

Promoting Services Trade in ASEAN

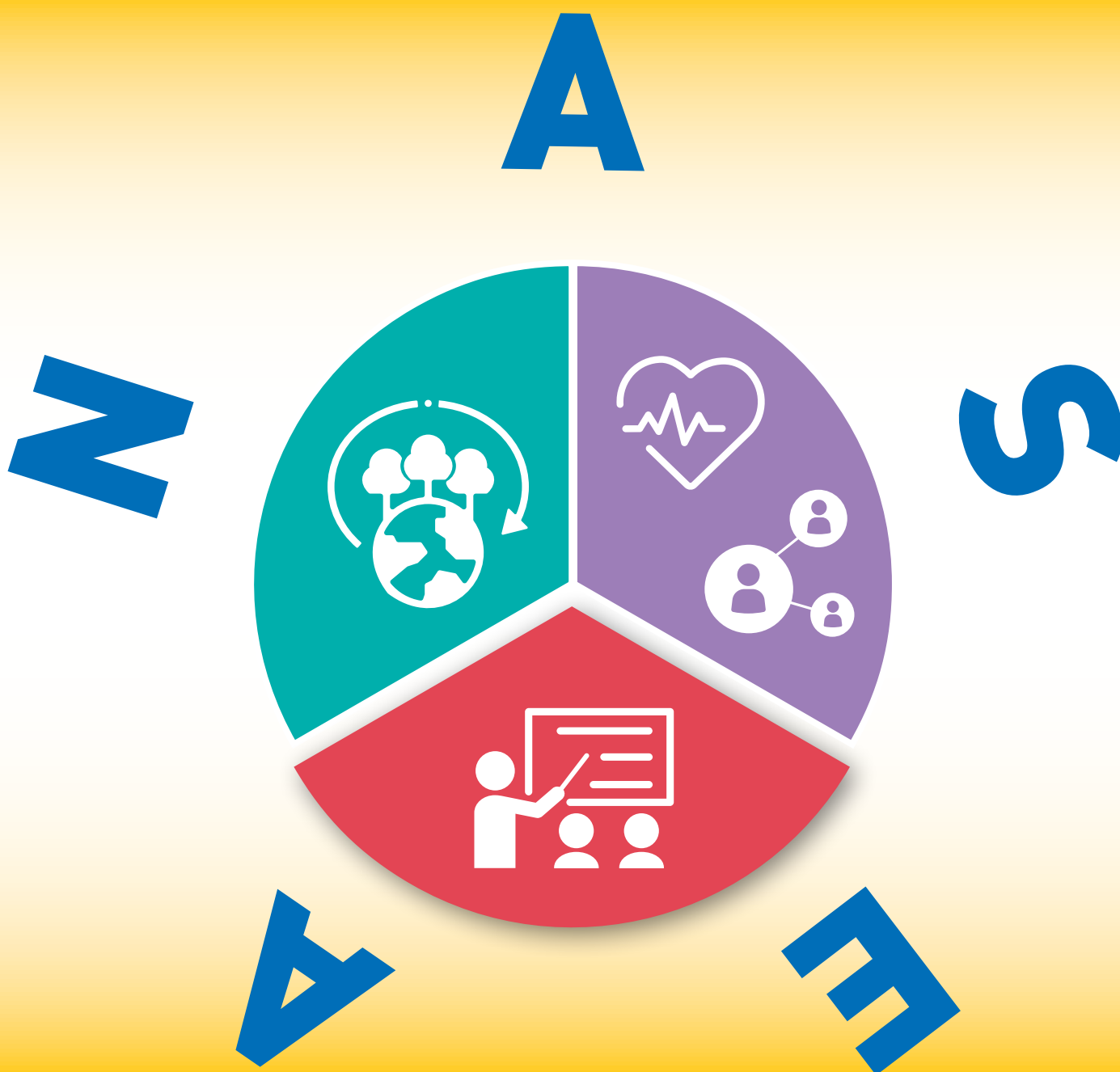
SECOND PHASE (SOCIAL SERVICES)

Trade in Education Services

PAPER 2

MARCH

2020



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Second Phase (Social Services)
Paper 2 / March 2020 / Trade in Education Services

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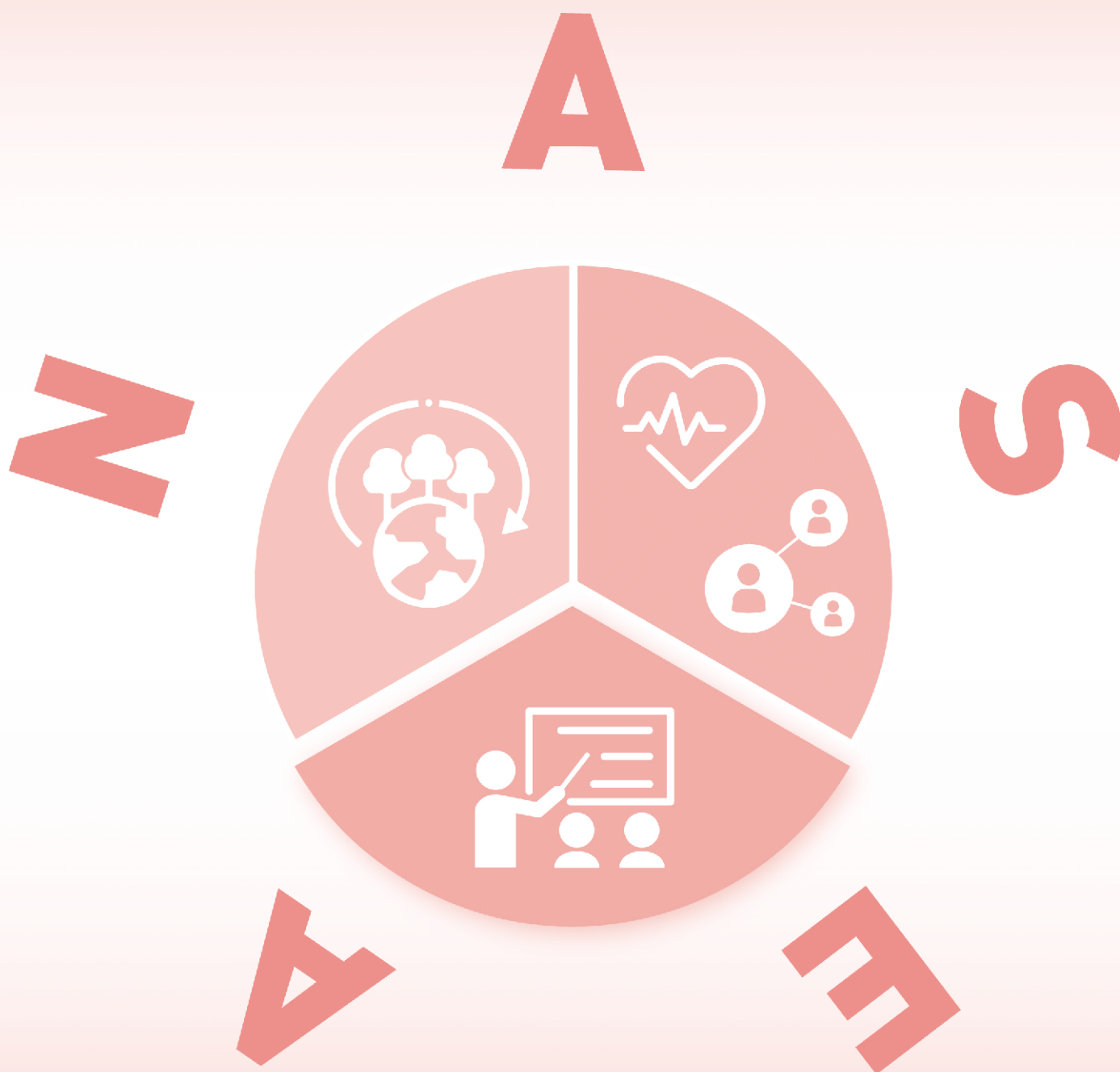
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NOTES

The terms country and/or economy as used in this study also refer, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the ASEAN-Japan Centre concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The following symbols have been used in the tables:

- Two dots (..) indicate that data are not available or are not separately reported.
- A dash (-) indicates that the item is equal to zero or its value is negligible.
- Use of a dash (-) between dates representing years, e.g., 2015–2016, signifies the full period involved, including the beginning and end years.

Reference to “dollars” (\$) means United States dollars, unless otherwise indicated.

List of papers under the project on promoting services trade in ASEAN by the ASEAN-Japan Centre

The current paper is the second of a three-paper series of social services under the second phase of the project on promoting services trade. The other papers under this project are listed below:

First Phase

Paper 1. Trade in Professional Services (February 2017)

Paper 2. Trade in Research & Development Services (February 2017)

Paper 3. Trade in Telecommunication Services (March 2017)

Paper 4. Trade in Computer and Related Services (March 2017)

Paper 5. Trade in Courier Services (January 2018)

Paper 6. Trade in Maritime, Air, Rail and Road Transport Services (February 2018)

Paper 7. Trade in Tourism Services (March 2018)

Second Phase: Social Services

Paper 1. Trade in Health Related and Social Services (February 2020)

Paper 2. Trade in Education Services

Paper 3. Trade in Environmental Services (forthcoming)

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ABBREVIATIONS

AEC	ASEAN Economic Community
AFAS	ASEAN Framework Agreement of Services
AJC	ASEAN-Japan Centre
APEC	Asia-Pacific Economic Cooperation
AQAF	ASEAN Quality Assurance Framework
ASEAN	Association of Southeast Asian Nations
ATISA	ASEAN Trade in Services Agreement
AUN	ASEAN University Network
AQAN	ASEAN Quality Assurance Network
BOP	balance of payments
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
FDI	foreign direct investment
FTA	free trade agreement
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GVC	global value chain
HEI	higher education institution
IBC	International Branch Campus
IMF	International Monetary Fund
M&A	merger and acquisition
MNE	multinational enterprise
MBA	Master of Business Administration
OECD	Organisation for Economic Co-operation and Development
NUS	National University of Singapore
PPP	purchasing power parity
SDGs	Sustainable Development Goals
SME	small and medium-sized enterprise
UNESCO	United Nations Educational, Scientific and Cultural Organization
WTO	World Trade Organization

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EXECUTIVE SUMMARY

The key economic task of education services is to build human capital to meet the skill requirements of labour markets for increasing productivity and competitiveness and, consequently, for stimulating economic growth. In the era of global value chains (GVCs), raising skills is an essential condition for economies to upgrade their positions in GVCs. Skill requirements depend on the level of economic development and thus expectations about education systems and their tasks also differ. Although all levels of education matter, higher education is central to building human capital for a modern, knowledge-based economy.

Education services differ from most other services, which are typically commercial in nature. Education is considered a public good and, as a result, the public sector plays a dominant role in its financing and provision. In recent decades, however, the private sector has rapidly gained importance in most ASEAN countries in response to a rapidly growing demand for education, especially at the tertiary level, and for better-quality education at all levels. This has created more room for commercial transactions and for cross-border trade in education services, complementing the long-existing and intensive non-commercial international cooperation among ASEAN educational institutions and policymakers.

ASEAN countries increasingly participate in most types and modes of trade in education services, but mainly as importers. Trade through Mode 2 (movement of consumers, primarily tertiary students abroad, to study in a country other than their own) is the largest trade flow in all ASEAN countries for imports, and for some countries (Singapore, Malaysia and increasingly Thailand) also for exports. In 2017, more than 285,000 students from all ASEAN countries studied abroad, compared with 144,000 in 2000. Close to 80% of outbound ASEAN students go to developed countries, primarily to the United States, the United Kingdom and Australia, but some (10%) attend universities in other ASEAN countries. Of all ASEAN students in developing countries, 41% study in ASEAN.

As regards exports of tertiary education through Mode 2, in 2017, ASEAN hosted some 200,000 foreign students, most of whom studied in one of three countries: Malaysia (100,000), Singapore (53,000) and Thailand (32,000). These exports are closely associated with the attraction of renowned foreign universities, mostly from developed countries – called “international branch campuses” (IBCs) in education jargon – established through Mode 3. Malaysia hosts 12 IBCs, Singapore 11 and Thailand three. Among other ASEAN countries, Viet Nam and Indonesia each have attracted two IBCs and Cambodia one. Foreign students in Singapore attend not only IBCs but also excellent local public universities. A good part of the commercial presence of foreign universities takes the form of non-equity modes (NEMs) of investment such as franchising and twinning arrangements or validated programmes. On the outward side, Malaysia’s universities have invested in four campuses abroad (in Botswana, Cambodia, the United Kingdom and Yemen) and those of Singapore in two campuses (in Malaysia and Uzbekistan). Consequently, sales of IBCs in ASEAN countries (Mode 3, concerning higher education) are significant, but smaller than sales of international schools and much higher than sales of IBCs of ASEAN universities abroad.

The second largest trade flow in terms of value (and the largest in terms of volume) are sales of international schools (Mode 3, commercial presence). The number of schools in most ASEAN countries has grown exponentially in recent years, as has enrolment (from 300,000 pupils in 2015 to 520,000 in 2019), as governments have gradually liberalized the access of local children to these schools. In most countries, except Singapore, local children are the largest cohort of students, from 52% of total enrolment in Indonesia and Thailand to over 70% in Viet Nam. In 2019, tuition fee income of international schools in ASEAN exceeded \$5 billion.

ASEAN trade through Mode 4, movement of natural persons (professors, teachers and researchers working abroad on a temporary basis), is mostly imports, which is quite significant, owing to the rapid expansion of commercial presence (Mode 3) by international primary and secondary schools and foreign branches of universities, generating demand and employment for foreign teachers and academics. Native-speaking teachers of English are also in demand at local ASEAN schools. Some 33,000 foreign teachers in the six ASEAN countries with the largest number of international schools generate an estimated annual salary cost (and imports through Mode 4) of almost \$800 million.

Trade through Mode 1 (cross-border flow of services associated with distance and online education, mainly for obtaining a tertiary degree or a certificate), despite having great initial promise, has not taken off. Although internet-based technology made education services tradable across borders, the popularity of online international courses, and consequently international trade, remains low in both the world and ASEAN. This may be due to many factors but may also simply mean that most students who can afford international education prefer traditional face-to-face interaction in the classroom with access to teachers, facilities, tutoring, support services and student life.

Expansion of ASEAN trade in education has been possible owing to liberalization and deregulation of these services in most countries. On average, the applied trade policy of all ASEAN countries in education services for all modes is pretty liberal, at 23 out of 100 (which means that trade is banned), as measured by the World Bank's Services Trade Restrictiveness Index. This is confirmed by another measure (excluding, however, Mode 4), based on liberalization commitments under the ASEAN Framework Agreement of Services (AFAS), the so-called Hoekman index. It takes the value of 0.84 (where 1 equals full liberalization) for all ASEAN countries, all modes and the entire education sector. Most countries are fairly open to Modes 1 and 2 of trade. Mode 3 imports, which also generate trade in other modes, is the least committed to liberalization within AFAS (with Mode 4 being outside the AFAS negotiations), lowering the overall index of liberalization of educational trade. In Mode 3, for example, Indonesia, Myanmar, the Philippines and Thailand apply some restrictive measures. Applied policy in education trade is more liberal than AFAS commitments, but it is much more restrictive than was the goal of the ASEAN Economic Community (AEC) Blueprint 2025. Thus, in several ASEAN countries, there is room for further liberalization, especially of Mode 3 of trade in education services. There is also room for narrowing the gap between actual policy and commitments under the AFAS and the AEC Blueprint, and for improving investment climate for intra-ASEAN foreign direct investment (FDI). The ongoing transition to the ASEAN Trade in Services Agreement (ATISA), which will replace the AFAS, may facilitate further liberalization, as the ATISA negotiations will be based on a negative-list approach, which is simpler and more transparent than the previous negotiations based on a positive list.

Liberalization is a necessary but not sufficient condition for attracting FDI into tertiary education. Supplementary measures are also needed to reduce investment risks and increase chances for attracting foreign investments, including the establishment of a clear, stable and transparent regulatory framework for the activities of foreign higher education institutions (HEIs). Furthermore, the experiences of ASEAN countries that have been successful in attracting IBCs show that government involvement may be necessary in selecting and attracting good-quality foreign universities to a host country. This includes financial involvement in the form of incentives for investment and often subsidies for operations. The need for serious financial engagement poses problems for less developed ASEAN countries. Examples of some low-income countries reveal, however, that these problems can be overcome through combining government commitments with official development assistance (ODA) and support from regional development banks. The help of high-income ASEAN countries would also be useful in this respect.

Another important policy task of governments is to increase the benefits and avoid or reduce the risks of trade in education services. These differ by the mode of trade. Imports through Mode 2 enlarge human capital, if graduates return home. If they do not, they become a skilled diaspora. Governments can facilitate graduates' return (by, for example, recognizing foreign degrees) and can reduce "brain drain" by encouraging highly skilled diaspora members to return or to engage in beneficial interactions with home countries. The key benefit of international schools is that they satisfy demand from affluent parents for better-quality education. As most graduates of ASEAN international schools pursue higher education abroad to become university graduates, policy issues become the same as in the case of outbound students. The key benefit of attracting IBCs of prestigious universities is that they are a magnet for foreign students, thus stimulating exports. The commercial presence of foreign HEIs may also reduce imports of tertiary education through Mode 2, as it provides an option and incentives (such as lower cost) for local students to obtain valued foreign degrees without leaving the country. It may also alleviate skills shortages, if IBCs specialize in courses not available in the country. There can also be positive spillovers to the domestic education system from the commercial presence of foreign providers. Some countries encourage foreign HEIs to collaborate with local ones, while others make such cooperation a condition of entry.

Opening to commercial presence may not be enough to stimulate trade, if there are restrictions on other modes of associated delivery or constraints falling beyond trade policy. For example, if a country wishes to attract foreign students, cumbersome visa procedures may be an obstacle. If a country's objective is to use foreign graduates to reduce the shortage of skilled human resources, then immigration policy becomes very important as do such issues as the availability of scholarships to foreign students, the possibility to work while studying and the availability of work permits after graduation. Regional regulatory cooperation is very important to achieve progress in supplementary measures, which are needed to advance trade in education services, because of the diversity and differences in quality of national regulations in ASEAN countries. The challenges of improving regulatory quality are particularly significant for lower-income ASEAN countries, and strong support from other ASEAN countries and ASEAN institutions would be desirable in confronting these challenges.

Modes 1 and 3 of education services trade raise the issues of quality and rogue providers, for both students and governments. Concerns about the quality of foreign education provision and about the entry of "degree mills" should be alleviated by monitoring the entry of such institutions and putting in place a quality assurance infrastructure. The adoption of aspects of the ASEAN Quality Assurance Framework (AQAF) dealing with ensuring and harmonizing the quality of qualifications in higher education could be helpful in this respect. The attendance of international schools by local children raises in some circles issues of access to education and equity. Bans or restrictions would not, however, improve education outcomes of children whose parents cannot afford international schools. Better policy would be to improve the access of talented local children to the best local schools.

An important education policy issue relates to the success of several ASEAN countries in attracting export-oriented FDI in manufacturing and services, and the aspiration of other countries to follow a similar path. The skill requirements of foreign investors are typically higher than those of domestic firms. Education, providing skills for more advanced and sophisticated industries and activities, is key for retaining existing investors, encouraging them to upgrade and attracting new investors to more advanced activities that rely on skilled workers and employees.

INTRODUCTION: THE CHARACTERISTICS OF EDUCATION SERVICES

Education services include the provision of skills, knowledge and information – through teaching, training and instruction – to children of various ages and adults. Education typically takes place within formal educational institutions such as schools, colleges and universities and at training centres, workplaces (on-the-job-learning, training), or non-governmental organizations (NGOs) such as religious bodies. Institutions that offer education, especially at lower levels, are in most cases publicly financed, owned and operated, charging no fee. They may also be privately owned and operated, for profit or not for profit, but charging tuition. Education may also take the form of individual tutoring, parent teaching or self-learning. Its provision typically requires personal contact between instructors and pupils, rendering services non-tradable across borders. This has, however, changed with the emergence of distance online learning, relying on the internet.

Education services are classified by the level of formal education and distinguish, in addition, other non-formal education services. The World Trade Organization (WTO) lists the following categories of these services, on the basis of the Central Product Classification, Rev. 2 (WTO, 2010: 2-3):

- 5. A. Primary education services (preschool and other primary education)
- 5. B. Secondary education services (general higher secondary education and technical and vocational secondary education)
- 5. C. Higher education services (postsecondary non-tertiary education, comprising a general subclass and a specialized one, leading to qualifications that are relevant to the labour market; and tertiary education, comprising first-stage tertiary, leading to a university degree or equivalent, and second-stage tertiary, for advanced research qualifications, such as a doctoral degree)
- 5. D. Other education and training services (cultural education, sports and recreation education, and other education and training services)
- 5. E. Educational support services (consulting, counselling, evaluation and testing services, and organization of student exchange programmes).

Education has always been central to the economic, social and cultural progress of nations and to the success and well-being of individuals. Over time, its importance has increased, and its content has become more sophisticated and ever more demanding. Education is a basis for human capital, which has been recognized for a few decades as a key factor explaining economic growth and development. Rapid technological progress, digitalization of all aspects of human activities and the emergence of GVCs have put new demands and strains on the content, scope and methods of education. In many fields, future skill requirements have become unpredictable and several jobs and professions based on known skills, acquired in the past, are predicted to disappear. An increasing premium is put on flexibility and the lifelong ability not only to acquire adequate skills, but to learn new ones when old ones become obsolete.

The importance of education has been recognized in the Sustainable Development Goals (SDGs): “Quality education and lifelong learning opportunities for all are central to ensuring a full and productive life to all individuals and to the realization of sustainable development”. Consequently, one of the 17 SDGs, goal 4, addresses education issues: “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all” (United Nations, 2017: 24). ASEAN countries have achieved considerable progress in ensuring the universal access of children to education, and some have also greatly improved the quality of education at all levels. ASEAN countries pay great attention to the issue of quality, as ASEAN leaders committed to advance universal access to quality

education in the ASEAN Socio-Cultural Community Blueprint 2025.¹ However, given the increasing role of private providers and the market mechanism in education in most ASEAN countries (see chapter III), ASEAN governments have to strike the right balance between market competition and government intervention for equitable access to education.

In an era in which production of goods and services are increasingly organized within GVCs, raising skills in a country through various forms of education, training and retraining is an essential ingredient of GVC upgrading (Gereffi, 2015:22) – that is, improving the country's position in these chains and, consequently, in the international division of labour. Gereffi concludes, "Therefore, workforce development programmes should involve a combination of basic education and more specialized training, with private companies supplementing the role played by public agencies". Skilled workers are needed to move up the value chain from low to higher value added industries and activities (World Bank et. al., 2017: 125). Fernandez-Stark, Bamber and Gereffi (2012:4) point out that "As developing countries expand their participation in the global economy, human capital is becoming a critical factor for competitiveness. Skills and workforce development are essential elements for upgrading in GVCs". Countries can help ensure that their participation in global markets translates into better economic and social outcomes through a range of policy actions, among which investing in skills of their populations is paramount (OECD, 2017:11).

As in the case of professional, telecommunication and computer services, the impact of education services on value creation extends to all functions in the value chain and across various industries. As indicated in the ASEAN-Japan Centre's papers on these three services,² their role is to ensure smoother and more efficient operation of value chains in a country. Education services do so as well, although their more important function is to enable businesses in a country to move up and across value chains, to more sophisticated functions and activities, creating more value added.

The great public benefits of education have historically prompted governments to consider it a public good and, up to a certain education level, differing from country to country, a human right. Therefore, traditionally, education has not only been highly regulated and tightly supervised by the state (which is also the case of many other services, e.g., financial services), but also largely, and in several cases, entirely, financed and provided by the public sector. The underlying reason is that education services are a case of market failure. When left to markets, the supply of education services would be too small to produce socially desirable externalities. Education would be accessible to a limited group of children and young people from better-off families, whose parents would be able to afford to pay for it, leaving out the masses. Or its content could be deformed, serving private interests (profit making) rather than the public interest. A high level of government intervention, higher than in most other services, has left less room for the market and, consequently, international trade for education services than for most other services.

Trade is a commercial transaction – buying and selling (or exchanging) of goods and services between people and/or firms (domestic trade) in different countries (international trade), involving payment of money by a buyer to a provider. The market is a system allowing trade. An education system that relies entirely on free, no-fee, public provision of education eliminates the market and leaves little room for trade. In an open setting, however, there can still be trade through some modes of international delivery. Parents who are unable to send children to a private school at home can send them to a boarding school or a university abroad (Mode 2), if they can afford it.³ The potential

¹ ASEAN Socio-Cultural Community 2025 Blueprint (URL: <https://www.asean.org/wp-content/uploads/2012/05/8.-March-2016-ASCC-Blueprint-2025.pdf>).

² ASEAN-Japan Centre, Promoting Trade in Services, Papers 1, 3 and 4, https://www.asean.or.jp/ja/trade-info/pst_papers-2.

³ Provided that the currency is convertible and there are no restrictions on the transfer of funds abroad and on foreign travel.

international mobility of children increases with age and with the income level of parents. It is lowest for primary school children and highest for tertiary students and adults. Talented multilingual teachers can seek work at private education institutions abroad (Mode 4). And technology makes it possible (technically, government permitting) to provide online education services from private institutions abroad to students living in a system dominated by public provision of education services (Mode 1). Thus, some international trade exists even in an entirely state-based system.

In recent years, demand for education (especially at the tertiary level) and better-quality education at all levels has been growing rapidly. Many governments have not been able to satisfy this demand, despite increasing public spending on education. In response, in ASEAN countries the role of private involvement in funding such services (mainly by parents) and in establishing, managing and providing them (by NGOs, enterprises and public entities from other countries facing budgetary constraint and seeking additional revenues abroad) of private education services in exchange for payment (tuition) has also grown. This growth has created space for market provision⁴ and for international trade in selected activities and for select groups of customers – children and older students.

