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Cross-Border Transactions in Higher Education: Philippine Competitiveness

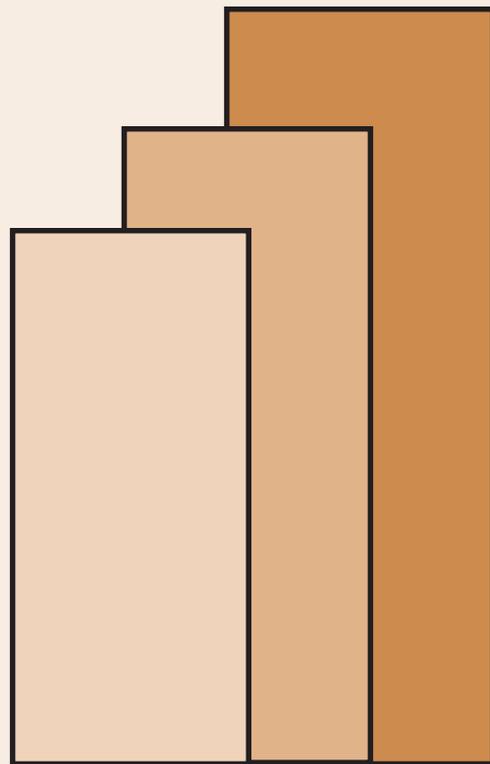
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Cross-Border Transactions in Higher Education: Philippine Competitiveness
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Abstract

The international education serve sector is undoubtedly growing. The movement of students across nations is expected to grow fourfold in the next quarter of a century. Undaunted by the current domination by English-speaking providers, countries in Asia have taken big steps to be centers of education in the region, an ambition. Their single-mindedness in the pursuit of this vision has already made them countries to contend with.

This paper shows that the focus and determination of countries like Singapore, Malaysia and China, is not present in the Philippine environment that is characterized by an unusually high dependence on the private sector to meet the growing demands for education. Marred by a highly politicized setting and inadequate resources, the education sector struggles in its aims to provide education for the growing population at an affordable rate and still maintain a decent level of quality. With these conditions, the Philippines, slowly losing its edge in English education in the region, can only hope to niche and attract foreign students and academics into specific programs and institutions, hopefully with the concerted support of government. If Government is serious in its desire to compete internationally, policy makers must address squarely the barriers to achieving this, including the enactment of laws to facilitate the influx of education services trade.

Keywords: international education, cross border transactions in education, higher education, trade in education services, foreign students, international degree costs

Cross-Border Transactions in Higher Education: Philippine Competitiveness

The Philippines has always prided itself as the only English speaking country in the region. It has been an advantage that allowed the country to develop quite progressively several decades back. The American educational system also proved to be a strong foundation to draw neighboring Asians into the country. This comparative advantage appears to be slowly slipping away at a time when the country should have ridden the crest of globalization. How does one redeem the glory days in the field of education?

Globalization and internationalization in higher education is inevitable. While economists still argue whether globalization serves to equalize the disparity between rich and poor countries, or whether it serves to disadvantage the already disadvantaged, the moves toward lowering trade barriers and allowing free flow of resources, especially for goods, has long begun. Where education is concerned however, the pace is much slower. Commitments to liberalize trade in education is said to be present but not substantive, perhaps owing to the debate whether such moves would infringe on a nation's rights over her social policy objectives and affect her national identity or that education can be treated as a commodity and thus be governed by the rules of competition.

Despite the hesitance to make explicit commitments to the General Agreement on Trade and Services (GATS) in general, players in the global trade of educational services are open to simple bilateral agreements. As evidence, trade especially in the area of student mobility has been ongoing way before the fuss about globalization and liberalization commitments. It has, of course intensified during the last decade, due to the developments in information and communication technologies (ICT) as well as the dynamics experienced by providing and consuming countries.

The commotion over cross-border education continues to intensify as major international education agencies predict a tremendous growth in unmet higher education needs most especially in the Asian region. By 2025, it is projected that worldwide learners would reach close to 200 million, four times greater than the present figures, and foreign exports, even at the same proportions it is today, would hit 8.0 million. The inflow of revenues has helped economies of traditional English providers of foreign education, namely, the United States, the United Kingdom, Canada, and Australia, as public spending on education is decreasing and there are moves to increase the proportion of private higher education institutions. The popular destination countries however are faced with small but definite moves of Singapore, Malaysia, and China that are positioning themselves to be the knowledge hubs in the Asia-Pacific region. If successful, the popular sources of foreign students would be lost.

The developed countries are obviously looked upon to be the providers of education services. Notable countries are the United States, the United Kingdom, Germany, France, and Australia. The World Bank reports that developed countries can boast of producing the most number of scientists per capita as well as producing a

greater portion of scientific articles and patents. These quality indicators serve as a strong attraction for developing countries believing that improved education especially at the tertiary and post-tertiary levels can help boost their own economies. After all, educated people are said to be more productive in society.

Concomitantly, the limited resources of many developing countries in Asia, Africa and Latin America, prevent them from meeting the growing demands for higher education. Not only is there a financial toss among the different sectors in society, so too is there a dilemma on whether limited financial resources should be allocated to basic education as against higher education. Thus, many have looked towards the private sector to meet the gaps in the area. But even as the private sector move towards an international curriculum in higher education, the limited spaces and the question of quality still makes foreign education attractive.

As developing countries are driven to seek a better level of quality education to fulfill its unserved demand, the competitiveness in, and pride of, developed countries, serve as a magnet that further draws more foreign consumers towards them. This has the effect of improving the trade in services of exporting countries.

With continued interest in education service provided by developed countries, the inevitable issue of cost-effectiveness comes in. Consequently, other forms of service delivery are being explored especially in areas where well-established local higher education institutions tie-up with foreign institutions, both in the regional and global levels, even to the extent of commercial presence. Thus the future in higher education would see the continued growth of alliances and consortia between and among universities in different countries, where English would be the second language. This scenario is expected notwithstanding trade negotiations brought about by GATS. Denman (cited in Chan, 2004) points that there has been a dramatic increase in the creation of international university organizations, hitting close to 180 in 2000 from about 90 just 2 decades earlier.

Amidst the excitement over cross-border education lie the Philippines, the largest English speaking country in Asia. Positioned to be a cost-effective alternative to acquiring higher and advanced education degrees in a tourist-laden environment, the government hopes to continue to attract students primarily from China, Taiwan, South Korea, and now even Thailand. Efforts in the past year increased the intake of foreign students most likely offsetting the number of students who go abroad for further studies. But can the Philippines compete with its Asian neighbors in the realm of cross-border education?

It would appear that the Philippines had lost its competitiveness in the trade of many goods and services. Neighboring countries have been able to surpass our gains with strong and focused commitment from their governments. In education, the country has long been known to be the largest English speaking country outside of the United Kingdom, the United States, Australia, and New Zealand. Even this advantage is currently threatened.

However, the potential for the country in the trade of education services is tremendous. The Philippines has the cost-effective advantage of attracting students in the region to take further studies in the country instead of pursuing their education in

western nations. However, the country has not harnessed this potential to the fullest unlike countries like Singapore, Malaysia, and China that are single-mindedly pursuing cross-border transactions. Their governments currently use available modes of supply to build their capacities in teaching and research. In efforts to build world-class institutions quickly, they have allowed the entry of foreign academics, programs, and institutions, albeit in a controlled manner. For instance, Singapore and Hong Kong are better known to have partnered with such universities as Harvard, Wharton, and Northwestern Kellogg to strengthen their higher education sector. At the same time, they have developed incentives to attract locals who have pursued their degrees abroad to return and work for national development.

This focus and determination is not present in the Philippine environment that is characterized by an unusually high dependence on the private sector to meet the growing demands for education. Marred by a highly politicized setting and inadequate resources, the education sector struggles in its aims to provide education for the growing population at an affordable rate and maintain a decent level of quality. With these conditions, the Philippines can only hope to niche and attract foreign students and academics into specific programs and institutions, hopefully with the concerted support of government. If Government is serious in its desire to compete internationally, policy makers must address squarely the barriers to achieving this, including the enactment of laws to facilitate the influx of education services trade.

1.0 Principal Issues and Concerns in Educational Services

Education is one of the service sectors where negotiations under the GATS have been deliberately slow. The 1994 Uruguay Round of Multilateral Trade Negotiations yielded commitments from 42 WTO members and more than 80% of the 30 OECD countries (OECD/CERI, 2002). The snails pace in the trade of educational services is attributed to many factors and is best explained in the modes of supply. Trade in education services essentially looks at the mobility of people, programs, and institutions. In the GATS, these three occur in four modes though not necessarily in exclusivity. These modes are cross-border supply, consumption abroad, commercial presence, and presence of natural persons (OECD/CERI, 2002).

A major concern with respect to cross-border supply or distance education has to do with intellectual property rights since some countries may disregard international agreements regarding the matter (Atkinson, 2001; Larsen et al., 2002; Lenn, 2001; Salmi, 2002). Then the question of quality of education comes into play since there is uncertainty about the level of involvement the faculty would have in ensuring students understand concepts, a task which maybe more evident in the traditional classroom setting (Atkinson). Other concerns have to do with restrictions on the use and importation of educational materials, considered tools of the trade (Copeland, 2002; Sauve, 2002). For instance, Lenn disclosed that some countries with strong religious influence restrict the entry of medical or health materials that show the naked body. On the technology side, another hurdle would be the barriers of access to information and communication technologies such as national telecommunications laws that restrict the use of satellites and receiving dishes to transmit educational content (Lenn; Salmi). And finally on the consuming end, is the unreliable access of potential students to the internet.

