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America's Hot New Export: Higher Education

Colleges rush to open degree programs overseas, for both academic and business reasons

By BURTON BOLLAG

When he started as vice provost for international education, in 1989, Stephen C. Dunnett's main responsibility was to make sure that foreign students at the State University of New York at Buffalo were adjusting to life in America and doing well academically. But in recent years his job has changed. Not only has Mr. Dunnett begun to recruit students abroad — he is also developing overseas degree programs for foreign students who cannot, or will not, come to the United States.

In 2003, Buffalo opened a branch campus in Singapore, where 250 students are enrolled in bachelor's and master's programs in business and communications. Last month the university signed an agreement with an institution in Bangalore, India, to run two master's programs in information technology there. Now Mr. Dunnett is negotiating an agreement in the United Arab Emirates and discussing a possible branch campus in China.

"We didn't expect so much demand," he says. "But since 9/11, many foreign students can't get to the United States, and they want UB degrees."

Buffalo is not alone. Despite several costly flops overseas, including the failure of two dozen branch campuses in Japan in the 1990s, a rapidly growing number of American colleges and universities are setting up shop, from single graduate programs to entire campuses, in foreign students' own countries. The programs are costly to run and must be tailored to local needs to succeed, say those who have worked on such efforts. Institutions must often work with foreign partners, whose integrity can be difficult to determine, and navigate a sea of national and local regulations. But many American colleges have concluded that the results are worth the trouble — and sometimes prove to be profitable, too.

No one knows exactly how many American colleges have expanded overseas. If the American Council on Education will soon survey its 1,650 member institutions, "in this emerging field we don't have a firm handle on," says Peter D. Eckel, an official of the council. An analysis of colleges' experiences with such programs may help institutions think strategically, he says.

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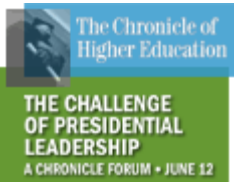


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While a few American institutions have maintained small overseas campuses for decades, often as study-abroad locations for their students back home, the growth of overseas programs for foreign students has taken off only in the past decade. In an era of increasing globalization, campus officials say the trend has also received an impetus from the tight restrictions placed on U.S. visas following the September 2001 terrorist attacks. The limits contributed to the first decrease in the number of foreign students to enter the United States in more than three decades. Many of the humiliating delays are a result of the uncertainty that has been resolved, but educators say the United States may take longer to overcome its recent reputation as not welcoming to foreign students.

"Market research has shown a widespread feeling among Middle Eastern families that their students will not be safe if they come to study in the United States," says Paul R. H. assistant dean for international initiatives at Boston University, which is considering opening branches in the Persian Gulf. "If Kuwaitis have these misperceptions, the next best thing is to have American programs in Kuwait."

A Crowded Field

As they consider new overseas projects, American colleges face stiff competition from their counterparts in other developed countries, especially Britain and Australia. In these countries there are no reliable figures comparing the numbers of overseas campuses, but in Australia institutions appear to be extraordinarily aggressive in planting their flag in other countries.

All but one of the 39 government-approved universities in Australia have established overseas degree programs or branch campuses, says Line F. Verbik, deputy director of the Observatory on Borderless Higher Education, a research group associated with the Association of Commonwealth Universities, in London. Almost all those programs are in the Pacific region. A drop in government support for higher education forced the universities, most of them public, to "think more entrepreneurially," she says.

Many developing countries have experienced rapid growth in the number of high school graduates seeking college educations. As international trade and investment expand, more and more young people want degrees from English-language, Western institutions. American, Australian, British, and Canadian universities are often seen as providing more modern and practical educations than those of local institutions, thus improving graduates' prospects of finding well-paying jobs. Foreign students who graduate from some branch campuses receive their degrees from the home institutions. In other cases they also receive second degrees from academic partners in the host country. At the same time, campuses of Western institutions in these developing countries often offer less-expensive alternatives for the swelling middle classes there than does going to college overseas, and allows students to remain close to their families.

Pressure to expand also comes from within the United States: preparing American students to compete in the global economy has lately become part of the core mission of many American institutions. Establishing overseas campuses for foreign students contributes to that goal, campus leaders say, by giving faculty members and students more international experience. For example, even after teaching for only a few years at Buffalo's Singapore campus (the university's partner is the private, nonprofit Singapore Institute of Management), SUNY professors "come back with an international perspective," says Mr. Dunnett.