As a result, there has been a rapid expansion of trade in education services worldwide, and in the ASEAN countries, which will be examined in chapter II. A caveat needs to be made here. There has always been intensive non-commercial cooperation among educational institutions of various countries, and the room for further such cooperation remains considerable. Such cooperation is important for sharing experience about best practices, education methods and curricula, for teachers' and students' exchanges and, as a result, for raising the quality of education.⁵ Much of the education system in countries remains public, and trade will never replace the need for non-commercial interactions. The discussion of this subject is beyond the scope of this paper, but it cannot be entirely ignored, because the relationship between commercial and non-commercial cooperation raises important issues, including policy issues.⁶

Before examining ASEAN trade in chapter II, it is important to identify the features of education systems of ASEAN countries that broadly determine the room for such trade. This makes it possible to assess whether room for trade will expand over time.

⁴ This expanded the role of markets in education in the sense that it allowed for commercial transactions. But no country has introduced a genuine economic market in primary or secondary education for local children. In higher education, where commercial transactions are most common, Marginson (2013) noted, "no research university is driven by shareholders, profits, market share, allocative efficiency or the commodity form". At best, he concludes, markets in higher education can be called regulated quasi-markets. One should thus be aware that despite the privatization and commercialization of some parts of education, these processes are not akin to similar processes in transportation, telecommunication or media.

⁵ An example is the ASEAN Work Plan on Education 2016-2020, endorsed by the 11th ASEAN Senior Officials Meeting in Education and adopted by the 9th ASEAN Education Ministers Meeting, held 23-25 May 2016 in Malaysia. In higher education various collaboration programmes are implemented through the ASEAN University Network and ASEAN + 3 Net. The Japan International Cooperation Agency's AUN/SEED-Net is an example of such a programme (<http://www.aunsec.org/index.php>). Within ASEAN +3 Net, Kyoto University provides a double degree programme in human security. At a country level, for example, the Ministry of Education and Training in Viet Nam has set up the International Education Cooperation Department to be responsible for international cooperation (<https://vied.vn/en>). The United States government has set up the Vietnam Education Foundation to facilitate education exchange and capacity building in Viet Nam (https://home.vef.gov/download/OverviewofVEF_Sept2016.pdf).

⁶ One issue is whether international agreements such as the General Agreement on Trade in Services (GATS) or the ASEAN Framework Agreement on Trade in Services (AFAS) are needed to stimulate trade in higher education services, one of the most dynamic categories of education trade. After all, students and education programmes moved between countries through non-commercial programmes long before international treaties came into existence. Many educators are of the view that trade rules embodied in international treaties are not necessary to regulate the cross-border movement of commercial education, because the education sector has developed regulations and policies suitable for trade and can continue to do so (Knight, 2006: 61).

I. STATE OF EDUCATION SERVICES IN ASEAN: THE ROLE OF PRIVATE PROVISION

The objective of this chapter is to examine key components of the education systems of ASEAN countries identified in the introduction that matter (or may matter) for trade in education services. Therefore, the focus is on the role of the private sector by levels of education, measured by the share of students' enrolment in private primary and secondary schools and HEIs in total enrolment. The assumptions are that the greater is the role of the private sector, the greater is the scope for buying and selling education services, and that countries that allow domestic private trade in such services would have fewer objections to allowing international trade in them.

Conceptually, the task of delineating the border between public and market-based provision of education services seems to be straightforward. Compulsory, free provision by public institutions excludes markets and trade. Private, tuition-based provision allows markets and trade. If it is extended to foreign providers, it creates room for international trade in Mode 3 and can impact trade in other modes.⁷ But in practice, the distinction between public and private does not necessarily and precisely overlap with the distinction between free and fee-based provision, which is the essence of commercial transactions. Public schools and universities can provide free education to most (local) students but collect tuition from some categories of students (e.g., foreign students). Conversely, private institutions (e.g., religious schools) can be partly or entirely financed by the state and offer no-fee education to some or all students. In most countries the recent regulatory landscape of education services is one in which public and private suppliers co-exist and there can even be both private and public provision in one school or institution. But the latter is rather an exception than a rule.

Table 1 presents data on compulsory and free education guaranteed in the laws of ASEAN countries in 2012 and 2017. Total years of compulsory education range from five in the Lao People's Democratic Republic and Myanmar, through six in Malaysia and Singapore; nine in Brunei Darussalam,⁸ Cambodia and Thailand; to 10 in Viet Nam and 11 in the Philippines. The numbers for the last two countries include also one compulsory year of pre-primary education. Differences among countries are thus significant and seem to be determined rather by national choices and philosophies than by the level of development. That said, in the less developed countries of the Lao People's Democratic Republic and Myanmar, economic factors may play a role in the relatively short term of compulsory education. In contrast, in relatively better-off Singapore and Malaysia, compulsory education lasts a much shorter time than in less developed Viet Nam and the Philippines. In countries with requirement of five to six years, compulsory education ends at the primary level, while in others it extends to secondary education, typically to a lower level (table 2). During the past 20 years, these durations of compulsory education have not changed, except in Viet Nam, where it was five years until 2004 and nine years until 2014.⁹

⁷ The commercial presence of good-quality foreign private schools offering international programmes that facilitate entry into Western universities can diminish the propensity of parents to send children for education abroad, thus reducing imports through Mode 2. The presence in a country of prestigious universities, increasing chances for good jobs at home and abroad (in e.g. multinational enterprises), can attract students from other countries, thus stimulating exports in the same mode. Both may require bringing in qualified foreign teachers and lecturers from parent schools and universities or other sources abroad, thus raising imports through Mode 4. But they may also reduce the exodus of domestic teachers seeking better career opportunities abroad. They may also facilitate online learning (Mode 1), making it possible to combine distance learning with face-to-face classroom interactions.

⁸ Under the Compulsory Education Law of 2011.

⁹ World Bank, World Development Indicators database.

Table 1. Compulsory and free education in ASEAN countries guaranteed in law, 2012 and 2017 (Number of years)

Country	Total education				Primary education				Secondary education			
	Compulsory		Free		Compulsory		Free		Compulsory		Free	
	2012	2017	2012	2017	2012	2017	2012	2017	2012	2017	2012	2017
Brunei Darussalam	9	9	..	..	6	6	..	..	3	3	..	..
Cambodia	..	..	9	9	..	..	6	6	..	..	3	3
Indonesia	9	9	12	12	6	6	6	6	3	3	3	6
Lao PDR	5	5	5	5	5	5	5	5	..	..	..	..
Malaysia	6	6	11	11	6	6	6	6	..	..	5	5
Myanmar	5	5	5	5	5	5	5	5	..	..	..	..
Philippines	11	11	11	11	6	6	6	6	4	4	4	4
Singapore	6	6	..	..	6	6	..	..	..	..	..	..
Thailand	9	9	12	12	6	6	6	6	3	3	6	6
Viet Nam	9	10	5	6	5	5	5	5	4	4	..	..

Source: UNESCO, UIS.Stat.

Note: The Philippines and Viet Nam each have one compulsory year of pre-primary education.

Table 2. ASEAN countries: actual free and compulsory education by level, 2014

Country	Tuition Free				Compulsory				1 = tuition; 3 = free but not compulsory; 5 = free and compulsory					
	Primary		Upper secondary		Tertiary		Lower secondary		Primary		Lower secondary		Upper secondary	
	✓	(with fee)	✓	(with fee)	✓	(with fee)	✓	(with fee)	✓	(with fee)	✓	(with fee)	✓	(with fee)
Brunei Darussalam	✓	✓	✓	✓	✓	(with fee)	Yes	Yes	5	5	5	5	3	3
Cambodia	✓	✓	✓	✓	✓	(with fee)	Yes	Yes	5	5	5	5	1	1
Indonesia	✓	✓	✓	✓	✓	(with fee)	Yes	Yes	5	5	5	5	1	1
Lao PDR	✓	✓	✓	✓	✓	(with fee)	Yes	No	5	5	5	3	3	3
Malaysia	✓	✓	✓	✓	✓	(with fee)	Yes	No	5	5	5	3	3	3
Myanmar	✓	✓	✓	✓	✓	(with fee)	Yes	No	5	5	5	3	3	3
Philippines	✓	✓	✓	✓	✓	(with fee)	Yes	No	5	5	5	3	3	3
Singapore	✓	✓	✓	✓	✓	(with fee)	Yes	No	5	5	5	1	1	1
Thailand	✓	✓	✓	✓	✓	(with fee)	Yes	Yes	5	5	5	5	3	3
Viet Nam	✓	✓	✓	✓	✓	(with fee)	Yes	No	5	5	5	1	1	1

Source: World Policy Analysis Center

Note: A country's constitution may state that education is tuition-free, but if the country reports that tuition is charged, it appears in this table as tuition reported. This table is thus different from table 1, which shows data based on what is stipulated in the laws of countries.

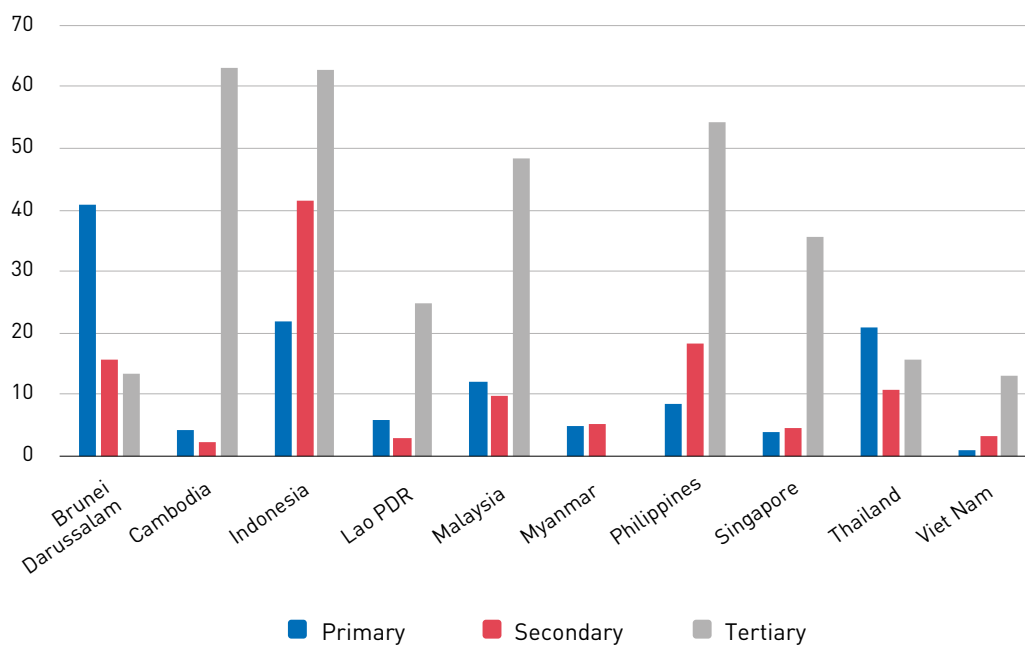
In most countries the number of years of free education is the same as the number of years of compulsory education (there are no data on Singapore). However, the number of years of free education is longer in Indonesia and Thailand by three years (12 vs. 9) and in Malaysia by six years (11 vs. 6). The former two countries give secondary school pupils a choice to pursue (or not) upper secondary education and pay for it. Malaysia grants graduates of primary schools free secondary education. Judging from the lengths of compulsory and free education, and the data in table 2 on compulsory and tuition-free education in 2014 (based on actual situation, not on rules stipulated by laws),¹⁰ no ASEAN country except for Brunei Darussalam provides free tertiary education.

Figures 1 through 4 show the current role of private student enrolment (private enrolment as a percentage of total enrolment in 2017 or latest available year) by education levels in ASEAN countries. Private education exists in all countries except for higher education in Myanmar, although its role differs greatly from country to country and by the level of education. There are few discernible patterns that are common for all countries. In primary and secondary education this role is small, less than 6%, in Viet Nam, Cambodia, the Lao People's Democratic Republic, Singapore and Myanmar. In primary education, 41% of pupils attend private schools in Brunei Darussalam, about 21-22% in Indonesia and Thailand, 12% in Malaysia and 8% in the Philippines (figures 1 and 2). In secondary education, the role of private enrolment is greatest in Indonesia (42%), followed by the Philippines (18%), Brunei Darussalam (16%) and Thailand and Malaysia (about 10%) (figures 1 and 3). In some countries the role of private provision is more important in primary than in secondary school (e.g., in Brunei Darussalam, 41% vs. 15% and in Thailand, 21% vs. 11%), while in others the reverse is true (in Indonesia, 22% vs. 42% and in the Philippines, 8% vs. 18%). In the remaining countries, the difference is not that big. These data mean that the public sector is the dominant provider of primary and secondary education in most ASEAN countries, except for primary schools in Brunei Darussalam and secondary schools in Indonesia, where public schools are important but not dominant, accounting for about 60% of enrolment.¹¹

¹⁰ Tuition reported means that the country reports charging tuition by the last year of primary or secondary education. A country's constitution may state that education is tuition-free, but if the country reports that tuition is charged, it appears as tuition reported.

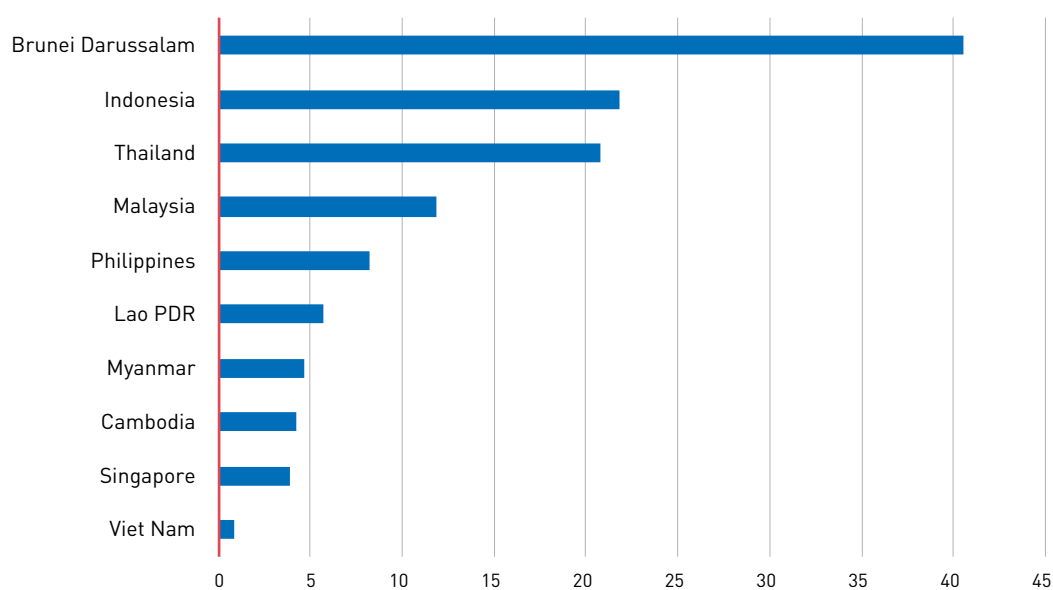
¹¹ Another exception is pre-primary education and early child development programmes. In Indonesia they are 95% private and in Brunei Darussalam 77%, measured by enrolment. In most other countries (there are no data on Singapore) the importance of private care for preschool children is much higher than the provision of private primary and secondary education, including in countries with negligible enrolment in private schools: Viet Nam, 15-30%, depending on the programme; the Lao People's Democratic Republic, 18-57%; Cambodia, 17%; and Myanmar, 28% (UNESCO Statistical Institute).

Figure 1. ASEAN 10: Enrolment in private education institutions by level as share of total enrolment, 2017 or latest available year (Per cent)



Source: Author, based on UNESCO, UIS.Stat.

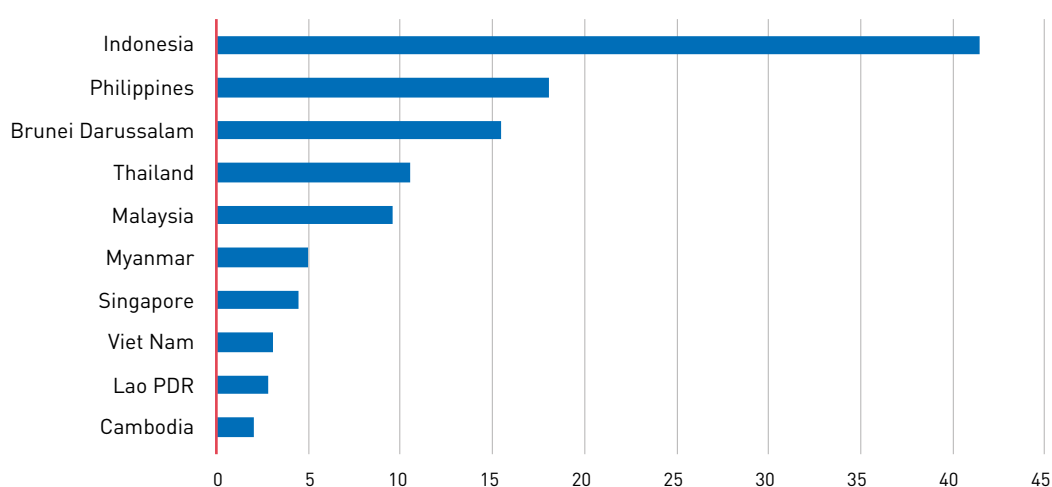
Figure 2. ASEAN 10: Enrolment in private primary schools as share of total enrolment, 2017 or latest available year (Per cent)



Source: Author, based on UNESCO, UIS.Stat.

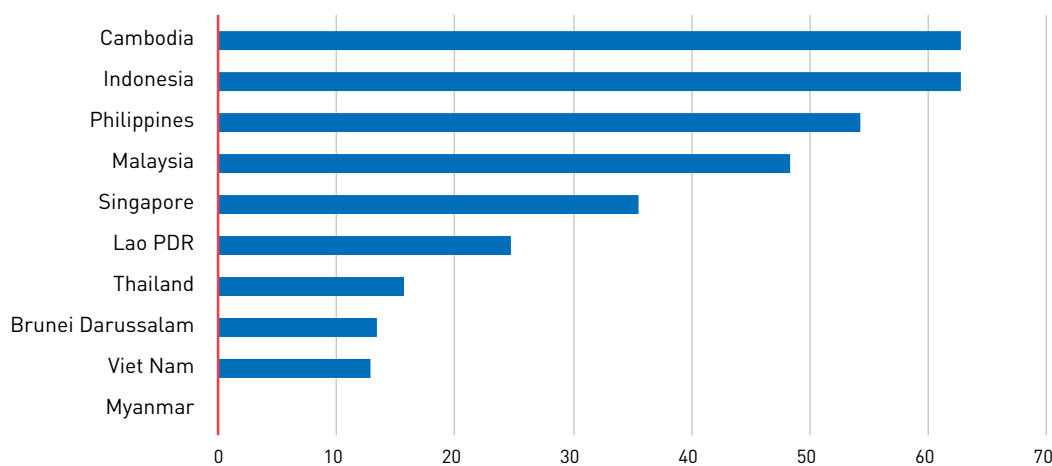
The situation is different in tertiary education, although it also varies greatly from country to country (figures 1 and 4). In Cambodia, Indonesia and the Philippines, the role of private HEIs is more important than that of public ones, with private student enrolment amounting to about 63% in the first two countries and 54% in the Philippines. Private enrolment is also significant in Malaysia (48%), Singapore (36%) and the Lao People’s Democratic Republic (25%).

Figure 3. Enrolment in private secondary schools as share of total enrolment, 2017 or latest available year (Per cent)



Source: Author, based on UNESCO, UIS.Stat.

Figure 4. ASEAN 10: Enrolment in private HEIs as share of total enrolment, 2017 or latest available year (Per cent)



Source: Author, based on UNESCO, UIS.Stat.

In the remaining countries, it ranges from about 13% in Brunei Darussalam and Viet Nam to 16% in Thailand. As noted earlier, Myanmar does not have private HEIs. In seven out of ten countries the importance of private provision of tertiary education is much larger than that of primary and secondary education. The biggest difference is in Cambodia, where private schools account for only 2-4% of pupils, while the share of students enrolled in private universities is 63%. In Viet Nam, which exhibits negligible private primary and secondary education (1-3%), the share of tertiary private enrolment is quite significant (13%). The relatively small attendance at private schools and the much larger attendance at universities are also characteristic of the Lao People's Democratic Republic, Malaysia, the Philippines and Singapore. Only in Brunei Darussalam is the role of private provision of higher education smaller than that of primary and secondary education and only in Thailand is it smaller than that of primary education. In the former it may be perhaps explained by the fact that tertiary education, which is most costly, is provided for free by public HEIs.¹²

Data on the role of the private sector over longer periods are available from the World Bank's World Development Indicators database for primary and secondary education. From 2000 to 2017, there was a clear trend towards increasing private enrolment in primary education in most countries, except in the Philippines, where it fluctuated around 8-10%, and in Singapore, where it fell from 7.6% in 2009 to 3.9% in 2016. In Brunei Darussalam, the share increased from 35% in 2000 to 41% in 2017, in Indonesia from 16% to 22%, in Thailand from 13% to 21% and in Malaysia from 1% (in 2002) to 12%. The share tripled in Viet Nam (from 0.3% to 0.9%) and increased more than two and a half times in the Lao People's Democratic Republic (from 2% to 5.7%) and Cambodia (from 1.6% to 4.2%). In Myanmar, it increased from 0.2% in 2014 to 4.7% in 2017. The role of the private sector in secondary education has also expanded in seven ASEAN countries. In 2017 the shares provided in figure 3 were a couple of percentage points higher than in 2000 or later years, when the data begin (as in Myanmar – 1.3% in 2014 and 4.9% in 2017). In Indonesia the shares fluctuated at high levels of 42% and 47%, but they have not increased. In Singapore, the share decreased from 6% in 2007 to 4.5% in 2017. There are no data for Viet Nam.

UNESCO provides data on private enrolment in HEIs for 2012 and 2017 or 2016, depending on the country. The shares increased in Brunei Darussalam (by two percentage points) and Malaysia (by ten points) to the levels shown for the latest year in figure 4. They decreased slightly, by a couple of percentage points, in Cambodia, Indonesia, the Lao People's Democratic Republic, the Philippines and Viet Nam, and considerably in Singapore, from 66% in 2012 to 35.5% in 2016. Generally, the role of the private provision of higher education, as noted earlier, is much more important than that of primary and secondary education.

To conclude, the role of the private sector in enrolment by education levels serves as a proxy showing the room for private, tuition-based transactions and thus domestic trade in education. In all ASEAN countries, the room for trade is much bigger in higher education than in primary and secondary education, where it is generally small. The role of the private sector in the provision of primary and secondary education is growing in most ASEAN countries, but the public sector continues to dominate.¹³ Exceptions include primary education in Brunei Darussalam and secondary education in Indonesia. Therefore, the scope for commercial transactions and, consequently, international trade

¹² Apparently, a small country with a small number of children and students, large revenues from exporting petroleum and gas and the second highest GDP per capita among ASEAN countries can afford free education for all, at all levels, rather a rare situation in a developing country

¹³ The scope of publicly supported, no-tuition provision may be even larger, as private schools, as noted earlier, may be subsidized by the government directly or indirectly, through scholarships provided to students. Data on private enrolment do not distinguish such schools. "Private" refers to all educational institutions not operated by a public authority but controlled and managed, whether for profit or not, by a private body (e.g., religious body, foundation, private enterprise or person), regardless of whether these institutions receive financial support from state authorities.

in education services in ASEAN is much smaller than in most other services. Nevertheless, the scope for trade is growing in response to the inability of some governments to satisfy the rapidly growing demand for some types of education and to the often poor quality of public education. There is also scope for trade in niche activities, where private (often non-profit) provision of services exhibits a competitive advantage over government provision (e.g., international schools for expatriates' children). This scope is examined in the next chapter.

II. ASCENDANCY OF EDUCATION SERVICES TRADE: VOLUME OF TRADE IN SERVICES BY FOUR MODES OF TRADE

Total services supplied to international markets by ASEAN countries (exports) and their total purchases of services from abroad (imports) through the four modes of international services delivery have been estimated at roughly \$1 trillion each by the ASEAN-Japan Centre. Overall, ASEAN trade in services is balanced. In professional and computer services, estimates of trade for the examined services were added to calculate their shares in total services exports and imports, in order to check the ascendancy of trade – that is, their growing importance in overall services trade. A similar exercise is not possible in the case of education services because of data gaps and inadequacies. It is also not possible to estimate the values of trade in education services for each of the four modes for all ASEAN countries.

However, on the basis of various data series, including on physical cross-border movement of students, schools and universities, trade through Mode 1 (cross-border flow of services) is negligible. Trade through Mode 4 (professors, teachers and researchers working abroad on a temporary basis) is much larger owing to the rapid expansion of commercial presence (Mode 3) by international primary and secondary schools and foreign branches of universities, generating demand for international teachers and academics. The largest international services flows in ASEAN countries take place through Mode 2 (students studying abroad) and through Mode 3 (commercial presence of providers – schools and universities – abroad, or, in other words, sales of foreign affiliates in host countries). Trade through these three modes is, however, uneven. In most cases, ASEAN countries are large importers (buyers) and small exporters (sellers) of education services. But there are exceptions: some ASEAN countries have emerged as significant exporters of tertiary services through Mode 2. This is associated with attracting significant FDI in equity and non-equity forms to tertiary education (Mode 3), drawing foreign students, whose expenses generate exports.

1. Mode 1: cross-border supply

The most important type of this mode of trade is online distance education for obtaining a degree or a certificate. In most cases it concerns postsecondary and tertiary education. The service crosses a border, but both the provider (school or university) and the consumer (student) stay home. This is the only type of international education transaction akin to trade in goods. The case of Nagoya University (Japan) provides such an option, though with some variation (box 1).

Box 1. Case study of Japanese education institution in ASEAN: Nagoya University Asian Satellite Campus Institution

Nagoya University's Asian Satellite Campus Institution offers unique education services through a combination of different modes of trade. Since 2014, it has established satellite campuses in Cambodia, the Lao People's Democratic Republic, the Philippines and Viet Nam, as well as in Uzbekistan and Mongolia to provide higher education programmes in education, law, medicine, bioagricultural sciences, international development and environmental studies. Its "Transnational Doctoral Programs for Leading Professionals in Asian Countries" was established to contribute to human resource development in Asian countries by offering doctoral courses to students who already hold master's degrees without the need to leave their home countries and their jobs.