Consumption abroad or student mobility also has its share of setbacks. The easier ones to hurdle would involve the granting of student visas in the light of the tightening security measures adapted especially by the United States. Others refer to funding opportunities and foreign exchange requirements for the students to cover expenses such as tuition, accommodation, and travel (Bernardo, 2003; Hirsch, 2002). Then, there is the concern whether the credits earned or the degree obtained would be recognized by the home country institutions (Atkinson, 2001; Lenn, 2001; Sauve, 2002; Tullao, 2003). Finally, many countries have had to deal with issue of brain drain. This is a tricky concern as sometimes there are more university graduates than there are opportunities in the local market (The Futures Project, 2000). Some argue that work experience in a foreign country actually contributes to brain gain as skills and networks acquired can be useful upon the return of these individuals to their home country (OECD, 2004a).

Of all four modes, commercial presence presents the greatest concern in the trade of education services. There is the fear of consuming countries that higher education provided by the developed countries, particularly on their local territory, may interfere with a nation's social objectives that may include educating citizens with the local values and content (Altbach, 2001). It is also feared that the profit-maximization objectives of "for-profit" institutions, especially those that are not university-based, may lead to the commercialization and massification of education that, in turn, would lead to lower quality. Consequently the questions arise: Who determines the quality of education? Which body should accredit global education institutions, if such is necessary to maintain world-class standards in education (Altbach, 2001; UNESCO, 2003; Van Damme, 2002)? Already the Hong Kong Council of Academic Accreditation has helped organize with 50 member-countries, the International Network of Quality Assurance Agencies in Higher Education.

Other concerns on commercial presence have to do with the desire of some national governments to impose tighter control over foreign higher education institutions. Such controls can come in the form of local partnership requirement, minimum number of local seats in the board, and limited foreign ownership (Tullao, 2003). Apparently some providing countries have experienced or expressed apprehensions regarding limitations on ownership and foreign equity, discrimination in tax treatment for foreign institutions, restrictive policies on the repatriation of earnings, as well as excessive fees imposed on licensing or royalty payments (Sauve, 2002). It is these countries that look towards GATS commitment to improve their level of competitiveness.

The fourth mode of supply, also known as the presence of natural persons, has similar concerns with student mobility and a little more. There are the usual visa regulation issues that restrict the free flow of academics (Lenn, 2001). From the point of view of the providing country, there is risk that the academics may seek more permanent employment given the more attractive salaries and work conditions in the host country (Altbach, 2003). On the part of the consuming country, this would mean a loss of local capacity in education thereby defeating the purpose of utilizing the gains of cross-border education for the further development of the nation (Pillay, 2003; Salmi, 2002; Sauve, 2002). Altbach notes however that academics generally

maintain scientific and academic relationships, granting them opportunities to return to the host country, thus not requiring permanent stay after an exchange program.

For all modes of supply, the value of international education lies in mutual recognition. This recognition allows for mobility of students so that studies may be pursued in foreign countries even partially. This would entail that foreign institutions recognize the units already taken from the local higher education institutions (HEIs) as partial credits to a course and that units taken in a foreign HEI is recognized by the local HEI. The pursuit of higher education degrees, started and completed abroad, also entails recognition by the home country.

Other forms of international and mutual recognition call for countries and their institutions to recognize degrees offered by HEIs in other countries as comparable to that of their own. This would mean for instance that graduates from a local university, may qualify for advanced degrees in a foreign institution without need to take bridging units prior to being accepted in an educational institution. This would also mean that graduates with local degrees may qualify for employment in other countries and their diplomas likewise recognized as full credentials. Similarly, recognition entails that professional credentials that result from meeting the requirements of local professional regulation commissions are also considered comparable with a foreign countries' own standards for professionals. This also applies with scientists and academics, who seek to work in a foreign university in a visiting capacity.

In many instances however, there is lack of international comparability and mutual recognition of credentials between developed and developing countries, with the latter having to constantly negotiate for recognition. In the Asia-Pacific region, Philippine education officials have observed that it has taken time for Japan to recognize credit units, degrees, and professional credentials taken abroad, whether from a developed or developing country, as comparable to their own. However, progress has been made with the efforts of the Asia-Pacific Economic Cooperation (APEC) Human Resource Working Group that has sought for recognition of qualifications within its region.

The quality of education seems to be at the core of internationalization and trade in higher education. The issues of recognition of academic and professional qualifications for instance, stem from the perceived difference in quality standards. It is indeed this difference in quality standards that compel students from one country to seek their education in another. But should this be an exercise of the individual? Shouldn't governments be more proactive on the issue of cross-border transactions?

OECD (2004a, 12-13) presents four approaches to cross-border education that countries may adapt. The first is the mutual understanding approach whereby international mobility is supported through scholarship, exchange programs, and academic partnerships between educational institutions. The second approach calls not only for promoting the education sector but goes a step further to encourage talented students to work in the host country. This is called the skilled migration approach. For the producing countries, the revenue-generating approach to cross-border education looks at international mobility as additional sources of income. In some institutions especially in the United Kingdom, the tuition fee structure for international students is much higher. Finally from the point of view of the consuming

country, international education can be looked upon as a means to build capacity quickly. Thus scholarships are channeled to academics and civil servants who are expected to learn and transfer this knowledge to their home countries. Twinning programs aimed at students that transfer knowledge from a foreign to a local university also help the capacity-building process.

Governments must resolve how they intend to participate in higher education trade. While the approaches mentioned are not mutually exclusive, these require resources. Consequently, knowing full well where to channel limited resources allows a country to better position itself.

In the Philippines, there are two primary restrictions that may impede cross-border trade in the area of commercial presence and movement of natural persons. First, the 1987 constitution disallows a foreign entity from having 100% ownership of a business in the country. And second, there are restrictions in the practice of foreign professionals in the country. This stems from a constitutional provision in an earlier law (Republic Act 5181) that prescribed permanent residency and reciprocity in the practice of a profession (Tullao, 2003).

It should also be noted that under Executive Order No. 285, only authorized HEIs are allowed to admit foreign students. These are schools with programs accredited by the Federation of Accrediting Associations in the Philippines (FAAP), schools that have programs that the Commission on Higher Education (CHED) has declared to be Centers of Excellence or Centers of Development, and schools allowed by the Bureau of Immigration, including the Standard of Training, Certification, and Watch-Keeping for Seafarers (STCW)-compliant maritime schools.

And finally, to operate abroad, a CHED endorsement is necessary and is given only to institutions that have at least a Level 2 accreditation.

2.0 State of Philippine Higher Education

The Philippine higher educational system, unlike most other countries, has been helped greatly by the private sector. To date, CHED databases reveal there were more than 2.5 million students enrolled in the 1,526 higher education institutions (HEIs) in the country, of which 1,353 are privately held. The country has the highest proportion of private institutions in higher education in the world, followed by Japan and Korea (Guruz, 2003; UNESCO/OECD, 2003).

The higher education sector is under the jurisdiction of the Commission on Higher Education created in 1994 in response to the need for education reforms. The CHED is composed of a set of Commissioners duly appointed by the President of the Philippines using specific criteria set forth in its enacting law. The daily operations are managed by an Executive Director who supervises the Office of Program and Standards, Office of Student Services, Office of Policy, Planning, Research, and Information, 15 regional field offices, its finance, administration, and legal divisions, as well as a special unit called the International Affairs Services (IAS). It is the IAS that is tasked to promote the country's higher education sector in the international sphere and to seek recognition of academic and professional qualifications (CHED website).

Upon its creation, the CHED began to establish its information systems and set-up monitoring mechanisms. They then began to identify degree programs with exceptional quality standards and dubbed the programs as either Centers of Excellence (COE) or Centers of Development (COD), with the commitment of the selected universities to help upgrade the standards of other HEIs. CHED records reveal there are 275 programs of 85 HEIs that have been declared either COE's or COD's.

Quality assurance mechanisms were also set in place. There are four accrediting bodies and one supra body, the Federation of Accrediting Associations in the Philippines. The agencies that accredit private HEIs are the Philippine Accrediting Association of Schools, Colleges, and Universities (PAASCU) for Catholic schools, the Philippine Association of Colleges and Universities – Commission on Accreditation (PACU-COA), for non-sectarian schools, and the Association of Christian Schools and Colleges-Accrediting Agency Inc. (ACSC-AAI). For public HEIs, there is the Accrediting Agency of Chartered Colleges and Universities in the Philippines (AACCUP).

Of 10,240 baccalaureate programs offered by 1,526 HEIs, only 11.32% has been accredited as of 2002-2003. The public sector had a higher accreditation rate of 16.81% compared to 9.36% for the private sector. Most of the programs (76%) were accredited at Level 2. At the masteral level, the accreditation rate is lower at 9.62% with the public sector again showing higher accreditation rates. The summary of accredited programs by sector is shown in table 1. In terms of HEIs, only 16% of HEIs have programs that are accredited by the FAAP and AACCUP, with the public sector again showing better accreditation rates with 46% of HEIs having some form of accreditation compared to only 12% in the private sector. It should be noted that accreditation is voluntary and is sought by institutions for prestige and privileges that attach to these accreditations, such as autonomy from supervision for higher level accreditation.

