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# Education as an Export Industry: The Case of New Zealand

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# *Education as an Export Industry: The Case of New Zealand*


## ABSTRACT

This paper discusses New Zealand’s role in the global market for tertiary education. The internationalization and liberalization of education markets is progressing rapidly in today’s globalizing world, as reflected by the incorporation of education as a service into the GATS framework. Through the example of New Zealand as a case study for internationalization of education services, the study depicts the way government is involved in this process. Commodification of sectors traditionally subject to domestic public policy is often associated with a less interventionist state, but our example of education shows that this is not necessarily the case, at least in the medium-term: New Zealand’s government rather appears to be an active facilitator of the liberalization process in education. We review its recent move towards treating education as an international export good and present data on the growth of this industry. The paper concentrates on the particular ways by which New Zealand’s government is trying to facilitate this process of liberalizing the education sector.

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# Education as an Export Industry: The Case of New Zealand

## INTRODUCTION – EDUCATION AS AN EXPORT INDUSTRY OF NEW ZEALAND[1]

What are the main export goods of New Zealand? Intuitively, one thinks of lamb, wool, kiwifruit, and maybe apples. In recent years, however, another sector has become a major export business for New Zealand: *education services* today rank fourth in services exports and fifteenth in terms of export as a whole (OECD 2004). In 2003/2004, these exports made up NZ$ 1.4 billion, 12.8 per cent of the country's overall service exports (Statistics New Zealand 2004). Export of education generates more foreign exchange for New Zealand than its wine industry (e.g. Ministry of Education 2001a: 5). The aim of this paper is to explore the extent of education as an export good for New Zealand. The focus is on the quantitative dimensions of education export, its growth over the last years, as well as the underlying conditions which enable that growth: political incentives and international developments.

In recent years, education has been discovered as a lucrative service industry, and governments of industrialized countries have actively sought to take advantage of this growing market. We focus on New Zealand as a case study because it is one of the countries most active in pushing the concept of education as a business sector. We thus also fill a gap in the increasing research on educational markets, as most existing studies on that subject focus on the US market, which is by far the largest and attracts many foreign students (see for example, Hentschke and Tierney 2005; Bok 2003). In the Asian Pacific Area, Australia traditionally gets the most attention in this field, as well as the most foreign students (Harman 2004). New Zealand, instead, has been examined only very rarely (see Lewis 2005), despite its particular interest in education export and its driving position in fostering the international liberalization of education.

In this paper we show that the New Zealand government in fact spearheaded policy by pushing education as an export product. Internationalization of education is often interpreted as undermining state autonomy by creating new modes of governance and a transnational market only marginally affected by state intervention (Enders 2004; van der Wende 2001). Thus, by examining the field of education policy, traditionally seen as a bastion of the nation-state, we also address the fate of the 'intervention state' (see

[1] The authors wish to thank Roger Dale and two anonymous reviewers of the Collaborative Research Centre for their encouraging and extremely valuable comments on an earlier version of this article. For assistance in the preparation of this paper we would like to thank Lisa Zelljadt, Jegapradepan Arumugarajah and Rainer Stanke.

Zürn and Leibfried 2005) in the era of globalization in a particular policy field.[2] Without trying to give definite or general answers, the case of New Zealand is thus studied in the light of the broader discussion about the changing role of the state in public services. Does internationalization in education lead to less state intervention? Is the state's role redefined by this process? To what extent is internationalization of the education sector inevitable for national governments, or, on the contrary, even fostered by them?

The paper is structured as follows. The first section presents general observations about the recent development in the education sector to put the developments in New Zealand in perspective. We explore recent trends in education as an export, focusing on tertiary or post-secondary education because the significance of export education, e.g. in terms of student numbers, is particularly evident at this level.[3] The international context and its influence on the growing liberalization of education services under the GATS agreements is important here: January 1st 2005 marked the deadline for negotiation proposals on services. The second part of the paper explores New Zealand's education export in detail, presenting figures about the size and growth of the education sector as an export industry, and examining the government's role in the process. The conclusion relates our findings regarding export education to the debate about the 'intervention state' and we discuss to what extent greater liberalization leads to a diminished or a more active role for the state.

