

Educating the Sleeping Giant

**China's demand for international education, social and policy
implications for Australia**

by

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Executive Summary

China is emerging as the world's largest market for international education services. A combination of rising levels of per capita income and inadequate local education infrastructure are expected to generate an outflow of over 800,000 Chinese international students by early in the twenty first century. The Cultural Revolution has left a legacy in China of a lack of trained and educated people, particularly in the professions. A government study undertaken in 1983 found only 14% of China's bureaucrats were trained professionals. More recently studies have found a shortfall of some 300,000 lawyers and an untold number of accountants.

Australia is well placed to absorb a large proportion of these students into its education system. This could prove beneficial to both countries and substantially enhance Australia's already successful international education industry. However, the history of Australia-China relations in the field of international education has been marred by concerns over immigration and visa abuse, plus the collapse of several private colleges during the late 1980s.

In 1994 Australia hosted some 4,534 full-fee paying international students from China. This was a substantial decline from 1990 when this number was 15,568. At this time Australia was host to 27% of all China's overseas students who comprised 33% of all international students studying in this country. However, many of these students were found to be abusing visa regulations. A tightening of visa entry requirements by Australian immigration authorities saw the flow of Chinese students fall to a mere 2,931.

This collapse of the "China bubble" seriously affected the ELICOS sector within Australia and provoked the Commonwealth Government to introduce legislation to regulate the private ELICOS colleges.

According to estimates of future growth in the flow of international students, Australia could expect to play host to between 5% and 7.5% of the world's international students. China is expected to be the largest consumer of international education with an estimated 318,000 Chinese studying abroad by 2010 and as many as 849,000 by 2015.

Were Australia to again host 27% of China's international students and attract 5% of the world's international student body there could be around 38,610 Chinese students studying here by the year 2000 and 85,860 by 2010. Just over 40% of all international students studying at Australian universities in the first decade of the next century could be from China.

The scale of the China market for international education, and Australia's past experience with it, suggest that a careful approach will be needed by Australian institutions seeking to tap the potential of China. Further, Australia's approach to China may require coordination on a national level due to the sheer size of the market.

Many Australian institutions (at all levels) are dependent on international student fees to supplement their incomes. Interviews conducted with several large universities and private colleges and schools demonstrate the financial dependence that Australia's education sector now appears to have upon international education. While many institutions view China as a potential market of opportunity they remain concerned about the future social and political issue associated with absorbing large numbers of international students from China.

The return of Hong Kong to China in 1997 poses a dilemma for many Australian education institutions. Hong Kong has been one of Australia's major source markets for international education. Its loss as a market will be felt by the industry. Alternative markets in other countries will need to be developed if the benefits of international education can be continued.

Australia can benefit from taking international students from China. The social and political issues arising from such trade, particularly immigration concerns and those relating to intellectual freedom, will need to be dealt with by Australian education and government policy makers. This issue will need to be dealt with in advance so that the two countries may develop a useful and mutually beneficial relationship.

Education in the People's Republic of China

Education has long played an important role in China. Confucius (c. 551-479 B.C.) viewed education as a way to enhance people and society, while Emperor Han Wu-ti (ruled 140-87 B.C.) decreed that a proficiency in Confucian classics and a knowledge of Confucian philosophy were pre-requisites for entry into the Imperial bureaucracy (Toynbee, 1976:246). However, it was not until the 7th Century that the Imperial Examination System, which entrenched Confucian philosophy as the basis for access to administrative positions, was established. Although abandoned in 1905, the image of the Mandarin scholar-official, as a high-status role model who had prestige and power through education, was strongly implanted in Chinese society.

The modernisation of China from 1905 to 1949 saw the introduction of Western systems of education. Despite such developments, the political and military upheavals that marked China's passage through the first half of the twentieth century, made it impossible for a comprehensive national education system to flourish. Indeed, in 1952 less than half of China's school aged population were enrolled in primary or secondary education (Hobsbawm, 1994:470).

Following the Communist victory in 1949 the orientation of the Chinese education system shifted towards the Soviet Union until the Sino-Soviet rift of the late 1950s. Despite a lack of resources and trained teachers, the People's Republic of China took steps to expand its education system. Much attention was paid to technical training and the sciences with limited focus on less practical subjects (NOOSR, 1991). The foundation of all education in China during this period was political theory, with Marxist-Leninist doctrines as the central tenet of instruction. Western textbooks and curriculum were replaced with those imported from the Soviet Union (Li and Maxwell, 1994:15).

The Cultural Revolution, which lasted from 1966 to 1976, created massive disruption to China's education system. Many institutions closed for periods of two or more years, with political and class considerations playing a more prominent role in student

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selection and advancement than academic ability. Led by some of the most dispossessed elements of China's youth, the Red Guards turned their vengeance on the education system, with catastrophic results (Wakeman, 1973:306-308). Many teachers who had been subjected to Red Guard abuses left the profession never to return (Chen, 1981). Students who managed to continue their studies during this period were faced with a shortage of books and other materials, plus the constant threat of persecution from Red Guard leaders (Chang, 1991). After 1977 the Chinese authorities attempted to rebuild the education system. They were faced with over 100 million young people who were essentially illiterate due to disrupted schooling and a shortfall of 1 million university graduates and some 20,000 research students (Li and Maxwell, 1994:17).

In 1986 the *Nine Years Compulsory Education Law* was issued, requiring nine-years of compulsory education for all children aged 7 to 15. By the early 1990s, around 98 per cent of all children aged 7 to 11 years were enrolled in primary schools in China, while the enrolment rate among Junior High Schools (ages 12-15) reached 72 per cent in 1992 (APEC, 1994:9). Despite such efforts the drop-out rate among Chinese primary school students continues to be around 5 per cent per annum, with rural schools the worst affected (NOOSR, 1991:4) and adult literacy remains a relatively low 68 per cent (MSS, 1993:89). There is also a severe shortage of trained teachers. In 1992 it was estimated that 17 per cent of primary level, and 44 per cent of secondary level teachers were unqualified (APEC, 1994).