	Baccalaureate	Masteral	Doctoral
Public			
No of Programs	2,695	1,312	266
No Accredited	453	121	49
Accreditation Rate	16.81%	9.22%	18.42%
Private			
No of Programs	7,545	1,660	265
No Accredited	706	99	9
Accreditation Rate	9.36%	5.96%	3.40%
Total HEIs			
No of Programs	10,240	2,972	531
No Accredited	1,159	220	58
Accreditation Rate	11.32%	7.40%	10.92%

Table 1. Number of FAAP and AACCUP Accredited Programs, SY 2002-2003
Source: Compiled by CHED MIS from reports of FAAP and AACCUP

On the average, there is a student population per HEI of only 1,700 (see table 2). At this level, private HEIs are complaining about the competition that not only private HEIs, but also public HEIs, provide. Consequently, many HEIs have had to forego investment in research so that the teachers' hours may be spent in the classroom. For the public HEIs, research is also compromised since there are simply limited government funds for research. On the average, 80% of the budget of state universities and colleges (SUCs) is allocated for personnel services, 17% for operating expenses, and only 3% for equipment/capital investment. This is in contrast to private HEIs that allot 60% to personnel services, 30% to operating expenses, and the balance to improvement of facilities. For both the private and public sector however, there is little allocated to research (Tullao, 2000).

	Student Enrollment	No. of HEIs	Average Enrollment
1994-1995	1,871,647	1,185	1,579
1995-1996	2,017,972	1,287	1,568
1996-1997	2,061,300	1,316	1,566
1996-1998	2,067,965	1,374	1,505
1998-1999	2,279,314	1,382	1,649
1999-2000	2,373,486	1,404	1,691
2000-2001	2,430,842	1,380	1,761
2001-2002	2,466,056	1,428	1,727

Table 2. Average Number of Students per HEI, SY¹ 1994-1995 to 2001-2002
Source: CHED (2003). Higher Education Statistical Bulletin

The P15.0 billion budget for the CHED has remained quite steady despite the increasing number of public HEIs. This effectively decreases the amount allocated to each HEI. Concerned about the equity of distribution, the CHED commissioned a study on the costs of degree programs as the first step in its move to adapt a normative financing approach to budget allocation. The cost study revealed a range of accounting costs to educate a single student up to completion of a particular degree given the size of the institution and its accreditation level, or lack thereof (Santiago, Largoza, Conchada, Intal, Alba, & Rufino, 2004).

Historically, the most popular course is business administration. Due to its large enrollment, it would cost an HEI anywhere from P85,000 to P110,000 to educate one student through the entire 4-year course. Teaching agribusiness, raises this cost by P70,000 per student. On the other extreme are less populated courses like BS Fishery that could cost an HEI, P600,000 to educate one student. Thus in many institutions, there are cross-subsidies. In general, one could expect course delivery to be between P20,000 to P25,000 per student per year (Santiago et al, 2004).

The study of the higher education system remains meaningless without the corresponding study of the labor market. Orbeta (2003, p. 4) presents a comprehensive model that clearly shows the relationship between education, the labor market, and the countries' own development objectives. In his book, Orbeta confirms the high enrollment rates in higher education, even at the tertiary level and the

¹ School Year

corresponding increase in the qualifications of the labor force. However, it should be pointed that even college graduates are not spared from unemployment and underemployment. Its proportion rose to 16% in 2000 from 12% in 1976 for unemployment and 37% from 23% for underemployment. Consequently, many nationals have opted to seek employment in other countries. For employability purposes, however, their professional qualifications must first be recognized.

It is the Professional Regulation Commission (PRC) that issues certificates of registration to professionals. Under the PRC Modernization Act of 2000, the body is tasked to administer, implement, coordinate and supervise various boards of examiners. It is consequently the role of the PRC to seek for the recognition of Philippine professionals abroad. Unfortunately, with the removal of the “Continuing Professional Education” (CPE), the professionals have become less competitive (Tullao, 2003; Udano, 2003).

3.0 Measuring Philippine Competitiveness in Higher Education Trade

In their brochures, the CHED has positioned the Philippines as a cost-effective alternative in securing higher education. The tuition fees and living expenses are considered reasonable and travel to and from the country is affordable. They also emphasize that higher education is primarily taught in English, and continue to promote the country as a tourist haven. The target market is generally the Asians, most especially the Chinese.

How the Philippines positions itself should however be taken in context with factors that influence the choice of international students. A study by Follari (2004) has shown that while international students have largely chosen English-speaking countries as their study destination, their primary consideration in their choice of institution is the perceived quality of education. They then look for world-recognized institutions, safe environment, affordable cost-of-living, and employment prospects overseas. While the study was limited to Australia as a country of destination, the chief factor of quality could very well be universally applied as evidenced by the emphasis given by international organizations in their reports on higher education. Consequently, in determining the country’s comparative advantage, one must necessarily consider this.

Quality of Education

In the 2004 higher education supplement of the Times of London, the top universities in the world still come from the United States, the United Kingdom, Germany, and Australia. In this same list, Asian institutions belonging to the top 50 are the National University of Singapore (18), Kyoto University (29), Hong Kong University (39), Indian Institute of Technology (41), Hong Kong University of Science and Technology (42), and Nanyang University (50). Evidently, in terms of world-class recognition, the Philippines is not a player. In truth, CHED reports reveal (see table 3) the country is able to attract only 2,000 to 4,000 foreign students a year compared to the 2.0 million students studying abroad. This performance is similar to that of Thailand (see table 4).

	Total	% increase
School Year	Number	-decrease
1994-1995	4,791	
1995-1996	5,284	10.29%
1996-1997	4,864	-7.95%
1997-1998	4,419	-9.15%
1998-1999	3,516	-20.43%
1999-2000	2,602	-26.00%
2000-2001	2,323	-10.72%
2001-2002	2,836	22.08%
2002-2003	4,667	64.56%

Table 3. Number of Foreign Students Studying in Philippine HEIs per School Year
Source: Higher Education Statistical Bulletin, Commission on Higher Education and the Office of Student Services, Commission on Higher Education

	Asia	Oceania	Africa	North America	South America	Europe	Unknown	Total
OECD Nations								
Australia	77,849	6,534	3,837	5,477	920	12,763	3,409	110,789
Japan	58,170	443	676	1,474	761	2,106	7	63,637
Korea	3,299	28	44	220	41	135	83	3,850
New Zealand	7,971	1,200	143	648	106	998	3	11,069
Non-OECD Nations								
India	4,004	31	2,558	275	0	120		6,988
Indonesia	266	31	3	26	0	51		377
Malaysia	16,217	57	1,552	67	24	553	422	18,892
Philippines	1,656	28	69	503	4	63		2,323
Thailand	1,445	30	19	113	4	147	750	2,508

Table 4. Foreign Students Enrolled in Selected Asia-Pacific Countries (2001)
Source: OECD, 2004a. (p. 154). Internationalisation and Trade in Higher Education

Narrowing the top universities to those in Asia, the 2000 Asiaweek list include only 3 Philippine schools namely, De La Salle University (ranked 70), Ateneo de Manila University (74), and the University of Sto. Tomas (75). These three schools had the largest number of foreign students in SY 2002-2003. There were more than 300 foreign students at De La Salle schools combined, 280 in Ateneo, and 250 in UST (table 5). The University of the Philippines-Diliman was also able to draw in about 225 international students. Other HEIs, even if they were not considered in the top universities in Asia or the world, were able to attract a good number of foreign students as well.

Name of Higher Education Institution	Region	Number of Foreign Students
Lyceum-Northwestern	1	112
Virgen Milagrosa University Foundation	1	188
Adventist University of the Philippines	4	180
Cebu Doctors College	7	207
Silliman University	7	112
Adamson University	NCR ²	119
AMA Computer College	NCR	153
Ateneo De Manila University	NCR	288
De La Salle University-Col of St. Benilde	NCR	232
De La Salle University-Manila ³	NCR	100
Fatima Medical Science Foundation	NCR	217
University of Manila	NCR	157
University of Santo Tomas	NCR	252
University of the East-Manila	NCR	170
University of the Philippines-Diliman	NCR	225
Saint Louis University	CAR	203
University of Baguio	CAR	195
All Others		1,557
Total	87	4,667

Table 5. HEIs with the Most Number of Foreign Students for SY 2002-2003

Source: Office of Student Services, Commission on Higher Education

Similar to other destination countries, most of the international students in the country come from other Asian countries. Over a 6-year period, the largest delegation came from Korea at 4,000 students, followed by China (2,800) and Taiwan (1,600). However as can be seen in table 6, over the same period, the Philippines was able to attract a sizeable number of American students although records by the Open Doors (1997, 1998, 1999, 2000, 2001, 2002, 2003) show disparate figures (see table 7).

² National Capital Region

³ Statistics provided by DLSU show that for SY 2002-2003, there were 528 foreign students (and not only 100) enrolled at the university, 279 for the undergraduate level and the remaining for the graduate level. Moreover, an interesting revelation of the DLSU statistics is the separation of foreigners into those born in their country and those born in the Philippines but holding foreign passports. For that school year, there were 381 who were foreign-born and 147 native-born. Students come from 55 countries.

