



HM Government

Industrial Strategy: government and industry in partnership



International Education – Global Growth and Prosperity: An Accompanying Analytical Narrative

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Contents

Executive Summary	4
1 The global education sector	9
2 Internationally mobile students studying in the UK	12
English Language Teaching	12
Schools	14
Further Education	16
Higher Education	17
The role of education agents	30
3 Transnational Education (TNE)	33
English Language Teaching	33
Schools	35
Further Education	37
Higher Education	37
4 Research collaboration	48
5 Educational Products and Services	51
Qualifications	51
Publishing	53
Educational equipment, supplies and technology	54
6 Capacity building	57
7 Value of education exports to the UK economy	59
Direct benefits	59
Indirect benefits	61
8 Challenges facing the education exports sector	63
UK internal challenges	63
Global trends and challenges	72
9 Target markets	82

List of figures and tables

Figures

Figure 1.1: Global enrolment by level of education, 1970-2010	9
Figure 2.1: Comparison of the relative cost of study for English Language courses	14
Figure 2.2: Number of non-British pupils at UK independent schools whose parents live overseas	15
Figure 2.3: Region of origin for non-British pupils at UK independent schools whose parents living overseas	16
Figure 2.4: Number of internationally mobile HE students worldwide	18
Figure 2.5: Origin of international HE students studying in the UK	20
Figure 2.6: Subjects studied by international HE students in the UK, 2011/12	22
Figure 2.7: Destination of international students by region, 2011/12	23
Figure 2.8: HEIs attended by international students by Mission Group, 2011/12	24
Figure 2.9: Comparison of undergraduate fee levels for international (non-EU) students	26
Figure 2.10: Growth in global inbound tertiary students by destination market, 2011-2020	28
Figure 2.11: Projected growth in international student enrolments in the UK	29
Figure 4.1: R&D spending in selected countries, 2000-2011	49
Figure 5.1: Breakdown of education-related publishing export income	53

Tables

Table 1.1: Estimates of global population growth	10
Table 2.1: Value of global market for ELT students studying outside of their home country	12
Table 2.2: UK market for ELT students studying outside of their home country	13

Table 2.3: Top ten countries of origin for internationally mobile students	19
Table 2.4: Top ten countries of origin for international HE students studying at publicly-funded HEIs in the UK	21
Table 3.1: Top 10 UK institutions with TNE provision, 2011/12	38
Table 3.2: Models of TNE by HESA data collection category	40
Table 3.3: Number of students studying in each type of TNE, 2011/12	41
Table 3.4: Development of models of TNE in the past five years (as proportion of total UK TNE provision, excluding Oxford Brookes)	42
Table 3.5: Top 5 institutions with branch campuses overseas, 2011/12	43
Table 3.6: Number of UK HEIs delivering TNE	44
Table 3.7: Number of countries in which UK HE sector provides TNE	44
Table 3.8: Income potential from different models of HE TNE	46
Table 4.1: Number of co-authored publications with relevant countries 2000-2004.	50
Table 4.2: Citations per collaborative paper for each pair of countries	50
Table 7.1: Estimated value of UK education exports in 2011	60
Table 8.1: International comparison of visa regimes for undergraduate students	65
Table 8.2: Largest global education providers	73
Table 9.1: Key UK markets for higher education/UK presence, 2011/12	84
Table 9.2: Global HE growth opportunities identified by the British Council	85

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Executive Summary

The global education sector

The education sector, including expenditure on national education systems, is currently the second largest global market after healthcare,¹ with total global expenditure estimated to be US\$4.5tr in 2012.² As a result of demographic change and high levels of expenditure by emerging economies, the sector is forecast to grow by a compound annual growth rate of 7% per year over 2012-17, resulting in a global market size of US\$6.3tr in 2017.³ Within this, educational technology and English language teaching are predicted to be the fastest growing markets.

Current UK performance

The UK has a reputation for high quality education with number of truly international education brands. Our universities, colleges, awarding organisations and schools are recognised globally for their excellence. The UK's position as the 'home of English' makes it an attractive destination for international students at all levels of education and presents export opportunities in areas such as education-related publishing.

Total UK education exports were estimated to be £17.5bn in 2011, making education the fifth largest services export sector in the UK, ahead of both insurance services and computer and information services. Over 75% of export earnings came from students studying in the UK. There are also a number of indirect benefits from international education, including increasing the diversity of the UK education sector, enhancing the reputation and brand recognition of UK institutions, and helping to project the UK's soft power.

Internationally mobile students

The UK is the most popular destination for students studying English outside of their home country, attracting nearly 50% of students globally in 2011. English Language

¹ *GCC Education Industry Report*, 2010. Produced by Alpen Capital.

² *Education Sector Factbook 2012*. GSV EDU.

³ *Ibid.*

Teaching (ELT) in the UK was worth £2.5bn, representing 35% of the global market by value.⁴

In 2012/13 there were nearly 26,000 international students studying at UK independent schools,⁵ with fee income estimated to be £685m.⁶ There were also at least 34,500 students studying at FE level in 2012, who are estimated to have paid £350m in tuition fees in 2011/12 and £980m in living expenses.⁷

Globally, the majority of internationally mobile students are in the HE sector – 4.3 million in 2011.⁸ The UK is the second most popular destination for these students, with a market share of 13% in 2011.⁹ In 2011/12, there were 488,000 international students studying HE in the UK (at both publicly- and privately-funded institutions).¹⁰ These students were estimated to have paid £3.9bn in tuition fees (net of scholarships) and £6.3bn in living expenses. Other HE-related export activity, such as research contracts, was estimated to have been worth a further £1.1bn.¹¹

There is potential for growth in internationally mobile students across the sector. Our central estimate¹² is that the number of internationally mobile higher education students coming to the UK will grow by 3.7% per annum until 2020. The global English language sector is forecast to grow by 25% per annum over 2012-17;¹³ whilst this covers all students, it is reasonable to assume that such rapid growth will also lead to an increase in those studying outside their home country. In addition, the Independent Schools Council believes that the number of international pupils in the UK can increase at 3% per annum in the near future.

Transnational Education (TNE)

TNE is where education provision for students is based in a country other than the one in which the awarding institution is located – from a UK perspective, this is where UK institutions or organisations educate or provide qualifications for students studying in other countries.

The market for students studying English in their home country is estimated to be worth over US\$50bn in 2012.¹⁴ The British Council estimate that there are 1.5 billion learners worldwide, of which only 15% access formal ELT. This market is forecast to

⁴ Study Travel Magazine, 2011 Special Report, December 2012 edition.

⁵ Independent Schools Council Annual Census 2013.

⁶ BIS estimate.

⁷ BIS estimates.

⁸ As measured by nationality. *Source*: OECD Education at a Glance 2013, box C4.1.

⁹ OECD Education at a Glance 2013.

¹⁰ HESA Student Record and *Private Providers of Higher Education in the UK*, BIS, 2013.

¹¹ BIS calculations based on the HESA Finance Record and SIES 2011/12.

¹² Based on reports from HEFCE, the British Council and recent trends.

¹³ *Education Sector Factbook 2012*. GSV EDU.

¹⁴ BIS calculations based on Education Sector Factbook 2012.

be one of the fastest growing parts of the education sector, with compound annual growth of 25% per annum over 2012-17,¹⁵ the vast majority of which will be students studying in their own country.

In 2012 there were 1.4 million pupils studying at British Schools Overseas (BSOs), with fee revenue estimated to be £9.6bn.¹⁶ This includes around 19,000 pupils studying at overseas campuses of UK independent schools. The number of pupils at BSOs is forecast to grow to 2.75 million in 2022, with fee income rising to £17.2bn.¹⁷

In 2011/12, there were 570,000 studying for a UK HE qualification at institutions abroad or via distance learning.¹⁸ Approximately 75% of UK HEIs now engage in transnational education, in more than 200 countries. The ten largest providers account for 75% of all TNE provision.

It is expected that TNE at HE level will continue to grow, aided by developments in technology. The British Council has identified Asia and Middle East as regions that will continue to offer the strongest growth, with Hong Kong, Malaysia, Singapore and the United Arab Emirates having the most favourable environments for TNE.

It is unclear how much direct value to the UK economy can be derived from TNE as much of the income from tuition fees will be spent in the country of provision. However, TNE adds significant indirect value by providing a ‘pipeline’ of students who may come to the UK for further study and increasing overseas business, research, social and cultural links.

Research collaboration

Spending on research and development in emerging economies has increased rapidly in recent years and their spending is predicted to increase further over the next few years. At the same time, the quality of the science and research in these countries is improving – UK-published papers with an international co-author achieve a greater impact than domestically produced articles.¹⁹ The UK is currently lagging behind some of our competitors in terms of quantity of collaborations, but maintains a strong position in relation to the quality of the collaborations, achieving a high level of citations per collaborative paper.

Education Products and Services

Four out of the five largest qualification awarding bodies in the UK report having a significant amount of business overseas. British qualifications such as the IGCSE and Cambridge International A Level are the national secondary qualifications in some

¹⁵ Education Sector Factbook 2012. GSV EDU.

¹⁶ ISC Research Ltd.

¹⁷ *Ibid.*

¹⁸ HESA Aggregate Offshore Record.

¹⁹ Adams, J., 2013. *Nature*. Vol 497, pp557-560.

countries; the IGCSE is the world's most popular international qualification for 14-16 year olds. Information provided by awarding bodies suggests that the total income from overseas activities was around £210m in 2011. The large awarding bodies with overseas operations all report positive growth in their international markets. The greatest growth potential is likely to come from further expansion of these organisations that already have a presence in the international market.

In 2011, total education-related publishing export income, from both physical and digital products, was worth £858m.²⁰ There is an increasing move towards digital media particularly for academic and professional publications – this presents both an opportunity and a challenge for the sector. Growth in publishing exports will be affected by the changing levels of demand as the education markets expand globally and in particular the extent to which they adopt UK curricula and/or the English language as a teaching medium.

According to the British Educational Suppliers' Association (BESA), in 2011 exports of educational supplies and equipment were estimated to have been worth £507m. This was expected to rise to £580m in 2013.²¹ BESA has identified the following areas in particular as target regions for future exports: the Gulf, East Asia and the EU.

Challenges for the UK education sector

This analysis identifies a number of challenges facing the UK education sector:

- *Migration policy* – the sector is concerned that recent changes to the visa regime have a negative impact on the perception of the UK as a place to study;
- *Co-ordination failure* – despite some recent successes, there is a need for greater co-ordination across the sector in order to take advantage of global opportunities;
- *Institutional strategies and structures* – some institutions wish to protect their 'brand', which can limit the potential to expand international student numbers. Conversely, institutions without a recognised brand may struggle to gain a foothold in the international market;
- *Competition from new types of providers* – the rapid growth of multinational education companies and the recent development of 'MOOCs' and other educational technologies is changing the face of the education sector;
- *Stronger country-to-country competition* – competition for international students is increasing, including from non-traditional competitors;
- *Barriers to market entry* – competition from local providers and demand for particular types of qualifications means that UK providers need to identify niche areas of provision;

²⁰ The Publishers Association Yearbook 2011

²¹ BESA research report: Education Export Market Performance Outlook, January 2012.

- *Quality assurance* – for courses delivered abroad this is not always as rigorous as that for courses delivered in the UK. This could constrain growth, especially in the long-run, as the UK is best able to compete on the quality of provision.

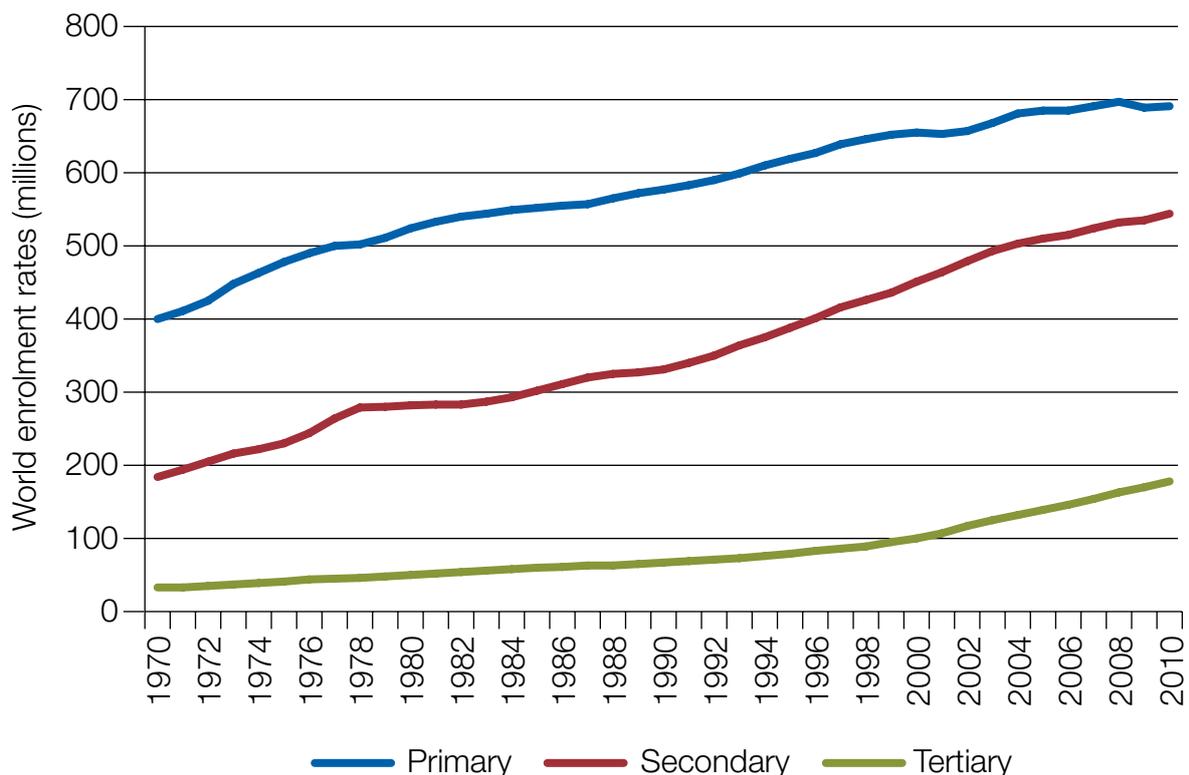
Target markets

We have identified Brazil, China, Colombia, India, Indonesia, Mexico, Saudi Arabia and Turkey and the Gulf region as particular priority countries to seek opportunities to increase the UK's international education provision and influence.

1 The global education sector

- 1.1 The education sector, including expenditure on national education systems, is currently the second largest sector globally after healthcare.²² Enrolments in primary and secondary education have risen from 400 million and 184 million in 1970 to 691 million and 544 million in 2010. Over the same period, the number of students in tertiary education rose from 33 million to 178 million.²³

Figure 1.1: Global enrolment by level of education, 1970-2010



Source: World Bank Education statistics

- 1.2 Estimates of the value of global education provision, including both private and public expenditure, vary depending on what is included but indicate that the

²² GCC Education Industry Report, 2010. Produced by Alpen Capital. <http://www.alpencapital.com/includes/GCC-Education-Industry-Report-September-2010.pdf>

²³ World Bank databank.

size is considerable. One study, for example, estimated the market size in 2005 to be approximately US\$2.5 trillion,²⁴ and another estimates total global education expenditure in 2012 at US\$4.5tr.²⁵

- 1.3 Globally, the education sector is expected to continue growing as a result of demographic change and increasing incomes in developing countries. The total global population is forecast to increase from nearly 6.9 billion in 2010 to over 7.6 billion in 2020. Over this period, the number of 5-17 year olds is forecast to grow by nearly 50 million (3.1%), primarily driven by reduced mortality rates in developing economies. The population of 18-24 year olds is, however, forecast to decline slightly, primarily due to a falling birth rate in China.²⁶

Table 1.1: Estimates of global population growth

	2010	2015	2020
Total global population	6,864m	7,250m	7,628m
5-17 year olds	1,560m	1,574m	1,608m
18-24 year olds	838m	830m	827m

Source: US Census Bureau

- 1.4 In addition to demographic change, emerging economies are seeking to increase their tertiary enrolment rates. Consequently, the number of people in tertiary education is forecast to grow by 21 million between 2011 and 2020, although the pace of growth is forecast to be lower than in the past decade.²⁷
- 1.5 Emerging economies are also spending comparatively high proportions of household income on education – 13% in China, 11% in India and 10% in Brazil, compared with around 2% in countries such as the US and UK.²⁸ The value of the global education market is forecast to increase at a compound annual growth rate (CAGR) of 7% between 2012 and 2017, which would result in a global market size of US\$5.5tr in 2015 and US\$6.3tr in 2017.²⁹ Different parts of the sector are, however, forecast to grow at slightly different rates – primary and secondary education (combined) is forecast to have a CAGR of 6% over this period, with post-secondary education growing at 8% per annum.

²⁴ GCC Education Industry Report, 2010.

²⁵ Education Sector Factbook 2012. GSV EDU.

<http://gsvadvisors.com/wordpress/wp-content/uploads/2012/04/GSV-EDU-Factbook-Apr-13-2012.pdf>

²⁶ US Census Bureau.

²⁷ *The shape of things to come: higher education global trends and emerging opportunities to 2020* – British Council, 2012.

²⁸ Bureau of Labour Statistics, Office of National Statistics and Credit Suisse – quoted in Pearson 2012 results presentation. <http://www.slideshare.net/hemartin/pearson-2012-results-ppresentation25022013-web>

²⁹ Education Sector Factbook 2012. GSV EDU.

- 1.6 However, as these figures include spending by governments on their national education systems, not all of the global market will be available to the UK. The proportion accessible to the UK will vary according to the level of education, with tertiary education the most open and internationalised. There are five broad areas in which the UK can operate:
- *Internationally mobile students* – those students who choose to study outside their home country. This occurs at Higher Education (HE), Further Education (FE) and school level to varying extents, as well as in the English language teaching (ELT) sub-sector.
 - *Transnational education (TNE)* – where education provision for students is based in a country other than the one in which the awarding institution is located. TNE can take various forms (see section 3 below) and occurs in the HE, FE, schools and ELT sub-sectors.
 - *Research collaboration* – with academics in other countries and international organisations
 - *Education products and services* – such as learning materials, education technology, laboratory equipment, consultancy and facilities management.
 - *Capacity building* – supporting the development of domestic education systems in developing countries.
- 1.7 This narrative analyses each area in turn, discussing the UK's current performance, the value of each area to the UK economy and their potential for growth. The narrative then looks at the overall value of education exports to the UK and identifies possible barriers and challenges that may constrain growth.

2 Internationally mobile students studying in the UK

English Language Teaching

2.1 In 2011 there were over 1.5 million students worldwide who studied English outside of their home country.³⁰ Over the past five years, the number of students has remained at roughly this level with some slight fluctuation. This market (students studying outside of their home country) was worth US\$11.6bn in 2011 – this represents a 7.4% increase on 2010, but is lower than 2007-09 due to the global recession.

Table 2.1: Value of global market for ELT students studying outside of their home country

	2007	2008	2009	2010	2011
Value of global market (US\$bn, constant 2011 prices)	11.6	12.8	12.1	10.8	11.6
Growth on previous year	–	10.1%	-6.0%	-10.4%	7.4%

Source: Study Travel Magazine

2.2 The UK was the most popular destination for students studying ELT outside of their home country, attracting nearly 50% of students globally in 2011, an increase of 3.5 percentage points on 2010. However, the average duration of tuition in the UK was lower than in competitor countries – 4.9 weeks in 2011, down from 5.7 in 2010. This compares with 14 weeks in the US, 12.3 in Canada and 11.2 in Australia. Consequently, the UK's share of global 'student weeks', a more accurate measure of comparative performance, was 31.9% in 2011. This is the same level as in 2010 but a slight increase compared with 2007. In absolute terms, UK providers taught about 30,000 more 'students weeks' in 2011 than in 2008, but about 90,000 fewer than in 2010.