The satellite campuses were established in local universities and research institutions, depending on the programme. Students can enroll in the doctoral programme through a satellite campus and receive education from the University using online and teleconference facilities. Students can also join the short-term intensive programme at the Nagoya University campus in Japan to follow up on their studies. Furthermore, members of the faculty of Nagoya University travel to the satellite campuses to deliver lectures in the respective countries.

Source: Nagoya University Asian Satellite Campus Institution website, <http://asci.nagoya-u.ac.jp/japan/>.

With the rapid progress in technology, spread of the internet and the proliferation of online courses, including cross-border ones, offered by universities and training institutions around the world, there have been great expectations for online cross-border online education. It was heralded as a revolution in gaining access to education (and degrees) at prestigious foreign universities without the need for costly travel and a physical presence in the classroom. Some 20 years ago, predictions were for rapid, unstoppable growth of this type of education.

The predicted growth has not, however, materialized. Cross-border online enrolment is growing, but the scale of full online provision of services has been described by one expert as "miniscule" (Ziguras, 2018). In 2016, in the three largest providers of international higher education, cross-border online students accounted for less than 2% of all international students in Australia, 4.5% in the United States and nearly 14% in the United Kingdom.¹⁴ The role of online study is greater in domestic higher education, and it can be quite significant, if one adds so-called "blended" learning, a combination of online and face-to-face study, which is rapidly gaining popularity in some countries. For instance, in Malaysia, blended students accounted for 18% of domestic higher-education students, compared with only 1% of fully online students.¹⁵ Another source also confirms this picture of sizable domestic and very small international trade in online education. Malaysia has several universities that offer distance and online learning services, two of which also serve foreign students through cross-border trade. The Asia e-University had 1,033 local and 217 foreign students in 2012, and the Open University Malaysia had 64,253 local and 128 foreign students (ASEAN and World Bank, 2015: 98).

¹⁴ International students include foreign students at HEIs in these countries and at branch campuses of their HEIs in these host countries as well as cross-border online students.

¹⁵ A study by the Observatory on Borderless Higher Education, as reported in ICEF Monitor, 18 September 2018, (<http://monitor.icef.com/2018/09/study-explores-adoption-of-online-learning-and-its-relationship-to-student-mobility/>), accessed 2 June 2019.

The trends in ASEAN countries as regards cross-border online learning are no different from world trends. Although data are very fragmentary, end in 2010, and are available for only a couple of countries,¹⁶ the picture seems to be clear (tables 3 and 4). Trade is very small, ranging from \$0.5 million in 2010 in the case of Malaysia's imports, to \$3.8 million for Indonesia's, with values of exports and imports of other countries (the Philippines, Singapore and Thailand) falling in-between and typically not exceeding \$2 million. Relative to overall exports and imports of services, in countries with data, this trade is less than miniscule. In no country does the share even come close to 0.1% of either total exports or imports of services (tables 3 and 4). Between 2005 and 2010, both exports and imports increased in most cases, and in some very rapidly, although remaining at very low levels. Indonesia and Thailand were net importers of cross-border education services and Malaysia and Singapore net exporters, which may be associated with a large presence in these countries of branches of prestigious foreign universities, offering, among others, cross-border online courses. Most likely, trade remains small.

What are the causes of the small share of international education in the form of cross-border trade, despite its great initial promise? The causes concern worldwide trends, but those causes are similar in ASEAN and useful for the policy discussion later in this paper. One of these causes is the doubt that many students (and governments) have concerning the quality and usefulness of international online education. Foreign online education saves students the costs of living abroad and has been often portrayed as a more efficient and convenient alternative to studying in another country. But when done well, it requires intensive personal engagement of teachers with learners and tuition can be prohibitively expensive.

Meanwhile, with the rapid expansion of branch campuses of prestigious universities in some ASEAN countries, another alternative to studying abroad (and to online learning) has emerged (Mode 3). Several potential importing countries, including Viet Nam, refuse to unconditionally recognize degrees obtained through foreign online study. All in all, although technology has made education services tradable across borders, the popularity of international online courses and, consequently, international trade, is relatively low in ASEAN. This may be due to many factors, but may also simply mean that most students who can afford international education prefer traditional face-to-face interaction in the classroom, with access to teachers, facilities, tutoring, support services and student life.

¹⁶ Cross-border education via Internet should be reported as part of the balance of payments category "Other personal, cultural and recreational services". However, most countries do not bother with singling out education. Data in tables 3 and 4 come from the Trade in Services Database of the World Bank and are based on estimates. World Bank no longer provides data on this type of trade in education services, reflecting, most likely, difficulties in their collection.

Table 3. Exports of education services (part of Personal, cultural and recreational services) and their share in total exports of services, 2005–2010 (Millions of dollars and per cent)

Country	2005	2006	2007	2008	2009	2010
<i>Education services exports (under Personal, cultural and recreational services)</i>						
Brunei Darussalam	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..
Indonesia	0.14	0.17	3.03	4.88	1.80	1.39
Lao PDR	..	..	..	..	..	..
Malaysia	..	..	..	..	0.11	1.69
Myanmar	..	..	..	..	..	..
Philippines	..	..	..	..	..	..
Singapore	..	0.07	..	0.07	2.25	2.12
Thailand	..	0.05	0.22	..	..	1.41
Viet Nam	..	..	..	..	..	..
Total	0.14	0.29	3.25	4.95	4.16	6.61
<i>Total exports of services (U.S. dollars at current prices in millions)</i>						
Brunei Darussalam						
Cambodia						
Indonesia	12 997	11 584	12 561	15 401	13 228	16 887
Lao PDR						
Malaysia					28 292	34 676
Myanmar						
Philippines						
Singapore		59 215		89 675	81 828	100 832
Thailand		24 612	30 114			34 340
Viet Nam						
Total	12 997	95 411	42 675	105 075	123 347	186 734
<i>Share of education exports in total exports of service (Per cent)</i>						
Brunei Darussalam	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..
Indonesia	0.001%	0.001%	0.02%	0.03%	0.01%	0.01%
Lao PDR	..	..	..	..	..	..
Malaysia	..	..	..	..	0.00%	0.005%
Myanmar	..	..	..	..	..	..
Philippines	..	..	..	..	..	..
Singapore	..	0.0001%		0.0001%	0.003%	0.002%
Thailand	..	0.000%	0.001%	..	..	0.004%
Viet Nam	..	..	..	..	..	..
ASEAN total	0.0011%	0.0003%	0.0076%	0.0047%	0.0034%	0.0035%

Source: AAJC, based on data from the World Bank.

Education-related expenditure: World Bank, <https://datacatalog.worldbank.org/dataset/trade-services-database>.

Total exports of services: UNCTADstat.

Total exports of goods and services: UNCTADstat.

Table 4. Imports of education services (part of Personal, cultural and recreational services) and their share in total imports of services, 2005–2010 (Millions of dollars and per cent)

Country	2005	2006	2007	2008	2009	2010
<i>Education services imports (under Personal, cultural and recreational services)</i>						
Brunei Darussalam	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..
Indonesia	0.44	0.47	2.24	2.53	2.70	3.76
Lao PDR	..	..	..	..	..	..
Malaysia	..	..	0.22	2.44	2.05	0.55
Myanmar	..	..	..	..	..	..
Philippines	..	0.16	0.14	0.15	..	..
Singapore	..	0.05	..	0.31	1.55	1.67
Thailand	..	0.19	0.14	0.15	1.29	1.88
Viet Nam	..	..	..	..	..	..
Total	0.44	0.87	2.74	5.57	7.57	7.86
<i>Total imports of services (U.S. dollars at current prices in millions)</i>						
Brunei Darussalam						
Cambodia						
Indonesia	22 197	21 561	24 578	28 470	23 152	26 461
Lao PDR						
Malaysia			28 668	30 270	27 472	32 645
Myanmar						
Philippines		6 587	7 544	11 084		
Singapore		66 393		91 182	84 135	101 212
Thailand		32 614	38 071	46 021	34 430	41 333
Viet Nam						
Total	22 197	127 155	98 862	207 028	169 188	201 651
<i>Share of education imports in total import of services (Per cent)</i>						
Brunei Darussalam	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..
Indonesia	0.002%	0.002%	0.009%	0.009%	0.012%	0.014%
Lao PDR	..	..	..	..	..	..
Malaysia	..	..	0.001%	0.008%	0.0075%	0.00%
Myanmar	..	..	..	..	..	..
Philippines	..	0.002%	0.002%	0.001%	..	..
Singapore	..	0.0001%	..	0.0003%	0.0018%	0.0016%
Thailand	..	0.0006%	0.0004%	0.0003%	0.0037%	0.0045%
Viet Nam	..	..	..	..	..	..
ASEAN total	0.0020%	0.0007%	0.0028%	0.0027%	0.0045%	0.0039%

Source: AAJC, based on data from the World Bank.
 Education-related expenditure: World Bank, <https://datacatalog.worldbank.org/dataset/trade-services-database>.
 Total exports of services: UNCTADstat.
 Total exports of goods and services: UNCTADstat.

2. Mode 2: trade through local supply to foreign consumers: consumption abroad

In distinction from most other services (except tourism), consumption abroad is the key mode of international trade in education services. Education services are part of the travel account in the balance of payments. Trade results from travel by consumers (mostly tertiary students, usually dubbed “international students”) to another country to enroll in a university or a school, generating exports for the country of destination and imports for the country of students’ origin. Suppliers stay home and do not provide services abroad, but within their own country.

Trade includes foreign students’ expenses on tuition, accommodation, local transport, health services, etc., recorded in the balance of payments. It would be cumbersome and costly to collect information on exact spending of every foreign student in a country (for example, the United States has one million of them). Thus, expenses are estimated on the basis of the prevailing tuition and the average cost of living. There is no way to measure expenses precisely. As with cross-border education trade, few countries single out this category when collecting data on trade in tourism.

Trade in education services through Mode 2 is typically examined through data on students’ movement. During the past two decades or so, cross-border student mobility increased quickly around the world and in most importing countries. According to UNESCO, the number of students pursuing education abroad increased from 1.9 million in 2000 to 5.1 million in 2017 worldwide, and from 143,819 to 285,160 in ASEAN alone.

The rapid growth of international tertiary students, accompanied by the rapidly increasing number of foreign affiliates of HEIs (termed “branch campuses” in the education literature) from a couple of mostly developed countries in a small group of developing countries (discussed under Mode 3), has been popularly referred to by scholars and the media as the “globalization” of tertiary education (e.g., Varghese, 2009). Most experts (e.g., Stiglitz) define globalization as closer integration between countries through the flows of goods, services, information, capital and people, manifested by an increasing share of an international component in a country’s domestic activity (e.g., the share of exports in production). Defined this way, the scope of education globalization is very limited and has hardly progressed at all during the past two to three decades. The share of students studying abroad in the number of tertiary students worldwide was 2.3% in 2017, increasing only minimally from 2.1% in 2000. The overwhelming majority of world students pursue higher education in their own countries, and this has not changed for nearly two decades. “Production” of tertiary education services, and, for that matter, of primary and secondary services, is predominantly local. This contrasts with the rapidly progressing globalization of production of goods and services, exports of which increased as a share of global GDP from 19% in 1990 to nearly 30% in 2017.

All ASEAN countries are importers of tertiary education, and most, except Malaysia, Singapore and recently Thailand, are large net importers. The ratios of exports to imports (measured by numbers of outbound and inbound students) range, for the latest year with data, from 1% to 5% in Myanmar, Cambodia and Viet Nam, through 10-13% in the Lao People’s Democratic Republic, Brunei Darussalam and Cambodia, to 30% in the Philippines. In contrast, exports exceed imports by 4% in Thailand, 60% in Malaysia and more than 100% in Singapore (table 5). There are some foreign students in every ASEAN country, but their numbers are too negligible to call these countries exporters of higher education: from a couple of dozens or hundreds in Cambodia, Myanmar, Brunei Darussalam and the Lao People’s Democratic Republic to a few thousand in the Philippines (2,600), Viet Nam (4,100) and Indonesia (5,800). Since 2000, Viet Nam, the Lao People’s Democratic Republic, and Myanmar have registered significant (five to six times) increases of foreign inbound students, but their numbers remain rather small (annex table 1).

Table 5. Ratio of inbound (exports) to outbound (imports) numbers of tertiary students, 2000 and 2017 or earliest and latest year with data (Per cent)

Country	Earliest year		Latest year	
	Ratio in %	Year	Ratio in %	Year
Brunei Darussalam	4	2000	12	2017
Cambodia	2	2001	3	2006
Indonesia	6	2005	13	2017
Lao PDR	6	2000	10	2017
Malaysia	41	2000	157	2017
Myanmar	2	2007	1	2012
Philippines	42	2001	30	2008
Singapore	214	2008	211	2016
Thailand	11	2004	104	2016
Vietnam	7	2000	5	2017

Source: AJC, based on UNESCO UIS.Stat.

Singapore and Malaysia have been significant exporters of tertiary education services, even on the world scale, for many years. In 2017, Malaysia hosted 100,765 students,¹⁷ which placed it 14th among over 100 countries with inbound foreign students listed by UNESCO – ahead of Italy, the Netherlands and Spain. Singapore, with a population less than a fifth that of Malaysia, attracted 53,122 foreign students in 2016 (annex table 2), which placed it 28th in the world. For years, both countries have implemented strategy aimed at diversifying their economies away from overreliance on manufacturing exports and towards exportable knowledge-based services, among them tertiary education services. Their aim was to become regional hubs for exporting higher education, and they achieved it many years ago. As part of this strategy, they are among few developing countries that have succeeded in attracting foreign branches of a dozen of the world’s prestigious universities in various fields of study (discussed under Mode 3), which serve as a magnet for foreign students. In Singapore, foreign students also choose public HEIs.¹⁸ Singapore has excellent local public universities, which are among the best of the world,¹⁹ as is the overall quality of the education system, as reported in the World Competitiveness Report by the World Economic Forum and proven by the top Programme for International Student Assessment scores of Singaporean pupils in math, science and reading. Both public and private HEIs often conduct teaching there in partnership with, or validated by, HEIs from developed countries such as Australia, the United States and the United Kingdom. Malaysia follows a similar pattern. It is still behind Singapore on indicators of education quality, but far ahead of all other ASEAN countries. Thailand seems to follow the path of both countries, but it still is in the initial phase: its balance of outbound and inbound students, for many years heavily negative, turned positive for the first time only in 2016 (annex table 3).

¹⁷ In 2016, it hosted even more students: 124,133.

¹⁸ In 2017, the share of foreign students in three public universities – National University of Singapore, Nanyang Technological University and Singapore Management University – was 17%. In 2011, the government capped the number of these students in public HEIs. Relatively few international students at Singapore public universities pay full tuition fees. The majority receive tuition grants, paid for by the Singaporean government (<https://www.todayonline.com/daily-focus/education/time-singapore-universities-admit-more-international-students>).

¹⁹ In 2019, the National University of Singapore was ranked 23rd in the World University Rankings, occupying the highest position among developing countries’ universities (https://www.timeshighereducation.com/world-university-rankings/2019/world-ranking#!/page/0/length/25/sort_by/rank/sort_order/asc/cols/stats).

Starting in 2000, Malaysia, Indonesia and Thailand (in that order) have become the largest ASEAN importers of tertiary education services, judged by the number of outbound students. They have remained with one exception: in 2015, Viet Nam topped the list with 68,046 students abroad, a number that increased to 82,160 in 2017. In the same year, Malaysia was second (64,187 students) and Indonesia third (45,206), followed by Thailand (29,884), Singapore (24,793) and the Philippines (16,578). In the remaining countries the number of students abroad ranged from 3,593 in Brunei Darussalam to 8,328 in Myanmar (annex table 1). In latecomers to an open economic system the number of outbound students increased the quickest, compared to 2000: in Viet Nam nine times, in Myanmar more than four times, in the Lao People's Democratic Republic four times and in Cambodia more than three times. From 2000 to 2017, there were also increases in other countries but much smaller: from 20% in Singapore through 30-40% in Indonesia, Malaysia and Thailand, to 63% in Brunei Darussalam. In the Philippines, which has long been an open economy, the increase was larger: 200%.

Explanation of differences in the absolute numbers of outbound students would require analysis of many factors, but two – differences in the size of the candidates' pool and in the level of development or income – can be considered, by relating the number of outbound students to all tertiary students in a country. By this measure, the list is topped by the two richest ASEAN countries with small populations: Brunei Darussalam and Singapore. In 2017, the former sent 31% of its tertiary students abroad (down from 58% in 2010) and the latter 13%. The difference between the two can perhaps be explained by the fact that students in Singapore have a viable option in the form of the excellent quality of local education. By contrast, a significant increase in Brunei Darussalam students choosing a local option in recent years may be testimony to the improving quality of local HEIs. In other countries the ratios of outbound foreign to domestic tertiary students are much smaller, from below or about 1% in the Philippines, Indonesia, Myanmar and Thailand, through less than 3% in Cambodia, to 4-5% in Viet Nam, the Lao People's Democratic Republic and Malaysia. For the overwhelming majority of students in these countries local, not foreign, tertiary education is the main or only option.

To complete the picture of trade, it is worthwhile to relate the number of inbound students (that is, exports) to all tertiary students (that is, tertiary "production") in each country. In 2017, only in Singapore was the ratio high – 27%, placing it fifth among developing-economy exporters of higher education services, after the United Arab Emirates, the Macao Special Administrative Region, China and Qatar. Malaysia has the greatest number of foreign students but is more populous than Singapore, and the ratio there falls to 8%, placing it 10th among developing-country exporters. In other ASEAN countries the ratios are very small, much below 1%, except in Thailand, a country with quite a large absolute number of foreign students (31,571 in 2016), but a relatively large population and pool of tertiary students, where the ratio is still only 1.3%. But in Brunei Darussalam, 436 inbound foreign students registered by UNESCO in 2017 translate into almost a 4% share of all tertiary students (table 6).

In eight countries, the ratios of inbound foreign tertiary students to all students are very low, in the range of 0.1% to 1% (table 6). The ratios for outbound tertiary students (table 7) are higher in most countries than for inbound tertiary students, but they are also low, ranging from 0.5% in Indonesia and the Philippines to 5% in Malaysia and the Lao People's Democratic Republic. Only in Brunei Darussalam and Singapore they were higher in 2017, respectively 31% and 13%. This means that, except in these two countries, the overwhelming majority of tertiary students, and in six countries almost all students, study at home. This should be kept in mind when the impact of outbound student mobility on ASEAN countries is discussed in chapter IV. Mobile students, when they return home after graduation, contribute to building human capital in the sending countries, but the main burden in this respect falls on domestic private and public universities.

Table 6. Foreign tertiary students in ASEAN Countries, 2000 and 2017
(Per cent of total student number in a country)

Country	2000	2017
Brunei Darussalam	2.0	3.8
Cambodia	0.1	0.1
Indonesia	0.1	0.1
Lao PDR	0.5	0.4
Malaysia	3.4	8.1
Myanmar	0.0	0.1
Philippines	0.1	0.1
Singapore	20.3 ^a	27.2
Thailand	0.1	1.3
Vietnam	0.1	0.2

Source: World Bank Education Statistics.
^a2008.

Table 7. ASEAN tertiary students abroad, 2000 and 2017 or earliest and latest year (Per cent of total tertiary student number in a country)

Country	2000	2017
Brunei Darussalam	55.3	31.0
Cambodia	7.5	2.6
Indonesia	1.1	0.6
Lao PDR	8.9	4.5
Malaysia	8.3	5.1
Myanmar	0.4	1.1
Philippines	0.2	0.5
Singapore	10.3 ^a	12.9
Thailand	1.1	1.3
Vietnam	1.2	3.6

Source: World Bank Education Statistics.
^a2007.

Where do ASEAN students go to study abroad and from where do foreign students in ASEAN countries come? As noted earlier, at the world level, students from developing countries show a preference for study in developed countries. A similar preference is clearly notable for all ASEAN students: in 2016, 78% of them studied in developed countries, and the remaining 22% in developing countries, out of which 9% were ASEAN countries (table 8). The largest destination for ASEAN outbound students is Australia, which in 2016 hosted 22% of them. Second is the United States (19%), third the United Kingdom (14%) and fourth Japan (10%) (table 9). Other destination countries (not shown in the table) are much less important, with Canada, France, Germany, New Zealand and the Republic of Korea each hosting 2-3% of ASEAN students.

The preference for studying in developed countries (that is, importing tertiary education from them through Mode 2) holds for seven out of ten ASEAN countries (table 8): Singapore (92%), Viet Nam (89%), the Philippines (80%), Malaysia and Thailand (76-78%), and Brunei Darussalam and Indonesia (66-68%). Cambodia's outbound tertiary students are evenly distributed between developed and developing countries and Myanmar's almost evenly: 53% vs. 47%. The Lao People's Democratic Republic is the only country whose students go overwhelmingly to developing countries: 89%, out of which 70% go to Viet Nam. The rapid growth of Viet Nam's inbound tertiary students (that is, exports of tertiary education services), mentioned earlier, is almost entirely accounted for by Lao students, who constitute 77% of all such students in Viet Nam. Apparently, most or about half of students from poorer countries (except for the Philippines and Viet Nam), fewer of whom can afford expensive study in a distant developed country, choose a cheaper option in developing countries, often in ASEAN, which in 2016 accounted for 95% of all Lao students in developing countries, for 62% of those from Myanmar and 66% of those from Cambodia. ASEAN is also the largest destination among developing countries for students from Brunei Darussalam (66% of the total number of students in developing countries) and Indonesia (56%). In 2016, of all ASEAN tertiary students in developing countries, 41% studied in ASEAN. Out of individual countries hosting students from ASEAN countries, Australia is the largest destination for tertiary students from Indonesia (10,676 in 2016), Singapore (8,934), the Philippines (5,075) and Cambodia (908) (table 9). The United States is the largest destination for Vietnamese (22,172) and Thai students (6,914), the United Kingdom for students from Malaysia (17,360) and Brunei Darussalam (1,564) and Japan for students from Myanmar (1,564).

Table 8. Regional destination of ASEAN outbound tertiary students, 2016 (Number and per cent)

Origin of students	Destination of students						
	Total world	Developed			Out of which		Out of which
		North America	West Europe	Australia, Japan, New Zealand	Developing	ASEAN		Other developing
A. Number of students							
Brunei Darussalam	3 525	2 339	86	1 634	619	1 186	806
Cambodia	5 479	2 730	620	652	1 458	2 749	1 814
Indonesia	47 317	32 250	10 161	7 849	14 240	15 067	8 421
Lao PDR	6 264	708	63	160	485	5 556	5 298
Malaysia	64 861	49 549	9 451	20 894	19 204	15 312	1 791
Myanmar	8 417	4 457	1 344	614	2 499	3 960	2 421
Philippines	16 492	13 135	3 494	2 498	7 143	3 357	652
Singapore	25 202	23 268	4 975	8 779	9 514	1 934	925
Thailand	30 375	23 832	7 355	7 668	8 809	6 543	2 249
Viet Nam	82 159	72 785	24 206	13 812	34 767	9 374	1 822
ASEAN	290 091	225 053	61 755	64 560	98 738	65 038	26 199
B. Percentage distribution of students by destination							
Brunei Darussalam	100	66	2	46	18	34	23
Cambodia	100	50	11	12	27	50	33
Indonesia	100	68	21	17	30	32	18
Lao PDR	100	11	1	3	8	89	85
Malaysia	100	76	15	32	30	24	3
Myanmar	100	53	16	7	30	47	29
Philippines	100	80	21	15	43	20	4
Singapore	100	92	20	35	38	8	4
Thailand	100	78	24	25	29	22	7
Viet Nam	100	89	29	17	42	11	2
ASEAN	100	78	21	22	34	22	9
							13

Source: AJC, based on UNESCO, UIS.Stat.

Table 9. Largest host countries for ASEAN outbound tertiary students, 2016
(Number and per cent)

Country of origin	Country of destination				
	Total world	Australia	United States	United Kingdom	Japan
A. Number of students					
Brunei Darussalam	3 525	527	68	1 564	33
Cambodia	5 479	908	560	109	397
Indonesia	47 317	10 676	9 309	3 164	2 854
Lao PDR	6 264	232	57	52	194
Malaysia	64 861	15 319	8 446	17 360	2 245
Myanmar	8 417	877	1 305	424	1 576
Philippines	16 492	5 075	2 951	660	573
Singapore	25 202	8 934	4 516	7 512	259
Thailand	30 375	5 667	6 914	5 992	2 691
Viet Nam	82 159	14 491	22 172	3 979	19 152
ASEAN	290 091	62 706	56 298	40 816	29 974
B. Share of all ASEAN outbound students (per cent)					
Brunei Darussalam	100	15	2	44	1
Cambodia	100	17	10	2	7
Indonesia	100	23	20	7	6
Lao PDR	100	4	1	1	3
Malaysia	100	24	13	27	3
Myanmar	100	10	16	5	19
Philippines	100	31	18	4	3
Singapore	100	35	18	30	1
Thailand	100	19	23	20	9
Viet Nam	100	18	27	5	23
ASEAN	100	22	19	14	10

Source: AJC, based on UNESCO, UIS.Stat.

As noted above, Malaysia, Singapore and Thailand are large exporters of tertiary education among ASEAN countries, hosting the largest numbers of foreign tertiary students. There are no data on the origin of foreign students in Singapore. In Malaysia, in 2017, the largest cohort of students came from South and West Asia (40%), followed by East Asia and Pacific (23%),²⁰ out of which some 11% were from ASEAN. There were also large groups of students from Arab states and Sub-Saharan Africa, accounting for 16-17% each of all foreign students in Malaysia. In Thailand, students from Asia accounted for 43% of all foreign tertiary students (out of which 17% came from ASEAN) and in Viet Nam they accounted for 95%, most of them from the Lao People's Democratic Republic. These and other data show rather weak integration of ASEAN countries through trade in education services.

²⁰ East Asia and Pacific includes here East Asia and South-East Asia.

