

Restrictions on Trade in Education Services: Some Basic Indexes

Staff
Working Paper

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Preface

This paper examines restrictions affecting trade in education services — a growing commercial activity in the services sector in many economies. The paper is part of a series of Commission research studies into barriers to trade in services. Previous publications have quantified restrictions to trade in aviation, telecommunications and electricity (Doove et al. 2001), banking (McGuire and Schuele 2000), maritime services (McGuire, Schuele and Smith 2000), professions (Nguyen-Hong 2000) and distribution services (Kalirajan 2000).

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Contents

<i>Preface</i>	iii
<i>Abbreviations</i>	vii
Summary	ix
1 Introduction	1
2 Index framework	5
2.1 Education sub-sectors and modes of services trade	5
2.2 Types of restrictions in education services	7
2.3 Index methodology	9
3 Index results	21
3.1 Consumption abroad	21
3.2 Commercial presence	24
3.3 Cross-border supply	26
3.4 Presence of natural persons	28
3.5 Summing up	29
A Detailed index results	31
<i>References</i>	39

Figures

2.1	Restriction categories for domestic and foreign indexes	12
3.1	Domestic index for consumption abroad by education sub-sector	22
3.2	Foreign index for consumption abroad by education sub-sector	24
3.3	Foreign index for commercial presence by education sub-sector	25
3.4	Foreign index for cross-border supply by education sub-sector	27
3.5	Foreign index for the presence of natural persons by education sub-sector	28

Tables

2.1	Restrictiveness index for education services, consumption abroad	16
2.2	Restrictiveness index for education services, commercial presence	18
2.3	Restrictiveness index for education services, cross-border supply	19
2.4	Restrictiveness index for education services, presence of natural persons	20
A.1	Domestic index for consumption abroad by education sub-sector	31
A.2	Foreign index for consumption abroad by education sub-sector	32
A.3	Foreign index for commercial presence by education sub-sector	33
A.4	Domestic index for commercial presence by education sub-sector	34
A.5	Foreign index for cross-border supply by education sub-sector	35
A.6	Domestic index for cross-border supply by education sub-sector	36
A.7	Foreign index for the presence of natural persons by education sub-sector	37

Abbreviations

APEC	Asia-Pacific Economic Cooperation
GATE	Global Alliance for Transnational Education
GATS	General Agreement on Trade in Services
OECD	Organisation for Economic Co-operation and Development
WTO	World Trade Organization

1 Introduction

Education is widely recognised as being important for social and economic wellbeing. At the individual level, prospective students stand to reap significant benefits, both monetary and non-monetary, from education. At the national level, education adds to a country's stock of human capital and can bolster economic growth. It can also have an important role in the transmission of cultural values and the development of social capital. And universal or widespread access to education services, at least up to some level of education, is also seen by many as important for equity.

Education often attracts significant government intervention. For example, all developed countries and many developing countries mandate education for all children up to a minimum age: in Australia that age is generally 15. Governments also regulate curricula and teaching standards. Schools and universities are often built and operated by the public sector and/or attract government subsidies. Students themselves may also receive loans, direct financial assistance or concessions for education-related services such as accommodation and public transport.

While most education services around the world are supplied by local public institutions to local students, trade in education services is a significant and growing activity. Over recent decades, inflows of overseas students have become an important part of the education sector in several economies. Other forms of trade in education services are also developing or have the potential to grow strongly. A rising trend is the establishment of remote campuses and teaching facilities to provide education services directly to foreign students in their home economies. As well, the development of new technology and electronic commerce has facilitated cross-border delivery of 'distance' education. Although the data are imperfect, the value of world trade in education services was estimated to have been at least US\$50 billion annually in 1996 (APEC 2001).¹

¹ APEC (2001) estimated that the global market for consumption abroad in higher, secondary and vocational education would exceed \$50 billion in 1996. Larsen, Martin and Morris (2002) estimated that the 'consumption abroad' market for OECD countries alone accounted for \$30 billion in 1999. Statistics on other modes of trade are not available.

To date, most trade in education services has occurred in relation to higher education. However, educational providers are increasingly taking up new opportunities to provide services offshore, including by offering language teaching programs as well as secondary and vocational training programs.

Australia is among the world's top five exporters of education services. Australia's education exports account for around 12 per cent of the value of its total services exports — double the proportion of a decade ago. Overseas students comprise 8 per cent of Australia's higher education enrolments, and Australian educational institutions also operate offshore in several Asia–Pacific economies.

At present, many governments restrict trade in education services. Restrictions apply to different modes of supply, limit competition and can affect the range, quality, cost and price of providing education services. Several types of restrictions in education services are common forms of trade barriers that also operate in other services sectors; others are unique to the sector. From the perspective of several governments, restrictions in education services appear necessary to meet quality assurance objectives, consumer protection, and social, cultural and/or other economic goals.

However, international bodies such as APEC (2001), while recognising the importance of these considerations, have also pointed to the potential benefits of greater trade to increase the availability and variety of educational services. At one level, the demand for education services is growing strongly in many economies, but the ability of domestic educational providers to meet this demand may be limited. In addition, higher levels of trade in education could provide access to human capital and skills, knowledge and technology, and lower cost services. Furthermore, it is possible that some trade restrictions themselves may work to hinder the attainment of important social or economic objectives.

As part of the current World Trade Organization (WTO) negotiations on the General Agreement on Trade in Services (GATS), a number of WTO member governments are exploring the scope to promote greater gains from trade in education services. A key focus to date has been on certain restrictions on market access for commercial education services. During the last (Uruguay) round of trade negotiations, Australia committed itself to open trading conditions in relation to aspects of secondary and higher education services, and made partial commitments in relation to other education services. It is also a participant in the present WTO negotiations on the GATS and has requested other WTO members to consider matching its Uruguay commitments on commercial education services (DFAT 2003).

As well as reforms negotiated in the WTO or in other international fora, individual economies have the option of undertaking unilateral reforms to reap the domestic benefits that greater exposure to international competition can bring.

When assessing the merits of current restrictions on trade in education services, key questions that need to be considered include:

- how high are the barriers in different economies?
- what are the effects of these barriers on trade, costs, quality and prices charged for education services?
- where governments have established economic, social or cultural objectives in relation to education, do trade restrictions help or hinder their attainment?
- where they help, are they the least burdensome means available to achieve the objectives?

To date, such assessments have been hampered by, among other things, a lack of quantitative estimates of trade barriers. Identifying and quantifying restrictions are an important input to the assessment of the benefits and costs of restrictions.

The Productivity Commission and others have undertaken several studies to measure barriers to trade in services sectors, including in relation to banking, telecommunications, professional services and distributions services. These studies have developed a methodology to identify and assess restrictions, and, where possible, to estimate the effects of the restrictions on economic performance.

In the case of education services, limited work has been undertaken to date to assess the nature and extent of trade barriers. This reflects the limited information that has been available on restrictions for many economies.

However, the Australian Government's Department of Education, Science and Training recently commissioned a study to gather detailed information on restrictions in education services in a range of economies. The Department provided the study, conducted by IDP Education Australia, to the Commission for use in this project.

Drawing mainly on the education barriers database prepared by IDP Education Australia, the current study develops an approach to measuring restrictions on trade in education services. The study develops indexes to provide a guide to the trade

restrictiveness of barriers applying to education service providers in 20 different economies.²

The study constructs trade restrictiveness indexes for four education sub-sectors: higher education, secondary education, primary education and other education and training services. However, the available information on the restrictiveness of barriers for primary and secondary education is generally less detailed than that for other education sub-sectors. Partly for this reason, the results in this study are developed on a disaggregated basis.

As well as being of interest in their own right, the quantitative estimates of education barriers developed in this study can be used in future work to examine the impact of restrictions on the economic performance of economies. Measurement of the effects of restrictions — including on the cost, quality and price of education services — would show more fully the economic significance of education barriers. It could also provide an input into assessments of the merits of particular restrictions and policy objectives in relation to education, and/or whether alternative policies should be used to achieve those objectives.

² This comprises Argentina, Australia, Brazil, Canada, Chile, China, Chinese Taipei, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Singapore, Thailand, United Kingdom, United States and Vietnam.

2 Index framework

This chapter develops an index framework for measuring restrictions on trade in education services. The involves:

- mapping the relevant education markets, including four modes of trade and education sub-sectors;
- gathering information on different types of restrictions that government apply to education services;
- classifying these restrictions according to the way they affect a particular mode of supply and education sub-sector; and
- developing an index measure of restrictions for each mode of supply and education sub-sector.

2.1 Education sub-sectors and modes of services trade

The education sector provides a diverse range of services and, according to the United Nations Central Product Classification, comprises the following sub-sectors:

- *primary education* — pre-school and primary education services;
- *secondary education* — general high school education that continues education programs beyond the primary education level, and vocational education and training below the university level;
- *higher education* — post secondary technical and vocational education services and other higher education services leading to a university degree or equivalent; and
- *other education and training* — adult education and education services not elsewhere classified (including computer training services and car driving tuition).