³⁰ All figures from Study Travel Magazine, 2011 Special Report, December 2012 edition. <http://www.hothousemedia.com/ltn/ltnbackissues/dec12web/dec12specreport.html>

Table 2.2: UK market for ELT students studying outside of their home country

	2007	2008	2009	2010	2011
Number of UK 'student weeks'	3,434,700	3,613,300	3,747,400	3,733,100	3,641,500
Share of global 'student weeks'	29.8%	29.7%	29.4%	31.9%	31.9%
Average length of study in the UK (weeks)	5.3	5.6	5.9	5.7	4.9

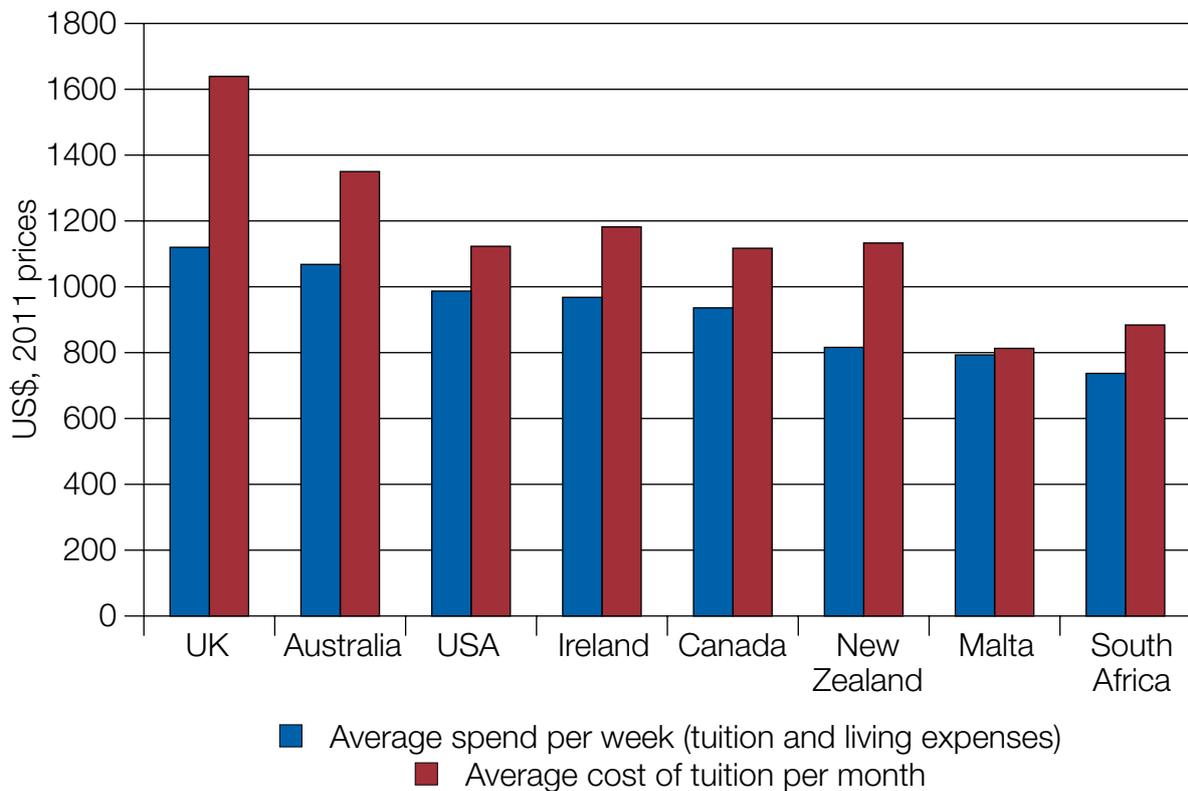
Source: Study Travel Magazine

- 2.3 The ELT sector in the UK was worth £2.5bn in 2011, including both tuition and living costs. This represents 35% of the global market by value.³¹
- 2.4 Tuition in the UK is more expensive than in any of its competitor countries, with a month of tuition in 2011 costing US\$1,639 on average.³² The next most expensive country for tuition is Australia, with an average monthly tuition cost of US\$1,350. This gap has narrowed since 2010, but remains greater than in 2009.
- 2.5 When considering expenditure on food, accommodation and leisure activities as well as tuition, the UK remains the most expensive country, with an average weekly spend of US\$1,120 in 2011. However, the gap to the next most expensive, Australia (US\$1,068), is narrower, indicating that the UK is more competitive than Australia on the cost of living excluding tuition.

³¹ The figure for the ELT sector in table 7.1 is lower (£2bn) as this only covers private ELT providers to avoid double-counting of public-funded providers, such as HE institutions. This approach is consistent with previous work estimating the value of education exports (BIS, 2011 – see footnote 102).

³² Study Travel Magazine.

Figure 2.1: Comparison of the relative cost of study for English Language courses



Source: Study Travel Magazine

2.6 The global market for ELT is forecast to grow at 25% per annum over the next five years.³³ Whilst only a proportion of the market is students who travel outside their home country, it is reasonable to assume that, with more ELT students globally, the UK ELT sector could grow, particularly given the UK's popularity as a destination for study.

Schools

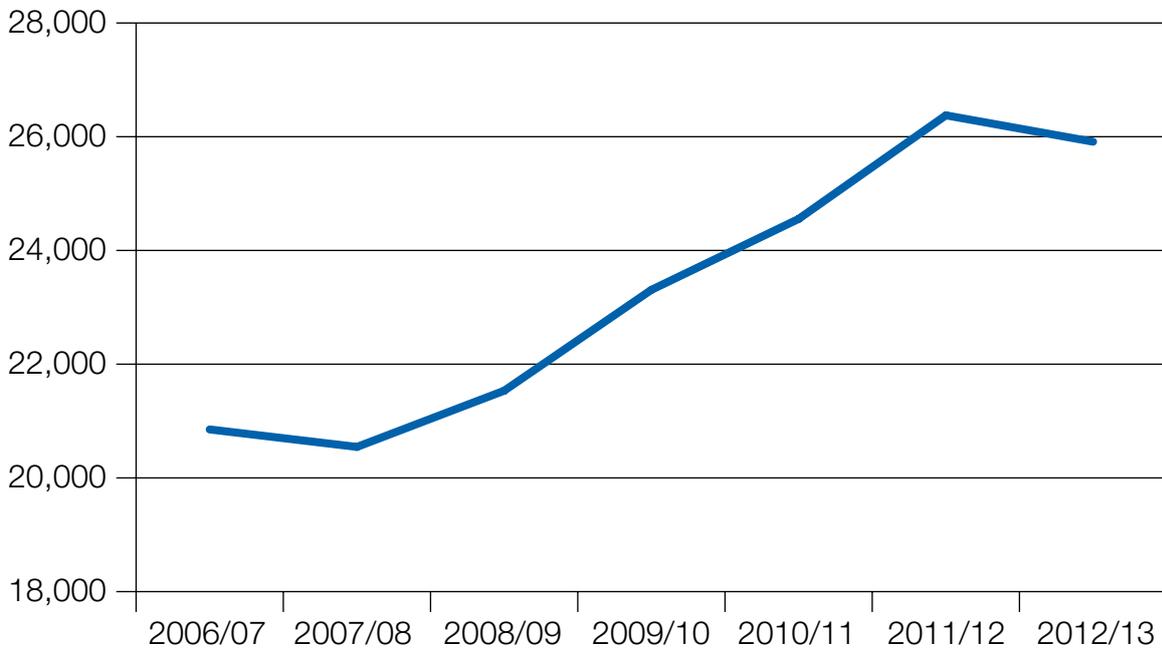
2.7 In 2012/13 there were nearly 26,000 international students studying at over 1,200 independent schools in the UK on a fee paying basis. The number of international students has risen considerably from 20,500 in 2007/08, representing an average annual growth rate of 4.8%.³⁴ Fee income for international pupils at independent schools was estimated to be £685m in 2012/13, up from £430m in 2007/08.³⁵

³³ *Education Sector Factbook 2012*. GSV EDU.

³⁴ Independent Schools Council Annual Census 2013. <http://www.isc.co.uk/research/Publications/annual-census>

³⁵ Based on data from the Independent Schools Council Annual Census 2008 and 2013 and following the same methodology as BIS (2011) – see footnote 102.

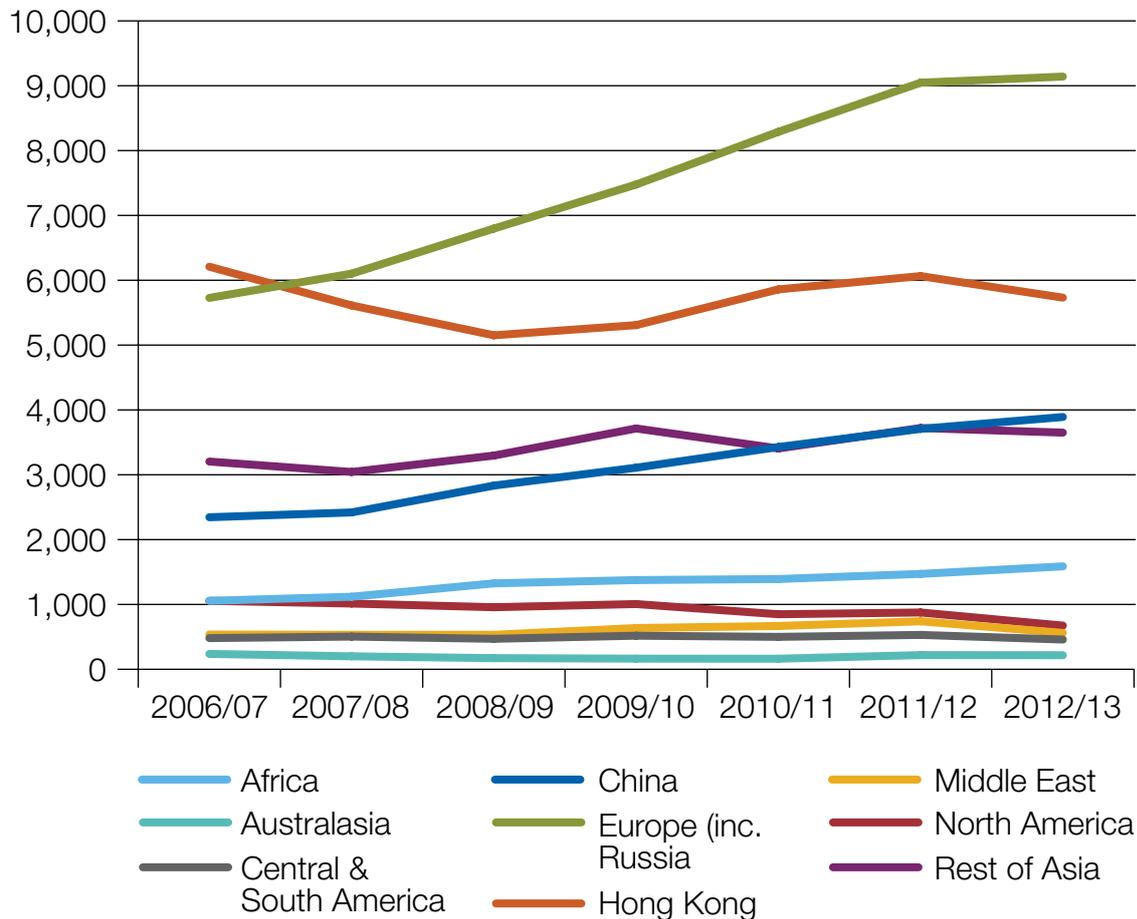
Figure 2.2: Number of non-British pupils at UK independent schools whose parents live overseas



Source: Independent Schools Council Annual Census

2.8 Over half of international students at UK independent schools are from Asia, with Hong Kong (22% of the global total in 2011/12) and China (15%) dominating this market. A further third of total international students come from Europe, with Germany and Russia the largest markets. Over the period 2006/07 to 2012/13, Chinese students have grown at the fastest rate (8.8% per year on average), followed by those from Europe (8.1%) and Africa (7.0%).

Figure 2.3: Region of origin for non-British pupils at UK independent schools whose parents living overseas



Source: Independent Schools Council Annual Census

2.9 The Independent Schools Council believes that international student numbers in independent schools can increase at 3% per annum.

Further Education

2.10 The UK attracts international students to study FE courses. However, only Government-funded learners are recorded centrally and record of their nationality is limited to those studying in Scotland. Therefore, it is not possible to say how many international FE students study in the UK. There is research evidence of Government-funded learners that seeks to quantify overseas student levels, but these numbers are very small given the few exceptions to the domicile rules for FE. However, Home Office data³⁶ indicates that in 2012, 31,500 visas were approved for students studying at FE level, down from

³⁶ <https://www.gov.uk/government/publications/immigration-statistics-october-to-december-2012/immigration-statistics-october-to-december-2012>

83,000 in 2011. As this only captures students from outside the European Economic Area who intend to be studying for more than one year, this is likely to be an underestimate. BIS is seeking to work with the Home Office to cross-check the extent to which colleges listed on visas are those identified as running Government-funded courses.

- 2.11 Recent research³⁷ shows that in 2011/12 there were also over 3,000 EU students studying at FE level in alternative (privately-funded) providers of HE. The same research shows 7,600 non-EU students were studying FE at alternative providers; these are assumed to be captured within the Home Office visa statistics.
- 2.12 Internationals students in the FE sector are estimated to have paid £350m in tuition fees in 2011/12 and £980m in living expenses.³⁸ These figures are based on the number of students outlined above, and are likely to be an underestimate. Due to the lack of data on the number of international students in the FE sector, it is not possible to estimate the growth potential. However, there are no signs of capacity constraints in the FE sector if demand from internationally mobile students grows.

Higher Education

- 2.13 In 2011, there were 4.3 million internationally mobile HE students. This has risen from 0.8 million in 1975, 2.1 million in 2000 and 4.1 million in 2010.³⁹ This represents growth of 99% over the period 2000-2010, equivalent to average annual growth of 7.1%.

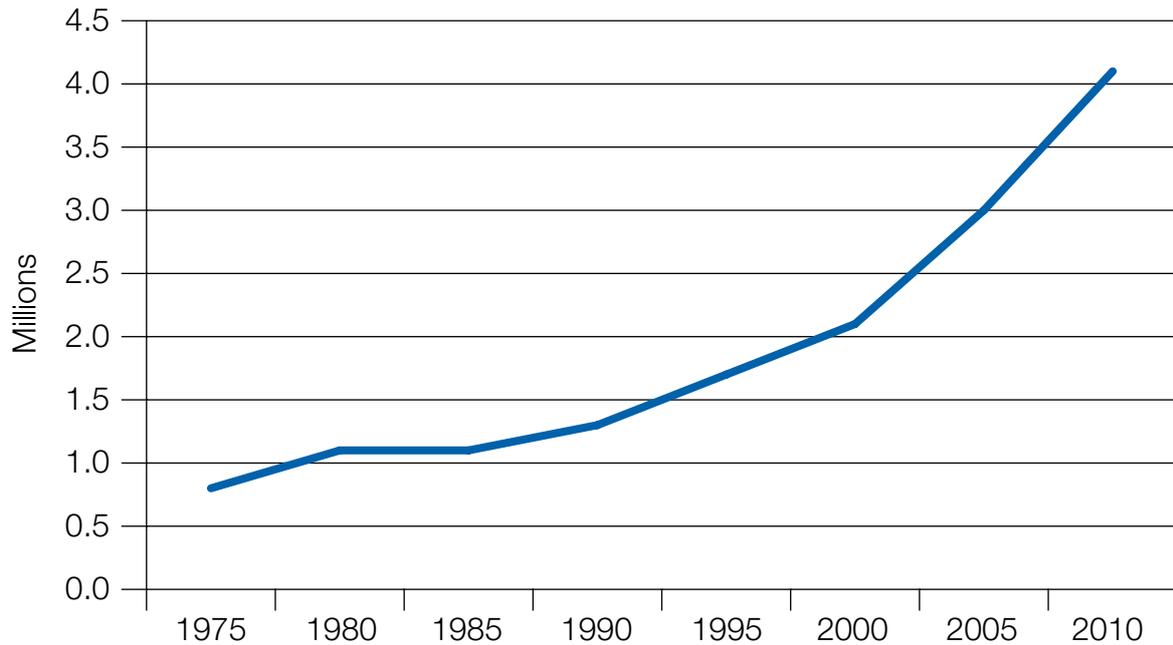
³⁷ Privately funded providers of Higher Education in the UK, BIS, 2013

<https://www.gov.uk/government/publications/privately-funded-providers-of-higher-education-in-the-uk>

³⁸ Based on tuition fees outlined in *Evaluation of the Value of Tier 4 International Students to FE colleges and the UK Economy*, 2013 (<https://www.gov.uk/government/publications/value-of-tier-4-international-students-to-further-education-colleges-and-the-uk-economy-evaluation>) and the Student Income and Expenditure Survey (SIES) 2011/12 (<https://www.gov.uk/government/publications/student-income-and-expenditure-survey-2011-t0-2012>).

³⁹ As measured by nationality. Source: OECD Education at a Glance 2013, box C4.1. http://www.oecd-ilibrary.org/education/education-at-a-glance-2013_eag-2013-en

Figure 2.4: Number of internationally mobile HE students worldwide



Source: OECD Education at a Glance 2012

2.14 In 2000, the largest source of internationally mobile students globally was China with 140,500 (8.1% of the total) followed by South Korea (71,100; 4.1%) and Greece (63,600; 3.7%). By 2010, nearly a fifth of internationally mobile students were Chinese (548,500; 18.2%), with Indian (192,000; 6.4%) and German (93,700; 3.1%) students the next biggest groups. Relatively few UK students study overseas – in 2010 just over 23,000 UK students studied abroad, representing less than 0.8% of the global total.⁴⁰

⁴⁰ World Bank Education statistics. Figures may not exactly match the OECD's global total due to slight differences in the data.

Table 2.3: Top ten countries of origin for internationally mobile students

			2010 *		
	Number	% of global int'l mobile students		Number	% of global int'l mobile students
	140,500	8.1%	China	548,500	18.2%
South Korea	71,100	4.1%	India	192,000	6.4%
Greece	63,600	3.7%	Germany	93,700	3.1%
Japan	59,300	3.4%	USA	55,000	1.8%
India	55,900	3.2%	Malaysia	53,900	1.8%
Germany	54,500	3.1%	France	53,300	1.8%
France	50,200	2.9%	Vietnam	47,200	1.6%
Turkey	48,000	2.8%	South Korea	46,500	1.5%
Italy	44,400	2.6%	Canada	44,900	1.5%
Morocco	42,500	2.4%	Turkey	42,600	1.4%

Source: World Bank Education statistics

* Excluding North Korea which appears in the data as 4th largest (2.6%) as this appears to be a data anomaly.

2.15 The UK is the second most popular destination for internationally mobile HE students (behind the USA) – in 2011 the UK's global market share was 13%, the same level as in 2010 and up from 12.8% in 2006.⁴¹ Recent research by the British Council⁴² reiterates this point, with half of young people in top emerging economies interested in studying in the UK. In 2011/12, the most recent year for which domestic data is available, there were 435,000 international students studying at a 163 publicly-funded HE institutions in the UK, with a 50:50 split between undergraduate and postgraduate study.⁴³ In addition, there were 53,000 international students studying at 159 alternative providers, 70% of which were studying at undergraduate level.⁴⁴

2.16 Since 2007/08, international student numbers at publicly-funded HE institutions has grown by an average of 6.2% per year, with the balance

⁴¹ Measured by nationality. Source: OECD Education at a Glance 2013, table C4.7.

⁴² *Culture Means Business*, 2013.

<http://www.britishcouncil.org/sites/default/files/documents/culture-means-business-report.pdf>

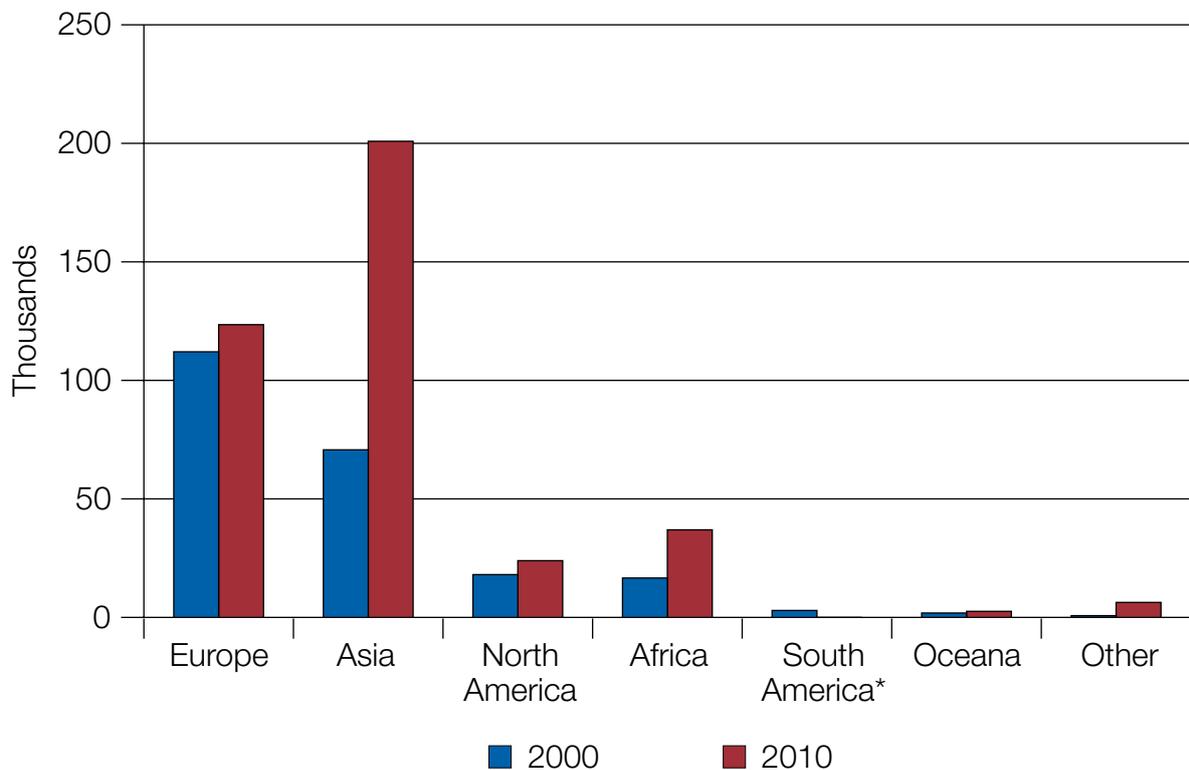
⁴³ As measured by domicile. Source: HESA Student Record.