Tables 10 and 11 show the values of exports and imports of education services through Mode 2 for some ASEAN countries, for some years in the period 2005-2017, based on the balance of payments. There are no data on Brunei Darussalam, Cambodia, the Lao People's Democratic Republic and Myanmar. Only for the Philippines and Thailand is the set complete. For reasons explained above, these data should be treated with caution. Some outliers apart, the table confirms broadly the pattern revealed by the earlier examination of students' mobility that was based on student numbers. ASEAN countries are much larger importers than exporters, and both imports and exports are growing in countries and in years for which data are available. A clear outlier is Singapore and, perhaps, Malaysia and Thailand. Singapore's 2010 data (the latest year for which they are available) show exports of \$14 million and imports of \$198 million. In the same year, Singapore hosted 47,915 foreign students (generating exports) and had 20,706 students abroad (generating imports) (annex tables 1 and 2). Even if all Singaporean students studied in Australia, the United States and the United Kingdom, where the cost of study is much higher than in Singapore, there should be no such difference between the values of exports and imports: exports should exceed imports and their values should be much higher. If, in line with earlier remarks on the cost of study in developing and developed countries, it is assumed that the cost in Singapore is \$6,000 per year (half tuition and half living expenses) and double that amount in developed countries (\$12,000), the resulting exports would be \$287 million and the imports would be \$248 million. Also, in Malaysia, the difference between the value of exports and imports in 2010 (\$6 million vs. \$271 million) should not be that big, judging from the number of inbound and outbound students and making similar assumptions about the costs. The situation is similar in Thailand in 2017.

Table 10. Exports of education-related services (part of personal travel) and their share in total exports of services, 2005–2017
(Millions of dollars and per cent)

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Education-related exports (under personal travel)</i>													
Brunei Darussalam	..	..	..	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	34.5	39.4	58.2	77.6	71.8	82.2	..	..	..	..	..	..	..
Lao PDR	..	..	..	..	..	..	..	..	..	..	..	..	..
Malaysia	2.3	1.0	4.9	1.0	4.5	6.0	..	..	..	..	..	..	..
Myanmar	..	..	..	..	..	..	..	..	..	..	..	..	..
Philippines	1.0	1.0	2.3	3.3	2.3	21.0	36.0	39.4	50.0	98.9	54.0	55.0	69.2
Singapore	7.2	8.0	7.7	15.7	12.8	13.9	..	..	..	..	..	..	..
Thailand	8.0	16.7	36.5	39.3	162.9	168.7	173.8	189.6	143.0	145.8	146.4	167.7	172.5
Viet Nam	..	..	..	..	122.4	209.0	..	..	..	..	..	..	..
Total	53.0	66.2	109.5	136.9	376.8	500.8	209.8	229.0	193.0	244.6	200.4	222.7	241.7
<i>Total exports of services (U.S. dollars at current prices in millions)</i>													
Brunei Darussalam	..	..	..	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	12 997	11 584	12 561	15 401	13 228	16 887	..	..	..	..	..	..	..
Lao PDR	..	..	..	..	..	..	..	..	..	..	..	..	..
Malaysia	19 750	21 081	29 076	30 751	28 292	34 676	..	..	..	..	..	..	..
Myanmar	..	..	..	..	..	..	..	..	..	..	..	..	..
Philippines	8 611	11 064	13 502	13 055	14 084	17 782	18 878	20 439	23 335	25 498	29 065	31 204	35 605
Singapore	46 427	59 215	74 214	89 675	81 828	100 832	41 545	49 722	58 776	55 536	61 759	67 685	75 651
Thailand	19 925	24 612	30 114	33 125	30 204	34 340	..	..	..	..	..	..	..
Viet Nam	..	..	..	..	5 766	7 460	..	..	..	..	..	..	..
Total	107 710	127 556	159 467	182 006	173 402	211 977	60 423	70 161	82 112	81 034	90 824	98 889	111 256
<i>Share in total exports of services (per cent)</i>													
Brunei Darussalam	..	..	..	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	0.3	0.3	0.5	0.5	0.5	0.5	..	..	..	..	..	..	..
Lao PDR	..	..	..	..	..	..	..	..	..	..	..	..	..
Malaysia	0.01	0.00	0.02	0.00	0.02	0.02	..	..	..	..	..	..	..
Myanmar	..	..	..	..	..	..	..	..	..	..	..	..	..
Philippines	0.01	0.01	0.02	0.03	0.02	0.12	0.19	0.19	0.21	0.39	0.19	0.18	0.19
Singapore	0.02	0.01	0.01	0.02	0.02	0.01	0.42	0.38	0.24	0.26	0.24	0.25	0.23
Thailand	0.04	0.07	0.12	0.12	0.54	0.49	..	..	..	..	..	..	..
Viet Nam	..	..	..	..	2.1	2.8	..	..	..	..	..	..	..
ASEAN total	0.05	0.05	0.07	0.08	0.22	0.24	0.35	0.33	0.23	0.30	0.22	0.23	0.22

Source: AJC, based on data from the World Bank (for 2005–2010) and UNCTAD (for 2011–2017).

Education-related expenditure: World Bank (<https://datacatalog.worldbank.org/dataset/trade-services-database>).

Total exports of services: UNCTADstat.

Total exports of goods and services: UNCTADstat.

Table 11. Imports of education-related services (part of personal travel) and their share in total imports of services, 2005–2017
(Millions of dollars and per cent)

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Education-related imports (under personal travel)													
Brunei Darussalam	..	..	..	..	..	..	..	..	..	..	..	..	..
Cambodia	2 009.1	2 026.6	2 213.5	2 645.2	3 254.9	3 628.5	..	..	..	..	..	..	..
Indonesia	..	..	..	..	..	..	..	..	..	..	..	..	..
Lao PDR	131.3	126.1	125.2	135.8	240.4	270.6	..	..	..	..	..	..	..
Malaysia	..	..	..	..	..	..	..	..	..	..	..	..	..
Myanmar	76.4	86.0	87.4	106.6	132.2	125.9	22.3	34.5	48.8	87.1	105.7	123.2	143.6
Philippines	94.2	99.1	98.3	107.1	156.7	197.5	..	..	..	..	..	..	..
Singapore	198.0	203.6	218.9	235.1	1 501.2	1 772.1	1 704.9	1 796.0	1 692.4	1 819.0	1 859.4	1 929.8	2 023.6
Thailand	..	..	..	..	605.0	808.5	..	..	..	..	..	..	..
Viet Nam	..	..	..	..	..	..	1 727.3	1 830.5	1 741.2	1 906.1	1 965.1	2 053.0	2 167.2
Total	2 509.0	2 541.4	2 743.2	3 229.8	5 890.5	6 803.1	1 727.3	1 830.5	1 741.2	1 906.1	1 965.1	2 053.0	2 167.2
Total imports of services (U.S. dollars in current prices in millions)													
Brunei Darussalam	..	..	..	..	..	..	..	..	..	..	..	..	..
Cambodia	22 197	21 561	24 578	28 470	23 152	26 461	..	..	..	..	..	..	..
Indonesia	..	..	..	..	..	..	..	..	..	..	..	..	..
Lao PDR	21 956	23 651	28 668	30 270	27 472	32 645	..	..	..	..	..	..	..
Malaysia	..	..	..	..	..	..	..	..	..	..	..	..	..
Myanmar	6 463	6 587	7 544	11 084	9 186	12 017	12 316	14 261	16 320	20 922	23 610	24 160	26 109
Philippines	56 164	66 393	76 482	91 182	84 135	101 212	46 097	45 671	47 403	45 247	42 518	43 460	45 843
Singapore	26 798	32 614	38 071	46 021	34 430	41 333	..	..	..	..	..	..	..
Thailand	..	..	..	..	8 187	9 921	..	..	..	..	..	..	..
Viet Nam	..	..	..	..	..	..	..	..	..	..	..	..	..
Total	133 578	150 806	175 343	207 028	186 562	223 589	58 414	59 932	63 723	66 169	66 129	67 621	71 952
Share in total imports of services (per cent)													
Brunei Darussalam	..	..	..	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	9.1	9.4	9.0	9.3	14.1	13.7	..	..	..	..	..	..	..
Lao PDR	..	..	..	..	..	..	..	..	..	..	..	..	..
Malaysia	0.60	0.533	0.44	0.45	0.88	0.83	..	..	..	..	..	..	..
Myanmar	..	..	..	..	..	..	..	..	..	..	..	..	..
Philippines	1.18	1.306	1.16	0.96	1.44	1.05	0.18	0.24	0.30	0.42	0.45	0.51	0.55
Singapore	0.17	0.149	0.13	0.12	0.19	0.20	..	..	..	..	..	..	..
Thailand	0.74	0.624	0.57	0.51	4.36	4.29	3.70	3.93	3.57	4.02	4.37	4.44	4.41
Viet Nam	..	..	..	..	7.39	8.15	..	..	..	..	..	..	..
ASEAN total	1.88	1.69	1.56	1.56	3.16	3.04	2.96	3.05	2.73	2.88	2.97	3.04	3.01

Source: AJC, based on data from the World Bank (for 2005–2010) and UNCTAD (for 2011–2017).

Education-related expenditure: World Bank (<https://datacatalog.worldbank.org/dataset/trade-services-database>).

Total exports of services: UNCTADstat.

Total exports of goods and services: UNCTADstat.

3. Mode 3: supply through commercial presence: sales of foreign affiliates

Despite the emergence of cross-border online trade in education services, the supply of most education services requires face-to-face interaction between providers (teachers) and consumers (students). Therefore, Mode 2 of supply, as discussed in the previous section, is very important, as is supply through commercial presence that allows such interaction. Commercial presence involves FDI. FDI is straightforward and includes in every service industry the establishment of a foreign affiliate in a host country, controlled by a parent multinational enterprise (MNE) from a home country through ownership of more than 10% of the capital. The size of “trade” through this mode is measured by sales of foreign affiliates in host countries.

In education services, commercial presence takes the form of FDI. In primary and secondary education a foreign affiliate is called an international school. In tertiary education a foreign affiliate is called a branch campus.²¹ Data on commercial presence through FDI in education services is limited. Some private and public institutions collect limited data on the activities of international schools and the international activities of HEIs. Publicly available data are used in this section as well as data on international schools in ASEAN that were made available for this report courtesy of ISC Research. Worldwide and ASEAN trends in FDI in education, concerning all types, are examined first, followed by trends in commercial presence in primary and secondary education (international schools) and then in tertiary education, worldwide and in ASEAN countries.

A. FDI in education services in the world and ASEAN

UNCTAD estimates world inward FDI stock by industry, including stock in education services. FDI in education hardly existed in 1990: worldwide inward stock was estimated at some \$100 million, all located in developed countries. By 2012, it had grown enormously, reaching nearly \$8 billion, of which nearly 27% was held by developing-country hosts. Thus, FDI activity in education clearly shifted towards developing-country hosts.²² UNCTAD publishes recent data on annual FDI flows resulting from mergers and acquisitions (M&As) and, since 2003, from greenfield projects in education services, which provide further insights about worldwide trends until 2018. Table 12 includes these data for annual average inflows in four subperiods since 1990. Initially, in 1990-1996, FDI flows were close to nil. They took off in 1997-2004, averaging \$153 million annually in the case of cross-border M&As and \$391 million in the case of greenfield projects. During 2005-2010, both M&As and greenfield FDI flows accelerated significantly, each reaching about \$1 billion annually. M&A flows fell in 2010-2018 to \$726 million annually, while greenfield flows continued to grow to \$1,159 million annually. Adding total M&A and greenfield-related flows in education services during 2013-2018 (\$11 billion) to the latest estimate of world stock by UNCTAD in 2012 (\$8 billion),²³ then, by 2018, the estimated world FDI stock in all types of education services increased to \$19 billion. Sizable values of both greenfield projects and M&As, although very small compared with total world FDI in services, indicate that FDI in education has taken off and is now a well-established phenomenon in the global economy. There has most likely been a further shift of this FDI towards developing countries.

²¹ It should be noted that providers of cross-border education, which are registered in their home countries as public or non-profit institutions, are considered by host countries as private investors.

²² Annex tables to *World Investment Report 2014*.

²³ Flows typically increase the value of the stock.

Table 12. World estimated FDI inflows in education through M&As and greenfield projects, annual averages in periods (Millions of dollars)

Type of FDI inflow	Periods			
	1990–1996	1997–2004	2005–2010	2010–2018
Cross-border M&A sales	9	153	1 012	726
Greenfield projects	..	391 ^a	989	1 159

Source: UNCTAD, *World Investment Report 2019*, annex tables 9 and 15.

^aAverage for 2003–2004. Greenfield data exist since 2003.

In ASEAN, FDI inflows to education services from the world have been also increasing, from \$2.26 million in 2012 to \$54.41 million in 2018.²⁴ The lead investing economies include Canada, Japan, the Republic of Korea and the European Union, led by the United Kingdom. Singapore is the second biggest investor in education services among all countries, and the largest among ASEAN countries (table 13). In line with earlier remarks, compared with other service industries (except for public administration and arts, entertainment and recreation), FDI inflows to education are very small. They were \$54 million in 2018, compared with \$1,126 million to “professional, scientific and technical activities”, \$494 million to “administrative and support service activities”, and \$905 to health services.²⁵

²⁴ ASEAN-Stat portal, <https://data.aseanstats.org/fdi-by-sources-and-sectors>.

²⁵ ASEAN-Stat portal, <https://data.aseanstats.org/fdi-by-sources-and-sectors>.

Table 13. Top 25 countries and ASEAN countries that invested in education services in ASEAN, 2012–2018 (Millions of dollars of FDI outflows in a given year)

Ranking in 2018	Source economy	2012	2013	2014	2015	2016	2017	2018	Annual average, 2012–2018
1	Canada	-3.98	9.87	5.31	-9.07	5.99	23.27	18.36	7.11
2	Singapore	0.3	12.85	7.46	1.77	12.85	13.01	10.49	8.39
3	Japan	0.46	13.05	4.31	2.58	4.89	13.4	10.08	6.97
4	Korea, Republic of	0.07	9.65	11.63	4.52	9.06	11.16	8.34	7.77
5	Hong Kong, China	-0.35	1.4	4.82	0.63	2.15	1.94	3.68	2.04
6	European Union	-2.32	0.7	2.03	0.45	3.47	9.54	2.96	2.4
7	British Virgin Islands	0.03	0.69	1.06	0.82	1.12	2.12	2.11	1.14
8	United Kingdom	-1.65	-0.13	1.3	1.78	3.36	8.04	1.61	2.05
9	Taiwan Province of China	..	1.34	1.84	0.93	2.39	1.87	1.2	1.59
10	Thailand	..	0.91	0.4	1.96	2.14	0.91	0.85	1.19
11	Australia	0	0.29	0.22	0.13	0.59	0.21	0.7	0.31
12	France	0.01	0.16	0.07	0.07	0.25	0.14	0.66	0.19
13	United States	0.45	0.59	0.68	0.45	0.61	1.13	0.64	0.65
14	Malaysia	..	0.32	0.58	1.34	1.18	0.39	0.53	0.73
15	Germany	..	0.26	0.26	0.05	0.06	0.53	0.45	0.27
16	Samoa	..	0.05	0.39	0.93	0.68	0.6	0.38	0.5
17	Cayman Islands	..	0.8	0.13	0.17	0.83	0.51	0.27	0.45
18	Seychelles	..	0.01	0.05	0.19	0.36	0.21	0.23	0.18
19	Switzerland	0.02	0.03	0.19	0.08	0.15	0.08	0.22	0.11
20	Belgium	..	0.01	0.42	0	0.01	0.07	0.14	0.11
21	Indonesia	..	0.09	0.08	0.01	0.03	0.06	0.11	0.06
22	Macao SAR	..	..	0	0	0.05	0.01	0.09	0.03
23	Cambodia	..	0	0	..	0.02	0.01	0.09	0.03
24	Norway	..	0.01	0.01	0	0	0.01	0.08	0.02
25	Philippines	..	0	0.02	0	0.07	0.04	0.07	0.03
32	Brunei Darussalam	..	0.19	0.13	0.1	0.4	0.06	0.02	0.15
58	Lao PDR	..	..	..	0	0.02	0	0	0.01
87	Myanmar	..	..	..	..	..	0	0	0
143	Viet Nam	..	..	0.12	0	..	..	..	0.06
ASEAN total		0.3	14.36	8.79	5.18	16.71	14.48	12.16	10.65
TOTAL countries		2.26	65.77	53.02	1.44	65.2	96.54	54.41	48.38

Source: ASEAN-Stat portal, <https://data.aseanstats.org/fdi-by-sources-and-sectors>.

Note: Ranking is based on the value of 2018 inflows. ASEAN total refers to only countries for which data are available.

B. Primary and secondary education

a. International schools

International schools as defined by ISC Research, which collects global data on them, are schools for children between ages 3 and 18 that offer an international curriculum or a curriculum other than the country's national curriculum (often the British National Curriculum or an American-style curriculum). Most are entirely English-speaking; others are bilingual, with English as one of the main languages of instruction.

With the economic success of many developing countries, especially in Asia, and the exploding upper-middle classes and groups of rich citizens, the demand for international schools that offer international English curricula has soared, as a growing number of countries have decided to allow local children access to these schools. Wealthy parents, especially in Asia (including ASEAN), perceive such schools as the best possible education close to home to prepare their children for university overseas, often in the West, and global careers, including at multinational companies, international NGOs or ASEAN institutions, where since 2007 English has been an official working language. As a result, by ISC Research estimates, the vast majority (80%) of international school students today are the children of local families.²⁶ International schools, which are overwhelmingly private, have become booming cross-border business, boosting trade through Mode 3.

Worldwide, there were 2,500 primary and secondary international schools in 2000, 6,768 in 2012 and 10,282 in 2019, teaching 5.4 million pupils (compared with 3.4 million in 2012) and earning fee income of \$50 billion (compared with \$28.4 billion in 2012). This amounts to worldwide trade in primary and secondary education services through Mode 3 – that is, sales of foreign affiliates. ISC Research, which provided these data, predicts exponential growth in international school sales in host countries, to reach \$89 billion by 2026.²⁷ This growth, faster than that of international students, will soon make the pupils of international schools, not students at HEIs abroad, the largest group of customers (importers) participating in international education through Mode 3. In 2018, China hosted the largest number of international schools (849), followed by the United Arab Emirates (641) and India (537). Malaysia is the only ASEAN country among the top ten hosting countries, in the 8th position with 241 schools.

Sales of international schools in host countries, at \$50 billion, are the second largest stream of international provision of education services, after purchases of tertiary education services by international students through Mode 2. The preceding section showed that there were about 5 million international students in 2019. If the average tuition per tertiary student were considered as \$12,000 (most students study in developed countries, where tuition is often much higher), the value of trade of tertiary services through Mode 2 would be \$61 billion in 2019 – still higher than the value of sales of primary and secondary education services through Mode 3 (\$50 billion). But given the higher dynamics of the latter, this may soon change.

²⁶ <http://monitor.icef.com/2018/09/annual-survey-finds-continued-growth-in-international-schools>.

²⁷ The growth is impressive, but the value of world sales of international schools would be only 60% of the value of the total exports of services from Singapore in 2016.

ASEAN countries have taken part in the international boom in trade by this mode of delivery, but almost entirely as importers and not exporters, with the very few exceptions of international schools from some countries such as Singapore.²⁸ The majority of international schools originate in developed countries. There are also schools from other countries, including a couple of developing countries and transition economies, that cater to the needs of diplomats and diasporas.

There are international schools in every ASEAN country, although their number in 2019 was small in Brunei Darussalam (8) and the Lao People's Democratic Republic (15) and only moderate in Myanmar (56) and the Philippines (78) (table 14). In the remaining countries the number well exceeded 100 or even 200 schools, ranging from 125 in Viet Nam and 134-135 in Cambodia and Singapore, through 216 in Thailand, 283 in Malaysia and 328 in Indonesia. The number of schools and students enrolled have increased in all countries (for which time series data exist), and in some very quickly. For example, in Malaysia, the number grew from 66 schools in 2010 to 283 in 2019, and the number of students from 57,200 to 101,200. Myanmar has also experienced a significant increase in the number of both schools and students (between 2013 and 2019) and Indonesia has seen an increase in the number of schools (between 2015 and 2019). The largest group of children attend international schools in Malaysia and Indonesia (more than 101,000), followed by Thailand (80,100), Singapore (70,500) and Viet Nam (62,400). All in all, the number of international schools in all ASEAN countries increased from 778 schools in 2015 to 1,378 schools in 2019, and enrolment increased from 300,000 to 519,000 students, more than one and half times in only four years (table 14).

ASEAN countries participate more intensively in international trade in primary and secondary education through Mode 3 than in international tertiary education through Mode 2. Children enrolled in international schools in ASEAN constituted almost one-tenth (9.7%) of all children attending international schools in the world (in 2019), while outbound ASEAN students were only a little over one-twentieth (5.6%) of the world's international students (in 2017). Predictions are for further dynamic growth of these schools in most ASEAN countries, as they liberalize their policies on these schools (see next section).

Sales of international schools (of foreign education affiliates, in FDI parlance) in all ASEAN were \$5.1 billion in 2019, also one-tenth of global sales of international schools. They were the largest in Singapore (\$1,315 million), followed by Thailand (\$954 million), Malaysia (\$785 million), Indonesia (\$729 million) and Viet Nam (\$676 million). In other ASEAN countries sales were much smaller (table 14). The difference between the highest sales and a rather moderate number of students indicates that in Singapore average tuition fees per student are the highest among ASEAN countries: \$18,660 per year. In Thailand, they are \$11,906, in Malaysia \$7,760, and in Indonesia \$7,163.

Similarly, as in the world, in ASEAN countries the largest group of children attending international schools in 2018 was local children, with their share in the total number of pupils ranging from 52% in Indonesia and Thailand, through 60% in Malaysia, close to 65% in Cambodia and 72% in Viet Nam. Only in Singapore, which restricts the participation of local children in international schools (see next section), is the share small – 12% in 2018 (table 15). There are no data on other countries.

²⁸ One source lists 11 Singaporean international schools abroad, all in Asia, of which seven are in ASEAN countries (Indonesia, Thailand and the Philippines). There are also a few Indonesian and Filipino schools abroad, catering to the children of diplomats, often associated with, and sponsored by, embassies of these countries (https://en.wikipedia.org/wiki/Category:International_schools_by_country_of_origin).

Table 14. Profile of international schools in ASEAN countries, 2010–2019

Country	Number of schools			Student enrolment (number)			Tuition fee income (\$ million)	
	2010	2013	2015	2013	2015	2019	2013	2019
Brunei						6 500		54
Cambodia						40 700		168
Indonesia		190				101 700		729
Lao PDR						5 600		27
Malaysia	66	146	142	57 200	101 200		628	785
Myanmar		25	33	10 500	17 900			129
Philippines			45			33 300		214
Singapore		79	83	54 800	60 000	70 500	991	1 316
Thailand		174	176	58 200	65 000	80 100	680	954
Vietnam	84	110	109	39 200		62 400	314	676
Total		778	778	300,000^a	300,000^a	519 900		5 051

Source: ISC Research, 2018 Global Opportunities Report and media reports, based on ISC Research publications.

^aISC Research estimate for South-East Asia.

Table 15. Top three student nationalities in international schools in selected ASEAN countries, 2018 (Per cent of total number of students)

Country	Student nationality, share of total (%)					Sample size	
	Local	United Kingdom	United States	Republic of Korea	India	Students (number)	Schools (number)
Cambodia	64.3		7.5	5.1		4 573	13
Indonesia	51.1		4.5	6.6		13 704	47
Malaysia	59.7	3.1		5.1		36 230	73
Singapore	11.8	9.3			9	28 712	54
Thailand	51.6	3.3	4.5			35 321	94
Vietnam	72.3		2	7.6		32 204	59

Source: ISC Research, 2018 Global Opportunities Report.

b. ASEAN regulations of international schools

The dynamic growth of international schools in ASEAN countries has been the result of a rapidly growing demand for international education from expatriates' children and, more importantly, from better-off local parents from rapidly growing upper classes.²⁹ But the growth would not have been possible if governments had not lifted restrictions on local children's participation in these schools and/or on FDI. In some countries, however, liberalization has been accompanied by introducing new requirements that meet local needs and reflect differing visions of protecting consumers.

Malaysia is one of the ASEAN countries that has most proactively encouraged the growth of international education, including international schools. The previous 40% restrictions on local children's enrolment at international schools were all lifted in 2012. In addition, the government has introduced incentives, including a five-year 70% income tax exemption, for new international schools and took steps to attract world-renowned schools to set up their affiliates in Malaysia. These schools include Marlborough College, Epsom College and Raffles American International School.

In contrast, **Indonesia**, where international schools have rapidly expanded, has tightened international school policy. Regulations introduced in 2014 require international schools to adapt their curricula for all students to include components covering Indonesian religion, culture and language. Regulations prohibit full foreign ownership of international schools; school boards must prove that they have enough capital to run the school for the next six years. Furthermore, international schools had to remove the term "international" from their name, which forced the British International School to become the British School Jakarta, the Australian International School to become the Australian Independent School and the Jakarta International School to become the Jakarta Intercultural School.

Thailand has a buoyant international education sector. In higher education, as mentioned earlier, it follows in the steps of Singapore and Malaysia in attracting international students. It was one of the first ASEAN countries to lift restrictions on local students attending international schools (since the mid-1990s).

²⁹ This section is based on the following sources: <https://asiancorrespondent.com/2016/02/asean-international-schools>, <https://thepienews.com/news/vietnam-local-enrolments-foreign-schools-to-grow-cap-removed>, <https://frontiermyanmar.net/en/new-rules-for-private-schools>, and <https://www.nst.com.my/news/exclusive/2017/04/233140/international-schools-why-their-numbers-are-growing>.

By contrast, **Singapore** – like several East Asian countries, such as Japan, the Republic of Korea and Taiwan Province of China – has regulations that restrict local students from enrolling in international schools. This leaves the international school sector to rely almost entirely on the country's large expatriate population. In about 2016, Singapore's leaders predicted a growing demand for international schools over next years and the Economic Development Board, which controls land zoning, released new sites for international schools, with 30-year leases.

