



The Uncertain Future for International Higher Education in the Asia–Pacific Region

Alan Ruby
Senior Fellow for International Education
Graduate School of Education
University of Pennsylvania

*Originally presented at the Invitation Forum on New Approaches to Cooperation with
Asia and Australia
NAFSA: Association of International Educators Annual Conference
May 2009, Los Angeles, California*

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March 2010

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Introduction

This paper will critically examine what we do and do not know about future trends in the trade in international higher education. Its prime focus is the Asia-Pacific region, as that region includes four of the five biggest providers and the biggest supplier of students—China. The Asia-Pacific region and the industry of higher education are entering a period of uncertainty after one of sustained and rapid growth. That growth has produced a market in international higher education that moves large sums of people, money, knowledge, and skill between nations. The prudent manager and leader seeks to minimize risk by reducing uncertainty, and that is the task at hand.

The movement of international higher education students is amenable to market analysis like any other tradable good or service. This is not denying the intangible benefits of people studying in cultures, economies, or countries other than their own. Anything that promotes tolerance and mutual understanding between different peoples is valuable and good. But we should not overlook the complex fiscal and demographic issues that shape the interest of individuals and institutions in international higher education.

This paper begins by looking at what motivates universities to attract international students and then documents the present and likely future demand for international higher education and the possible market responses to economic and demographic trends. It concludes with some speculations about the future of the industry in the Asia-Pacific region.

Why Do Universities Seek International Students?

Why do universities seek and take international enrollments? Researchers for the Institute of International Education (IIE) cite five factors that lead universities to seek international students. The factors are based on a survey of more than 500 institutions across Europe, Asia, and the English-speaking nations of Australia, Canada, and New Zealand:

1. The goal of the institution to internationalize (81%);
2. Mission (78%);
3. Tuition and finance (37%);
4. National government policy (37%); and
5. Provincial or local government policy (13%). (Gutierrez, Bhandari, and Obst 2008)

What is interesting is that the first two, and to some extent the third, are internal to the institution. This may mean that they will endure even if government policy was to change.

Of course we should not overlook the significance of international student tuition, especially where birth rates are falling (Japan), where there is oversupply of places (Taiwan), or where funding agencies or governments have explicitly encouraged institutions to garner fee revenue from international students (Australia).¹

But the importance of the internal drivers is consistent with the history of international student flows. Study abroad occurred and endured without government assistance. Scholarships such as

Fulbright and the Colombo plan legitimized exchanges and smoothed the paths of obstacles like visa criteria and medical insurance, but they did not shape the market that exists today.

Direct and indirect financial incentives are also important in opening new destinations such as the nontraditional countries where language or history have limited interest.

A Brief History of an Industry

The movement of students between nations for study is an ancient phenomenon, as old as the modern university is young. Only in the last 200 years has higher education become a phenomenon bounded by state or national boundaries with relatively little student mobility. Prior to that, movement was more common, especially in Europe where one in ten students studied “abroad.” (See Teichler 2004) In the immediate past, student mobility was an adjunct or explicit goal of government actions. Aid programs like the Colombo plan, which from its inception in the early 1950s until the mid 1980s subsidized long-term students from South Asian nations to study in developed nations, and language programs like the European Erasmus and Bologna structures, which diffuse English, French, or Spanish or economic integration strategies, have facilitated the flow of educated people between member nations. In all these cases, student mobility was fostered in large measure to serve the interests of the state, be it to thwart the spread of communism, celebrate European identity, or lay the basis for fraternal ties after decolonization. Student mobility was orderly and managed by the state. It was an ordered garden following the dictates of a remote but omnipotent state.

When did international higher education become an industry? Was it as early as 1954–55, when 1.2% of U.S. higher education students were “international students,” a total of 34,000 students? Would it be the early 1980s, when the United Kingdom began charging full average costs for international students and limiting their access to the national health insurance program? Was it in 1985, when Australia began to ease the requirements for students to study in domestic institutions and charge overseas students outside the aid-based programs full cost fees? (Harman 2004) Or was it when nations began to see higher education as a trade good rather than a foreign aid item and “transformed (themselves) from sponsor to seller?” (Auletta 2000) We can date that change at around 1995 with the implementation of the General Agreement on Trade in Services (GATS), which removed trade barriers in things like education, except in those nations—currently many—that seek to exclude education from trade negotiations.