⁴⁴ *Privately funded providers of Higher Education in the UK*, BIS, 2013.

between EU and non-EU students staying broadly constant.⁴⁵ However, the number of international students has remained broadly flat since 2010/11.

- 2.17 Over the past decade, there has been a substantial shift in the origin of international students in the UK. In 2000, half came from Europe, with Asia accounting for another third. The largest single source country was Greece, with 13% of total students, followed by Ireland with 6%. In 2010, Asia accounted for over half, with a further 30% coming from Europe. Students from China represented 14% of the total, with India accounting for 10%.⁴⁶ The top 10 source countries in each year are shown in table 2.4 below.

Figure 2.5: Origin of international HE students studying in the UK



Source: UNESCO Institute of Statistics

* No data available for 2010

⁴⁵ No data is available for alternative providers prior to 2011/12.

⁴⁶ All figures from UNESCO Institute of Statistics.

Table 2.4: Top ten countries of origin for international HE students studying at publicly-funded HEIs in the UK

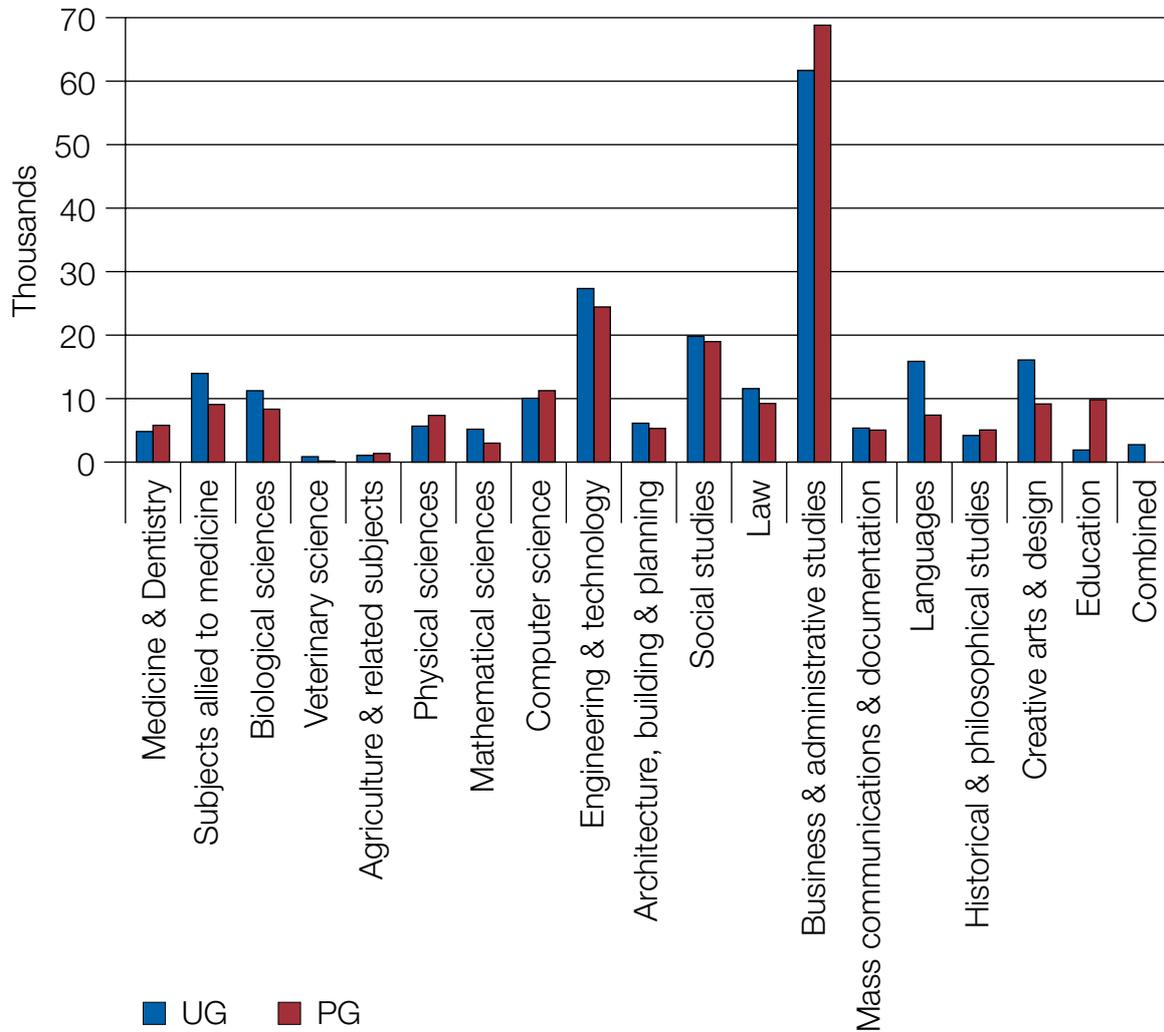
2000			2010		
Greece	29,300	13.1%	China	55,500	14.1%
Ireland	14,300	6.4%	India	38,200	9.7%
Germany	13,500	6.0%	Nigeria	16,500	4.2%
France	12,500	5.6%	Ireland	16,500	4.2%
USA	11,200	5.0%	Germany	15,100	3.6%
Malaysia	10,400	4.6%	USA	13,900	3.5%
Hong Kong	8,300	3.7%	France	13,600	3.5%
Spain	7,500	3.4%	Malaysia	12,500	3.2%
Japan	6,200	2.8%	Greece	11,700 ⁴⁷	3.0%
China	6,200	2.8%	Cyprus	11,300	2.9%

Source: UNESCO Institute of Statistics

2.18 International students in the UK study courses across all subject categories. However, business and administrative studies is by far the most popular subject area at both undergraduate and postgraduate level, accounting for nearly a third of international students overall. The second and third most popular subject areas – engineering and technology and social studies – account for another fifth between them.

⁴⁷ Between 2000 and 2010, the number of Greek students studying abroad fell by over half (from over 60,000 to under 30,000). The share of students choosing to study in the UK fell slightly from 47% to 41%.

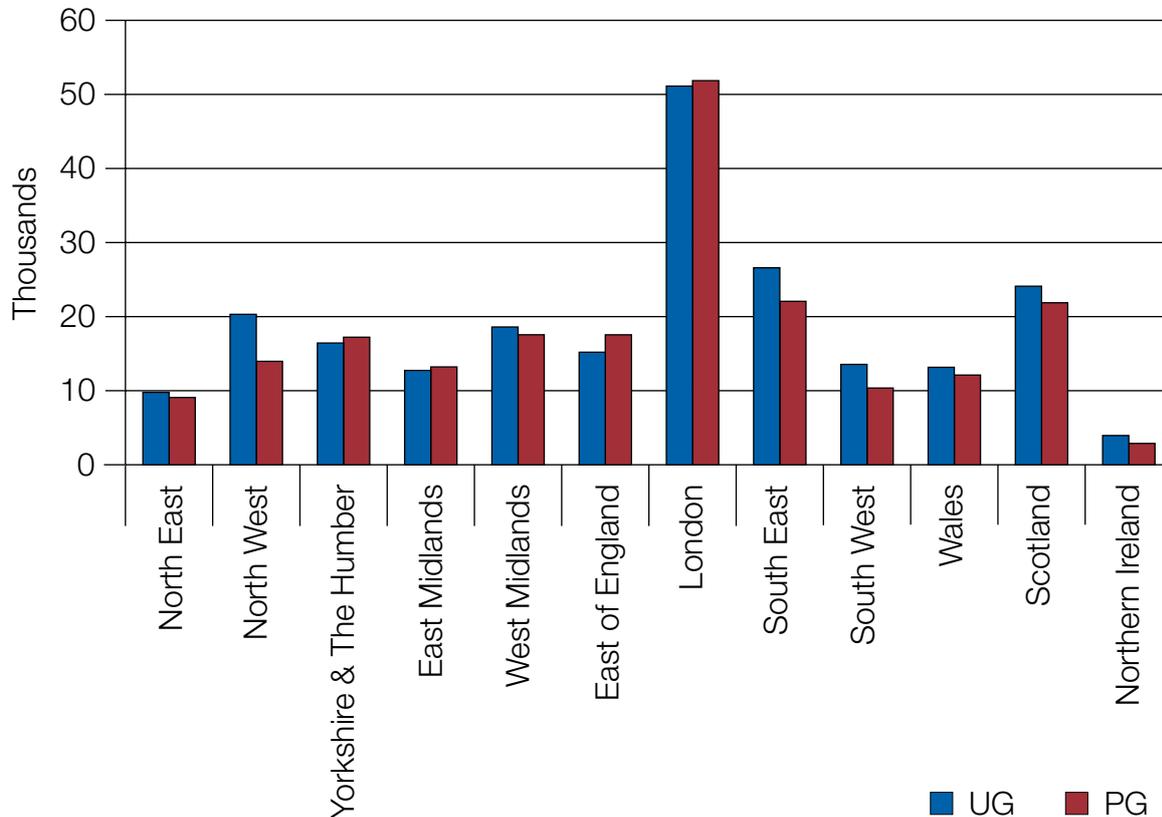
Figure 2.6: Subjects studied by international HE students in the UK, 2011/12



Source: HESA Student Record

2.19 International students also study at institutions all across the UK. Whilst London is the most popular region of the UK for international students, it only accounts for a quarter of the total, with similar proportions for undergraduate and postgraduates. The South East and Scotland are also popular with 11% of the international student population each.

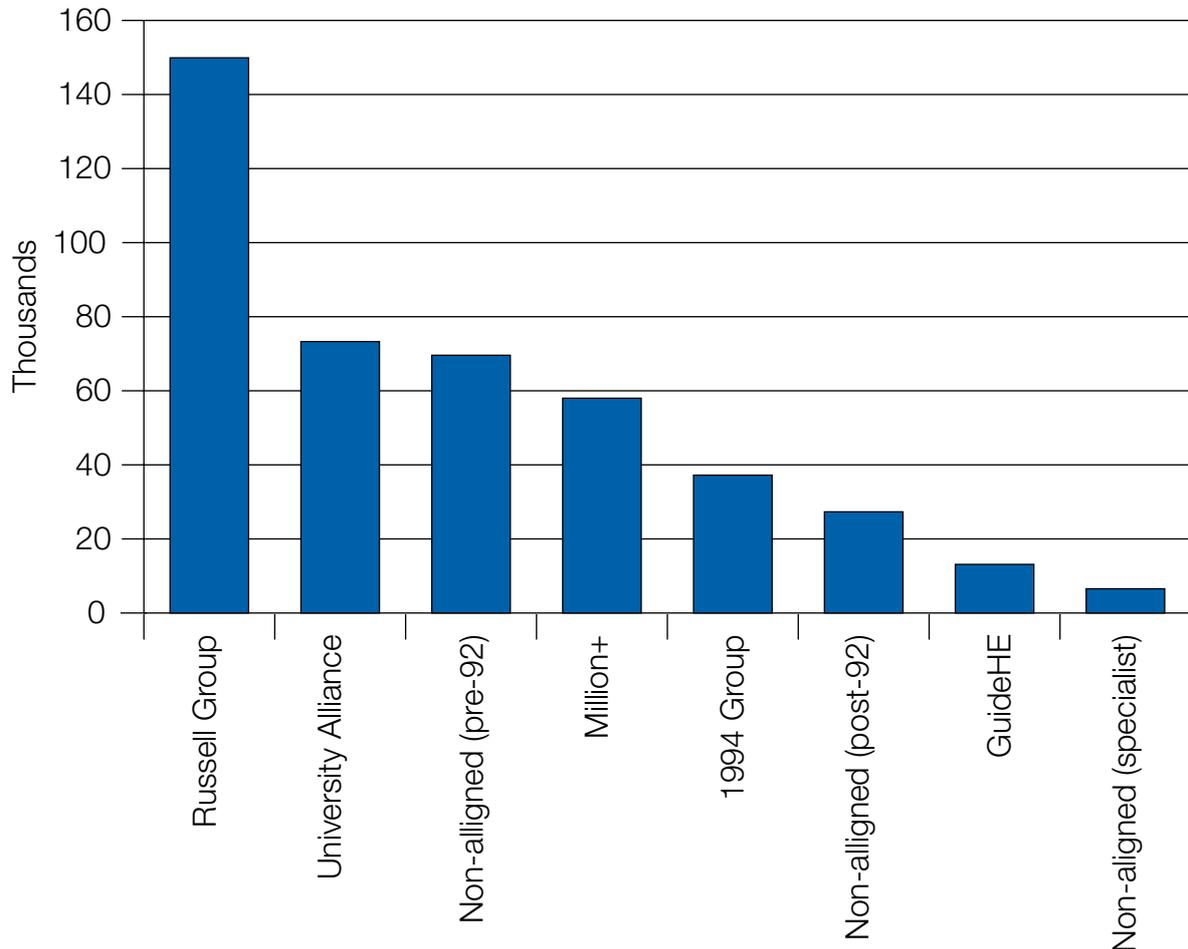
Figure 2.7: Destination of international students by region, 2011/12



Source: HESA Student Record

2.20 However, international students appear to have stronger preferences when it comes to the type of institution they attend. Russell Group institutions are by far the most popular, accounting for over a third of all international students in the UK. University Alliance and non-aligned (pre-92) institutions account for another third between them. The average number of international students at Russell Group institutions is around 6,200 (equivalent to an average of 27% of an institution's total student population). The University of Manchester and UCL have the largest international student populations with 11,200 and 10,000, respectively. Institutions in the 1994 Group, Million+, non-aligned (pre-92) and University Alliance all have in the region of 3,000 international students on average. This is equivalent to an average of 26% of an institution's total student population for the 1994 Group and 12-15% for the other three mission groups.

Figure 2.8: HEIs attended by international students by Mission Group, 2011/12



Source: HESA Student Record

2.21 Across the sector, the median proportion of international students at an institution is 17.4% of the institution's total student population. In some instances, however, international students form a much higher proportion of the total – the highest proportions are at the London Business School (75%) and LSE (67% overall, rising to 82% for postgraduates). International students are also in the majority at Cranfield University and the (privately-funded) University of Buckingham. A further ten institutions have between 40% and 50% international students, including five specialist institutions.

Value to the UK economy

2.22 In 2011/12, BIS estimates that internationally mobile students studying HE in the UK paid £3.9bn in tuition fees (net of scholarships) and £6.3bn in living

expenses.⁴⁸ Other HE-related export activity, such as research, academic and administration services and the sale of intellectual property, is estimated to have been worth a further £1.1bn.

- 2.23 However, EU undergraduates are eligible for UK student loans to cover the cost of tuition, resulting in a cost to the UK in the form of the Resource Accounting and Budgeting (RAB) charge.⁴⁹ This cost is estimated to have been £78m in 2011/12.⁵⁰
- 2.24 In 2011/12 31,700 EU students took out tuition fee loans worth over £100m in total.⁵¹ Once the 2012 student finance system is in steady state, it is estimated that the annual outlay on fee loans for EU students will be around £300m out of a total loan outlay of around £1.1bn.⁵² Therefore, lending to EU students is unlikely to be more than 3% of the total. SLC figures on income contingent loan repayments as at April 2012⁵³ show that of the 11,000 EU students who had been liable to repay since April 2010 or earlier, 18% had repaid their loans in full. This compares with 16% of all borrowers (UK and EU) liable to repay since April 2010 or earlier who had fully repaid their loans. It must be noted, however, that those EU students who have repaid in full borrowed smaller amounts than UK students, as they are only eligible for tuition fee loans. The SLC's figures also show that the average repayments from EU borrowers paid directly to SLC is significantly higher than repayments made through the tax system. That is because some have chosen to repay their balance in full or make large lump sum repayments to reduce the balance, in some cases before the borrower is due to start repayments.
- 2.25 EU and non-EU students benefit the UK in different ways. At a national level, the income from postgraduate students will be broadly the same, as will the living expenditure from undergraduates, but the RAB charge on tuition fee loans for EU undergraduates represents a cost to the UK which is not applicable for non-EU students. EU students also pay the same tuition fees as domestic students, whereas Universities and publicly-funded providers can charge certain non-EU students higher fees without having to justify differential treatment, as they benefit from a specific exemption from the Equalities Act 2010; non-EU students can therefore be more valuable from the institutional perspective. However, providers that are not Universities or not funded by

⁴⁸ BIS calculations based on HESA Finance Record, SIES 2011/12 and international student numbers at both publicly-funded HEIs and alternative providers. This is broadly the same methodology as used in BIS (2011; see footnote 102), but the figures from SIES exclude expenditure from students living at home in order to be more representative of international students.

⁴⁹ The RAB charge is the cost to the Government of providing loans to students after repayments are taken into account.

⁵⁰ Based on the RAB charge applied for students starting in 2011/12, as calculated at the time.

⁵¹ Student Loans Company.

⁵² BIS forecasts.

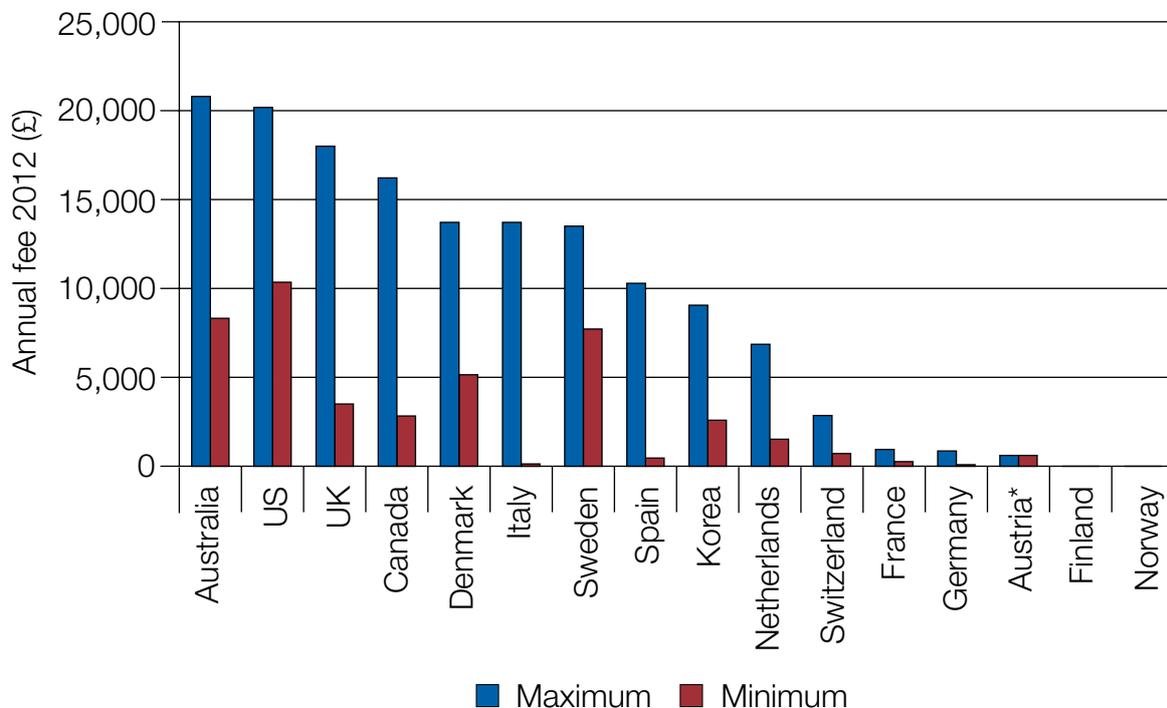
⁵³ <http://www.slc.co.uk/media/333186/slcosp022012.pdf>

HEFCE (or its equivalent in Scotland, Wales and Northern Ireland) cannot currently charge non-EU citizens more than EU citizens unless it is indirect discrimination and they can objectively justify the differential charging in accordance with equalities legislation.

International comparisons

2.26 The level of tuition fees for international students at UK publicly-funded HE institutions (HEIs) is relatively high when compared to key competitors. In 2011/12, the average fee for non-EU undergraduates was £10,700 per year for a classroom-based course and £11,800p.a. for a lab-based course.⁵⁴ These fee levels compare favourably with the USA and Australia, and are similar to those in Canada and New Zealand, but are higher than competitors in Europe and Asia.⁵⁵ In Europe in particular, many countries have no, or minimal, fees for non-EU students. The recent fall in the value of sterling will make the UK comparatively cheaper; however, given the difference in fee levels, the UK is likely to continue to have higher fees than competitors in Europe and Asia.

Figure 2.9: Comparison of undergraduate fee levels for international (non-EU) students



Source: Various

*Tuition fee in Austria is zero for students from least developed countries.

N.B. These figures only show the range of fee levels in a given country and do not allow us to determine the average or the spread of fee levels within this range.

