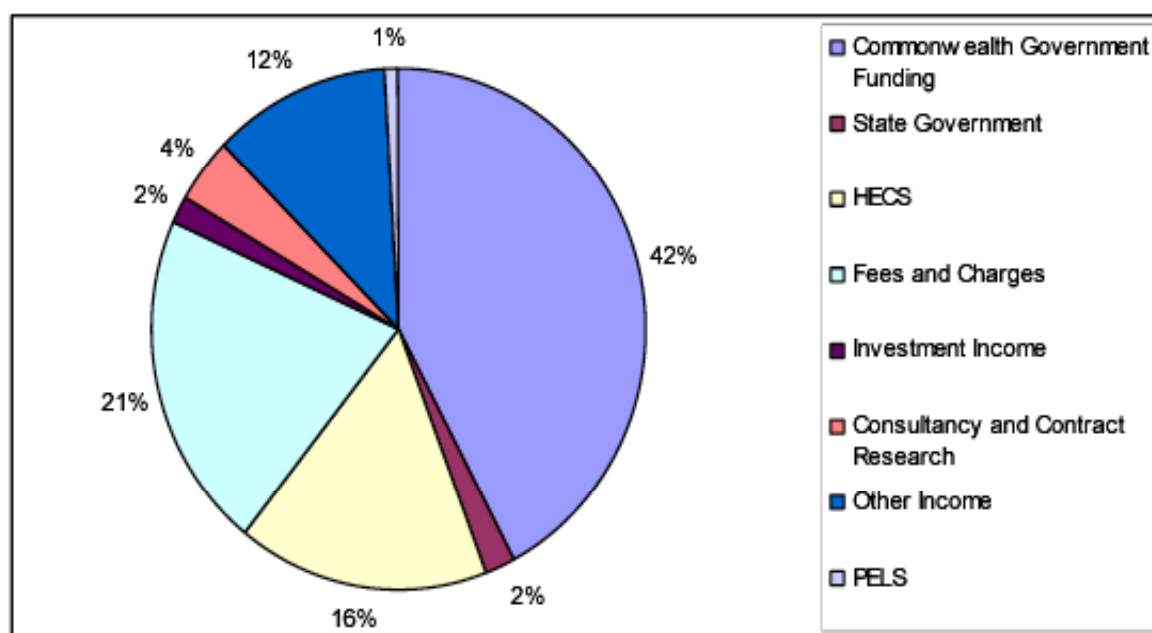
**Table 1. University revenue by source 1995-2000 (AUD\$Billion)  
(adjusted by CPI to 2000 terms)**

|              | 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**

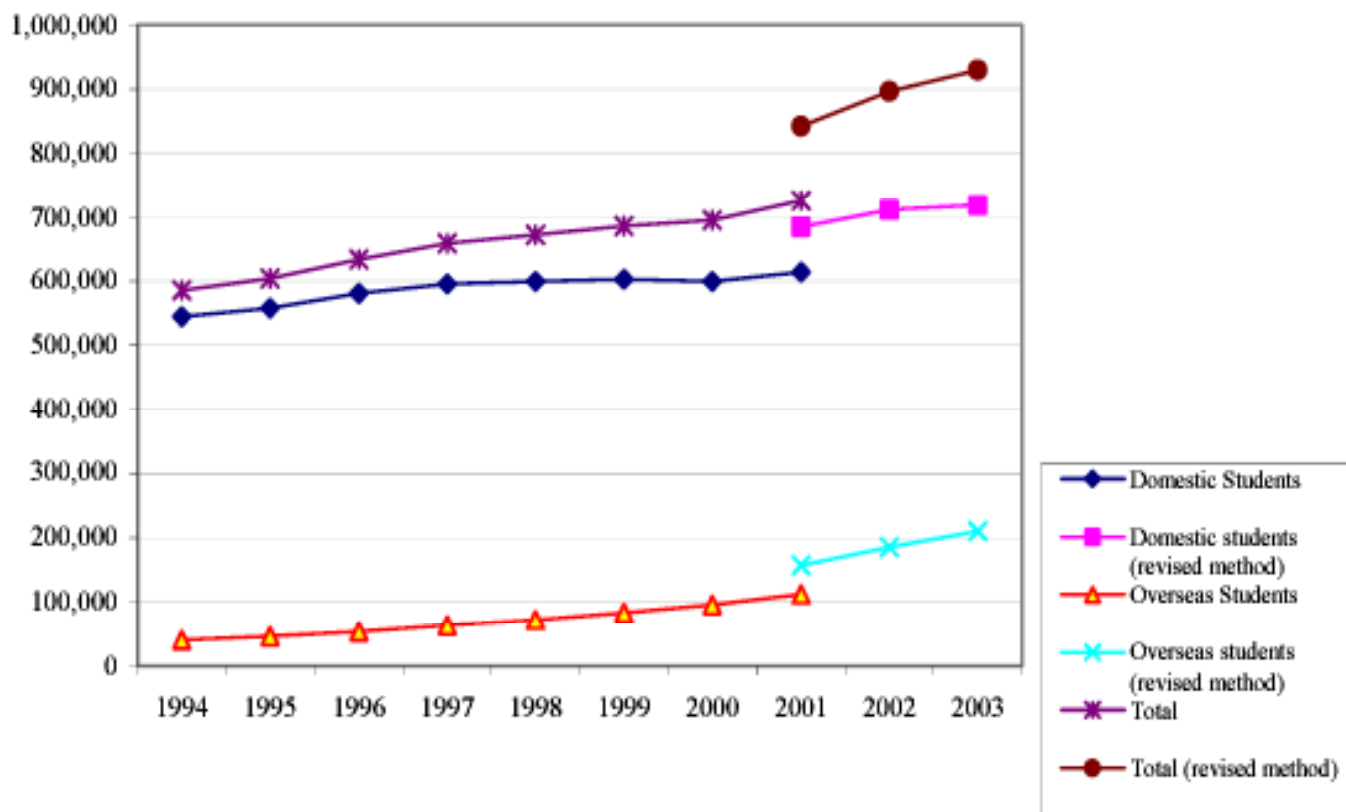
In the early 1980s, there were about 25,000 overseas students studying in Australia. Up to that time, the education of overseas students was seen mainly as a form of foreign aid. Students were subsidized by Government aid programmes and fees were not paid directly to institutions. But the 1987 Green 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<br/>(AUD\$m)</b> | <b>2003-2004<br/>(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<br>(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*).

