



**Submission to the Department of Foreign Affairs and Trade
Concerning a Review of Export Policies and Programs**

1. General

International Education is an export success story for Australia. In 2006-07, the provision of education services was Australia's third largest export industry behind coal and iron ore, contributing some \$11.7 billion¹ to the Australian economy. Education exceeded tourism as the largest services export industry for the first time.

A number of factors contribute to this success. There is significant complementarity between Australia's export relationships and the successful export of education services. To a large extent, Australia's international education exports have mirrored export successes of other sectors and major service industries. China, India and the United States (US), our top trading partners, are the significant markets for Australian international education.

Several nuances differentiate the international education services sector from other major Australian exports:

- The English language capacity of international students will continue to inhibit trade to countries that lack a strong English language learning program. However, countries such as Korea and Japan are beginning to offer increasing numbers of English language programs in order to attract students from the region.
- Academic collaboration between individuals and institutions across the globe underpins the success of the international education services sector. Its importance is sometimes underestimated.
- Competitiveness between higher education institutions is driven in part by academic rankings (*Shanghai Jiao Tong, Times Higher Education Supplement*), and is not restricted by geographic boundaries/borders in the same way as many other export industries.²
- The provision of education is less constrained than other export markets by geographic boundaries. At the same time, intellectual expertise is not exclusively held in particular institutions, and is increasingly less country-specific. In this regard, the education services sector should be considered within a global framework.

The key to Australia's future education export success lies in its collaboration rather than direct competition. In this regard, education is unusual, perhaps even unique, in terms of Australia's exports.

Export facilitators in Government should seek to create an export market for international education that is, to the greatest possible extent, open and internationally competitive and that recognises the above factors.

As could be expected, the traditional key markets for international education services have reached a more mature stage and the demands and requirements for Australian education exporters have shifted accordingly. Maturity in international education markets such as China, the US and Europe requires a nurturing of long-term relationships. Collaboration and partnership agreements in international education between such countries and their Australian counterparts are becoming ever more complex. Government efforts to maintain the effectiveness of Australia's market access in these markets are important.

¹ Australian Education International (2008). *Research Snapshot: Export Income to Australia from Education Services*, No.34 (March 2008).

² Mohrman, Kathryn, Ma, Wanhua and Baker, David (2008), "The Research University in Transition: The Emerging Global Model". *Higher Education Policy*. Vol 21, Issue 1 (March 2008), 20-21.

There are a number of emerging markets for Australian education services exports, including the Middle East, Africa and South America. In these markets, higher education is focussed on capacity building, and the longer term benefits and access to trade in these countries. The university would like to see strong export relationships formed with these emerging markets that facilitate access and investment in higher education.

Traditionally, education services were delivered within national boundaries, with limited international collaboration and within a particular economic and social context. However, this model of development has changed significantly in recent times with processes of globalisation and the increasing wealth of many countries. As a result, higher education is available to greater proportions of the global population and research is conducted in a way that ignores national boundaries and seeks to resolve global issues for the benefit of all. In other words, the way universities engage with the communities around them has changed: from knowledge transfer to knowledge exchange, implying a two-way approach to research and teaching where universities must be increasingly responsive to the social environment in which they operate.³

Universities and businesses have also changed their models for engagement and the provision of services. Increasingly, universities and industry work together to solve issues in local, regional and global contexts. These changes need to be considered in the development of export mechanisms internationally, and the development and facilitation of education services.

2. Structural and supply side factors

In dealing with both mature and emerging markets for international education, the university would like to see efforts to decrease the regulatory burden for Australian businesses such as higher education institutions. Decreasing this burden would lower both the costs and time required to operate. The intention of the current government to decrease red tape and regulation is welcomed, and will provide significant relief.

Globally, there continues to be both strong supply (increasing competition between education providers) and sustained demand for higher education. A number of countries in Australia's region, including China, Singapore and Malaysia, are investing heavily in developing their own education infrastructure.

By 2020, Chinese universities plan to double the number of students from abroad.⁴ The Singapore Government, through its 'Global Schoolhouse strategy', aims to triple the number of foreign students to 150,000 by 2012.⁵ The Malaysian government aims to double its foreign student intake at local tertiary institutions to 100,000 by 2010. These countries remain crucial markets for Australia's education exports given high demand.