International trade in education services occurs when such services are provided to foreign consumers. Such ‘trade’¹ has some special characteristics and takes place via four modes:

- *Consumption abroad.* This is where a student travels from one economy to the economy of the education provider to study. Under this category, Australia *exports* education services when a foreign student (say from Hong Kong) comes to Australia for study. Alternatively, an Australian student travelling to the United States for study is equivalent to Australia *importing* an education service.
- *Commercial presence.* Under this mode, the supply of education services takes place via the establishment of offshore educational facilities, direct foreign investment, or partnership arrangements with domestic institutions in the host economy. For example, Monash University has established a branch campus and/or partnerships with local institutions in the United Kingdom, South Africa and Malaysia.
- *Cross-border supply.* Under this mode, the education service is supplied cross-border similar to trade in goods (without the movement of consumers and services providers). Examples include distance education courses and training services provided via satellite transmissions, audio and video conferencing, and the internet. This form of trade depends on access to a medium or conduit for service delivery, such as communication technology. Another important aspect is cross-border trade in education materials that are inputs to education, such as books, computers and software.
- *Presence of ‘natural persons’.* The teacher or researcher travels to another economy on a temporary basis to provide the education service to the foreign students. Visiting lecturers are an example of services trade provided in this mode.

The modes of trade in education services are not mutually exclusive, since an education service may fall into more than one category depending on the circumstance of service provision. For example, a visiting lecturer can be employed by Australian universities already established in a foreign country. Nevertheless, the above categories provide a useful aid to understanding how international transmission of education services occurs.

¹ As reflected in Article 1 of the GATS, trade in services is conceptualised on a broader basis than trade in goods, which involves only cross-border supply. The GATS treatment differs from the treatment of services trade in the national accounts and in ABS trade statistics.

2.2 Types of restrictions in education services

Restrictions on trade in education services cover government measures which affect the movement of students, education providers, service operations, and educational materials and technologies. Education barriers include common types of restrictions which operate in other services industries; for example, foreign direct investment restrictions. They also include measures specific to education services; for example, visa entry requirements on foreign students.

Government interventions can restrict trade and competition in one or more of the following ways:

- by restricting entry to a market;
- by restricting the operations and flexibility of firms/institutions;
- by discriminating between domestic and foreign providers, and/or between domestic and export/import activity; and
- by operating in a non-transparent way — the administration of regulations and standards may not be visible, thus increasing the costs of compliance.

Consumption abroad

Barriers to the consumption of education services abroad apply to either, or both, the inward and outward movement of students.

The host economy's restrictions on the *inward* movement of students represent restrictions on the *export* of education services by domestic educational providers. Examples include limits or quotas on the number of foreign students, and visa entry requirements and related costs. Some exporting economies also apply registration requirements specific to the export of education services in addition to other domestic registration requirements, while other exporting economies adopt industry self-regulation or a voluntary process of accreditation. Other, less direct interventions that might be seen as forms of barriers cover the limited access provided to foreign students for employment and public concessions (for example, transport concessions).²

² While these (non-neutral) arrangements may influence student decisions on study destinations and the demand for locally provided services, they tend to be minor and are applied in a limited number of economies. However, extending the same treatment of public concessions to foreign students also involves an income transfer to foreigners that might be an unintended consequence of providing the concession to foreign residents. Any further analysis of such concessions would also need to consider the impact of the concession on the education market, and the public finance and other policy implications of the transfer.

Some economies also impose limitations on the *outward* movement of their students; that is, on the *import* of education services. Such import restrictions on education services include quotas on the number students studying abroad and visa exit requirements. Non-recognition of overseas qualifications obtained by students and regulated limits on the use of foreign exchange are also measures which affect decisions of students to study abroad.

Commercial presence

Government measures restrict the commercial presence mode of supplying education services in two main ways.

First, they may limit *establishment* by service providers in the market of education services of the host economy. The main barriers on establishment restrict:

- the number of foreign providers — for example, licensing requirements that limit the number of foreign providers allowed to establish a campus in the economy;
- foreign direct investment — foreign ownership and direct investment ceilings that limit ownership and control of domestic education institutions;
- joint venture or partnership requirements — regulations that require establishment only in the form of joint venture or partnership arrangements with domestic institutions;
- local enrolment in international schools — restrictions that limit local student enrolment in international schools established domestically; and
- the recognition of qualifications — regulations that prevent recognition of foreign universities as ‘universities’ through non-recognition of their qualifications.

Second, education providers are also subject to barriers to *ongoing operations* in the market. Particular requirements may regulate the use of university title, local employment, curriculum content, fee setting, marketing arrangements and access to, and the use of, foreign exchange and capital transfers.

Cross-border supply

Restrictions on cross-border trade may take the form of requirements that such trade be delivered via commercial presence, non-recognition of qualifications obtained overseas, or limitations on use of technologies and input materials that facilitate cross-border trade. Such restrictions include:

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- local presence requirements — for example, distance education services are required to establish a local presence or partnership arrangements with local firms;
 - non-recognition of qualifications — qualifications obtained via distance education are not recognised; and
 - inputs controls — such as restrictions on the import of educational materials and use of internet services and satellite transmission for the supply of distance education.

Presence of natural persons

Government restrictions on the employment of foreign academic staff and teachers could impede the operation of foreign educational institutions. Restrictions include visa requirements, limits on the number of working permits, and non-recognition of foreign staff qualifications. Such regulations can impose complexities, additional time and resources costs, and inhibit the provision of education services by foreign teachers and academic staff.

Transparency arrangements

A non-transparent regulatory regime could impede trade in education services. For example, a case-by-case decision-making process could result in a lack of information about the policy, and arbitrary decisions, which create costs and uncertainty in business operations. Such costs are minimised when the regulatory process is based on explicit policy statements or specific legislation. The accessibility and clarity of information in the application and coverage of policy are also important transparency features.

2.3 Index methodology

Restrictions on trade in education services can be measured by using a trade restrictiveness index. The index methodology has been applied to banking services and maritime services (McGuire et al. 2000), professional services (Nguyen-Hong 2000) and distribution services (Kalirajan 2000). Kemp (2000) developed a frequency measure of the number of liberalisation commitments for education services made by WTO member economies in the General Agreement on Trade in Services (in 1994). In addition, APEC (2001) provided a frequency measure of barriers on education services in 14 Asia Pacific economies. This section sets out the coverage and methodology of the restrictiveness index used in this study.

Information sources

The index estimates are compiled for 20 Asian, South American and Anglophone economies, including Australia.

The main information source used in this study is an (unpublished) report on barriers in education services prepared by IDP Education Australia, which was commissioned by the Australian Government's Department of Education, Science and Training. The IDP report provides information on specific barriers to trade for all education sub-sectors and modes of supply, in 19 foreign economies.

The IDP information was gathered from a literature review³ and internet search of legislation and regulations on education services, and from an earlier Asia-Pacific Economic Cooperation survey of barriers to trade in education services (APEC 2001).⁴ IDP also sought to enhance the quality of information by conducting surveys of trade representatives, interviews with key stakeholders and follow-up research in particular economies in which detailed information was not immediately available. It also provided an analysis of Australian offshore education activities in the economies in which information on restrictions were compiled and solicited stakeholders' views on the degree of restrictiveness of education policies.

Even so, gathering comprehensive and consistent information of trade restrictions can be difficult, and there inevitably remains some scope for the IDP report to contain gaps in relation to the restrictions applying in some countries. While the IDP information is most comprehensive for sub-sectors such as higher education, its coverage of restrictions is less extensive for primary and secondary education services. IDP explained that, in several economies, regulations tend to be developed and revealed when a new market opportunity emerges and foreign institutions try to enter the market. In primary and secondary education, (latent) restrictions are often not visible because trade in the market is yet to develop.

Despite this deficiency, the IDP database represents the best source of information on restrictions in education services to date. This study takes into account these different levels of detail by devising separate index measures for each education sub-sector (see below).

This study has also gathered specific information for Australia, which was not extensively covered in the IDP database. The additional information sources for Australia include:

³ Principally from the WTO, GATS, OECD and other international bodies such as the Global Alliance for Transnational Education (GATE).

⁴ Fifteen economies in the Asia Pacific region submitted responses to the APEC survey.

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- The Review of the 2001 Student Visa Reforms — Discussion Paper (DIMIA 2002)
 - The APEC Individual Actions Plan for Australia (APEC 2002); and
 - The National Competition Council’s assessment of governments’ progress in implementing national competition policy reforms (NCC 2002);
 - The Review of Higher Education Financing and Policy (DEETYA 1998).

Compiling the indexes

In this study, separate indexes have been constructed for each education sub-sector to measure restrictions on foreign and domestic providers in each mode of supply.

Deriving separate indexes is desirable because the provision of services through different modes of supply generally has different economic costs, and differences in restrictions applying to each mode can influence the pattern (as well as volume) of trade. For instance, restrictive policies on commercial presence can raise consumer demand for education services provided through alternative modes of supply; for example, via cross-border (distance) education or consumption abroad. Devising disaggregated indexes is also necessary to accommodate the variation in the level of information available on restrictions between different education sub-sectors. As noted earlier, the IDP information is less extensive for primary and secondary education.

