

was the commodification and selling of education programs. The General Agreement on Trade in Services (GATS) has been a wake-up call for higher education around the world. Higher education has traditionally been seen as a “public good” and a “social responsibility.” Many people see GATS as presenting new opportunities and benefits, while others see it as introducing serious risks and positioning higher education as a private commodity. In addition, there are those who question why the trade sector needs to impose regulations at all, given that the education sector has been using its own international agreements and conventions.

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#### INCREASED ACCESS: EQUITY OR ELITISM

While internationalization—more specifically cross-border education—is seen as a potential to increase access to higher education, deep concerns have been raised about the equity of access. Access for whom is the key question: those who can afford to travel, or those who speak English, or those who can afford foreign tuition fees whether they stay at home or go abroad for their foreign credential? The growth in the for-profit sector of international education provision gives fodder to critics who believe that cross-border education rather than education at home is contributing to the perception that internationalization is only available for financially independent students. Furthermore, the small percentage of students actually participating in short-term study abroad, internships, and international research projects provides more evidence of the exclusive nature of internationalization.

#### CULTURAL DIVERSITY OR HOMOGENIZATION?

The impact of new forms and types of international academic mobility on the recognition and promotion of indigenous and diverse cultures is a subject that evokes strong positions and sentiments. Many observers believe that modern information and communications technologies and the movement of people, ideas, and culture across national boundaries present new opportunities to promote a culture and provide more chances for the fusion and hybridization of culture.

Other people see both the movement and the speed as alarming. They contend that these same forces are eroding national cultural identities and that, instead of the creation of new hybrid cultures, native cultures are being homogenized—usually interpreted as Westernized. Because education has traditionally been seen as a vehicle of acculturation, these arguments focus on the issues of the dominance of English as the

language of instruction, irrelevance of curriculum content, and the standardization of education and its accreditation processes.

#### WHAT IS NEXT?

These new developments and unintended consequences illustrate that nothing unfolds entirely as planned. It is necessary to stay alert to unexpected twists and turns along the road to internationalization. With innovation come new opportunities, successes, as well as threats. It is imperative that the international, intercultural, and global dimensions of higher education continue to be proactive and innovative, while keeping a close watch on unanticipated spin-offs and implications. As internationalization matures through its ages and stages of growth, a critical eye and strong will are needed to monitor intended and unintended results—for today and 25 years hence.

## Is Australia Overdependent on International Students?

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Australia has become a byword for the generation of export revenues by selling education to foreign students. In 2007, 254,414 international students were enrolled in Australian public universities, 26 percent of all students. Another 18,685 were in private higher education institutions. Each year Australia receives about the same number of university students from mainland China and Hong Kong combined, as does the United States.

The only other country running education as an export business on this scale, the United Kingdom enrolls half the share of international students as in Australia. Education is the third-largest export sector in Australia—below coal and iron ore but ahead of tourism, beef, wheat, and manufacturing. It earned \$12 billion in 2007, mostly from the 207,800 students attending institutions onshore in Australia. There were also 65,299 more in offshore distance education and in branch campuses of Australian institutions, mostly in East and Southeast Asia.

#### THE EDUCATION EXPORT BOOM

The growth of international education has been amazing. Between 1996 and 2007 the number of foreign students multiplied fivefold, from 53,188 to 273,099. However, this trend

does not show that Australia is more popular with foreign students than other countries. Market research consistently finds the United States as the number one destination of choice, followed by the United Kingdom. At the doctoral level the United States continues to draw the lion's share of the highest-achieving students. Rather, Australia's export boom results from several favorable factors, plus the federal government's framing of the political economy of the national system.

Australia benefits from the global demand for English-language-based education systems. The cost of studying in Australia is cheaper than in the United Kingdom or United States, despite depreciation of the greenback. Australia is close to Asia, the largest-source region for foreign students, and has enjoyed good relations with China for three decades. As in the United Kingdom and Canada, immigration policy encourages foreign students to stay after graduation. Australia has developed very effective marketing and student servicing.

Above all, Australia's export boom is the outcome of supply-side government policies that drive all Australian universities—even the research-intensive institutions at the top of the local market—to raise global student market and thus maximize national exports.

The international education industry provides 15 percent of the combined revenues of Australian universities, up to 50 percent in individual universities. International students subsidize not just university facilities and services but part of the

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core teaching and research. This support has enabled the national government to run down its funding of higher education. Last year, Education at a Glance—of the Organisation for Economic Co-operation and Development (OECD)—showed that Australia was the only nation to reduce total public spending on tertiary education from 1995 to 2005, with public funding per student falling by 28 percent in real terms.

In Australia, tuition levels for domestic students are capped, while international fees are not—and the total tuition for each domestic student place, student payments plus government subsidy, has fallen below unit cost. Universities lose money on every local student they enroll, while internationals generate a surplus. At the same time research is not fully funded. Only two-thirds of the cost of government-funded research projects, including infrastructure and teaching buyouts, are covered by research grants. Further, government grants are not fully indexed for cost inflation. The funding gap between public revenues and the costs of domestic students and research grows each year.

Thus the economic factors of the remarkable Australian growth strongly encourage institutions to enroll more international students each year. At the same time, fully commercial English-language and business-training colleges are mushrooming, driven especially by immigration-based demand. The large and growing export industry strengthens Australia's connections with Asia and reduces fiscal costs. This win-win for government is not so good for the universities.