³ Gibbons, M. (2007) 'Engagement as a Core Value: Imperatives for Change in Universities, Industry and Communities' Speech to the Partnerships for World Graduates Conference; 28 November 2007; Melbourne, Australia.

⁴ Xinhua News Agency, August 8, 2006, www.xinhuanet.com/english/.

⁵ Singapore Economic Development Board (2006). "Singapore is well on track to becoming the world's education destination", EDB Singapore, 1 February, http://www.sedb.com/edb/sg/en_uk/index/news_room/publications/singapore_investment2/singapore_investment0/singapore_the_global.html

At the same time, these governments are investing more. For example, in its 2008 budget, the Malaysian Government has allocated RM12 billion (AUD3.9 billion) to research and development and commercialization of science and technology in universities.⁶

Engagement in these countries has expanded beyond a recruitment focus to include a broader continuum of engagement with a focus on research collaboration being the end result of undergraduate and doctoral study.

Given current domestic funding constraints for universities in Australia and the need to maintain quality of programs and research/education profile in light of these constraints, international education exports will remain critical to the revenue base of Australian universities. In this sense, education services exports will continue to play an important role well into the future.

The largest shift in Australian higher education of recent times has been the opening of the market to private providers in Australia (such as Carnegie Mellon⁷ in Adelaide and Kaplan Professional⁸ of the Financial Securities Institute).

Some argue that demand for international education services (Higher Education and Vocational and Education Training) in Australia is expected to outstrip supply by 2020.⁹ Some anticipate that there will be growth in the number of private providers operating in Australia to meet this demand. The university would encourage careful management of the expansion of private providers. It remains a concern to the university that the profit motive and business orientation of private providers may conflict with the broader education, research and community engagement goals and achievements that characterise the role of higher education in Australia.

Visas and Immigration

Visa and immigration measures have a profound impact on the provision of education services to students, staff mobility and quality as well as the university's research output. Australia's immigration regime should be flexible and accommodating, allowing institutions to attract the best students, staff and researchers from around the globe to Australia.

The university recognises that concerns of national governments in managing security, diplomatic and other interests remain paramount. Nonetheless, every effort should be made to balance such objectives with the pressures of an increasingly competitive global environment. For instance, the country assessment levels set by the Department of Immigration and Citizenship can impact greatly upon on the ability of universities to recruit students. The vulnerability of the international education market must be balanced against the facilitation of the recruitment of students from a broad base of source countries.

Immigration/visa processing times impact on the export successes of education service providers. Processing times are important for universities given fixed dates for university teaching periods, deadlines for commencement of scholarship candidature as well as other reporting requirements. Processing times impact on the

⁶ Badawi, Abdullah (2007). 'The 2008 Budget Speech', 7 September 2007, http://www.pmo.gov.my/WebNotesApp/Abdullah.nsf/hv_PMKiniSemasaNew/57AD491D0E67115F4825734F003607AA.

⁷ <http://www.heinz.cmu.edu.au/>

⁸ <http://www.kaplanprofessional.edu.au/>

⁹ IDP Australia (2007). 'Global Student Mobility: An Australian Perspective Five Years On'. Presentation of IDP Australia research publication data to the Australian International Education Conference, 10 October 2007.

desirability of Australia as a destination and can have a flow-on effect upon the success of Australia's general skilled migration program. Further, the requirement for students on student visas to leave Australia 14 days after receiving their university results also affects the desirability of Australia as an education destination. A successful international education sector can in turn facilitate increased skilled migration to Australia. We note that international students have the capacity to make a greater contribution to Australia's skilled work force, and are likely to remain in Australia for longer periods than other migrants (including other skilled migrants).¹⁰ The global skills shortage will only increase and Australia should devise effective mechanisms to compete in the talent war in order to sustain its future prosperity.

3. Trade negotiations and market access issues

The commitment of the Australian Government in relation to quality standards for the services for international students, reflected by the introduction of the National Code in 2007,¹¹ remains paramount to the success of the services sector in Australia. The increasing accessibility of the Australian education market to international competitors is a positive development, so long as these quality systems remain in place. Ensuring that other governments are aware of the rigour applied to education service providers that operate in Australia will be a crucial factor in the development of the sector over time.