This study is a result of cooperation between two projects of the Collaborative Research Centre "Transformations of the State" at the University of Bremen. Project C4 deals with the *Internationalization of Education Politics* by examining international organizations involved in education policy, particularly the Organization for Economic Cooperation and Development (OECD) and the European Union (EU), and also assesses the dimensions of the international education market. Project C1 examines *Social*

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2 The term 'intervention state' refers to modern states (in the OECD world) which since the late 19th century have taken responsibility for the well-being of their citizens and *intervened* into societal, especially market relationships in order to achieve redistributive ends and to promote economic growth, full employment and other goals. Intervention state is meant to comprise not only the 'welfare state' (social security, education etc.) but, more generally, also economic 'market-making' regulations and the provision of infrastructure by the state (see Zürn and Leibfried 2005: 9-10).

3 We follow the widely recognized OECD definition of post-secondary education, whereby "post-secondary education covers courses leading to higher qualifications other than those awarded at the end of secondary schooling. (…) [P]ost-secondary education covers post-secondary non-tertiary education (…) the first stage of tertiary education (…) leading to pre-degree and advanced vocational qualifications; and the second stage of tertiary education leading to an advanced research qualifications." It also covers adult education programs that award credits at the tertiary and post-secondary level (see OECD 2004: 37).

*Policy in Small Open Economies*, and therefore deals with New Zealand’s policies in detail.[4]

## INTERNATIONALIZATION PROCESSES IN THE EDUCATION SECTOR

In recent years, education has evolved into an internationally traded commodity. Larger numbers of students are willing to study abroad. They decide to do parts of or even an entire degree program at a foreign university. A greater number of exchange programs now give students more flexibility in the design of their credit distribution, and thus enable them to study abroad more easily. Less expensive air fares also make going abroad more affordable for students than ever before. At the same time, providers of education services such as universities, private language schools, or training institutions, are increasingly setting up business in countries other than their country of origin by establishing new branches or partner institutions, and by selling their educational services to foreign students who remain in their home country. Similarly, new communication technology allows universities to operate abroad with ease and teach students anywhere over the internet. Distance learning programs enable students to participate in courses of foreign universities while staying at home. Students have access to comprehensive information about the choice of courses, institutions and living conditions in foreign countries. The internet also facilitates international student mobility as it allows to keep in touch with family and friends at home at low cost.

### Two Logics of Internationalisation in the Field of Education

There are two distinct – but not necessarily mutually exclusive – logics of internationalisation in education to be found in the literature: a culture-driven and a trade-driven approach. Educational exchange as such is not new—it has existed for centuries. In Europe, the history of internationalized higher education goes back to the Middle Ages when “wandering students” went across the continent to study at different centres of learning. However, such cross-border activities in the field of education were mainly confined to one type of activity, namely *student* mobility. Recently, not only the number of mobile students has dramatically increased, but institutions and programmes also “go abroad:” international programs are no longer restricted to attracting foreign students—instead, they themselves cross borders to where their potential clients are. Academia has become increasingly transnational in both consumption and provision (OECD 2004: 18). Thus education has also increasingly become an export industry.

There are several reasons for this trend. Traditionally, students studied abroad mainly to acquire cultural and language skills. Students perceived a stay at a foreign university

[4] See the research program of the Collaborative Research Center “Transformations of the State” at the University of Bremen, http://www.state.uni-bremen.de.

mainly in terms of gaining so-called “soft skills:” experiencing a different country, improving language ability, living out cultural diplomacy, etc. Today, however, students increasingly view study abroad not only as a cultural experience, but as a means for high-ranking qualifications (or at least higher ranking qualification than those offered by domestic institutions) and subsequently better access to a wider job market. Moreover, political incentives, especially on the regional level, such as the ERASMUS and SOCRATES exchange programs in Europe, make it easier for students to go abroad temporarily and have their studies recognized in their home country upon return.

At the same time, higher education has shifted from elite to mass education in many countries, especially since the 1980s. More and more students seek to go to universities and receive degrees (BA, MA) before entering the work force. However, increasing economic constraints make it difficult for public universities to meet expectations. Governments put pressure on universities to create maximum output with their allocated financial inputs, while international organizations such as the World Bank and the OECD promote the idea that education should serve economic purposes. Domestic institutions are often unable to meet the growing demand for education and tertiary courses. Particularly in the developing world and newly developed countries, the number and range of services offered by universities and colleges is often insufficient. This has opened up opportunities for countries that *do* have strong education capabilities to serve more students than their own domestic population.

