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Item Type	Article
Authors	Healey, Nigel Martin
Citation	Pacific-Asian Education, 29, 57-7
Publisher	University of Hawaii
Download date	2026-05-20 13:00:40
Item License	https://creativecommons.org/licenses/by-nc-sa/1.0/
Link to Item	https://hdl.handle.net/10344/11028

Transnational education and domestic higher education in Asian- Pacific host countries

Introduction

The productivity challenge facing the Asia-Pacific region is considerable. The demand for higher education will grow strongly over the next decade. Table 1 shows the population sizes of the 20-24 year-old cohorts for eight selected countries in the Asia-Pacific. Although this regional cohort is forecast to decline by 7.0% between 2015 and 2025, with the biggest fall in China as a result of the ‘one-child policy’ (20.8%), in these eight countries alone there were 290.7m young people of university age in 2015.

The final column shows the Gross Enrolment Ratio (GER), which measures total tertiary enrolments as a percentage of the total population of the five-year age group following on from secondary school leaving. For the OECD countries, the GER in 2012 was 70.7%. As GERs in the Asia-Pacific rise towards OECD levels, the need for university seats will grow dramatically. For example, raising the GER to a modest 50% for these eight countries alone would require 71m more university seats in the region. The British Council has estimated that enrolments will rise by 50m in the Asia-Pacific by 2025 (British Council 2012).

Table 1: 20 to 24-year-old Population Cohort

	2011	2015	2025F	GER (2012)
China	119.3m	104.8m	83.0m	26.7%
India	115.5m	119.3m	121.7m	24.8%
Pakistan	18.1m	19.1m	18.9m	9.5%
Indonesia	21.4m	21.3m	21.6m	31.5%
Malaysia	2.5m	2.6m	3.0m	36.0% (2011)
Philippines	9.0m	9.5m	11.0m	28.2% (2009)
Thailand	5.2m	5.2m	4.8m	51.2% (2013)
Vietnam	9.0m	8.9m	6.6m	24.5%

Sources: United Nations Population Division: World Population Prospects 2017

(<https://esa.un.org/unpd/wpp/Download/Standard/Population/>)

UNESCO Institute of Statistics: Education (<http://data.uis.unesco.org/Index.aspx>)

Unlike manufacturing, higher education has been plagued by stagnant productivity growth, with tuition costs spiraling as a result. A special report on higher education in the United States by *The Economist* concluded that ‘The average cost of college per student has risen by three times the rate of inflation since 1983. The cost of tuition alone has soared from 23% of median annual earnings in 2001 to 38% in 2010. Such increases plainly cannot continue’ (The Economist 2012, p.57).

Table 2 shows that for the ‘top ten’ universities in Asia according to the *QS University Rankings: Asia 2016*, undergraduate tuition fees have risen as high as US\$26,000. Salidi (2016) reported that average tuition costs in Singapore had risen by an average of 38% between 2007 and 2016, noting that ‘the cost of a law degree at NUS [National University of Singapore], meanwhile, rocketed from S\$6,100 in 2009 to S\$12,400, a 103 percent hike’.

In contrast, in Vietnam, which has a population of 92.7m of whom nearly one-quarter (23.2%) are under the age of 15 years, representing a major pipeline of future growth in the demand for higher education, *per capita* gross domestic product is US\$2,050 (World Bank, 2016). Unless universities in the Asia-Pacific can significantly increase their productivity, high-quality education will be beyond the reach of most citizens.

Table 2: Undergraduate Business International Tuition Fees (per annum), 2017/18

QS WUR Rank 2016		US\$
1	National University of Singapore (NUS)	\$23,137
2	The University of Hong Kong	\$18,716
3	Nanyang Technological University (NTU)	\$26,030
4	The Hong Kong University of Science and Technology (HKUST)	\$17,947
5	Tsinghua University	\$3,818
6	Korea Advanced Institute of Science and Technology (KAIST)	\$6,060
7	City University of Hong Kong	\$15,383
8	The Chinese University of Hong Kong	\$18,588
9	Peking University	\$3,818
10	Seoul National University	\$4,625

Source: QS University Rankings Asia 2016, universities' websites

Productivity is closely associated with – but different from – quality. Productivity measures the efficiency with which universities transform inputs (labor, capital, land) into outputs (trained graduates, high-impact research papers) and is properly a major concern for governments that seek the best return on their investment in their domestic higher education systems.