From the perspective of the receiving nations, the international higher education market is an artifact of national skilled migration policies that emerged in the 1980s and gained in significance in the 1990s. This is illustrated by the recent decision of the Canadian Immigration Minister to “substantially increase” the number of international students and to put them on a “much faster pathway” to become permanent residents. (Taylor 2009) Similarly, the Australian government has revised immigration quotas to place even greater emphasis on skill (Evans 2009) and in 2007–08 granted forms of residency to more than 20,000 overseas students (Slattery 2009).²

To avoid the vagaries of historical causality perhaps we should look instead at the growth of the population studying internationally? We can substitute scale for historical explanation. Table 1

shows the numbers of international students enrolled in degree-bearing courses in major English-language providers from 1997 until 2002. Data are based on the British Council’s 2020 vision study. (Bohm et al, 2004) The table shows how enrollments increased rapidly, especially in recent years.

Table 1: International Higher Education Students, in thousands

Country	Year					
	1997	1998	1999	2000	2001	2002
United States	458	481	491	515	548	583
United Kingdom	198	208	213	219	223	235
Australia	49	54	59	70	82	97
Canada	32	33	36	41	59	69
New Zealand	6	6	6	7	10	15
Total	743	782	804	852	922	999

What Table 1 does not show is that the revenue involved changed as the numbers grew and as the tuition basis changed. Many of the students in the early years were sponsored by home or host governments or by institutions. Then, as demand exceeded available sponsored places, students took up subsidized places. From the mid 1980s, “full-fee” students became the majority of the international student cohort and created a significant income stream.

Table 1 also does not show that the total cost to the individual changed as institutions and particularly governments moved to partial and then to full cost recovery for services such as medical insurance, application, and visa processing. Although less expensive than tuition, these charges and fees influence market behavior as illustrated by institutional reaction to the latest round of visa-related fee increases for non-European Union students in the United Kingdom. For example, the fee for a visa extension can be in the order of US\$1,000—an additional 10% of the total charged for one year’s tuition (Contractor 2009).³

By the year 2000 the international higher education market was being shaped more by individual and institutional aspiration and decisions than by conscious state policies about regional security and aid. This is most apparent in nations such as Canada and the United States, where there is no strong national policy entity with clear responsibility for the conduct and size of the industry. But even in the more regulated nations the sheer number of individuals and providers influence the direction of policy and practice. Transnational, cross border, and virtual delivery of education services being less amenable to the actions and wishes of government reinforce this drift away from the primacy of the state.

This brief history serves as a backdrop to an assessment of the size of the current market and its growth trajectory. The market is no longer a creature formed solely by the actions of independent states. Institutions now cross borders; educational services are created in one place, consumed in another, and tendered in the form of credentials in yet another; and individual student mobility has increased through various agreements and easier travel. And while a lot of good statistical work has been done by groups like NAFSA: Association of International Educators, the Institute

of International Education, and Statistics Canada, international higher education is an industry like many other maturing industries where information is imperfect, partial, and asynchronous.

The Current Size of the Market and the Limits on Forecasts of Demand

The current size of the market in international education services is probably around 2.9 million people, using the Organisation for Economic Co-operation and Development's (OECD's) *Education at a Glance 2008* (which contains data for 2006). *Education at a Glance 2008* uses three different definitions of 'international student', reflecting differences in country practice. Some use citizenship, some use location of previous level of education, and some use country of residence (see OECD *Education at a Glance 2008*, notes on Table c3.2). The numbers are based on enrollments in tertiary courses, not all of which will be degree bearing and which will vary in length. This is one reason why the numbers for the year 2000 in the OECD's data differ from those in Table 1 above. Getting consistent comparable numbers in this field is challenging. Even in Table 2 there are some inconsistencies: some countries exclude private institutions and for three countries—the United States, Canada, and Japan—there are no data on field of study for more than 10% of the students.