Nationality	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Total
American	1,111	860	764	452	454	748	4,389
Bangladesh	36	92	52	74	61	89	404
British	87	67	27	29	25	48	283
Canadian	80	49	48	43	33	60	313
Chinese	729	575	337	243	300	630	2,814
Indian	112	83	57	66	97	184	599
Indonesian	217	128	70	127	122	256	920
Iranian	109	63	81	54	122	185	614
Japanese	89	51	27	29	34	97	327
Korean	823	676	558	394	604	1,069	4,124
Malaysian	35	25	19	20	18	22	139
Nepalese	108	117	138	97	113	138	711
Sudanese	46	39	54	31	49	81	300
Taiwanese	221	265	144	325	434	474	1,863
Thai	124	107	38	32	83	108	492
Vietnamese	16	22	13	54	36	82	223
All Others	476	297	175	253	253	396	1,850
Total	4,419	3,516	2,602	2,323	2,838	4,667	20,365

Table 6. Number of Foreign Students in Philippine HEIs by National Origin
Source: Derived from the Higher Education Statistical Bulletin,
Commission on Higher Education

School Year	Number of Americans
1993-1994	57
1994-1995	44
1995-1994	60
1996-1997	71
1997-1998	108
1998-1999	129
1999-2000	107
2000-2001	108
2001-2002	102

Table 7. Number of Americans in Philippine HEIs School Years 1997 to 2002
Source: Extracted from the Open Doors (2000, 2001, 2002, 2003)

Of ten courses enrolled in by foreign students in the Philippines, the most popular course would be undergraduate courses in arts and sciences (see table 8). This is followed by medicine, business administration, computer studies, and dentistry. Education accounted for only 4% of the foreign students enrolled in the ten popular courses. At DLSU-Manila for instance, education is also not popular for foreign students at the undergraduate level. However, a Masters in education is the most popular advanced degree in that university. In the United States, the top 3 most popular courses of international students are business, engineering, mathematics, and computer sciences.

Top Ten Courses	Level	Percentage
Doctorate	Advanced	7%
Master in Business Administration	Advanced	4%
Master of Arts	Advanced	6%
Medicine	Advanced	11%
Master of Science	Advanced	4%
Arts and Sciences	Higher	30%
Business Administration	Higher	10%
Computer Studies	Higher	9%
Dentistry	Higher	9%
Education	Higher	4%
Engineering	Higher	6%

Table 8. Top Ten Courses Enrolled in Philippine HEIS by Foreign Students for SY 2002-2003

Source: Office of Student Services, Commission on Higher Education

At the graduate level, the institution reputed to attract the most number of foreign students is the Asian Institute of Management (AIM). While the institution was not recognized by the Financial Times list as belonging to the top 100 MBA schools in the world, the Asiaweek in the same period did rank AIM as number 3 in terms of reputation among MBA schools in Asia. It was also recognized as having the best executive MBA.

AIM holds the prestige of being the only educational institution in the Philippines to have gained recognition from the European Quality Improvement System (EQUIS) in March 2003 and the Association to Advance College Schools of Business (AACSB). It has an alumni base of 30,000.

In the last 5 years, AIM was able to attract 618 foreigners for its 3 major degree programs, which is approximately 38% of their enrollment. The full tuition fee rate at the AIM is US\$12,000. While some of the foreign students are financed through scholarships grants, it is estimated that revenues from tuition fee and dormitory facilities from these foreign students can reach over US\$2.0 million annually.

Table 9 shows the breakdown of foreign students at AIM per sending country⁴. The table shows that the proportion of students from India is unparalleled. Further inquiry into this phenomenon reveals that Indian students who go to AIM are those who would like to pursue advanced degrees but cannot enter the prestigious Institute of International Management located in 3 provinces in India. AIM is seen as the next best choice especially due to the exchange program component of its MBA course that allows the top students of the program to attend courses in top universities in the United States and Europe for a term, while paying the lower AIM tuition fee.

⁴ The statistics are not part of those presented by the Office of Student Services of the Commission on Higher Education.

	1999	2000	2001	2002	2003	2004	Total
Bangladesh	3	2	2		1		8
Bhutan	3	6	2	4		3	18
Cambodia	1	5	3	2	3	1	15
Canada					1		1
China	11	6	6	2	1	2	28
Czech Republic		1					1
France	1						1
India	26	48	59	46	49	81	309
Indonesia	22	17	21	7	5	5	77
Japan		1	2	3			6
Lao PDR	3	3	4		1		11
Malaysia	4	4	2	1			11
Maldives					1		1
Mongolia				1	1		2
Myanmar				2	4	1	7
Nepal	2	3	2	1	38	4	50
Russia					1		1
Singapore					1		1
Taiwan					1		1
Thailand	3	5	4				12
UK	1						1
USA	2	2	2				6
Vietnam	7	6	11	7	12	5	48
Others	1		1				2
Total	90	109	121	76	120	102	618

Table 9. Number of Foreign Students at AIM's Major Degree Programs
Source: Office of Admissions, Asian Institute of Management

The student exchange program of the AIM began sometime in 1997 when the institute was invited to be a member of the Program in International Management (PIM). This paved the way for the signing of about 60 memorandum of understanding/agreement on student exchange with member institutions and other foreign higher education institutions. There are about 30 active affiliated institutions where about 40% of MBA students are allowed to take one semester for credit.

Besides AIM, other HEIs also have cooperative alliances with foreign institutions for both their undergraduate and graduate programs. The international cooperation programs are in the areas of faculty and student exchange programs, joint-research, and offshore education. There are also active twinning and joint degree programs. In a 1998 CHED survey, it was found that there were 107 Philippine higher education institutions with on-going collaborative programs with 487 foreign institutions of higher learning in 28 countries in 33 fields or discipline (Unesco, 2000, p. 182). The University of the Philippines-Diliman alone has alliances with over 50 institutions in more than a dozen countries (CHED, undated).

If recognition by other universities is a measure of the quality of education, it can be assumed that the Philippines may, through its recognized institutions, be considered a potential study destination for Asians.

Safe Environment

Hurdling the quality factor, the Philippines still has to contend with providing a safe environment for international students. Apparently safety has been a concern considering the sensationalization of crimes, but more so terrorist acts, in Philippine soils. Many attribute the poor safety environment to the unstable economic and political environment.

Seemingly, the weakness in the education sector is parallel to the weakness of the country as a whole. The IMD World Competitiveness Yearbook of 2004, shows the Philippine overall performance ranking to be declining. Previously ranked as 35 in 2000, the IMD reports only a 52 rank in their 2004 report. Even the 2003 report of the ADB shows the Philippines fairing on the low average.

There are two general measures of national competitiveness used by the World Economic Forum. The first refers to the growth competitiveness index (GCI) determined by technological capacity, quality of public institutions, and quality of macroeconomic environment. The GCI essential measures the ability of a nation to sustain its growth. The second measure is the current competitiveness index (CCI) that looks at the microeconomic foundation of a country's GDP, thereby determining if the GDP per capita can be sustained on the long run. The scores and ranking of selected countries in Asia for the GCI and CCI are found in tables 10 and 11, respectively. Using these induces, the table shows that the Philippines is continually being outperformed by Korea, Malaysia, Thailand, and China.

The ADB (2003a) intimates that a better-educated society would lead to a stronger economic base and that investment in science and technology are the paths to better economy. In higher industrialized societies, anywhere from 1.5% to 3.8% of GDP is spent in research and development (InterAcademy Council, 2003). This is not the case for developing countries that have to spread their budgets quite thinly.

If safety is tied to the conditions of a country, then it would appear that the Philippines cannot assure international students that the country is a safe study destination. This is in contrast to the situation in Singapore where economy is stable and crime rate is low.

Economy	GCI Rank	GCI Score	Technology Index Rank	Score	Public Institution Index Rank	Score	Macro Economic Environment Index Rank	Score
Singapore	4	5.84	18	5.44	6	6.27	1	5.52
Taipei	7	5.59	4	6.19	24	5.3	15	4.69
Hong Kong	13	5.47	33	4.93	30	6.01	4	5.12
Korea	23	5.13	9	5.66	44	4.25	8	4.94
Malaysia	30	4.83	22	5.36	39	4.53	20	4.59
Thailand	33	4.53	39	4.54	42	4.36	16	4.68
China	39	4.4	53	4.05	50	4.1	6	5.04
Philippines	48	4.16	40	4.53	64	3.53	28	4.42
India	57	3.84	66	3.54	49	4.11	45	3.88
Viet Nam	60	3.77	65	3.56	63	3.58	37	4.15
Sri Lanka	61	3.74	59	3.82	58	3.84	60	3.56
Indonesia	64	3.69	61	3.76	66	3.35	41	3.96
Bangladesh	71	3.04	74	2.83	75	2.48	48	3.81

Table 10. Growth Competitiveness Index and Components, 2001
Source: World Economic Forum cited in ADB 2003a, Asian Development Outlook 2003: Competitiveness in Developing Asia

Economy	Current Competitiveness Index Rank			Company Operations and Strategy Rank			Quality of National Business Environment Rank			2000 GDP Per Capita (ppp adj)
	2001	2000	1999	2001	2000	1999	2001	2000	1999	
Singapore	10	9	12	15	15	14	9	5	12	23,000
Hong Kong	18	16	21	21	23	24	16	14	18	24,448
Taipei	21	21	19	20	18	17	21	21	22	17,223
Korea	28	27	28	26	25	27	30	28	30	17,311
India	36	37	42	43	40	48	34	37	43	2,403
Malaysia	37	30	27	37	30	25	38	30	31	8,924
Thailand	38	40	39	42	47	43	39	40	39	6,489
China	47	44	49	39	38	31	47	45	50	3,953
Philippines	54	46	44	45	43	34	54	46	46	3,956
Indonesia	55	47	53	50	51	47	57	47	52	3,014
Sri Lanka	57			58			55			3,512
Viet Nam	62	53	50	64	50	51	64	52	49	1,974
Bangladesh	73			72			73			1,561

Table 11. Current Competitiveness Index and Components, 2001
Source: World Economic Forum cited in ADB 2003a, Asian Development Outlook 2003: Competitiveness in Developing Asia

Affordable Tuition Fees/Cost of Living

In brochures prepared by the CHED, they are positioning the Philippines as a relatively inexpensive destination alternative to securing a degree in higher education that is taught primarily in English. At today's exchange rate, it would cost annually anywhere from US\$1,000 to US\$3,000 to pay for tuition and other incidental expenses at the undergraduate level while tuition fee alone is US\$12,000 at the Asian Institute of Management. However, in computations prepared by the International Comparative Higher Education Finance and Accessibility Project (ICHEFAP) of Graduate School of Buffalo University using 1998 purchasing power parity (PPP) estimate of US\$1 = P12.13, these educational expenses could range from \$3,870 to \$12,877 (table 12).