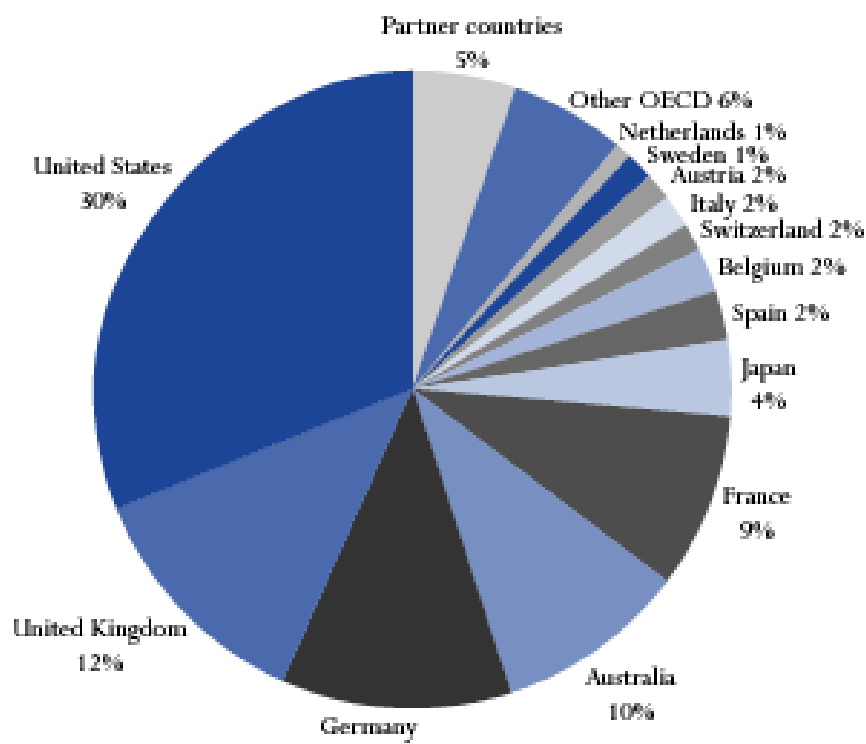
### **III. CROSSBORDER HIGHER EDUCATION, AUSTRALIA**

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.