Table 2: International Tertiary Student Enrollments and Market Shares: Selected Countries, 2006 and 2000, in thousands

	Nation						
	Australia	Canada	Japan	Korea	New Zealand	United Kingdom	United States
2006, no.	185	145	130	22	68	330	585
Market share, %	6.2	5.1	4.4	0.8	2.3	11.3	20.0
2000, no.	106	94	67	3	8	223	475
Market share, %	5.6	5.0	3.5	0.2	0.4	11.8	25.1

The tentative nature of the estimate comes in part from lack of comparable data. Comparability is bedeviled by differences in collection dates, provenance, and coverage of the data underpinning the estimate. Coverage is particularly problematic, as it is primarily focused on students who physically move across borders and thus does not include students in branch campuses or those who get international education by some form of distance education.⁴

These shortcomings also constrain forecasts of the future size of the market. Available forecasts have other limitations. Six recent studies forecasting the global demand for international higher education were all prepared for a specific market—three for Australia (2002, 2005, and 2009), one for the United Kingdom (2007), one for Germany (2008), and one for Malaysia (2008).

The client-specific focus of these studies limits their generalization. Part of the reason is that most of the forecasting work has been done by or for entities with a direct interest in the applicable domestic market rather than in the global market. In the Australian studies, much of the forecasting was done by IDP, an umbrella industry group largely owned by the major

providers of international education in Australia. Consequently, the forecasts focus on the shape and scope of the local market—its price points, products, and suppliers. The studies are less concerned with trends in the global market or the actions of competitors.

Another limitation of international education data is the differences across nations in length of provision, price, visa issuance, health requirements, right-to-work guidelines, and language of instruction. These are more than brand characteristics—they complicate the task of estimating demand and limit the reliability of estimates created by aggregating across different markets. To simplify this task, the Anglophone providers are often lumped together.

In short, cross-nation estimates of the current and future size of the international education market are limited because of differences in time of data collection, institutional coverage, and barriers to entry. So why worry? Simply because there is a lot of money and time at stake.

The value of the global postsecondary education market was estimated by the OECD at US\$30 billion in 2004, and the international postsecondary education student population has continued to grow. At a national level these numbers are significant. Access Economics, a reputable econometric forecaster, estimates that Australia's international education industry generated over 125,000 jobs in 2007–08, and through tuition, living costs, and indirect income generated by students and their families, contributed A\$26.7 billion to the national economy in that same period.⁵ This made education the third biggest export after coal and iron ore. (Slattery 2009) In New Zealand the industry is estimated to be worth NZ\$2.36 billion and supports 32,000 full-time jobs, making it a larger portion of the country's gross domestic product (GDP) than the industry is for Australia. (New Zealand Visa Bureau 2009) Given the dollar amounts involved, it is worth spending some time to try and assess the future of the market to inform state, industry, and institutional decisions.

But Just How Big Will the Market Be?

For many years the accepted wisdom was that the global market would grow from around 100 million in the year 2000 to around 250 million in 2025. Of these, the international students—those studying outside their home nations for a sustained period—would increase from around 2 million to nearly 7 million. This assumed annual growth rates of 6%, with bigger rates of growth in China and India. Both forecasts assumed an increase in secondary school participation and completion, higher education participation, and per capita income. These are fairly gross assumptions.

The Recession and the Growth of the Middle Class

There is a healthy debate about the impact of a recession on demand for higher education. The conventional view is that education is “counter cyclical”—demand goes up when the economy goes down. The absence of jobs makes education a safer place; possession of additional skills make individuals more attractive when they do enter the labor force and seek to differentiate themselves from competitors on the basis of qualifications. This usually holds for domestic consumption but does it hold for the relatively more costly forms of international education? At this stage the data for enrollments in Australia and New Zealand for the academic year just

begun are holding firm or showing an increase, and graduate applications for the United States are up slightly. Realistically, any impact of the recession is likely to be delayed for a few years as many people will have already made their decisions and financial plans for the 2009–10 round of applications and admissions.

Arguably, the factors that are driving the growth of the global middle class—the parents of the consumers of higher education—are likely to persist or at least only be dampened by the recession. Of course there is a healthy debate about how to estimate the growth of the middle class. But all predictions work off the premise that the middle class has grown significantly from 1990 to 2005, and all predictions call for further growth in the next 15 years. Even if that growth only results in 10–15% of the global population being “middle class,” the numerical size of the group is large and it will be concentrated in China and India. In the first years of the recession Chinese households continued high levels of saving (Zoellick and Lin 2009), and the 2009 economic growth estimates for India (5.1%) and China (6.7%) are better than many expected.⁶ (International Monetary Fund 2009) Both the savings rates and the growth estimates suggest continued demand for higher education from these two large markets and the Chinese Ministry of Education expects growth to continue, exceeding the 180,000 students who went overseas in 2008. (Ministry of Education 2008)

At the level of the middle class household the logic goes that as annual income increases, family size decreases (reinforced by the one child policy in the case of China), savings grow, and most importantly, so does aspiration.⁷ Combined, these factors encourage high school completion and participation in higher education. One estimate is that as annual household income passes US\$15,000, overseas education becomes affordable. (Economist Intelligence Unit 2008) At the labor market level, increased domestic wealth increases the demand for skill and increases the value of skill, thereby signaling greater returns from students who gain an international education.