In the higher education sector, the focus of attention is largely on training technical specialists. There were around one thousand institutions of higher education operating in China in 1991 catering to some 2 million students (MSS, 1993:89). The system is administered by the State Education Commission (SEDC). Some 300 institutions are under the direct control of the central government in Beijing, another 500 are controlled by provincial authorities, and a further 100 institutions are managed by various central government ministries or agencies (NOOSR, 1991). These latter institutions tend to be specialist research institutes or Academies which issue post-graduate degrees. Of particular importance to the Chinese higher education system are "key-point" or Key institutions. Established in the 1950s, this system of elite institutions represents the

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cream of China's universities, colleges, and academies. China's central government recently selected 100 higher education institutions for development to international standards. Substantial investment is being made in these institutions in such areas as laboratories and other facilities (Liu and Williams, 1995).

China's demand for international education

During 1983 the SEDC conducted a study to determine the number of professionally educated people working within China's central bureaucracy and provincial administrations. Out of a total of 134.4 million employees in 72 Departments, only 13.9 million (10%) were classified as trained professionals. Of these, only 6 percent had High School educations; 1.6 percent had university undergraduate degrees; and 40,000 (0.0003%) had post-graduate degrees (Li and Maxwell, 1994:19). These qualified people represented the most highly educated group in an even larger population. The average age of these professionals was 37 years, with a noticeable gap among those born from 1947 to 1954 whose education was severely disrupted by the Cultural Revolution. As noted by (Li and Maxwell, 1994:20):

"In the 1990s, most professionals in the groups over forty will start to retire (retirement ages in China are 55 years old for females and 60 for males). There will exist many vacancies which cannot be filled by properly trained personnel".

The rapid expansion of China's private sector economy over the past decade and a half has created a massive demand for professionally educated employees. The first job fair held in Beijing during 1993 was reported to be seeking 650,000 scientific and technical specialists with lucrative offers of apartments and generous profit-sharing contracts (Hamlin, 1994). Estimates by the Chinese authorities have identified a shortage of approximately 300,000 lawyers and an untold number of accountants. In 1994 the Chinese Institute of Certified Public Accountants had only 38,000 members, of whom 80 percent were over sixty years old (Liu and Williams, 1995). In 1996 there were an estimated 80,000 foreign joint ventures operating in China needing an estimated 250,000 professionally trained managers. China produces only 300 MBA graduates each year to fill these vacancies (Micklethwait, 1996).

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The shortage of qualified people, particularly in the professional and business fields, will place an increasing strain on China's already over stretched education system. The most significant impact will be on the demand for university places. From a base of 2 million students in 1990 the number of university level students in China is expected to reach 10 million by 2010 and 27 million by 2025 (Blight, 1995:11). Even with an expansion of the existing higher education system, demand for university and other tertiary level places in China will considerably outstrip domestic supply. It is anticipated that China will become the largest customer for international education over the course of the next thirty years. Whereas there were 78,000 Chinese students studying overseas in 1992, by 2010 this number is expected to grow to 318,000, and reach 849,000 by 2025 (Blight, 1995:12).

The size of China as a potential market for international education is widely acknowledged by all supplier countries. With the opening up of China's social, cultural, and economic links to the world during the 1980s, the number of Chinese students studying overseas increased rapidly. In 1991 the United States attracted 70 per cent of all China's international students, making China the largest source of such students for that country (Zikopoulos, 1994:7). Chinese international students studying in the United States are predominantly enrolled in post-graduate or specialist programs. According to the Institute of International Education, 82 per cent of Chinese students studying in the United States in 1994 were undertaking post-graduate courses (Wingrove, 1995). The majority (63%) were specialising in science and technology fields. A large proportion of Chinese students (approx 24% in 1992) also study in Japan (Zikopoulos, 1994).

Australia is likely to have a significant role in supplying international education to China should it wish to do so. In 1991 Australia hosted some 27 per cent of China's international students. This placed it well in front of Canada (with 5%), and the United Kingdom (with 2%) as a supplier of international education to China (MSS, 1993:90). Since the early 1990s the flow of Chinese students to Australia has slowed considerably, but this has been due to a tightening of visa restrictions by Australian authorities rather than an unwillingness by the Chinese to come here.

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Australia as a supplier of international education

Until 1985 Australia's involvement in international education was tied to the provision of overseas aid. Almost all overseas students studying in Australia were either fully or partly sponsored by government aid programs (Industry Commission, 1991 :17). Commonwealth government policy on international education during the 1960s focused primarily upon the objectives of "aid and development". During the 1970s this focus shifted to include cultural and academic exchange, and an element of immigration access (Fraser, 1994). In 1970 there were some 7,525 overseas students studying in Australia, many of whom came from Malaysia (Unesco, 1992).

A major policy shift occurred in the mid-1980s, with the release of the Morrison (1984), Jackson (1984) and Goldring (1984) reports. Morrison (1984) examined the flow in international students from ASEAN to Australia, particularly ethnic Chinese from Malaysia. The report noted the growing importance of Australia as an outlet for un-met demand in post-secondary education within the region. Jackson (1984) encouraged the development of an Australian export industry in education services, with full-fee cost recovery and scholarships for special groups. Goldring (1984), while not opposed to the charging of fees for overseas students, cautioned against allowing commercialisation to erode the quality of service to domestic students.

These reports were prompted by Australian government concerns over the increasing number of international students, often from relatively affluent backgrounds, who were studying in Australia and paying only nominal charges (Nesdale et.al., 1995 :5). Most of these students undertook courses at universities and Colleges of Advanced Education, at a time when these institutions were experiencing increased pressures for places from domestic students (Sharpham, 1993). Outbreaks of anti-Asian activity on higher education campuses in 1983 highlighted these tensions (Nesdale et.al., 1995 :5).

In 1985 the Federal Minister for Education announced a range of measures that saw the eventual introduction of full-fees for international students (Dawkins, 1985). From this point on the international education sector in Australia shifted from a predominantly aid

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oriented system, to one focused on trade. It was a pattern consistent with trends elsewhere in the world (Marceau, 1993).

Following the 1985 policy change, the numbers of international students studying in Australia grew rapidly. In the period from 1970 to 1980 the average annual growth rate in Australia's intake of international students was 2 per cent, rising to 11 per cent in the years 1980 to 1987 (Kemp, 1990 :3). Over the period 1987 to 1994 the growth rate leaped to 24 per cent (DEET, 1995).