The relationship between productivity and quality is that to measure the former, it is necessary to define the output of universities so that this output per input can be measured. In turn, this means defining output in terms of the minimum quality acceptable, otherwise universities could increase output by simply reducing quality (Summary and Weber 2012). For example, if output were simply defined as the number of students graduating, universities could increase output by reducing the passing grade. If output is defined as the number of graduates who get a well-paid job within six months, this distorting incentive is reduced.

The second dominant feature of contemporary higher education has been the globalization of universities, with institutions reaching out to new student markets in foreign countries by setting up local provision, either directly in the form of an ‘international branch campus’ (IBC) or by working in partnership with a local organization to franchise their degrees (Huang 2007, Altbach et al 2009, Knight 2012).

The growth of cross-border or transnational education begs the question of whether the growing presence of foreign providers accelerates the development of higher education in the host country, by improving quality and productivity in the domestic higher education sector. For example, if the foreign providers integrate into the domestic sector, hiring and training local faculty in advanced educational pedagogies like ‘flipped classroom’ and problem-based learning, transnational education may grow the pool of talented educators and administrators, which benefits the domestic institutions. Competition between foreign providers and local

universities may encourage the latter to be more innovative and efficient. There may also be a ‘demonstration effect’, as foreign providers showcase educational technologies like virtual learning environments and social learning commons which their local counterparts can adopt.

The extent to which transnational education positively impacts the development of the local higher education system depends on a range of factors, including its scale and the policy motivations and regulatory regime of the host government (McNamara and Knight 2014). If the foreign providers entering the market are targeting potential students who cannot afford to enter (or are barred from entering) the domestic universities, then the transnational education may largely be in the form of cheap, low quality courses.

In the 1990s, for example, much of the growth in transnational education in south-east Asia involved UK and Australian universities partnering with small private colleges to offer ‘cheap and cheerful’ business degrees, often part-time to working students (Altbach 2004). The domestic universities remained aloof from these developments, as the new foreign competitors recruited local students who were too academically weak or too economically disadvantaged to gain places in the domestic system. On the other hand, some countries, notably Qatar, have actively targeted the world’s leading universities (including Cornell, Texas A&M and Carnegie Mellon) to set up campuses in the wealthy city state, believing that their presence would drive up standards and efficiency throughout their higher education system.

Some critics have questioned the benefits of transnational education for host countries, citing the short-term, commercial objectives of the foreign universities involved which tend to minimize technology transfer and militate against long-term capacity building (Stella 2006). Others argue that transnational education can amount to ‘educational imperialism’ (Pyvis 2011, p.733) and that the importation of English-language, Western curricula may be unsuited to the cultural and societal needs of local students (Liston 1998, Yang 2000, Rhee and Sagaria 2004). Egege and Kutieleh (2008) warn against a ‘one world culture that has the potential to undermine local differences’ (p.68), while in a powerful attack on the role of western education, Tikly (2004) has argued that educating students in developing countries ‘into a western way of thinking based on western forms of knowledge, [is] part of a process that scholars... have described as a “colonisation of the mind”’ (p.188).

These are powerful critiques and resonate closely with the core thesis of this paper, which is that the positive impact of transnational education on the quality and productivity of the domestic higher education sector depends upon the nature of the transnational education provision and the motivation of both the foreign providers and the host government. The structure of the paper is as follows. It first outlines the meaning and forms of transnational education. It then considers the potential of transnational education to meet demand in the Asia-Pacific and explores the scope for host countries to use transnational education to accelerate the development of their domestic higher education sectors, so driving up the quality and efficiency of their local institutions.

