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## The Commodification of International Education

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# THE COMMODIFICATION OF INTERNATIONAL EDUCATION

by Howard Dooley

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Today's conference theme is universities and corporations. My angle today is to examine international higher education as a business, in fact, as a globally traded commodity. A commodity? Yes, higher education is a commercial product, bought and sold like automobiles, jetliners, or bananas in the global marketplace. International higher education is one of the world's most dynamic and fastest growing industries. Over the last decade, international education has experienced remarkable growth, so that today there are more than 1.8 million international students in higher education institutions around the world. And this is just the beginning.

In the next two decades, the global demand for international higher education is expected to grow fourfold! By 2025, 8 million students-over 6 million more than now-will be seeking seats in colleges and universities outside their home countries. Driving this surge abroad will be a tremendous increase in demand for higher education. As income rises, so does the level of participation in higher education. As China and India boom, there will be sharp increases in demand for, and participation in higher education.

At the turn of the century, in 2000, there were 97 million students in higher education around the world. In 2025, the demand will be for 263 million seats. Most of this demand will be in Asia. In India, demand will soar from 9.6 million seats in 2000 to 61 million by 2025. In China, demand will rise from 8 million seats to 45 million during the same time frame. Latin America and Africa, too, will see substantial growth, as the number of students doubles to about 11 million in each continent. North America and Europe will also experience growth, but much less proportionately.

Meeting the demand for 160 million more tertiary level seats will be challenging. Particularly in countries where higher education has been a state monopoly, and virtually free of charge, the pressure will be the greatest. Everywhere public systems, funded by government appropriations, will come under enormous strain. Put simply, the demand for higher education will outrun the ability of governments to pay for enough university seats. This will spur millions of students to seek seats for higher education abroad.

Four factors will shape higher education, and its international dimensions, in the next two decades:

1. The Withering Away of State Support
2. Privatization
3. Adoption of American model curricula
4. English as lingua franca

## 1) Withering Away of State Support

Governments are increasingly unable, or at any rate, unwilling to sustain their public universities. Particularly in poorer countries where higher education has been a state monopoly, and virtually

free of charge, efforts are being made to “cost share” by charging tuition. Proposing to charge tuition for the first time, or raising tuition from token levels such as \$1 a year at Mexico’s national autonomous universities, has triggered mass student demonstrations. From Mexico to Poland to India challenging the expectation that higher education is a free public right has convulsed campuses. Meetings of the World Trade Organization have also been disrupted by rioters protesting, among other things, the imposition tuition. Expect much more turmoil on- and off-campus as the tide of tuition rises.

In rich countries, declining government financial support has broken the social compact between the state and public higher education. Here at Western Michigan University we all feel the fiscal pain as State of Michigan support has withered from 70% of the institutional budget two decades ago to just 41% now. We must now anticipate that state support will shrink further to, say, 18% like the University of Pittsburgh, which went from private to public, or even down to 8%, as at the University of Virginia. In Australia, state support has dropped from 62% to 45% of university funds since 1991. At the London School of Economics, government support has fallen from 70% to 18% of the budget. Canada, and Germany exhibit the same pattern.

To cope, universities are being driven into identifying a range of other income generating activities. Thinking entrepreneurially, commercializing research and technologies, seeking philanthropy and corporate sponsorship are obvious ones. Some institutions have realized that international education can play an important role in meeting the shortfall.

## **2) Privatization**

If state supported institutions of higher learning cannot meet rising demand for higher education, opening the market to private colleges and universities is a corollary solution. In China, for example, more than 2,000 private post-secondary institutions have been launched in the past decade.

Home grown private schools can be supplemented by opening the door to foreign academic institutions, programs, and degrees. “Twinning” programs, franchised-degrees from universities abroad, foreign branch campuses, and distance learning technologies are ways that privatization, free trade and outsourcing in the international education business can go hand in hand.

Finally, state-supported, or at any rate, state-assisted universities can go private, in part or in whole. The University of Virginia, for example, has weighed privatizing its renowned law school. And in the United Kingdom, five top institutions, including the universities of Oxford and Cambridge, and The Imperial College of London, have been considering going private.

## **3) American Model Curricula**

American-model curricula and degree models are spreading because the U.S. system appears to offer greater flexibility, scope and choice. Another reason is that multinational corporations demand a few easily understood credentials to evaluate in hiring personnel. In Europe, this has spurred the adoption of bachelors and masters degrees to replace the confusion of certificates, vordiploms, diploms, etc. that vary across the European Union. Hong Kong has emulated the U.S. by creating a community college system offering associate degrees, while Singapore embraced the American approach to business education by creating Singapore Management

University (SMU) by modeling on the Wharton School. All over the world there are new private institutions appearing that call themselves “The American University of Bulgaria” or “The American University of Dubai” or the “American University of Kuwait”.