Australia as a Supplier of International Education to China

In 1994 Australia hosted an estimated 4,534 full-fee paying international students from China out of a total overseas student population of 69,819 (DEET, 1995). Of these Chinese students, 85 per cent were studying at the higher education level.

Table 1: Chinese & Total Full-Fee Overseas Student enrolments by Field of Study 1994

Major Field of Study - Higher Education	Chinese Students	Total Overseas Students
Architecture and building	0.8%	2.4%
Arts, Humanities, Social Sciences	6.1%	10.9%
Business Administration and Economics	63.8%	49.6%
Education	1.1%	2.0%
Engineering and Surveying	8.7%	9.6%
Health and Community Services	5.7%	6.8%
Science, Computing Studies, Mathematics	12.4%	14.3%
Land & Marine Resources, Animal Husbandry	0.8%	1.2%
Legal studies and Law	0.2%	1.3%
Veterinary Science, Animal Care	0.1%	0.2%
Non-Award, non-specific	0.2%	1.5%
Total	100.0%	100.0%

Table 1 shows the proportion of Chinese full-fee paying international students enrolled in different fields of study with Australian higher education institutions in comparison to the total proportions for all full-fee paying international students enrolled. It can be

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seen that Chinese students in Australia select subjects in roughly the same fields as other international students. The most popular courses are in the field of Business Administration and Economics, where Chinese students appear to demonstrate a stronger preference. This is followed in by science, computing, and mathematics.

Of the 3,864 Chinese international students studying at universities in Australia during 1994, 55 percent were privately funded, 41 percent were sponsored by the Commonwealth Government, and the remainder were state funded from Beijing. Of the privately funded students, 88 percent were enrolled in Business Administration and Economics courses, as compared to 31.5 percent of the Commonwealth sponsored, and 62 percent of state funded students (DEET, 1995).

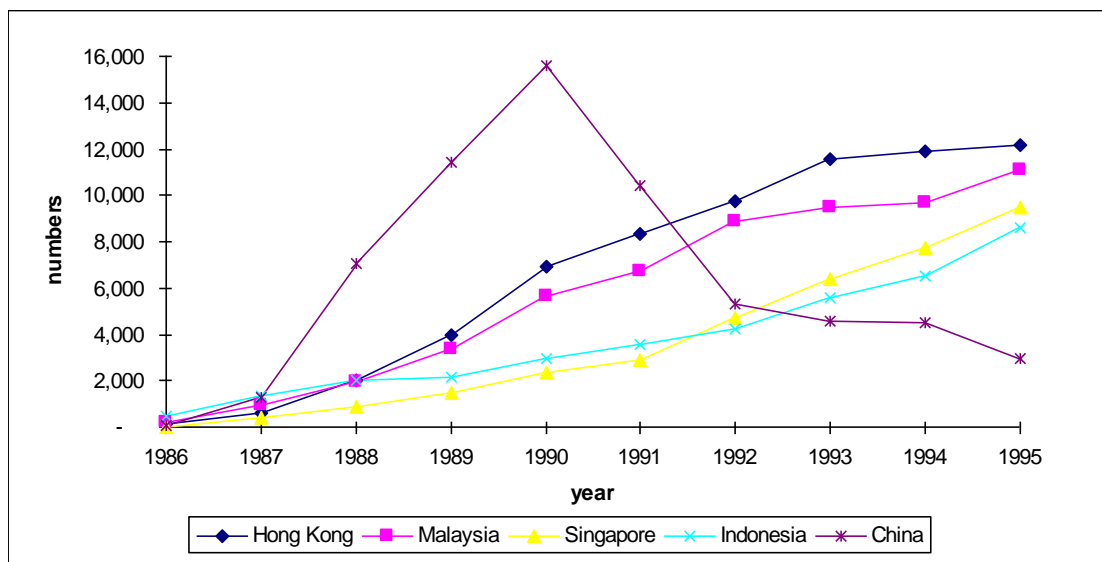


Figure 1: International student flows to Australia from selected countries, 1986-1995

While the growth in international student flows to Australia from other Asian countries has grown steadily over the past ten years, the intake of students from China has fluctuated. From a mere 94 students in 1986, the numbers of Chinese students studying in Australia rose to a peak of 15,568 in 1990 before falling to 2,931 in 1995 (DEET, 1995:78; 1996:85). At its peak the Chinese student population comprised 33 per cent of all international students studying in Australia. As Figure 1 shows, the intake of students from China has been highly volatile compared the other leading source countries.

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The reasons for this dramatic fluctuation in the flow of Chinese students are complex, but they serve as a worthwhile lesson for Australia's international education industry. In 1986 the Japanese government restricted the intake of Chinese students undertaking short courses (Industry Commission, 1991 :24). This policy change in Japan coincided with the opening up of Australia's education sector to fee paying students. It was accompanied by the establishment of numerous short English Language Intensive Courses for Overseas Students (ELICOS). China's students shifted from Japan to Australia with many undertaking ELICOS programs. ELICOS enrolments expanded from 4,248 in 1986 to 17,757 in 1990 (AGB, 1992).

The political upheaval which took place in China during 1988 served to reduce the flow of Chinese students. Further, concerns about Chinese students' abuse of visa regulations through over staying, led to a tightening of visa rules by the Australian Immigration Department (Nesdale et.al., 1995 :13). These factors resulted in a decline in Chinese student arrivals from 22,000 in 1989/90 to 1,200 in 1990/91 (Industry Commission, 1991 :24).

This collapse of the China market led to the failure of a number of small privately owned institutions which had enrolled large numbers of Chinese students in short courses. It also resulted in many international students from a variety of countries being left without programs or compensation from pre-paid courses (Nesdale et.al., 1995 :12).

Against this background of growth and fluctuation, a debate raged throughout the late 1980s over the most appropriate direction for Australian international education. This debate revolved around the costs and benefits of allowing education to be commercialised and treated as a commodity. The pro-market view argued strongly for Australia to seize its share of the growing international market in education services (Stanford, 1986; Hooke, 1987; Hughes, 1988). Those opposed to the commercialisation of education expressed a desire to treat it as a social good that should be isolated from market forces (Barlow, 1986; Marginson, 1986; Scott, 1986).