Using their computed PPP, the costs of education in the Philippines is higher than that provided in Singapore, both in the low and high end (tables 12 and 13). Using 2001 data, it was costliest to study in Hong Kong with tuition and living expenses in the range of \$10,000 to \$25,000. The higher end schools in Korea also reached the \$20,000 mark.

	Public Low		Private High	
	Philippine Pesos	US\$ at PPP \$1= P12.13	Philippine Pesos	US\$ at PPP \$1=P12.13
Up-Front Fee	200	16	500	41
Tuition Fee	8,400	692	50,000	4,122
Other Fees	4,850	400	24,000	1,979
Books & Incidentals	2,000	165	4,000	330
Sub-Total	15,450	1,273	78,500	6,472
Lodging	7,200	594	36,000	2,968
Food	8,000	660	26,000	2,143
Transportation	7,500	618	2,500	206
Other Personal Exp	8,800	725	13,200	1,088
Sub-Total	31,500	2,597	77,700	6,405
Total	46,950	3,870	156,200	12,877

Table 12. Tuition and Living Costs, Philippines, 1999
in Philippine Pesos and US Dollars 1999 PPP US\$1=P12.13
Source: ICHEFAP Website

	Philippines ⁵	Singapore ⁶	Korea ⁷	Japan ⁸	India ⁹	Hong Kong ¹⁰	China ¹¹
Up-Front Fee	16	0	23	1,916	3	62	0
Tuition Fee	692	1,023	195	2,974	20	5,048	518
Other Fees	400	57	1,945	39	9	12	
Books & Incidentals	165	114	305	295	73	180	104
Sub-Total	1,273	1,194	2,468	5,224	105	5,302	622
Lodging	594	227		71	37	1,166	259
Food	660	341		735	552	1,199	1,936
Transportation	618	136	293	697	116	1,101	52
Other Personal Exp	725	682	1,220	1,701	24	1,484	258
Sub-Total	2,597	1,386	1,513	3,204	729	4,950	2,505
Total	3,870	2,580	3,981	8,428	834	10,252	3,127

Table 13. Tuition and Living Costs, Selected Asian Countries, Low-End in US Dollars 2001

Source: ICHEFAP Website

	Philippines	Singapore	Korea	Japan	India	Hong Kong	China
Up-Front Fee	41	0	1,537	1,840	17	90	0
Tuition Fee	4,122	8,778	10,136	5,283	37	5,048	4,145
Other Fees	1,979	80		2,173	50	17	
Books & Incidentals	330	227	1,524	492	51	719	518
Sub-Total	6,472	9,085	13,197	9,788	155	5,874	4,663
Lodging	2,968	773	2,741	4,208	255	10,162	2,591
Food	2,143	818	1,372	2,102	1,019	5,600	2,072
Transportation	206	455	293	294	39	612	518
Other Personal Exp	1,088	1,420	3,659	2,601	19	2,777	1,554
Sub-Total	6,405	3,466	8,065	9,205	1,332	19,151	6,735
Total	12,877	12,551	21,262	18,993	1,487	25,025	11,398

Table 14. Tuition and Living Costs, Selected Asian Countries, High-End In US Dollars 2001

Source: ICHEFAP Website

A recent study by the International Development Programme (IDP) of Australia computed total costs for international students to complete various degree programs. Despite the expensive degrees in the United States, it is still the most popular destination for both undergraduate and graduate levels (table 15). This implies that costs alone do not determine student mobility. In countries where tuition

⁵ 1998 PPP \$1= P12.13

⁶ 1999 PPP \$1 = S\$1.76

⁷ 1999 PPP \$1 = won 656

⁸ 1999 PPP \$1 = Y161

⁹ 2001 PPP \$1 = India rupees 11.78

¹⁰ 1999 PPP \$1 = HK\$8.34

¹¹ 1999 PPP \$1 = Y1.93

is relatively low or non-existent, the number of international students is not necessarily large (OECD, 2004a).

	Bachelor of Business	Bachelor of Engineering	Bachelor of Information Technology	Master of Business Administration	Master of Engineering	Master of Information Technology
Australia	60,464	90,019	61,818	33,856	46,013	45,296
Canada	71,039	81,037	59,909	39,844	40,215	35,364
China	31,731	32,812	32,836	16,901	24,167	24,242
Hong Kong	38,192	38,202	38,198	30,506		
New Zealand	59,331	88,699	62,745	32,268	23,884	46,338
Singapore	54,938	77,962	77,962	22,599		
UK	77,890	91,670	91,208	42,870	42,429	31,136
US-Private	167,828	167,828		92,580	41,771	
US-Public	119,882	119,882	110,292	69,085	64,249	30,052

Table 15. Tuition and Living Costs Across Major Programs, Selected Countries (US \$)

Source: Follari, 2004. Comparative Costs of Higher Education for International Students, 2004

Employment Prospects

Orbeta (2003) has shown that despite an increasing number of educated Filipinos, there is still a high unemployment and underemployment rate. Providing jobs for international students after they have obtained their degrees in the country would displace local employment. Consequently, there can be no promise of employment in the country. Indeed, the employee profile of companies in the Philippines shows a lack of diversity especially when compared to places like Singapore or Hong Kong.

The Asian Context

The OECD (2004a) has categorized Asia-Pacific countries according to their cross-border capability (see table 16). Expectedly, Australia and New Zealand belong to one end of the spectrum that shows great export potential. On the other end, are countries like Lao PDR, Myanmar, and Bangladesh that are net importers of cross-border education, although the demand for foreign education is quite insignificant. In this typology, the Philippines is categorized together with China, Vietnam, Thailand, and Indonesia, in level four, indicating a need for foreign education to compensate for the inadequacy of the domestic environment to meet the demand for higher education. Moreover, it is perceived that the countries in this category should resolve on how best to improve their capability to provide quality education. The typology also shows that Malaysia and India, while belonging to the same category, are building their capacity and are investing heavily in English education to remain competitive. These two countries are expected to be active consumers and providers of foreign education services so as to parallel the efforts of Singapore and Hong Kong.

1. Developed exporter nations with strong domestic capacity and minor role as importers	2. Developed nations with a strong domestic capacity but also active as importers	3. Developed or intermediate nations with inadequate domestic capacity, active in both import and export	4. Intermediate nations with inadequate domestic capacity, globally active as importers only.	5. Undeveloped nations, with low domestic participation and relatively weak demand for education imports
Australia, New Zealand Trade focus. English-language education creates market potential as exporters	Japan, Korea (Taiwan) ¹² Language base limits exporter function though Japan is a larger exporter. Non-trade objectives dominate policy approach	Singapore, Hong Kong (Taiwan) (Malaysia, India) Major markets for provider nations. Import and export is mostly English-language education. Mixture of trade and other policies. Focus on building knowledge economy.	China, Vietnam, Philippines , Thailand, Indonesia, Sri Lanka, Pakistan (Malaysia, India) (Bangladesh, Fiji) Major markets for provider nations, especially English-language education. Policy dilemmas: import or build domestic capacity?	Laos, Cambodia Myanmar, Papua New Guinea, small island nations (Bangladesh, Fiji) As they develop these nations will join group 4.

Table 16. An Asia-Pacific Regional Typology of Cross-Border Education
Source: OECD, 2004a. Internationalisation and Trade in Higher Education

University education in Singapore had always been offered by two state universities – National University of Singapore (NUS) and Nanyang Technological University (NTU). However, driven by her desire to be recognized as the knowledge hub in the Asia-Pacific region, the government had decided to build the capacity of its academe in a short time as possible so as to later gain from the export of education trade. In the last decade, the Singapore government has allowed collaboration with only the best schools in the world. Its first alliance was in the area of research with the NUS, NTU, and the Massachusetts Institute of Technology (MIT). Professors of Massachusetts Institute of Technology had intensively reviewed the engineering curricula of the two universities at that time (Tan, 1999). Five years later, the three have decided to bring engineering education and research to a next level by offering graduate distance education programs.

In 1998, the Wharton School of Business of the University of Pennsylvania partnered with the Singapore government through the Singapore Institute of Management to establish the Singapore Management University (SMU). It opened its doors in 2000. It was the first university that followed an American educational model (Glasner, 1998) and the first private university that was funded by government (SMU website). In 1999, the Wharton-SMU Research Center was established. The latest collaborator in this private university is the Carnegie Mellon who has agreed to develop an undergraduate business program for SMU, using its expertise in information technology systems. The School of Information Systems shall be the

¹² Intermediate cases are indicated in brackets.

fourth school under the SMU. SMU attracts foreign academics that are paid at competitive rates.