Thus, two different approaches foster internationalization processes in the education sector. For a long time, the ‘culture-driven’ approach was the driving force for internationalization processes in education. It is based on the idea that student exchange is beneficial for both the home country and the host country of the student in question in terms of sharing cultural, social and political values. In recent years, this perspective has been complemented by a ‘trade-driven’ conceptualization of educational services, by which internationalization of education focuses on supporting the export of educational services for economic benefits (OECD 2004). A trade-driven strategy is characterized by higher levels of tuition for foreign students, institutional marketing to attract students, and the delivery of education services to students who stay in their home countries instead of going abroad. Against this background, students are increasingly regarded as clients or customers, particularly at institutions of higher education. Most importantly, international students have become a source of revenue as potential buyers of the product education. To what extent the earlier culture-driven logic has been *replaced* or whether it is *complemented* by the new focus on trade in recent times, however, cannot be adequately answered in this paper.

## The Role of Governments in the Internationalization of Education

These recent developments have been facilitated by active government involvement. Governments have tried to provide the right institutional and regulatory frameworks, for example by offering financial incentives to study at a foreign university. International organizations often assist this effort by allowing internationalized courses of study. Through common programs, international organizations allow for an easy flow across member state borders. Particularly in the European region, the cultural approach is strongly politically motivated. In fact, with the ongoing Bologna process, EU countries aim at establishing a common European zone in which students can move with ease from one country to another and have their previous studies recognised in any signatory country university (Martens et al 2004). However, governments not only actively support student and teacher mobility for cultural and political reasons. They also set up incentives for trade-driven reasons, for example through favourable taxation rates for universities. More specifically, governments assist their universities and colleges in getting more foreign students into the country by summarizing relevant information for prospective students and facilitating visa procedures.

Political incentives for development of international education have themselves become international. The General Agreement on Trade in Services (GATS) allows for a liberalization of the service sector to which education belongs. GATS is modelled after the GATT/WTO trade agreement, and is likewise a multilateral and legally enforceable agreement governing trade between the signatory countries. Just like GATT, it offers liberalized trade by mutually agreed rules, binding market access, and non-discriminatory commitments. It entered into force in 1995, is administered by the WTO, and reflects the growing importance of services in international trade. Such liberalization agreements are a driving force for the internationalization of educational services. Similar behaviour takes place outside GATS or predates it, but GATS accelerated these activities.

To date, 25 OECD countries and 28 other WTO members have made commitments for at least one education sub-sector. New Zealand is one of four countries – next to Australia, Japan, and the US – that have tabled proposals for further liberalization of trade in educational services, stressing the need for expansion of higher education and adult education or training, particularly through use of the internet:

> *“In addition to generating revenue for private and state sector education institutions, and Members’ economies, trade in education services provides benefits to participating economies at the individual, institutional and societal level, through academic exchange, increased cross-cultural linkages and technology transfer. Increased access for Members to education where it has previously*

> *been limited is a vital component in the development of human capital" (World Trade Organization Doc. S/CSS/W/93 §2).*

The majority of the liberalization in the GATS context is in higher and adult education, whereas primary and secondary educational are treated as off-limits. On the whole, "they [governments] have maintained slightly more limitations on primary than on secondary, higher or adult education, and have been more sensitive about foreign institutions, companies and professionals operating in their countries (…) than about cross-border supply (…) or students travelling abroad" (OECD 2002: 107). For the GATS, education as an export good refers to situations where teachers, students, programs, institutions, or course material cross national borders. Since course attendance involves fees, education constitutes a business industry. In this respect, internationalization of education carries with it potential growth in other economic sectors: when people or institutions go abroad for educational services, they have travel expenses, education costs, and living expenses often directly financed individually, i.e. by the students and their families. Although some of these costs are met by grants and subsidies from governments, education export is thus an important source of export revenue in some OECD countries.

The GATS distinguishes among four modes of cross-border liberalization of services in Article I:

- Mode 1 concerns the *supply* of services abroad, corresponding with "normal" cross-border trade in goods. It is a straightforward form of trade in services because it resembles the familiar exchange between a seller and a buyer in which only the service itself crosses national frontiers. In the field of education this refers to e.g. distance learning programmes.
- Mode 2 concerns the *consumption* of services abroad, referring to situations where a consumer moves into another territory to obtain a service, for example for tourism or to visit a doctor while abroad. In the field of education, this may include attending an educational establishment like a language school or degree program at a foreign university. Consumption abroad presents the largest component of international trade in education.
- Mode 3 refers to the supply of a service through the commercial presence of the foreign supplier in another country. This mode of delivery is often called 'offshore provision.' It implies that a supplier from one state establishes a territorial presence (including ownership or lease of premise) in another member's territory to provide a service. Branch offices or agencies to deliver banking, legal advice, or communication services fall under this mode. In the field of education, it refers to universities operating abroad to meet the demand of students

who do not want to or are unable to study overseas. Such services are attractive to students because of lower costs. This mode is growing in importance.