Concern was expressed over the erosion of academic standards and the independence of teaching staff faced with fee paying students (Bessant, 1986; McCullough, 1986; Nicholls, 1987). Three key issues of the time were: i) a possible reduction in overseas scholarship; ii) fears over displacement of domestic students by international students; and iii) retention of international student fees by government funded education institutions for research purposes (Smart, 1986). According to a report by the Industry Commission (Industry Commission, 1991) these concerns were groundless. They nevertheless served as a background to the development of the international education industry in Australia.

International Education and Immigration

Since the 1970s a key issue influencing Australian government policy towards international education has been its relationship with immigration. In 1979 the Minister for Immigration and Ethnic Affairs, M.J.R. MacKellar, noted that 75 percent of all international students formally completing their studies in Australia had successfully applied for permanent residency status (Fraser, 1994). In announcing the introduction of an overseas student charge MacKellar also stated:

“The Government has decided that, in future, overseas students will be required to leave Australia on the conclusion of their studies. Applications to return to Australia for residence will not normally be received or considered within two years. This requirement has received general support from overseas governments consulted” (MacKellar, 1979:1).

This move to restrict the access of international students in Australia to follow-on permanent residency was aimed specifically at ethnic Chinese students from South East Asia (Scott, 1986). An earlier move to limit international student migration was undertaken during the mid-1960s when the Commonwealth Government imposed a three-hour English language test to filter out unsuitable candidates for entry into university. This test, combined with other tightening of immigration entry requirements saw international student numbers in Australia decline from 11,045 in 1965 to 9,839 by 1968 (Johnston, 1972:123).

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Research into the nexus between international education and immigration suggests that an overseas study experience is a prime influence on future immigration plans (Nesdale et.al., 1995:58-59). A study of international students at the University of Queensland during the late 1980s found that 30 percent expressed a strong intention to immigrate to Australia during the following 6 years (Steadman and Dagwell, 1990). A further study conducted among international students at the University of New South Wales found an almost unanimous agreement that Australia was their first choice as a country to migrate to (Gardiner and Hirst, 1990).

A large-scale study conducted for the Bureau of Immigration, Multicultural and Population Research between 1992 and 1994 examined the responses of international students throughout Australia at all levels (Nesdale et.al., 1995). This drew on a sample of 928 international students enrolled in secondary schools; 2,031 international students enrolled at universities, and 130 former students. The study found a strong link between a student's experience of studying in Australia and a subsequent desire to immigrate here. Following a factor analysis of the survey findings, the study identified a significant relationship between the factors - "social integration" (acceptance by Australian's, contact with Australians), and "employment experience" (ease of finding work and job promotion) - and a positive attitude towards Australia as a place to live. As noted in the research findings:

"The outstanding finding is that virtually regardless of sex, fee status, level and field of study, and home country, the largest proportion of students in all three studies endorsed their experiences as a student in Australia as being a prime influence on their (potential) decision to immigrate to Australia. This was so for ex-students who had already immigrated to Australia, as well as for current university and secondary students" (Nesdale et.al., 1995:58).

Given the important linkage between international education and immigration, any development of Australia as a major supplier of education to China's overseas students must take immigration issues into account.

A brief history of Australian-Chinese relations

The influx of large numbers of Chinese to the Australian goldfields during the 1850s sparked a deep and long lasting anti-Asian feeling within Australian society (Cotter, 1974). Fears of job losses among Australian workers, and a solid degree of racism saw a series of legal restrictions imposed upon Chinese immigrants from the mid-nineteenth century onwards. The Victorian government passed the first legislation limiting Chinese immigration in 1855 and imposed a poll tax of £10 on each Chinese immigrant. Despite official protests by the Chinese government to the British Colonial Office, the Australian colonial authorities continued to tighten restrictions on Chinese immigration (Scott, 1961:277-279).

By the 1890s this anti-Chinese sentiment had been translated into a “White Australia” Policy which dominated the immigration policy of the Commonwealth Government from Federation to the 1970s (DeGaris, 1974). The Communist ascension to power in China during 1949 deepened suspicion within Canberra towards the Chinese. Australian and Chinese military forces clashed during the Korean War (1950-1953), and faced each other as protagonists over Vietnam during the 1960s and early 1970s. The establishment of an Australian embassy in Taipei in 1966 only served to reinforce the frosty relations between the two countries. Taiwan’s importance to Australia was both economic and political. Australia’s recognition of Taipei as the legitimate government of “China” was a cause of ongoing political strain between Beijing and Canberra. Despite these tensions, China continued to remain an important economic partner for Australia. By the late 1960s a quarter of Australia’s annual wheat harvest and a large proportion of its wool clip were being exported to China (Hudson, 1974).

It was not until 1976 that Australia began to take substantial numbers of Chinese immigrants. Under the terms of an Australia-China Friendly Relations Agreement (ACFRA) a small number of family reunion cases were allowed to enter Australia. During the period 1976 to 1986 around 1,000 Chinese migrants per year entered Australia (Simington, 1989).

With the establishment of full-fee paying international education during the mid-1980s China was targeted as a potentially lucrative market. The entry requirements in place at the time involved payment of a fee, acceptance of a place at an Australian institution, and payment of living allowance bonds (Simington, 1989). Of critical importance to the attractiveness of the program to many Chinese students was the right to work up to 20 hours per week.

Unlike the majority of international students coming to Australia from Malaysia, Singapore or Hong Kong, the bulk of students who came from China during this period were not attending universities. Most Chinese students enrolled in short English Language Courses for Overseas Students (ELICOS) programs. While ELICOS programs in 1994 accounted for only 9 percent of all international student enrolments (DEET, 1995), during the period 1989 to 1990 they comprised around 38 percent (AGB, 1992).