The branch is also "a good source of high-quality students" who transfer to Buffalo's main campus or go on to enroll in graduate programs there, he says. And it makes the American institution better known to other students considering study in the United States. The campus "increases our brand-name recognition," says Mr. Dunnett.

Foreign branch campuses also provide trouble-free destinations for American students. Ten percent of Buffalo's students spend at least a semester studying in a foreign country. The university wants to double that proportion by 2010. What's more, since foreign branch campuses are under the direct control of the home institution, they offer seamless study-abroad opportunity, educators say, with no credit-transfer problems or concerns about course quality.

There can be advantages for students on the home campuses of American institutions as well. The Rochester Institute of Technology opened a branch campus specializing in tourism management in Dubrovnik, Croatia, in 1997, and also runs the academic program at the more recently established American University in Kosovo, in the Balkans. This year it expects to start an undergraduate information-technology program in Suzhou, China.

"We don't expect to make money," says Stanley D. McKenzie, Rochester's provost. The planned program, which is primarily for Chinese students, will provide a place for arranging paid internships with Chinese companies for students from RIT's main campus.

Research institutions that develop overseas degree programs with foreign institutions often point to the welcome prospect of joint research. And branch campuses can be a way to paid research for multinational corporations operating in those countries.

Finding Top Students

The Georgia Institute of Technology, which has degree programs in France and Singapore and one opening this fall in China, is discussing possible programs with authorities in two Indian states. With the number of graduate students from China studying in the United States dropping sharply in recent years, "our faculty is keenly interested in opportunities to work with top students" from those countries, says Howard A. Rollins, associate vice provost for international programs.

Another potential benefit, he adds, is research that "could come out of that unique environment" and be further developed, and marketed, by the home campus. The program in China was developed with a leading technical institution, Shanghai Jiao Tong University. In India, however, Georgia Tech is in talks with state officials, since they have shown more interest than local universities, says Mr. Rollins. Two states, Maharashtra, where Mumbai (formerly Bombay) is located, and Andhra Pradesh, where Hyderabad is located, are offering land and infrastructure in those cities.

"They're very interested in helping us," says Mr. Rollins, because the presence of a branch of a prestigious American university, producing top-notch graduates and doing research, would support local economic development.

American institutions have not always felt so welcome overseas. During Japan's

economic boom of the 1980s, more than 30 American colleges opened branch campuses there, confident of enrolling large numbers of students seeking a Western alternative to the country's rigid, traditional university system. But by the mid-1990s, most of the branches had closed.

They fell victim to decreasing numbers of college-age people, an unfriendly regulatory environment, and often shoddy treatment by local business partners.

Today American colleges tend to be more cautious.

During the past four years, Carnegie Mellon University, for example, has opened programs in Greece, South Korea, Qatar, and Japan. But it has usually negotiated with a local university or government to pay for facilities and nonacademic support. "We find this pretty comfortable that we don't have a lot of resources at risk if things don't go well," says Mark S. Kamlet, the provost.

In choosing overseas sites, Carnegie Mellon tries to provide something unique and stay modest in its goals. It opened a graduate program in computer security in Kyoto, Japan, last fall. In South Korea it plans to open a second graduate program this fall in entertainment technology for the gaming and tourism industries. In Australia it is launching a similar program this spring.

The university seeks out countries "thirsting for graduate degrees in areas we have a niche in," says Mr. Kamlet. "We don't want to be just another competitor."

It is often hard to find faculty members willing to teach at branch campuses. Like other universities, Carnegie Mellon has found that it must pay a premium to professors to do so. In Qatar, for example, it pays them a 25-percent bonus and provides free airfare, including housing, car, and cellphone.

Still, in addition to the academic benefits, Carnegie Mellon hopes to earn revenue for its main campus from these ventures. For some American institutions contemplating overseas ventures, profit is a central concern. In recent years Troy University, a state institution in Alabama, has extended to foreign students its 50-year-old network of overseas campuses that have long served members of the U.S. military. Undergraduates on any of the branch campuses pay 20 percent to 100 percent more than the average \$8,000 or so for state annual tuition they would pay if they enrolled on the university's main campus.