#### **4) Spread of English**

English has become the global “lingua franca”. Currently about 1.5 billion people, one-quarter of the world's population, speak English. More people in China are now learning English than live in the U.S.A. There have been calls in Japan, Korea, and Thailand for adopting English as the second official language. Soon more people will speak English as a foreign language than as a native tongue. By 2030, half of the world will speak English.

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These four revolutions are converging, and will accelerate the adoption of American model curricula in tuition-based private and public universities around the world. The coming of globalized free trade in higher education, and the prospect of 8 million customers seeking international education, will spur a tremendous growth and a frenzy of competition. Three forces will be major factors:

##### **1. Countries Will Become Active Student Recruiters**

The U.S. and the U.K. have long been the market leaders, attracting the largest numbers of international students. New countries are now pro-actively seeking to become players in the international education market. In Asia, Malaysia, Singapore, and India are promoting themselves as “regional centers for higher education.” For example, WMU's long-standing twinning program partner Sunway College in Malaysia enrolls students from 55 countries. In Europe, the Netherlands, France, Germany and Spain are active recruiters. Non-English speaking countries are adding programs in English specifically to attract international students. National governments, and even state governments such as Germany's Baden-Wuerttemberg, are developing official policies to capitalize on international education.

The most successful of all the new competitors is Australia. Facing withering state support, Australia's universities decided to recruit full fee-paying international students as a source of income. Starting from 21,000 international students in 1988, Australia now hosts 200,000. International student fees contribute 10% of total university income, and higher education is the country's third ranking export. The universities have corporatized their international offices, spinning them off as part of companies that also commercialize university research and development, such as the University of Wollongong's Illawarra Development Corporation. The federal government in Canberra backs the universities with a coordinated global marketing campaign, building Australian education as a brand. Planning ahead, Australia could potentially host as many as 562,000 international students by 2025, almost as many as U.S. does now.

Australia also sets the pace in off-shore international education. Australian universities are aggressive in out-sourcing, setting up franchise degree programs and for profit branch campuses. Monash University of Melbourne, for example, has established branch campuses in Kuala Lumpur, Malaysia (with WMU's partner Sunway College); Johannesburg, South Africa; even London, England, and has been scouting the U.S., including Chicago. By 2025, Australia aims to

be educating 400,000 international students through off-shore campuses, franchises, and distance learning. Add these to the 560,000 who could be studying IN Australia and the total comes to almost 1 million!

Australia is the pace-setter in the international education industry. Competitors such as Britain and Canada have been scrambling to follow the lead set by "Oz". The U.K. has long recognized international higher education as a vital export industry, and a few years ago several British universities were given the Queen's Award for Exports in recognition of their contribution to the national trade balance. Prime Minister Tony Blair has proclaimed a bold national strategy to build a brand for British education through promotion by British Councils worldwide, with the goal of doubling the number of international students studying in the U.K. Canada, too, is adopting the Australian model of national branding and aggressive global marketing.

## **2. Private and Corporate Universities Will Enter the Market**

Private universities will go abroad, such as the University of Chicago to Singapore. The private for-profit education sector will become heavily involved in the meeting the demand for higher education e.g. Sylvan International Universities, part of the worldwide Sylvan Learning Systems Inc. already operates private universities in Mexico, Chile, Switzerland, Spain, and France, and will be adding more. (See [www.sylvan.net](http://www.sylvan.net)) One should not be surprised to hear that the University of Phoenix will be the next proprietary higher education enterprise to go global.

## **3. The World Trade Organization Will Get Into the Act**

The expansion of global trade in higher education will bring this sector to the attention of the World Trade Organization. Eventually the WTO may seek to apply free trade criteria to the services sector. Someday our universities may wake up to discover that educational policies thought of as sovereign matters, determined by national or state authorities, such as the recognition of degrees, or tuition differentials between domestic and foreign students, or financial aid only for citizens, are being brought before the WTO as barriers in the restraint of trade. What will American universities do if they are threatened with being hauled before an international tribunal because they do not recognize European three-year bachelors degrees as sufficient for admission to graduate school?

### **Implications for the Future**

The United States has long been the market leader in international education. The number of international students studying in the U.S. has grown for 50 years, peaking at 586,323 in Fall 2002. International students contribute \$13 billion per year to the U.S. economy, making international higher education America's fifth ranking export service industry. At WMU, tuition from international students generates about \$17 million per year.