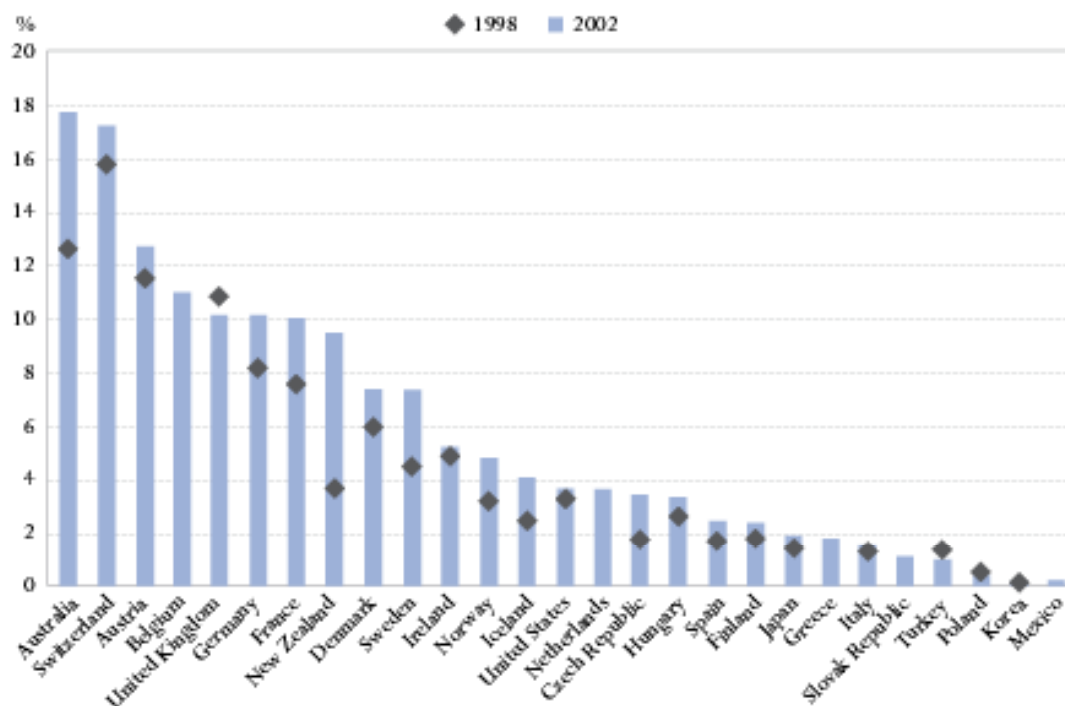
**Figure 3. Distribution of foreign students in tertiary education, by country of study (2002)**



*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:

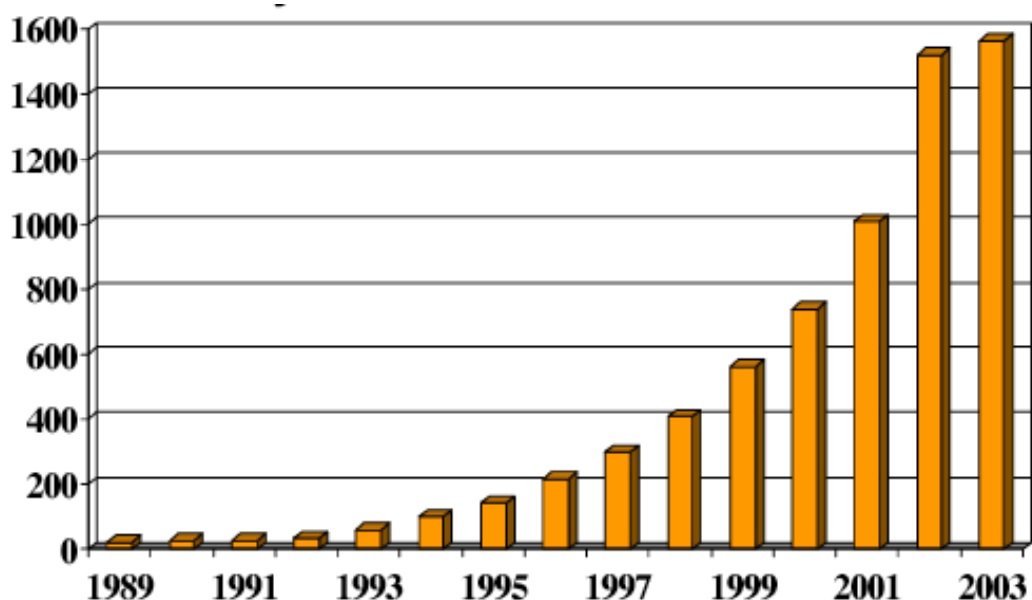
*Mode 1: Cross Border Supply.* But that would be only a very small proportion of the overall number of overseas students. The bulk of higher education overseas students (about 72 per cent) have moved to Australia in order to undertake their degrees.

*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<br>Covers provision of private tertiary education services, including at university level | (1) Cross Border<br>(2) Consumption abroad<br>(3) Commercial presence<br>(4) Presence of natural persons | <i>None</i><br><i>None</i><br><i>None</i><br>Unbound except as indicated in the horizontal* section | <i>None</i><br><i>None</i><br>Unbound<br>Unbound except as indicated in the horizontal* section  |
| Other education services<br>Covers English language tuition   | (1) Cross Border<br>(2) Consumption abroad<br>(3) Commercial presence<br>(4) Presence of natural persons | <i>None</i><br><i>None</i><br><i>None</i><br>Unbound except as indicated in the horizontal* section | <i>None</i><br><i>None</i><br>Unbound<br>Unbound except as indicated in the horizontal* section  |
| Research and development services<br>R&D on social sciences and humanities  | (1) Cross Border<br>(2) Consumption Abroad<br>(3) Commercial presence<br>(4) Presence of natural persons | <i>None</i><br><i>None</i><br><i>None</i><br>Unbound except as indicated in the horizontal* section | <i>None</i><br><i>None</i><br><i>None</i><br>Unbound except as indicated in the horizontal* section<br>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<br>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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