- Mode 4 involves natural persons providing services abroad. In other words, it concerns the admission of foreigners to another country to provide services there. This mode is often found in combination with mode 3 because a visiting person may be an employee of a foreign service supplier, but someone can also provide a service as an independent person. In the field of education, this involves for example teachers who teach at a foreign university or other mode 3 institutions.

In short, the context of education is changing with increased globalization. Traditional reasons to internationalize education are shifting in the eyes of both governments and the public, from the perceived benefits of intercultural exchange to perceived benefits of profitable trade. Education, like many other inherently value-laden and culture-specific societal issues that were previously considered immeasurable in economic terms, is becoming commodified. This is evidenced not only by the actions of students and teachers, who increasingly see themselves as producers and consumers, respectively, of the ‘good’ education, but also in the actions of international institutions. As illustrated by the GATS definitions explained above, the most significant agreement affecting the global economy has incorporated education into the realm of services subject to trade regulations, categorizations, and stipulations. The resulting increasingly universal understanding of education as a tradable good affects the way national governments treat their domestic education programs and policies. The following section discusses how one particular nation has dealt with that changing role of education: New Zealand.

## New Zealand as a Provider of Export Education

New Zealand has seen a remarkable growth in the export of education over the last 15 years. The sector has become a major industry with according revenues for the nation, particularly as regards student mobility. Some of this growth is due to government policies: whereas New Zealand’s participation in internationalization of education has traditionally been limited, the government began an interventionist policy in the 1990s. For decades, New Zealand’s only official exchange programme was the so-called ‘Colombo Plan’, a Commonwealth programme and part of New Zealand’s foreign aid policy. It started in March 1951 with the formal acceptance of six students from Ceylon (now Sri Lanka) to be trained in New Zealand as dental nurses (Oettli 1999). In 1987, inspired by Australia’s shift from ‘aid’ to ‘trade’ (Alvey et al 1999; on Australia see Harman 2004), the New Zealand Market Development Board (NZMDB) recommended that educational institutions compete for tuition-paying foreign students, a practice which was until then prohibited. This call was heard by the Labour government which had already opened up other sectors (e.g. manufacturing) to international competition from the time it came into office in 1984. The government soon prepared legislation for liberalization of education as an export. In 1989, the Education Amendment Act cleared the way towards a policy of charging foreign students the full cost of their studies. Three conditions were attached to this authorization, emphasizing the economics of education services: (1) international students should only be enrolled where they do not displace local students, (2) international students are charged full cost for the provisions of educational services in New Zealand (Alvey et al 1999: 4), (3) full cost is equal to course tuition plus relevant overhead costs per student.

## Foreign Students in New Zealand

Since this opening of the education sector to foreign students by the New Zealand government, the sector has developed remarkably. Whereas in the past, profitability did not play a role in education policy, the overwhelming majority of foreign students today pay tuition.[5] This is true not only at public tertiary institutions such as universities, polytechnic institutes, colleges, and wananga (Maori education providers), but also in the primary and secondary sector. Furthermore, private English language schools have received a growing number of students. Education sector data for New Zealand show these remarkable changes:[6]

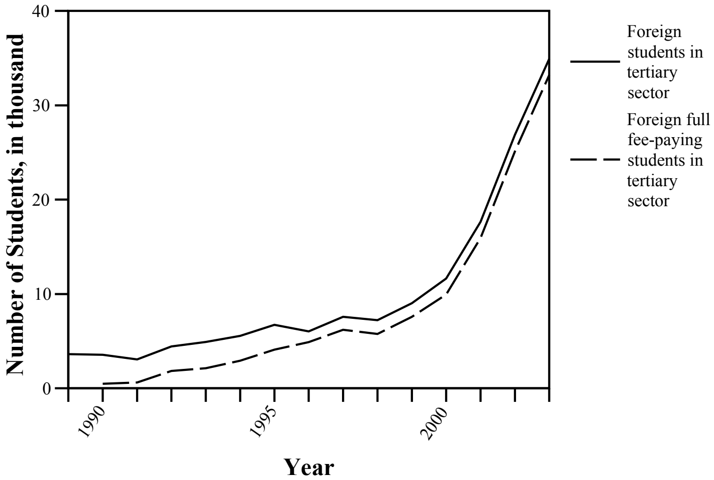
The tertiary sector is the one where internationalization in terms of student mobility has been most intense, not only relative to the other sectors but also to its own size. In 2000, 7,191 foreign fee-paying students were studying in the primary and secondary sector, making up 1% of the total school population, whereas in the public tertiary sector, the number was 11,498, with foreign fee-paying students representing 3.9 % of the total tertiary sector (Ministry of Education 2001b). The number of foreign students at universities, polytechnics and colleges has seen remarkable growth since the opening in

5 However, the 'aid' approach, i.e. cooperation with developing countries in the field of education, continues parallel to the export education strategy through a range of bilateral scholarship programs such as the Commonwealth Scholarship or the Aotearoa Scholarship.