Until not long ago, **Viet Nam** also restricted the number of local children who could enroll at any international school, limiting local student shares to 10% in primary schools and to 20% in secondary schools. This restriction was lifted for foreign-invested schools by a decree issued in 2017, allowing these schools to determine themselves the ratio of domestic to international students. As Viet Nam is a growing source of outbound students across many levels of education, the decree is expected to create incentives for Vietnamese students to attend foreign-invested schools in the country, limiting their emigration in the future.

No major restrictions are reported on the activities of international schools in *the Philippines*, where the number of these schools as well as enrolments are rather modest. Solid English language proficiency in the country – surpassed only by Singapore and India – has lessened parents' demand for international schools.

Myanmar has also recently joined the group of liberalizing and regulating countries. Until not long ago international schools seemed to be only lightly regulated or even unregulated. There were no restrictions on enrolment, curriculum implementation or expatriate staff hiring and no requirements concerning qualifications of teachers. The lack of requirements, which allowed teachers to have lower qualifications or less experience, was perceived as negative by some, reducing the quality of teaching. Nonetheless, the country also allows international schools to charge lower fees and offer more affordable learning options.

In 2015, the Ministry of Education began to work on a Private Education Law, replacing old laws, and putting in place a regulatory framework for all private schools, including international schools. As one of the results, by 2018, restrictions on foreign investment had been loosened by the Myanmar Investment Commission, permitting investment in private schools that offer either a curriculum set by the government or an international curriculum. The step enables investment in basic education, technical and vocational education, higher education and subject-based schools. It opens the way for 100 percent foreign-owned institutions, as well as locally owned schools and joint ventures. The curriculum of international schools will be subject to review and approval by the national administration board. The draft law forbade "irrelevant subjects such as political opinions, religions and other subjects that are out of the curricula and against the Burmese culture" and prohibited the teaching of subjects that are "against the interests or policies of the country". At international schools, Myanmar national students will be required to learn the Burmese language, while foreign students will have the choice of learning it.

There is no information on international school regulations in the remaining ASEAN countries. **Cambodia** hosts a relatively high number of these schools with considerable enrolment, and it is unlikely that there are severe restrictions. It is unclear if the small number of schools in the **Lao People's Democratic Republic** and **Brunei Darussalam** results from low demand and small markets or from restrictions on schools' activities.

C. Tertiary education

a. International branch campuses

As mentioned in the introduction to this section, an IBC, the term used by researchers of higher education to describe expansion abroad by a HEI, corresponds closely to FDI, a key form of commercial presence abroad. Institutions³⁰ that collect data on IBCs define an IBC as “an entity that is owned, at least in part, by a foreign education provider; operated in the name of the foreign education provider; and provides an entire academic programme, substantially on site [in a host country], leading to a degree awarded by the foreign education provider.”

Cross-border movements of students and scholars (Modes 2 and 4 of supply of education services) have taken place as long as universities have existed, but institutional mobility – movements of providers and programmes across borders – is relatively new (as is cross-border supply through Mode 1). IBCs became visible on an international scale only in the 1990s (there were some 25-30 of them in about 1995). They started growing in the second half of the 1990s, to 67 by 2000, and expanded rapidly in the 21st century, reaching 248 by 2015, and spreading to more and more host countries: from 36 in 2006 to 51 in 2009 and 75 in 2015. They have provided some 180,000 students worldwide (not a big number, compared with the more than 5 million students who travel abroad for higher education through Mode 2) the possibility to enroll in foreign higher education programmes and to receive foreign qualifications and degrees without leaving home. But in most of the 75 receiving countries there are at most four foreign universities. The five largest host countries (and the largest buyers of tertiary education through Mode 3) are all developing countries: China (with 32 IBCs in 2015), the United Arab Emirates (31), Malaysia (12), Singapore and Qatar (11 each). Between 2009 and 2015, China and Malaysia registered the largest increase in IBCs (table 16). The United States is by far the largest home country for HEIs investing abroad, with 77, or 31% of all campuses in 2015, followed by the United Kingdom (39 IBCs, or 16%) and France (28, or 11%).

Both Malaysia and Singapore have ambitions to play the role of regional education hubs. These countries, like other hub countries, are cautious and selective in their choice of foreign HEI they let enter their education system, aiming at high-quality institutions with prestige and reputation. They recruit rather than unconditionally attract foreign universities. HEI entry into Singapore has occurred only at the invitation of the government. In the 1990s Malaysia made collaboration with the local private sector a condition for licensing foreign providers. However, in 2013 Malaysia announced a moratorium on the establishment of new foreign university campuses in the country. While the main objective of the moratorium was to control the oversupply of universities in the country, it also aimed to ensure the quality of universities by controlling the entrants.³¹

Recruiting a good foreign university to establish a branch in a developing country is not an easy task. HEIs are not MNEs, which need to grow to survive. The MITs and Harvards of this world do not need to venture abroad to prosper. The overwhelming majority of the world’s top universities stay at home and expand by attracting foreign students to study onsite. The group of reputable,

³⁰ One is the Observatory on Borderless Higher Education (OBHE), based in London, which sells data and publications on IBCs. Some data are reproduced by media reporting on publications by OBHE. Another, mostly used here as a source of data, is the Cross-Border Education Research Team (C-BERT), hosted at the State University of New York at Albany and Pennsylvania State University. C-BERT maintains a publicly available comprehensive list of international branch campuses and tracks other aspects of cross-border higher education (<http://cbert.org/>).

³¹ “Two-year moratorium on new private tertiary institutions”, *The Star Online*, (<https://www.thestar.com.my/news/nation/2013/01/30/twoyear-moratorium-on-new-private-tertiary-institutions#aTTDzf8JAsfr0Jbu.99>), and “Moratorium on establishment of higher learning institutions extended three more years”, *New Straits Times* (<https://www.nst.com.my/news/nation/2017/12/311840/moratorium-establishment-higher-learning-institutions-extended-three-more>) (Accessed 8 October 2019).

Table 16. The 12 largest home and host countries for international branch campuses, 2009 and 2015 (Number of campuses)

Home country	Number of campuses abroad		Host country	Number of campuses from abroad	
	2009	2015		2009	2015
United States	78	77	China	15	32
United Kingdom	13	39	United Arab Emirates	40	31
France	11	28	Malaysia	5	12
Russian Federation	..	21	Singapore	12	11
Australia	14	15	Qatar	9	11
Netherlands	5	9	United Kingdom	5	7
India	..	7	Canada	6	7
China	..	6	France	..	6
Canada	3	6	United States	..	5
Ireland	3	4	Spain	..	5
Germany	..	4	Republic of Korea	..	5
Malaysia	4	4	Germany	..	5
Total	131	220	Total	92	137

Source: Cross-Border Education Research Team (C-BERT). For 2009: WTO, 2010, based on OBHR.

good-quality universities that have decided to embark on foreign expansion through IBCs is not yet large. Most HEIs that have established foreign branch campuses have done so for the first time, often under the pressure of opportunities (e.g., invitations and generous financing promises by host-country governments) or the temptation of enhancing their reputation and making financial gains. Most have not had experience in managing operations abroad, including cross-border movements of employees and money or dealing with foreign governments (Lane and Kinser, 2011). Parents of IBCs are often public institutions, with a long tradition of being taxpayer-funded, subject to direction by the government and characterized by bureaucracy and arcane decision-making structures. Their organizational culture is ill-suited to managing a private, money-making foreign subsidiary (Healey, 2015). Therefore, failures have not been uncommon. In its latest survey of IBCs, C-BERT identified 41 IBCs that have closed, almost 17% of existing campuses in 2017.

As shown in table 16, some ASEAN countries participate – predominantly Malaysia and Singapore – in cross-border mobility of universities as hosts to IBCs of foreign HEIs and as sources of foreign campuses, being among the top 12 host and home countries in the world.

Table 17 presents a full profile of IBCs in and from ASEAN countries, including also the foreign inbound campuses that have been closed. Apart from Malaysia and Singapore, which together account for 23 of 32 IBCs (or 72%) in ASEAN, there are foreign campuses in Thailand (three), Indonesia and Viet Nam (two each) and Cambodia (one). Over 80% (26) of these campuses were established by HEIs from developed countries. Australia, with eight campuses, leads the list of home countries, followed by the United Kingdom (six), France (five) and the United States (four). ASEAN universities have established seven campuses abroad: three have been set up by Malaysia's Limkokwing University of Creative Technology (in Botswana, Cambodia and the United Kingdom) and two by the Management Development Institute of Singapore (in Malaysia and Uzbekistan). The remaining two were set up by Malaysia's Twintech International University College of Technology (in Yemen) and by the Philippines' AMA Computer University (in Bahrain). So only two of the seven campuses are intra-ASEAN investments. Seven foreign campuses have been closed: three in Malaysia and four in Singapore. Three of them were from the United States. Interestingly, Australia's Royal Melbourne Institute of Technology, which closed its Malaysia campus in 1999, then opened two campuses in Viet Nam, one in South Saigon in 2001 (with 6,000 students) and one in Hanoi in 2004 (with 1,200 students).

Table 17. International branch campuses in ASEAN, as of 2017

Category and institution name	Host country	Home country	Number of students, 2016
A. International branch campuses in ASEAN countries			
Limkokwing University Phnom Penh	Cambodia	Malaysia	3 000
ESMOD Jakarta	Indonesia	France	..
Stenden University Bali	Indonesia	Netherlands	..
Monash University	Malaysia	Australia	6 000
Swinburne University of Technology, Sarawak Campus	Malaysia	Australia	2 390
Curtin University of Technology	Malaysia	Australia	4 411
Xiamen University Malaysia Campus	Malaysia	China	..
Al-Azhar University	Malaysia	Egypt	..
ESMOD Malaysia	Malaysia	France	..
Penang Medical College	Malaysia	Ireland	..
The Management Development Institute of Singapore	Malaysia	Singapore	2 200
University of Nottingham, Malaysia Campus	Malaysia	United Kingdom	..
Newcastle University Medicine Malaysia	Malaysia	United Kingdom	..
University of Southampton, Malaysia Campus	Malaysia	United Kingdom	..
University of Reading Malaysia	Malaysia	United Kingdom	1 500
Heriot-Watt University Malaysia Campus	Malaysia	United Kingdom	..
University of Newcastle International Singapore	Singapore	Australia	2 000
JCU Singapore	Singapore	Australia	3 000
Curtin Singapore	Singapore	Australia	2 000
Shanghai Jiaotong University Graduate School of Singapore	Singapore	China	400
INSEAD Asia Campus	Singapore	France	384
ESSEC Asia Pacific	Singapore	France	4 880
EDHEC Business School	Singapore	France	..
Manchester Business School Singapore	Singapore	United Kingdom	3 500

.../

Table 17. International branch campuses in ASEAN, as of 2017

Category and institution name	Host country	Home country	Number of students, 2016
University at Buffalo, Singapore	Singapore	United States	..
The Culinary Institute of America, Singapore	Singapore	United States	..
DigiPen Institute of Technology Singapore	Singapore	United States	228
Assumption University (Beijing Language and Culture University Bangkok Office)	Thailand	China	..
Stenden Rangsit University Thailand	Thailand	Netherlands	..
Webster University, Thailand Campus	Thailand	United States	..
RMIT Vietnam (South Saigon Campus)	Vietnam	Australia	6 000
RMIT Vietnam (Hanoi Campus)	Vietnam	Australia	1 200
B. International branch campuses of ASEAN universities abroad			
Twintech International University College of Technology	Yemen	Malaysia	..
Limkokwing University of Creative Technology	United Kingdom	Malaysia	..
Limkokwing University of Creative Technology Botswana	Botswana	Malaysia	..
Limkokwing University Phnom Penh	Cambodia	Malaysia	3 000
AMA International University-Bahrain	Bahrain	Philippines	500
The Management Development Institute of Singapore	Malaysia	Singapore	2 200
Management Development Institute of Singapore in Tashkent	Uzbekistan	Singapore	..
C. Closed international branch campuses in ASEAN countries			
Royal Melbourne Institute of Technology	Malaysia	Australia	Closed in 1999
Dublin Business School	Malaysia	Ireland	Closed in 2007
Allianze University College of Medical Sciences	Malaysia	United Kingdom	Closed in 2014
University of New South Wales	Singapore	Australia	Closed in 2007
Tisch Asia School of the Arts	Singapore	United States	Closed in 2015
UNLV Singapore	Singapore	United States	Closed in 2015
Baruch College, City University of New York	Singapore	United States	Closed in 2016

Source: Cross-Border Education Research Team (C-BERT) - 2016 http://cbert.org/?page_id=34.

b. Non-equity forms of commercial presence

Despite the rapid growth in the number of IBCs worldwide, this form of commercial presence has not yet become very important for international delivery of tertiary education services. As noted, it affects only some 180,000 students worldwide, in the pool of 5 million students who have left their countries to study abroad. In 2016 in Australia, for example, 40,130 people studied at IBCs of Australian universities, while 64,581 students were enrolled in twinning and franchising programmes delivered through partnerships between Australian and foreign HEIs, mainly from Singapore, Malaysia, China and Viet Nam (Australian Government, 2018). ASEAN countries have been involved as buyers in the supply of tertiary education services through NEMs since early years of their opening to foreign education (box 2).

Box 2. Non-equity forms of investment in education services

In education, as in other services, there are non-equity forms of investment, which vary by industry. In hotels, car rental and restaurants, they typically include franchising and management contracts, whereas in legal, business consultancy and accounting services they predominantly take the form of partnerships.

In education services franchising contracts are popular, but there is a wide variety of other forms, determining the degree of control over programmes by a providing institution and the rights of a receiving institution. They include double or joint degree programmes, twinning and validated programmes. The key provisions of these arrangements concern the award of qualifications and degrees and ways in which programmes are delivered (including the division of teaching work between the staff of both partners), which determine modes and scope of control.

In franchising agreements a foreign provider (franchisor) designs the programme, which is delivered in the domestic institution (franchisee) of a host country. Students receive the qualifications of the franchisor's institution. In the twinning arrangement, students pursue part of the programme at the domestic institution and part at the partner foreign institution. The degree is awarded by the foreign institution. A validated programme is established in a local HEI by approval of a foreign institution as being equivalent to its own, leading to the award of a qualification from the latter. In the case of double or joint degrees, students pursue programmes offered jointly by institutions in two countries. The qualifications can be either a degree that is awarded jointly or two separate degrees awarded by the foreign institution (Zimny, 2011).

At the beginning of the 21st century there were some 2.2 million international students worldwide, and branch campuses had only started growing. The number of students attending foreign collaboration programmes in host countries then under various NEMs of commercial presence was estimated at 500,000. Data compiled from various sources indicate that there were close to 2,000 foreign-run programmes in developing countries, most in the form of twinning and franchising arrangements. Top home countries for the delivery of higher education abroad through NEMs were the same as exporters of education through other modes, discussed earlier: sellers of education to visiting foreign students and home countries for FDI in foreign campuses: Australia, the United Kingdom and the United States, as noted, but also Canada and New Zealand (Bashir, 2007: 30-34).

The number of students seeking qualifications from Australian universities through NEMs of partnering HEIs of other countries grew from about 20,000 in 1996 to over 66,000 in 2008, representing nearly one-third of international enrolment in those universities. More than 85% of the programmes were reported to be in China, Singapore and Malaysia (WTO, 2010:15). At the beginning of the century, enrolment in United Kingdom overseas programmes was estimated at 150,000 to 200,000 students, focusing on ASEAN and Central and Eastern Europe. Some examples from that time concern ASEAN countries. In Malaysia, almost all 560 private colleges had twinning and franchising agreements with foreign institutions. In Viet Nam, at least 15 foreign HEIs offered franchised or joint degree programmes in collaboration with local public universities. In the second half of the first decade of the 21st century, one-third of Singapore's higher education students were enrolled in international education programmes through non-equity arrangements of local HEIs with foreign partners (WTO, 2010: 15).

4. Mode 4: supply through movement of professionals abroad

This mode concerns HEIs' staff (called expatriate academics in education literature), school teachers, researchers and trainers working abroad on a temporary basis (which may last a few years), providing cross-border education services in foreign countries. Income (salaries, fees) earned by foreign educators is a form of imports of foreign education services for the receiving countries and exports for the countries of educators' origin.

It is not clear how countries' expenses on visiting foreign teachers are treated in the balance of payments (though hardly any country collects such data). As discussed earlier and stipulated in the IMF BOP Manual (BPM6), spending of students abroad is included in education-related travel expenditures of a country's travel account. Income of "teachers and so forth, who supply services directly in host countries" is listed in the IMF BOP Manual, together with "correspondence courses and education via television or the Internet" as part of "other personal, cultural and recreational services", thus combining genuine cross-border trade with trade related to the travel of educators. This raises the question of why foreign students' travel should be travel and teachers' travel should be cross-border trade, together with trade through the internet? This inconsistency was noted in a WTO study on education services: "Since Mode 3 is not captured in BOP data and education-related travel expenditure reflects Mode 2, *it is assumed* that the education services included in other personal, cultural and recreational services represent Mode 1 and 4 flows" (emphasis added; WTO, 2010: 15). In this report, such data for ASEAN countries (very incomplete), taken from the World Bank's database on trade in services, were used to illustrate Mode 1. The values are too small to reflect trade through Mode 4, which can be quite considerable. For example, in Singapore, exports through Mode 1 were \$2.1 million and imports \$1.7 million (in 2010, the last year, for which data in tables 3 and 4 are available). Singapore is the only ASEAN country that has for many years reported education services within the "personal, cultural and recreational services" account of the balance of payments.³² In 2011, exports of these services were \$11 million and imports \$87 million, increasing in 2019 to \$34 million for exports and \$128 million for imports.³³

The presence of natural persons for the supply of cross-border education services is not well documented. Examples indicate that the international movement of school and academic staff, and thus trade through Mode 4, is significant. A good part of it, also in ASEAN, takes place within

³² Singapore, however, does not distinguish education service within travel account. On the other hand, Malaysia, which does so, does not single out education services in its "personal, cultural and recreational services" account.

³³ <https://www.tablebuilder.singstat.gov.sg/publicfacing/createDataTable.action?refId=16831>, accessed 19 March 2020.

government-sponsored programmes of teacher and academic exchanges. But movement in the private sector is also quite large. In several categories of educators it is rapidly increasing, with intensifying direct interactions between private (and public) education institutions on joint teaching and research programmes, expansion of international schools and branch campuses, and growing teacher deficits in many countries.

Seemingly, the largest international market for the provision of education services through Mode 4 in ASEAN countries is for the teaching of English by native speakers associated with the rapidly growing demand for English-language skills. According to the British Council, in 2015 approximately 1.7 billion people of all ages were learning English, a number that is rising and was already projected to reach 2 billion by 2020. According to a 2013 study by GSV Advisors for Pearson English, one of the largest English-language training companies, English-language instruction for non-native speakers was at that point already a \$63 billion a year global industry.

In ASEAN countries, demand for English instruction is also large and rapidly growing. On real salary scales for an average-earning English teacher, provided by a consultancy firm that recruits them,³⁴ 10,000 native English teachers in Cambodia (where the average monthly salary is \$850) would produce \$102 million of imports annually, in Viet Nam (with a salary of \$1,300) \$156 million, in Malaysia (\$1,750) \$210 million and in Singapore (\$3,150) \$375 million of annual imports. If the number of English teachers in every ASEAN country were greater than 10,000 (there are no data on this), estimated imports would be accordingly higher.

Table 18 presents data on the number and geographic origin of teachers at international schools in six ASEAN countries, obtained courtesy of ISC Research. The six countries in the table account for almost 90% of all international schools and student enrolment in ASEAN. The data exhibit another large supply stream of education services through Mode 4. The share of teachers who are foreign is close to 60% in Indonesia and Malaysia, over 70% in Cambodia and Viet Nam, and about 90% in Thailand and Singapore. The average for six countries is 71%. Not surprisingly, most foreign teachers come from countries such as the United Kingdom, the United States and Australia. Assuming an average annual salary of a foreign teacher is \$24,000 per year (or \$2,000 per month), the total annual cost of salaries in the six countries would be \$790 million. This is not an exaggerated assumption in light of the English teachers' salaries shown earlier and given that teachers in international schools teach all subjects, including math and science, for which salaries are much higher.

Table 18. Foreign teachers in international schools in ASEAN, 2018

Country	Total staff (number)	Foreign staff (number)	Foreign staff as share of total (%)	Annual salary cost of foreign staff (dollars) ^a
Cambodia	3 800	2 774	73	66 576 000
Indonesia	9 800	5 586	57	134 064 000
Malaysia	10 600	6 254	59	150 096 000
Singapore	6 900	6 210	90	149 040 000
Thailand	8 500	7 310	86	175 440 000
Vietnam	6 500	4 810	74	115 440 000
Total	46 100	32 944	71	790 656 000

Source: AJC, based on data provided by ISC Research.

^a Estimate based on the assumption of an average monthly \$2,000 salary.

³⁴ See <https://www.internationalteflacademy.com/asia-english-teaching-job-abroad-index> for ASEAN country profiles.

One aspect of the internationalization of tertiary education has been increased cross-border mobility of academic staff. By one estimate, top universities of the world, most from developed countries, employ 25% or more of their academics from other countries (Trembath, 2016), most likely from developed countries. This amounts to considerable trade in tertiary education services through Mode 4 among developed countries. The involvement of ASEAN countries in such trade, predominantly in imports, is associated with the activities of IBCs, which, as shown earlier, have been growing rapidly in selected countries. As a reminder, ASEAN hosts 32 IBCs, most of them (24) in Malaysia and Singapore, three in Thailand, two in each Indonesia and Viet Nam and one in Cambodia (table 17).

In practice, the result in terms of the share of foreign academics in total staff is influenced by many factors and may differ from campus to campus. At EduCity in Malaysia, the share of foreign teachers in the total teaching staff varies from 40% at the University of Reading to 85% at Newcastle University of Medicine (Trembath, 2016). The University of Nottingham in Malaysia, a joint venture with local institutions, initially relied significantly on staff seconded from the mother university in the United Kingdom, but with time it increasingly hired local academics. By contrast, two affiliates of the Royal Melbourne Institute of Technology in Viet Nam rely almost entirely on expatriate academics from Australia and other developed countries (Neri and Wilkins, 2018).

III. TRADE AGREEMENTS AND REGULATIONS AMONG AND IN THE ASEAN MEMBER COUNTRIES

The ASEAN Framework Agreement on Services (AFAS) is the main trade agreement concerning liberalization of trade in education services. It is a progressive agreement with subsequent packages offering deeper commitments for trade liberalization. Annex table 2 provides the specific commitments for trade in education services and the remaining restrictions for every ASEAN country, by types and levels of education, under the AFAS 10th package, the latest and final one under this framework. Further liberalization will be continued under the ASEAN Trade in Services Agreement (ATISA). To assess the degree of liberalization under the AFAS, the Hoekman index has been applied.³⁵ The higher the value, the more liberal are the country's service trade commitments to the FTA members. In order to calculate Hoekman indexes, the database was constructed for 155 subsectors of education services of ASEAN countries. Then simple averages were calculated for each subsector for each country and, finally, an average index for the entire education sector. It must be noted that Mode 4 was left out of the calculations, as it is not covered by the AFAS and is subject to a separate agreement on the movement of natural persons. Also, data in the table refer to commitments. Actual policy can be, and typically is, more liberal, as explained in chapter V.

³⁵ Hoekman (1995) proposed an indexation method for measuring the GATS-style degree of commitment in the services sector by four modes of cross-border services delivery. Using this method, values are assigned to each of eight cells (for four delivery modes and two aspects of liberalization, concerning market access and national treatment, thereby making eight cell entries) of a single table concerning one country and one type of service (e.g., 5A. Primary Education Services). Tables are prepared for every country for every type of education services. Values are assigned as follows: 1 means that the sector is fully liberalized; 0.5 that liberalization is limited, but bound (which means that, even if liberalization is partial, a country committed not to withdraw it); 0 indicates that the government has not committed to liberalize. For the aggregation of the values of the degree of liberalization (from 1 = full liberalization to 0 = no liberalization), simple averages are calculated for subsectors, sectors and countries. As shown, it is a simple but objective indexation method, applying the numerical estimates (i.e., discrete points of 0, 1 or 0.5) to sometimes ambiguous legal texts. Based on the law of large numbers, aggregation of these values is expected to reflect degrees of service trade liberalization by sectors, subsectors and countries.

Summary table 19 shows the results of the calculations: most ASEAN member countries have liberalized commitments to trade in education services. The average index value for all countries, modes, and the entire education sector is 0.84, which is rather high, considering that 1 means full liberalization. By mode, Mode 2 has the highest value (0.95), followed by Mode 1 (0.80) and Mode 3 (0.72). This implies that Mode 3 remains relatively restricted in trade in education services of ASEAN countries. The policy implications of this are discussed in chapter V.

Following is a summary of liberalizing commitments and remaining restrictions by country:

- **Brunei Darussalam:** In Mode 3 some regulations are retained (“only through a joint venture with foreign equity not exceeding 70%” for market access”, and “a majority of the senior managers in any such enterprise are Bruneian nationals” for national treatment); otherwise, the education sector is open.
- **Cambodia:** Primary education is not liberalized; Mode 3 regulations include “foreign equity participation is limited to maximum of 70% through joint venture” for market access; otherwise trade in Mode 3 is unrestricted.
- **Indonesia:** Primary education is not liberalized; Mode 3 regulations include “joint venture with foreign equity participation up to 70%” for market access, and “subject to qualification and licensing requirements and procedures, including registration”, as well as “foreign education institutions are required to collaborate with local education institutions in Jakarta, Surabaya, Bandung, Yogyakarta and Medan.” For national treatment other than these, Indonesia has a rather open policy.
- **Lao People’s Democratic Republic:** Its education sector is rather open.
- **Malaysia:** Secondary and other education are unbound; joint-venture and equity participation requirements are in place for Mode 3; otherwise its education sector is open.
- **Myanmar:** Its education sector is highly open.
- **The Philippines:** Higher and other education are unbound; foreign equity participation is limited for some sectors in Mode 3; otherwise, this sector is open.
- **Singapore:** Its education sector is highly open.
- **Thailand:** Nationality requirements apply in Mode 3; otherwise the education sector is open.
- **Viet Nam:** Primary as well as secondary education services remain unbound; otherwise, the education sector is open.