At an estimated cost of A\$9,000 these Australian ELICOS programs represented around 15 to 20 years income to an average Chinese worker. However, the generous work provisions in the Australian visa regulations enabled the student to recover that money fairly quickly once they were established in a suitable job. About 80 per cent of the Chinese ELICOS students who entered Australia during this period borrowed the course fees from overseas relatives, travel agents or money lenders, frequently at high interest rates (Simington, 1989). Investigations by Australian immigration authorities found that many of these students had abused their visa requirements by over-staying and failing to attend classes:

“As of 4 June (1989), 45% of all students of the nearly 9,000 ELICOS students in Australia at that time were over-stayers. Of the 15,000 odd ELICOS students who had come to Australia since 1986, only 1,600 have returned to China. As at 4 June (1989) the backlog of ELICOS applications in Beijing had reached 25,000 with every prospect of reaching 40,000 in 1989-90” (Simington, 1989:102).

Faced with these problems the Australian Government imposed tighter restrictions on international student visas, with the subsequent sharp decline in arrivals from China. As noted previously this led to the collapse of some small privately owned colleges in

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Australia which had expanded rapidly to supply the growing demand for ELICOS and other short courses. Most had taken in large numbers of Chinese students and had accepted advance payments of fees, which they were forced to refund when visa regulations changed.

The Australian Legislative Response to the China Crisis

Following the collapse of the “China Bubble” in 1989/90 a series of legislative measures were taken to enhance the integrity of Australia’s international education system. The first of these was the *Overseas Students (Refunds) Act 1990* which ensured that fees prepaid by international students were protected in the event of an institution collapsing (DEET, 1992). This was in response to the plight of many bona fide international students (mostly from countries other than China) who lost their fees in the collapse of the ELICOS colleges.

The following year the *Education Services for Overseas Students (Registration of Providers and Financial Regulation) Act 1991* or ESOS Act, that sought to provide uniform standards across the country and preserve the integrity of the international education system was passed. The act specifically targeted private education institutions operating in the ELICOS and short course sector of the market (DEET, 1992).

The Commonwealth legislation was introduced to address the crisis of confidence in Australia’s international education sector. It would have been useful for all state and territory governments to have made equivalent responses, but this was not to be. State and territory legislation governing international education is not consistent and draws upon existing Acts drafted for other purposes. In New South Wales, for example, there is no legislation specifically related to international students. The NSW *Fair Trading Act* provides a basis for the regulation and accreditation of education institutions in that state wishing to enter international markets. This is coordinated by the NSW Education Exports Unit (DEET, 1992). Course accreditation in NSW is covered by the *Education Reform Act 1990*, *Higher Education Act 1988* and *Vocational Education and Training Accreditation Board Act 1991*.

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In Victoria and Queensland there are no specific Acts dealing with international education. Both governments have initiated reviews of their legislation in this area with a view to increased regulation of private education providers (DEET, 1992). Western Australia passed the *Education Service Providers (Full Fee Overseas Students) Act 1991*. In South Australia the existing education legislation included a Code of Conduct for non-government schools and there is legislation covering the setting of fees and code of practice for post-secondary providers. The Tasmanian government has passed the *Education Providers Registration (Overseas Students) Act 1991*. No specific legislation exists in either the ACT or Northern Territory. In 1991 the ACT established a “Code of Practice” for institutions, while the NT government uses the existing Education Act to cover schools, colleges, private providers and TAFE courses (DEET, 1992).

Under the Commonwealth’s *Education Services for Overseas Students [Registration of Providers and Financial Regulation] Act 1991* (ESOS Act), all institutions seeking to offer courses to international fee-pay students must be registered on the national *Commonwealth Register of Institutions and Courses for Overseas Students* (CRICOS) (DEET, 1992). Prior to such registration these institutions must have their course accredited by state or territory authorities. The criterion for such accreditation varies from state to state. In 1994 there were 920 institutions registered with CRICOS.

Australian Views of China as an Education Market

The experience of the late 1980s and the subsequent legislative response by the Commonwealth Government has left a lasting impression of caution towards China on many within the international education sector in Australia. This legacy was noted in a recent IDP sponsored study which predicted the influx of 125,000 international students to Australia by 2000, and 288,000 by 2010 (Blight, 1995:45):

“Australia must rebuild its confidence in China as a source of international students. Canberra must be confident about students from China if Australia is to build a substantial share of this massive market”.

The opportunities offered by China as the world's largest market for international education will make it difficult for many Australian education institutions to ignore it. However, the view of China as a potential market for Australian international education differs among institutions. During 1995 staff in fifteen institutions throughout Australia were interviewed as part of an ongoing doctoral research program by the authors¹. This group included the senior members of the international offices of six universities; principals from four private colleges, a senior marketing officer from a large TAFE college, the Chief Pilot of one of Australia's largest flying training schools; and the Principals or Registrars of three private secondary schools. All institutions were listed in CRICOS and were actively engaged in international education. China was not a critical market for any of these institutions, but many considered it an important market. Of particular importance was the impact events in China could have on the related markets of Hong Kong and Taiwan. The views of some of these institutions are examined in the following sub-sections.

a) The view from University #1:

University #1 was one of the largest institutions in Australia and a market leader in the field of international education. This university ranked China only fifth on its list of overseas markets. However, Hong Kong was ranked as number one. For this reason, the transfer of Hong Kong back to China in 1997 was of concern. According to the university's records, enrolments from Hong Kong had declined and the post-1997 outlook was uncertain. The university was examining a number of new overseas markets in order to counter any loss of student flows from Hong Kong. University #1 viewed post-1997 growth from Hong Kong as unlikely. Partially due to the political climate likely to encompass Hong Kong once Beijing assumed authority but also because the market in Hong Kong had "matured". Future growth was likely to emerge from southern China, with Hong Kong playing a possible role.

¹ Currently being undertaken by T.W. Mazzarol under the supervision of Professor G.N. Soutar. Mazzarol, T. and Soutar, G.N. (1997) "Educating the Sleeping Giant: China's Demand for International Education and Social and Policy Implications for Australia", in J. Chai and C. Tisdell (Eds.) *China and the Asian Pacific Economy*, Economics Conference Monograph No.3, University of Queensland, Brisbane, ISBN 0-86776-725-1, pp.288-310.

b) *The view from University #2:*

University #2 was another of Australia's largest institutions, and also a market leader in the field of international education. This institution also considered China its fifth most important market. University #2 also ranked Hong Kong as its most important source of students and was also pessimistic about the future of that market. According to the university's monitoring of international student flows, the numbers of students coming to Australia from Hong Kong were either static or slowing. What would happen after 1997 was "difficult to predict". The possible loss of the lucrative Hong Kong market had prompted the university to examine its options in other markets.