⁵⁴ <http://www.thecompleteuniversityguide.co.uk/higher-education-staff/mike-reddin-public-goods/>

⁵⁵ *International Pricing Study: A snapshot of the UK and key competitor country international fees, 2011.*
[http://international.ac.uk/resources/International%20Pricing%20Study\(v5\).pdf](http://international.ac.uk/resources/International%20Pricing%20Study(v5).pdf)

- 2.27 Undergraduates from other EU countries are charged the same fee as home students. As tuition fees in England are high compared with other EU countries, English institutions are at a cost disadvantage when seeking to attract EU students, although EU students are eligible for UK student loans to cover tuition fees. However, institutions in Scotland, where there are no fees for EU students, are more cost competitive. This difference in cost competitiveness for EU students was illustrated by the number of EU students being accepted to UK institutions to start in September 2012 (the first cohort under the new fee regime). The number of EU students accepted to English institutions fell by 17.2%, whereas the number going to Scottish institutions rose by 3.0%.⁵⁶
- 2.28 For postgraduate study, there is no differentiation in fee levels by an international student's country of domicile – fees are set at market rates with higher ranked and more prestigious institutions charging higher fees, and fees for postgraduate study being slightly higher than those for undergraduate study. Average annual fees in 2011/12 were £11,400 and £13,000 per year for classroom- and lab-based courses, respectively.⁵⁷ International comparisons of fee levels show that, as with undergraduate provision, tuition fees in the UK are relatively high compared with those in competitor countries. The highest fees tend to be for MBA courses, where the UK average was nearly £16,000 per year in 2011/12, ranging up to £38,500 per year. For these courses, the UK is towards the upper end of the international comparisons, with fees comparable to the USA and Australia.
- 2.29 International cost competitiveness also depends on living costs. The cost of living in the UK compares favourably to the USA, is roughly level with European competitors, but much higher than countries in Asia.⁵⁸

Growth potential

- 2.30 Global demographic change (see section 1) and rising incomes in developing countries is likely to increase the number internationally mobile students. The British Council estimates that the total number of students enrolling in HE worldwide, including those studying in their home country, will increase by 21 million between 2011 and 2020, with continued growth in emerging markets.⁵⁹ Of these, about 450,000 are expected to be internationally mobile, with 130,000 going to the major destination countries (US, UK, Australia, Canada, Germany, France and Japan).

⁵⁶ Ireland and 'other EU' combined – Table 6, UCAS End of Cycle Figures, 2012.
http://www.ucas.ac.uk/documents/final_end_of_cycle_figures_for_2012.pdf

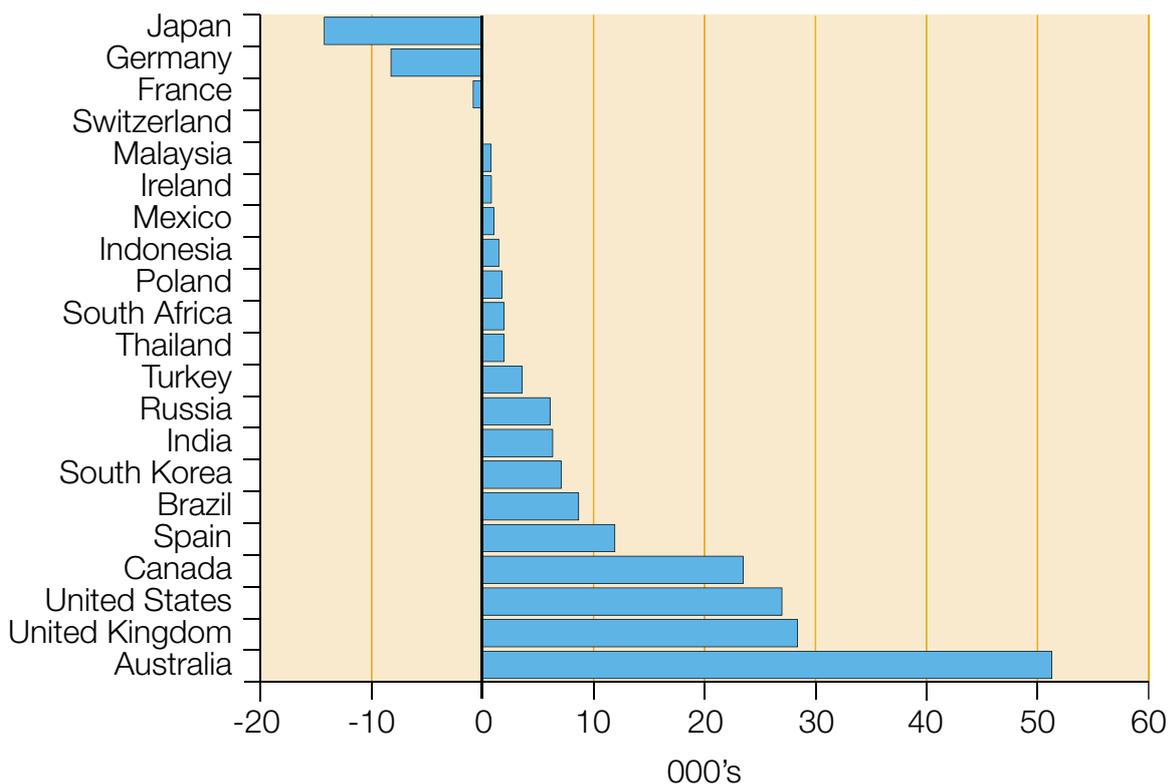
⁵⁷ <http://www.thecompleteuniversityguide.co.uk/higher-education-staff/mike-reddin-public-goods/>

⁵⁸ International Pricing Study: A snapshot of the UK and key competitor country international fees, 2011.

⁵⁹ *The shape of things to come: higher education global trends and emerging opportunities to 2020* – British Council, 2012.

2.31 The report forecasts inbound tertiary student growth for 21 countries, covering students from the major advanced economies and a limited number of emerging markets. The analysis suggests that the UK would achieve the second largest growth profile after Australia, with an increase of 28,000 students coming to the UK (see figure 2.10 below). Such growth would represent an increase of 0.7% per year from 2010/11. However, the report noted limitations in the analysis and the UK position due to the absence of complete data for Asian and Gulf countries. Other commentators have also suggested that the number of internationally mobile students is likely to rise faster than the report forecasts, although still slower than in recent years.

Figure 2.10: Growth in global inbound tertiary students by destination market, 2011-2020



Source: Oxford Economics analysis, presented in British Council report.

2.32 Whilst it is likely that a point will come where there will be natural constraints on the sector's ability to continue expanding the international student population without harming quality or the student experience,⁶⁰ a recent HEFCE report⁶¹ outlines the results of a survey where UK HEIs were predicting growth in international student numbers of up to 6.7% per year until 2014/15. Although

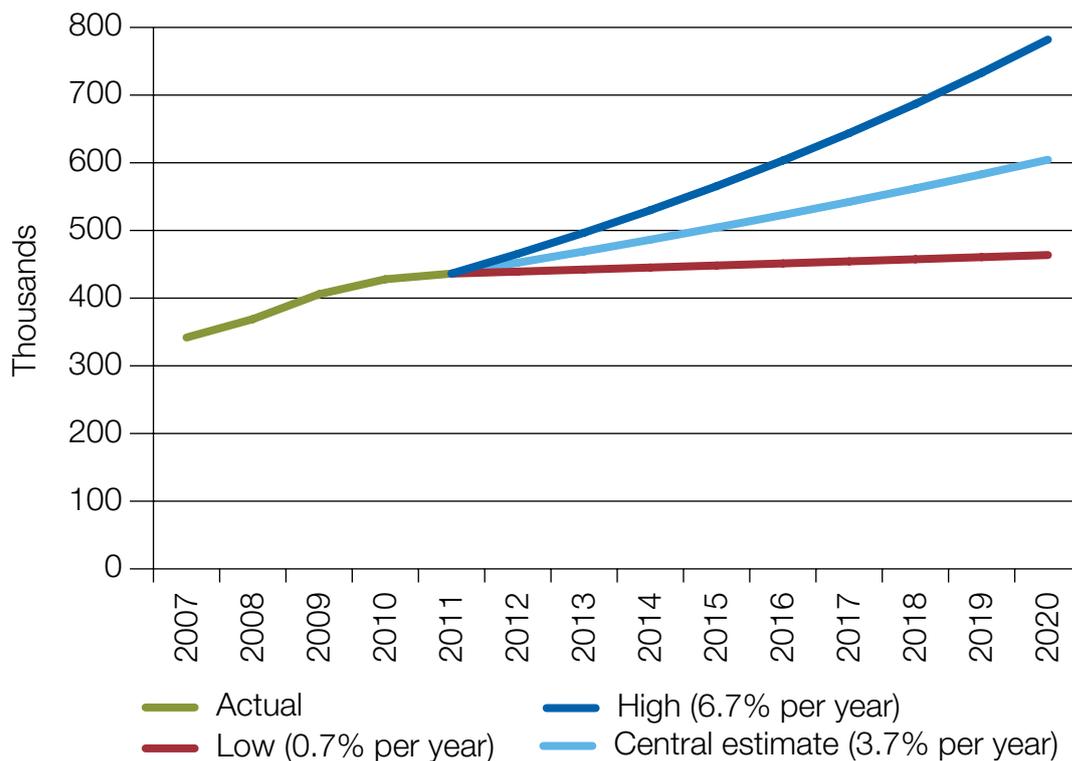
⁶⁰ Constraints, quality and reputation are discussed further in section 8.

⁶¹ *Financial health of the higher education sector, 2011-12 to 2014-15 forecasts* – http://www.hefce.ac.uk/media/hefce/content/pubs/2012/201230/financial_health_112012.pdf

such growth rates may be optimistic, it indicates that the sector believes it still has capacity for such expansion. It is also important to note that additional capacity can always be created by the setting up of new institutions.

- 2.33 These two reports represent upper and lower estimates for the potential growth rate in international student enrolments at publicly-funded HEIs in the UK. A central estimate of 3.7% per year is both the compound annual growth rate observed in the last three years (2009/10 to 2011/12) and the mid-point of these two reports. Figure 2.11 below shows the range of projected enrolment growth to 2020 under these three scenarios. Recent research also indicates that a majority (56%) of alternative providers expect their international HE student numbers to increase in the next five years.⁶²

Figure 2.11: Projected growth in international student enrolments in the UK



Source: HESA Student Record & BIS calculations

- 2.34 Under the central scenario, tuition fee income would increase to £4.4bn in 2020 (in 2011 prices, assuming constant fee levels in real terms) and living expenditure would increase to £7.7bn (in 2011 prices).⁶³

⁶² International students at alternative providers are not included in figure 2.11 due to the lack of historic data and precise figures on the potential growth rate.

⁶³ Both figures relate to international students at publicly-funded HEIs only. International students at alternative providers will bring additional export income to the UK.

2.35 However, HEIs face different incentives with regards recruiting international students at undergraduate level. Fees for undergraduates from outside the EU are not capped so institutions are able to charge a ‘market rate’. As this is typically higher than the fees charged for domestic students, there is an incentive to recruit. On the other hand, EU undergraduates must be charged the same as domestic students, making them less profitable for the institution. The total number of UK and EU undergraduates with entry grades below the relevant tariff level⁶⁴ is also controlled via an institution’s student number control. Therefore, there is no additional income to be earned from recruiting an EU student, assuming that the place could be filled by a UK student.⁶⁵

The role of education agents

- 2.36 Education agents operate extensively in all the key international student recruitment markets and play a major role in recruiting students to UK universities, colleges and independent schools. Agents offer a cost-effective approach to the challenge of recruiting simultaneously in a range of countries, and provide valuable local knowledge and routes for connecting with potential students. They vary from very large global companies to small one/two person operations.
- 2.37 British Council research found that 40% of students considering studying in the UK have used or planned to use the services of an education agent. The use of agents is strong in countries like China and India. Students and parents use agents to arrange study abroad either because they lack knowledge and understanding of the different education systems or because they lack the time or confidence to complete the necessary formalities without help.
- 2.38 The majority of UK universities use agents, through individual contracts which pay them on a commission basis per student, typically around 10 per cent of the first year’s tuition fee. For most universities this is a cost effective way of recruiting, particularly where they do not have the staff or the budgets to cover specific countries.
- 2.39 However, UK institutions are not alone in using education agents. Australian institutions also make extensive use of agents, with typical average costs of recruiting international students being about 13% of the first year tuition fee. Use by institutions in other English speaking destination countries – Canada, New Zealand, USA, Ireland – is growing rapidly.

⁶⁴ ABB or equivalent for 2013/14 entry.

⁶⁵ Discussion of migration policy can be found in section 8.

- 2.40 The reputation of the UK HE sector, and of individual institutions, faces a major risk from unscrupulous agents – for example, where agents provide advice on how to game immigration controls or fraudulently prepare documents, such as writing the students’ personal statement – and in ensuring that genuine agents are knowledgeable and employ ethical business practice. With payment based on student admission rather than the quality of advice, it creates incentives to package the student. However, as with other commission-based activities, there is a range of ways to manage risks.
- 2.41 The UK does not regulate the use of agents; instead risk is managed at two levels. At the institutional level, universities govern their relationships with agents through legal contracts and close working. At the national level, this occurs through the British Council’s Agent Strategy, which is delivered through their Agent Training and Continuing Professional Development Programmes. This strategy provides a global training programme, delivered and managed in-country, offering a range of support to education agents. This includes training on the UK HE system and visa requirements, awareness of UK publications and websites and guidance on best practice. For example:
- A certificated online course to: develop agents capacity to work effectively with UK institutions; improve knowledge and understanding of the UK as a study destination and UK study programmes; and enable agents/ representatives to provide high quality information, resources and services to students seeking an international education,
 - There are also plans to publish a single list of agents and the services they offer on the Education UK website, for those who have completed relevant training and registered with the British Council.⁶⁶
- 2.42 While the UK has experienced some agent problems, the HE sector has not called for greater regulation. This is in part because regulation would not necessarily address all the issues and could even have some negative impacts:
- While regulation could require the use of registered agents, it would not stop some students from seeking external fraudulent support to complete parts of their application from non-regulated sources.
 - Some agents might not want to participate in a UK regulated scheme, resulting in loss of representation in some regions, and advantage to competitors.
 - Limiting the supply of agents could result in upward pressure on commission rates.

⁶⁶ <http://www.britishcouncil.org/eumd-agents-services.htm>

- 2.43 Instead, best practice in the HE sector advocates improvement through greater signposting and information on use of agents, strong oversight of agent activities by individual universities and transparency in the use of agents, including the commissions paid. The British Council's website provides guidance on the use of agents and a list of agents that undertaken their training and continuous development programme.
- 2.44 Canada and Australia also do not regulate the use of education agents, but do regulate those who charge to provide immigration advice. In respect of education agents, Canada and Australia, like the UK, have services to support the training of agents and listing in the public domain of those who have completed approved training.

3 Transnational Education (TNE)

English Language Teaching

- 3.1 In the ELT sector, TNE is where students study English in their home country with international organisations, such as the British Council or Pearson. This market is estimated to be worth over US\$50bn in 2012.⁶⁷ The British Council estimates that the global market for English language learners is 1.5 billion learners, with only about 1.5 million studying outside of their home country. Of those who study English outside the national education system, 15% are estimated to access formal face-to-face or blended learning ELT, whereas the other 85% are estimated to be self-access learners, who use mediums such as the internet, newspapers and TV.
- 3.2 In 2011/12, the British Council taught over 300,000 students in 50 countries. They also examined over one million ELT students, including many taught by other providers.⁶⁸ In 2011, Pearson taught more than 190,000 ELT students in more than 70 different countries,⁶⁹ with their ELT business, Pearson ELL, earning US\$800m in 2012.⁷⁰
- 3.3 The global ELT sector is forecast to grow at a CAGR of 25% over the period 2012-17, rising from US\$63bn to US\$193bn.⁷¹ This makes it the fastest growing part of the education sector outside of the emerging edtech sectors. Whilst some of this market will be from students travelling outside their home country to study English, the vast majority of this growth will be for students who are studying in their home country – from the UK's perspective this is therefore an expansion of the potential TNE market.

⁶⁷ Total ELT market of US\$63.3bn (*Source: Education Sector Factbook 2012, GSV EDU*) minus size of ELT market for students studying outside their home country – US\$11.6bn in 2011 (*Source: Study Travel Magazine*).

⁶⁸ British Council Annual Report 2011-12.

http://www.britishcouncil.org/sites/default/files/documents/C011_Annual_Report_web%20V12%20240812.pdf

⁶⁹ Pearson Annual Report and Accounts 2011.

http://www.pearson.com/content/dam/pearson-corporate/files/cosec/14945_PearsonAR11.pdf

⁷⁰ Pearson 2012 results presentation, 25 February.

<http://www.slideshare.net/hemartin/pearson-2012-results-ppresentation25022013-web>

⁷¹ *Education Sector Factbook 2012, GSV EDU*.

Case Study: Pearson Plc – UK-based global provider of educational products and services

Pearson is a British multinational publishing and education company, headquartered in London. As the largest education company and book publisher in the world, Pearson's mission is to help people make progress in their lives through learning. Globally, the company employs nearly 48,000 staff. It is listed on the London Stock Exchange, is a constituent of the FTSE 100, and has a secondary listing on the New York Exchange.

In 2012, Pearson generated total revenues of £6.1bn. It can be estimated that on a geographical basis approximately 60-65% of Pearson's revenues were generated in North America, with a further 20-25% in Europe and 8-12% in Asia. Of the total revenues, £4.6bn (75%) was from Pearson Education Group. Within this, Pearson North American Education had revenues of £2.7bn in 2012 (57% of Group total), with another 34% (£1.6bn) from Pearson International Education (all other geographies) and £0.4bn from Professional Education. For the financial year 2010-2011, UK revenue (sales) was reported as £865m (15% of total group sales).

For Pearson as a whole, total operating profit was £936m in 2012; the bulk of profits beyond the UK arise mainly in the US, though emerging market revenues are growing fast. Over the past twenty years, Pearson has radically transformed itself from a media holding company into a global education operating company. That transformation is continuing, as Pearson moves further away from print based products to digital based ones, and to services. Half of all revenues are now from digital products and from education services businesses. Pearson's goal is to take the opportunities presented by technology and data to make a bigger impact on learning outcomes, by tracking the efficacy of its products and services more systematically.

Pearson intends to significantly accelerate its push into digital learning, education services and emerging markets focusing on four global businesses – schools, higher education, English and business training; and on a smaller number of geographical markets that promise greatest growth potential. Modest growth is expected in North America and in other developed economies, with much higher growth expected in Asia, Latin America, Middle East and Sub-Saharan Africa.

- 3.4 The provision of ELT abroad is likely to have little direct benefit to the UK economy as the majority of fee income will remain in the country of provision. There are likely to be entry fees for students sitting exams from UK awarding bodies and possibly some repatriation of profits from UK providers operating overseas. There may also be some direct benefits to the UK via the purchase of textbooks or other equipment (see section 5) and through bespoke training

where the provider may require payment in the UK even if the training is delivered overseas. The indirect benefits of TNE to the UK are discussed in section 7 below.

Schools

- 3.5 In the schools sector, there were 3.1 million pupils studying at over 6,300 English-medium schools worldwide in 2012 and paying over £20bn in fees.⁷² Of these, 1.4 million pupils were studying at nearly 3,000 British Schools Overseas (BSOs), where at least 50% of curricula followed was British.⁷³ Fee revenue was estimated to be £9.6bn,⁷⁴ although the majority of this will remain in the country of delivery, for example for the upkeep of estates and staff salaries.
- 3.6 These figures include approximately 19,000 pupils studying at 29 overseas campuses of UK independent schools.⁷⁵ For example, Dulwich College opened its first overseas campus, Dulwich College Shanghai in 2005. Following its success it has expanded its overseas operations and now has overseas campuses in Shanghai, Beijing, Suzhou and Seoul and will be opening one in Singapore in September 2014. It also has two further Dulwich-sponsored A level programmes at Chinese schools in Zhuhai and Suzhou.
- 3.7 The number of students at English-medium schools worldwide is forecast to increase to over 4.4 million in 2017 and nearly 6.2 million in 2022. Of these, student numbers at BSOs is forecast to grow to nearly 2 million in 2017 and 2.75 million in 2022, with fee income forecast to rise to £12.9bn and £17.2bn in 2017 and 2022, respectively.⁷⁶
- 3.8 As with ELT, the majority of tuition fee income for BSOs is likely to remain in the host country to cover costs such staff wages and the upkeep of estates. Examination entry fees for those pupils sitting UK exams will return to the UK (see section 5 below) and if the BSO is part of a chain of schools, profits may be repatriated to the parent company. It is also possible that British teachers at these schools will return some money to the UK via savings. However, the direct impact to the UK economy is likely to be low.

⁷² ISC Research Ltd.

⁷³ The other 1.7 million pupils were studying at schools that follow the curricula of other countries, such as the USA or Australia.

⁷⁴ ISC Research Ltd.