In 2000, the INSEAD, recognized as one of the world's top-tier business schools with base in Fontainebleau, France offered its first MBA class in Singapore. In the same year, the University of Chicago-Graduate School of Business also began to offer an international executive MBA program. Likewise, the Duke University Medical Center has partnered with the National University of Singapore to establish the country's first graduate medical school (PR Newswire, 2004). There is also a joint master's program in Hospitality Management between Cornell University and Nanyang Technological University that intends to offer a graduate program in the NTU campus by 2006.

Clearly, Singapore has been very single-minded in its desire to be the hub of international higher education in Asia. In 1997, the Government purposely invited academics from prestigious universities abroad to make recommendations on how to elevate the status of their university education to world-class level. Simultaneously, Singapore has been active in the recruitment of Singaporeans working overseas as well as foreigners, to participate actively in research in line with its goal to be a "science hub".

Singapore is currently building a "country brand". Unlike efforts of traditional foreign providers that rely strongly on the efforts of individual universities, Singapore is promoting the country and simply not supporting individual institutions. At the onset, they have been able to attract students from nearby neighbors – Malaysia and Indonesia.

Like Singapore, Hong Kong also aims to become a knowledge hub. To build their capacity, they have allowed countries like Australia to provide courses in Hong Kong. For a time, overseas institutions were unregulated until the government received complaints on the quality of education. Thus, an ordinance came into operation in 1997 to regulate the provision of non-local courses (Evans and Tregenza, 2001).

Private education in Malaysia is a recent development. It had grown from 100 institutions to 600 in just 5 years (Unesco, 2003). The education system of Malaysia was inherited from Britain although the current system has a large local flavor (Middlehurst and Woodfield, 2004). The quality of education is under the purview of the National Accreditation Board.

Malaysia is one of the first Asian countries that quickly opened their doors to foreign institutions since 1996 after realizing they may not be able to educate more than 5% of its population on its own (Lenn, 2001). To date, the country has 6 foreign institutions in its soils, 4 of which come from Australia. The government has also partnered with several international universities particularly for its International Medical University established in 1992 (OECD, 2004a).

OECD (2004a) reports that in 2001, Malaysia spent over half a million dollars on education imports, representing 3.5% of the service sector. However, they were able to generate US65 million in export revenues from students coming mostly from

China and Indonesia. They had over 18,000 foreign students, up from 3,500 from the previous year.

Striving to improve its capacity, India's commitment to education is taken from its 1950 constitution that mandates free education for all children up to 14 years old (Lin, 2001). This is supported by the 1986 National Policy on Education as well as the 1992 Plan of Action. The sector is regulated by the University Grants Commission.

The higher education system began with 25 universities in 1947 (Lin, 2001). It has since grown to 300 universities and more than 10,000 colleges to support enrollment of 6.5 million (David Arnold Institute of Higher International Education, 2001). Other estimates place the figure of student enrollment at 9.3 million (Unesco, 2003).

The Indian higher education system is greatly influenced by its colonizers, the British. Two of its most prestigious undergraduate institutions are St. Stephens College in Delhi and Presidency College in Calcutta (David Arnold, 2001). Notwithstanding this affiliation, India was able to establish ties with U.S. institutions in the formation of the Indian Institutes of Technology and the Indian Institutes of Management.

On distance education, one of the largest open universities in the world is found in India. Established in 1985, the Indira Gandhi National Open University (Ignou) was conferred the status of excellence in distance education by the Commonwealth of Learning (Joshi, 1998).

Despite the establishment of these institutions, India is principally an importer of education services. In 1998-1999 for instance, there were 42,000 Indians who studied in the United States while only 709 Americans studied in India. The increase in Indians studying abroad resulted from the liberalization of the Indian economy that spurred the rise of the new middle class (David Arnold, 2001). Most of these students however look towards foreign countries for advanced education.

Despite its large imports, India is looking towards developing a regional market for education, targeting Arab countries and other countries situated in the Indian Ocean region (Unesco, 2003).

For China, their government believes that education is the key to its development. Consequently, they enacted the Education Law of 1995 and in this regard presented its education reforms up to 2010. In higher education, the government aims to attain a student enrollment of 9.5 million, with the education financed primarily through tuition fees. The government intends to aid students through scholarship grants, student loans and work-study programmes (Lin, 2001). By 2002, actual student enrollments hit 15.1 million (Unesco, 2003).

China also has set forth its national objective of "Invigorating Nation through Science and Education" (NIER). Project 211 aims to establish 100 world-class universities (OECD, 2004a). Their strategy is to fast track the country's capabilities by sending Chinese nationals abroad and utilizing their talents when they return.

While the Chinese have the highest stay rates in a study by Finn (2003), the government has begun to set in place, mechanisms to encourage the return of Chinese nationals, most especially those who have been sponsored by the Chinese government. They have bonding conditions attached to scholarships and career prospects upon the return of the scholars.

China has also opened its doors not only to joint programs with foreign institutions, but to the entry of foreign institutions and academics. They have cooperative relations with over 600 institutions worldwide (table 17). As of May 2003, they had 425 programs or part-programs with Australia alone, in all levels including English language and vocational studies.

Country	Number of Institutions
US	154
Australia	146
Canada	74
Japan	58
Hong Kong	56
Singapore	46
UK	40
Taipei	31
France	24
Germany	14
Korea	12
Total	655

Table 17. Number of China's Cooperative Relations with Foreign Institutions
Source: OECD, 2004a. Internationalisation and Trade in Higher Education

Unlike countries just discussed, Indonesia continues to be a net importer of foreign educational services. According to the OECD (2004a), Indonesia has the largest unmet demand for higher education. With continued low national expenditures on education, the country is expected to be a net importer of foreign students. They have, however, taken steps to improve the quality of their higher education by legally allowing the partnership of Indonesian institutes with foreign universities. Indonesia's higher education sector is monitored by the Accreditation Board for Higher Education and the Directorate General of Higher Education of the Ministry of Education (Unesco, 2003).

Experts' Views on Cross-Border Transactions

Given the classification of the OECD, it would appear that the Philippines is viewed as an importer of education trade. Does that mean the country cannot compete with its neighbors in education services? To assess whether the Philippines has a comparative advantage in education services trade, one is generally looking at the following:

- Can higher education institutions offer distance education programs to nationals of other countries?

- Can higher education institutions attract foreign students to pursue further studies in the country?
- Can higher education institutions establish branch campuses and programs abroad and target the country's nationals?
- Can higher education institutions attract foreign scholars into the country?

The views on whether the Philippines should market itself as an education hub in Asia or open its doors to foreign students, academics, programmes, and institutions is as wide as the continuing debate whether an economy should protect its industries or allow free market forces to govern. However, there has been a lot of pragmatism in the response of the experts interviewed when asked if the Philippines should position itself to be an education hub.

Admittedly, the country is in a poor economic state. Education experts believe the situation constantly challenges the ability of HEIs to deliver quality programs. Both the public and private sector have limited resources for education. The paying ability of students is limited and this forces HEIs to compromise some of its standards to sustain the operations of the institution. Public HEIs have to contend with national government subsidies that are barely sufficient to meet daily operations of the HEIs. Private HEIs, on the other hand, rely on endowments and donations from its alumni, but even this has its limits. It is reassuring though, that businessmen such as John Gokongwei, Henry Sy, Alfonso Yuchengco, have included the education sector as a beneficiary of its social responsibility programs.

Notwithstanding, HEIs that have been recognized as the top educational institutions in the country, continually strive to improve the quality of education delivery. Administrators encourage their faculty to pursue further studies abroad and to undertake collaborative research with international academics. They also seek to improve their curriculum by benchmarking with international HEIs and partnering with institutions in the delivery of their program. But all these are efforts of individual faculty, and departments, and colleges. While the HEIs maintain institutional linkages, the responsibility for providing an international environment rests, at best, at the college level.

In terms of international recognition, the top HEIs in the country have ambitions to be accredited internationally. However, the accreditation process is costly and is viewed by some as biased towards international HEIs with large financial resources. Consequently even if a program is considered of high quality, if the HEI does not have a large endowment, for instance, then the chances of getting accredited is perceived to have been drastically cut. So far, only the Asian Institute of Management has had international accreditation by an American and European accrediting body.

Moving to the modes of cross-border transactions, one form is online education. In the Philippines, there are very few HEIs that offer this form of education and most limit the target market to locals. Education leaders who were interviewed do not believe that this is an area for education trade since many of the programs are still in its exploratory stage. Moreover, they agree that there is poor access to ICT facilities either due to its limited number, expensive access, or even poor connectivity.

On the aspect of attracting foreign students, there were two basic considerations. First, the fact that there are simply limited student places. If an HEI was to accommodate a foreign student, this would mean displacing a local student. For instance at the University of the Philippines-Manila, where medicine is taught, there are limited slots available as the residency program can accommodate only 160 students. Institution leaders at UP and other HEIs have indicated a preference to first serve its domestic market rather than the foreign market. Consequently, while there are HEIs that have a good number of foreign students, there is no active campaign to draw in more international students.

In the argument that foreign students could bring in more revenues, the usual response was the unattractiveness of the Philippines as an education destination due to high security risks, lack of campus environment expected of international schools, and limited number of quality programs supported by state-of-the-art technology. Interviewees acknowledge that unless the Philippines can market itself in a total package, then it doesn't make sense to position itself as an education hub. There is simply no way to compete with Singapore and Malaysia that have very high per capita and could therefore afford to invest in education infrastructure and facilities, and pay for good quality academics.