6 Two main national sources provide data on foreign student numbers, covering mainly the public sector: The Ministry of Education provides comprehensive annual data on student numbers, broken down by institution type, country of origin etc. Recently, the Ministry has also started to collect data on student numbers through the Export Education Levy process (Education New Zealand 2004). The second major source of information is immigration data – especially visa statistics – provided by the New Zealand Immigration Service. The Ministry's annual data on student numbers is used here to provide an overview of the development and structure of inward student mobility in New Zealand's tertiary sector.

1989.[7] Figure 1 shows this trend and the increasing importance of foreign full fee-paying students among this group. This trend, however, cannot simply be called ‘privatization’: The direct beneficiaries of this inflow of paying foreign students are mostly *public,* not private, providers such as the seven state-funded universities. In 2003, only 20 % of international tertiary students (7,158 of a total 34,915) went to private tertiary education providers (Ministry of Education 2004a: 105).

***Figure 1**: Foreign Students in the Tertiary Education Sector, 1989-2003*




*Source*: Ministry of Education: *Education Statistics of New Zealand*, various years. Note: Data usually refer to students at Universities, Polytechnics, and Colleges of Education. Wananga (Maori education providers) are included for 1995 and from 1998 onwards; private tertiary education providers receiving government subsidies are included from 1999.

The only exception to this continuous growth occurred in 1998, when the Asian economic crisis affected a large part of the market for higher education in general. Most striking, however, is the enormous growth of foreign students in the tertiary sector since the year 2000: numbers of foreign students have more than tripled in the last four years, and more of those foreign students are paying full tuition. In 1990, 13% of all foreign students in the tertiary sector paid full tuition, whereas in 2003 that percentage was already 95.

[7] In the primary and secondary sector, the development has been quite similar (Ministry of Education 2001b). Longitudinal data for the *private* tertiary sector is scarce but there is some evidence of growth in student numbers at private training establishments and English language providers in the late 1990s. A survey among the 49 most important English language schools conducted by Statistics New Zealand revealed that in 2000 at least 18,054 foreign students were enrolled in this sector (Ministry of Education 2001b). Purely in terms of numbers, this would make English language schools even more significant than the entire public tertiary sector.

## Asia as a Market For New Zealand's Education Industry

Where do these students come from? Table 1 provides a snapshot of the distribution of students according to region of origin for July 2003. With over 85 per cent of foreign tertiary students, Asia by far overshadows all the other regions. This is due not only to geographical proximity but also to the high demand of Asian students for international education in general.

***Table 1**: Number of International Formal Tertiary Students by Region at 31 July 2003*

| Region of Origin | Number of students | In % of foreign students |
|---|---|---|
| *Asia* | 29,919 | 85.7 |
| *Europe* | 1,836 | 5.3 |
| *North America* | 1,271 | 3.6 |
| *Pacific* | 1,234 | 3.5 |
| *Central & South America* | 247 | 0.7 |
| *Africa* | 236 | 0.7 |
| *Middle East* | 166 | 0.4 |
| *Not Stated* | 6 | 0.0 |
| *TOTAL* | 34,915 | 100.0 |

*Source*: Derived from Ministry of Education (2004a): *Education Statistics of New Zealand*, Wellington: New Zealand Ministry of Education, p. 103.

Table 2 also depicts student numbers for selected countries over time. China stands out as the main country of origin both within Asia and worldwide. In 2003, 21,974 students (62.9%) of all foreign students in the tertiary sector came from China (Ministry of Education 2004a: 104). The Chinese market, however, has only recently become relevant. In the mid-1990s, Chinese students still made up only a small fraction of the international student population and students from Malaysia – one of New Zealand's traditional partner countries – were still the most significant market with about one fourth of foreign students. Although since then student numbers for Malaysia have not decreased, the growth of Chinese student numbers has made Malaysia a minor market within a very short period of time. The comparison of Malaysia and China illustrates the shift from 'aid' to 'trade:' as a Commonwealth member, Malaysia had benefited from Colombo Plan's education assistance, as Malaysian students were regularly granted scholarships for the New Zealand tertiary sector. From the 1990s, however, the focus shifted to East Asia, particularly China. In 1999, the New Zealand government lifted quotas for Chinese students that had been imposed for political reasons since 1989 (Asia 2000 Foundation 2003: 11). The enormous growth since that time – as clearly visible in Figure 1 – can be attributed to the end of quotation and also to the booming Chinese economy and rising Chinese demand for overseas courses.