⁷⁵ Latest data from Independent Schools Council

⁷⁶ ISC Research Ltd.

Case Study: British Schools Overseas

St Christopher's School, Bahrain, is a not-for-profit school which opened in 1961 in the St Christopher's church compound with 39 students. The current enrolment is 2,100, aged from 3 to 18, from 70 countries. 800 children of British families working in Bahrain are enrolled, as are 400 Bahrainis. The school educates children of many VIPs, including the Bahrain Royal Family, Ministers and very wealthy businessmen.

St Christopher's operates the National Curriculum of England, leading to GCSEs and IGCSEs. In the Sixth Form, students choose between A-level and International Baccalaureate (IB) programmes.

In a typical year, the Year 13 cohort will number around 125. Between 50% and 60% (around 60 – 75) of these will progress to British Universities – including many institutions in the Russell Group, with almost all obtaining their first choice. A further 25% will attend institutions in Canada and the USA.

In November 2011, the school was rated as 'Outstanding' in all categories under the British Schools Overseas (BSO) regulations, in an inspection that was quality assured, onsite, by Ofsted.

The **Prague British School (PBS)** in the Czech Republic, which opened in 2002, welcomes families of all nationalities and offers a quality British education in a truly international community. Over 880 students attend PBS each day; of these students, approximately 10% are British, 35% are Czech and the rest of the student population come from across 57 different countries.

In the Primary School children are taught English and Mathematics through the English National Curriculum and all other subjects are taught through a theme based approach using the International Primary Curriculum. In the Senior School, students in Key Stage 3 are taught through the English National Curriculum and go on to study for IGCSE's in Key Stage 4 and the International Baccalaureate (IB) syllabuses in Key Stage 5.

Whilst the UK is the most popular university destination, students have also gone on to study at universities across Europe as well as in Asia and North America. Average IB scores tend to be above the world average which allows students to either access universities in their home country or in the UK.

PBS went through a British Schools Overseas inspection in October 2012 and was graded as 'excellent' in all categories.

Further Education

- 3.9 The main form of TNE in the FE sector is via individuals abroad earning qualifications awarded by UK awarding bodies. This is covered in more detail in section 5 later in this narrative. There are also some students studying for FE qualifications validated by UK HEIs – 345 students in 2011/12, up from 110 in 2007/08.

Higher Education

- 3.10 In 2011/12, there were 570,000 HE students (474,000 at undergraduate level and 96,000 at postgraduate)⁷⁷ studying for a UK HE qualification at institutions abroad or via distance learning, with 124 UK HEIs offering accreditation for these courses. There has been a rapid expansion in the number of students studying via TNE, up from 197,000 in 2007/08. In 2011/12, there were also over 12,500 international students studying at alternative providers via distance learning.⁷⁸ Whilst the data does not distinguish whether these students were studying in the UK or abroad, it illustrates that alternative providers are engaging in TNE.
- 3.11 Approximately 75% of UK HEIs now engage in transnational education, in more than 200 countries. The ten largest providers account for 75% of all TNE provision. However, there are a variety of ways in which TNE is delivered, including distance learning (with or without face-to-face teaching support) and in-country delivery, such as branch campuses, twinning programmes, franchising arrangements, articulation and validation programmes. Many UK HEIs engage in multiple forms of TNE provision in multiple locations, resulting in a large number of small TNE programmes spread across a wide range of countries.
- 3.12 The largest single UK institution operating in the TNE market is Oxford Brookes University with over 250,000 students. This primarily comes from its BSc in Applied Accounting, whereby individuals with an existing ACCA accounting qualification only have to study a few modules to gain a degree. However, discussions with representatives from Oxford Brookes have indicated that this course has a very low completion rate of only around 10%. Therefore, it may be more appropriate to exclude these students from the analysis. Excluding Oxford Brookes, there were nearly 320,000 students in 2011/12, up from 196,000 in 2007/08.

⁷⁷ HESA Aggregate Offshore Record.

⁷⁸ *Privately funded providers of Higher Education in the UK*, BIS, 2013.

Table 3.1: Top 10 UK institutions with TNE provision, 2011/12

HE institution	% market (incl. Brookes)	% market (excl. Brookes)
Oxford Brookes University	44.2%	–
University of London (Institutes and activities)	8.0%	14.3%
Open University	7.5%	13.4%
University of Wales (central functions) ⁷⁹	2.9%	5.1%
Heriot-Watt University	2.5%	4.4%
University of Liverpool	2.3%	4.2%
Staffordshire University	2.2%	3.9%
University of Greenwich	2.1%	3.8%
Coventry University	1.9%	3.4%
Middlesex University	1.7%	3.1%
Other	24.8%	44.4%

Source: HESA Student Record

Types of transnational education

3.13 There are a range of models employed by the HE sector to deliver qualifications to students overseas:

- *Distance learning*: Traditionally distance learning described a learning experience where students studied at their own pace and many had only remote contact with tutors. In recent years, distance learning programmes have developed to incorporate more face-to-face teaching support, such as through attendance at a local partner HE institution or summer schools in the UK.
 - E.g. The University of London International Programmes is the UK's largest provider of distance and flexible study, supporting 52,000 students in over 180 countries, which also allows students to supplement their studies through attendance at a local in-country partner HE provider (see case study below).

⁷⁹ University of Wales (central functions) is recorded here prior to amalgamation. In October 2011, the governing bodies of the University of Wales, Swansea Metropolitan University and the University of Wales: Trinity St David made a commitment to merge. The three institutions will work together under the 1828 charter of the University of Wales: Trinity St David.

- *UK overseas campus:* The UK institution creates a campus on another site. Staff may be recruited locally or brought from the origin institution, but they are (usually) staff of the provider. The origin institution is solely responsible for course delivery and all academic matters. The costs involved in the development and management of branch campuses is prohibitive to the majority of institutions. A list of UK institutions with the largest number of students at overseas campuses can be found in table 3.5 below.
 - E.g. The University of Nottingham opened its Malaysia Campus in September 2000 to become the first branch campus of a British university in Malaysia. In 2005, the Campus moved to purpose-built facilities at Semenyih, 30km from Kuala Lumpur city centre. The campus is led by senior academic staff seconded from Nottingham which ensures that students enjoy the same high quality of teaching as the UK campuses.
- *Twinning programme:* This is where the UK institution has a local partner. The local partner teaches part of the UK institution's course, using their own staff. Students transfer to the UK institution's own campus to complete the course. Typical combinations are 3 year programmes (1+2) or 4 year programmes (2+2) where the figures in brackets represent the years of study at the at the overseas institution followed by study at the UK institution.
 - E.g. The University of Southampton has a twinning programme with 3 Chinese institutions specialising in Finance and Economics (Shanghai, Nanjing and Jiangxi Universities). Under the 2+2 programme, students spend 2 years at their home institution before transferring to Southampton for the final 2 years of study leading to a University of Southampton BSc in Economics or Economics and Finance.
- *Dual/joint award:* The UK institution and local partner provide programmes leading to separate awards of both or all of them (dual award) or to a single award made jointly by both (joint award).
 - E.g. Kingston University has a Joint European MA in Human Rights and Genocide Studies, taught across Kingston and three other European Universities: Collegium Civitas in Poland, Europa-Universität Viadrina in Germany and Università degli Studi di Siena in Italy, which offers students opportunity to experience learning and researching in different academic settings.
- *Franchising:* The UK institution licences a local institution to teach some or all of a course, so that students can receive the award of the UK institution without attending the UK campus. The local institution is responsible for delivery of the course. The UK institution makes the final award and has overall responsibility for content, delivery, assessment and quality assurance.
 - E.g. Oxford Brookes is the largest UK provider in the franchise category. In 2011/12 there were over 250,000 students enrolled with Brookes in

184 countries, principally Pakistan, Malaysia, Singapore, China and Nigeria. The majority of students were studying for the UK ACCA professional accountancy qualification, from which they can progress to study for a BSc in Applied Accounting from Brookes.

- **Validation:** The course is developed and delivered by the local institution. The UK institution judges whether it is of appropriate quality to lead to its award. The origin institution determines the extent to which it exerts direct control over quality assurance aspects.
 - E.g. Lancaster University has a range of overseas collaborative teaching partnerships, in countries such as India, Malaysia, Pakistan and Brazil, with over 2000 students. For example, in India with the Goenka Partnership, where students can study for Lancaster degree under a validation agreement.
- **Articulation:** A transfer arrangement between a UK and local institution. The UK institution agrees to recognise and grant specific credit and advanced standing to applicants from a named programme of study pursued in the local institution.

3.14 Currently, Government (HESA) collects only limited data on UK use of TNE delivery models at HE level through 5 data categories, as shown in table 3.2 below. However, in some cases is not easy to directly map the models of TNE outlined above to one of these categories – an indicative comparison is made below.

Table 3.2: Models of TNE by HESA data collection category

Data fields collected by HESA by type of TNE provision	Generic models of TNE provision outlined above
Registered at a UK HEI, studying for award at UK HEI overseas campus	UK Overseas campus
Registered at a UK HEI, studying for an award other than at a UK HEI overseas campus	Franchise Validation
Registered at an overseas partner organisation – studying for an award of a UK HEI	Dual/joint award Twinning
Registered at UK HEI – studying distance, flexible and distributed learning	Distance learning
Any other student studying for an award of a UK HEI	–

3.15 The 2011/12 HESA data by type of TNE provision (including Oxford Brookes) shows that:

- 77% of UK TNE is in the area of franchise, articulation, validation, etc.
- 20% is via distance learning
- 3% is through study at a UK overseas campus

Table 3.3: Number of students studying in each type of TNE, 2011/12

TNE provision – Data fields collected by HESA	Incl. Oxford Brookes		Excl. Oxford Brookes	
	Students	% total	Students	% total
Registered at a UK HEI, studying for award at UK HEI overseas campus	14,870	3%	14,870	5%
Registered at a UK HEI, studying for an award other than at a UK HEI overseas campus	96,075	17%	96,065	30%
Registered at an overseas partner organisation – studying for an award of a UK HEI	342,845	60%	92,165	29%
Registered at UK HEI – studying distance, flexible and distributed learning	116,535	20%	115,235	36%
Any other student studying for an award of a UK HE institution ¹	345	<1%	345	<1%
Total	570,665		318,675	

Source: HESA Student Record

3.16 In 2011/12, over 70% of all UK TNE students studied in the 20 largest countries for UK TNE provision and 54% in the top 10 countries.⁸⁰ Historic analysis of UK TNE data (including Oxford Brookes) shows that Malaysia, Singapore, Pakistan, Nigeria, China and Hong Kong have been the top six UK TNE markets in each year since 2008/09. Excluding Oxford Brookes, Malaysia, Singapore, China and Hong Kong have been the top four markets for UK TNE in the same period.

3.17 Table 3.4 below gives the historic change in the type of UK TNE, excluding provision by Oxford Brookes. The table shows an increase in the proportion of students that are registered at an overseas partner up from 15% to nearly 30%

⁸⁰ HESA Aggregate Offshore Record.

of total TNE in the last five years and a decrease as a proportion of overall TNE in distance learning from 50% to just over 35% in the last five years. Other areas of provision remained broadly constant as a proportion of total UK TNE.

Table 3.4: Development of models of TNE in the past five years (as proportion of total UK TNE provision, excluding Oxford Brookes)

Type of provision	2007/08	2008/09	2009/10	2010/11	2011/12
Overseas campus of UK HEI	4%	4%	5%	5%	5%
Registered at UK HEI, not at overseas campus	30%	30%	30%	33%	30%
Registered at an overseas partner	15%	16%	19%	20%	29%
Distance learning	51%	50%	46%	42%	36%
Other	*	*	*	*	*

Source: HESA Student Record

* Minimal, appears as 0% due to rounding.

3.18 Headlines from other aspects of the HESA TNE data show that:

- The UAE has emerged in 2011/12 to become the biggest market for UK overseas campuses (with a third of the total number of students studying at a UK campus overseas). Heriot-Watt is the biggest provider.
- Since 2007/08, Malaysia has been the biggest market for UK TNE through collaborative provision where students are registered at a UK HEI with 26% of the UK's total for this type of provision in 2011/12. Within Malaysia, Staffordshire University is the biggest provider.
- Pakistan is the biggest market for providing TNE through partnership with a UK HEI where students are registered at an overseas partner, closely followed by Malaysia. In 2011/12, Pakistan accounted for 11% of the total of this type of UK TNE provision; Oxford Brookes is the biggest provider with 97%. Excluding provision by Oxford Brookes, Malaysia is the largest market, with Sunderland University being the biggest provider.
- Singapore continues to be the biggest market for UK TNE delivered through distance learning, and has been since 2007/08. It accounted for 13% of the UK's total distance learning provision in 2011/12. The University of London continues to be the biggest provider with 90%.

3.19 As outlined above, branch campuses overseas account for a small proportion of overall TNE. Activity in this area is concentrated amongst a small number of institutions, with five HEIs covering over 95% of overseas campus provision. It is useful to note that there is no global agreement on the definition of some

models of TNE delivery, particularly overseas campuses. For example, Global Higher Education, which uses a different definition from HESA, estimated that there were 20 UK HE institutions with campuses overseas in 2013.

Table 3.5: Top 5 institutions with branch campuses overseas, 2011/12

Institution	Countries	Number of students	% UK worldwide total
Nottingham	China	8,505	57%
	Malaysia		
Heriot-Watt	UAE	2,735	18%
Middlesex	Mauritius	2,355	16%
	UAE		
Kent	Belgium	320	2%
	France		
Northumbria	Malaysia	270	2%
	Indonesia		
	South Korea		

Source: HESA Student Record

3.20 There has historically been a large number of UK HEIs engaged in the delivery of TNE, with a further increase of 12 HEIs in the last 5 years. The largest absolute increase was in distance learning, most likely supported through the increased capability of the internet and information technology.

Table 3.6: Number of UK HEIs delivering TNE

Type of provision	2007/08	2011/12	Growth	% Growth
Overseas campus	9	15	6	66%
Registered at UK HEI, not studying at overseas campus	70	81	11	16%
Registered at overseas partner	19	26	7	27%
Distance learning	62	80	18	29%
Other	3	2	-1	
<i>Total</i>	<i>112</i>	<i>124</i>	<i>12</i>	<i>107%</i>

Source: HESA Student Record

3.21 However, the past five years has seen a larger change in the location and type of provision. The longstanding presence of distance learning shows the ease with which this form of TNE can cross boundaries and avoid the some of the barriers faced by in-country TNE provision. Limited growth in campus locations (in absolute terms) indicates the challenges involved with this model and the more specific set of required conditions for its deployment and success. Growth in the two models where students are registered as studying overseas shows the adaptability of the models it includes (e.g. franchise, twinning, dual and joint degree, validation). A large proportion of the 270% growth in the third row is in the Franchise model through provision by Oxford Brookes.

Table 3.7: Number of countries in which UK HE sector provides TNE

Type of provision	2007/08	2011/12	Growth	% Growth
Overseas campus	13	37	24	184%
Registered at UK HEI, not studying at overseas campus	69	120	51	74%
Registered at overseas partner	50	185	135	270%
Distance learning	207	217	10	4%
Other	25	55	30	120%

Source: HESA Student Record

Case Study: University of London International Programmes

The University of London International Programmes was formed in 1858 and is a global provider in distance and flexible study, operating in more than 180 countries. During its history, seven Noble prize winners have studied through this system.

The University of London International Academy collaborates with 12 colleges of the University of London to deliver the University of London International Programmes, including Birkbeck, King's College London, London School of Economics and Political Science and University College London. Together they offer 100 study programmes across a spectrum of disciplines, such as accounting and finance, law, business and social, economic and political studies.

Students study through distance and flexible learning. The International Programme offers students a range of study options, from studying full-time with local support, to self-study by distance learning, so that students can combine work with their studies. Students can study a degree wherever they live in the world and examinations are taken in a worldwide network of 600 examination centres. The curriculum and examinations are set by the University of London and all examination scripts are returned to London to be marked by University of London examiners, thus preserving the high academic reputation of the University.

In 2012/13 there were 52,000 students studying with the University of London International Programmes, a growth of 32% since 2007/08. The majority of students (82%) study at undergraduate level. The largest enrolments are in Asia, North America and the UK.

University of London is the largest UK provider in the “Distance/flexible/distributed learning” category, and second largest overall TNE provider after Oxford Brookes, which primarily delivers under the franchise TNE model.

Value to the UK

3.22 A previous BIS-commissioned research project⁸¹ estimated that HE TNE exports were worth £210m in 2008/09. This estimate was based on survey responses from fewer than 20 UK HEIs on the income derived from TNE activity. Currently Government does not collect data on UK HEI earnings from TNE, but the section below outlines the export potential for some of the generic models, described earlier in this narrative. The indirect value of TNE to the UK is discussed in section 7.

⁸¹ *Estimating the Value to the UK of Education Exports* – see footnote 102.

3.23 Each TNE model will have different potential for: income generation per student, running costs, export potential (repatriation of gross income to the UK) and risk (such as the level of quality oversight). All these factors will be affected by local country conditions, the reputation of UK HEIs and overseas providers and the level of competition.

Table 3.8: Income potential from different models of HE TNE

Model	Income to UK HEI	Costs to UK HEI	Export income (repatriated to UK)
Distance learning	Tuition fees Overseas partner accreditation*	Low overseas costs, except marketing and local providers support*	Tuition fees for the complete course
UK Branch campus	Tuition fees Research income from host country	Maintaining branch campus**, staff and programmes. Facilities have long payback time	Varies, depending on the campus model. For some, income may be mostly used or reinvested at the overseas campus
Twinning programme (i.e. 2+1)	Tuition fees	Maintaining twinning agreement and links with partner HEI	Tuition fees (when student is in the UK) Student spend***
Dual/joint award	Tuition fees	Maintaining joint programme and links with partner HEI.	Tuition fees (if studying in UK for part of the course) Student spend***
Franchise	Licence fee for each student that undertakes the programme	Oversight of overseas programme and links with overseas partner.	Small fee income to UK
Articulation	No income to the UK – it provides a pathway to enable recruitment to UK HE following completion of approved study.		

* Where delivery also involves support of an overseas partner

** In some countries, host governments provide the campus with significant support.

*** Student spend on living costs (only when in the UK)

Growth potential

- 3.24 It is likely that TNE programmes will continue to be developed in established host country markets such as Malaysia and Singapore (especially as they also have ambitious international student targets), while China and India will inevitably generate further interest. Recent survey evidence from the Institute of International Education (IIE)⁸² suggests that a majority of global institutions have plans to expand their offering of joint and/or double degree courses; China, the US, France, India and Germany were the top five most desirable partner countries for survey respondents, with the UK ranking seventh.
- 3.25 However, cultural learning preferences and historic perceptions of the quality of certain types of TNE provision can affect student choice. For example, in some markets in Asia there is a preference towards traditional ‘classroom-based’ learning provided at a UK and overseas partners’ campus, often driven by local employer recognition or expectations. In adapting to such challenges, distance learning has seen increased provision of blended learning, offering students the experience of facility time with a local provider. In the Gulf, distance learning enables significant access to study for woman.
- 3.26 The British Council’s ‘Shape of things to come’ report touched on emerging opportunities in TNE. Further evidence on growth areas will be available in autumn 2013, when the British Council releases the next report in its ‘Shape of things to come’ series. This will provide in-depth analysis of the opportunities available in TNE by evaluating the regulatory environment, the market environment, and existing mobility and TNE activity in 25 countries. Findings suggest that the TNE landscape varies from country to country and that it is generally linked to the host country’s rationale for TNE with Hong Kong, Malaysia, Singapore and the United Arab Emirates currently offering the most favourable environments for TNE.