What is transnational education?

Transnational education is defined as ‘any teaching or learning activity in which *the students are in a different country to that in which the institution providing the education is based*’ (Global Alliance for Transnational Education 1997, p.1, italics added). Put another way, transnational education includes ‘all types of higher education study programs, sets of study

courses, or educational services (including those of distance education) in which the *learners are located in a country different from the one where the awarding institution is based*' (Council of Europe 2002, italics added).

At the heart of both these definitions is the fundamental 'principle of transnationality', namely that the student is in a different country from the university awarding the qualification. Transnational education is thus essentially about the means by which the educational service is provided by the university in country A to students in country B. Universities can deliver education across borders in a number of ways – for example, by online delivery, partnering with foreign colleges to deliver programs on their behalf or setting up their own off-shore campuses to provide the teaching directly.

The scope for the growth of transnational education

The phenomenon of transnational education is generally seen as the most advanced stage of the internationalization of universities. Universities start to internationalize their teaching activities by recruiting foreign students to their home campuses. This is sometimes termed 'export education', as it is the educational equivalent of exporting services like tourism (where the foreign tourist has to visit the exporting country to consume the service). For universities in the most advanced export education countries like the UK and Australia, roughly one in five university students are foreign (OECD 2016).

There are, however, limits to the growth of traditional export education. Universities face capacity constraints. International students tend to be concentrated in subjects like business and engineering that offer graduates the best prospects of a successful career. International student numbers cannot be expanded beyond a certain point without distorting the shape and academic character of a university. Some universities have unwittingly allowed this point to be passed and, in so doing, have alienated both the international students who feel cheated by not getting the Australian or UK educational experience they were promised, as well as the domestic students who resent being a minority in the student body (Guillen and Jia 2011, Rafferty 2013).

There are notable exemptions, where world-class universities have sought to attract the most talented students, regardless of nationality. London School of Economics and Political Science (LSE) is one of the leading social science institutions in the world. In 2015/16, only 51.8% of its undergraduates and 19.5% of its postgraduates were from the UK (HESA). LSE is, however, a small, specialist research-intensive institution with only 10,400 students, which is seeking to build a global brand. It is very different from the large UK and Australian teaching-intensive institutions, where international enrolments are the financial life blood of the university and most postgraduate business programs are almost exclusively international students.

Perhaps more fundamentally, there is a limit to the number of students who are willing and able (financially and culturally) to study in a foreign country. Tellingly, while the total number of students in tertiary education has grown rapidly over the last 35 years, the percentage that study outside their own country (ie, who are 'internationally-mobile') has remained fairly constant at around 2% (see Table 3).

Table 3: Global and Internationally Mobile Tertiary Enrolments

	1980	1985	1990	1995	2000	2005	2010	2015
Internationally mobile students (m)	1.1	1.1	1.3	1.7	2.1	2.9	3.7	4.6
Global tertiary enrolments (m)	51.2	60.3	68.7	81.7	99.9	139	181.4	212.7
Internationally mobile as % total	2.2%	1.8%	1.9%	2.1%	2.1%	2.1%	2.0%	2.2%

Source: UNESCO Institute of Statistics: Education (<http://data.uis.unesco.org/Index.aspx>)

Transnational education allows universities to increase their international enrolments by offering their qualifications in third countries, competing for the 98% of the market for higher education that is not internationally mobile. Moreover, by establishing themselves in markets where the local higher education sector is too underdeveloped to satisfy demand, universities may actually increase global participation in higher education (Vincent-Lancrin 2007, p.76). Maastricht University has expanded its graduate business programs into African countries with the deliberate intention of widening global access rather than increasing and diversifying revenue, although this initiative is atypical and has depended on strong financial support from the Netherlands government,

Types of transnational education

The principle of transnationality begs the question of how the university in country A can provide the educational service to students in country B. The simplest way is to classify transnational education in terms of the institutional and contractual infrastructure that the university uses to deliver education.