The restrictiveness indexes for education services are developed first by classifying individual restrictions according to the mode of supply and education sub-sector to which they apply.

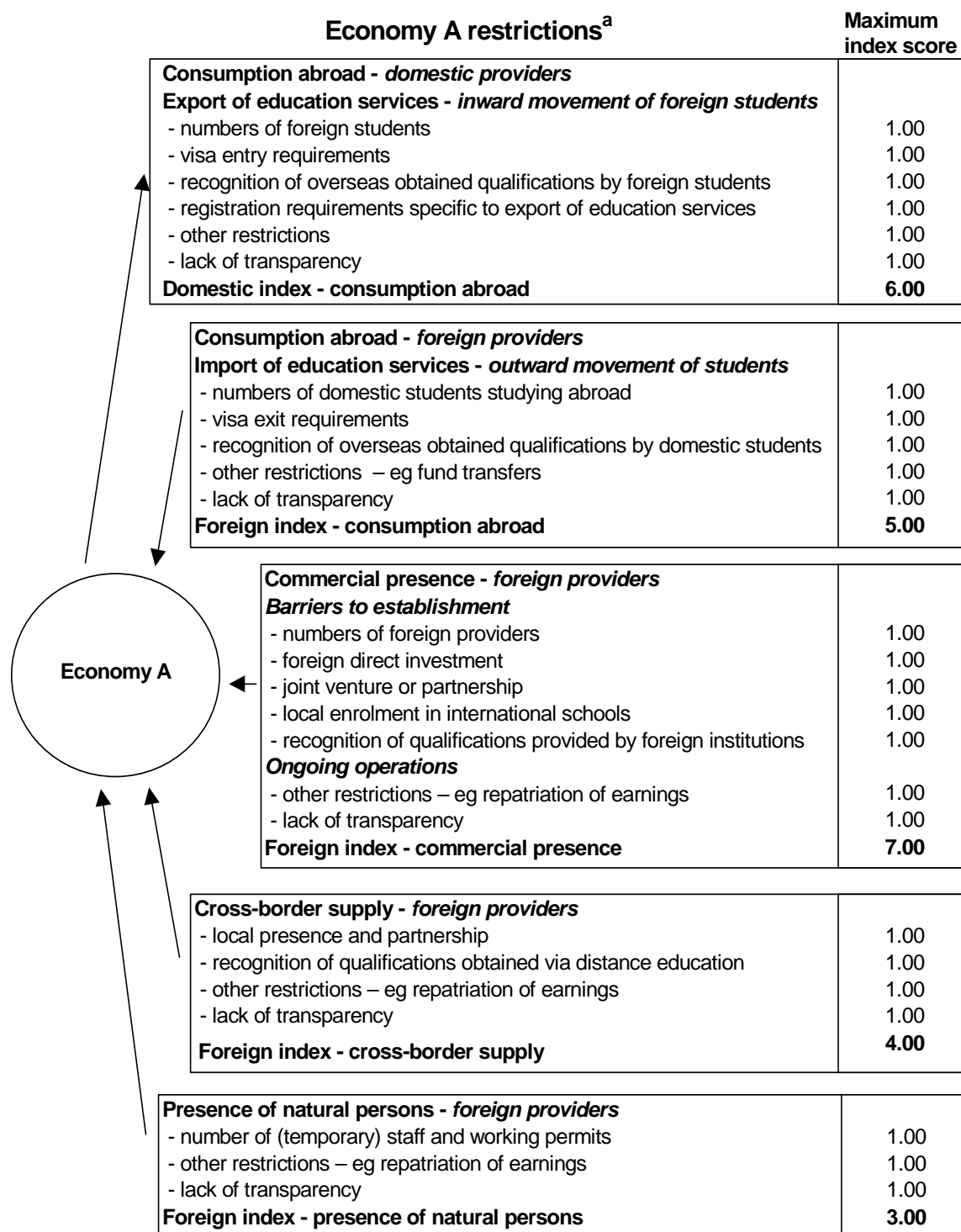
Within consumption abroad, restrictions are classified according to whether they apply to domestic or foreign educational institutions. Based on this classification, a domestic and foreign index is calculated. This is particularly relevant since an economy may apply restrictions on both the importation and exportation of education services.

Figure 2.1 shows the domestic and foreign classification of restrictions used, and tables 2.1 to 2.4 at end of the chapter give full details of the restrictiveness indexes.

For other modes of supply, the IDP database identifies few restrictions that are applicable to domestic providers. The domestic restrictions that are identifiable include transparency arrangements, registration requirements and cross-border trade in education materials.⁵ The domestic indexes which capture these restrictions take on small values and are not shown separately in figure 2.1.

⁵ In the GATS framework, these barriers affect mainly ‘market access’ as they do not involve discrimination between domestic and foreign providers.

Figure 2.1 Restriction categories for the domestic and foreign indexes



^a In addition to the above identifiable restrictions, a possibility exists that a government may apply restrictions on the *outward* flows of investment (commercial presence — domestic providers), cross-border supply (domestic providers) and the movement of academics or teachers (presence of natural persons — domestic providers). Any such restrictions are not included in this study.

While many restrictions apply to specific modes or sub-sectors, some operate across different modes of supply in education services. Restrictions on the recognition of qualifications and the repatriation of earnings fall into this category. The specific way these restrictions apply to students and providers of education services are included for each mode of supply.

The lack of transparency in the regulatory regime in education services also has overarching application across different modes of supply. In the IDP assessment of the restrictiveness of various barriers, suppliers of education services frequently point to the lack of transparency in regulations (and the non-recognition of qualifications) as an important impediment to the supply of an education market. A restriction category is therefore included for each mode of supply to capture lack of regulatory transparency (see below).

Index scores and weights

For each mode of supply, the restrictiveness of an economy's regulatory regime reflects the number of barriers and how restrictively each barrier is applied (compared to the same restriction class in another economy). An economy which has several restrictions, or highly restrictive barriers, will have a more restrictive trading regime compared to an economy with few, or weak, restrictions.

Restriction scores

Within each restriction category, economies receive a score depending on to how stringent a restriction is (table 2.1). The more stringent the form of restriction, the higher the score. For example, an economy that restricts the number of foreign educational institutions would receive a higher score than an economy which applies only registration requirements.

The restriction scores are assigned to reflect the actual application of policies, rather than stated legal requirements. The IDP information reveals that certain restrictions have not been applied strictly. An example is the requirement that foreign educational institutions provide teaching in the local language.

In several cases, the IDP study identifies partial reforms and the relaxation of restrictions that have been implemented by economies in recent times. These policy measures are reported in the next chapter and the assigned restriction scores reflect these reforms.

That said, in some cases the study does not reflect all differences in the stringency of particular restrictions between countries. For example, the IDP study identifies

whether particular economies have quotas on the total number of foreign students who can study, and all economies with such quotas are assigned the same score for those quotas. However, quotas in one country may be more ‘biting’ — that is, they may have more impact on the proportion of students who would study in the country in the absence of the quota — than a quota in another country.

The restriction score for the lack of transparency is based on the IDP assessment of the degree of transparency in the economies studied. A score of 1 is assigned where education providers report difficulties in finding information on regulation, and a score of 0.5 is assigned when there is reported inconsistency in policy implementation (table 2.1).

The score for certain restriction categories — for example, visa requirements — is calculated by the addition of similar restrictions. For these, the restrictions are additive rather than mutually exclusive. For example, an economy may apply restrictions on the length of a visa as well as requirements on proof of financial support or prior admission to study.

Restriction weights

The construction of the index in this study applies equal weights to the restriction categories (figure 2.1). This treatment implies that restrictions in education services have similar economic significance from the perspective of the providers, even though in practice they are likely to have unequal effects on trade and investment. This differs from previous approaches in measuring barriers to services trade in which judgments were applied to provide weights for different restriction categories.

The approach in this paper is guided by a similar method in the earlier APEC study on restrictions in education services (APEC 2001) and reflects the considerable uncertainty that presently attaches to the relative importance of different restriction categories. For example, in the IDP study, providers of education services were asked for their views on the degree of restrictiveness of the barriers to trade in the economies studied, but the reported assessments vary among providers. This reflects several factors.

- The effects of restrictions tend to be viewed from a particular providers’ perspective, and not from an industry- or economy-wide perspective. In some markets, foreign providers are able to penetrate niche markets and they tend to view restrictive measures as opportunities to them (not barriers).
- Foreign educational institutions have a different degree of familiarity with the local market and new entrants tend to view barriers as more restrictive.

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- Providers with a long-term business strategy would consider restrictions as more restrictive than those with a short-term business strategy.
 - Businesses also vary in their assessment of risks and the extent of regulatory enforcement.
 - The lack of transparency in regulatory arrangements often compounds difficulties encountered by providers in their assessment of the degree of restrictiveness.