Even if we take only half of the projected percentage growth in the middle class, from 6% of the global population in 2005 to 15% in 2030 (Milanovic and Yitzhaki 2002) it still generates an additional 400 million middle class people in some 100 million households. This still effectively doubles the number of middle class households with children—many of whom will seek higher education. When we discount this for students served by domestic institutions, which are growing in number and quality, it still leaves a large source of potential international students.

The global middle class population of 400 million in 2005 generated about 2.9 million international tertiary education students. Another 400 million should provide roughly the same number—a total of 5.8 million, the mid-point of most industry estimates. But the new population will not be identical to its predecessors.⁸

Growth in, or even maintenance of, the current level of demand is not just a product of capacity to pay. It is subject to other factors. Most notable will be the proportion of demand that is catered for by domestic provision. One analysis (Mazzarol and Soutar 2002) argues that economic and social factors “push” individuals to study overseas and that the choice of destination is influenced by “pull” factors like information, reputation, and price. In this model of student choice, home governments can act to increase supply and lift quality to depress demand. We

have already seen the rapid growth of domestic higher education in China with age cohort participation rates going from around 10% in 1998 to 20% in 2005. This is happening at a time when China's population is beginning to age rapidly, with the number of 17 to 19 year olds peaking in 2007. (Economist Intelligence Unit 2008)

For the last 15 years China has targeted national funds to lift the quality of a small number of higher education institutions with the specific aim of “founding world class universities” (Lixu 2004) that can compete with the world's best. (Mok 2007) But attempts to improve local institutions are not confined to China. For example, Malaysia is working systematically to enhance its “capacity to build world class universities” and setting ambitious enrollment targets for 2010 by diversifying funding for public universities and providing incentives for more private sector growth. (World Bank 2007) The fruit of this effort will be places that absorb domestic demand at the undergraduate level by offering local alternatives of high status and lower cost. The attractions of price and accessibility may be reinforced if governments divert financial aid and approvals for travel to postgraduate students, but government aid reaches only 10% of Chinese overseas students. The rest are “self-funded.” (Ministry of Education 2008)

We should not overlook the supply side. Will the five big provider nations be able to respond? Demographic trends in the United States show that the college-age cohort peaked in 2009 but we have also heard recent presidential exhortations to increase postsecondary participation. Similarly, the Australian government has set a new target for university participation rates—40% of all 25 to 34 year olds are to have a higher education qualification by 2025. The United Kingdom has a target of 50% of those up to age 30 by the year 2010, from the current base of 43%. (Gillard 2009) Japan and Taiwan have declining enrollments and excess capacity but are not traditionally large providers. In addition, Australia and New Zealand have relatively small university systems with only so much institutional room for expansion. So we are in for an interesting time as supply and demand fluctuates. The U.S. less-regulated industry and its scale will give it a comparative advantage, ameliorated a little by the diffusion of responsibility for marketing, brand protection, and the like.

We cannot expect other nations and institutions to stand still. While the actions of institutions will be significant shapers of the market we can see impending actions by governments. In April 2009, the European education ministers and 19 ministers from partner nations declared the first ten years of the Bologna Process a success. The “harmonization” of degrees has made it easier for students to study in other nations, helped with ease of credit transfer and the mobility of labor. This has made international higher education easy and desirable for European citizens. To build on those successes, the European nations have launched a second phase of the Erasmus scheme for 2009 to 2013. The aim is to lift cross-border student numbers from 160,000 in 2007 to 3 million in 2012. This goal is backed by a four-fold increase in financial support. (Bochereau 2008)

In the Asia-Pacific the echo of Bologna is to be heard in the push by the ASEAN nations and the East Asian Summit—the latter including India and China—for closer economic integration by 2015. Government officials are exploring education and labor mobility and quality assurance and qualification frameworks as paths to greater cohesion. These of course rely on intergovernmental agreements and good will, both of which can be elusive.

