

Executive summary

More open exchange and investment in higher education can contribute greatly to economic growth and development. This study is designed to facilitate cross-border exchange and investment in higher education by identifying positive and negative measures affecting that exchange. It offers:

- a survey of actual policy measures affecting cross-border exchange and investment in higher education services across all modes of supply for APEC economies;
- a comprehensive and up-to-date reassessment of policies and practices affecting cross-border exchange and investment in higher education services;
- recommendations for facilitating the expansion of free and open cross-border exchange and investment in higher education services in the APEC region.

The study has used the Education Network of the APEC Human Resources Development Working Group, with support from the APEC Group on Services, to complete a survey of actual regulatory policies currently affecting the delivery and exchange of higher education services in a number of APEC member economies. Reasonably complete responses have been received from nine of the 21 APEC economies — Australia, Chile, Indonesia, Japan, Mexico, New Zealand, Peru, Chinese Taipei and Thailand. Incomplete responses were also received from Brunei and Canada.

The survey questionnaire goes further than previous surveys by covering some of the newly emerging methods by which higher education services are being exchanged. These include the twinning and other partnership arrangements that have developed, partly as a response to the bans or foreign equity limits placed in the establishment of foreign campuses in some economies.

The survey also goes further than previous surveys by including more detail on measures that inhibit exchange and investment, measures that facilitate it, and measures that constitute part of the general regulatory environment governing the provision of higher education in each economy. In this respect, the survey goes further than measures that would be regarded by trade experts as trade barriers, in a narrow sense.

The survey results suggest that the economies with the highest recorded restrictions on institutions are those that do not allow private for-profit or foreign-invested institutions to

establish at all. Economies with the most liberal regimes include major exporters of higher education services. They also include economies that do not have any legal restrictions on foreign-invested institutions, other than those that apply to local institutions, although they do not yet have any such institutions operating in their economy.

The types of institutions where restrictions are most prevalent are private for-profit and foreign-invested institutions. Nevertheless, government institutions also face relatively frequent restrictions. This is evidence of the phenomenon that institutions that are in receipt of significant government funding are likely to face relatively high standards of scrutiny and accountability, some of which will be manifest in regulatory restrictions.

The institutions facing the lowest prevalence of regulatory restrictions are private non-profit institutions, those in a partnership arrangement with a foreign institution, and institutions delivering online and distance education. The education authorities in some economies do not recognise online and distance education institutions, and their regimes are accordingly relatively restrictive. Others, such as New Zealand, take a relatively relaxed approach to such institutions. Lack of recognition appears to be the main barrier affecting online and distance education.

There is an interesting relationship between the prevalence of restrictions on higher education institutions and the breadth, depth and transparent of quality assurance processes. Some economies use bans on certain institutions instead of quality assurance processes for them, even when their quality assurance processes for other institutions are relatively extensive, at least in terms of process.

Across all the responding economies, restrictions on the movement of individual students are about as prevalent as restrictions on institutions. Restrictions on the movement of instructors are notably less than on students.

Among the various types of restrictions, the broad pattern seems to be that regulatory restrictions on establishment are more prevalent than regulatory restrictions on ongoing operation. But some are associated with regulations that are applied to all institutions by the government education authorities, and rarely operate on a discriminatory basis.

The most prevalent discriminatory restriction is on the ability of foreign institutions to access government funds and/or support normally given to institutions. There are similar restrictions on the ability of the students of foreign institutions to access government funds and/or support normally given to local students. In many cases, both these restrictions are at least partly for budgetary reasons.

Another common restriction is a requirement that institutions must establish in a particular form, reflecting those economies that require higher education institutions to be non-profit. Arguably, in some cases this restriction has the effect of offering protection for domestic institutions, even if the stated rationale is philosophical.

The most common restriction on operation is limits on the number of students that can be enrolled. Mostly, this is for budgetary reasons. It is also relatively common for there to be restrictions on the ability of institutions to charge fees. But in some economies, there are fewer restrictions on charging international students than local students, reflecting the growing commercialisation of cross-border exchange.

Licensing conditions apparently vary enormously from one economy to another, and different economies take different approaches. Some respondents provided very little information, perhaps reflecting a lack of transparency in their licensing regimes.

There is also noticeable variation in the breadth, depth and transparency of quality assurance regimes. But most go beyond assessing inputs and processes, to also assess outputs and outcomes.

According to the survey, there are relatively few restrictions on the recognition of qualifications for the purposes of employment or further study. However, this is one of the most unsatisfactory parts of the survey, because of limited responses.

In a situation where at least some regulatory restrictions cannot be removed completely, because they are required to meet legitimate regulatory objectives, economies need to ensure that their regulatory regimes, in the words of the GATS, are ‘not more burdensome than necessary to ensure quality’, and are ‘not in themselves a restriction on the supply of the service’.