Except for a few HEIs, the move to offer local degrees abroad, as another form of export trade, has been quite slow. Previously, the AIM had offered short-term executive programs in India and Malaysia. But these have been sparse. The top HEIs are not too excited about offering their programs abroad because it entails too much resources, that are better utilized in the undergraduate programs in the Philippines. Consequently, it is only schools like AMA that hope to target the Asian market abroad.

With respect to the entry of foreign institutions, the interviewees do not feel at all threatened. Some education experts have expressed resistance to commercial presence because it could draw away the students who could afford to pay for education. Nonetheless, they do not believe that a foreign institution can sustain "for-profit" operations in the country since there would be very few students who could actually afford the expected higher tuition fees. Also, locals carry a mentality that if they could afford, they might as well get the real thing and thus study abroad. In the aspect that foreign institutions could bring in students from neighboring countries, it is countered by the argument again that the country is economically and politically unstable.

However, some interviewees actually look forward to the entry of foreign institutions in the hopes that it drives HEIs to improve the quality of their education delivery. They cast doubts however on the interest of world-renowned universities to establish branch campuses in the country and fear that mediocre HEIs would be allowed to enter the country. Since the service is paid and consumed before one reaps the benefits, then it may be possible that some locals may be defrauded of quality of education. In this aspect, they look towards a regulatory body to ensure that only quality HEIs are allowed in the country.

To reap the benefits of international presence, there are administrators who believe that foreign institutions should be allowed in the country on a partnership

basis. This means that existing local HEIs seek to maintain strong ties with pre-selected international institutions. Obviously, there is still a constitutional prohibition against entry of foreign entities in education and for this reason, is not seriously considered by some HEIs. Also, there are those that expressed wariness on the idea because of perceived poor marketability resulting from expected higher tuition fees. Thus a strong partnership with the objective of capacity-building rather than profit-maximization is needed.

Due to the aforementioned articulations, one gets the impression that many educators interviewed would rather be inward looking and channel their resources to meet the demand in the local market. Admittedly though they recognize that globalization forces them to be more international in their outlook and thus seek the needed recognition for its graduates who want to pursue advance degrees or to practice their profession, abroad. Moreover, internationalization has intensified since the turn of the century and has caused educators to revisit their institutions views on education trade.

All things being said, it was a consensus that English still remains the country's competitive advantage and its relatively inexpensive education should be able to attract foreign students to take at least part of their education in the country, in preparation for further studies in the English speaking countries. By itself, English courses should be attractive as evidenced by the 60,000 students who enrolled in Australian institutes in the past year just to study the language (IDP website) and about 50,000 students yearly who enroll in intensive English courses in America (Open Doors, 2003). However, local educators are looking for serious students who intend to use the acquired English facility for further studies and not simply as past-time for tourists who wish to extend their stay in the country.

Finally, the educators agree that the Philippines should continually harness the programs that have gained worldwide acceptability. These are in the areas of dentistry, health-related services, maritime education, and even engineering and teacher-training. Schools like the UP Los Banos should also be continually funded so that the gains in agricultural education and research can still attract international recognition.

4.0 Summary, Recommendations, and Conclusions

The competitiveness of the Philippines in the area of education exports is greatly impeded by a number of factors. Firstly, there is a lack of focus by the Philippine government in determining the position of the Philippines in export education. Unlike its neighbors that have taken giant steps to improve their education systems and reverse trends in education trade, the Philippines appears to plod along. Consequently, limited financial resources are spread thinly without sufficient mass to support quality education.

If there is poor financial support for local higher education, then one cannot expect any significant support for international education. Even the private sector finds difficulty in providing financial assistance for faculty and student exchanges or in paying foreign professors to share their expertise. Much is dependent on foreign

scholarship grants to encourage the flow of academics into the country and outward to other countries.

The country also works within a highly politicized environment. Currently there are over 100 bills in Congress for the conversion of arts and trade schools into state colleges and state colleges into state universities. This puts further strain on the limited resources for higher education thereby affecting service delivery. Also the strong influence of the politicians on the CHED restricts the latter's ability to impose strict sanctions for the inability of HEIs to provide quality education.

Quality education is essential for the recognition of degrees as well as the professional qualifications of Filipinos wanting to pursue advanced degrees or practice their profession abroad. The recognition has been quite limited and is a continuing negotiating effort between countries. Apparently, there is a lack of credibility on the ability of accrediting agencies, besides PAASCU, to impartially grant accreditation levels. If accrediting agencies cannot qualify the education of local HEIs, who should? Given this perception, who should likewise accredit the programs of foreign institutions?

Furthermore, true to the Filipino territorial nature, there is a lack of cohesiveness and cooperative behavior among Philippine HEIs so that higher education can be marketed on a national level rather than on the level of individual HEIs. Singapore for instance is more focused on a country brand and thus channels resources to this endeavor. Given however there are only few recognized Philippine institutions in Asia, perhaps it makes sense to concentrate resources on these institutions, rather than trying to market the Philippines as whole. After all, the country also fairs poorly in the perception that it is a safe environment. Highly sensationalized crimes deter the entry of foreign students, academics, and institutions.

Despite the weaknesses, the Philippines still has its strong points. The proficiency in the English language remains a comparative advantage. Its proximity to the major consumers of education trade can still be plus factor. Moreover, its reputed expertise in customer-oriented fields like nursing, care-giving, dentistry, medicine, maritime services, and even the popularity in the arts and sciences can be harnessed. Finally, it is still a cost-effective alternative to other countries as its tuition fee and living expenses are affordable.

Insights and Recommendations

The potential for cross-border transactions is overwhelming. Based on statistics presented by the UNESCO, OECD, IDP, and the World Bank, foreign student enrollment is expected to continually grow and reach 8.0 million by 2025, 4 times more than what it is today. This is attributed to globalization and the sheer increase in the adult population seeking for higher and advanced education. Many view China, India, and Indonesia as the great sources of foreign students in Asia.

Due to the expected growth in cross-border education, governments are interested to be major providers of post-secondary education. Traditional providers are the recognized English speaking countries – Australia, United States, and the

United Kingdom. But there is now the entry of other countries that believe they can be the center of higher education specifically in the Asia-Pacific region. These countries are Singapore, Malaysia, and China. At the same time, there are countries like India and Indonesia who are strengthening their educational systems so that many of their nationals continue with their education in their home country.

This research shows the competitiveness level of various countries with respect to cross-border education. At the forefront is the United States with about half a million international students, as well as countries that belong to the Commonwealth, who tend to attract students from member countries. Already members of the Commonwealth who are positioned to be active as foreign education providers are Australia, Canada, India, Malaysia, New Zealand, Singapore, and United Kingdom. They are likely to attract the students from Brunei, Pakistan, Sri Lanka, and the African continent, that already have the predisposition for the British education system. European countries would also tend to attract their colonized countries, targeting Indonesia, Vietnam, and Cambodia, including Thailand. This leaves parts of China and the United Arab Emirates as free-for-all markets.

Notwithstanding, the end-user view of international higher education is that students hope to improve their standard of living by getting the best possible education for career advancement. It is important that the educational institutions from where the students receive their degrees from are recognized not only in their home country but in foreign countries as well. This, together with reasonable tuition and living costs, determines the country and institute where potential students intend to take their degrees.

Clearly, if recognition is of prime importance to students, then there must be perceived quality. An institution must be recognized worldwide as a center of education excellence at least for particular degrees they would like to be known for. Unfortunately, each HEI in the Philippines strives to be good in all its course offerings, spreading its resources quite thinly. Then, there are the public HEIs that compete with private HEIs for student enrollment but whose limited financial resources makes them ill-equipped to provide quality education. The other private HEIs also suffer the same fate as professors do little research so that all their time is spent teaching students to be able to recover costs or earn a decent profit. In these scenarios, quality is jeopardized.

The creation of CHED a decade ago was a welcome move to arrest the deteriorating higher education sector. It was envisioned that the Commission could provide the vision, the structure, and the resources to ensure that the Philippines regains its reputation for excellence. However, the CHED is beset by many challenges that greatly hamper their ability to be effective. First, it is a government agency and as such is governed by laws, policies, and guidelines with respect to the acquisition and use of its resources. Next, the commissioners are appointed by Malacanang. While certain criteria are used in the selection of these commissioners, it cannot be helped that political influence would determine the selected commissioner. Problems arise too with the hiring of personnel whose tenure is protected by law. Many of the employees of the defunct Bureau of Higher Education were transferred to the CHED, even if they have lost their usefulness. Thus processes are slow and bureaucratic, despite CHED's dictum for excellence.

Another challenge is in securing and utilizing financial resources for its operations. Like other government agencies, CHED has had to tough it out with Congress and Senate even just to maintain its budget at current levels. Once it has an approved budget, the untimely fund releases greatly affects the pace and effectiveness of its programs and projects.

CHED has undertaken several researches that (like Normative Financing, Corporatization, Typologies, CHED Tracer Study) looked into the Philippine higher education system. Such studies include the Review of State Universities and Colleges' Charters and Enabling Laws, Typologies of Philippine Higher Education Institutions, Comprehensive Cost Analysis of Degree Programs, Access of the Poor to Higher Education, Models of Amalgamation, Corporatization of Selected SUCs in the Philippines, and Quality Performance Indicators in Higher Education. Millions of pesos have already been spent tapping the best researchers in the country to recommend changes in the higher education sector. There have been many policy recommendations and yet changes, if ever made, are slow. Legislators have already been warned that the creation of more state universities and colleges will result in lesser resources for each HEI thereby impeding their ability to provide quality education. Yet, bills are continually being presented in the legislative branch that if passed, would result to even more public HEIs.