***Table 2**: Foreign Tertiary Students (and % of Total) by Country of Origin, Selected Countries*

| | 1990* | | 1995 | | 2000 | | 2003 | |
|---|---|---|---|---|---|---|---|---|
| *China* | 158 | (4.4) | 79 | (1.2) | 2,294 | (19.7) | 21,974 | (62.9) |
| *India* | n.a. | (n.a.) | 43 | (0.6) | 249 | (2.1) | 1,415 | (4.1) |
| *Japan* | 27 | (0.8) | 413 | (6.1) | 1,170 | (10.0) | 1,054 | (3.0) |
| *Korea* | 14 | (0.4) | 171 | (2.5) | 863 | (7.4) | 1,686 | (4.8) |
| *Malaysia* | 744 | (21.0) | 1,709 | (25.3) | 1,289 | (11.1) | 908 | (2.6) |
| *TOTAL Foreign Students* | 3,538 | (100.0) | 6,742 | (100.0) | 11,638 | (100.0) | 34,915 | (100.0) |

*Source*: Ministry of Education (various years): *Education Statistics of New Zealand*, Wellington: New Zealand Ministry of Education; *Universities and Polytechnics.

In general, both supply and demand factors are behind the remarkable growth of the 1990s. New Zealand’s universities charge lower fees than comparable institutions in other English-speaking countries and are geographically closer to Asia, the most important region of origin for international students. Along with increasing demand due to rising incomes in Asian countries and the increased importance of English in the global labour market, this has led to rising student numbers over the last years (cf. Alvey et al 1999). A recent report summarizes the country’s appeal in the international educational market:

> *“New Zealand is an attractive destination for international students because it is English speaking and perceived as clean, green and (...) safe. New Zealand’s education system is considered to be of a high standard, and it is a cheaper destination to complete a bachelor’s degree, including course fees and living costs, than Australia, the UK, Canada and the US” (Asia 2000 Foundation 2003: 6).*

## What Is It Worth? Foreign Exchange Earnings from International Education

An alternative way of measuring the growth of export education in New Zealand is by looking at the value of foreign exchange earnings generated by foreign students – which can be seen as one of the key benchmarks of the trade-driven approach to international education. Obviously, there are a number of measurement problems since students do not only pay tuition fees but contribute to the domestic economy through accommodation and living expenses. Education New Zealand, the industry association, tries to tackle these problems by estimating the overall economic impact of foreign fee paying students in terms of fees and other expenses. In 2004, this impact was over NZ$ 2.1 billion (Education NZ 2005). According to their figures, the public tertiary sector – universities, polytechnics and colleges of education – alone accounts for about NZ$ 1.1 billion in foreign exchange, or 0.8 per cent of GDP. Even more impressing is the recent growth of the industry that these estimates reveal: In 1997, foreign fee paying students had spent ‘only’ about NZ$ 198 million: An almost six-fold increase within seven years. These estimates by and large confirm the trend already evident from the student numbers: A spectacular increase in export education from about the mid-1990s onwards with accelerated growth from 2000, reaching a peak around 2003.

## The Role of New Zealand’s Government in Facilitating the Education Industry

Not only economic factors make New Zealand attractive, however, the country’s government drives domestic and international policy to further its education sector. New Zealand actively liberalizes education services, particularly in the context of GATS described above. Apart from its active role on the international level, the government has lowered entry barriers unilaterally (e.g. by relaxing visa regulations) and lessened restrictions on students who are already in New Zealand. English language students who stay for less than a year do not require a visa at all, for instance (Taylor 2000). Students are also allowed to work and earn money. After the Asian financial crisis, the government stepped up its support for the education industry and released a comprehensive *Export Education Strategy* (Ministry of Education 2001a) which included funding of marketing and capacity-building initiatives in the international education sector. The government works closely with providers through *Education New Zealand*, an export education industry group created in 1998 which represents all providers. It also attempts to regulate the living conditions for foreign students: in 2001, the mandatory Code of Practice for the Pastoral Care of International Students was introduced to improve standards and provide possibilities of appeal to the *International Education Appeal Authority* in case of breaches of the code (Lewis 2005).[8] Revised in 2003, it sets minimum standards of accommodation and access to appeal procedures, particularly for young students in the primary or secondary tier (Ministry of Education 2003). In late 2002, the government introduced a compulsory levy for export education providers to produce additional funding for promotion and communication, industry development, quality assurance, and research (Ministry of Education 2002a). Initially the Ministry of Education was responsible for the implementation of the work program associated with the levy. On 1 July 2004, the industry association *Education New Zealand* took over the management responsibility in direct consultation with the Ministry.