The university is supportive of the Australian Government's efforts in negotiating bilateral and multilateral free trade agreements (FTAs). Consultation with and advice to the university sector in the development of FTAs is paramount.

Wherever possible, an FTA should strengthen Intellectual Property (IP) and recognize that clarity concerning IP issues will create an effective environment for intellectual and research collaboration between Australian universities such as Monash, their overseas university counterparts and overseas industry. FTAs also have the potential to foster university-industry research collaboration. Again, creating an export environment that is flexible and able to accommodate a variety of different collaborative approaches would be beneficial.

FTAs should consider ways to decrease the regulatory burden for Australian businesses overseas, thereby lowering the costs and time required to conduct business overseas.

Global Market Access

The Bologna process¹² of standardisation and reform to Europe's higher education landscape may have an impact on Australian education exports. The process will facilitate increased mobility and versatility between European universities, which may marginalise Australia's interests. Once the Bologna process is complete (anticipated in 2010), a unified European education market will be a significant player in terms of its size and influence. While Australia is not generally perceived to be a destination of choice for European students, Bologna may enable Europe to more effectively recruit international students from Asia, thereby lessening Australia's market share.

¹⁰ Hawthorne, Lesleyanne (2008). "Two-step Migration": Growing Competition for International Students as High Skilled Migrants.' Presentation to the 6th Annual Higher Education Summit, Sydney, 3-4 April 2008.

¹¹ The National Code of Practice for Registration Authorities and Providers of Education and Training to Overseas Students, <http://aei.dest.gov.au/AEI/ESOS/Nationalcodeofpractice2007/Default.htm>

¹² http://ec.europa.eu/education/policies/educ/bologna/bologna_en.html

It is important that Australia positions itself to be able to respond to this challenge by promoting a regional response. Regional efforts in education have been small and irregular in the past. Australia needs to consolidate the process initiated by the previous government through the Brisbane Communiqué.¹³

Australian higher education institutions are particularly active in the Asia-Pacific region, and are often involved in capacity-building projects through educational arrangements in these countries. These activities are made possible through funding schemes such as those coordinated by AusAID, and have proven to be very successful. There is certainly the capacity and opportunity to do more in the region and globally, recognising the benefit that education brings to development. Greater support for development in Africa by AusAID would, in the long run, benefit education providers and Australia's ability to export education services to that continent and in the long run produce other strategic advantages for Australia in business and diplomacy.

4. International business development

Universities require the capacity to develop research collaboration in areas where they are world-renowned and to be able to generate results across borders. In research, as discussed, this means different forms of engagement with different countries depending the mix of research strengths and issues.

Australian universities are able to collaborate on a variety of levels with the developed countries of the OECD: Australian researchers engage as equal partners or more often as sub-contractors in the research process. By contrast, in developing countries research collaboration more frequently takes the form of capacity building through research training or through a very specific research focus where there is local expertise. The sophistication of Monash University's interaction with developing countries is guided by its understanding of its role in the world. It is important to the university that it is able to contribute to development across the globe, and that there is sufficient support from government for engagement with both developing and developed countries, and for major international projects (eg European Molecular Biology Laboratories (EMBL) and collaborations in China and India).

5. Trade development programs and services

Monash has developed significant capacity in relation to trade development. As significant resources are required for these developments it is worthwhile considering the ability of the government to provide consultative advice on changes to legal, taxation and financial arrangements in trading partner countries.

6. Financing exports

The Australian Government's International Science Linkages program¹⁴ is the main source of international research funding for universities in Australia, providing

¹³ <http://www.brisbanecommunique.dest.gov.au/>

¹⁴ <https://sciencegrants.dest.gov.au/isl/Pages/Home.aspx>

financial support for projects conducted with partners around the world. However the conditions for the award of these grants have become more prescriptive over time. As a result, the benefit to the university in applying for these funds has decreased. There is little flexibility in the selection of area of research or choice of country for these projects.

Noting the changes in the global economy and the emergence of different countries as research and education exporters and contributors, there is a need to ensure that funding mechanisms are flexible and agile. This will assist in ensuring that Australian research remains competitive.

Wherever possible, direct funding to institutions to promote collaboration with non-Australian institutions and industry should be a priority. In research for example, the Australian Government's International Science Linkages program should be greatly expanded to cover more countries around the world. At present, the program is overly focussed on European linkages at the expense of other regions. Ideally, this program must be able to adapt to changing demands of research collaboration.

