

Opinion

Trade war forces universities to go global

China's economic coercion of Australian higher education could be severe and sustained. The long-term response must be to find new international student markets in Asia, India and Africa.

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International education is the obvious choice for [China's next round of economic coercion against Australia](#).

Education (\$12 billion in exports to China in FY2018-19) remains the only export to China valued over \$10 billion annually that China can restrict without suffering major economic pain.



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Coal (\$16 billion in exports to China in FY2018-19) has already been hit with restrictions. Restrictions on gas (\$14 billion in FY18-19) and iron ore (\$63 billion in FY 18-19) exports would hurt China too.

Given recent experience with Chinese government restrictions on wine, beef and other exports, moves against higher education could end up being severe and sustained. There are many potential trigger points on the horizon which could prompt Beijing to use education flows as an economic weapon such as Victoria's Belt and Road memorandum of understanding being vetoed by the Foreign Minister.

Education is different to resources and agriculture. Beijing can turn the taps off completely at the border for goods imports. But if a Chinese student insists on studying in Australia, the government cannot easily stop them. Beijing nevertheless has many tools available to make Australia an undesirable destination. So, the number is unlikely to trend to zero but a precipitous drop is feasible.

Education is also much more job intensive than agriculture or resources. Australian universities shed at least 17,300 jobs in 2020 and lost an estimated \$1.8 billion in revenue compared to 2019, according to figures released by [Universities Australia](#).

Australian education-related travel exports to China were \$12 billion in FY2018-19 (out of a total \$37 billion worth of such exports). If this was to halve, we could feasibly expect tens of thousands of further job losses in the education sector. Australian technology research would be significantly impacted. If Chinese student numbers were to trend to closer to zero, this would devastate the sector.

It is impossible for any [other market to rapidly make up the difference](#). It is also difficult for the government to make up that shortfall in a tight fiscal environment.

Universities are aware of the difficulty. They have long tried to diversify, yet Australia's education exports are more reliant on China than a decade ago. The market has given a reality check to every effort to recalibrate our education export mix. Now China might force us to diversify.

In the short term, the Australian government can reconsider how it applies the Foreign Relations Act to Australian universities.

This needs to be seen in a long-term context. There are no shortcuts here.

Significant boosts to longstanding efforts to increase higher education exports to new and growing markets in south-east Asia, the Indian subcontinent and Africa are now more needed than ever. Not least because these markets are on track to provide vast reserves of future international students in the years and decades ahead: India is on track to have the globe's largest population within the decade and some predict it will be the third-largest economy by 2050.

In the short term, the Australian government can reconsider how it applies the Foreign Relations Act to Australian universities.

The Act was designed to ensure consistency of Australia's foreign policy, and avoid states, territories and other sub-national entities from entering into international arrangements that are against the national interest.

This is done by empowering the Foreign Minister to review and veto international arrangements with foreign governments or foreign universities that do not have "institutional autonomy, as distinct from the levels of institutional autonomy enjoyed by Australian public universities".

The interpretation of institutional autonomy will be key. Universities in many potential alternative markets do not enjoy the same institutional autonomy as Australian universities.

The reporting requirements associated with the Act are an extra bureaucratic layer that make it more difficult to sign new arrangements with universities in other countries. Universities may have thousands of agreements with foreign entities. To have to report on many of them and have them checked by DFAT is administratively onerous and disincentivises Australian universities from expanding in other markets.

We need to ensure that we create an environment that best supports education providers to globalise and diversify in a very tough situation. All the more so because we need to be prepared for the possibility of sustained punishment of our international education sector.

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