⁸² IIE (2011), *Joint and Double Degree Programs in the Global Context*. <http://www.iie.org/Research-and-Publications/Publications-and-Reports/IIE-Bookstore/Joint-Degree-Survey-Report-2011>

4 Research collaboration

- 4.1 Research is inherently a global activity with the best researchers affiliated to organisations all over the world and the most highly cited papers produced through international collaboration. We are no longer in a world where all leading research and innovation activity is undertaken in the USA, Europe or Japan. Spending on research and development (R&D) in emerging markets has increased rapidly in recent years, compared with the slower growth rate of R&D investments in G8 countries. The increase for China is particularly marked, as demonstrated in graph 4.1. It is also predicted that their spending levels will increase further over the next few years. China intends to increase its spending on R&D to 2.5% of GDP by 2020. South Korea and Brazil also have targets of 5% and 2.5% of GDP, respectively, by 2022.⁸³
- 4.2 In addition to the traditional BRIC countries, other emerging markets are also looking to develop their science base. For example, South Africa is planning to increase R&D expenditure to 2% of GDP from a base of 0.92% in 2009.⁸⁴
- 4.3 At the same time, the quality of the science in these countries is improving and there are already clear benefits for the UK from collaboration. Quality is measured in Field Weighted Citation Impact (FWCI)⁸⁵ for internationally co-authored papers. The FWCI of the BRICs is lower than the world average⁸⁶ (and lower than the UK) but the FWCI of these countries' collaborations with the UK is higher than the average in the UK, indicating that collaborating is good for both the UK and the relevant BRIC country.⁸⁷ A recent publication in

⁸³ *Knowledge, Networks and Nations: Global scientific collaboration in the 21st century*, The Royal Society, 2011. http://royalsociety.org/uploadedFiles/Royal_Society_Content/Influencing_Policy/Reports/2011-03-28-Knowledge-networks-nations.pdf

⁸⁴ South Africa's Ten-Year Innovation Plan: <http://www.info.gov.za/view/DownloadFileAction?id=94066>

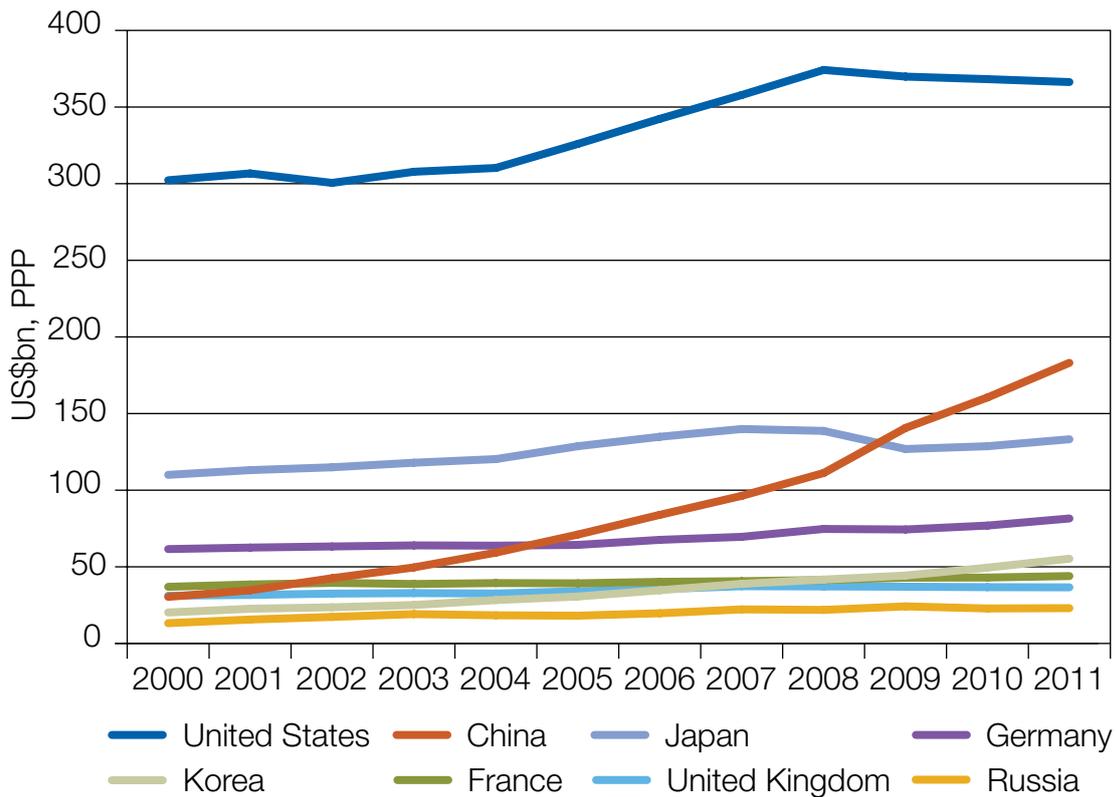
⁸⁵ A Field-Weighted Citation Impact (FWCI) is a cross-subject relative measure of citation per paper, weighted by subject area so as to account of the fact that some subject areas tend to cite more than others. For example, if a country has a FWCI of 1.2, it means that it gets a citation count per paper that is 20% higher than the world average, accounting for subject differences in citation frequencies.

⁸⁶ However, it is worth noting that there are a number of problems with using citations as a measure of research quality. In some countries, such as India, there is not the same pressure to publish work. Language difficulties and self-citations can also skew the level of impact.

⁸⁷ *Knowledge Transfer chapter in 'International Comparative Performance of the UK Research Base: 2011*. <http://www.bis.gov.uk/ukresearchbase2011> Figure 5.2

Nature demonstrated that the increase in articles published from the UK over the past decade has been mostly due to international collaborations (which have almost doubled in that time), and that papers with an international co-author achieve a greater impact than domestically produced articles.⁸⁸

Figure 4.1: R&D spending in selected countries, 2000-2011



Source: OECD

- 4.4 Therefore, if the UK is to retain its reputation for excellence in research, its best researchers must be able to collaborate with the best in the world. Future success will depend on the UK's ability not only to continue collaborating with excellent research and innovation in traditional partner countries, but also to position ourselves to make the most of the opportunities emerging in this new global landscape.
- 4.5 International collaboration does not make up a large share of emerging economies' publication output, compared to that of more developed research nations. The absolute volume of collaboration is increasing for all BRICs but non-collaborative output is increasing faster. Table 4.1 shows the total number and growth rates of co-authored papers with each BRIC economy. The USA is the largest collaborator with India, Brazil and China but second largest with Russia (Germany is the largest).

⁸⁸ Adams, J., 2013. Nature. Vol 497, pp557-560.

Table 4.1: Number of co-authored publications with relevant countries 2000-2004.

Growth rates in brackets with respect to 1996-2000. Largest collaborator for each column in bold, second largest italicised.

	Brazil	China	India	Russia
USA	11,868 (+21%)	34,800 (+78%)	11,024 (+17%)	11,989 (+5%)
Japan	1,223 (+28%)	14,954 (+162%)	3,066 (+40%)	3,776 (+12%)
UK	4,180 (+25%)	9,302 (+63%)	3,878 (+32%)	5,450 (+10%)
Germany	3,731 (+28%)	8,385 (+79%)	4,525 (+34%)	13,198 (+9%)
France	4,271 (+22%)	4,990 (+134%)	2,533 (+23%)	7,029 (+10%)

Source: *The Royal Society: Knowledge, Networks and Nations*

4.6 While the UK is lagging behind some of our competitors in terms of quantity of collaborations, it maintains a strong position in relation to the quality of the collaborations. As demonstrated in table 4.2 below, the UK does well in achieving high levels of citations per collaborative paper across the BRICs.

Table 4.2: Citations per collaborative paper for each pair of countries

	Brazil	China	India	Russia
USA	7.26	5.51	5.76	7.47
Japan	10.48	3.97	6.82	7.47
UK	7.59	6.06	6.72	8.42
Germany	8.08	5.32	6.78	6.47
France	7.03	4.35	9.15	6.74

Source: *The Royal Society: Knowledge, Networks and Nations*

4.7 However, the overall level of UK collaboration with BRIC countries remains low. For example, collaboration with China and India is measured in the millions rather than the billions, as is US collaboration, demonstrating the substantial scope for growth in these relationships. The value of live grants⁸⁹ with emerging markets is still far behind the US and Japan (although there may be added value from co-funded activities and international activities supported through subscriptions and core grants to institutes).

⁸⁹ Where funding for a research project is still current.

5 Educational Products and Services

Qualifications

Value to the UK

- 5.1 There is a lack of definitive information about both the number of awarding bodies operating internationally, and also about the flow of revenue that is generated through international provision of qualifications. However, initial research indicates that there is a tendency amongst large multinational companies to repatriate less money to the UK than in the past due to changes in the preferred business model. Awarding bodies are developing a tendency to train in-country staff to perform quality checks and oversee qualification provision, rather than fly UK based staff over to the country of operation as in the past.
- 5.2 The five largest awarding bodies in the UK are AQA, Cambridge Assessment, City & Guilds, Edexcel and the Scottish Qualifications Authority. Of these:
- City & Guilds had total revenue of nearly £120m in 2010/11.⁹⁰ They awarded qualifications to 60,000 in over 80 countries,⁹¹ and indicated that roughly 10% of their business is from international sources.⁹²
 - For the same period, Cambridge Assessment had a turnover of £270m, with around two-thirds generated from overseas activities. They operate in 9,000 schools across 160 countries, with 1.9 million exams being taken each year.⁹³
 - Edexcel had annual revenue in 2010 in excess of £250m (both domestic and overseas)⁹⁴ with operations in over 90 countries.⁹⁵
 - AQA report that they do not have significant business overseas and have no plans to expand overseas.

⁹⁰ <http://content.yudu.com/A1wc2a/Annual-review-10-11/resources/index.htm?referrerUrl=http%3A%2F%2Fwww.cityandguilds.com%2FAbout-Us%2FWhat-We-Do%2FAnnual-Review>

⁹¹ <http://www.cityandguilds.com/About-Us/International>

⁹² <http://www.cityandguilds.com/About-Us/How-We-Are-Organised/Management-Board/Mike-Dawe>

⁹³ Private correspondence from Cambridge Assessment.

⁹⁴ *Annual Qualifications Market Report*, Ofqual, 2012.

<http://www2.ofqual.gov.uk/news-and-announcements/130/896>

⁹⁵ <http://www.edexcel.com/international/aboutus/Pages/Whatwedo.aspx>

- 5.3 The development of strong relationships between target countries and awarding bodies can also lead to additional work (and therefore revenue) related to consulting and curriculum reform.
- 5.4 British International Qualifications such as the IGCSE and Cambridge International A Level are the national secondary qualifications in some countries. For example the government of Singapore and Cambridge International Examinations work in partnership on the delivery of O Levels in Singapore. Qualifications of this kind are increasingly popular internationally; Cambridge International Examinations is the world's largest provider of international programmes and qualifications for 5 to 19 year olds. The IGCSE is the world's most popular international qualification for 14-16 year olds with more than 450,000 entries in 2012 (up 20% on June 2011) from 2,900 schools in 144 countries. Cambridge International A and AS levels are taken in 120 countries with more than 380,000 subject entries per year.
- 5.5 Cambridge English Language Assessment (formerly Cambridge ESOL) has reported significant increases in the number of international students taking their English Language certificates; they now cover 130 countries and 3.5 million people. ELT is a particularly important, and growing, market as it is essential for overseas students to progress into HE and employment in the UK.

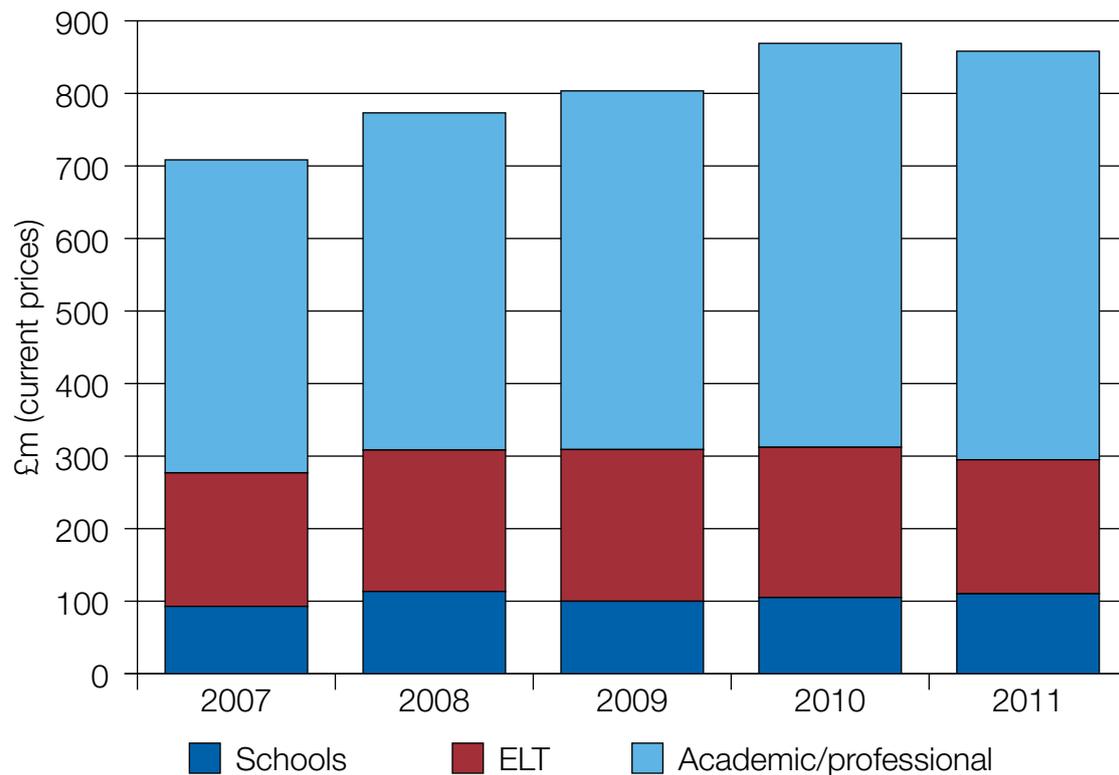
Potential for growth

- 5.6 The Federation of Awarding Bodies has set up an International Group for its member organisations that operate internationally; the group currently consists of 27 individual bodies. Individual awarding organisations do not tend to share information on key target markets or revenue figures for their international work due to commercial sensitivity.
- 5.7 The large awarding organisations of City & Guilds, Cambridge International Examinations and Cambridge English all report positive year on year growth in their international markets. In the case of City & Guilds, they have experienced at least 20 percent year on year growth and predict this trend to continue.
- 5.8 The development of strong relationships between target countries and awarding bodies can also lead to additional work (and therefore revenue) related to consulting and curriculum reform. This trend has been reported by Cambridge International Examinations.
- 5.9 The biggest potential for economic growth from qualifications exports lies in the existing leading organisations further expanding rather than some of the smaller awarding bodies breaking into the international market due to costs associated with developing relationships and getting institutions abroad to offer new qualifications.

Publishing

- 5.10 In 2011, total education-related publishing export income, from both physical and digital products, was worth £858m. This is slightly down from £869m in 2010, due to a fall in ELT sales, but up from £708m in 2007. The academic and professional category is increasingly the most valuable category in terms of export income, accounting for 66% of the total in 2011, up from 61% in 2007. The export income for school books has also grown over the past five years, but ELT income has fallen slightly after a large year-on-year fall in 2011.⁹⁶
- 5.11 There is an increasing move towards digital media particularly for academic and professional publications, where digital accounted for 13% of publications by value in 2011 compared with 8% in 2007.⁹⁷ This presents both an opportunity and a challenge for the sector.

Figure 5.1: Breakdown of education-related publishing export income



Source: *The Publishers Yearbook 2011*

- 5.12 In addition, the Publishers Association estimate that 80-90% of learned journal turnover arises from exports, with total turnover (domestic and export)

⁹⁶ The Publishers Association Yearbook 2011.

⁹⁷ *Ibid.*

estimated to be between £1bn and £1.5bn. However, according to the Annual Business Survey 2011, this sector had a turnover of £657m.⁹⁸

- 5.13 Growth in publishing exports will be affected by the changing levels of demand as the education markets expand globally and in particular the extent to which they adopt UK curricula and/or the English language as a teaching medium. It will also be affected by political and economic events elsewhere in the world, which can have noticeable impacts on publishing exports. For example, there was a substantial fall in exports to the Middle East and North Africa in 2011, most likely as a result of the Arab Spring, and demand for ELT books in Europe has been flat whilst rising elsewhere, possibly due to recessions in Southern Europe. ELT sales in particular also face increasing competition from publishers in countries such as Korea and Mexico. On the other hand, if emerging markets seek to adopt an education system similar to the UK, demand will rise. Similarly, labour market conditions can also play a role in that times of higher unemployment may increase the demand for new skills that help individuals find work, including learning English.

Educational equipment, supplies and technology

- 5.14 According to the sector trade association, the British Educational Suppliers' Association (BESA), in 2011 there were 476 firms in this sector, 291 of which exported directly; other firms sell via distributors, which may then export themselves. In 2011, exports were estimated to have been worth £507m. This was expected to rise to £539m in 2012 and £580m in 2013.⁹⁹ BESA has identified the following areas in particular as target regions for future exports: the Gulf, North-East and South-East Asia and the EU. The range of products that are exported is extensive for all levels of education, covering not only leading edge technology, but also more traditional teaching aids, an area in which there is still substantial innovation by UK manufacturers, as well as advanced, ergonomic furniture design.
- 5.15 Education (or learning) analytics is the measurement, collection, analysis and reporting of data about learners. It can provide a basis to help understand how people learn and the environments in which learning occurs. Education is an area which generates vast volumes of data and traditionally educational analytics have been applied at a macro level to aid pedagogical development. However, with the improvements in computer processing, data management and "big data" techniques, learning analytic techniques are now being applied to individuals.

⁹⁸ Annual Business Survey 2011. Standard Industry Classification 58.14/1 – publishing of learned journals.

⁹⁹ BESA research report: Education Export Market Performance Outlook, January 2012.

- 5.16 Developing personalised learning programmes for individual learners has two potential benefits. For the individual, it allows particular needs to be addressed at the right time and in a way best suited to match how the individual learns most effectively. Secondly, it enables educational establishments to make best use of their teaching capacity by ensuring learners are allocated to courses – and specific places on the course time-line – which match their ability and level of understanding, rather than the traditional ‘one-size and one pace fits all’ method of course delivery.
- 5.17 The UK has strength in a number of educational technology areas, with ten out of Europe’s top twenty e-learning companies in terms of innovation, scale, market impact and growth over the past year.¹⁰⁰ Three examples of particular technologies are highlighted below by way of illustration:
- Haptic technology is a disruptive innovation which allows manual skills and techniques to be practised virtually – potentially changing the way a whole range of skills is learnt from surgery to plumbing. Although the initial *hapTEL* project run at Kings College London and the University of Reading is on the application of haptic technology to dentistry, it has uses and applications across education, training and industry. Using haptics in this way allows potentially hazardous tasks to be practised and learnt safely before a student can advance onto the real life example and it saves money as it does not require materials to be used up in repeat practice attempts. In dentistry (and similar fields such as surgery), it overcomes the not inconsiderable problem of finding willing volunteers for students to practice on.
 - Assistive technology is a field in which the UK is a world leader. It enables people who might otherwise have been excluded (from education) due to disability to participate fully. This is of great benefit to the individual but also allows them to contribute to economic growth. Assistive technology also can replace the expensive one-to-one carers which many disabled people require, freeing up these resources for use elsewhere.
 - UK companies are among the most innovative in the development of digital learning resources to support teaching and learning in schools and colleges. Companies such as Pearson, Promethean, RM, GL Assessment and Espresso are among the most prominent in this area. Their expertise is not only in developing the new technologies, but harnessing them to effective educational use. The UK has a lead in a number of specific products to benchmark pupil performance such as such as MiDYIS, YELIS and ALIS and RaiseOnline. It also has a lead on school management information systems.

¹⁰⁰ <http://edxusgroup.com/europes-20-fastest-growing-and-most-innovative-e-learning-companies-named-2/>

- 5.18 The business model behind education technology – be it assisted, inclusive or mainstream – is vital. There is a need to look beyond purely educational applications so that any cross-over into the wider business and social world can be exploited. Revenue streams include intellectual property rights and licensing but venture capital to help start ups is also required.
- 5.19 Others technologies being developed in the UK include artificial intelligence, analytics, assessment and adaptive technologies which, allied to the wider creative areas around educational publishing, broadcasting and gaming, give an excellent base to build on and exploit. The UK also has a history of competitive educational technology innovation, blending hardware, software and pedagogy to further exploit existing technologies.
- 5.20 Protection of intellectual property rights is an important issue for many technology firms and the regulations and application processes for patents and trade marks have been significantly simplified in the UK and EU in recent years. However, although there have also been some improvements internationally, there is still some way to go as it can be an expensive and slow process to protect IP across multiple territories. The UK Intellectual Property Office is continuing to work to reduce duplication of work between territories and improve processes whilst maintaining effective IP protection.

6 Capacity building

- 6.1 General capacity building of UK institutions to compete overseas is undertaken by sector bodies such as Universities UK (UUK). Institutions can also obtain advice from the British Council and UKTI. The new Education UK unit within Government has been established to focus on government-to-government opportunities to building capacity of the education systems in other countries.
- 6.2 Whilst there is no set list of ‘target markets’ for capacity building overseas,¹⁰¹ there are common characteristics among the countries where UK companies and providers, and the UK Government, focus most attention. In terms of the sorts of high-value opportunities that the Education UK unit will be targeting, many will be found in countries with changing demographics (e.g. a growing learner population and middle classes), growth in GDP, and which are looking for international partners with which to develop their education systems. This includes countries like Brazil, Colombia, Mexico, Indonesia, and Saudi Arabia, though many other countries could equally be added to this list.
- 6.3 The countries where the Education UK unit will be active will likely differ from where, for example, UK education-related SMEs will be targeting. As well as the more ‘traditional’ target markets such as China and India, SMEs will also be open to doing deals in countries like Libya and other African states, Iraq and Yemen. In these countries, the developmental stage of the education market or the availability of aid-related funding for education projects may mean that there are plenty of smaller contracts (in the region of £1m-£10m) for SMEs to win, but not yet those on a much larger scale (£200m upwards) which larger consortia or businesses would be interested in.

¹⁰¹ The target markets for capacity building will differ from target markets for the education sector more generally, which are discussed in section 9.