7. Investment promotion and facilitation

Australia was the only OECD country where, between 1995 and 2004, total public funding for tertiary education fell (by 4 per cent)¹⁵. By contrast, tertiary education public funding across the OECD increased by an average of 49 per cent.¹⁶

Coupled with a lack of public investment, the higher education sector in Australia has experienced a lack of investment in and government-backed incentives for private sector investment in education. A culture of philanthropy in Australia is also lacking. Tax concessions for international industry need to be promoted for research conducted at Australian institutions in the same way as is underway for local industry.¹⁷

Where issues arise that concern both state and federal strata of government, there should be coordinated support for the development of the higher education sector and investment in its capacity and services. There needs to be continued emphasis on maintaining quality teaching and research at Australian institutions, and recognition of the importance of quality to reputation.

The university would like to see changes to the financing and development of research internationally, including the development of university-industry collaboration and investigation of the new models that will enable the success of these investments.

It would seem that Australia needs to better embrace its status as a services deliverer to encourage stability in the future provision of services. The need for funding and support for services is evident, and business and university collaboration should be encouraged.

¹⁵ Marginson, Simon (2007a) 'The 2007 Edition of Education at a Glance: Where does Australia sit in the OECD Comparison?' Presentation for the Ideas and Issues in Higher Education Seminar Series, The University of Melbourne, 15 October 2007.

¹⁶ Marginson, S. *op cit*.

¹⁷ AusIndustry, 'Tax Concession - Information Sheet', <http://www.ausindustry.gov.au/content/content.cfm?ObjectID=988AD344-A1E9-4988-BA2E4DD389E02BDF&L2Parent=&L3Parent=FD34329B-F6F6-4C98-B963D0A59C20A603>

8. Maximising the effectiveness of trade development resources

As a result of a gradual process of internationalisation that has been underway over several decades, Australian universities are familiar with the business practices of the export markets in which they operate. The existing services provided by Australian Education International are effective in promoting Australian interests. However, it is important that the focus of AEI keeps pace with the changes occurring in the industry described above and that the bureaucratic structure is altered to reflect the shift in emphasis.

The university strongly agrees with the view that promoting higher education and skill levels of the workforce are a crucial precondition to improving productivity, therefore generating stronger export and investment performance.¹⁸ Within Australia, the current federal system of funding for higher education, and particularly the lack of clear lines of financial responsibility between state and federal governments, significantly inhibits the operation of education providers and creates difficulties for this valuable export industry.

Funding reforms should recognise and promote difference between the individual capacity and research strengths of institutions, and not hold back the best performing universities. As one Australian Vice-Chancellor recently commented, the one-size-fits-all model for university funding should be abandoned.¹⁹ This would enable research universities such as Monash to specialise in areas of research strength and build strategic links, properly supported by funding, with other institutions overseas.

In future, research will be more integrated and pursued along thematic lines rather than discipline. Education and research relationships will be more complex and symbiotic in nature, spanning across many individuals and levels within institutions, and utilising a variety of platforms for interaction between countries. It is in the interests of Australian higher education providers for the education landscape to remain competitive. The Australian government, in reviewing its export policy, should at all times seek to enhance the competitiveness. Although evidence is emerging that institutions are becoming drivers of student choice,²⁰ it is widely accepted that national reputation has a greater role to play than individual identity.²¹ To remain competitive into the future, this country must invest in its education sector to the benefit not only of education within Australia, but to also maintain Australia's reputation as a global leader in education services industry.

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¹⁸ http://www.dfat.gov.au/trade/export_review/key_issues.html

¹⁹ Chubb, Ian (2008). 'Higher education: it's time...' Speech to the Australia and New Zealand School of Government Lecture Series, 20 February 2008.

²⁰ Ross, John (2008), "Institution, not country, drives international student choice." *Campus Review*. Vol 18, No 7, February 19 2008.

²¹ Marginson, Simon (2007b). "Global Position and Position Taking: The Case of Australia." *Journal of Studies in International Education* vol.11, no.1 (Spring 2007), 12.

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<http://aei.dest.gov.au/AEI/ESOS/Nationalcodeofpractice2007/Default.htm>
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