Transition from a positive to a negative list

The ATISA, which will replace the AFAS framework, is in the final stage of negotiations among the ASEAN member states.³⁶ There will be a transition from the AFAS positive-list approach to liberalization (i.e., listing service sectors that are liberalized, fully or at least partially, and the types of restrictions for non-liberalized sectors) to the ATISA negative-list approach (listing sectors that are not fully liberalized and the types of remaining restrictions).

Meanwhile, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a negative-list-based free trade agreement, involving four ASEAN members (Brunei Darussalam, Malaysia, Singapore and Viet Nam), has already taken effect. The agreement merits attention because reservations under it are quite limited in all four ASEAN members, and, as a result, their liberalization commitments appear to be higher than those under the AFAS 10th package. This gives hope that ATISA commitments based on negative-list negotiations will be more liberal

³⁶ As of September 2019.

Table 19. Hoekman index for education services in ASEAN member countries under the AFAS 10th package

Education service	Mode	Brunei										Simple average		
		Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam			
5A. Primary education services	1	1.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.70
	2	1.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.80
	3	0.50	0.00	0.00	0.75	0.75	1.00	0.50	1.00	0.50	1.00	1.00	1.00	0.60
5B. Secondary education services	1	1.00	0.00	1.00	1.00	0.50	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.75
	2	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	3	0.50	0.75	0.50	0.75	0.75	1.00	0.50	1.00	0.75	1.00	0.75	1.00	0.75
5C. Higher education services	1	1.00	1.00	1.00	1.00	0.50	1.00	0.00	1.00	1.00	1.00	1.00	1.00	0.85
	2	1.00	1.00	1.00	1.00	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.98
	3	0.50	1.00	0.50	0.75	0.50	1.00	0.50	1.00	0.50	1.00	0.50	1.00	0.73
5D. Adult education	1	1.00	1.00	1.00	1.00	0.50	1.00	0.00	1.00	1.00	1.00	1.00	1.00	0.85
	2	1.00	1.00	1.00	1.00	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.98
	3	0.50	1.00	0.50	1.00	0.50	1.00	0.50	1.00	0.50	1.00	0.50	1.00	0.75
5E. Other education services	1	1.00	1.00	1.00	1.00	0.50	1.00	0.00	1.00	1.00	1.00	1.00	1.00	0.85
	2	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	3	0.50	1.00	0.50	1.00	0.75	1.00	0.50	1.00	0.50	1.00	0.50	1.00	0.78
Simple averages of the five services	1	1.00	0.60	0.80	1.00	0.60	1.00	0.40	1.00	1.00	1.00	1.00	0.60	0.80
	2	1.00	0.80	0.80	1.00	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.95
	3	0.50	0.75	0.40	0.85	0.65	1.00	0.50	1.00	0.55	1.00	0.55	1.00	0.72
All modes	0.83	0.72	0.67	0.95	0.72	1.00	0.63	1.00	0.85	0.87	0.85	0.87	0.84	

Source: AJC, based on the specific commitments tables of the ASEAN members under the AFAS 10th package (see annex table 4).

than the ongoing commitments under the AFAS 10th package. In general, the results of negotiations based on a negative list are more transparent and allow for much shorter presentation, focusing only on the remaining restrictions. The assumption is that non-listed sectors and subsectors are fully open and liberal in both aspects, that is, market access and national treatment. This perhaps also makes negotiations less complicated and easier, permitting them to focus on important and sensitive matters of restrictions, and resulting in widening the scope of liberalization.

IV. IMPACTS OF TRADE IN EDUCATION SERVICES

As a result of the generally open attitudes in ASEAN countries (chapter III), trade in education services has expanded (chapter II). This chapter examines key impacts of trade in education services, by first looking at the importance of education services for the economy as a whole and then considering the impacts of two key forms of trade in education services in ASEAN: (a) outbound student mobility and international schools, and (b) HEIs and inbound students.

1. Economic impact of education: providing skilled human capital for economic development

As signaled in the introduction, education provides social and economic benefits to individuals and society. As regards its economic impact – the subject of this section – it creates human capital, which is central for growth and development. Investing in education – particularly in higher education – is a crucial part of countries' drive toward higher productivity and technological advancement. No country or region has achieved high-income status, in the long term, without first crossing a "respectable" higher education threshold (World Bank, 2012: 13). A highly educated and well-trained workforce also underpins competitiveness: skilled workers achieve higher levels of productivity and income than unskilled ones; apply, assimilate and adapt existing technologies; and engage in innovation to invent new products and production methods. In the long run, greater skills, including those involved in research and development, support productivity and competitiveness by contributing to reorienting, upgrading and diversifying national economic structures.

While the ultimate overall goals of higher education are similar across countries in ASEAN, education priorities differ for member states at different levels of economic and technological development. Tertiary educational attainment is important, but every country also needs workers with different levels of education.

The success of ASEAN in attracting FDI imposes additional requirements on members' education systems. Most ASEAN countries achieved economic progress by relying significantly on FDI, especially in export-oriented manufacturing and, in some, tradable business services (e.g. Singapore). MNEs account for a sizable share of production for exports, which is the most advanced and competitive segment of industry in ASEAN (World Bank, 2012: 11). Because of their technical advancement, MNEs tend to hire more educated workers than domestic firms do. If ASEAN countries wish to continue to attract high-quality FDI, their education systems need to provide graduates with skills that match the (higher) requirements of foreign investors relative to those of domestic firms. If ASEAN countries wish to retain foreign investors, they must encourage them to upgrade and/or attract new investors to more advanced activities. To succeed, they need to provide skills for such future advanced activities. Export-oriented FDI is footloose and moves from country to country in search of lower costs and better business conditions. As wages rise with economic success, ASEAN countries will eventually

lose their comparative advantage that is based on low-cost, semi-qualified or even qualified labour, and current manufacturing investors will leave (as they left Singapore a few decades ago). The task of the education systems of ASEAN countries is to prepare for this eventuality.

Although access to higher education has expanded, many ASEAN countries face a problem of unsatisfied demand resulting from the insufficient capacity of local HEIs. Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam (despite rapid progress in recent years) do not produce enough higher-education graduates to satisfy the needs of their labour markets. The quality of graduates is also a problem. They often do not possess the high-level skills required by the modern economy. In part, this results from insufficient capacity to supply STEM skills, those in the areas of science, technology, engineering and mathematics. But in part, it is also due to a lack of the functional skills that future workers must possess to be employable and to support firms' competitiveness and productivity. They include the problem-solving and creative skills to support higher value added manufacturing and the business, thinking and behavioral skills for a high-productivity services sector (World Bank, 2012: 1-2).

In economic terms, the deficit of supply of good-quality postsecondary education translates into shortages of skills for the economy: ambitious development plans must be postponed or cancelled altogether because of the deficit. Local businesses, including small and medium-size enterprises, suffer from a lack of entrepreneurs and able managers. As a rule, countries with fewer skilled human resources have less capacity to produce new human resources. Consequently, the fewer people with higher education degrees, the fewer chances a country has to get out of the vicious circle of low skills and low participation in tertiary education.

2. Impact of ASEAN trade in education services

The key role and economic impact of trade in education services is to support and supplement domestic education systems in their task of generating and improving human resources for a competitive and productive economy. All modes of trade can contribute to this task in one way or another, but the most visible effects can originate from students' outbound mobility (Mode 2) and from the commercial presence of IBCs and international schools (Mode 3), which are the focus of this section. In addition, IBCs can assist in expanding exports and reducing imports of education services, alleviating skill shortages (including for FDI) and enhancing domestic education systems. Trade in education services is also associated with risks of adverse impacts. Therefore, the role of trade policy in education (discussed in chapter V) is to create conditions for increasing positive impacts, while avoiding or limiting negative ones.

Some of the positive impacts and risks overlap by the modes of trade. For example, increased supply of skills can be generated by all modes, but in particular by Modes 2 and 3. Issues of unequal access to education also arise in connection with several modes. For clarity, the discussion is organized by modes and educational institutions, with subtitles indicating key impacts.

A. Outbound student mobility and international schools

Supplementing and improving human capital

According to the literature, the key impact of international students' mobility on their home countries is to meet the demand for higher education, which cannot be satisfied by the domestic education system in terms of either quantity or quality, and thus assist countries in building and expanding the capacity of high-quality higher education. A report on tertiary education by the World Bank and

OECD (2007: 72-73) concludes that “Encouraging and supporting domestic students to study abroad is arguably the best way to get a well-trained international workforce, which can improve the quality and quantity of human resources in the economy as well as in the domestic education sector”.³⁷ The supposition is that knowledge, skills and experience gained during foreign study, and eventually some work abroad, will benefit the society and economy of the students’ home countries.

As shown in chapter II, the two biggest education trade flows of ASEAN countries are imports of tertiary education services through Mode 2 (ASEAN students abroad) and of primary and secondary education services through Mode 3, commercial presence of international schools in ASEAN countries. Although the expectation is that the former trade flow will contribute to human capital directly, the latter one may have a similar impact. Worldwide, 80% of children attending international schools are local, and 90% of the graduates become international students. As shown in chapter II, in ASEAN, except for Singapore, most pupils are also local, and there are no reasons to think that the situation is different as regards graduates going abroad for tertiary study. Thus, the impact of international schools in host ASEAN countries becomes, with a delay, the impact of international students.

Risk and extent of brain drain in ASEAN and potential benefits from diaspora

This impact would be unequivocally beneficial, if, after graduation and perhaps some work abroad, to broaden horizons and permit the acquisition of more skills, students returned to their home countries, expanding the pool of human capital. If instead students take jobs abroad – typically in developed countries – and remain there permanently, becoming emigrants and diaspora members, the result is a brain drain from ASEAN countries to developed countries, and benefits to home countries of student mobility can be questioned, especially in countries where the rates at which students remain abroad are high.

UNESCO’s 2018 Global Education Monitoring Report (Deuster and Docquier, 2018), suggests that emigration rates of highly skilled citizens, educated both at home and abroad, are above 20% in over one-quarter of 174 countries (UNESCO, 2018:105). The data in table 20 show that in ASEAN countries in 2010 the emigration rates of all highly educated people – that is, educated at home and abroad – were mostly very low to moderate: 1-2% in Indonesia, Thailand and Myanmar, and 5-9% in Singapore, Malaysia and Brunei Darussalam (in this order). They were higher in the Philippines and Viet Nam (11-14%) and the highest in Cambodia and the Lao People’s Democratic Republic (18-26%). Assuming that all highly skilled emigrants study abroad, the beneficial impact of international student mobility takes place in ASEAN countries, because in most of them the overwhelming majority of graduates³⁸ return home and increase the stock of human capital. In most ASEAN countries, the impact has increased over time as the ratios declined, reflecting perhaps the improved living conditions associated with rapid economic growth. For all of South-East Asia, the ratio declined from 11% in 1990 to 6.2% in 2010. The most notable declines took place in Malaysia and Singapore, from 25% in 1990 to 6% or less in 2010 (table 20).

³⁷ The same applies to academics travelling abroad. In addition to acquiring new skills, mobility exposes them to a new cultural experience (which may broaden their perspectives on their home countries), leads to better linguistic abilities and facilitates interactions with academics of other countries that may result in long-term cooperation. These effects may be achieved through trade and through official cooperation between universities and education ministries.

³⁸ In the Lao People’s Democratic Republic, the majority.

Table 20. ASEAN: Ratio of highly skilled emigrants to OECD area to the total number of highly skilled people^a in country (Per cent)

Country	1990	2000	2010
Brunei Darussalam	22.1	13	8.7
Cambodia	22.5	16.4	18.3
Indonesia	5.6	2	1.1
Lao PDR	30.2	26.5	25.8
Malaysia	26.3	9.9	6
Myanmar	4.3	3.2	2.1
Philippines	12.6	10.8	11.4
Singapore	25.3	12.9	5.5
Thailand	2.4	1.7	1.4
Vietnam	23.8	18.8	14
South-East Asia	10.8	7.4	6.2

Source: Deuste and Docquier (2018).

^a“Highly skilled” means with tertiary degrees.

The rate at which today’s international students stay abroad is not known. There is no reason to think that they have changed drastically after 2010. But even if they are high, representing a loss of human capital, other benefits arise. Students who remain abroad become highly educated emigrants, and, like most emigrants, they send home remittances, contributing to the overall inflow of remittances, which for most developing countries are a significant source of foreign currency and capital. If instead of losing contact with their home countries, students join their diasporas, then benefits associated with diaspora activities can arise for the home countries. Some international students who remain emigrants may invest in their home country or return to establish a business. As the study of most international students is financed privately, the financial costs of losing – or rather not gaining – additional human capital for the sending country are limited to the cost of free public primary and secondary education. Costs arise, if non-returning students use scholarships sponsored by their governments and development partners. Several ASEAN countries do indeed support foreign study, but neither the extent of this support nor the number of sponsored non-returning students are known.

B. Inbound international branch campuses

These impacts are limited to ASEAN countries that have attracted IBCs and foreign programmes through non-equity forms of investment (chapter II). They are Malaysia, Singapore, Thailand and, to a much smaller extent, Viet Nam, Indonesia and Cambodia. Impacts vary, depending on the type of students, links of IBCs with the local environment and countries’ policies.

Generating exports and reducing skill shortages through retaining foreign graduates

If IBCs are aimed at attracting foreign students, then a key benefit is exports of education services, bringing foreign currency revenues and contributing positively to the trade balance in education services. This is the case of Malaysia and Singapore, which, as shown in chapter II, are significant exporters of tertiary education, and on a smaller scale, of Thailand. Another is stimulation of economic activity in education centres, through student spending on accommodation, food and recreational activities (apart from tuition, which also supports indirectly local economy).

If a country has a policy of retaining talented foreign graduates in its labour force (as most developed countries do), this will contribute to the reduction of shortages of skilled human resources, which

many developing countries suffer. In Singapore, for example, the number of inbound foreign students recruited after graduation to work there by far exceeds the number of Singaporean students studying abroad (Ziguras and Gribble, 2014: 14).

Increased supply of skills lacking for the economy and FDI

Where students at IBCs are mainly local (as is the case in Cambodia), the key benefits are a reduction in the shortage of skilled human resources and a contribution to building the stock of human capital more rapidly and cheaply than could be done either with limited domestic resources or by sending students abroad for expensive studies in developed countries. If the IBCs are affiliates of reputable universities, they also meet local student demand for tertiary education of high quality and provide an incentive for students to not study abroad, thereby reducing brain drain and easing the burden of outbound students for the balance of payments.

If skillfully targeted and smartly regulated, foreign establishments in higher education have the potential to rapidly fill the skills gap in a country's FDI sector, facilitating not only increased flows of FDI but also attracting better FDI. In many studies, education has been found to be a key FDI determinant, especially of better types of FDI³⁹ (for a comprehensive discussion of the relationship between education and FDI, see te Velde, 2005; see also Varghese, 2009: 11-13, and Miningou and Tapsoba, 2017). Thus, providing the right skills is particularly important in countries that expect FDI to contribute to the restructuring of their economies towards higher valued added and more technologically advanced industries.

A basic condition for the success of such a policy is the provision of a steady flow of human resources able to meet foreign investors' current and future skill requirements. Any policy of this kind is doomed to failure if not accompanied by an appropriate policy on human resources supply. Attracting FDI into education can provide a shortcut to achieving this end. An example is Malaysia's programme to establish a hub for the biotechnology industry. There are no data on the employment of graduates of foreign programmes in host countries. But the prospect of work for an MNE is mentioned as a key driver motivating students to enroll in foreign programmes, as "[MNEs] are more willing to recruit people who have certifications from the universities of their parent countries" (Varghese, 2009: 21).

Foreign-based institutions can provide skills not taught at local universities but demanded by the local economy. This is of importance in small countries, which, given their small populations, cannot support HEIs that teach a wide range of subjects. Many countries suffer from shortages of engineers, information technology specialists, medical doctors, and other key professions. The shortages inhibit further development of existing industries or make it difficult to establish new ones. They are particularly acute in new areas such as biotechnology, renewable energy and artificial intelligence, where cutting-edge knowledge is necessary for progress. Foreign provision of education in such areas by institutions from countries that are at the cutting edge of knowledge and technology often appears as a viable solution.

Competitive pressures and spillovers enhancing local education institutions

There can be indirect impacts, that is, *spillovers* from the presence of foreign campuses in the host country. Competition from foreign affiliates, one of the channels of spillovers in business and a mechanism for mobilizing local enterprises to greater effort and improvement, works well in

³⁹ For example, the credit for attracting FDI and for the expansion of the software sector in India goes to "technical young people and English-speaking scientific professionals" (Varghese, 2009: 13), cited from Business and Economy, Indian business Industries, 2008.

environments where there are viable domestic businesses able to take up the competitive challenge. Education does not provide such an environment. But there are examples indicating that competition in some areas of higher education is, indeed, fierce. A case in point is the competition for MBA students in Asia, which is, in fact, global. Australian business schools, facing decreasing enrolment of international students, have found themselves in competition with business schools from Singapore, among other countries.⁴⁰ Within countries, competitive pressures from foreign providers may work better where there are many local private providers. In contrast, competition may have limited effects in countries that rely largely on public HEIs, which may not feel threatened by competition from foreign units. The best local universities are often in such great demand that it may take years before they would feel the effects of competitive pressures. In such cases, the threat of foreign affiliates crowding out local institutions, typically perceived as a downside of FDI, is limited.

Demonstration effects from the presence of foreign universities can be another channel of positive impacts on the quality of local institutions. “Technologies” used at universities – curricula, textbooks, methods of teaching – are relatively easy to observe and to emulate, especially at universities in proximity. Vincent-Lancrin (2007: 72) points out that “Internationalization allows [local] institutions to benchmark themselves with foreign provision, through direct competition with foreign providers to attract students and grants”.⁴¹ Thus, there can be positive externalities from foreign branch campuses. Other externalities may come from the movement of qualified people: teachers moving between local and foreign universities, local academics attending Ph.D. programmes at foreign branches, and so on. Externalities may be easier to achieve where collaboration between foreign branches and local HEIs is encouraged, facilitated or even required as a condition to operate in a host country. Cooperation or partnership can enable local partners to enhance their capacity in teaching, their curriculum content and their delivery through the direct assistance of, and interactions with, the foreign partner. To this end, some countries require foreign affiliates to employ local staff. As noted in Vincent-Lancrin (2007: 72), “Partnerships or foreign programmes may also help developing the infrastructure to undertake more efficient teaching and research and ultimately create a more effective and cost-efficient organization of the HEIs and sector”.

Further spillovers may come from foreign universities that undertake research activities in host countries, adding to the research capacity of the host country. If foreign HEIs establish links with local industries, these may also benefit the local economy. Such links are encouraged in both Singapore and Malaysia.

C. Risks of trade

In the discussion of the beneficial impacts of trade, some risks were identified. What follows is a summary of those risks as well as other risks associated with trade:

- Bogus institutions that disguise themselves as reputed providers of higher education may enter a country, banking on high demand for education and, sometimes, mainly on demand for tertiary degrees. The risk is particularly present in countries in which oversight and regulations are weak or non-existent.
- A country may attract genuine but cheaper programmes of low quality, catering to mass students, motivated primarily by financial considerations and having nothing to lose in terms of reputation. In addition, foreign programmes of reputable universities may not live up to expectations, and

⁴⁰ “Australia shifts gear to attract students”, Special Report on Education, International Herald Tribune, 20 October 2011, p. 12.

⁴¹ This will happen where competition exists, which, as noted earlier, is not always the case. In addition, foreign units have to be allowed to compete with local units for students with loans and grants, which is not always the case either.

the benefits discussed earlier may not materialize or may be limited in scope. For example, Altbach (2010: 2) notes, “with regard to the Johns Hopkins University’s program in Singapore, the local authorities did not feel it was providing the promised goals, resulting in cancellation of the program”.

- FDI in tertiary education services may prove to be unsustainable for financial or other reasons: witness the closures of several campuses, including in ASEAN countries, discussed in chapter II. Campuses have failed due to poor business models (US Michigan State University in Dubai and the University of New South Wales in Singapore),⁴² disagreements with local partners (George Mason University in the United Arab Emirates) or the inability to adapt to changing local regulations (Bond University in South Africa) (Owens and Lane, 2014; Healey, 2017).
- Foreign providers may act as enclaves, with few benefits to domestic education systems. In some cases they may crowd out domestic providers of higher education services, especially private providers.
- Equity issues in tertiary education arise in connection with private provision, as countries and public universities introduce and/or raise student fees, which reduces access by students from poor segments of the population. Because foreign programmes are more expensive than domestic ones, they further exacerbate inequity issues. Study abroad, available only to students from wealthy families, is an even more vivid demonstration of inequity, as it is more expensive than foreign programmes in the country.
- In primary and secondary ASEAN education, where compulsory and free education is common, equity issues become visible in countries where there is inequity of access to better local schools, resulting in inequality of learning outcomes, and dividing children into those with better and worse life prospects, thereby creating elites. The growing attendance by local children at international schools compounds the inequity, preparing fertile ground for its continuation at the tertiary level of education.
- Increased imports of tertiary education through Mode 2 may accelerate brain drain from ASEAN. While potentially reducing the risk of brain drain, as discussed earlier, the commercial presence of foreign HEIs (Mode 3) does not eliminate it altogether. Students at IBCs often receive, as is advertised, education similar or identical to that at the parent campus. More importantly, the degree from the parent university is recognized in the country of the university headquarters, and possibly, through mutual recognition agreements, in other developed countries. Such a degree may open the door to the job markets of developed countries and result in emigration.

V. POLICY OPTIONS AND RECOMMENDATIONS

The previous chapter discussed the benefits of trade in education services in general and in ASEAN. However, these benefits do not come automatically. Some ASEAN countries need further liberalization of education services to expand trade, as well as supplementary measures, especially to attract FDI in education and benefit from it. At the same time, ASEAN governments should be aware of the possible risks associated with the commercial presence of foreign education and other forms of trade and should take measures aimed at avoiding or at least reducing these risks. Discussion of possible policy options and recommendations in this regard is the objective of this chapter.

⁴² The University of New South Wales (Australia) closed its campus in Singapore in 2007, less than one year after entry, due to low enrolment (Altbach, 2011: 8).

1. Attracting foreign education institutions

Further liberalization of trade in education services in ASEAN under ATISA

Imports through Mode 3 are the most restricted educational trade activity of ASEAN countries (chapter III), and the least committed to liberalization within the AFAS, lowering the overall index of liberalization of educational trade. As assessed by the Hoekman index (chapter III) as well as reported in a joint study by ASEAN and the World Bank, most countries are fairly open in Mode 1 and Mode 2 types of trade. On average, in all ASEAN countries applied trade policy in education services for all modes is pretty liberal, at the level of 23 (out of 100, which means that trade is banned), as measured by the World Bank's Services Trade Restrictiveness Index.⁴³

In Mode 3, however, this is not the case. For example, Indonesia, Myanmar, the Philippines and Thailand apply some restrictive measures (ASEAN and World Bank, 2015: 59). Furthermore, according to AFAS commitments, some countries still maintain operational restrictions on the activities of foreign affiliates, which results in a Hoekman index of liberalization considerably lower than 1. These countries include Brunei Darussalam, Indonesia, Malaysia, the Philippines and Thailand, with an index of 0.5, and the Lao People's Democratic Republic, with an index of 0.75. Some of these restrictions may pose difficulties for attracting FDI, especially if they concern the requirement of a joint venture with a local partner, combined with the condition that the majority of senior managers be nationals of a host country (Brunei Darussalam), control and administration be vested in local citizens (the Philippines), or at least half of the directors and of the university council members and a managing director, be local (Thailand). Whereas for some HEIs investing abroad these conditions may be acceptable, for most they will be a deterrent, as they mean that the university headquarters will not be able to fully control the activities of their branch campuses.

Thus, in several ASEAN countries there is still room for further liberalization of Mode 3 of trade in education services and/or for narrowing the gap between actual policy and commitments under the AFAS and the AEC Blueprint, which would improve the investment climate for intra-ASEAN FDI. The ongoing transition from the AFAS to the ATISA may facilitate further liberalization, as a result of the latter's negative-list approach, which as noted earlier is simpler and more transparent than previous positive-list-based negotiations.

Supplementary measures to remove trade barriers in education services

Liberalization is only the first necessary step towards attracting FDI into education. Supplementary measures are also needed to reduce investment risks and increase chances of attracting FDI. Supplementary measures include the establishment of a clear, stable and transparent regulatory framework for foreign HEIs to invest their capital for long-term operation. In general, regional regulatory cooperation is very important to achieve progress in supplementary measures, and needed also to advance trade in education, because of the diversity and differences in quality of national regulations. The challenges of improving regulatory quality are particularly high for lower-income ASEAN countries, and strong support from other ASEAN countries and ASEAN institutions would be desirable in facing these challenges (ASEAN and World Bank, 2015: vii).

Although it is useful to review restrictions and commitments to liberalizing trade in education services by each mode of supply, it would also be helpful for policy to regroup them by key types of activity and associated modes of delivery. In policy practice, countries liberalize not modes but

⁴³ But applied policy is much more restrictive than was the goal of the AEC Blueprint. The target for education services was set at 10 points (ASEAN and World Bank, 2015: 77).

access to their territory by international schools or HEIs. Looking at restrictions and commitments from this perspective makes it possible to identify across all modes those restrictions that could hamper the establishment and activities of schools or HEIs and discourage some of them from investing. Restrictions that do not fall under any of the modes should also be added. For example, if a country wishes to attract foreign students, cumbersome visa procedures may be an obstacle. If a country's objective is to use foreign graduates to reduce a shortage of skilled human resources, then immigration policy becomes very important as do issues such as the availability of scholarships to foreign students, the possibility to work while studying and the availability of work permits after graduation. Such issues are typically dealt with by different government departments, and one department's actions can inadvertently inhibit the objectives of another department or even the entire government. Reviewing an activity by all associated modes and other issues would provide a clear picture that is useful for conducting policy and achieving its objectives. Supplementary measures should focus on these restrictions as well.