Case study: FE colleges in Saudi Arabia

Problems with skill shortages in the Saudi Arabian workforce and demographics have led to an ongoing programme of the government investing heavily in education and training. Education and training in the Kingdom was allocated £28 billion in 2012, and increased by 21% in 2013 to reach £34 billion (*Source: Saudi Press Agency*). This will be used to finance work on 742 new school and 2900 existing school-construction projects. More than 40 new colleges are to be built and further work will be undertaken on the construction of facilities at the new universities. This is a significant commitment to both academic and vocational training and it clearly demonstrates that education and training has become an economic priority for Saudi Arabia.

In 2012 Saudi Arabia embarked on one of the largest vocational and technical education upgrades in the world, under its “Private Public Partnership” project (PPP) whereby the capacity of the system will be increased from 110,000 students to more than 250,000 students by 2020. This project is of great strategic importance to the entire country. Saudi Arabia aims to have 100 colleges run autonomously by international education and training providers in Saudi by 2020.

The project commenced by inviting a number of international vocational training providers to bid for 11 colleges in 2013. There is therefore an opportunity for the UK to help build capacity and the EducationUK unit will help by facilitating coordination of UK providers.

7 Value of education exports to the UK economy

Direct benefits

- 7.1 Previous BIS-commissioned research¹⁰² estimated that UK education exports were worth £14.1bn in 2008/09.¹⁰³ Internal BIS analysis using a similar methodology and the latest available data, gives a figure of £17.5bn in 2011 (see table 7.1). Due to a lack of robust information on the value of exports from private sector training, these are not included in this updated figure. The comparable figure from the earlier research, uprated to 2011 prices, is £13.5bn.
- 7.2 This estimate makes the education sector the UK's fifth largest services export sector, ahead of both insurance service and computer and information services.¹⁰⁴ Over 75% of estimated income in 2011 (£13.6bn) is derived from the tuition fees and living expenses of students physically studying in the UK. TNE adds less direct economic value to the UK as the majority of expenditure occurs abroad, with only a proportion being repatriated to the UK.

¹⁰² *Estimating the Value to the UK of Education Exports*, BIS Research Paper Number 46, June 2011. Undertaken by London Economics for BIS. <http://www.bis.gov.uk/assets/biscore/higher-education/docs/e/11-980-estimating-value-of-education-exports.pdf>

¹⁰³ Education exports are defined as those activities where money comes to the UK from an overseas source, either for an education-related activity taking place in the UK (e.g. international students studying at a UK HEI) or from an education-related activity occurring overseas (e.g. transnational education).

¹⁰⁴ ONS Pink Book 2012.

Table 7.1: Estimated value of UK education exports in 2011

£m (2011 prices, to nearest £10m)	
Higher Education (including EU students)	
Tuition fees (net of scholarships)	3,660
Living expenditure	6,150
Other	1,000
<i>(Cost to Govt of tuition fee loans to EU undergraduates – RAB charge)</i>	<i>(70)</i>
English Language Teaching	
Tuition and living expenses	2,000
Schools	
Tuition and living expenses	620
Education Products and Services	1,590
Further Education	
Tuition fees	320
Living expenditure	810
Other	40
<i>Transnational education income – indicative figures only</i>	
Higher Education *	300
English Language Teaching **	90
Schools ***	960
Further Education ****	30
TOTAL	17,490

Source: Internal BIS estimates based on methodology from the London Economics report

Notes:

* Based on value from London Economics report and assuming average value per student is maintained in real terms

** Assuming 10% of income for UK ELT providers abroad is repatriated

*** Assuming 10% of income for British Schools Overseas is repatriated

**** Based on value from London Economics report

Indirect benefits

- 7.3 Education exports also have indirect impacts on the UK economy. ELT and school-level education help to provide a ‘pipeline’ of prospective students for the UK HE and FE sectors in the future, from which the UK will derive further value. For example, a survey by the Independent Schools Council (ISC) showed that 77% of international pupils at ISC schools go on to universities in the UK. This equates to 8,000 entrants per annum from ISC schools. Figures from the Council of British International Schools (COBIS) indicate that 39% of pupils that left COBIS schools in 2012 went on to study at a UK HEI. If this proportion applies across all BSOs, it would be equivalent to approximately 42,000 students. The UK will derive benefit from these students in the form of tuition fee income and living expenditure. ELT can also increase the potential pool of international students as it helps more individuals obtain the required level of English to gain entry to UK HEIs.
- 7.4 In addition, fee income from non-EU students studying in the UK is a significant proportion of total income for a large number of HEIs. In 2011/12, fee income from non-EU students accounted for more than 20% of total income at 13 HEIs and between 10% and 20% for a further 68 HEIs¹⁰⁵ – together this means that half of all publicly-funded HEIs in the UK earn more than 10% of their income from non-EU students. International students also stimulate demand for courses where domestic demand alone can be insufficient to sustain them, thus ensuring that a wider range of courses are available for all students and some strategically important courses remain viable. For example, for taught postgraduate courses in 2011/12, non-UK students made up 84% of new entrants in electronic and electrical engineering, 76% in production and manufacturing engineering and 67% in computer science.¹⁰⁶
- 7.5 International students in the UK bring diversity to the education sector, helping to provide an international dimension that benefits all students. Engagement in international education, both in the UK and via TNE, enhances the reputation and brand recognition of UK institutions and helps project the UK’s soft power. The experience of students in UK education helps to create good relations that will enable successful engagement with the next generation of global leaders. TNE also plays a role in promoting the UK as destination for study.
- 7.6 Certain models of TNE, such as overseas campuses, can allow UK HEIs to bid for and engage in overseas-funded research projects – e.g. the University of Nottingham’s presence in China enables them to bid for Chinese Government research funding. More broadly, TNE enables UK institutions to develop partnerships with overseas counterparts and businesses, which can lead to

¹⁰⁵ HESA Finance Record.

¹⁰⁶ HESA Student Record.

students to the institution's campus in the UK for further study, from which the institution and the UK economy will derive additional value.

- 7.7 International education also helps to strengthen overseas business, research, social and cultural links. Recent research by the British Council¹⁰⁷ found that young people in emerging economies that have learnt English or studied for UK qualifications are significantly more likely to be interested in working with, and doing business with, the UK than those who have not. More directly, delivering accredited courses abroad is likely to create additional demand for UK qualifications and/or educational equipment produced in the UK – e.g. in the branch campuses of UK independent schools. British Council research supports the idea that international students studying in UK universities are more likely to have a higher level of trust in the people of the UK.¹⁰⁸

¹⁰⁷ *Culture Means Business*, British Council, 2013.

¹⁰⁸ *Trust Pays*, British Council, 2012. http://www.britishcouncil.org/new/Documents/full_trust_report.pdf

8 Challenges facing the education exports sector

UK internal challenges

Migration policy

- 8.1 Migration policy affects the attractiveness of the UK as a destination relative to key competitor countries. Recent changes to the visa regime were designed to address past abuses of the visa system by creating controls that discourage those who are not genuine students from applying. Whilst the education sector welcomes this move and the positive impact it will have on the prestige of the UK education sector, it is concerned that the changes have also had a negative impact on the perception of the UK as a place to study. As international data from the OECD lags by two and a half years, analysis of the full impact of recent changes is not yet possible. However, the impact is likely to vary between sub-sectors.
- 8.2 For HE, HESA data shows that the rate of growth in international students has slowed in recent years – in 2011/12, the number of international student entrants was only 2.0% higher than in the previous year, compared with a compound annual growth rate of 6.3% over the five years from 2007/08.¹⁰⁹ Initial HE Students Early Statistics (HESES) data indicates that growth in international student entrants for the 2012/13 academic year has been broadly flat.¹¹⁰ Although recent UCAS data shows an increase in the number of applications from non-EU students,¹¹¹ typically only 20% of international students apply via UCAS.¹¹² However, the latest Home Office visa statistics¹¹³ show that the number of Tier 4 student visas issued for individuals going to the HE sector was 5% higher in the year to March 2013 compared with the year to March 2012.

¹⁰⁹ HESA Student Record.

¹¹⁰ <http://www.hefce.ac.uk/whatwedo/invest/institns/annalocns/201213/> – see ‘for institutions’ tab, March 2013 announcement.

¹¹¹ <http://www.ucas.com/news-events/news/2013/2013-cycle-applicant-figures---june-deadline>

¹¹² Data from UCAS suggests that only about 40% of non-EU undergraduate applications are processed by UCAS, with undergraduates forming about half of the total international student population.

¹¹³ <https://www.gov.uk/government/publications/immigration-statistics-january-to-march-2013/immigration-statistics-january-to-march-2013>

- 8.3 In contrast, the number of Tier 4 visas issued for the other three sub-sectors was lower in the year to March 2013 than in the year to March 2012, with a reduction of 46% for the FE sector, 46% for the ELT sector and 7% for independent schools. However, it is worth noting that ELT students requiring a Tier 4 visa represent a very small proportion of total students in the sector, less than 2% in the year to March 2013. Nearly two-thirds of ELT students studying in the UK are from Europe and the average duration of study is less than six weeks.¹¹⁴ Therefore, the majority of ELT students do not require a Tier 4 visa and, consequently, recent changes to migration policy are not expected to have as significant an impact on this sector. In the schools sector, the Independent Schools Council believes that the number of international pupils can grow at 3% per annum.
- 8.4 Although these falls, at least in part, reflect measures brought in to address abuse of the system, the sector remains concerned that media reporting of recent changes have created a perception that the UK is less welcoming to international students. Such perceptions could have a negative impact on the sector in the future. The reduction in visas issued has particularly affected the Indian sub-continent with India, Pakistan and Bangladesh seeing reductions in the year to March 2013 of 38%, 62% and 30%, respectively, compared with the previous year. These are amongst the countries that the British Council forecast seeing the largest increases in outbound mobile students out to 2020.¹¹⁵ Therefore, there is a risk that the UK misses out on this opportunity. There is an on-going programme of communications across Government and the sector to dispel misconceptions about the visa changes and to give the message that all genuine students continue to be welcome in the UK.
- 8.5 Table 8.1 below compares the UK's tier 4 visa package with key competitor countries. A comparison of post-study work rights can be found in the subsequent paragraphs.

¹¹⁴ 4.9 weeks in 2011 and 5.7 weeks in 2010. *Source*: Study Travel Magazine.

¹¹⁵ The shape of things to come, British Council, 2012.

Table 8.1: International comparison of visa regimes for undergraduate students

Country	£ *	Visa for duration of study	Multiple entry	Right to work	Can dependents apply	Dependents right to work	Access to health care	Access to public benefits
UK	298	Yes, plus an additional 5 months for study lasting 12 months or more.	Yes	<u>Yes</u> – 20hrs p/w if studying at UK HEI or short-term programme at overseas HEI in the UK (full-time during hols). 10hrs p/w if at publicly-funded FEC (full-time during hols). Work placements are permitted and do not count towards work entitlements.	<u>Yes</u> – if a Govt-sponsored student studying for more than 6 months.	Yes	Yes if course is more than 6 months and studying full-time. Primary healthcare is free for all.	No
Australia	349	Yes	Yes	<u>Yes</u> – max 40hrs per fortnight	<u>Yes</u>	<u>Yes</u> – max 20 hrs p/w	No	No
Canada	173	Yes	Yes	<u>Yes</u> – off-campus work requires a separate work permit. Max 20hrs p/w.	<u>Yes</u>	No – need separate work permit	No	No

Country	£ *	Visa for duration of study	Multiple entry	Right to work	Can dependents apply	Dependents right to work	Access to health care	Access to public benefits
New Zealand	225	Yes (max 4 yrs)	Yes	<u>Yes</u> – up to 20hrs p/w if full-time	<u>Yes</u> – but need to apply in their own right to accompany the student	<u>Yes</u> – for partners UG students studying in skill shortage areas. Work visa fee applicable	No	No
USA	224	Yes	Yes	<u>Yes</u> – limit of 20hrs p/w (40 during hols). On campus work only during 1st year.	<u>Yes</u> – but need to apply for separate visa	No	No	No
France	206	No	Yes	<u>Yes</u> – only allowed to work 964 hrs per year	No – unless student has had continuous residence in France for 18 months	No	No – students required to have health insurance	No

Country	£ *	Visa for duration of study	Multiple entry	Right to work	Can dependents apply	Dependents right to work	Access to health care	Access to public benefits
Germany	203	Yes	Multiple entry visa must be changed into residence permit after arrival	<u>Yes</u> – non-EU students limited to 90 days per AY (limited in 1st yr)	No – dependents need to apply in their own right	No – would require a separate work permit	No – students required to have health insurance	No
Ireland	781	No	No	<u>Yes</u> – only for full-time students studying for course of at least 1 year	No – dependents need to apply in their own right	No	No – students required to have health insurance	No
Netherlands	732	No	Yes	<u>Yes</u> – max 10hrs p/w and during summer but need work permit	<u>Yes</u> – if meet family reunification criteria and relevant fee is paid	No	No – students required to have health insurance	No

* Cost as of 7 January 2013 using exchange rates from that day. UK fee for 2013/14 Tier 4 visa.

Source: Various

- 8.6 The ability to work in the country of study after graduation is also known to be one of the most significant factors in the decision about where to study. In a survey by UUK in 2011,¹¹⁶ 56% of respondents cited the possibility of getting post-study work experience as a factor they considered when applying to the UK. Similarly, in a survey by the NUS,¹¹⁷ the opportunity to work in the UK after studying was the third most important reason for choosing the UK, with 57% of respondents identifying this within their top five reasons. 90% of the respondents to this survey hoped to work in the UK for at least some time after graduating.
- 8.7 The UK has recently closed the Tier 1 (post-study work) route. Instead, there are a number of different routes open to international graduates wishing to work in the UK:
- Tier 2 (General), providing they have the offer of a graduate level job earning at least £20,300 (or the appropriate rate set out in the Home Office Codes of Practice);
 - Completing PhD students can stay in the UK for one year from the date of completion to find skilled work or set up as an entrepreneur;
 - 1,900 places under the Tier 1 Graduate Entrepreneur route, 1,000 of which are for MBA graduates from selected business schools; and
 - Tier 5 Government Authorised Exchange scheme to undertake temporary employment after their studies.
- 8.8 In contrast, key competitors, such as Australia, Canada and the USA, allow all students to work after graduation, although this is sometimes restricted to fields related to the subject of study. In Australia's case, recent changes increase the period of post-study work entitlement and lifts restrictions on the nature of eligible jobs. Consequently, there is a possibility that the UK may become less attractive to international students.
- 8.9 The findings of a survey by the UK Council for International Student Affairs (UKCISA)¹¹⁸ highlights that, out of the recent changes to visa rules, the abolition of the post-study work route has the greatest negative impact on students' decisions to study in the UK. It would be of interest to revisit areas of the survey in 2014 to explore if migrant views of the international student offer have changed since additional routes have been opened.

¹¹⁶ *Impact analysis of the closure of Tier 1 Post-Study Work Route Briefing paper Universities UK*, 17 October 2011.

¹¹⁷ *International Student Perceptions on Employability*, published May 2012 (survey undertaken in January to March 2012).

¹¹⁸ *International students experiences of applying for visas*, December 2011.

- 8.10 EU students are able to come to the UK without a visa under freedom of movement legislation. Therefore, migration policy will not act as a constraint on recruitment of EU students, as long as migration policy does not generally undermine the attractiveness of the UK as a place to study. However, as discussed above, EU students are less profitable for HE institutions than non-EU students.
- 8.11 The Erasmus exchange programme at HE level is the largest student mobility programme in the world and facilitates short-term movement of EU students. In addition to export income earned during the students' placements, there are a number of indirect benefits to the UK. It increases the overseas profile of UK HEIs, which aids student recruitment from the EU and further afield and enables institutional critical mass (both in expertise and resource) in managing student mobility, helping to increase the level of mobility activity outside the UK. Erasmus enables UK HEIs to develop partnerships with other EU institutions, which can lead to joint research and collaboration in other areas. There are also benefits to UK soft power (see section 7 above).

UK outward student mobility

- 8.12 While the UK has long been a destination of choice for international students, we have had less success in encouraging UK students to gain experience abroad. Outward mobility is important because it not only provides a range of development opportunity for UK students but also plays a major part in enabling cultural exchange and long term UK overseas ties.
- 8.13 Current data on overseas mobility placements taken by UK students is limited. The most authoritative source is for students on the EU's Erasmus Scheme. Current data from the EU commission¹¹⁹ shows that in 2010/11 some 12,800 UK students took an overseas Erasmus placement; this compares to 24,500 inward placements taken by EU students, a deficit of 2:1.
- 8.14 Room for improvement is further highlighted by comparisons with France, Spain and Germany, which in 2010/11 recorded 31,700, 36,000, and 30,300 respective outward placements by their students under the scheme. Overall, only around 6% of those graduating from UK HEIs in 2011/12 had experience of mobility placements abroad,¹²⁰ against an EU target for 2020 of 20%, while Germany has ambition to achieve 50% of its students.

¹¹⁹ <http://ec.europa.eu/education/erasmus/doc/stat/1011/students.pdf>

¹²⁰ BIS calculation based on HESA Student Record and data on total outward mobility from 'Outward student mobility in the United Kingdom between 2006-07 and 2010-11: Growth in times of crisis', Kingston University, 2012 (<http://cunningham.acer.edu.au/dbtw-wpd/textbase/ndrie/4917n.pdf>). This calculation assumes that those taking a placement abroad in 2010/11 are in their penultimate year and qualify in 2011/12.

8.15 In terms of full time study, World Bank data¹²¹ suggests that that in 2010 there were around 23,000 UK students studying higher education abroad, comparing to the 435,000 students that come to study in the UK – a 19:1 ratio.

Co-ordination failure

8.16 There is evidence from 2011 from Universities UK that in order to take advantage of global opportunities, the HE sector requires seamless coordinated services and support in order to bring together existing services from government and partners, to assist the sector in their international activities in the UK and overseas.

8.17 The Sector Advisory Group on Education and Skills (SAGES) was established in 2006 as the UKTI education export advisory body to support the development of agreed activities and help deliver events in key overseas markets. The International Education Advisory Forum (IEAF) was established in 2009 in recognition of a government wide co-ordination failure, in order to facilitate a joined-up UK Government approach to international education policy and strategy, maximising the synergies between Government departments and key partners. A number of commitments were also set out in the UK Government's 2011 Growth Review to further address the lack of clarity including constraints on the education sector to creating global businesses and the perception overseas that the UK is not open for business, which resulted in the creation HEGlobal in 2012 and the Education UK Unit in 2013.

8.18 As a consequence of these government-led initiatives to co-ordinate the sector, various elements and stakeholders have been brought together, resulting in unprecedented dialogue between education sub-sectors that have not really understood each other or worked closely together before enabling them to identify and exploit synergies between each other. For example Technical & Vocational Education and Training UK (TVET), the Association of Colleges and UUK now collaborate with each other because they have an interest in the international market and promoting UK excellence in education and skills around the world.

8.19 An example of UK partnerships resulting from central co-ordinated activity includes when a large mining company in Saudi Arabia wanted to develop both technical and management skills in their new graduates. UKTI and the Training Gateway joined up organisations from both the vocational and higher education UK sectors and facilitated a partnership approach which meant the UK has been able to offer a comprehensive solution to the company.

¹²¹ World Bank Education statistics.

- 8.20 Another example of this benefit is when education sector missions overseas have been run; where alongside the opportunities offered by overseas clients, a large benefit has been found by the UK delegates in having the opportunity to spend time together resulting in new and innovative partnerships developing. These partnerships offer additional benefits to clients and customers, and therefore mean that segments within the education sector are not operating in a vacuum.
- 8.21 There are also instances of countries looking to reform their healthcare training as well as address the issue of health tourism. This presented the opportunity for UK universities offering skills training to work with the UK English language providers and allowed them to deliver a comprehensive offer of both practical health skills along with specialist English language teaching.
- 8.22 However, despite these successes, co-ordination remains an area where more can be done, recognising that any initiative from government requires the active consent of the institutions operating in the sector.

Institutional strategies and structures

- 8.23 The potential to increase the number of international students in the UK can be limited by the decisions, strategies and structures of UK education institutions, many of which have charitable status. For example, some HEIs wish to protect their 'brand' and/or avoid excessive expansion in order to preserve the quality of their education offer. Therefore, they are unwilling to increase the number of international students beyond a certain point. This is likely to be a driver at the most selective institutions, with the strongest global brands, which are also those that might be expected to attract the most interest from international students. Similarly, most independent schools wish to maintain a ratio of domestic to international pupils in order to preserve the nature of the 'British' education on offer and to integrate their overseas pupils effectively into the life of the school.
- 8.24 In contrast, other institutions without a recognised brand may wish to expand into the international market but struggle to gain a foothold due to the level of resource required to develop relationships and establish their reputation and the time lag before such investment bears fruit. For example, FE colleges have reported that the upfront costs and performance bonds they are often expected to provide when entering contracts with overseas partners can be a deterrent for their boards or mean that they are simply not able to compete with organisations from countries whose governments underwrite these sorts of deals. Under EU law, such underwriting by the UK Government is likely to be classified as State Aid or Export Aid, both of which are prohibited. UKTI can provide small amounts of aid via the Trade Fair Access Programme. However, grants for FE institutions are only small (typically in the region of £1,500 to £3,500 per institution). FE colleges are also able to pursue other options such

as export credits and guarantees provided by UK Export Finance – these are discussed further later in section 8.