This highlights that restrictive effects vary between providers and the market conditions in different economies. One method to determine the weights of restrictions would be econometric analysis of the effects of individual restriction category on education prices or costs. Such a method could also isolate market and technology influences on economic performance. In the absence of such objective information (or other qualitative indicators), the study has not attempted to derive different weights for the restriction categories.

Further, the study has not sought to aggregate index results across modes of supply and sub-sectors to derive an overall index score. One possible aggregation method would be to weight each sub-sector and mode of supply according to their relative contribution to the sectoral value of education output, but this could yield counter-intuitive results for education services. Ideally, aggregation needs to be made using weights evaluated on an unrestricted basis. In the absence of such estimates, the weights assigned to individual activities would be distorted with the low weights being (negatively) related the level of restrictions. To the extent that commercial presence is less restricted than other forms of trade, the observed weights may overstate the social importance of this activity.

Table 2.1 Restrictiveness index for education services, consumption abroad

<i>Restriction category</i>	<i>Specific score</i>	<i>Maximum index score</i>
DOMESTIC INDEX — INWARD MOVEMENT OF FOREIGN STUDENTS		
Numbers of foreign students		1.00
Quotas on foreign students	1.00	
Number of foreign students are restricted for particular foreign countries, or educational institutions/sub-sectors	0.50	
No restrictions	0.00	
Visa entry requirements – addition categories		1.00
Length/class of visa	0.20	
Requirements for admission to educational institutions	0.20	
Proof of financial support	0.20	
Language skills	0.20	
Cost of visa and other requirements	0.20	
Recognition of overseas qualifications		1.00
Reported non-recognition of foreign qualifications for admission to domestic educational institutions	1.00	
Overseas qualifications are recognised in part or on a case-by-case basis	0.50	
Full recognition of overseas qualifications	0.00	
Registration requirements specific to export of education services – addition categories		1.00
Compulsory registration	0.33	
Financial viability/assurance/prepayment of course fees requirement	0.33	
Charges/levies	0.33	
Other restrictions – addition categories		1.00
Limits on foreign student access to employment	0.50	
Limits on foreign student access to public concessions ^a	0.50	
Transparency of regulations		1.00
Reported difficulties in obtaining information on regulations and lack of consistency and clarity in regulatory implementation	1.00	
Regulations are stated in legislation, but inconsistency in implementation is reported	0.50	
Lack of transparency is not reported	0.00	
TOTAL		6.00

^a By definition, the granting of such concessions to foreign students would involve an income transfer to foreign residents.

Table 2.1 (continued)

<i>Restriction category</i>	<i>Specific score</i>	<i>Maximum index score</i>
FOREIGN INDEX — OUTWARD MOVEMENT OF DOMESTIC STUDENTS		
Number of domestic students studying abroad		1.00
Quotas on domestic student numbers	1.00	
No restrictions	0.00	
Visa exit requirements – addition categories		1.00
Requirement to have licensed travel agents	0.50	
Age restrictions	0.50	
Recognition of overseas qualifications		1.00
Reported non-recognition of overseas qualifications obtained by domestic students	1.00	
Overseas qualifications are recognised in part or on a case-by-case basis	0.50	
Full recognition of overseas qualifications	0.00	
Other restrictions – addition categories		1.00
Limits on foreign exchange, payment transfers or use of credit cards by students	0.33	
Limits on access to public concessions for domestic students to study abroad	0.33	
Restrictions on student recruitment for study in overseas institutions	0.33	
Transparency of regulations		1.00
Reported difficulties in obtaining information on regulations and lack of consistency and clarity in regulatory implementation	1.00	
Regulations are stated in legislations, but inconsistency in implementation is reported	0.50	
Lack of transparency is not reported	0.00	
TOTAL		5.00

Table 2.2 Restrictiveness index for education services, commercial presence

<i>Restriction category</i>	<i>Specific score</i>	<i>Maximum index score</i>
BARRIERS TO ESTABLISHMENT		
Number of foreign providers		1.00
Quotas on the number of foreign providers permitted to establish a campus	1.00	
Registration and authorisation required for establishment, including different approval requirements at the sub-national level	0.50	
No restrictions	0.00	
Foreign direct investment		1.00
The score is inversely proportional to the maximum equity participation permitted in domestic businesses. For example, equity participation to a maximum of 75 per cent in an existing firm receives a score of 0.25.		
Joint venture or partnership		1.00
Entry is only allowed through joint venture or partnership with local institutions	1.00	
No restrictions	0.00	
Local enrolment in international schools		1.00
Quotas/restrictions on domestic student enrolments in international schools	1.00	
No restrictions	0.00	
Recognition of qualifications		1.00
Reported non-recognition of qualifications provided by foreign institutions established domestically	1.00	
Qualifications are recognised in part or on a case-by-case basis	0.50	
Full recognition of qualifications	0.00	
ONGOING OPERATIONS		
Other restrictions – addition categories		1.00
Legal use of names or university title	0.10	
Quotas for employment of local staff	0.10	
Curriculum content	0.10	
Fee setting	0.10	
Repatriation of earnings, foreign exchange and capital transfers	0.10	
Advertising and marketing of education services	0.10	
Licensing requirements on management	0.10	
Local language requirement for teaching	0.10	
Limited measures to protect intellectual property	0.10	
Limits on access to public subsidies for foreign providers of education services	0.10	

Table 2.2 (continued)

<i>Restriction category</i>	<i>Specific score</i>	<i>Maximum index score</i>
TRANSPARENCY OF REGULATIONS		
Lack of transparency		1.00
Reported difficulties in obtaining information on regulations and lack of consistency and clarity in regulatory implementation	1.00	
Regulations are stated in legislations, but inconsistency in implementation is reported	0.50	
Lack of transparency is not reported	0.00	
TOTAL		7.00

Table 2.3 **Restrictiveness index for education services, cross-border supply**

<i>Restriction category</i>	<i>Specific score</i>	<i>Maximum index score</i>
Local presence and partnership		1.00
A local presence and/or partnership is required in order to provide distance education	1.00	
No restrictions	0.00	
Recognition of overseas qualifications		1.00
Reported non-recognition of overseas qualifications obtained via distance education	1.00	
Overseas qualifications are recognised in part or on a case-by-case basis	0.50	
Full recognition of qualifications	0.00	
Other restrictions – addition categories		1.00
Import of educational material	0.25	
Access to internet services	0.25	
Repatriation of earnings, foreign exchange and payment transfers	0.25	
Advertising of distance education services	0.25	
Transparency of regulations		1.00
Reported difficulties in obtaining information on regulations and lack of consistency and clarity in regulatory implementation	1.00	
Regulations are stated in legislations, but inconsistency in implementation is reported	0.50	
Lack of transparency is not reported	0.00	
TOTAL		4.00

Table 2.4 Restrictiveness index for education services, presence of natural persons

<i>Restriction category</i>	<i>Specific score</i>	<i>Maximum index score</i>
Number of (temporary) staff and working permits		1.00
Limits on the number of temporary foreign staff and working permits or visas	1.00	
Grant of working permits or visas is subject to recognition of professional qualifications	0.50	
Limits on the length of working permits	0.25	
No restrictions	0.00	
Other restrictions		1.00
Repatriation of earnings, foreign exchange and capital transfers	1.00	
No restrictions	0.00	
Transparency of regulations		1.00
Reported difficulties in obtaining information on regulations and lack of consistency and clarity in regulatory implementation	1.00	
Regulations are stated in legislations, but inconsistency in implementation is reported	0.50	
Lack of transparency is not reported	0.00	
TOTAL		3.00

3 Index results

This chapter presents the results for 20 economies of the application of the trade restrictiveness index framework for education services developed in the previous chapter. Separate restrictiveness indexes are presented for each education sub-sector, within each mode of supply — although data limitations mean that the most confidence attaches to the results for the higher and ‘other’ education sectors.

As indicated in chapter 2, several economies have implemented regulatory changes and partial relaxation of restrictions in recent years. These policy measures are also reported in this chapter and the assigned restriction scores reflect these regulatory changes.

The sections below outline the results mainly for the foreign index. Because of the small domestic index values recorded for commercial presence and cross-border supply, domestic indexes for these modes are not reported in this chapter, but are presented in appendix A. As noted in figure 2.1 of chapter 2, barriers identified for the presence of natural persons apply to foreign providers only and a domestic index for this mode has not been compiled.