This approach is derived from international business theory. The Uppsala ‘stages approach’ to internationalization argues that companies internationalize incrementally, by first exporting their goods, then moving to licensing production to a partner in a third country (where the financial risk is primarily borne by the partner) and finally investing directly in their own production and distribution facilities (Johansson and Vahlne 1977, 1990). The underlying principle is that each stage is riskier than the one before, so that companies only move from exporting to licensing, and from licensing to foreign direct investment, as they acquire more knowledge about the third market and gain greater confidence.

There are countless examples from the corporate world of the way that companies penetrate new markets in a staged way. Coca Cola, for example, is sold in every country except Cuba and North Korea, but has never moved beyond licensing. Coca Cola manufactures syrup in the United States, which is shipped to franchisees who make and bottle (or can) the final product for distribution in their own countries. Honda, on the other hand, uses different penetration strategies in different markets, exporting directly to small markets like New Zealand, licensing the production of outdated models to foreign manufacturers in developing countries like China and India where there is huge demand for cheap transport, and setting up production facilities (foreign direct investment) in developed countries like the US, where customer demand is for more specialized vehicles.

In transnational higher education, there are parallel stages of internationalization, but different

terms are generally used to describe each stage. The equivalent of exporting education to students who remain in their own countries is usually called ‘distance learning’, licensing is variously known as twinning or franchising and validation and foreign direct investment usually takes the form of setting up an IBC (see Healey 2008) for more details. A recent study by the British Council and the German Academic Exchange Service (DAAD) noted ‘TNE terminology chaos. Over 40 different terms are being used to describe international programme and provider mobility [IPPM]. Furthermore, the same terms are used to denote very different modes of IPPM while different terms are being used to describe the same mode of IPPM’ (Knight and McNamara 2017). The next sub-sections consider each stage of internationalization in turn using the most common definitions of transnational education.

Distance learning

In higher education, the traditional equivalent of exporting has been for students to travel to the home campus to study. However, distance learning provides an alternative way of exporting education directly to students in their own countries. Students located in another country can access online program materials, either independently or as part of an online, tutor-supported program (Quality Assurance Agency 2010).

Universities have engaged in distance learning education for many years. The University of London pioneered correspondence courses in the 19th century (Harte 1986). The UK’s Open University used the medium of national television to broaden the reach of distance learning in the 1960s. The internet and the spread of smart phones have dramatically reduced the costs of providing distance-learning, allowing universities to reach increasing numbers of students around the world without leaving their home campus. The recent emergence of ‘Massive Open Online Courses’ (MOOCs) and the huge global enrolments in popular courses have illustrated the enormous potential market for distance learning (Hoy 2014).

Franchising and Validation

The higher education equivalent of licensing production to a foreign partner is franchising or validation. Franchising involves entering a partnership with a foreign provider, under which the partner is licensed to promote and teach the home/exporting university’s degree in its own country, with no curricular input from the host institution (British Council 2013). The precise terms of franchise agreements vary widely, but generally the partner is responsible for providing the physical infrastructure (the teaching buildings, library, computing facilities), employing the academic and administrative staff who teach the degree, marketing and recruiting students and teaching and assessing the students. Importantly, students enroll with the local delivery partners (Drew *et al.* 2008). The university provides the intellectual property (ie, the curricular content, learning outcomes) and oversees the quality of the teaching and assessment (British Council 2013). The partner bears most of the financial risk and normally pays the university a royalty fee per student, although financial arrangements also vary widely.

Validation is a closely related form of licensing. In most respects, the relationship between the university and foreign provider is the same as in a franchise. The main difference is that the curriculum (including the degree title) is developed by the partner and validated by the university (British Council 2013). If the proposed curriculum is deemed appropriate in terms of quality and meets the awarding university’s degree standards, the university licenses the partner to market its own qualification as an award of the university. Validation allows the curriculum to be more closely attuned to the context of the market in which it is being delivered.