For University #2, the flow of students from China had remained steady throughout the turmoil of the late 1980s early 1990s. Many of the university's Chinese students who arrived on temporary visas had continued to study and were still enrolled. The reason for this was that most of these students were post-graduates, completing either coursework master's degrees or MBA programs. University #2 did not anticipate substantial growth in its on-shore enrolments of Chinese students over the next five years. The main reason for this was its focus on post-graduates. A steady increase was expected in this market segment.

The opportunities offered by the China market had prompted University #2 to take steps to establish programs offshore in China itself. An agreement had been signed between the university and Chinese authorities to establish a private university in Beijing. This joint venture would see University #2 supply the academic management and the Chinese partners the buildings and facilities. The university also had plans to establish a Master of Commerce program at another university in Guangzhou. Despite these developments, the university was not optimistic of getting a substantial financial return from these investments in China. Control over the quality of programs delivered offshore remained a major concern.

c) *The view from University #3:*

University #3 was a relatively new institution which had emerged from the “Dawkin’s Reforms” of the 1980s with the establishment of the Unified National System (Williams, 1988; Meek and Goedegeburne, 1989). Despite its relatively late entry into the international education sector, this institution had experienced substantial growth in overseas student enrolments.

University #3 considered China with considerably less pessimism than either of the first two. This institution was not drawing substantial numbers of students from China, although it was recruiting significantly from Hong Kong. The expectation within the university was for Hong Kong to become a bridgehead into Southern China after 1997. It was pointed out that the Pearl River triangle, which included both Hong Kong and Taiwan, offered enormous opportunity for international education. The university had commenced laying what it hoped were foundations for exploiting this opportunity through a series of links with government and industry groups in China, Taiwan and Hong Kong.

d) *The view from University #4:*

This optimism was not shared by University #4. Not as large as the first three, this institution nevertheless had a higher percentage of Chinese students as a proportion of its total full-fee paying overseas student population than most other Australian universities. China was ranked as second in terms of overall importance as a source of students. The collapse of the “China bubble” in the late 1980s had meant that the university was now experiencing considerable difficulty in obtaining visa approvals for Chinese students. Australian immigration officials in China were strict on approving student visas.

University #4 was still willing to pursue the opportunities offered by the China market despite recent problems. The experience of Chinese students studying at the university was viewed as “a relatively good one”. Chinese students did not experience any particular problems adjusting to the requirements of university life. It was noted,

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however, that other universities in Australia did not share this view. Some of the more “elite” institutions considered Chinese students a “problem” and found they performed poorly. The reason this university did not experience such problems was attributed to its “more practical orientation” which appeared to “suit the Chinese better”.

e) The view from University #5:

University #5 is a small but well recognised institution which had been considerably more reluctant to accept full-fee paying overseas students than most other Australian universities during the mid-1980s. Its top two markets were Hong Kong and China, from which a relatively steady stream of students had come since the late 1980s. The university did not actively market itself in China and had not directly recruited many full-fee paying overseas students from there. Most of the Chinese students who studied at University #5 arrived via ELICOS programs and other preparatory courses. For this reason any major changes in the China market during the late 1980s had not been noticed.

According to University #5 the future of Hong Kong was problematic. Much would depend on how Beijing treated Hong Kong and the better educated in particular. A period of uncertainty from 1997 to at least 1999 was anticipated, with many post-graduate students seeking to remain overseas upon completion of their studies.

University #5 considered future approaches to the China market were likely to be contingent upon offshore programs with strategic alliances with Chinese partners. China was viewed as a difficult market where quality would be a key problem. There was a significant opportunity, for example, to train such groups as book keepers, but a more limited market for university Accountancy degree programs. Future growth would require careful assessment of the opportunities and finding reliable partners. Many of the offshore training opportunities were low level vocational programs, more suitable for TAFE colleges than universities. One approach to the China market that was being considered was the establishment of a consortium between the university and TAFE sectors.

f) The view from TAFE:

The TAFE college interviewed had been actively recruiting from both Hong Kong and Taiwan since 1989. Its ability to attract students from Hong Kong was considered to be the result of the acceptance of TAFE qualifications within that market. Recruitment agents based in Hong Kong found it easier to place students in TAFE courses than in universities resulting in a steady growth in student numbers. Further, it was noted that the shorter, more practical courses offered by TAFE appeared to be attractive to many Hong Kong students.

What would happen to Hong Kong after 1997 was uncertain, but it was the view of the marketing staff at the TAFE college that things would become difficult. It was anticipated that after Beijing took control the outflow of students from the mainland might increase. If this occurred the likelihood would be that Australian immigration authorities would tighten visa restrictions on Hong Kong students as they currently did on Chinese mainland ones. Currently students from China required higher TOEFL scores than those from Hong Kong. The Chinese authorities may wish to challenge this differentiation and Australia would be forced to restrict all students to avoid a flood of arrivals from China.

The TAFE college staff noted that China had not been a significant market for them due to the barriers imposed by Australian authorities. Chinese mainland students needed to possess TOEFL 600 which was an English score suitable for post-graduate level programs. Students with this level of proficiency were unlikely to be attracted to TAFE courses. The reason for the language barrier was explained as a “hang over” from the large influx of Chinese students seeking to undertake ELICOS programs during the 1980s. Thousands of these students protested angrily outside the Australian missions in China following the decision to restrict visa issue. To avoid accusations of discrimination the TOEFL score was raised as a benign barrier.

g) The view from the ELICOS sector:

Of the four private business colleges interviewed, three were ELICOS centres. Based in Sydney, they represented some of the largest and best resourced private colleges in Australia. All had survived the traumas of the late 1980s China crisis. They were complying with the requirements of the ESOS Act and other government regulations. In general, they considered the regulations a necessary evil, but considered the government sector, particularly the university-based ELICOS centres, had an unfair advantage as they were exempt from such controls.