Delivering the programs overseas is more expensive than providing them at home, says Susan C. Aldridge, vice chancellor of the university's branch campus system. But each location must contribute to maintain the campus here in Alabama," she says. "That's not profit-making."

Big Business

Then there are corporations that open branches entirely on a for-profit basis. With the for-profit higher-education sector well established, the United States is a leading source of for-profit investments elsewhere, as Laureate Education Inc. (formerly Sylvan Learning Systems), Career Education Corporation, Kaplan Inc., and Apollo Group Inc., and other companies, compete to expand their overseas campus networks.

After first venturing overseas seven years ago, Laureate has spent some \$1-billion to acquire the largest network of foreign campuses of any American company. Since the purchase of Anhembi Morumbi University, in São Paulo, Brazil, late last year, 100,000 students, in 14 foreign countries, are enrolled on Laureate-owned campuses.

Douglas L. Becker, Laureate's chief executive officer, says that among the biggest challenges the company faces are increasingly sophisticated competition and a reliance on student loans overseas. Among the developing countries where Laureate operates, Chile recently passed a law extending government assistance, formerly reserved for students of public institutions, to those at private colleges as well.

Many countries have banned for-profit higher education. Chile, where the Laureate-owned University of the Americas is the country's largest for-profit institution, has enacted a prohibition. But investors easily get around it, typically by establishing a company that owns the land and facilities that a not-for-profit college rents at above-market rates. A similar ban in Turkey is strictly enforced, but that has not prevented local founders from establishing a number of high-quality nonprofit private institutions.

For-profit and not-for-profit institutions alike complain of myriad regulations in emerging markets. In 2004 Laureate shut down a two-year-old campus in India, citing an inability to obtain the accreditation that the country requires of all foreign higher-education programs. Even so, the costly experience hasn't soured the company on the potential of the Indian market.

Both India and China, where liberalization is transforming their economies into international powerhouses, are on the verge of becoming major markets for brain-gain and college development. Many consider China more ripe in terms of the relaxing of regulations and the interest of its own universities in foreign collaborations. "Even the U.S. is starstruck with China," says John A. Douglas, a senior research fellow at the Center for Studies in Higher Education, at the University of California at Berkeley.

Some places have been especially welcoming to foreign branch campuses. With a large number of foreign branches already established inside their borders, Hong Kong, Malaysia, and Singapore are striving to become regional hubs of higher education, and the United Arab Emirates are seeking a similar position in the Middle East.

Mixed Experiences

Yet even among those prosperous and fast-modernizing countries, American companies thinking of opening branches can encounter widely different conditions. Education in the tiny oil-rich Persian Gulf state of Qatar, was established as an elite higher education center with financing estimated at more than \$1-billion, to date, from a foundation controlled by the emirate's royal family. A number of leading American institutions have been invited to set up branch campuses there, with all expenses paid by the foundation. Already, Virginia Commonwealth University has opened an art and design program; Weill Cornell Medical College a medical program; Texas A&M University an engineering program; Carnegie Mellon business and computer-science programs; and Georgetown University a foreign-service program.

Antonio M. Gotto Jr., provost for medical affairs at Cornell University, says the

in Qatar offers benefits to Cornell that include faculty and student exchanges and opportunities to carry out genetics studies and other medical research in the region. In all, he adds, the project has gone very well.

Weill Cornell "is an American medical school with a Jewish name," he says, but the Qatari foundation said, "We'll pay for it. You do it exactly as you would in New York." Cornell insisted on the right to maintain admissions standards at the same level as the home campus, and a guarantee that children of the extended royal family would receive special treatment. Mr. Gotto says the authorities have stuck to those agreements.

Cornell's medical school is now in discussions to open branches in South Korea and South Africa.

The United Arab Emirates, less than 250 miles away from Qatar, has opened its center for foreign branch campuses, known as Knowledge Village. The site, in Dubai, is run more like a business. With branches of institutions in India, Iran, Pakistan, and Russia as well as Australia and Britain, the center caters in part to the large immigrant worker population in the region.

Boston University considered a proposal from a group of Middle Eastern investors to establish a campus in the village for 25,000 students capable of doing undergraduate studies in English. But the enrollment target was far too optimistic, Boston officials concluded.

After studying the project for months, they decided that the investors cared less about academic standards than about profiting from providing services like student housing and cafeterias, said John F. Ebersole, who stepped down recently as associate president to become president of Excelsior College. "What concerns us," he added, "is that initiatives, initially presented as philanthropic, now appear to have a strong profit motive."