In some cases, the curriculum may be delivered in the local language, which makes the qualifications accessible to a much wider pool of students.

While US and Australian universities engage in franchising, validation appears to be a uniquely UK practice. In the US, for example, regional accrediting bodies require franchised degrees to be identical to those taught on the home campus. One possible explanation for the difference may be that, until relatively recently, degree awarding powers in the UK were restricted to a relatively small number of institutions. Before 1992, only universities established by Royal Charter could award degrees. Many small colleges relied on local universities to validate their degrees. The polytechnics had their degrees validated by the Council for National Academic Awards (CNAA). The use of validation inside UK borders was thus widespread (Silver 1990). When the polytechnics gained university status and degree awarding powers in 1992, they already had the organizational infrastructure and experience to begin validating degrees themselves – both in local colleges and, increasingly over time, offshore.

Joint programs are a variant of franchising and validation. Although multiple definitions of the ‘joint program’ exist, the QAA (2010) defines it as a program which allows offshore students to complete the university’s entire degree at a partner institution or to begin the program in the partner institution and transfer to complete the degree at the awarding university.

The program being delivered at the partner institution could, in principle, be either a franchise or a validation. For example, in the 1990s many UK universities offered their degrees through private Malaysian colleges on a ‘2+1’ basis, where the first two years were studied in Malaysia and the final year was completed by students coming to the UK. The Malaysia-based part of the program was typically a franchise, to ensure a seamless transition to the UK for students as they moved onto the final year of the same degree.

As these colleges developed, they gained local degree-awarding powers, but some continued to need the academic credibility they had enjoyed by granting the degrees of UK universities. One solution was to design and award their own degrees, which were validated by the UK university, so that the students could graduate with two awards. This form of joint program is becoming increasingly popular in Malaysia as many private colleges are being upgraded to university colleges.

In other countries, the early years of the degree may be franchised to the foreign partner, while the final year of the degree is taught at the foreign partner’s campus by faculty from the awarding university on a ‘fly-in fly-out’ mode of delivery, which usually involves intensive block teaching (Smith, 2014). This variant combines franchising and distance-learning. As with the other forms, joint programs are not a separate stage of internationalization, but rather a mix of the more distinct stages like franchising and validation.

International branch campuses

IBCs represent the final stage of internationalization, with the university establishing a satellite campus in a third country (British Council 2013). Currently the US has the most IBCs, followed by the UK and Australia (Salt and Wood 2014). Financially, an IBC is much riskier than franchising or validation. There are a number of examples of IBCs which failed to break even and were closed at a financial loss to the university. These examples include UNSW Asia in Singapore (closed in 2007), George Mason University in the United Arab Emirates (closed in 2009) and the University of East London in Cyprus (closed in 2013). In an earlier era, several

US universities opened IBCs in Japan in the 1980s, which subsequently foundered in the protracted recession of the 1990s (Umakoshi 1997).

However, when they are successful, IBCs enable universities to project themselves as ‘global universities’. The University of Nottingham and Monash University have both used their IBCs around the world to position themselves as global brands (Sidhu 2009). These universities present themselves as global universities, with campuses in multiple countries, rather than as a university with its ‘headquarters’ in, say, Nottingham and small, dependent IBCs in developing countries. Systems and academic procedures are operated on a pan-university basis, to reinforce the model of a single university, with globally distributed campuses.

What is being transferred to the host country in transnational education?

Table 4 illustrates the differences between the types of transnational education, expressed in terms of the ‘elements’ of the higher education service that are being transferred to the host country. In distance-learning, the students study for the qualification in their own country, but the university retains complete control over the curriculum, teaching, assessment and certification (ie, the issuing of the testamur or certificate). To all intents and purposes, the student could be in any country and, apart from the upskilling of students completing the distance-learning degree, there is no wider benefit to the host country.