The problem for the universities is that their state is not as “healthy” as the export figures suggest. Perversely, the export industry has been built not on a solid base of quality, but on the deliberate underfunding of the Australian system. Underfunding drives export growth but also empties out quality.

#### THE GROWTH OF DILEMMAS

The negative signs have been revealed of long-term underfunding in both teaching and research. The rate of participation of domestic students has not changed much since the mid-1990s, while international student numbers have grown so dramatically. Moreover, most OECD countries and East Asian countries are expanding domestic tertiary participation in line with the evolution of the knowledge economy. Between the early 1990s and 2006 the average number of students per academic faculty in Australia rose from 14 to 20, a sharp deterioration in conditions of teaching and learning.

Australia's research performance, relative to population and national wealth, is below levels in the United States, the United Kingdom, and Canada. Australia has 15 universities in the Shanghai Jiao Tong ranking's top 500, a good performance for a nation of 20 million. But there are no Australian universities in the Jiao Tong top 50, where the United States has 36 research universities, the United Kingdom 5, and Canada 2.

One suspects that Australia cannot keep growing its export industry and emptying out teaching and research capacity at the same time. Eventually, quality might be seen to deteriorate, reducing the number (and certainly the quality) of international students and further driving down systemic resources. Otherwise, government may begin refunding the domestic system, in which case international student numbers might begin to fall.

A recent article in the *Chronicle of Higher Education* noted Australia's “dangerous dependence” on education exports. The danger extends beyond the risks of the global market's sharp drop and Australian tertiary education's underfinancing (a possibility, given the slowing down of economic growth in China). The deeper threat includes the corrosion of educational priorities and intercultural principles that a commercial approach can engender, when operating on this scale over a generation, as in Australia.

Australia has not in fact relinquished its educational mission or the commitment to scholarship and research that is integral to universities, as sometimes argued by critics of the commercial approach. In many respects, the culture of

Australian universities remains similar to that of North American and European universities, and good work continues.

However, university marketing budgets remain very large, with symptoms of public underfunding everywhere. Australia has attracted few high-quality foreign doctoral students, and the aim is to secure revenues rather than to allocate scholarships. The opportunity to develop rich intercultural pedagogies and curricula has not been taken—given that the policy focuses on minimizing the unit cost per international student, to maximize earnings. Moreover, at the bottom of the hierarchy there are diploma mills and immigration scams.

In spite of unhealthy signs, Australian policy is unlikely to change unless and until the volume and quality of international student demand drop. Then the crunch will come: the choice of either maintaining export revenues (for example, via immigration incentives) at the further cost of the quality of students, education, and Australia's global reputation; or public refunding that sustains quality but increases fiscal costs and halts export growth. ■

## For-Profit versus Nonprofit Private Higher Education

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While most of the world's private higher education is nonprofit, a major uptick is under way concerning for-profit higher education. In the United States, for-profits are the fast-growing segment of higher education and will probably soon capture a 10th of total enrollment—about one-third of the country's private higher education overall. Although the US for-profit share is larger than in most of the world, that segment is growing in many countries. The potential for growth of for-profit higher education appears strong in such areas as adult education, distance education, career education, and foreign-domestic partnerships. A few decades back, even nonprofit private higher education was prohibited in much of the world, whereas today very few countries maintain such a ban. The extent to which legalization of for-profits will follow suit is

as yet unknown, but growth is unmistakable.

The prominence of for-profit higher education relates not just to its expansion but also to its relative distinctiveness. Undeniably, major blurring occurs across all three higher education sectors—for-profit, nonprofit private, and public. But just as scholarship has identified major private (nonprofit) versus public differences, we can increasingly see for-profit versus nonprofit differences. Furthermore, most for-profit versus nonprofit differences likewise reflect the fact that the for-profit sector is particularly distinctive from the public sector.

### NOT A DISTINCT SECTOR

It is not always easy to identify for-profit institutions. The biggest problem in numerical terms is that many institutions legally labeled nonprofit are in fact for-profit in practice.

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Additionally, some countries neither proscribe nor explicitly allow the for-profit form, simply not mentioning it in the education context. Further ambiguity, however, relates to a widespread misconception about the nature of nonprofit institutions; outside the United States, “private” is often equated with business or pursuit of financial gains. Yet nonprofits violate no rules simply by pursuing gain, as long as the gain is not distributed as profits to owners. Gains reinvested in the institution, perhaps to cross-subsidize fields or build new ones, are legitimate within the nonprofit rubric. Illegitimate but common are other forms of distributing gains, as with expensive perks for family members who may be listed as part of the work staff. It was such widespread practice that helped drive the Brazilian government in the 1990s to permit legal for-profits: better to have tax-paying for-profits than bogus nonprofits.

Blurry boundaries and overlapping realities are hardly unique to higher education. They are longstanding matters of great concern in the general literature on nonprofit organizations and intersectoral differences. Confusion is today compounded as nonprofits commercialize themselves more than ever. Indeed, as manifested in higher education, even some public institutions increasingly take commercial routes. Furthermore, even when clearly identified as for-profit, institutions are often only ambiguously “higher education.” This is particularly salient with training (as opposed to “education”) institutions. The former may come under business law, the latter under education law, with only the former allowed to be, legally, for-profit while the actual boundaries are slippery. Finally, domestic partnerships are growing between public universities and for-profit colleges, sometimes causing ambiguity