College #1 did not actively recruit from China and drew most of its students from Europe, Japan, and Korea. Despite the attractiveness of the China market during the “ELICOS boom” of the late 1980s, College #1 had resisted the temptation to recruit large numbers of Chinese students. This was a deliberate decision based on a concern over the impact a massive influx of Chinese students would have on their quality. Most of their teaching staff were concerned over the quality of many of the students who came from China at that time. The college did not consider financial gain as importantly as its long-term reputation. Its decision to avoid large numbers of Chinese students meant that it survived the “China crises” unscathed.

College #2 was more focused on Asia than College #1, with an emphasis on Japan. The College was owned by Japanese partners and recruited heavily from Japan. When interviewed College #2 was not actively recruiting in China, although it was drawing students from Hong Kong and Taiwan. During the “China market boom” of the late 1980s College #2 took in Chinese ELICOS students but did not recruit as many as some other colleges. Following the collapse of that market in 1989/90, the college owed DEET approximately \$100,000. This was considered an acceptable loss, particularly when some other colleges owed upwards of \$14 million each.

According to College #2 the visa restrictions placed upon Chinese students were appropriate. The late 1980s had seen these students required to pay six-months worth of fees up front, and still not attend classes. Their primary orientation had been to seek an avenue for emigration not education. Visa control by the Australian immigration

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authorities was considered to be well managed. However, what might happen to Hong Kong after 1997 was concerning due to the importance of the Hong Kong market to many institutions within Australia.

College #3 was a large and successful ELICOS centre located in Sydney. This college recruited primarily from Korea, Japan, and Western Europe, and was owned by Japanese business interests. Its only significant interest in China was indirectly through Taiwan, where it had recently established a niche market for specialised courses which were being successfully marketed by private recruitment agents based in Taipei.

College #4 was a small Beauty Therapy College with relatively few international students. It had drawn a number of its students from China but found the immigration authorities reluctant to issue visas to students from that country. Although registered with CRICOS and an accredited member of the Swiss based Comite International D'Esthetique Et De Cosmetologie (CIDESCO), the college found it hard to get its student's visas. Beauty therapy programs were treated with suspicion by Australian authorities. College #4 was close to "giving up" the China market as visa issue made it too complex and difficult to justify attempting to recruit students from there.

Can Australia afford to ignore China ?

It can be seen from the previous discussion that China remains the subject of attention from Australia's international education providers. However, for many the opportunities continue to be balanced by the risks. With the imminent return of Hong Kong to Beijing's control in 1997 there appears to be little chance that Australian education institutions can ignore China. The primary reason for this is the dominant position of Hong Kong as the number one market for Australian international education. In 1994 there were 11,932 full-fee paying overseas students enrolled in Australia from Hong Kong (DEET, 1995:9). The absorption of Hong Kong back into China threatens to have an adverse effect on the flow of students from that market at least over the short to medium term.

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Whatever the impact of 1997 on Hong Kong, this market has shown signs of maturing despite anything Beijing might do. From a growth rate of 19 per cent over the period 1992/93, Hong Kong has slowed to 2 per cent during 1994/95 (DEET, 1996:11). Such a slowing down of Australia's most important international education market suggests a need for attention to be given to new opportunities elsewhere.

From a financial perspective, Australia has much to lose from a serious decline in its intake of full-fee paying overseas students. Since the late 1980s the value of international education to Australia has grown significantly. According to estimates from the Department of Foreign Affairs and Trade, international education was Australia's third most important service export, with earnings of \$791 million during 1992-1993 (DFAT, 1995).

The contribution of international education to the Australian economy can be gauged by an assessment undertaken by the Department of Employment, Education and Training in 1993, that estimated the international education of full-fee paying overseas students (FFPOS) had generated \$1.4 billion in tuition fees and living expenses, which placed it close to wheat (\$1.5 billion) as an export earner (Strickland, 1995 :46). According to the Western Australian Department of Commerce and Trade, in 1992 international education in the state involved 275 institutions, provided employment for 3,786 people and generated around \$100 million in revenues (DCT, 1993 :22; Rowe, 1995 :412). Further, the international education industry in Western Australia, had experienced employment growth over a five-year period of 27 per cent and was comparable to mining, agriculture and forestry as an industry successful in generating export income (Rowe, 1995 :415).

For the individual institutions the value of international education as a source of revenue is increasing. The level of financial dependency on international student fees varies from institution to institution. Among the privately owned colleges that cater specifically for international students in ELICOS programs or business courses, the dependency level is extreme. However, even among universities the need for international student fees is high. Since the late 1980s the proportion of higher

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education funding coming from international student fees increased strongly (ABS, 1992:166). Institutions such as Monash University, the Royal Melbourne Institute of Technology (RMIT), University of New South Wales and Curtin University of Technology had in excess of 2,000 overseas students enrolled in 1994 (DEET, 1994:73). Assuming an average student course fee level of \$10,500 per annum, this represents between \$28.7 million and \$45.1 million in revenues for these four institutions depending upon their level of enrolments (DEET, 1994).

During the interviews undertaken with the institutions described earlier, it was emphasised how important the fees generated by overseas students were. University #1, for example, estimated that it had received over \$42 million in international student fees during the previous year. Any loss of such revenues would result in a significant reduction in staff numbers and services. University #2 estimated that its international student fee income had been around \$35 million per annum and comprised between 9 and 10 per cent of its total operating budget. Any serious decline in such revenues would result in the loss of approximately 600 academic and non-academic staff.

University #3 was receiving some \$20 million per annum from international student fees. A loss of such revenue would seriously curtail its capital works programs, and result in staff losses of between 200 to 300 across the institution. University #4 estimated its international student fees generated revenue of around \$5 million per year. This income was now accepted as part of the university's annual operation funds. If this money were to cease the impact would be felt in staff losses, increased class sizes and fewer teaching programs. University #5 was earning annual revenues of \$7 million from international student fees. It did not anticipate such funds could be filled from Commonwealth sources should the flow of international students dry up. According to University #5 staff losses of around 100 could be expected from both academic and non-academic areas should this international fee income cease.