Furthermore, it is essential to monitor and consider the skill needs of foreign investors in education policy, as FDI skill requirements are typically different from and higher than those of domestic firms. ASEAN governments should aim at attracting the right education institutions, those that can provide education and/or training that increases the chances of satisfying the skill needs of foreign investors.

Incentives to attract good-quality foreign education institutions

Countries that have managed to attract foreign campuses have also typically provided generous incentives in the form of infrastructure, buildings and/or financing of campuses for foreign providers. Some have added operational subsidies. Incentives have been predominantly financial. Both Singapore and Malaysia, two leading ASEAN countries that have attracted high-quality IBCs, have invested significant amounts of money, providing investment incentives for the establishment and operations of IBCs. Both have also established clear, transparent and secure frameworks for transnational higher-education investment, reducing investors' risks. These incentives were typically accompanied by host government's expectations, often turned into commitments by foreign investors, concerning the content of teaching, degrees offered, quality of the programme and other requirements, as well as the return on investment. For example, Singapore has undertaken significant investment to attract world-renowned universities and formulated conditions for their quality (Verbik, 2006: 7). If these conditions are not met, accreditation is withdrawn. According to one source, Malaysia spent about \$100 million on the infrastructure and buildings in EduCity, a regional education hub in the southern part of the country that hosts IBCs, among other services.⁴⁴ Given that drawing in foreign universities is costly, a common view is that low-income developing countries stand little chance of attracting FDI into tertiary education despite fully opening to foreign providers (Vincent-Lancrin, 2007: 81). In low-income countries, a viable solution could be to use ODA – multilateral, regional or bilateral, including from better-off countries in the region – to support the establishment of foreign HEIs in these countries.⁴⁵

⁴⁴ "Education in Malaysia. A reverse brain drain. Ambitious plans to become an Asian hub for Western education", *The Economist*, 5 May 2011.

⁴⁵ There are many examples indicating that ODA was indeed used to set up branches of world-class universities in developing countries, including in low-income countries. A case in point is Carnegie Mellon University's branch campus in very low-income Rwanda, which opened in 2012 and is still operational. The campus was built with funds provided by the African Development Bank and the Rwandan government, which has also secured an operational subsidy for many years, until the campus can stand on its own feet. Rwanda provides scholarships to its citizens to pay tuition and cover other fees. The campus also relies on foreign students from East Africa.

2. Benefiting from foreign education institutions

Strengthening quality assurance programmes in education services

Education, like many other services, involves a problem of asymmetric information between providers (in this case, foreign HEIs) and consumers (students), arising out of the fact that the quality of a service cannot be assessed at the time of purchase and/or delivery – that is, at the time of enrolment into a foreign programme – and that there is no guarantee in the case of a “faulty” service. The essence of asymmetric information is that providers are aware of weaknesses in the quality of their services and do not reveal them to students, who, as a result, do not have complete information about the product they are buying.

Therefore, to avoid these risks and ensure benefits from foreign campuses, and, for that matter, also from domestic HEIs, it is essential to build systems of quality assurance. As mentioned earlier, the risks associated with the quality of foreign transnational education may be greater than those related to private domestic education, because it is new, less stable and more difficult to oversee.⁴⁶ Some ASEAN countries have systems that address quality issues at foreign universities that are already in the entry stage (box 23).

Box 3. Quality assurance measures in Malaysia and Singapore.

In both Singapore and Malaysia, only good-quality foreign institutions are targeted and allowed to enter. In exchange for incentives, quality requirements for subsequent operations are formulated and applied, to the extent possible, at the stage of entry.

Malaysia requires foreign universities to teach subjects that will be most useful to the country (also in terms of attracting international students), to provide education at a level similar or identical to that at a home campus and to offer identical degrees. It encourages cooperation between local and foreign universities (Bashir, 2007: 41). To establish a campus, a candidate institution must go through a five-stage approval and review process, covering legal, educational and business requirements. Any foreign programme must include subjects that local students are required to pass in order to graduate.

In Singapore, foreign universities operating in cooperation with local ones must be approved by the government. Prior to the approval they have to provide information on course content, their status and accreditation in the home country, and the division of responsibilities between them and their local partners. Entry and cooperation with local universities can occur only at government invitation, as noted earlier (OECD, 2004: 192).

However, most developing countries lack capacity in quality assurance and thus do not yet have such systems. Quite a few countries instead apply restrictions on the entry of foreign HEIs, justifying them with concerns about quality. For example, in an Asia-Pacific Economic Cooperation (APEC) survey, Indonesia cited quality assurance considerations as a key reason for not allowing private for-profit education, including FDI in education (APEC, 2009: 32). Indonesia has quality assurance regimes but does not extend them to private for-profit and foreign institutions, preferring until recently to

⁴⁶ The greatest risks come from cross-border distance education, because it is most difficult to control.

ban them altogether, except for foreign twinning programmes.⁴⁷ However, since 2018 Indonesia has allowed equity FDI in education. Although some media speculated that complete ownership is now possible, the Regulation on Foreign Universities (No. 53 of 2018) of the Ministry of Research, Technology and Higher Education is silent on this matter. Indonesia's commitment under the AFAS 10th package stipulates only a joint venture with foreign equity participation of up to 51% (annex 2, p. 61). While liberalizing entry, including that of foreign academics, Indonesia has kept most of the previous requirements (see footnote 47), and added new ones such as that foreign universities can be established only in special economic zones.⁴⁸ Thailand, by contrast, combines quality assurance regimes – sometimes quite extensive ones – with liberal foreign entry rules (APEC, 2009, pp. 31-32; APEC, 2019, pp. 55-57).

Countries that wish to benefit from FDI in education should build or strengthen their quality assurance systems as a key prerequisite to removing bans on entry of and operational restrictions on foreign educational affiliates. This should, however, be done in a way that does not replace one set of restrictions with another. International cooperation can be instrumental in this respect. Within APEC, which includes all ASEAN countries, for example, work is under way to develop Higher Education Quality Assurance Principles for the Asia-Pacific region, aiming at defining minimum standards rather than across-the-board standards for all countries. The expectation is that developing a “ladder” of quality standards would help countries, indicating steps and standards that could be used to move towards improvement (APEC, 2009: 46). Similar initiatives would be well advised within ASEAN.

As of 2016, the ASEAN countries other than Myanmar formally had at least one institution responsible for external quality assurance for study programmes or entire HEIs. However, higher-education systems and approaches to quality assurance are organized very differently and follow a wide range of standards and procedures. Despite these differences, there is ground for cooperation across the ASEAN region on issues such as expanding higher education, increasing the number of universities and improving the quality of teaching and learning processes (SHARE, 2016:14). Quality assurance is one of the important fields for cooperation, although the differences presented above do not facilitate it. At the ASEAN level, two organizations – the ASEAN Quality Assurance Network (AQAN) and the ASEAN University Network (AUN) – as well as several other higher-education stakeholders, both regional and national, are committed to developing quality assurance as the backbone of convergence in higher education across the region, as part of the ambitious project of establishing a common ASEAN higher-education space (box 4).

⁴⁷ There are also several additional requirements for these programmes, which may amount to restrictions on their operations and discourage entry, as follows. Foreign qualifications must be accredited in the home jurisdiction, and to receive a license as a “working partner” of a domestic institution, the foreign provider's programme must be evaluated by the responsible Indonesian ministry. Cooperation, as mentioned, should not be undertaken for profit and should be “an equal partnership”. Activities should cover not only teaching, but also research and community service. Partnerships should be consistent with national and institutional priorities and include areas in which graduates are especially required. Not more than 50% of a course should be taught in a foreign language, unless prior permission is granted. Periodic reports must be submitted for evaluation (OECD, 2004: 192).

⁴⁸ For more on this topic and the link to an unofficial English translation of regulation no. 53, see <https://www.lexology.com/library/detail.aspx?g=5b971e9f-a4f4-49fa-a1b4-bc24cfe9c162>; and [https://internationaleducation.gov.au/News/Latest-News/Pages/Indonesian-Government-Ministerial-Regulation-on-Foreign-Universities-\(Decree-53\)-.aspx](https://internationaleducation.gov.au/News/Latest-News/Pages/Indonesian-Government-Ministerial-Regulation-on-Foreign-Universities-(Decree-53)-.aspx).

Box 4. ASEAN platforms to promote quality assurance activities

The ASEAN Quality Assurance Network (AQAN) represents national external quality assurance bodies and ministries in charge of quality assurance that formulate, develop and implement external quality assurance frameworks. Its members either have decision power on education issues or direct access to national decision-making bodies (SHARE, 2016: 21). The mission of AQAN is to “promote and share good practices of quality assurance in higher education in the South-East Asia region; to collaborate on building capacity for quality assurance in higher education in the region; to share information on higher education and facilitate mutual recognition of qualifications throughout the region; and to develop a regional quality assurance framework for Southeast Asia” (ASEAN Quality Assurance Network, 2014). Its main task is to help establish a regional quality assurance framework.

The key tool for regional cooperation on quality assurance has been the ASEAN Quality Assurance Framework (AQAF), drafted by a consortium of expert institutions and practitioners of higher education management, and endorsed by AQAN members in 2013. The primary purpose of the Framework is to enhance the quality of education in the ASEAN region and to support the mobility of students, workers and professionals, both within and outside the region (AQUAN, 2014: 6). It is supposed to be a basic document for the formulation of quality assurance policy in the region. In 2014, AQAN members submitted a draft framework to a higher level of education principals to consider the AQAF for endorsement at a political level and future adoption. They recommended that the AQAF should be submitted to the ASEAN Senior Officials Meeting to start a formal political endorsement process. In 2016, putting the AQAF on the political agenda was still an unfinished process. The authors of a study sponsored by the European Union, suggested that “binding legal basis would be extremely helpful for implementing the AQAF principles at the HEIs and quality assurance agency levels” (SHARE, 2016: 23).

The ASEAN University Network (AUN) is another platform for promoting quality assurance activities in the region, although with a rather narrow scope. Its membership is limited to 30 key universities, because of the restrictions on the number of members per country. AUN objectives and activities are many, but one of them has been quality assurance. The AUN was established in 1998. The Network has developed quality assurance guidelines that have been used for quality assessments of programmes of member universities since 2007. Since 2014, the impact of the Network has broadened, as associated, non-member universities have also been able to take part in quality assurance activities. Evaluations are voluntary and carried out on request. According to the AUN website, 171 study programs were assessed between December 2007 and the end of 2016.⁴⁹ Since 2016, the AUN quality assurance unit has been preparing to conduct assessments at the institutional level (that is, assessment of the entire university rather than its individual programmes). The AUN assists also in building capacity for quality assurance by organizing training courses on quality assurance, the AUN assessment process, and how to perform self-assessment as a prerequisite for the AUN quality assurance assessment of the study programme. Furthermore, since 2013, AUN has started to offer advanced training that targets future assessors (SHARE, 2016: 22).

⁴⁹ <http://aun-qa.org/AssessmentAnalysis>, accessed 6 January 2020.

Facilitating positive spillover effects of foreign presence

As mentioned in chapter V, increasing trade in education services may create competition among local private and foreign education institutions, instigating in some cases the potential for crowding out of the former by the latter. Such possible downsides of foreign presence could be minimized by encouraging and facilitating collaboration between foreign and local HEIs, including through joint teaching and research programmes, or joint ventures between foreign and local education institutions. Cooperation or a partnership can enable the local partner to enhance its capacity in teaching, curriculum content and delivery through the direct assistance of, and interactions with, foreign partners. Ideally, joint ventures should not be imposed on foreign institutions, because they can be considered by some as an unacceptable condition and a barrier to investment.

Ensuring equity of education services

As foreign programmes are typically fee-based and more expensive than domestic ones (whereas access to public HEIs may be free), they raise equity and access issues for students from worse-off families. Government scholarships and/or student loan programmes permitting the use of stipends or loans at foreign branches are instruments that facilitate access of local students to better-quality education. Such programmes can be linked to students' performance and can then also serve as a tool for identifying and educating a country's best talent. They can also be used to promote equity in access to education, as inequity is exacerbated by trade and FDI.⁵⁰ One of the key responsibilities of governments is to make sure that academically qualified students are not prevented from studying by the lack of financial resources.

Issues of access, equity and inclusiveness are associated with ethical choices, guided by considering education as a public good and human right. But they also have an economic dimension. Whatever countries' choices regarding access and equity, every country must pay special attention to its talented, most able children, especially when they come from disadvantaged and poorer backgrounds, and make sure that they are not excluded from higher education because of inequality of access or their parents' difficult economic situations. From an economic perspective, such an exclusion amounts to the waste of valuable human resources.

Preventing brain drain through effective graduate and diaspora policy

Governments can implement measures aimed at reducing brain drain and encouraging highly skilled graduates of foreign study and/or diaspora members to return or, at least, to engage in beneficial interactions with home countries. Several ASEAN countries support outbound student mobility in the expectation that students educated abroad will help build domestic capacity in higher education and other areas when they return. They also have policies aimed at ensuring high return rates of students. Malaysia has provided scholarships for postgraduate study or training of teachers, academics and civil servants, mainly in the United Kingdom and Australia (World Bank and OECD, 2007). It also established offices abroad to assist students who are studying outside the country. Malaysia secured very high return rates among government-sponsored students, mostly *bumiputra*, through conditions attached to scholarships and career prospects on return. Thailand has provided scholarships for students and employees in the public sector. However, given the costs, the number

⁵⁰ For a review of schemes available in this respect, see Geloso–Grosso (2007: 165). Another mechanism to promote equity is an affirmative action, and especially preferential treatment in admission for low-income and disadvantaged students. But experience shows that interventions at the tertiary level often come too late, as discrimination starts in access to primary and secondary education. The proportion of students from rich families at HEIs is typically higher than their share in the population.

of scholarship programmes is limited, and successful capacity-building also depends on attracting foreign programmes and HEIs (Vincent-Lancrin, 2007: 50 and 100).

As regards diaspora, sending countries increasingly recognize that their highly skilled diaspora may contribute to the economy through investments, remittances and strengthened economic links between receiving and sending countries in the areas of trade, innovation and knowledge, including academic research and knowledge. Consequently, they have active diaspora policies aimed at encouraging return and stimulating and increasing these contributions.⁵¹ An effective policy should start with preparing a catalogue of difficulties that returning highly skilled migrants face. These may relate to the education needs of children, recognition of diplomas and degrees, health insurance, getting a job, investing in business or the lack of dual citizenship. Barriers may differ from country to country. The next step would be to remove or at least reduce these barriers by changing laws and regulations, eliminating bureaucratic obstacles and streamlining activities of government institutions that deal with returning migrants. Establishing a special institution, coordinating activities of government agencies in this area, and supporting and assisting returning graduates and highly skilled emigrants in settling down (as, in fact, a few ASEAN countries have done; see box 5) would be an additional necessary component. Finally, to complete an institutional setup for attracting highly skilled diaspora, an institution is needed for establishing productive, supportive and lasting engagement with members of the diaspora. Many countries have created such institutions. There is no one-size-fits-all solution for their mandates, which should consider the specific characteristics and needs of a country's diaspora population, which differ. These institutions may concentrate on graduated outbound students or on all highly skilled diaspora members. The key is to ensure that they provide relevant types of services and support, suited to the needs of the target group.

Box 5. Diaspora policies of selected ASEAN countries

In general, the better diaspora programmes address the needs of diaspora members, the greater the chances for their effectiveness. For example, to resolve challenges related to recognition of qualifications, governments can provide advice or offer validation and recognition services to ease reintegration of returning migrants in the labour market. Another example is the recognition of dual citizenship.

The Philippines: Under the Technical Education and Skills Development Authority, six agencies oversee the Permanent Returning Overseas Filipino Workers Network. In Davao Province, the Skills Registration Database linked returnees to recognition services and prospective employers (UNESCO, 2018: 106-107).

Viet Nam: The government recognizes the Vietnamese diaspora as an important factor for the country's development. It has developed a legal framework and practical programmes to cater to the needs of both emigrants and the diaspora.⁵²

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⁵¹ International organizations may assist in this. For example, the International Organization for Migration has programmes aimed at encouraging temporary work in home countries of highly skilled diaspora members from developing countries (World Bank and OECD, 2007: 98).

⁵² https://link.springer.com/chapter/10.1007/978-3-319-56342-8_15.

Box 5. Diaspora policies of selected ASEAN countries (Concluded)

Indonesia: The government organizes diaspora congresses, providing a platform to discuss issues and challenges related to human resources in Indonesia and to find out in what fields the Indonesian diaspora can make contributions.⁵³ Indonesian Diaspora Connect is an internet platform aimed at developing the country's human resource by helping 4.5 million members of the diaspora to contribute while living, studying and working abroad.⁵⁴

Malaysia: In 2010, there were 311,000 Malaysians living in OECD countries, and 55% of them held tertiary degrees.⁵⁵ The government has established Talent Corp Malaysia, which is responsible for implementing a programme to reach out to Malaysian talent abroad and expatriates with sought-after skills. The Returning Expert Programme targets highly skilled Malaysians abroad who are interested in returning. They include people in a wide range of occupations, from engineers and bankers to specialist doctors and accountants. The program provides fiscal and other incentives such as a 15% flat income tax for five years and permanent residency for foreign spouses and children. The World Bank suggested that the programme could be improved by paying more attention to connecting returning Malaysians with job opportunities by providing more information and facilitating interactions between applicants and recruiters, through job portals and career fairs. A common platform could be developed to identify and monitor critical occupation and skills shortages that would inform migration and workforce development policies and programmes.

Singapore: Since the late 1990s, Singapore has implemented several policies aimed at reducing the number of outbound students by enlarging options to study in Singapore (through improving the quality of public universities and attracting prestigious foreign HEIs), promoting the return of graduates after their studies and engaging with the Singaporean diaspora (Ziguras and Gribble, 2014). These policies have proved to be successful. The number of outbound students, which peaked in 1998 at 28,318, had declined to 18,894 by 2008. It started growing after that but in 2017 it was still at a lower level than in the peak year, with 24,793 students. Furthermore, Singapore has encouraged its highly skilled diaspora to return home by, among other efforts, establishing in 2006 the Overseas Singaporean Unit with the mandate to strengthen the diaspora's relationships with the home country, and providing support and funding for diaspora communities, including for business and student associations (Ziguras and Gribble, 2014). However, the effectiveness of diaspora policy is reduced by the lack of a dual citizenship policy, even though major host countries for Singaporean outbound students permit dual citizenship, including Australia, the United Kingdom, the United States, Canada and New Zealand. Thus, highly skilled emigrants who gave up Singaporean citizenship face difficulties if they wish to settle in Singapore.

⁵³ <https://jakartaglobe.id/context/indonesian-diaspora-congress-to-focus-on-human-capital>.

⁵⁴ <https://diasporaconnect.id/>.

⁵⁵ <https://www.nst.com.my/news/2015/09/revise-eligibility-criteria-target-malaysian-diaspora-world-bank>.

Ensuring inter-agency coordination in addressing interrelated modes of trade in education services

Modes of trade are interrelated: trade in one mode can influence trade in other modes or it can influence trade policy for other modes. For example, an exodus of young people for study abroad and children sent to boarding schools abroad (Mode 2) may have prompted ASEAN countries to open up to commercial presence of HEIs and international schools (Mode 3) and to permit local children to attend these schools, as is the case of more and more ASEAN countries. Mode 3 has the biggest impact on trade in other modes, especially in higher-education services. Mode 3 in primary and secondary education (international schools) prepares the ground for future trade (mainly imports) through Mode 2, as most graduates – including local children – seek foreign education, typically focusing on a couple of English-speaking developed countries. The commercial presence of foreign HEIs in equity or non-equity forms may reduce imports of tertiary education through Mode 2, as it provides an option and incentives (lower cost) for local students to obtain valued foreign degrees without leaving the country. If the commercial presence is large, as it is in Malaysia and Singapore, it triggers significant exports of tertiary services through Mode 2, attracting foreign inbound students (Mode 2). If the provision of services involves the combination of face-to-face and online cross-border teaching, it has an impact on trade in Mode 1. Finally, trade in Mode 3 stimulates quite significant trade in Mode 4, as foreign HEIs and international schools typically employ many foreign teachers and academics.

An important policy implication is that interactions between modes should be considered in policy formulation: opening to commercial presence may not be enough to stimulate significant trade, or expected trade, if there are restrictions on other modes of associated delivery. Such interactions between modes should be kept in mind by governments, when they design trade policy: liberalization of one mode may not be enough to trigger trade (or to encourage significant trade), if there are serious restrictions on supplementary modes.

Table 21. Summary of policy options and recommendation: attracting foreign education institutions and benefiting from them

Issues/Challenges	Policy options and recommendations
Some barriers remain to foreign service providers in establishing and operating education institutions through Mode 3.	<ul style="list-style-type: none"> • Support further liberalization of Mode 3 under the ATISA. • Narrow through the ATISA the gap between actual policy and commitments under the AFAS and the AEC Blueprint, to improve the investment climate in general and for intra-ASEAN FDI in education. • Remove the remaining entry and operational restrictions on IBCs and/or international schools, after putting in place quality assurance frameworks.
Removing barriers may not be enough to attract FDI (Mode 3), as it is only a necessary but not a sufficient condition.	<ul style="list-style-type: none"> • Work on establishing a policy and regulatory framework that is clear and transparent, providing sufficient stability and minimizing risk for foreign providers in order for them to invest their capital for long-term operations. • The challenges of improving regulatory quality are particularly high for lower-income ASEAN countries, and strong support from other ASEAN countries and ASEAN institutions is desirable in facing these challenges. • The skill needs of foreign investors should be monitored and considered in education policy, as FDI skill requirements are typically different from and higher than those of domestic firms.
Good-quality foreign universities typically expect investment incentives and/or operational subsidies from a host government.	<ul style="list-style-type: none"> • Identify foreign universities that would be interested in foreign expansion and most suitable for meeting the policy objectives of the host country. • Prepare an incentive programme suited to the needs of selected investors and eventually find a local private partner interested in investing in an education undertaking. • Use incentives as a carrot, committing the investor to teach subjects that will be most useful to the country (also in terms of attracting international students), to provide education at a level similar or identical to that at the home campus, and to offer identical degrees. • Low-income countries could use ODA and/or support from regional development banks, together with the government commitment, to attract good-quality foreign universities. The assistance of high-income ASEAN countries would also be helpful.
The mobility of educational professionals among ASEAN countries is limited.	<ul style="list-style-type: none"> • Use the ASEAN cooperation framework to achieve the objective of making degrees and learning outcomes comparable across ASEAN. • Add school teachers, academics and education consultants and managers to the list of professionals whose movement is supported by ASEAN agreements, including those dealing with the mobility of skilled persons concerning the movement of natural persons and mutual recognition arrangements.

.../

Table 21. Summary of policy options and recommendation: attracting foreign education institutions and benefitting from them (Concluded)

Issues/Challenges	Policy options and recommendations
<p>The quality of foreign programmes could be low or bogus providers could try to capitalize on the huge demand for higher-education degrees by providing low-quality service (Mode 3).</p>	<ul style="list-style-type: none"> • Implement regulations to ensure and monitor the quality of education services offered by foreign providers, while not discouraging them from investment. • Implement a quality assurance system for both online learning (for Mode 1) and foreign branch campuses (Mode 3). • Strengthen regional cooperation in establishing quality assurance systems, including through the AQAN and the AQAF.
<p>Foreign providers may crowd out domestic service providers of higher-education services, especially private providers.</p>	<ul style="list-style-type: none"> • Encourage collaboration between foreign and local HEIs. • Support demonstration effects from foreign universities to increase the quality of local institutions in such areas as curricula, textbooks and methods of teaching.
<p>Inequity in education may be exacerbated by trade and FDI in education services, since foreign programmes are typically fee-based and more expensive than domestic private ones.</p>	<ul style="list-style-type: none"> • Support low-income students with government scholarships and/or student loan programmes to facilitate their access to better-quality education. • If the government's funds for student support are limited, link programmes to students' performance. • Make sure that academically qualified students are not prevented from accessing good-quality education by the lack of financial resources.
<p>Increased trade in Mode 2 (studying abroad) and Mode 3 (establishment of international schools and branch campuses of foreign HEI) may exacerbate brain drain from ASEAN.</p>	<ul style="list-style-type: none"> • Support policies that encourage graduates and highly skilled diaspora members to return to home countries, including through <ul style="list-style-type: none"> - Analyzing the difficulties that highly skilled diaspora members face when returning to their home countries and remove or reduce such difficulties with effective policies. - Providing more information to returning diaspora members and connecting them to job opportunities. - Facilitating the return of diaspora members by easing the procedures for settling down. - Taking steps towards the recognition of degrees obtained at foreign institutions (including those located abroad) in cooperation with ASEAN countries. - Considering the adoption of a dual citizenship policy. • Engage diaspora members in beneficial interactions with the home country that may result in investment and trade.
<p>Issues related to trade in education services are governed by different parts of the government and difficult to coordinate.</p>	<ul style="list-style-type: none"> • Acknowledge the interactions between the four modes of trade and address issues related to trade in education services in a holistic manner.

Benefiting from foreign education institutions

Source: AJC and the author.

CONCLUSIONS

The key economic task (and impact) of education services is to build human capital, meeting the skill requirements of labour markets for improving productivity and competitiveness, and, consequently, for stimulating economic growth. Skill requirements differ depending on the level of countries' economic development and, therefore, expectations concerning education systems and their tasks differ, too. They are not the same in the highly developed economy of Singapore, which relies to a significant degree on knowledge-based services, as in Malaysia, which seeks to advance in GVCs and to avoid the middle-income trap, as in rapidly industrializing Viet Nam, which has been successful in attracting export-oriented FDI, as in other lower-income countries at the early stages of industrialization, or as in oil-dependent and rich Brunei Darussalam. However, in all countries, higher education is central to building human capital for future growth. The key tasks of higher education will also be dependent on the development level. Countries at the higher level of development will pay more attention to educating cadres of skilled human resources for research and innovation, whereas lower-income countries may struggle with ensuring access to tertiary education for more people. In all countries, tertiary education is a source of qualified teachers for primary and secondary education. Higher education contributes directly to improvements in individuals' welfare, as citizens with tertiary degrees not only exhibit higher productivity but also enjoy higher earnings and income.