The other area where we can see government action is Free Trade Agreements. Australia for example has either negotiated or is considering agreements with all its major suppliers of international students. New Zealand and Japan are following a similar pattern. (Personal e-mail communication from McKenzie April 2009)⁴

Overall we can expect rates of growth to slow but total demand to continue to grow for another five years, at which point basic demographic trends will see demand fall.

Whatever the future size of the market, we can expect changes in its composition and characteristics. The dominant feature of the last 20 years has been growth. The number of students has grown, the number of active providers has grown, and so has the range of courses of study. As growth rates slow (i.e., as the market matures) providers will seek to maintain market share and revenue margins. The most likely paths institutions will take are to increase the number of products they offer (diversification) or to target their best sources of clients (segmentation).

Market Diversification

Institutions have already started to diversify, offering pre-college language courses, pre-graduate school summer programs, and the traditional ladder of pre-college preparation such as language skills, two-year diplomas, three- and four-year degrees, and then masters and vocational degrees, doctoral degrees, and postdoctoral fellowship. This differentiation is already taking place within the U.S. market where graduate students have been greater in number than undergraduates since 2001–02. (See IIE *Open Doors Report*, the November 2008 issue for example.) This shift is particularly stark in the number of doctoral graduates for science and engineering. Students from outside the United States numbered 51% in 2003. (Bound, et. al. 2009)

Another form of diversification is the creation of branch campuses in other nations, effectively franchises of global brand name universities. The leaders of this market are the United Arab Emirates, which aggressively recruited institutions such as New York University to their education cities and tax-free zones, and Qatar, which is home to Cornell Medical School and Carnegie Mellon, among others. (Ross 2008)

Other sectors have developed pre-higher education pathways, secondary schooling, English language programs, and vocational education and training. The Australian industry group IDP predicts combined growth in these sectors to be in the order of 200,000 by 2025, with Asia as the dominant source. (Banks 2007) This may help Australian institutions of higher education retain market share of the undergraduate and graduate programs but there are still supply constraints on the university sector as a whole.

Transnational provision using distance education is an additional form of differentiation. Some nations see it as a way to increase market share without increasing the number of places at domestic institutions. For example, the United Kingdom agencies see education delivered off shore as a sector that will eventually be as large as the cohort of international students in the United Kingdom by 2020. (Bohm et al 2004)

There is another form of diversification—the counter-cyclical creation of opportunities for international students by the traditional suppliers. It is an example of export substitution. This varies from attempts by Hong Kong and Singapore to become regional hubs for higher education (Chan and Ng 2008) and Malaysia attracting international students to its private universities (World Bank 2007), to China becoming the fifth largest importer of students in 2008, after a decade of rapid growth. (Hvistendahl 2008) In all four cases and in Taiwan and Japan, this diversification is the product of deliberate purposive action by governments, including regulatory reform, scholarships, and streamlining visa processing.

In mid-2008, the Japanese government announced a plan to boost exchange student enrollments to 300,000 by 2020, from the 2007 base of around 120,000. While this plan is significant, the magnitude of the increase is less than the 10-fold increase the government sought and achieved in the 20 years from 1983 to 2003. (Japan SIG 2008)

The plan is comprehensive and, significantly, it was announced jointly by the six Japanese ministries with an interest in the topic, including the powerful industry and infrastructure ministries. The plan's strategies are numerous, ranging from recruiting more English-speaking teachers and providing more courses in English to establishing a network of offshore offices, "one-stop shops" to ease the tasks of recruiting, screening, and processing students. The plan also includes initiatives around housing, post graduation job placement within Japan, more Japanese language classes for foreign students on and off shore, and simplifying immigration, enrollment, and residency paperwork and procedures. There is even a proposal to align the academic year with the rest of the Northern hemisphere. The hallmarks of these strategies are excellence and concentration, with the Ministry of Education focusing on 30 universities to lead the globalization effort. (Ministry of Education, Culture, Sports, Science and Technology (Japan) 2008)

In summary, institutions facing a maturing market and significant demographic shifts have at least five pathways open to them to maintain market share or revenues. The choice will depend on the mission of the institution.