Table 4: The transfer of higher education to the host country by type

	Distance Learning	International Branch Campus	Franchise	Validation
Curriculum	X	X	X	✓
Teaching	X	✓	✓	✓
Assessment	X	X	✓	✓
Certification	X	X	X	X

In the case of a branch campus, the home university retains control of the curriculum, assessment and certification, but typically employs local academic and administrative staff to teach the students, even though it may second a small number of its permanent staff to provide leadership and mentorship. In this case, the IBC is making a contribution to the host country over and above the students it graduates, by providing valuable professional development for local staff and training them in new methods of pedagogy and the use of educational technology.

In a franchise, the home university normally retains control of the curriculum and certification, but allows the franchise partner to teach and assess the degrees using local staff, providing only a moderating role to ensure academic quality. This further enhances the capacity and capability of local academic and administrative staff, who have the autonomy to deliver and assess the curriculum, but with the support and oversight of the home university.

Finally, validation allows a local partner to develop the curriculum and teach and assess the degree, with the home university using its quality assurance procedures to control the quality of the degree offered and certify it as its own. Although validation is often regarded as the

riskiest form of transnational education for the home university, it arguably provides the greatest potential benefit to the host country in terms of building local capacity.

Transnational education and productivity growth in host countries

The globalization of business, which has broadly followed the stages approach of exporting, franchising and direct foreign investment, has played the dominant role in accelerating the economic development of host countries. Although the extent to which the benefits of economic growth have ‘trickled down’ to the poorest sections of society are strongly contested by the anti-globalization movement (eg, Wade 2003, Tikley 2004), there is no question that the rapid productivity growth experienced in countries like China over the last 25 years has been driven by the transfer of capital, management and technology from the West to the industries of the host countries. With higher education globalizing along a similar path, will transnational education provide the same boost to productivity growth in the higher education systems of the host countries?

It turns out that the answer to this question depends significantly on the policy motives of the host governments in allowing or inviting foreign universities to establish a presence in their country. There are essentially three broad motivations:

- Demand absorbing.
- Export oriented.
- Demonstration effect.

Demand absorbing

Higher education is a ‘superior good’, in the sense that the demand for higher education grows faster than gross domestic product (GDP); for example, a 1% increase in GDP may raise the demand for higher education by 1.5%. On the other hand, it takes time to increase the supply of university places if quality is to be maintained. Campuses need to be built, academic and administrative staff trained, policies and procedures developed and management systems installed. In countries enjoying rapid economic growth, the demand for higher education tends to outstrip the growth in the supply of places, either forcing the unplaced students to look abroad for opportunities or creating a vacuum which could be filled by transnational education.

Governments in, for example, Hong Kong SAR, Greece, Uzbekistan and, until recently Malaysia, have used transnational education as a way of supplementing domestic higher education and increasing the supply of places to local students, sometimes in a deliberate effort to reduce the foreign exchange drain of students going abroad to study. In the case of the United Arab Emirates, there is a large expatriate population that cannot access the (free) domestic higher education system. This is reserved for Emirati nationals, forcing the children of expatriate workers to either go abroad to study or join one of the many transnational education ventures in the country (Wilkins 2011).

Export oriented

Higher education is a major export sector, with countries like Australia and the UK heavily dependent on export education. Some government have used transnational education to create ‘education hubs’ which are intended to attract foreign students from across the surrounding geographic region (Verbik and Merkley 2006, Knight 2011). The benefits of an export-oriented

approach to transnational education go beyond earning foreign exchange. Transnational education projects ‘soft power’, with students returning to their home countries as advocates of the country that provided their education. In a world where many countries have ageing populations, attracting students to study in an export hub is also an important way of wooing skilled migrants to counter the ‘demographic timebomb’ (Liu-Farrer 2009).