## Exporting New Zealand Education to Other Countries

Recently, the government has announced further funding “to encourage and support innovation in export education” (Ministry of Education 2004b). As with the earlier levy program, the new scheme will be administered by the industry itself, through Education New Zealand. Funding of NZ$ 0.5 million in 2004/2005 and NZ$ 1 million annually

8 A voluntary Code of Practice had already been introduced in 1996 (Lewis 2005).

thereafter will be targeted towards offshore education, an area which is still underdeveloped compared to Australia or other main competitors. Offshore education here comprises all types of cross-border education other than student mobility – or, in 'GATS language' Mode 1, 3 and 4 (see above). Whereas Australia had more than 1000 offshore programs in place in 2001 with almost 35,000 students enrolled, New Zealand's share in offshore education is comparatively low: A survey on offshore education conducted in 2001 among all 36 public tertiary institutions in New Zealand revealed a mixed picture. Almost one half of the providers offered offshore programs in 2001, but activities were strongly concentrated within only a few – just three institutions provided 35 of the 63 programs, and many offered only one offshore program (Ministry of Education 2002b: 2).

Again, Asia proved to be the most important market. Of the 63 programs offered in 2001, 26 were delivered through campus-based teaching offshore (Mode 3), 20 were delivered entirely by distance education (Mode 1) and 16 through a combination of campus-based teaching offshore and distance education.[9] According to estimates by the Ministry of Education, 2,200 students were enrolled in offshore programs. The survey indicated that distance education is an important component of offshore education and is becoming a major international business, expanding together with the growth of so-called 'e-commerce': Respondents stated that 12 of the 63 programs delivered entirely by distance education could potentially be delivered world-wide via internet (Ministry of Education 2002b: 4). At present, the pattern of offshore offerings still echoes New Zealand's existing or past international education relationships; 31 of the 63 programs were delivered in Asia, with Malaysia as the most significant purchaser. However, there are a number of e-learning developments underway in tertiary education, including on-line tutorials, dual-mode campus-based courses and courses that are entirely on the web. At the moment, these initiatives are still primarily domestically focused (Ministry of Education 2002b: 5-6).

## Education Industry as a Vulnerable Sector?

Despite New Zealand's phenomenal rise as a provider of educational services and its government's active role in promoting this sector, there are various problems associated with that development. Most significantly, the education export sector is dependent on international market dynamics just like other export industries, which makes it vulnerable to various external factors not under the control of the New Zealand government. Tougher competition with other providers in the English speaking world has made it difficult for New Zealand to keep up its numbers of foreign students in recent years.

[9] Unfortunately, the survey did not cover Mode 4, that is, the cross-border movement of natural persons to provide services abroad, or teacher mobility.

Australia - New Zealand's direct competitor for Asian students -, the UK and Canada are now improving their visa accessibility for foreign students and invest heavily in the promotion of their educational services, particularly in the Chinese market. As a result, New Zealand could be losing its comparative advantage in the field. Moreover, there are new competitors on the education markets, such as Singapore or Hong Kong, which have a geographic advantage compared to New Zealand due to their location in the middle of the Asian world. Asian students have fewer adjustment problems in these countries than in New Zealand's "Western" atmosphere (cf. Butcher and McGrath 2004). A rising dollar affects relative tuition rates, and unexpected factors like the outbreak of SARS in 2003 can lead to a sudden decline of student numbers of foreign students.

Another inherent problem is that since the education sector has become an important industry for New Zealand, the country is gradually more dependent on it. According to estimates, there are about 20,000 jobs in the education sector and expectations are high that there still are large possible gains in the education markets. Local economies gain from foreign students as a side product of educational services: According to an Infometrics study in 2000, for every dollar directly spent on education and accommodation, approximately 25 additional cents flow through New Zealand's economy (Rotherham 2003). Yet, dependence on a few large markets also involves the potential danger of losses when circumstances change.