CHED had also recommended the closure of certain HEIs and programs due to their inability to meet the standards of excellence. Again, there is great resistance as stakeholders use all possible means to prevent its implementation. Bold was the step of Fr. De La Rosa, chair of the CHED who ordered the stoppage in the offering of nursing courses by 23 HEIs, soon after assuming his chairmanship. Can this police power be exercised consistently?

The decreasing budget allocation for each public HEI has brought to fore the matter of finding other sources of financing so that the HEIs may provide a better quality of education. Naturally, this would redound to tuition fee hikes. However, raising tuition fee either in the public or private sector is not politically advisable. In truth, the tuition fee rate of P25-P100 per unit is one of the lowest in the region. Increasing tuition would deprive many Filipinos of higher education that in turn would widen the gap between the rich and the poor. Currently, the Philippines has one of the highest gross enrollment rates at the tertiary level. Then again, unemployment rate is in the double digit because the poor economic state cannot support the number of graduating college students each year.

Another policy recommendation that is expected to meet with great resistance from politicians is the use of the normative financing model in allocating the budget of public HEIs. Under this scheme, heads of HEIs no longer have to defend their requested budget allocations since each HEI would be given an allocation according to the number of student places. It becomes controversial since some HEIs may receive lesser budgetary allocations since the number of student places is determined by the ability of the HEI to provide quality education. The number of student places is then multiplied by a standard cost per degree.

These are just some of the challenges that CHED faces in its quest to improve the state of Philippine higher education. If international recognition is granted only to the COE/COD HEIs, which represent only 6% of total HEIs in the country, clearly there is a need to improve the quality of higher education to better the chances of competing in the world market in education services. Then again, does the Philippines aspire to be a major player in education trade at least in the Asian region? In a Presidential address in the World Congress on Higher Education held in Manila in 1997, then President Ramos, had mentioned the “pole-vaulting” strategy whereby the intent was to diminish the gap between the country and its neighbors (Ramos, 1997). Back then, he envisioned that the Philippines could develop to be a knowledge center in the Asia Pacific region, with particular niches in maritime and medical services. Yet, the Philippines is not any closer in its aim to diminish that gap. The recent dissolution of the Office of International Affairs in favor of an Internal Audit groups sends mixed signals as to the priorities of CHED. Evidently, the education sector is concerned more with education inequities and managing its resources more efficiently. Only when this is settled can one even look towards competing in the international market.

Prior to proceeding with any changes in leadership and organization, policies and programs, the national government has to be more definite about what it intends for the education sector, in general, and higher education, in particular. Should the government maintain its aspiration for “education for all”? If so, up to what levels of education is government ambitioning for? What kind of support is the government willing to provide to meet its objectives? Does government have the will power to pursue its objectives at all costs? What role will private sector play in government’s master plan?

With respect to cross-border education, the national government must also determine to what extent the country will participate in cross-border transactions. Shall the Philippines continue to be a net importer of education services? What is the government’s viewpoint on the brain drain issue? Is the government more interested in the dollar remittances of domestic students who study and eventually work abroad or is government interested in attracting these foreign educated Filipinos to work towards the nation’s development? Can the Philippines be an exporter of education services, and if so, what price is government willing to pay to attract foreign students, academics, programs, and institutions? How can government build the local capacity so the Philippines becomes a credible alternative?

There are many strategies that government can undertake to improve the quality of higher education. Previous recommendations include corporatization of universities, establishment of a single university system or regional universities. It is possible too, that resources are set-aside for HEIs already recognized for quality education with strict provisions that the benefits are trickled down to other HEIs. International scholarship allocations can be rationed to academics rather than students for the improvement of teaching and research abilities. The national government may also invite foreign institutions for capacity-building purposes instead of for-profit activities. If government would like to improve the capabilities of its adult population without necessarily resulting in brain drain, then scholarship grants can be diverted to distance education.

Regardless of the choices that government makes, it is clear that the level of quality education must be raised. To be successful in its endeavor, there should be a concerted effort between the executive and legislative branch of government. If CHED is the super-body that governs higher education, they should be allowed to carry its function without interference from the legislators. On the extreme, wishful thinking positions CHED as a privately-run organization where the commissioners and other positions are selected objectively and executives held accountable for all their actions. The funds can then be provided lump sum, and the Commission be made responsible for managing it. An independent auditor can then ensure that the funds are properly utilized and accounted for.

Notwithstanding, the government must be more purposive. Given the present position of the Philippines in global education services, it is folly to try to compete on the basis of providing quality education across all fields. The best strategy maybe is to niche and take claim to excellence in fields such as nursing, dentistry, medicine, caregiving, language education, and information technology. Engineering and science cannot be an area of competitive advantage unless the government is willing to invest in the laboratories, equipment, and talent, needed to establish world-class institutions and academics. Alternatively, they can strengthen partnerships with industry and foreign institutions so engineers, scientists, and researchers can utilize their skills more effectively.

The Philippines admittedly has a relatively lower cost of living compared to other countries in the Asia-Pacific region. However, the country has to address its peace and order situation to attract foreigners. Since this is a tall order, the government may consider building, outside Metro Manila, an apolitical university city free from the negative elements, and where foreign institutions may situate themselves together with other centers of excellence. This may be a way of circumventing the constitutional provision prohibiting foreign investment in education and the practice of profession by academics.

For the Philippines to attract foreign students, academics, and institutions, the perception on the quality of education has to be addressed squarely. Foreigners expect to see world-class campuses with credible professors who can deliver relevant curricula. Infrastructure and laws to support this are necessary, including provisions for the mutual recognition of degrees. Already, the legislative branch in the Twelfth Congress and Third Regular Session issued Resolution No. 73, Concurring in the Ratification of the Regional Convention on the Recognition of Studies, Diplomas, and Degrees in Higher Education in Asia and the Pacific.

Moreover, the Philippine government must be more definite in its position on cross-border education. Should quality of education be improved internally or with the help of foreign academics and institutions? If quality is to be enhanced internally, then there is a need for a stronger CHED that is capable of implementing policy changes without interference from politicians. Moreover, the government should establish a more credible accrediting agency, whose standards are uniformly adapted, privately owned and managed or otherwise. If quality is to be enhanced with foreign assistance, then government must review its laws and address issues such as ownership and repatriation.

Finally, to support the education sector, there is a need to widen the reach of internet enabled computers so that, at the very least, there can be an exchange of programs. The enactment of laws on intellectual property rights has been quite helpful and is a good direction towards the support of e-learning.

Conclusion

The study of cross-border education invariably redounds to the study of a country's higher education system. In most Asian countries, the quality level of education had been low. However, Governments like Hong Kong, China, Singapore, and Malaysia have been serious about improving their education sector and have thus been quite aggressive in building capacity using the fastest means possible -- by importing the services of foreign academics and institutions. They have looked towards the importation of education services only as it serves their end purpose of establishing themselves to be knowledge hubs. Indeed the countries mentioned above have cross-border transactions, significant enough to be part of world statistics.

Compared to its Asian counterparts, the Philippines presents both advantages and disadvantages. On the positive side, the country has a lower cost of living and its courses are taught in English. Thus, the country is able to offer cost-effective alternative especially to those who need to learn English. Also, the country is known to be a major supplier of nurses, caregivers, and seafarers. Consequently, this lends credibility to HEIs that offer these courses.

On the negative side, the Philippines ranks "average" in the competitive measures presented by WEF and UNIDO. In terms of GDP per capita, data shows that the Philippines is overtaken by Thailand, Taiwan, Korea, and Hong Kong. Because of this, investments in education have been wanting.

In the study of cross-border education, one of the greatest emphases has been on the quality of education. In a 2002 survey conducted by the Asiaweek (Asiaweek website), only 3 local universities made it to the ranking, albeit poorly, that looked at academic reputation, student selectivity, faculty resources, research, and financial resources. Given these results, it can be said that the Philippines is not perceived to provide quality education and is therefore not considered a prime destination of foreign students.

Reviewing the higher education system and considering selection criteria used by international students, it became apparent that quality of education was a primary concern in the selection of an HEI. For foreign institutions, the selection is based on profit considerations and encouraged or discouraged by local regulations on foreign institutions.

Apparently, the Philippines cannot compete on the level of the more progressive Asian countries. The Philippines struggles internally with a poor economy and a highly politicized environment. Because of this, the CHED is unable to do its job effectively. This inability allows mediocrity to persist in HEIs.

For the Philippines to be competitive in the education services sector, among others, what is needed is a strong political vision and the will to see the vision

through. With clear focus, Hong Kong, China, and Singapore have strengthened the capabilities of their local universities by engaging in cross-border transactions. This clear focus is absent in the country. Also absent is the cooperative relationship between and among, lawmakers, the executive branch and the best academic minds in the country.

Finally, regardless of the choice government makes and the organization it hopes to maintain, the efforts on higher education shall be wasted if population is not abated. There are just too little financial resources to sufficiently meet the requirements of the growing population. Although it can be argued that many of the country's resources are actually lost to graft and corruption, it cannot be denied that currently the growing population only serves to further shrink, the already shrunk higher education budget.

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