Education services differ from most other services, which are typically commercial. Education is considered a public good and, as a result, the public sector plays a dominant or major role in its financing and provision. In recent decades, however, the private sector has rapidly gained importance, including in most ASEAN countries, in response to a rapidly growing demand for education, especially at the tertiary level, and for better-quality education at all levels, which many governments have not been able to satisfy. This has created more room for commercial transactions and for cross-border trade in education services, which has rapidly expanded worldwide and in the ASEAN countries. These countries increasingly participate in most types and modes of education services trade, but mainly as importers. Some countries (Singapore, Malaysia and recently Thailand) have emerged as significant net exporters through Mode 2.

The role of trade in education services is also different from that of "ordinary" trade in goods and in most categories of other (commercial) services, where the key contribution of trade is to better allocate resources, leading directly (through the provision of better and cheaper services to enterprises and consumers) and indirectly (through competitive pressure on local firms) to improved efficiency and productivity of enterprises. In education services, the role of trade is to help education systems build human capital and to satisfy demand, often for better-quality education, which cannot be met by domestic public and private providers of education. Trade can also make other contributions, depending on the mode of delivery, such as spillovers to the domestic system and exports of services from the commercial presence of foreign providers, especially at the tertiary level. There are also risks; for example, that contributions to building human capital will not materialize or will be reduced because students educated abroad will not return to the home country, or that foreign investors will provide low-quality education or that a country will benefit little from foreign education, apart from imports through outbound students.

Expansion of ASEAN education trade has been possible owing to liberalization of trade in most countries. On average, the trade policy of ASEAN countries in education services for all modes is pretty liberal, with Mode 3 imports, which also generate trade in other modes (including possibly exports), the least committed to liberalization. Thus, there is room for further liberalization of Mode 3 (commercial presence, that is, FDI) in several ASEAN countries. When liberalizing, governments

should be aware of interactions between modes of trade as well as of barriers to trade beyond trade policy. Liberalization is a necessary but not a sufficient condition for attracting FDI, especially into tertiary education. Supplementary measures are needed to reduce investment risks and increase the chances of attracting foreign investments in equity and non-equity forms, including, among others, the establishment of a clear, stable and transparent regulatory framework for foreign HEIs' activities. Another important policy task of ASEAN governments is to increase the benefits and avoid or reduce the risks of education trade, which differ by the modes of trade. Key policy measures should aim at reducing brain drain by encouraging and facilitating graduates of foreign study and skilled diaspora members to return home or to engage in beneficial interactions with home countries. Concerns about the quality of foreign provision should be alleviated by monitoring entry (avoiding, however, unnecessary trade barriers) and putting in place quality assurance infrastructure, facilitated by intra-ASEAN cooperation.

An important educational policy issue is related to the success of several ASEAN countries in attracting export-oriented FDI in manufacturing and services, and the aspirations of other ASEAN countries to follow a similar path in their industrialization. Education, providing skills for more advanced and sophisticated industries and activities, is key for retaining existing investors and encouraging them to upgrade and for attracting new investors to more advanced activities that rely on skilled workers and employees. The skill needs of foreign investors should be identified, monitored and considered in education policy, as they are typically different from and higher than those of domestic firms. Promotion of trade may contribute to increased foreign investment in education services, especially in tertiary education, and to alleviating skill shortages faced by foreign firms, and to expanding the pool of highly skilled human capital required for attracting better FDI and for economic development. In addition, both local and foreign HEIs should be motivated to adapt accordingly programmes, and curricula cooperation between foreign investors and schools and universities should be encouraged.

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ANNEX

Annex table 1. Foreign students in ASEAN countries, number, 2000–2017 (Mode 2 exports of education services)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Brunei	78	189	..	41	198	164	150	177	190	295	229	372	354	..	360	529	349	436
Darussalam	..	36	39	..	40	..	68	..	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	..	..	..	2 026	4 730	5 319	5 388	..	6 437	..	7 235	..	..	..	..	5 878
Indonesia	75	124	129	95	215	174	174	254	332	680	725	786	588	317	543	315	451	472
Lao PDR	18 892	16 480	27 731	30 407	23 441	..	24 404	30 581	41 310	57 824	64 749	63 625	56 203	..	99 648	111 443	124 133	100 765
Malaysia	..	..	..	..	..	..	..	57	..	..	..	65	100	..	..	..	..	..
Myanmar	..	2 323	2 609	4 744	3 495	4 836	5 136	..	2 665	..	..	..	..	..	..	..	..	..
Philippines	..	..	..	..	..	..	..	..	40 401	48 623	47 915	52 959	48 938	..	..	..	53 122	..
Singapore	..	2 508	4 092	..	4 170	4 334	5 601	8 534	10 915	16 361	19 052	20 155	20 309	..	..	..	31 571	..
Thailand	622	661	936	1 048	..	2 053	..	3 230	3 362	4 207	3 260	3 717	3 996	3 608	2 540	2 874	5 624	4 162
Viet Nam	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..

Source: World Bank Education Statistics.

Annex table 2. Students from ASEAN countries studying abroad, number, 2000–2017 (Mode 2 imports of education services)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Brunei	2 202	2 048	2 027	1 954	1 967	2 487	2 169	2 567	2 930	3 151	3 342	3 440	3 560	3 522	3 480	3 455	3 525	3 593
Darussalam	1 656	1 755	1 936	2 373	2 460	2 485	2 607	2 885	3 103	3 843	4 169	4 261	4 231	4 440	5 075	5 283	5 479	5 469
Cambodia	34 242	35 539	38 947	38 809	33 048	31 730	30 847	33 574	34 961	36 484	37 058	36 751	36 009	39 417	39 549	44 847	47 317	45 206
Indonesia	1 256	1 100	1 223	1 567	1 998	2 382	3 022	3 501	3 893	4 292	3 887	4 160	4 366	4 821	3 372	3 509	6 264	4 962
Lao PDR	45 807	44 719	46 905	49 294	48 533	47 491	49 073	52 566	56 170	59 769	59 442	59 706	59 452	59 844	62 536	64 767	64 861	64 187
Malaysia	1 896	1 954	2 681	2 979	3 018	3 012	3 286	3 710	4 736	6 125	6 786	7 281	7 054	7 410	6 860	7 659	8 417	8 328
Myanmar	5 547	5 538	6 385	7 078	7 315	7 550	7 902	8 122	8 883	10 065	11 898	11 681	11 229	11 703	13 254	14 628	16 492	16 578
Philippines	21 027	23 106	26 186	25 479	21 182	19 778	18 983	18 954	18 894	20 073	20 706	21 328	22 088	22 829	23 516	24 735	25 202	24 793
Singapore	21 056	21 986	25 606	25 455	25 419	25 057	25 435	26 407	26 074	26 840	27 986	27 104	26 416	25 845	26 450	29 205	30 375	29 884
Thailand	9 130	9 828	12 152	14 669	16 440	19 713	23 005	27 584	36 076	43 529	46 831	51 936	53 835	55 980	59 468	68 046	82 159	82 160
Viet Nam	143 819	147 573	164 048	169 657	161 380	161 685	166 329	179 870	195 720	214 171	222 105	227 648	228 240	235 811	243 560	266 134	290 091	285 160
ASEAN total	143 819	147 573	164 048	169 657	161 380	161 685	166 329	179 870	195 720	214 171	222 105	227 648	228 240	235 811	243 560	266 134	290 091	285 160

Source: World Bank Education Statistics.

Annex table 3. Trade balance in tertiary education (Number of students abroad minus foreign students in a country)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Brunei	-2 124	-1 859	..	-1 913	-1 769	-2 323	-2 019	-2 390	-2 740	-2 856	-3 113	-3 068	-3 206	..	-3 120	-2 926	-3 176	-3 157
Darussalam	..	-1 719	-1 897	..	-2 420	..	-2 539	..	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..	-26 117	-28 255	-29 573	..	-30 621	..	-28 774	..	..	..	..	-39 328
Indonesia	-1 181	-976	-1 094	-1 472	-1 783	-2 208	-2 848	-3 247	-3 561	-3 612	-3 162	-3 374	-3 778	-4 504	-2 829	-3 194	-5 813	-4 490
Lao PDR	-26 915	-28 239	-19 174	-18 887	-25 092	-24 669	-21 985	-14 860	-14 860	-1 945	5 307	3 919	-3 249	37 112	46 676	59 272	36 578	..
Malaysia	..	..	..	..	..	..	-3 653	..	..	..	..	-7 216	-6 954	..	..	..	..	..
Myanmar	..	-3 215	-3 776	-2 334	-3 820	-2 714	-2 766	..	-6 218	..	..	..	..	..	..	..	..	..
Philippines	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Singapore	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Thailand	..	-19 478	-21 514	..	-21 249	-20 723	-19 834	-17 873	-15 159	-10 479	-8 934	-6 949	-6 107	..	..	..	..	..
Viet Nam	-8 508	-9 167	-11 216	-13 621	..	-17 660	-24 354	-32 714	-32 714	-39 322	-43 571	-48 219	-49 839	-52 372	-56 928	-65 172	-76 535	-77 998

Source: World Bank Education Statistics.

ANNEX TABLE 4.

SPECIFIC COMMITMENT TABLES FOR EDUCATION SERVICES UNDER THE AFAS 10TH PACKAGE

Brunei Darussalam

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
Primary Education For International School Only (CPC 921)	(1) None (2) None (3) Only through a joint venture with foreign equity not exceeding 70%.	(1) None (2) None (3) A majority of the senior managers in any such enterprise are Bruneian nationals.
Secondary Education For International School Only (CPC 922)	(1) None (2) None (3) Only through a joint venture with foreign equity not exceeding 70%.	(1) None (2) None (3) A majority of the senior managers in any such enterprise are Bruneian nationals.
Higher Education (CPC 923) 1) Other Higher Education Services provided by privately funded HEIs [excluding courses such as engineering, medicine, law and architecture on undergraduate and graduate programmes] 2) Other Higher Education Services provided by privately funded higher institutions [except for those institutions which has government subsidies and investment]	(1) None (2) None (3) Only through a joint venture with foreign equity not exceeding 70%.	(1) None (2) None (3) Only through a joint venture with foreign equity not exceeding 70%.
Adult Education Courses with the maximum duration of 3 months (Private education) (CPC 924)	(1) None (2) None (3) Only through a joint venture with foreign equity not exceeding 70%.	(1) None (2) None (3) A majority of the senior managers in any such enterprise are Bruneian nationals.
Adult Education Services For Skill Centre Only (CPC 924)	(1) None (2) None (3) Only through a joint venture with foreign equity not exceeding 70%.	(1) None (2) None (3) A majority of the senior managers in any such enterprise are Bruneian nationals.
Foreign Language Training Centre (CPC 929)	(1) None (2) None (3) Only through a joint venture with foreign equity not exceeding 70%.	(1) None (2) None (3) A majority of the senior managers in any such enterprise are Bruneian nationals.

Cambodia

Cambodia will seek to establish an independent national accrediting process for market purposes in education and professional services which is in keeping with global practice.

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
Technical school-type education services for handicapped students (CPC 92240)	(1) Unbound* (2) None (3) None. Foreign equity participation is limited to maximum of 70% through Joint Venture	(1) Unbound* (2) None (3) None
Higher education services (CPC 923)	(1) None	(1) None
Adult education (CPC 924)	(2) None	(2) None
Other education services (CPC 929)	(3) None	(3) None

Indonesia

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
B. Secondary education services: Technical and vocational secondary education services (electronic automotive) (CPC 92230)	(1) None (2) None (3) Joint venture with foreign equity participation up to 70%	(1) None (2) None (3) (a) Subject to Qualification and Licensing requirement and procedure including registration. (b) Foreign Education Institutions are required to collaborate with local education in Jakarta, Surabaya, Bandung, Yogyakarta and Medan.
C. Higher Education Services (CPC 923) Postsecondary technical and vocational education services (Polytechnique Machine and Electrical) (CPC 92310)	(1) None (2) None (3) Joint venture with foreign equity participation up to 51%	(1) None (2) None (3) (a) Subject to Qualification and Licensing requirement and procedure including registration. (b) Foreign Education Institutions are required to collaborate with local education in Jakarta, Surabaya, Bandung, Yogyakarta and Medan.
D. Adult Education (CPC 924) Language courses and training	(1) None (2) None (3) Joint venture with foreign equity participation up to 70%	(1) None (2) None (3) (1) Subject to Qualification and Licensing requirement and procedure including registration. (2) Foreign Education Institutions are required to collaborate with local education in Jakarta, Surabaya, Bandung, Yogyakarta and Medan.
E. Other Education services (CPC 92900) Football and chess only	(1) None (2) None (3) Joint venture with foreign equity participation up to 49%. Licences will be issued only for five foreign education institution for joint venture with foreign equity participation up to 51%.	(1) None (2) None (3) Subject to Qualification and Licensing requirement and procedure including registration Establishment only in Jakarta, Surabaya, Bandung, Yogyakarta and Medan.
Other Education services (CPC 92900) Football and chess only Establishment only in Jakarta, Surabaya, Bandung, Yogyakarta and Medan.	(1) None (2) None (3) Joint venture with foreign equity participation up to 70%.	(1) None (2) None (3) (a) Subject to Qualification and Licensing requirement and procedure including registration (b) Licences will be issued only for five foreign education institution

Lao People's Democratic Republic

- The contents of the education curriculum must be approved by the Ministry of Education and concerned Ministry.
- With respect to C and D below, all subjects are allowed, except for teacher training, religious and political

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
A. Primary Education Services (CPC 921)	(1) None	(1) None
B. Secondary education services	(2) None	(2) None
- Higher Secondary Education Services (CPC 9222)	(3) As per specified in the horizontal section	(3) None
C. Higher education services		
- Postsecondary Technical and Vocational Education Services (CPC 92310)		
B. Secondary education services	(1) None	(1) None
- General Secondary Education services (CPC 9221)	(2) None	(2) None
- Technical and vocational training (Part of CPC 922)	(3) None ¹	(3) None
C. Higher education services (CPC 923)		
D. Adult education services (CPC 924)		
E. Other education services		
Short-term foreign language training (Part of CPC 929)		

¹The main criteria include the number of existing service suppliers in a particular geographical area, the stability of market and geographical scale.

Malaysia

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
Primary education services (CPC 921) Covering international schools only	(1) None (2) None (3) None except only locally incorporated joint-venture corporation with Malaysia individuals or Malaysian - controlled corporation acting or both. Aggregate foreign shareholding in the joint-venture corporation shall not exceed 70%.	(1) None (2) None (3) None
General secondary education services (CPC 9221) Covering international schools only	(1) Unbound* (2) None (3) None except only locally incorporated joint-venture corporation with Malaysia individuals or Malaysian - controlled corporation acting or both. Aggregate foreign shareholding in the joint-venture corporation shall not exceed 70%.	(1) Unbound* (2) None (3) None
Technical and vocational secondary education services (CPC 9223) Covering private education services only Technical and vocational secondary school-type education services for handicapped students (CPC 9224) Covering private education services only	(1) None (2) None (3) None except only locally incorporated joint-venture corporation with Malaysia individuals or Malaysian - controlled corporation acting or both. Aggregate foreign shareholding in the joint-venture corporation shall not exceed 70%.	(1) None (2) None (3) None

Other higher education services provided by privately funded HEIs, excluding private HEIs with government equity or that receive assistance from the government (CPC 92390) Adult education services provided by privately funded education institutions excluding private education institutions with government equity or that receive assistance from the government (CPC 924)	(1) Unbound, except for requirement for commercial presence (2) None (3) Only through a joint venture with foreign equity not exceeding 51% and subject to the requirement of a needs test if necessary	(1) Unbound including for grant of federal or state funding or subsidies such as but not limited to land grants, tax benefits, scholarships and loans limited to institutions with government equity or citizens or permanent residents (2) Unbound (3) Unbound including for grant of federal or state funding or subsidies such as but not limited to land grants, tax benefits, scholarships and loans limited to institutions with government equity or citizens or permanent residents.
Other higher education services provided by privately funded HEIs, excluding private HEIs with government equity or that receive assistance from the government (CPC 92390) Covering private university services only	(1) Unbound (2) None (3) None except only through a representative office, regional office or locally incorporated joint-venture corporation with Malaysian individuals or Malaysian-controlled corporation acting or both. Aggregate foreign shareholding in the joint-venture corporation shall not exceed 70%.	(1) Unbound (2) None (3) None
Adult education services provided by privately funded education institutions excluding private education institutions with government equity or that receive assistance from the government (CPC 924) Professional and/or short course education services (excluding teaching local language) (CPC 92400)	(1) None (2) None (3) None except only through a representative office, regional office or locally incorporated joint-venture corporation with Malaysian individuals or Malaysian - controlled corporation acting or both. Aggregate foreign shareholding in the joint-venture corporation shall not exceed 70%.	(1) None (2) None (3) None
Other education services (CPC 929 / 9290 / 92900)	(1) Unbound* (2) None (3) Only through a joint venture with foreign equity not exceeding 51%.	(1) Unbound* (2) None (3) None
Other education services (CPC 929 / 9290 / 92900) Language tuition services	(1) None (2) None (3) None except only locally incorporated joint-venture corporation with Malaysia individuals or Malaysian-controlled corporation acting or both. Aggregate foreign shareholding in the joint-venture corporation shall not exceed 70%.	(1) None (2) None (3) None

Myanmar

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
Primary education services (CPC 9211) - Preschool education services (CPC 9211) - Other primary education services (CPC 9219)	(1) None (2) None (3) None	(1) None (2) None (3) None
Secondary education Services (CPC 922) - General secondary education services (CPC 9221)	(1) None (2) None (3) None	(1) None (2) None (3) None
Higher education services (CPC 923) - Postsecondary education services (CPC 9231) - Other higher education Services (CPC 9239)	(1) None (2) None (3) None	(1) None (2) None (3) None

Adult education services (CPC 924/9240)	(1) None	(1) None
- Language courses and training	(2) None	(2) None
- Business courses	(3) None	(3) None
Other education services (CPC 929/9290)	(1) None	(1) None
- Skills training services covering the provision of training for technical, supervisory and production related functional levels in new and emerging technologies as follows:	(2) None	(2) None
(1) automated manufacturing technology;	(3) None	(3) None
(2) advanced materials technology;		
(3) biotechnology;		
(4) electronic;		
(5) information technology;		
(6) avionics (CPC 97090)		
- High level training services of computer		

Philippines

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
A. Primary education services established by religious groups and mission boards for children of foreign diplomatic personnel (CPC 92110**)	(1) None (2) None (3) Up to 70% foreign equity participation is allowed provided that control and administration of educational institutions shall be vested in citizens of the Philippines.	(1) None (2) None (3) None, except that no educational institution shall be established exclusively for aliens and no group of aliens shall comprise more than one-third of the enrolment in any school; and unless incorporated as a stock or non-stock educational corporation pursuant to the Corporation Code of the Philippines
B. Secondary education services established by religious groups and mission boards for children of foreign diplomatic personnel (CPC 922**)	(1) None (2) None (3) Up to 70% foreign equity participation is allowed provided that control and administration of educational institutions shall be vested in citizens of the Philippines.	(1) None (2) None (3) None, except that no educational institution shall be established exclusively for aliens and no group of aliens shall comprise more than one-third of the enrolment in any school; and unless incorporated as a stock or non-stock educational corporation pursuant to the Corporation Code of the Philippines
C. Higher Education Services	(1) Unbound (2) None (3) Up to 51% foreign participation for religious orders and mission boards, provided they are previously existing in the country of origin, duly recognized as a religious order or mission board; foreign student population shall not be more than 1/3 of the total Filipino student population per programme/discipline; the operation and administration shall remain with Filipino citizens; and regulations of the CHED on the operation of higher degree programmes	(1) Unbound (2) None (3) None

C. Higher Education Services Postsecondary technical and vocational educational institutions established by religious groups and mission boards (CPC 923**)	(1) Unbound (2) None (3) Up to 70% foreign equity participation is allowed provided that the control and administration of educational institutions shall be vested in citizens of the Philippines	(1) Unbound (2) None (3) None, except that no educational institution shall be established exclusively for aliens and no group of aliens shall comprise more than one-third of the enrolment in any school; and unless incorporated as a stock or non-stock educational corporations pursuant to the Corporation Code of Philippines.
D. Adult Education Services Educational institutions established by religious groups and mission boards (CPC 924**)	(1) Unbound (2) None (3) Up to 70% foreign equity participation is allowed provided that the control and administration of educational institutions shall be vested in citizens of the Philippines	(1) Unbound (2) None (3) None, except that no educational institution shall be established exclusively for aliens and no group of aliens shall comprise more than one-third of the enrolment in any school; and unless incorporated as a stock or non-stock educational corporations pursuant to the Corporation Code of Philippines.
E. Other Education Services Educational institutions established by religious groups and mission boards (CPC 929**)	(1) Unbound (2) None (3) Up to 70% foreign equity participation is allowed provided that the control and administration of educational institutions shall be vested in citizens of the Philippines	(1) Unbound (2) None (3) None, except that no educational institution shall be established exclusively for aliens and no group of aliens shall comprise more than one-third of the enrolment in any school; and unless incorporated as a stock or non-stock educational corporations pursuant to the Corporation Code of Philippines.

Singapore

Specific commitments on Market Access and National Treatment through any mode of supply shall not be construed to apply to the recognition of university degrees for the purpose of admission, registration and qualification for professional practice in Singapore.

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
Primary Education Services (CPC 921**) Excluding provision of the service for Singapore citizens, including sports education services	(1) None (2) None (3) None	(1) None (2) None (3) None
General secondary and higher secondary education services (CPC 9221**, CPC 9222**) Excluding provision of the service for Singapore citizens, including sports education services (applies only to junior colleges and pre-university centres under the Singapore educational system)	(1) None (2) None (3) None	(1) None (2) None (3) None
Postsecondary technical and vocational education services (only non-publicly funded education institutions) (CPC 92230*, 92240*, 92310)	(1) None (2) None (3) None	(1) None (2) None (3) None
Other higher education services, excluding training of doctors (only local tertiary institutions ⁵⁶ shall be allowed to operate undergraduate or graduate programmes for the training of doctors in Singapore) (CPC 92390 **)	(1) None (2) None (3) None	(1) None (2) None (3) None
Adult Education Services (CPC 924)	(1) None (2) None (3) None	(1) None (2) None (3) None
Other education services (CPC 92900)	(1) None (2) None (3) None	(1) None (2) None (3) None

⁵⁶ Local tertiary institutions are tertiary institutions which are established pursuant to an Act of Parliament, or as designated by the Ministry of Education.

Thailand

Commitments undertaken in this offer are subject to the following general conditions:

- Specific commitments on Market Access and National Treatment through any mode of supply shall not be construed to apply to the recognition of degrees for the purpose of admission, registration and qualification for a higher education, employment or professional practice in Thailand
- Services suppliers may be subject to notification or registration with the authority concerned.

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
A. Primary education services: Preschool education services (CPC 92110)	(1) None (2) None (3) As indicated in 3.3 of the horizontal section At least half of its director(s), and if applicable its managing director, must be a person of Thai nationality	(1) None (2) None (3) - The manager or the representative of the juridical person must be a Thai national, only who can apply for school license. - The school director and deputy director must be Thai nationals. - The School manager/Executive manager must be a Thai national.
B. Secondary education services: - General secondary education services (CPC 9221) - Higher secondary education services (CPC 9222) - Technical and vocational secondary education services (CPC 9223) - Technical and vocational secondary school-type education services for handicapped students (CPC 9224)	(1) None (2) None (3) As indicated in 3.3 of the horizontal section	(1) None (2) None (3) None
C. Higher education services: Postsecondary technical and vocational education services (CPC 9231)	(1) None (2) None (3) As indicated in 3.3 of the horizontal section At least half of its director(s), and if applicable its managing director, must be the person of Thai nationality	(1) None (2) None (3) - The manager or the representative of the juridical person must be a Thai national, only who can apply for school license. - The school director and deputy director must be Thai nationals. - The School manager/Executive manager must be a Thai national.
C. Higher education services: Science and technology faculty (Part of CPC 9239)	(1) None (2) None (3) As indicated in 3.1 of the horizontal section	(1) None (2) None (3) At least half of the university council members must be of Thai nationality
Other higher education services (CPC 9239)	None None As indicated in 3.3 of the horizontal section	(1) None (2) None (3) At least half of the university council members must be of Thai nationality
D. Adult education services Professional and/or Short Courses Education Services (CPC 9240)	None None As indicated in 3.3 of the horizontal section	(1) None (2) None (3) - The manager or the representative of the juristic person must be a Thai national, only who can apply for school license. -The school director and deputy director must be Thai nationals. -The School manager/Executive manager must be a Thai national.

E. Other education services: Foreign language tuition services	(1) None (2) None As indicated in 3.3 of the horizontal section. At least half of its director(s), and if applicable its managing director, must be the person of Thai nationality	(1) None (2) None (3) - The manager or the representative of the juristic person must be a Thai national, only who can apply for school license. - The school director and deputy director must be Thai nationals. -The School manager/Executive manager must be a Thai national.
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Viet Nam

Only in technical, natural sciences and technology, business administration and business studies, economics, accounting, international law and language training fields.

With regard to points (C), (D), and (E) below: The education content must be approved by Viet Nam's Ministry of Education and Training.

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
A. Primary education services (CPC 921)	(1) Unbound (2) None (3) None	(1) Unbound (2) None (3) None
B. Secondary education services (CPC 922)	(1) Unbound (2) None (3) None	(1) Unbound (2) None (3) None
C. Higher education services (CPC 923)	(1) None	(1) None
D. Adult education (CPC 924)	(2) None	(2) None
E. Other education services (CPC 929 including foreign language training)	(3) None	(3) None

Source: ASEAN Secretariat, AFAS 10 Consolidated Schedule, 29 November 2018 (https://asean.org/?attachment_id=74257).

Notes: * after a CPC code means the sector is part of the wider service sector elsewhere indicated. ** after a CPC code means the sector is part of the wider service sector indicated by the CPC code. Unbound* means unbound due to lack of technical feasibility.

ASEAN- Japan Centre

ISBN 978-4-910293-05-9



ASEAN Promotion Centre on Trade, Investment and Tourism
www.asean.or.jp/en