Planning constraints

8.25 Planning constraints affect the sector’s capacity to expand. There is a shortage of buildings dedicated to educational use, particularly in London, with local councils sometimes being reluctant to increase the numbers of buildings used for educational purposes. Consequently, planning restrictions prevent institutions from being able to expand and increase their international student numbers. This problem is most acute for private colleges in the FE and schools sectors. For example, a highly respected Sixth Form College in Kensington has sought to build an international college alongside its existing college. However, acquiring suitable buildings or land and gaining planning permission for such a development remains very challenging. These constraints have costs for the UK education sector; after eventually obtaining planning permission to expand, another college in this sector earned almost £10m in revenue from international students in its first 18 months of operation and there will have been further benefits for the local economy from student expenditure on accommodation and other living expenses.¹²²

Potential capacity constraints

8.26 Other constraints on expansion come from the capacity of the different sector players. In particular, previous governments have been highly interventionist in the FE and skills sector, and FE colleges have had little capacity to think about international recruitment alongside their very full and changeable domestic agenda. Capacity is much more developed in the ELT, independent schools and higher education sectors, where institutions have had more room to develop strategies, and strong financial and educational incentives to do so.

Global trends and challenges

New types of provider

8.27 Until recent years, education in most countries was a state-controlled business, dominated by national providers and national norms. That is changing rapidly, with the growth of genuinely multi-national companies that operate across the world. They are a response to the rapidly growing global demand for education, coupled with a realisation by national governments that State provision alone cannot meet this demand.

Table 8.2: Largest global education providers

Education provider	2011 Education revenues, US\$bn	Main business activities and services	Registered headquarter in	Operational in
Pearson	7.0	Multinational publishing and education company. Pearson Education provides textbooks and digital technologies to teachers and students across all ages.	UK	Europe, Asia, Americas
Apollo Group	4.5	Provider of higher education programs for working adults.	US	Europe, Americas
Benesse Education	3.7	Provider of products and services to all ages, from infants and school children to adults	Japan	Asia
Laureate	3.2	International network of innovative institutions of higher education.	US	Europe, Asia-Pacific, Americas, Middle East & N Africa
Kaplan	2.5	Provider of higher education programs and professional training courses	US	Europe, Asia, N America
McGraw-Hill	2.3	Education company focused on digital learning and education services worldwide.	US	Europe, Africa, Americas, Middle East
Career Education Corp	1.8	Postsecondary education provider with campus-based and online curricula.	US	Europe, N America

Education provider	2011 Education revenues, US\$bn	Main business activities and services	Registered headquarter in	Operational in
Corinthian Colleges	1.7	Post-secondary education provider offering masters, bachelors, associate degrees and diploma programs.	US	N America
Cengage Learning	1.6	Publisher of print and digital information for teaching, learning and research solutions for the academic, professional and library markets worldwide.	US	Europe, Asia, Africa, Americas, Middle East
Houghton Mifflin Harcourt	1.2	Educational publishing house in textbooks, instructional technology materials, assessments and fiction for young readers.	US	Europe, Asia, Africa, Americas, Middle East

Source: Pearson 2012 results presentation, 25 February 2013 & provider websites

- 8.28 The typical business model is for a large scale operation that is transferable to many countries. It seeks economies of scale and aims to offer value for money to students or governments. The largest global education providers (see table 8.2 below) offer a range of different types of education and educational publishing and operate around the world.
- 8.29 These providers have experienced rapid growth in recent years, in line with the expansion of the education sector globally. For example, sales across the whole Pearson group (including non-education sales) increased from £4.2bn in 2007 to £5.9bn in 2011, an increase of over 40%. Similarly, total revenue for the Apollo Group has risen from \$2.7bn to \$4.7bn over the same period.
- 8.30 Whilst the majority of the largest companies are US-based, the leading market player, Pearson, is a UK-registered company. Other large UK education providers include Oxford University Press, which has a turnover of nearly £700m in 2012, the Open University (£470m in 2010/11) and Cambridge Press (£245m in 2012).
- 8.31 The recent development of ‘MOOCs’ (Massive Open Online Courses) and other educational technologies (see section 5 above) have demonstrated that new technology has the potential to significantly change the education sector. The UK Commission on Employment and Skills identified the challenge of increasing demand for e-learning and other technologies as a potential skills gap for the UK education sector.

Stronger country-to-country competition

- 8.32 UK HE institutions face stiff and increasing competition from foreign institutions. Australia has recently published a report¹²³ that forecasts that the number of international students at Australian universities will have increased by 30% on 2012 numbers by 2020. Similarly, Canada is producing a new international education strategy recommending that the country seeks to double the number of international HE students in the next ten years. The US is also opening up its HE sector to more international students, increasing the number of students who can study at its universities. All these countries have large marketing budgets to help attract international students, from new markets as well as those countries that are traditionally the source of international students.
- 8.33 Other countries that are not traditional competitors of the UK, particularly other European countries, are also looking to increase their share of international students. For example, Germany has a clear strategy to promote itself as an attractive location for research, development and innovation, backed up by

¹²³ *Australia – Educating Globally*, February 2013. <https://aei.gov.au/IEAC2/theCouncilsReport/Documents/Australia%20%E2%80%93%20Educating%20Globally%20FINAL%20REPORT.pdf>

considerable funding. As well as investing in internationalising universities and in scholarships both for overseas students to come to German universities and for Germans to study abroad, Germany is becoming increasingly competitive by offering courses in English and providing job opportunities for international graduates. The British Council reports that Germany allocated €6m in 2010-11 to promoting the visibility of German Higher Education in India and making the country a more attractive study destination for Indian students.

- 8.34 Similarly, the Netherlands has over 1,500 international study programmes available, 75% of which are taught entirely in English.¹²⁴ The Government offers scholarships to non-EU students through Nuffic, an independent, not-for-profit organisation aimed at supporting internationalisation in HE. Nuffic carries out generic promotion of the Netherlands abroad and has ten offices in key emerging countries. France also has nearly 600 post secondary programmes that have been designed for English-speaking students. More generally, there has been a trend across European countries to provide more courses in English in an effort to attract more international students.¹²⁵
- 8.35 UK providers offering TNE are also facing increasing competition from foreign institutions. The UK's main competitors are other English-speaking countries, such as Australia, Canada and the USA, which are all also trying to increase their market shares. The presence of organisations from these countries in overseas markets – e.g. US ELT providers operating in emerging markets – and strong local providers such as Cultura Inglesa in Brazil place competitive pressures on UK organisations. However, the expected growth in the market suggests that there is more demand than can be satisfied by all providers and the challenge for the UK is to identify the gaps and how best to fill them.
- 8.36 Not many governments that we are aware of support TNE at the HE level over and above the support given to other exporters. However, support is sometimes offered to other sectors, especially schools, thereby giving them a potential competitive advantage over UK institutions. For example, in the schools sector:
- the US State Department gives diplomatic, security, advertising, quality assurance and some financial support to American schools overseas. Its Overseas Advisory Council involves senior US corporations in supporting US education for its nationals and for expanding overseas business. It has given significant support for expansion in China, one of the main growth areas.
 - the Australian government, through its Australian Education International supports its international education industry with policy development,

¹²⁴ <http://www.universityworldnews.com/article.php?story=20130405154204826>

¹²⁵ <http://www.universityworldnews.com/article.php?story=20130405154204826>

advice, quality assurance and consumer protection – and provides market information packages for those establishing new ventures or educational services overseas.

- Canada gives regional government accreditation, regulation, inspection and charges fees for the use of Canadian curricula packages used overseas. British Columbia is particularly active in South Korea and China.

- 8.37 The rationale for these actions varies. Australia is trying to improve the 'pipeline' of students into its HE system, but this does not appear to be a key driver in the USA or Canada. Instead, it may be a method of supporting other trade priorities, ensuring that there is a suitable school in key markets, thus making it more attractive to staff with families.
- 8.38 British companies that provide professional services overseas similar to those offered by Canadian regional governments have been extremely successful. At school level, it is likely that if Ofsted, given its experience of inspecting schools and providing quality assurance, was minded to market educational services overseas then there would be a substantial demand for them.

Barriers to market entry

- 8.39 Where there are a large number of local providers, such as the ELT sector in a number of emerging economies, UK providers may not be able to compete on cost. Instead, it is necessary to identify niche areas of provision, such as English for business or academic English, and for UK businesses to market themselves as high-quality providers. This can increase the marginal value of such TNE, but at the expense of volume.
- 8.40 Some markets also have a preference about the qualifications delivered by education providers, particularly in the ELT sector. Whilst there is little robust data on preferences for UK English Language exams, generally countries in Latin America prefer American English qualifications, and those in Europe, North Africa and the Middle East prefer UK qualifications. Asia has a mix between countries preferring US and UK exams, but China and India tend to prefer UK qualifications. Most UK providers operate only in the UK-orientated market and offer UK qualifications that are recognised within the UK education and business environment. As a large provider, Pearson has its own qualification, PTE Academic, which is recognised by institutions and governments worldwide. Market preferences for particular qualifications can act as a quasi barrier to entry in some markets for UK providers who do not offer the American qualifications. If providers wish to expand internationally, they need to consider the type of English and examination that dominates the target market and take a business decision to offer the relevant qualification in order to increase their chances of successfully gaining market share.

Quality assurance

- 8.41 Whilst the UK has a reputation for high-quality education, underpinned by a strong domestic quality assurance regime, such as the Quality Assurance Agency (QAA) for HE and Ofsted for schools, these regimes do not currently examine the entirety of provision of education overseas. Whilst individual institutions have a private interest in ensuring that the quality of their provision is upheld, the lack of a full quality assurance regime may discourage institutions from expanding their TNE provision in case it creates the perception that the quality is lower and therefore damages their brand.
- 8.42 In the HE sector, the QAA reviews the partnership arrangements that UK higher education institutions have made with organisations in other countries to deliver UK programmes, and reviews programmes delivered on the overseas campuses of UK institutions. These ‘Reviews of Overseas Provision’ are conducted on a country by country basis and are customised according to the country although this may lead to comparability concerns.
- 8.43 However, in the FE sector there is no mechanism to demonstrate quality of provision overseas. Whilst there is a quality assurance regime for publicly-funded FE colleges in terms of their overall provision within the UK (colleges are inspected by Ofsted on a risk basis and monitored by the Skills Funding Agency), this does not extend to their overseas provision. There is a separate process for quality assuring the delivery of qualifications which is carried out by Ofqual. They regulate Awarding Organisations’ qualifications. However, Ofqual’s role does not at present extend overseas.
- 8.44 In order for a school to be listed as a British School Overseas, appear on the DfE website and be allocated a British school number, it must undergo an inspection by a recognised inspectorate monitored by Ofsted. However, any school is able to use the term ‘British school’ more loosely without having to undergo an inspection.
- 8.45 A selection of UK based awarding bodies produce qualifications that are designed exclusively for the overseas market, and are therefore not already registered with UK based regulators. Many target countries require guarantees of quality assurance in the form of an accreditation number when adopting foreign vocational education and training into the home education system for legal purposes. Lucrative opportunities have therefore been missed due to awarding bodies being unable to accredit a number of such qualifications. An awarding body has requested assistance in changing the existing system so that regulators add a mechanism within their qualifications registration systems to incorporate those designed for delivery outside of the UK. Until the system of regulation for qualifications developed for international use is changed, UK awarding bodies’ ability to export their qualifications is constrained.

- 8.46 There is also sometimes a lack of both trust and a joined-up international quality assurance system that can present a barrier for publicly-funded FE colleges securing business abroad. Several colleges have put in requests to the Minister for Skills for a letter of assurance to their potential overseas partners that they are a legitimate publicly-funded college – this issue is particularly prominent when setting up partnerships in China. As UK FE colleges are autonomous, the Chinese Ministry of Education often does not accept colleges as legitimate despite UK domestic accreditation.
- 8.47 This ‘regulatory failure’ regarding the level of quality assurance of TNE may act as a constraint to growth. In the long-term, this is likely to become increasingly important; the UK is less able to compete on cost and therefore needs to be able to demonstrate that UK provision is high quality.

Finance for exports

- 8.48 UK HE institutions already make use of a range of financial sources to support growth in their domestic and international activities. While growth using traditional sources from tuition fee or research income has its advantages, approaches such as private equity funding can offer a route to quickly seize major international opportunities. Growth in global demand for education, coupled with the reputation and success of our HEIs, makes the UK HE sector a highly attractive investment opportunity. However, investors have highlighted some difficulty in identifying and progressing individual opportunities.
- 8.49 A consultation in 2011 on the benefits of making it easier for HEIs to change their corporate status, which could make it easier to attract private investment, confirmed that structures are not a barrier to HEIs obtaining finance and fulfilling their growth aspirations. While there is no comprehensive survey of HE institutional views towards private equity, discussions have highlighted a range of potential factors affecting private equity use:
- For many HEIs, their international growth profile has started from a modest position – supported by either internal funding, partnering with an overseas institution or a joint venture with a commercial partner.
 - Many HEI have a range of small overseas activities, using various transnational education delivery models in a number of counties.
 - HEIs have traditionally not found it difficult to raise funds for the above modest investments from internal sources or commercial loans.
 - Many HEI are conservative in their approach to risk, in both the size and type of funding used. This means that equity investment is often seen as a last rather than optimal option.
 - There can be apprehension about how equity investment affects control or governance over the direction and implementation of expansion activities.

This can be two-way as investors will also want to have some control over their investments and personnel integral to performance.

- There is a lack of existing examples of how private equity has successfully supported growth in international education activities, adding to perceived risk.

8.50 Government's interest is that opportunities are not lost due to an absence of adequate and effective funding. As independent bodies, it will always be for individual HEIs to determine the models and funding that most suit their needs. Following Government reforms to support growth and competition in the sector, new providers are appearing and making use of new business models to support innovation and effective delivery. Some existing players are also considering new funding sources such as private equity or bond issues.

8.51 UK Export Finance¹²⁶ (UKEF) is the UK's government-backed export credit agency. It complements the private sector by offering help to exporters and investors, typically as insurance and guarantees. UKEF only provides cover where it is not available from the private sector. There are a wide range of credit and insurance products available to large and small exporters (contracts from £20,000 upwards). The support likely to be most relevant to the education sector includes:

- Credit insurance for UK institutions against the commercial and political risks of not being paid for goods or services e.g. fee payments for foreign students for courses delivered either abroad or in the UK;
- Political risk insurance for a UK institution which invests in an overseas educational venture (commercial risk is not covered); and
- Repayment guarantees on medium or long term bank loans associated with buying UK goods or services, for example large scale construction projects. The overseas buyer would need to be creditworthy and the project would have to involve UK institutions and/or businesses.

8.52 The services offered by UKEF are applicable across the education sector, with strongest current interest from those providing education-related construction activities and services. More recently UKEF has been promoted to UK HE institutions through meetings and via the HEGlobal initiative, which provides a website highlighting various support for UK HE providers looking to increase their transnational education activities. To date, HE sector take-up of UKEF services has been less than expected. Discussions with sector representatives suggest this could be due to a range of factors:

- Continued widespread HEI lack of awareness of UKEF and its services;

¹²⁶ Previously called the Export Credit Guarantee Department.

- The diversity of business models that HEIs use to support growth in their international/transnational education (TNE) activities, and understanding of how UKEF services might support any particular model; and
- The approach that many HEIs have taken to grow in their overseas activities, which mitigate risks by starting small, investing from internal sources and reinvesting income to support growth.

8.53 Developing and sharing understanding of the HE sector TNE business models was identified as an activity to progress under HEGlobal. Government will work with the sector to ensure that effective communication channels are in place to enable understanding of and access to available support. A key part of this will be to develop and share better understanding of the different business models and government support to enable growth in UK TNE.

9 Target markets

- 9.1 Although opportunities exist in countries across the world that institutions and companies will continue to pursue in accordance with their own institutional or corporate strategies, there is also an opportunity for the UK to bring together the strength and depth of the whole education sector – as well as other sectors that support education exports, such as finance, construction and law – to offer ‘system-to-system’ engagement. Work to identify priority countries for ‘system-to-system’ engagement has taken place over the last few years through discussions at various Ministerial fora and with the UK’s education sector. The rationale for selection is principally, but not exclusively, based on the opportunity to:
- Increase the UK’s international education provision;
 - Enhance the UK’s ability to influence a wide range of agenda, including foreign policy goals that are not primarily economic; and
 - Increase income from international education activities.
- 9.2 These priority countries include Brazil, China, Colombia, India, Indonesia, Mexico, Saudi Arabia and Turkey and the Gulf region (comprising Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates). This list does not preclude support for targeted UK activity in other areas, but reflects the need to make best use of limited resource and to avoid duplication and confusion of education activity in countries of key opportunities.
- 9.3 This selection was based on a range of inputs, including market research and forecasts, assessment of existing and potential bilateral links, and input from individual education providers. To illustrate, this report highlights evidence from:
- The UK’s current key markets for student recruitment to higher education (to study in the UK and overseas through TNE), from the latest HESA data for 2011/12.
 - The British Council’s ‘Shape of Things to Come’ report, which forecasts global growth opportunities in international higher education, as summarised in Table 6.2 below.
 - Wider UK education provision – generally, where there are significant opportunities for UK higher education, opportunities also exist to progress

further education, education products and services and often high value opportunities, although each of these will have its own focus for growth opportunity.

- 9.4 Table 9.1 below illustrates how the UK's current eight priority countries map to existing UK higher education activity and table 9.2 shows how the priority countries map to projected global higher education growth. The tables suggest that our priority countries broadly cover the UK's principal diplomatic, economic and collaborative education interests but also highlight the challenge of prioritising outside the major emerging powers of China, India and Brazil.
- 9.5 As mentioned above, this analysis is intended to illustrate the selection process. Actual selection requires a careful balance of competing criteria, leading to the best fit for required UK outcomes.

Table 9.1: Key UK markets for higher education/UK presence, 2011/12

Current importance to UK								
UK Priority Countries	Importance as a source country for UK student recruitment (2011/12)							
	a) Study in UK				b) Study via TNE (excluding Oxford Brookes)			
	Country and position	No of Students	No of UK HEIs	Country and position	No of Students	No of UK HEIs		
China	China	1	78,715	152	Malaysia	1	45,425	66
India	India	2	29,900	153	Singapore	2	31,920	82
Brazil	Nigeria	3	17,620	143	Gulf*	2a	28,150	81
Saudi Arabia	Malaysia	7	14,545	143	China	4	18,045	67
Gulf	Saudi. A	12	9,860	131	Saudi. A	12	8,555	54
Turkey	Gulf*	12a	8,525	143	India	13	7,520	69
Mexico	Thailand	16	6,235	133	Russia	15	5,890	46
Indonesia	Singapore	21	5,290	135	Nigeria	16	5,045	52
Colombia	S. Korea	23	4,560	139	S. Africa	22	3,470	57
	Vietnam	27	3,785	120	Vietnam	27	2,885	34
	Russia	28	3,655	133	Thailand	51	685	39
	Turkey	33	3,350	129	S. Korea	56	555	31
	Mexico	50	1,555	119	Indonesia	75	280	31
	S. Africa	57	1,350	141	Brazil	70	330	32
	Brazil	58	1,340	132	Turkey	77	280	35
	Indonesia	53	1,450	116	Mexico	83	215	29
	Colombia	71	925	112	Colombia	95	145	24
	Chile	78	680	87	Chile	123	70	18

N.B. Shaded areas show the UK's current priority countries

* Importance of student recruitment to UK and current rank against other UK sources, based on 2011/12 data.

** The Gulf is shown as illustrating the combined position of the following countries – Bahrain, Kuwait, Oman, Qatar and United Arab Emirates (excluding Saudi Arabia)

Table 9.2: Global HE growth opportunities identified by the British Council

RANK	Domestic tertiary education system		International student mobility – outbound		Transnational Education (TNE)
	Growth to 2020	Size in 2020	Growth to 2020	Size in 2020	Countries currently offering favourable environments and opportunities for developing TNE
1	India	China	India	China	<i>Most favourable:</i> Hong Kong, Malaysia, Singapore, UAE <i>Others offering TNE opportunities:</i> Bahrain, Botswana, China, India, Mauritius, Oman, Qatar, Spain, South Korea, Thailand, Vietnam
2	China	India	Nigeria	India	
3	Brazil	USA	Malaysia	South Korea	
4	Indonesia	Brazil	Nepal	Germany	
5	Nigeria	Indonesia	Pakistan	Turkey	
6	Philippines	Russia	Saudi Arabia	Malaysia	
7	Bangladesh	Japan	Turkey	Nigeria	
8	Turkey	Turkey	Iraq	Kazakhstan	
9	Ethiopia	Iran	Zimbabwe	France	
10	Mexico	Nigeria	Angola	USA	

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