Although there are few if any Australian education institutions heavily dependent upon the China market today as they were during the 1980s, the sheer size of China's demand for international education may make it a difficult market to ignore. However, the social

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and political climate existing within China continues to raise question marks over the opportunities offered by that market.

Are the fears of China justified ?

Any assessment of the future potential of international education in China must take into consideration the likely political and economic directions of that country over the next twenty to thirty years. The nexus between international education and immigration suggests that any political turmoil in China will have a significant impact on Chinese overseas students' desire to remain abroad on completion of their studies. Australia's decision to permit some 11,000 Chinese international students to remain here following the Tiananmen Square massacre of June 1989 has established a precedent which even the most insensitive Canberra administration might find difficult to ignore should such an event occur again.

It is not the purpose of this paper to attempt to predict the future political direction of China. However, if Australia is to fully engage China in the area of international education it behoves the government and academic communities in this country to consider possible future trends. At least two scenarios are likely. The first of these is what might be termed the "business as usual" scenario, in which China continues to experience solid economic growth and a relatively stable political climate under the Chinese Communist Party (CCP) leadership in Beijing. The second is a more disturbing "turmoil" scenario in which China - regardless of its economic performance - experiences a repetition of the political and social upheaval that emerged during the late 1980s. Each of these scenarios requires strategic and policy responses on the part of Australian education institutions and government bureaucrats.

a) Scenario #1 - "Business as usual":

Since 1978 the Chinese Communist Party (CCP) leadership in Beijing has reversed the earlier political direction established by Mao Zedong during the 1950s and 1960s, and followed the economic reformist policy outlined by Deng Xiaoping. Guided by such

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slogans as “to get rich is good and glorious”, many sectors of China’s economy have forged successful business links with overseas partners and prospered. Further, the economic stagnation of the 1960s and 1970s stands in stark contrast to the 9 per cent growth rates experienced during 1980s. During the financial year 1995/1996, for example, China’s GDP growth was estimated to have been 10.9 per cent (Economist, 1996).

The continuation of such growth rates should offer significant opportunities for Australian international education in China. Research into the factors motivating demand for international education point to such things as GNP growth rates, relative household wealth, and lack of education infrastructure in the student’s home country (Lee and Tan, 1984; Agarwal and Winkler, 1985; McMahon, 1992). These drivers of demand are all present in China under Scenario #1. Assuming Australia is willing to relax its currently tight visa restrictions on Chinese international students, their numbers in this county could once again swell to the proportions experienced during the late 1980s.

Based upon the growth projections of China’s international student flow (Blight, 1995:39), and assuming that Australia was to again host some 27 per cent of China’s international students as it did in 1991, there could be around 38,610 Chinese students studying here by the year 2000, or as many as 85,860 by 2010. Were Australia to host 5 per cent of the world’s international students during these years, Chinese students would comprise just over 40 per cent of all full-fee paying international students at university level by the early years of the next century.

Under such circumstances Australia’s international education sector’s dependence on China as a market would be significant. Chinese students in such numbers would have the ability to influence Australia’s education institutions in a variety of areas from curriculum design and content to campus social structure. Recruitment of academic and administrative staff may even be influenced by such issues as their ability to speak Mandarin or demonstrate other cultural sensitivities to Chinese student clients. Such issues would be compounded to some extent if education budgets are considerably

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tightened by Australian governments over the next twenty years, as this will only serve to increase the need for international students.

b) Scenario #2 - "Turmoil":

Despite the impressive economic growth experienced by China in recent years it remains one of the poorest countries in the world with per capita GDP of less than \$3,000 (Economist, 1996). The need to balance the massive inequities in income which have begun to emerge in China since the late 1970s is one of the major challenges facing the CCP. This issue has produced signs of divisions within the senior echelons of the CCP hierarchy from as early as 1985 (Goodman, 1991a).

Central to the concerns of Beijing's administration has been the need to maintain the authority of the CCP in the face of rapid social and economic change. The events of 1989 in Tiananmen Square were the high point of a somewhat more protracted campaign of student protest extending from the early 1980s. Pro-democracy student activism was pronounced in Shanghai and many other cities during 1986/87 (Wasserstrom, 1991:304-305). What had been relatively isolated student protests on university campuses in 1986 grew into the massive popular movement of 1989 that provoked such a violent reaction from the CCP leadership. According to Wasserstrom (1991) there is a legacy of student activism in China dating back to the May 4th Movement of 1919. It is a factor of Chinese politics which is closely monitored by the CCP who ensure student leaders are monitored by security officials both at home and abroad.

Unlike its counterparts in the former Soviet Union or Eastern Europe, the CCP is in a better position to survive over the longer term (Goodman, 1991a). However, its appeal to the people has been tarnished and its hold on power is relatively fragile. The prospects for further political turmoil in China over the next twenty years are difficult to predict but cannot be ruled out given the experiences of recent history. In addition to the problems of inequitable wealth distribution and pro-democracy aspirations among the rising middle classes, Beijing is also faced with the need to retain control over some

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increasingly independent minded provincial administrations (Goodman, 1991b). With disproportionate economic growth occurring between coastal and many inland provinces, additional pressure is being placed upon China's political system.

Any future outbreak of serious political or social unrest in China could have significant effects upon Australia if substantial numbers of Chinese students were studying here. By its very nature international education is a socially and culturally transforming process. The need for intellectual freedom within the academic community is inconsistent with many aspects of one-party rule as exists in China. Such issues might cause tension under a "business as usual" scenario, but would be exacerbated in a scenario of "turmoil".

A Conclusion

On the basis of available information China is set to be the world's largest market for international education. Australia is well placed to take a substantial share of this market, and may need to do so if it is to continue to enjoy the financial benefits accruing from international student revenues. With Hong Kong as Australia's current number one market for international education, the return of that province to Beijing's control in 1997 will make it difficult for institutions to ignore China over the long term.

If Australia is to absorb the large numbers of Chinese international students as is predicted by some economic assessments (Blight, 1995), it will need to consider its likely impact. Over dependence on what might be a politically and social volatile country such as China may have significant policy implications for Australia. Unless these implications are addressed in advance we risk repeating the experiences of the 1989/90 "China Crisis" but on a larger scale.

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