Segmentation

The other market response is likely to be segmentation: where the providers target the population most likely to purchase the service. This has already started to happen. New Zealand is heavily concentrated in China, which provided 50% of New Zealand's international students in 2006—nearly 10 times more than the next biggest source, the United States. In comparison, China provided around 25% of Australia's international students and around 10% in the United States.

Segmentation encourages providers to create closer relationships with purchasers. Conventionally, the aim is generating repeat business with a "new" product—a second degree, refresher courses, continuing professional education, or mandatory license renewals. In the education industry segmentation encourages institutional partnerships, joint degrees, sandwich programs, and twinning.

Segmentation is inherently risky, especially for small providers. It creates a dependency relationship with the supplier, which can be disrupted by currency volatility like the East Asian financial crisis in the late 1990s or political events like Tiananmen Square. Off-setting the risk are the efficiencies and relatively high returns from concentrating recruitment and marketing in a small number of markets.

Diversification and Segmentation Make Branding More Significant

Diversification, segmentation, and market maturation make branding more important as a tool to maintain or increase market share. The historic goal of branding has been to identify a person or a location where a product has its origin. (Seisdedos and Mateo 2008) Brands symbolize the good practices or good-quality products of a provider. For the sellers they distinguish their products and foster consumer loyalty (e.g., repeat business, word-of-mouth marketing, or alumni giving). Brands also induce initial purchasing based on ease of identification, reputation, or perceived quality.

There has been a longstanding interaction between place of origin and brand, be it tea from China, cheese from France, information technology from Silicon Valley, or education from Cambridge (United Kingdom or Massachusetts, United States). The location becomes a proxy for quality assurance. But brands need maintenance to stay current. For example, the British Council worked to reposition the brand “Education UK” after it had lost its uniqueness. Other places were claiming high-quality programs, value for money, and cultural diversity. Education UK was losing ground to “dynamic United States” and “accessible, easy-going Australia.” The Council’s response was to position qualifications from the United Kingdom as relevant to a future career, equipping people to think out of the box and stand on their own two feet.⁹

When we look more closely at the “pull” factors we see that information and reputation are essentially components of a brand. Maintaining and growing market share in a maturing industry requires active brand management. In programmatic terms, that means cultivating alumni networks, increasing attention to word-of-mouth marketing and referrals in student recruitment, making information accessible and attractive, and using symbols that reinforce and enhance reputation, such as academic quality, name brand faculty, and strong alliances and partnerships.⁹

The big providers of international higher education are not the hyper elite universities like Harvard, Kyoto, and Cambridge. The main providers are the next tier. It is the aggregation of large public and some private universities, the land grant universities, the state colleges, and the publicly subsidized national systems that absorb demand. Brand and reputation in this sector are shaped partly by national identity and geography. But the national education brand is also shaped by price, parity, and position. Price is a function of the direct cost of tuition plus the indirect cost of living discounted by the opportunity to earn while studying. Parity is the credibility and transferability of the credential; is it accepted in the home labor market or in other accessible markets? Position is a compound of geographic location and perceived ranking. All three are able to be shaped by institutional action.

In a recession it is a “bad strategy to chase customers too far down the economic ladder;” sellers of luxury goods (like higher education) should avoid price cuts that “create a lower price brand”

(Farrel 2008). Similarly, one should avoid reducing selectivity and lowering admissions standards that may damage one's brand. Instead, look to maintain brand integrity and increase customer service; more personal attention will maximize yield. It means making sure those admission offers turn into enrollments and that those enrollments turn into course completions and active and vocal alumni.

One justification for maintaining a price point is Mazzarol and Soutar's (2002) finding that for students from China, India, and Indonesia, the choice of destination was influenced more by a student's right to work part-time while enrolled in school than by direct cost. But we should note that Mazzarol and Soutar's study uses a simple model and is based on data that are 10 years old. The realities of the current market are much more complex.

Conclusions and Speculations

The international market for higher education has grown and matured in the last 10 years; it is at least twice the size it was in 1997. It is a complex market. In many economies, like the United States, the actions of institutions are more significant than the actions of governments. Yet in others, especially newer entrants like Malaysia, Japan, and China, government policy frameworks matter.

The rapid rate of growth of the past decade will slow because of the recession, demographic changes, and supply constraints. But demand will still be strong as the number of middle class households in China and India increases.

Increased domestic provision and improved quality will absorb some demand—especially for first degrees—which will push some suppliers into graduate education, a trend already underway.