3.1 Consumption abroad

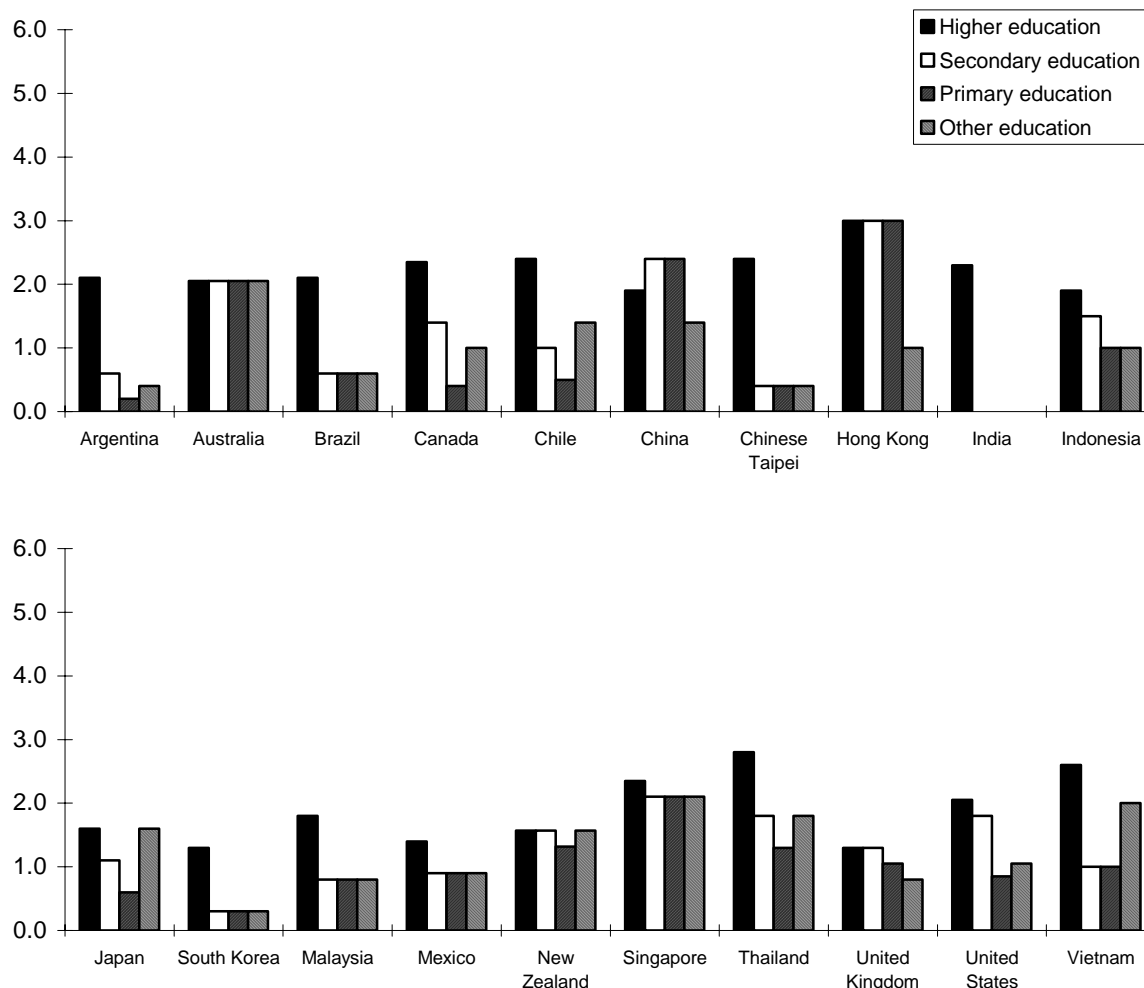
For consumption abroad, all of the economies examined impose at least some restrictions across the four education sub-sectors, as measured by the domestic and foreign indexes (figures 3.1 and 3.2).

Domestic index

The domestic index for consumption abroad measures restrictions on the exports of education services via the inward movement of overseas students. For the most restricted economies — including Hong Kong, Thailand and Vietnam — the common restrictions are:

- limitations on the recognition of overseas qualifications for admission to domestic educational institutions; and
- quotas on the number of overseas students.

Figure 3.1 Domestic index for consumption abroad by education sub-sector^a



^a While separate restrictiveness indexes have been compiled for four education sub-sectors, data limitations mean that most confidence attaches to the results for the higher and 'other' education sub-sectors.

Data source: See table A.1 in appendix A for index scores.

Australia has moderate to relatively high restrictions on the export of education services via visa entry requirements and additional Commonwealth registration requirements specific to education exports. Most of the remaining countries impose at least some visa entry requirements on overseas students, and limit their access to employment.

While most of the more restricted economies are located in the Asian region, some economies have recently relaxed regulations restricting the export of education services.

- In July 2001, South Korea eased the requirement on proof of financial support for overseas students.

-
- Since July 2002, Canada has allowed overseas students in later study years to work off-campus.
 - Malaysia has recently streamlined its entry procedures for overseas students.
 - As part of initiatives to bring in more international students from outside Europe, the United Kingdom has streamlined visa entry arrangements, eased restrictions on international student access to paid employment and increased transfers to foreigners in the form of additional scholarships for international students.

Foreign index

The foreign index for consumption abroad measures restrictions on the imports of education services via the outward movement of domestic students.

The foreign index results indicate that there is substantial variation in the index scores across economies. For the most restricted economies — including Vietnam and China — the common restrictions are:

- lack of recognition of overseas obtained qualifications of domestic students;
- visa exit requirements for domestic students; and
- foreign exchange restrictions on domestic students for overseas study costs and living expenses.

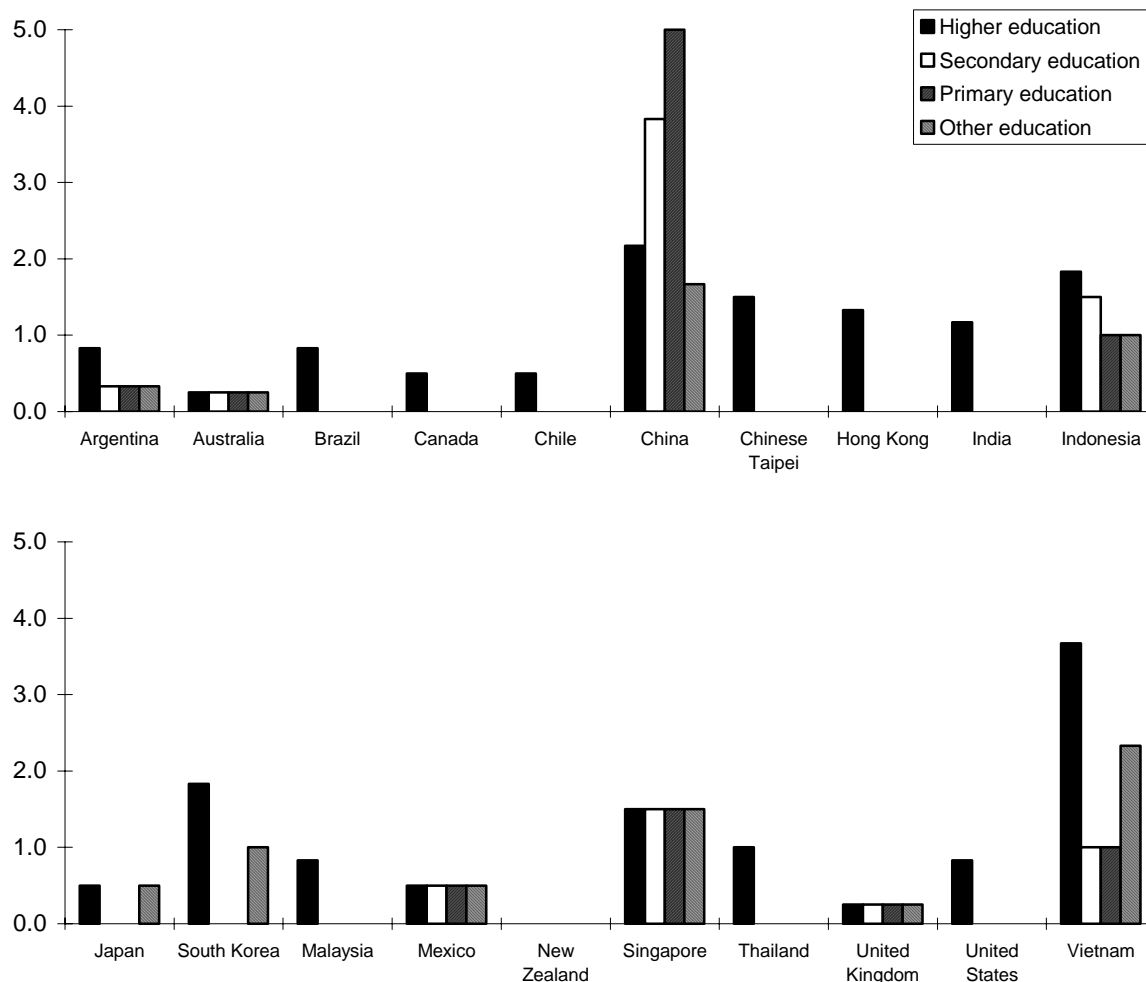
The remaining economies impose at least some restrictions on the recognition of overseas obtained qualifications of domestic students, but impose few other restrictions on the outward movement of domestic students for the consumption abroad mode of supply.

Compared with other economies, Australia imposes quite limited restrictions on the outward movement of domestic students.

Several economies have also recently adopted liberalisation measures on the outward movement of domestic students.

- In July 2001, South Korea lifted currency restrictions on domestic students leaving the country to study abroad.
- India has eased currency controls and also developed a clearer set of procedures for outbound domestic students with regard to foreign currency exchange.