In fact, this has been a longstanding issue for New Zealand's export industries in general. As a former colony, the country retained close links with Britain long after gaining independence (1931 Statute of Westminster, ratified in 1947), and even as late as the mid-1960s, more than half of New Zealand's exports went to Britain. Exports were also highly concentrated in terms of their *composition*, with an extreme dependence on livestock exports, e.g. wool, dairy, meat (Easton 1997). Falling terms of trade for these products in the 1960s and 1970s destabilized the nation's economy. Britain's entry into the European Economic Community in 1973 finally marked the end of the colonial ties that had partially sustained New Zealand. Against this background of experience with external vulnerability, policymakers and education providers are aware of the risks associated with a strong "modern monoculture" in the education sector. In an attempt to increase market diversification, the government is currently trying to attract more students from other regions, including Central and Eastern Europe and the Middle East. Risk diversification is also one of the main aims cited in the government's Export Education Innovation Programme (Ministry of Education 2004b).

Until now, the education sector has flourished due to a combination of factors, especially New Zealand's image as a clean, green, and safe country that also offers comparatively inexpensive high quality education. Thus, the market is dependent on its perception abroad. If this image is tarnished, fewer students are willing to invest in New Zealand education and will choose a different destination or provider. Moreover, the sector may easily collapse when it is “saturated:” If too many students from one country study at the same schools, language improvements and the New Zealand “experience” are not guaranteed because the amount of interaction with native speakers is low, which decreases the genuine nature of study abroad. Some negative repercussions have occurred already; language schools have closed due to lack of students, and there are rising anti-Asian sentiments in the population due to the general so-called “Asian invasion” of New Zealand business and industry (Rotherham 2003).

## CONCLUSION

In this paper, we have given an overview of New Zealand’s recent policy change towards fostering the export of services in education. The spectacular growth of its export education industry – as indicated by student numbers and estimates of foreign exchange earnings – has been accompanied by domestic and international government policies facilitating this trend. New Zealand’s governments has been regulating and promoting the education industry hoping of increasing revenues in education services and stimulating the overall domestic economy. In this vein, New Zealand has proved maybe one of the clearest examples of a ‘trade-driven’ policy in education. However, such a liberalization of services also raises questions about the fate of state intervention in the long term. What role does the state play in the future in a public sector such as education?

Education is an area that many countries have only warily opened up to free trade. Since the 19th century, when it was made mandatory and standardized in most industrialized countries, education has been considered a domestic responsibility of the nation state as regards investment, infrastructure, and employment. Education and educational policy have always been considered classical prerogatives of the modern ‘intervention state’ and denote core elements of its sovereignty and autonomy. Education has been an important means to integrate the nation-state via a common language and an identical historical narrative from its origins (Archer 1979). Moreover, education also became a key tool to improve a state’s efficiency, its economic competitiveness and the wealth of nation (Coleman 1996). For these reasons, domestic education policy is traditionally publicly funded and often regulated by the state, often intertwined with further qualifications for the labour force in the domestic context. As shown on the example of New Zealand in this paper, steps towards internationalization and economisation of educational policy can today be observed – but do they come at the expense of a formerly exclusive national-state domain?

Some observers are indeed arguing in this fashion. The OECD, for instance, appears to expect a *weakening* of state intervention in the education sector:

> *“If these forms of trade continue to grow, this will not only have important economic repercussions, it could also have profound consequences for education, which has traditionally been organised at a national or subnational level. It could become harder for national governments to use their own post-secondary systems purely to manage the development of their own labour force and to restrict institutional structures and qualifications systems to a national framework” (OECD 2002: 93).*

In contrast to this pessimistic outlook, some national governments like New Zealand and Australia appear to expect beneficial economic repercussions from the increased trade in education, and thus have been taking a particular active role in promoting export education. What we are observing here – at least in the medium term – is not a *diminished* role for the state but a *higher* degree of intervention. These policies may be the sign of a shift to new forms of state intervention in the education sector, from top-down control to a more collaborative role. The terminology of ‘deregulation’ or ‘privatization’, however, does not capture this new role very well, as the case of New Zealand shows.

The long-term consequences for state intervention are, however, less clear. New Zealand’s shift towards exporting education may indicate a long-term shift concerning the goals of education policy in general. Export education is clearly oriented towards generating economic growth and revenue by attracting fee-paying students; integrating the population of the nation state is not on the agenda in this respect. Moreover, as far as efficiency in this sector is concerned, the focus now is on the side of the providers rather than the students. Instead of aiming at educating the country’s own workforce and creating human capital resources, export education is an attempt to generate benefits in a much more direct way, i.e. through income from fees and other expenditures. To what extent this shift may spill over into the realm of domestic education policy remains to be seen and cannot be answered in this paper. Further research should take a closer look at the relationship between the trend towards export education and domestic education policies.

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