Now America's international education business has suffered a reverse. The Institute of International Education will report at a press conference Monday, November 15, 2004 that the number of international students enrolled in U.S. higher education decreased by 2.4% in 2003/4 to 572,509, down -13,814, according to Open Doors 2004. Students from Asia, the largest source area, dropped -3%; Europe fell by -5%; and the Middle East declined by -9%. There were small gains from Canada, up +2%, and Latin America and Africa, each up +1%. This is the first

absolute decline in numbers since 1971/2 when enrollments dropped 3% (to 140,126).

I.I.E. is reporting last year's numbers i.e. Fall 2003, since the Open Doors survey runs a year behind in reporting the international student census. Every indication is that the decline continues nationwide this year; figure at least another -2.4% drop for Fall 2004. At WMU we have suffered a combined loss of 543 international students in 2003 and 2004, a 27% drop in just two years. From peak of just over 2,000 international students in September 2001, we have slipped to just under 1450.

I.I.E. attributes the overall decline to four factors: 1) real and perceived difficulties in obtaining student visas, especially in scientific and technical fields; 2) rising U.S. tuition costs; 3) vigorous recruiting by other English speaking countries; and 4) perceptions abroad that international students are not welcome in America.

Not directly acknowledged is that since September 11, 2001 the United States is at war with an Islamist insurgency. Though it speaks in a religious idiom, Islamist extremism is an anti-globalization movement, fighting to stop, among other things, the free flow of people and ideas. President George W. Bush has responded to 9-11 by proclaiming a new national security doctrine comprised of three elements: maintaining American primacy as the world's sole superpower, pre-emptive war, and unilateral action. It's Jihad versus McEmpire. The trouble is that we require foreign money, 40% from Asia, to finance our wars; don't have enough troops or imperial administrators who speak the languages of "our new caught sullen peoples"; and have alienated many of our allies and friends, countries from which we draw so many international students. As long as this "war on terror" goes on, America's international higher education business is going to pay a price.

Meanwhile, America's competitors in international education are going to take full advantage of the situation. Billions of people who speak English can adapt American curricula, adopt bachelors and masters degrees, turn state universities into entrepreneurial enterprises, set up private and corporate universities, and secure government backing to compete for the international education market.

In the global commodity market that is international higher education, one of America's most successful industries is at risk. It is time for the U.S. to openly acknowledge that international higher education is a vital national interest, indeed, a national security interest. America needs a national policy for international higher education. We need a revival of the U.S. Information Agency (U.S.I.A.), which once operated a network of American libraries and education advising offices attached to embassies and consulates all over the world. After the Republican Congressional sweep on 1994, U.S.I.A. was folded into the State Department, overseas libraries were closed, and the advising offices either shut down or forced to privatize. I recall meeting the U.S. education and cultural attaché in the embassy in Jakarta, Indonesia, and being shown the empty bookshelves of the shuttered library. He told me that on that very day the American consulate in Medan, Sumatra's biggest city, was being closed, including the U.S. education advising office. He had repeatedly cabled Washington protesting that America was turning its back on a huge market and that the Australians would move into the vacuum. No answer. Finally, he got a response: "They aren't Communists, are they?"

Here in Michigan, we need a state policy that recognizes, and promotes, Michigan higher

education as world class, and proactively seeks to draw international students to our 15 public universities, as well as send thousands of our domestic students to study abroad. Michigan would do well to study the example of Baden-Wurttemberg, whose higher education institutions, led by the University of Tubingen (a WMU exchange partner) are the most internationally engaged of any German state. (Incidentally, Baden-Wurttemberg is the home of an automobile company that controls one of Michigan former icons: Chrysler.)

Lastly, we need university international leaders who think globally and act entrepreneurially, who will take risks, experiment, try things that may not payoff, and go where no WMU representative has gone before. We need leaders who will spend 90-100 days a year overseas prospecting for a share of the 6 million new students who will be looking for an academic home away from home. It is not enough to sit at home reorganizing offices and shuffling curricula in the university sandbox. Leaders have got to get out there, going face to face with the competition, to attract the students who bring the world to our campus. That is the core of the international education business.

Remember when GM and Ford and Chrysler cars filled the roads? Remember when Boeing 747's ruled the sky? Now Toyota is the world's best car maker, and Airbus is the world's leading aircraft maker. If we don't reflect on what has happened in two commodity markets, international higher education could be the next area where American leadership will be lost.

Thank you.