Figure 3.2 Foreign index for consumption abroad by education sub-sector^a



^a While separate restrictiveness indexes have been compiled for four education sub-sectors, data limitations mean that most confidence attaches to the results for the higher and 'other' education sub-sectors.

Data source: See table A.2 in appendix A for index scores.

3.2 Commercial presence

The foreign index values for commercial presence are presented in figure 3.3.

The foreign index results reveal a relatively uneven distribution of index scores across economies. Around a third of the economies examined — particularly Malaysia, India and China — are relatively highly restricted. Nearly all of the most restricted economies impose restrictions on:

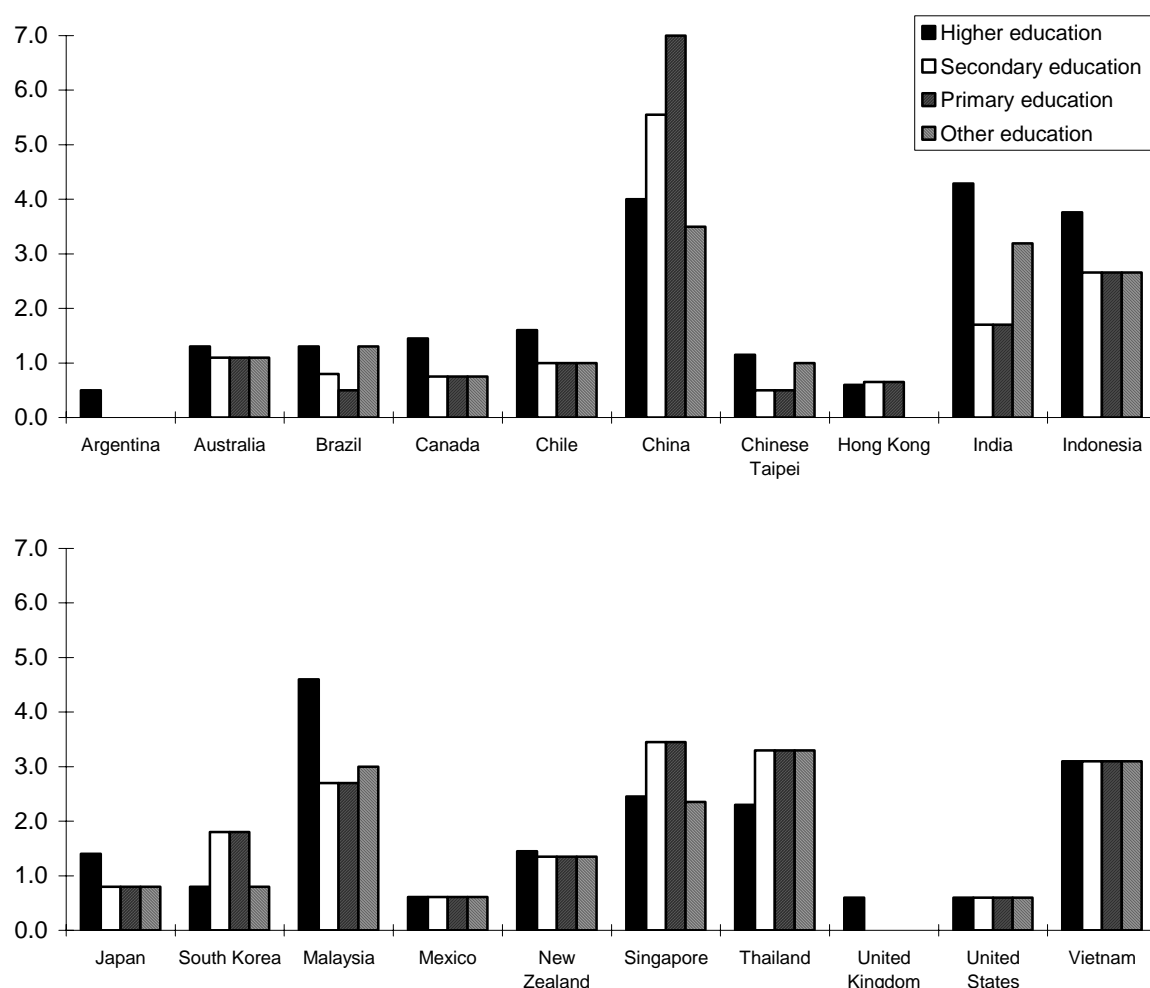
- the number of foreign education service providers;
- foreign direct investment in educational activities;

- quotas on domestic student enrolments in international schools; and
- joint venture or partnership requirements for the provision of education services.

The remaining economies impose at least some restrictions on the number of foreign education providers. Less than half of these economies impose restrictions on foreign direct investment, joint venture or partnership requirements for the provision of education services and the recognition of qualifications obtained from foreign education providers established domestically.

Australia has relatively moderate restrictions on competition affecting both foreign and domestic establishment of education providers, via State and Territory government registration requirements (NCC 2002).

Figure 3.3 Foreign index for commercial presence by education sub-sector^a



^a While separate restrictiveness indexes have been compiled for four education sub-sectors, data limitations mean that most confidence attaches to the results for the higher and 'other' education sub-sectors.

Data source: See table A.3 in appendix A for index scores.

While restrictions on the commercial presence mode of supply are extensive in several economies, liberalisation measures have also been implemented.

- In 2001, Vietnam eased restrictions on foreign ownership of education and training businesses, and restrictions on foreign exchange and repatriation of profits.
- Malaysia has encouraged the entry of private education providers through the introduction of the *Private Higher Educational Institutions Act 1996*. Since 1996, seven new domestic private universities, three foreign university branch campuses and more than 400 private colleges have established a presence in Malaysia with government approval.
- Indonesia has eased restrictions on the teaching of English in elementary schools.
- Chinese Taipei has allowed universities greater autonomy in their curriculum planning and faculty management.
- Since January 2000, private and public educational institutions in New Zealand have received the same level of tuition funding from the government for courses in the same category.

3.3 Cross-border supply

The index values for cross-border supply are presented in figure 3.4.

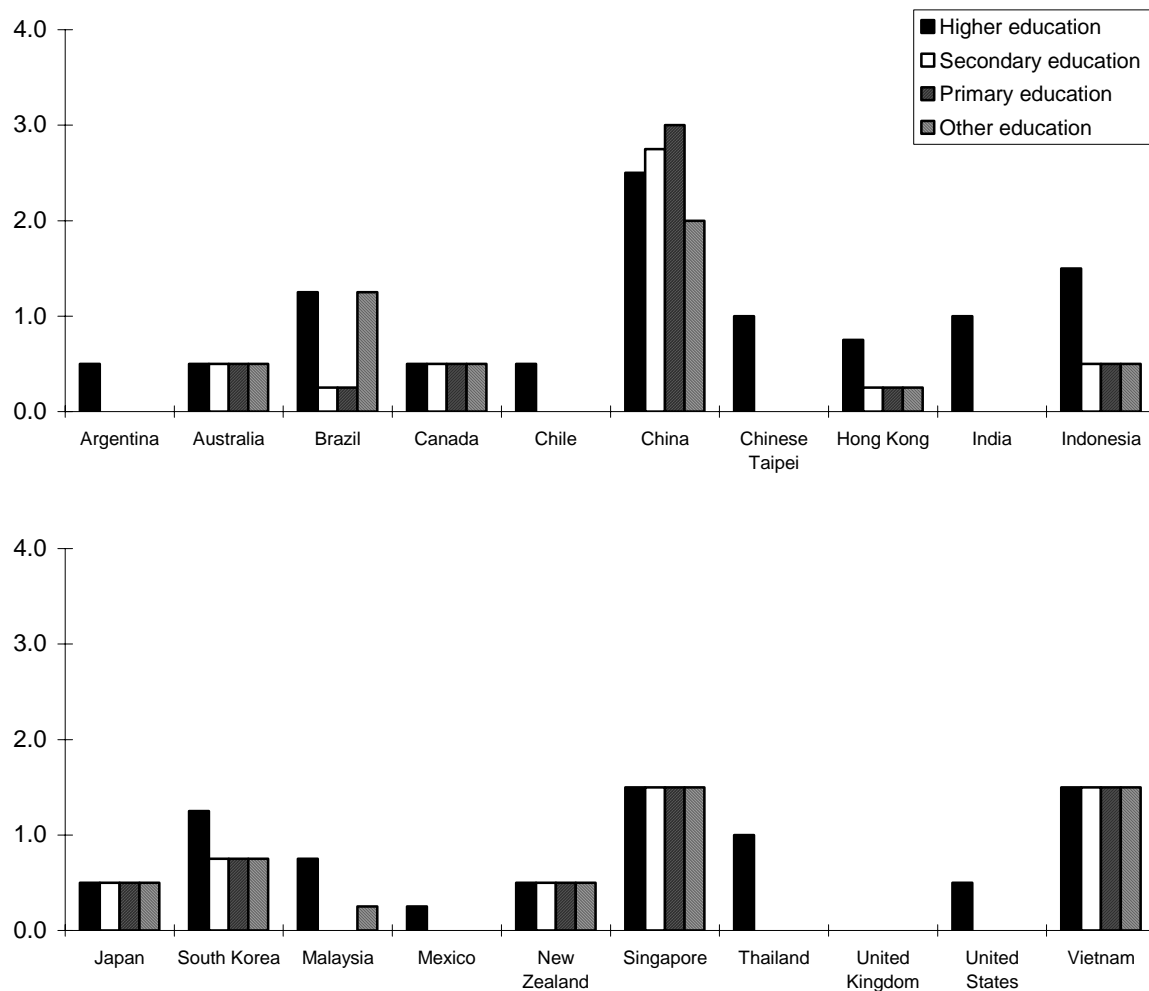
For the most restricted economies — including China, Singapore and Vietnam — the common restrictions are:

- the requirement of a local presence and/or partnership in the host economy for the provision of distance education;
- lack of recognition of qualifications obtained via distance education; and
- restrictions on the importation of educational material, internet access, and the advertising of distance education services.