In pursuit of market share, providers will diversify by increasing the array of education services for sale. Some will take the riskier path of focusing on one or two sources of students.

Whatever path the providers take, brand promotion and protection will be increasingly important and institutions and governments will concentrate on price, parity, and position.

The industry itself should look to better and more comparable data about market trends and the factors influencing student choices. It should pursue a little order in the contrary garden of international higher education.

Notes

1. Australian universities rely on international student revenues for 15% of annual recurrent funding and international students are 18% of total tertiary enrollments. Only New Zealand (16%), the United Kingdom (14%), and Switzerland (14%) are in the same range among Organisation for Economic Co-operation and Development countries (Australian Bureau of Statistics 2007).
2. One of the drivers of demand for international students is skill shortages. In mid-2008 Australia was facing shortages of plumbers, doctors, nurses, and even truck drivers. One response to skill shortages is to increase immigration targets. The current Labor Government announced a 25% increase in the total immigrant intake for 2009, to 190,000 with the biggest proportional increase being in the skilled migration quota. In addition, there is a goal of issuing 100,000 short-term visas for people to fill urgent job vacancies. All of this is on top of students and young people who enter with work rights, estimated at 500,000 in 2007. (*The Economist*, 31 May 2008)
3. Provider states can restrain student mobility through the price of paperwork, medical requirements like chest x-rays and HIV screening both as price and health barriers, and by security and wealth requirements. Other constraints come as numerical limits on student and work visas, prohibitions on fields of study, and lack of recognition of prior studies. Robinson (2009) draws attention to a constraint on medical education for international students in Australia—local governments give them low priority for internship opportunities. International students are ranked last after domestic students and immigrant doctors seeking certification. Understandable for those concerned with staffing local hospitals and serving isolated communities, but frustrating for those promoting an industry. Supplier states can also use the price of paper work and security rules to restrict the outward flow of students as well other restrictions like foreign exchange limitations and constraints on family travel.
4. Philip McKenzie of the Australian Council for Educational Research (ACER) pointed out the lack of coverage of the three other modes of trade in education services. The Canadian data are from 2004–05, whereas Australia and New Zealand data are from the calendar year 2006 and the United States and United Kingdom data are from the academic year 2005–06. The United Kingdom data are for the 35 biggest source countries and are collected by the British Council, whereas the Canadian data are for all nations and are collected by the national statistics agency. The New Zealand data include full-fee students at institutions that are not necessarily higher education institutions. The United States data probably include around 57,000 people who are no longer students but who are undertaking professional workplace training for up to a year. The data also include 110,000 people who are in non-degree courses. (Again the best sources for this material are the IIE *Open Doors Reports* starting with the most recent year.)
5. Getting a reliable fix on the ratio of student expenditure on goods and services to tuition costs is difficult. The Australian Bureau of Statistics (2007) appears to assume that

students spend 1.5 times their tuition cost on other goods and services. This does not include other indirect additions to the economy from parental visits and local employment.

6. The early 2009 International Monetary Fund (IMF) growth projections have global growth back above 3% in 2010, and China at 8% and India at 6.5%.
7. Demand for higher education is “highly income elastic”—as countries become wealthier, the proportion of the population seeking higher education will grow faster than the growth in developed economies.
8. There have been some interesting changes in gender composition of international students, with females achieving gender parity in some markets by 2005, from a base of 41.8% in 1985 (Australian Bureau of Statistics 2007). National differences persist. Japanese participation in international higher education is 66% female, whereas India has a female participation rate of 20%. Cultural and religious factors probably lie behind these differences, and it will be interesting if they persist as India becomes more affluent. Experience from studies of girls’ participation in school education in Indian and Pakistan suggest it will slowly equalize.
9. The British Council’s work on the brand “Education UK” goes as far as “semiotic analysis... to identify the broad elements of popular culture” to shape the message and communication strategy of the brand. It even has a logo, tone of voice guidelines, and new visual elements. See www.educationuk.org/brand.

Acknowledgments

Thanks to Tian Song a graduate student who has since joined the Study Abroad team at Vanderbilt University, for research and helpful discussions; Lynne Anderson, the University of California at San Diego, for reading and improving three drafts; Philip McKenzie, ACER, for pointing out a fundamental gap in the OECD data and making some constructive suggestions; and the students of “Globalization and The University Spring 2009,” whose questions and enthusiasm kept me learning.

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