The rapid expansion of foreign campuses in the Persian Gulf region has raised concerns.

The growing competition for students "will create pressure to lower standards," Roderick S. French, a founder of the well-regarded American University of Sharjah established in 1997 in the United Arab Emirates, and director of its Washington branch (American University in Washington helped to establish its academic programs).

In fact, as the trend continues, countries around the world are becoming concerned about keeping out substandard foreign branches. Some authorities have begun monitoring the quality of degree programs. South Africa is perhaps the only country to have reduced the number of foreign campuses on its territory, having established stringent requirements that they contribute to local development goals.

Still, say American college officials, despite obstacles and disappointments, overseas branch campuses offer so many benefits to both home campuses and host countries that the phenomenon can only expand.

Even Boston University has gotten over having spent so much time in vain on the

Knowledge Village proposal. "There has been some disillusionment," said Mr. [redacted] last fall, shortly after Boston turned down the proposal. "We're a little shy now, not soured on international projects."

AMERICAN COLLEGES ABROAD

A sampling of American colleges that offer degree programs for foreign students in their home countries

Australia

Carnegie Mellon U.*

Austria

Webster U.

Belgium

Boston U.

Bermuda

Webster U.

Bosnia & Herzegovina

U. of Delaware

Brazil

Apollo International
Laureate Education

Britain

U. of Chicago
Webster U.

Canada

City U. (Wash.)
DeVry Inc.
Oklahoma City U.
U. of Phoenix

Chile

Laureate Education

China

City U. (Wash.)
Florida International U.*
Fordham U.
Lakeland College
Laureate Education
Missouri State U.

Costa Rica

Laureate Education

Croatia

Rochester Institute of Technology

Cyprus

Laureate Education

Czech Republic

Rochester Institute of Technology

U. of Northern Virginia

Dominican Republic

Rochester Institute of Technology

Ecuador

Laureate Education

Troy U.

France

Georgia Institute of Technology

Laureate Education

Germany

Troy U.

Greece

Carnegie Mellon U.

U. of Indianapolis

Guam

Troy U.

Honduras

Laureate Education

Hong Kong

George Washington U.

Troy U.

India

Apollo International

Champlain College

Troy U.

U. of Dayton

Western International U.

Ireland

Kaplan Inc.

Japan

Alliant U.

Carnegie Mellon U.

Lakeland College
Temple U.

Kosovo

Rochester Institute of Technology

Malaysia

Troy U.

Mexico

Alliant U.
Apollo International
City U. (Wash.)
Endicott College
Laureate Education

Panama

Florida State U.
Laureate Education

Peru

Laureate Education

Qatar

Carnegie Mellon U.
Cornell U.
Georgetown U.
Texas A&M U.
Virginia Commonwealth U.

Singapore

George Washington U.
Georgia Institute of Technology
MIT
SUNY at Buffalo
U. of Chicago
U. of Nevada at Las Vegas*

South Korea

Carnegie Mellon U.

Spain

Laureate Education

Sri Lanka

Troy U.

Switzerland

Laureate Education
Webster U.

Taiwan

Troy U.

Thailand

Ohio State U.

Troy U.

Webster U.

The Netherlands

Apollo International

Webster U.

Western International U.

United Arab Emirates

George Mason U.*

Troy U.

Vietnam

Roger Williams U.

Troy U.

U. of Hawaii

West Indies

DeVry Inc.

* Opening this year

SOURCES: American Council on Education; *Chronicle*

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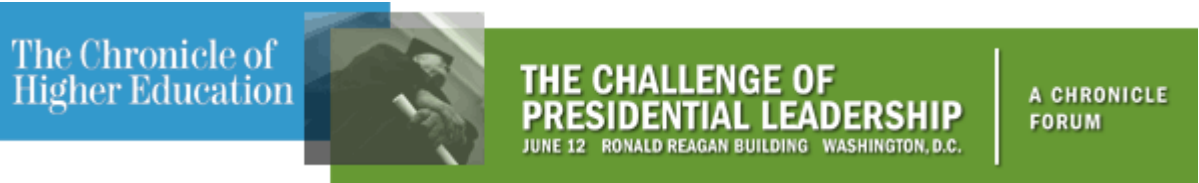
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