For the less restricted economies, comprising around half of those examined, common restrictions include limits on the recognition of qualifications obtained via distance education and the requirement of a local presence and/or partnership to provide education services.

Compared to other economies, Australia has low to moderate restrictions on cross-border supply.

Figure 3.4 Foreign index for cross-border supply by education sub-sector^a



^a While separate restrictiveness indexes have been compiled for four education sub-sectors, data limitations mean that most confidence attaches to the results for the higher and 'other' education sub-sectors.

Data source: See table A.5 in appendix A for index scores.

Some economies have also recently implemented liberalisation measures for the cross-border supply of education services.

- In July 2001, South Korea eased restrictions on courses that are offered entirely offshore.
- In 2002, Chinese Taipei reviewed its legislation relating to education services making it possible for a portion of a course to be delivered through distance education.

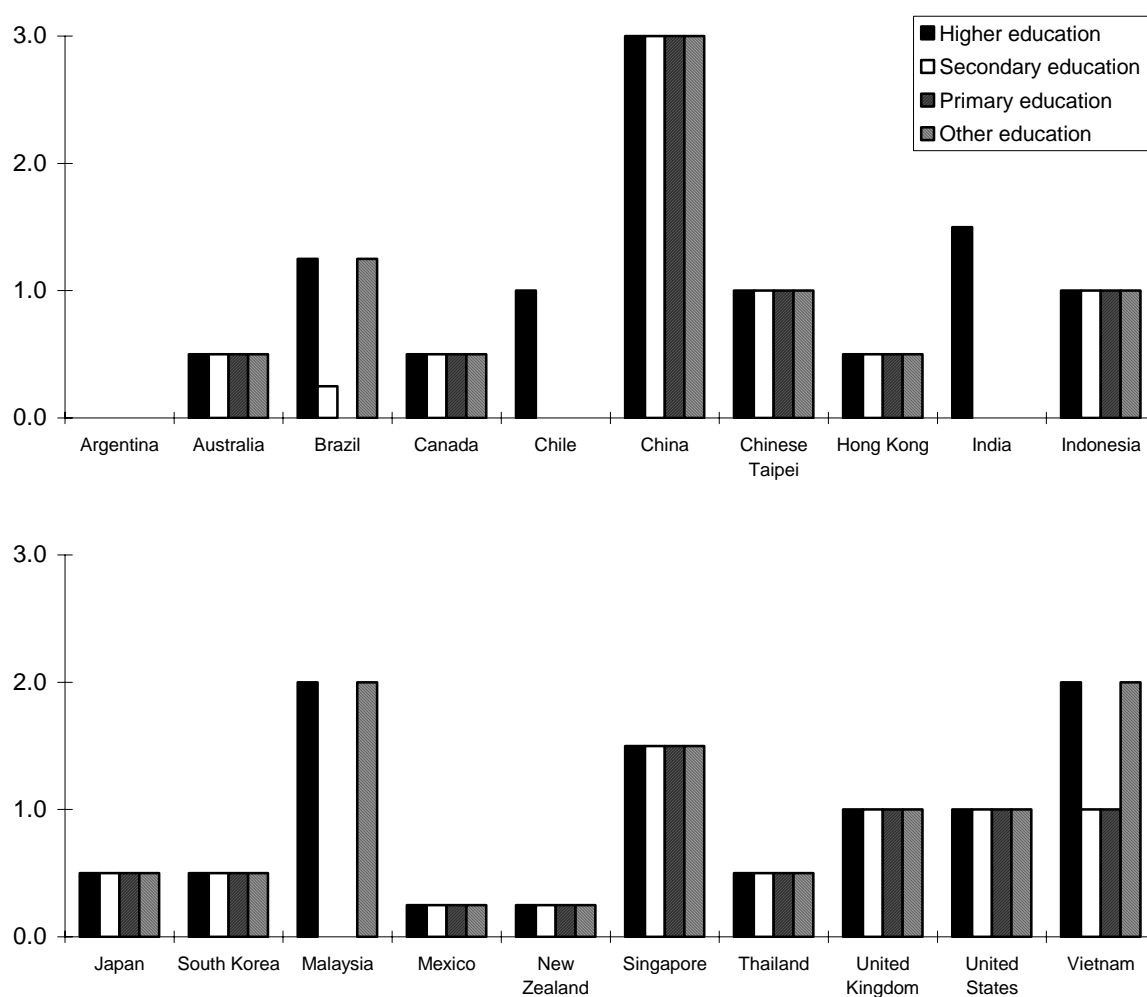
3.4 Presence of natural persons

The index values for the presence of natural persons are presented in figure 3.5.

Around a third of the economies examined — particularly China and Vietnam — have relatively high levels of restrictions. The common restrictions found in these economies are limits on the number of working permits or visas for foreign staff.

The less restricted economies tend to limit the duration, rather than the number, of working permits or visas. Compared to the other economies, Australia has low to moderate restrictions on the movement of academics and teachers.

Figure 3.5 Foreign index for the presence of natural persons by education sub-sector^a



^a While separate restrictiveness indexes have been compiled for four education sub-sectors, data limitations mean that most confidence attaches to the results for the higher and 'other' education sub-sectors.

Data source: See table A.7 in appendix A for index scores.

Some economies have also recently adopted regulatory changes for the presence of natural persons mode of supply.

- In 1995, New Zealand removed restrictions on the movement of natural persons, allowing senior managers and specialists employed by foreign educational institutions to enter and work in New Zealand for specified periods.
- Singapore has eased regulations governing visiting academic staff.

3.5 Summing up

The results indicate that, while all economies impose at least some restrictions in relation to each mode of supply, barriers are most extensive for commercial presence. The results also show variation in restrictions across modes. This variation, and the uneven incidence of those restrictions across economies, is likely to influence the extent and pattern of trade in education services.

Economies with the most restrictions in education services tend to be located in the Asian region. China has the highest level of restrictions identified. However, in a number of cases, some regulatory changes have been introduced in recent years to facilitate greater flows of students and provision of services.

Compared with the level of restrictions identified in other economies, Australia has:

- moderate to high restrictions on education exports in the form of ‘consumption abroad’ by foreign students in Australia, but quite low restrictions on the outward movement of Australian students to study overseas;
- moderate restrictions on competition affecting foreign and domestic establishment in Australia (via ‘commercial presence’);
- low to moderate restrictions on cross-border supply of education services; and
- low restrictions on the movement of teachers and academics.

The index results need to be interpreted carefully. Among other things, to reflect the current uncertainty about the relative significance of different classes of restrictions in the different modes of supply, the classes have been given equal weights in compiling the indexes. However, in practice it is likely that different classes of restrictions would have unequal levels of significance. Further, while the indexes are based on recently compiled data, it can be difficult to gather comprehensive information of trade restrictions. Particular caution is required in relation to the primary and secondary education index results. And while the indexes provide an indication of the level of regulatory restrictions to trade in education services

applying in different education sub-sectors and modes of supply across a range of economies, they do not reveal precisely how restrictive the different regulatory regimes are, or their effects on trade.

A Detailed index results

Table A.1 **Domestic index for consumption abroad by education sub-sector^a**

score

<i>Economy</i>	<i>Higher education</i>	<i>Secondary education</i>	<i>Primary education</i>	<i>Other education</i>
Argentina	2.10	0.60	0.20	0.40
Australia	2.05	2.05	2.05	2.05
Brazil	2.10	0.60	0.60	0.60
Canada	2.35	1.40	0.40	1.00
Chile	2.40	1.00	0.50	1.40
China	1.90	2.40	2.40	1.40
Chinese Taipei	2.40	0.40	0.40	0.40
Hong Kong	3.00	3.00	3.00	1.00
India	2.30	–	–	–
Indonesia	1.90	1.50	1.00	1.00
Japan	1.60	1.10	0.60	1.60
South Korea	1.30	0.30	0.30	0.30
Malaysia	1.80	0.80	0.80	0.80
Mexico	1.40	0.90	0.90	0.90
New Zealand	1.57	1.57	1.32	1.57
Singapore	2.35	2.10	2.10	2.10
Thailand	2.80	1.80	1.30	1.80
United Kingdom	1.30	1.30	1.05	0.80
United States	2.05	1.80	0.85	1.05
Vietnam	2.60	1.00	1.00	2.00

- Nil ^a For consumption abroad, the domestic index scores range from 0 to 6. The higher the score, the greater are the restrictions for an economy.