Singapore’s ‘Global Schoolhouse’ is one of the best-known education hubs projects, although, as argued in the case study below, Singapore has actually combined a small export-oriented project with elite foreign providers like Yale with a large transnational sector aimed at local students. Countries like Botswana and Mauritius, with underdeveloped domestic higher education systems and low populations, have used transnational education to build up their position as an educational destination for the surrounding region.

Demonstration effect

A third policy motive is to use transnational education to provide a demonstration effect for the domestic higher education; in other words, to use high quality foreign universities to provide an example of best practice to local institutions and to encourage the transfer of forms of education technology, including curriculum design, pedagogy, quality assurance, the use of English as a medium of instruction and systems of academic governance. There is some evidence that the Chinese government is using transnational education to strengthen its domestic higher education system, by requiring foreign universities to work in close partnership with Chinese universities and co-sharing the design and teaching of the curriculum.

Benefits of transnational education for productivity of host higher education sector

As discussed above, transnational education could potentially accelerate productivity growth and enhance quality in the domestic higher education through a variety of channels, for example by expanding the pool of qualified and experienced faculty and administrators, transferring education technology in the form of academic quality processes and regulations, strengthening the local higher education institutions that work with foreign universities and connecting the local higher education sector to the wider global higher education market (Middlehurst et al 2009, McNamara and Knight 2014).

As the sections above have outlined, the potential benefits of transnational education for domestic productivity growth depend on the type of transnational provision (eg, IBC versus validation) and the motivation of the host government. To illustrate these differences, consider the following three country case studies.

Case study: Malaysia

Until the 1990s, large numbers of Malaysian students went abroad for higher education. This was mainly because the domestic higher education system was underdeveloped, but it was exacerbated by a racial quota system (in place until 2002) which restricted the availability of domestic places to Malaysians of Chinese descent, and by the generous MARA Overseas Scholarships for Bumiputera students (Guan 2005).

Many local entrepreneurs saw the commercial opportunities in filling the gap between domestic demand and supply and, in partnership with mainly UK and Australian universities, set up

franchise and validated operations, often on a so-called '1+2' or '2+1' basis. The Malaysian students studied the first one or two years of the degree in-country and then transferred to the overseas university to complete their studies. After the 1997 'Asian financial crisis', when the value of the Malaysian ringgit collapsed, many of these partnerships were transformed into '3+0' partnerships, with the entire program completed in Malaysia, to prevent this lucrative market collapsing (Hill et al 2014).

The Malaysian government recognized both the opportunity (if properly regulated) and risk (if uncontrolled) of this rapid growth of transnational education (Wilkinson and Yussof 2005, Tham and Kam 2008). In 2007, the new Malaysian Qualifications Agency (MQA) established the Malaysian Qualifications Framework (MQF) and began to closely regulate transnational operations to ensure that they evolved within a strict quality framework. This framework has allowed many private colleges offering franchised and validated foreign degrees to be upgraded to private university colleges (with degree-awarding powers) and ultimately to full university status. Sunway University and Taylors University are two of the best known of these success stories. In recent years, the Malaysian government has set out its ambition to establish the country as an education hub, completing a remarkable transformation for its transnational providers from capacity absorbing to export-orientation (Siew 2013, Selvaratnam 2016).

Case study: Singapore

Despite the Global Schoolhouse project targeting elite universities to set up export-oriented operations in Singapore, the country has for at least two decades allowed large numbers of private colleges to offer franchised a validated degree from Australian and UK universities (Sidhu et al 2011). As investment in public universities, including the launch of new universities like Singapore Management University, and polytechnics has driven up the quality of the domestic higher education system, the government became concerned that many of the transnational programs being offered by the private sector were of low quality (Lim 2010).

In 2009, the Singapore government launched the Council of Private Education which was charged with evaluating and regulating the quality of private transnational operations. In the last seven years, approximately two-thirds of the 2,000 or so transnational programs which existed in 2009 have now closed (Lo 2014). In contrast to Malaysia, where transnational education set the country on a path to a much stronger higher education system, it is arguable that in Singapore, quality improvements have been driven by the domestic institutions and the private transnational education has been of lower quality, with relatively few wider benefits for the country (Altbach 2004, Lim 2004, Garrett 2015).