A key conclusion of this report is that, to make further progress in opening up higher education markets, the APEC member economies should work to strengthen quality assurance processes. This will be a key prerequisite to dismantling the bans and other regulatory restrictions that, while having a possible rationale in quality assurance, are either more discriminatory or more burdensome than necessary.

In the case of higher education services, one way to operationalise the necessity test is to develop quality assurance frameworks that define *minimum acceptable standards*. Economies could choose to adopt standards in their home economy that were higher than the minimum acceptable standards. But having a ‘ladder’ of quality standards across the region would help to do two things:

- it would put a floor under standards, providing a benchmark for standards that were not more burdensome than necessary; and
- it would also provide a viable alternative for the replacement of standards or regulatory restrictions that were discriminatory against foreign providers, particularly the bans on entry.

Recognising that achieving any agreement about content is difficult, an important first step would be to facilitate further information-sharing among quality assurance agencies about the content of current standards. In this respect, the diversity of the APEC region is a strength rather than a weakness. The range of current standards may itself span what many could agree to be *minimum acceptable standards*. The discussion may then be able to define a ‘ladder’ of quality standards, giving economies a clear and feasible path of improvement over time.

There are no moves to operationalise a necessity test for higher education within the WTO. To date their work on domestic regulation has focused on the procedural and administrative aspects, rather than content. In many respects, the APEC forum is a more natural home for such an endeavour.

In addition to information-sharing among quality assurance agencies about the content of current standards, a complementary effort would be capacity-building initiatives in those economies whose quality assurance frameworks are still fragile or under-developed. Such capacity building could be accompanied by awareness raising about the general benefits of international exchange.

The survey of measures affecting international exchange and investment did not have great success in documenting restrictions on the credit transfer and the recognition of qualifications for the purposes of employment or further education.

This lack of success in itself suggests that problems with credit transfer and recognition may be best dealt with indirectly, by promoting quality assurance among the higher education institutions, and by promoting the transparency of those quality assurance processes. The above suggestions for facilitating further information-sharing among quality assurance agencies about the content of current standards, and not just the processes, would contribute greatly to this transparency. This is because cross-border recognition requires an understanding of foreign quality assurance standards, not just having good quality assurance processes at home.

Another approach is to work at establishing a ‘ladder’ of qualifications (not all equivalent) across the Asia-Pacific region, similar to the above suggestion for a creating a ‘ladder’ of quality assurance standards. As a first step, National Qualifications

Frameworks could be developed in each APEC economy. These provide a single metric against which all the qualifications within a given economy are judged. They would then provide a mechanism for benchmarking higher education qualifications and the quality of education outcomes across borders.

Another tool to promote recognition is to encourage higher education institutions to issue a so-called Diploma Supplement — a document issued with a degree/diploma that describes the qualification in an easily understandable way and relates it to the higher education system in which it was issued.

A final impediment to international exchange is a lack of transparency in some economies about the regulatory requirements that need to be satisfied in order to provide higher education services. There is scope for mechanisms to encourage economies to develop packages of information that can be available to prospective higher education providers, whether domestic or foreign, about the regulatory requirements to enter a market. Developing such packages may also require some capacity-building assistance.

The above general recommendations suggest the following initiatives for the APEC Human Resources Development Working Group:

- facilitating further information-sharing among quality assurance agencies about the content, not just the process, of current quality assurance standards;
- using such exchange as a basis for developing *minimum acceptable* quality standards, thus providing a benchmark for standards that were not more burdensome than necessary;
- facilitating capacity building among quality assurance agencies, and awareness raising about the general benefits of international exchange;
- promoting the use of recognition tools by higher education institutions, and the establishment of National Qualifications Frameworks in each APEC economy, to provide a single metric against which all the qualifications within a given economy are judged;
- promoting these national qualifications frameworks as a mechanism for benchmarking higher education qualifications and the quality of education outcomes across borders; and
- facilitating the development of information packages that can be available to prospective higher education providers, whether domestic or foreign, about the regulatory requirements to enter a market.

Abbreviations

APEC	Asia Pacific Economic Cooperation forum
ASEAN	Association of Southeast Asian Nations
CPC	Central Product Classification
DEEWR	Department of Education, Employment and Workplace Relations
ECOTECH	APEC Economic and Technical Cooperation
EdNET	APEC Education Network
FTA	Free Trade Area
GATS	General Agreement on Trade in Services
GOS	APEC Group on Services
HRDWG	APEC Human Resources Development Working Group
OECD	Organisation for Economic Cooperation and Development
PTA	Preferential Trade Agreement
WTO	World Trade Organisation