Source: Commission estimates based principally on survey data (IDP Education Australia, unpublished) provided by the Department of Education, Science and Training (see chapter 2).

**Table A.2 Foreign index for consumption abroad
by education sub-sector^a**

score

<i>Economy</i>	<i>Higher education</i>	<i>Secondary education</i>	<i>Primary education</i>	<i>Other education</i>
Argentina	0.83	0.33	0.33	0.33
Australia	0.25	0.25	0.25	0.25
Brazil	0.83	–	–	–
Canada	0.50	–	–	–
Chile	0.50	–	–	–
China	2.17	3.83	5.00	1.67
Chinese Taipei	1.50	–	–	–
Hong Kong	1.33	–	–	–
India	1.17	–	–	–
Indonesia	1.83	1.50	1.00	1.00
Japan	0.50	–	–	0.50
South Korea	1.83	–	–	1.00
Malaysia	0.83	–	–	–
Mexico	0.50	0.50	0.50	0.50
New Zealand	–	–	–	–
Singapore	1.50	1.50	1.50	1.50
Thailand	1.00	–	–	–
United Kingdom	0.25	0.25	0.25	0.25
United States	0.83	–	–	–
Vietnam	3.67	1.00	1.00	2.33

- Nil ^a For consumption abroad, the foreign index scores range from 0 to 5. The higher the score, the greater are the restrictions for an economy.

Source: Commission estimates based principally on survey data (IDP Education Australia, unpublished) provided by the Department of Education, Science and Training (see chapter 2).

**Table A.3 Foreign index for commercial presence
by education sub-sector^a**

score

<i>Economy</i>	<i>Higher education</i>	<i>Secondary education</i>	<i>Primary education</i>	<i>Other education</i>
Argentina	0.50	–	–	–
Australia	1.30	1.10	1.10	1.10
Brazil	1.30	0.80	0.50	1.30
Canada	1.45	0.75	0.75	0.75
Chile	1.60	1.00	1.00	1.00
China	4.00	5.55	7.00	3.50
Chinese Taipei	1.15	0.50	0.50	1.00
Hong Kong	0.60	0.65	0.65	–
India	4.29	1.70	1.70	3.19
Indonesia	3.76	2.66	2.66	2.66
Japan	1.40	0.80	0.80	0.80
South Korea	0.80	1.80	1.80	0.80
Malaysia	4.60	2.70	2.70	3.00
Mexico	0.61	0.61	0.61	0.61
New Zealand	1.45	1.35	1.35	1.35
Singapore	2.45	3.45	3.45	2.35
Thailand	2.30	3.30	3.30	3.30
United Kingdom	0.60	–	–	–
United States	0.60	0.60	0.60	0.60
Vietnam	3.10	3.10	3.10	3.10

- Nil ^a For commercial presence, the foreign index scores range from 0 to 7. The higher the score, the greater are the restrictions for an economy.

Source: Commission estimates based principally on survey data (IDP Education Australia, unpublished) provided by the Department of Education, Science and Training (see chapter 2).

Table A.4 **Domestic index for commercial presence
by education sub-sector^a**

score

<i>Economy</i>	<i>Higher education</i>	<i>Secondary education</i>	<i>Primary education</i>	<i>Other education</i>
Argentina	0.50	–	–	–
Australia	1.17	1.17	1.17	1.17
Brazil	1.17	0.67	0.67	1.17
Canada	1.17	0.67	0.67	0.67
Chile	1.67	1.00	1.00	1.00
China	2.50	2.50	2.50	2.00
Chinese Taipei	1.00	0.50	0.50	1.00
Hong Kong	0.50	0.50	0.50	–
India	1.83	1.83	1.83	1.83
Indonesia	1.17	1.00	1.00	1.00
Japan	0.83	0.67	0.67	0.67
South Korea	0.50	0.50	0.50	0.50
Malaysia	1.33	–	–	0.67
Mexico	0.17	0.17	0.17	0.17
New Zealand	1.00	0.83	0.83	0.83
Singapore	1.92	1.75	1.75	1.75
Thailand	0.67	0.67	0.67	0.67
United Kingdom	0.67	–	–	–
United States	0.50	0.50	0.50	0.50
Vietnam	1.50	1.50	1.50	1.50

- Nil ^a For consumption abroad, the domestic index scores range from 0 to 4. The higher the score, the greater are the restrictions for an economy.

Source: Commission estimates based principally on survey data (IDP Education Australia, unpublished) provided by the Department of Education, Science and Training (see chapter 2).

**Table A.5 Foreign index for cross-border supply
by education sub-sector^a**

score

<i>Economy</i>	<i>Higher education</i>	<i>Secondary education</i>	<i>Primary education</i>	<i>Other education</i>
Argentina	0.50	–	–	–
Australia	0.50	0.50	0.50	0.50
Brazil	1.25	0.25	0.25	1.25
Canada	0.50	0.50	0.50	0.50
Chile	0.50	–	–	–
China	2.50	2.75	3.00	2.00
Chinese Taipei	1.00	–	–	–
Hong Kong	0.75	0.25	0.25	0.25
India	1.00	–	–	–
Indonesia	1.50	0.50	0.50	0.50
Japan	0.50	0.50	0.50	0.50
South Korea	1.25	0.75	0.75	0.75
Malaysia	0.75	–	–	0.25
Mexico	0.25	–	–	–
New Zealand	0.50	0.50	0.50	0.50
Singapore	1.50	1.50	1.50	1.50
Thailand	1.00	–	–	–
United Kingdom	–	–	–	–
United States	0.50	–	–	–
Vietnam	1.50	1.50	1.50	1.50

- Nil ^a For cross-border supply, the foreign index scores range from 0 to 4. The higher the score, the greater are the restrictions for an economy.

Source: Commission estimates based principally on survey data (IDP Education Australia, unpublished) provided by the Department of Education, Science and Training (see chapter 2).

Table A.6 **Domestic index for cross-border supply
by education sub-sector^a**
score

<i>Economy</i>	<i>Higher education</i>	<i>Secondary education</i>	<i>Primary education</i>	<i>Other education</i>
Argentina	0.50	–	–	–
Australia	0.50	0.50	0.50	0.50
Brazil	0.75	0.25	0.25	0.75
Canada	0.50	0.50	0.50	0.50
Chile	0.50	–	–	–
China	2.50	2.50	2.50	2.00
Chinese Taipei	0.50	–	–	–
Hong Kong	0.75	0.25	0.25	0.25
India	1.00	–	–	–
Indonesia	0.50	0.50	0.50	0.50
Japan	0.50	0.50	0.50	0.50
South Korea	1.25	0.75	0.75	0.75
Malaysia	0.75	–	–	0.25
Mexico	0.25	–	–	–
New Zealand	–	–	–	–
Singapore	1.50	1.50	1.50	1.50
Thailand	1.00	–	–	–
United Kingdom	–	–	–	–
United States	0.50	–	–	–
Vietnam	1.50	1.50	1.50	1.50

- Nil ^a For consumption abroad, the domestic index scores range from 0 to 3. The higher the score, the greater are the restrictions for an economy.

Source: Commission estimates based principally on survey data (IDP Education Australia, unpublished) provided by the Department of Education, Science and Training (see chapter 2).

**Table A.7 Foreign index for the presence of natural persons
by education sub-sector^a**

score

<i>Economy</i>	<i>Higher education</i>	<i>Secondary education</i>	<i>Primary education</i>	<i>Other education</i>
Argentina	–	–	–	–
Australia	0.50	0.50	0.50	0.50
Brazil	1.25	0.25	–	1.25
Canada	0.50	0.50	0.50	0.50
Chile	1.00	–	–	–
China	3.00	3.00	3.00	3.00
Chinese Taipei	1.00	1.00	1.00	1.00
Hong Kong	0.50	0.50	0.50	0.50
India	1.50	–	–	–
Indonesia	1.00	1.00	1.00	1.00
Japan	0.50	0.50	0.50	0.50
South Korea	0.50	0.50	0.50	0.50
Malaysia	2.00	–	–	2.00
Mexico	0.25	0.25	0.25	0.25
New Zealand	0.25	0.25	0.25	0.25
Singapore	1.50	1.50	1.50	1.50
Thailand	0.50	0.50	0.50	0.50
United Kingdom	1.00	1.00	1.00	1.00
United States	1.00	1.00	1.00	1.00
Vietnam	2.00	1.00	1.00	2.00

- Nil ^a For the presence of natural persons, the domestic index scores range from 0 to 3. The higher the score, the greater are the restrictions for an economy.

Source: Commission estimates based principally on survey data (IDP Education Australia, unpublished) provided by the Department of Education, Science and Training (see chapter 2).

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