Case study: China

China has witnessed an extraordinary expansion in its public tertiary sector since 2000, with a three-fold increase in total enrolments (Brandenburg and Zhu 2007). This dramatic expansion in the number of domestic places has been coupled with a decline in the 18-22 year old population, which began falling in 2011 as a result of the 'one child' policy (Wang 2005). Tertiary participation rates have risen rapidly to reach 30%, but there has been considerable policy concern about the quality of much of the new provision, as 'the rapid expansion of the system has made it difficult to sustain quality inputs such as the number of qualified faculty and staff, curriculum development and program upgrading, laboratory facilities, and library books' (Min, quoted by Bai 2006, p.141). Poor graduate employment rates have emerged as a key policy issue (Wang et al 2012, Li et al 2014, Soo 2015). From 2007, the Chinese

government was forced to reverse the shift from public to private funding of universities to allow an expansion in postgraduate places to absorb the growing pool of unemployed graduates and develop a range of alternative new routes into employment for graduates (Chan 2015).

Given the scale of China’s domestic higher education system, transnational education is so small it has no appreciable impact in either absorbing demand or generating export revenue. However, the Chinese government is using Sino-foreign transnational joint ventures, which require local education partners, as a means of transferring technology from foreign providers to their local counterparts (Ennew and Fujia 2009). This is a new, but interesting development in the way that transnational education can influence quality and productivity growth in the domestic higher education sector through a demonstration effect (Sharma 2014, Mok and Han 2016).

The value to host country of transnational education

Based on the analysis of the three host countries above, it follows that the extent of the positive impact of transnational education on the quality and productivity of the domestic higher education sector depends on the nature of the transnational education itself and the motivations of the host government. The case studies suggest that when the transnational education provides a demand-absorbing role (ie, it is targeted at local students), it can have a positive impact on domestic sector. However, gaining these benefits requires that the host country has a strong quality assurance framework in place (as in Malaysia) to avoid the risk that profit-seeking private entrepreneurs with short time horizons dominate the market (as in Singapore pre-2009).

These benefits are likely to be systematically lower if the transnational education has an export-orientation, because the host government has a less direct interest in ensuring the quality of the transnational provision – and so integrating the transnational education providers into its domestic sector. Finally, IBCs can have a powerful demonstration effect if they are used systematically by higher education policymakers, but this effect is likely to be dissipated if the transnational education has a strong local component, as with a franchise or validation. Table 5 summarizes these finding.

Table 5: The value of transnational education by type / role

	Distance learning	International branch campus	Franchise	Validation
Demand absorbing	Low	Medium	High	High
Export oriented	Low	Low	Medium	Medium
Demonstration effect	Low	High	Medium	Medium

Conclusions

Higher education globally faces a serious productivity challenge, with universities tending to pass on higher costs to students and government through higher fees, rather than systematically reengineering the way they educate to drive efficiency gains. This is particularly true in the world's leading universities, where despite the enormous advances in digital technology, universities still teach in the same lecture–tutorial, face-to-face format they have used for decades.

The productivity challenge is particularly acute for the Asia-Pacific, where economic growth and large university-age populations are increasing the demand for higher education. Unless the productivity challenge can be overcome, the region faces a stark choice between higher tertiary participation rates and lower academic quality.

This article has reviewed the phenomenon of transnational education, the educational equivalent of the globalization of business, and asked whether allowing foreign universities to set up provides a way of accelerating productivity growth and enhancing academic quality in host countries. The answer appears to be that, under the right circumstances, transnational education can play a positive role, for example, in Malaysia and Singapore where foreign providers have absorbed excess demand and China where IBCs have had a strong demonstration effect, but it requires that the host government has a clear objective for transnational education and that it can control not just the quality, but also its integration into the wider domestic higher education landscape.

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