SUBMISSION FROM UNIVERSITIES SCOTLAND

Universities Scotland (US) welcomes the opportunity to contribute to the Committee’s call for written evidence on the challenges and opportunities in internationalising Scottish business. Universities Scotland represents Scotland’s 19 diverse higher education institutions all of which have a strong focus on internationalisation.

Experiences and challenges faced by Scottish exporters

Scotland’s higher education sector is a major exporter, exporting £1.3 billion of services in 2012/13 of which £13.7 million generated by overseas campuses was outside of the UK.

It might be helpful to set out the means through which Scotland’s university sector generates export income before outlining the challenges and opportunities that the sector faces with regards to exporting.

The sector’s export income is derived from multiple sources including fees paid by international students studying in Scotland (£377 million annually) and their off-campus expenditure whilst living and studying in Scotland (estimated to be £441 million), the delivery of in-country transnational education (TNE) (£13.7 million), the delivery of research and development and knowledge exchange services to business and industry and the successful competition for European and international research funds (£110 million). Scotland’s 19 higher education institutions also play a significant additional role in the attraction of inward investment into Scotland which is a significant contribution to the ongoing prosperity of Scotland’s economy. No attempt is made to quantify the value of universities role in inward investment.

Looking to the opportunities and challenges facing higher education exports we wish to make the following points:

Opportunities

- **Connected Scotland.** The formation of Connected Scotland in 2014 represents a good opportunity for the higher education sector to maximise its internationalisation and the export income that flows from that. Connected Scotland brings together key stakeholders involved in promoting Scottish higher education internationally including Universities Scotland, the Scottish Funding Council (SFC), SDI, Highlands and Islands Enterprise, British Council Scotland and the Royal Society of Edinburgh (RSE) in addition to all 19 higher education institutions (HEIs) themselves. The eight partner organisations all recognise that there are further benefits to be realised for the sector from joint working and have each identified what they can bring to the initiative in addition to the provision of staffing for the management group, the British Council Scotland for example lends its support through its international network of expertise, alongside a staffing commitment for projects and a shared post with Universities Scotland. The SFC and the RSE also identified the potential benefit a connected approach to the activities of each individual partner can bring as well as creating new opportunities to work in concert. Scotland’s Enterprise agencies contribute the initiative through staffing on the management of agreed project
deliverables, but also by considering project funding of agreed missions and initiatives through this model, and the support of the 30 Scottish Development International field offices and their in-country connections. Like all partners, **Scottish Government** works closely with all the Connected Scotland partners, but identified specific areas where it is keen to support the approach mobility, international research and transnational education opportunities. And lastly **Universities Scotland** provides secretariat support for Connected Scotland and where appropriate will produce resources and materials and identify opportunities in liaison with its 19 member HEIs that benefit from a Connected Scotland approach.

**www.connectedscotland.org**

- **A world-renowned ‘product’.** With the second highest number of universities in the world’s top 200 per head of population Scotland’s has a very strong ‘product’ to market globally. The Scottish HE sector is renowned for its quality of learning, has the highest student satisfaction and positive destinations rankings in the UK, and has world-leading research at every institution. Satisfaction ratings from international students are very high in Scotland with over 84 per cent saying they would recommend the Scottish higher education experience to others, this recommendation to study is above UK and global average. An independent analysis of Scotland’s higher education sector commissioned by the British Council in 2013 cited its research impact, its record on employability, innovative pedagogy and structures and the quality assurance and credit recognition mechanisms as amongst the sector’s “assets”.¹

- **The demand is there.** Analysis of key markets for Scottish higher education performed by British Council and Scottish Enterprise in 2013 suggests that great potential still remains for recruitment of new and growing markets of international students to Scotland and for delivery of Scottish HE through a TNE model. In terms of student recruitment the analysis found that China, Brazil, Malaysia and Colombia had significant demographics of tertiary-aged people likely to be mobile in their pursuit of higher education.² Universities Scotland is focussing on these countries initially with a view to raising Scotland’s market share. Similarly, an analysis of international trends in higher education performed by Universities UK in 2014 found that it was “realistic” for the number of international higher education student numbers in the UK to grow by 15 to 20% over the next five years. Scotland (and indeed the whole of the UK) is being prevented from taking advantage of opportunities available in the marketplace.³

There are also opportunities with regards to Scottish higher education institutions providing transnational education. Several Scottish universities are already operating in this way either through a partner organisation or through the provision of a satellite campus like that of Queen Margaret University Edinburgh and The Glasgow School of Art’s in Singapore, Glasgow Caledonian University’s campus in New York and Heriot Watt University’s in Dubai and Malaysia. The

British Council/Scottish Enterprise analysis of HE markets identified China, India and Indonesia as the offering the most potential for Scottish TNE. They are all projected to experience significant expansions in university age population up to and beyond 2020, with significant growth in the middle classes and the provision of domestic higher education will either fail to meet demand or the calibre of institutions will not meet expectations (Indonesia currently has no universities ranked globally).

- **The Smith Commission.** The Smith Commission’s recommendation that the Scottish and UK Government should “work together to... explore the possibility of introducing formal schemes to allow international higher education students graduating from Scottish further and higher education institutions to remain in Scotland and contribute to economic activity for a defined period of time” is an important opportunity for the sector that Scotland cannot afford to overlook. Although not contained as part of the core recommendations (as Lord Smith felt the precedent of the Fresh Talent initiative demonstrated that devolution of further powers were unnecessary to achieve the desired ends) its inclusion in the report shows the cross-party support that exists within Scotland for the ability to craft a different immigration policy. During the Smith Commission number of business organisations including the Scottish Council for Development and Industry, the Institute of Directors Scotland, the Scottish Chambers of Commerce as well as staff and student unions signed an open letter to Lord Smith citing the economic and demographic benefits a change in immigration policy, including the re-introduction of a post-study work route for international students, would bring to Scotland. See Annex A for a copy of the letter.

It is imperative that the Scottish Government and Scottish Parliament work with Universities Scotland and the sector to ensure the necessary conversations with the UK Government take place and to maintain the necessary pressure to see this delivered for Scotland.

- **Horizon 2020.** Horizon 2020 is the EU’s new programme for research and innovation. Running from 2014-20 with a budget of just under €80 billion, including some €24 billion to support top-level research, Horizon 2020 represents a great opportunity for Scotland’s universities. Scotland has performed well in predecessors to Horizon 2020 including successfully securing 10.4 per cent of the Framework Programme 7 funding which ran from 2007-2013 (1.3 per cent of the EU total).

**Challenges**

- **UK immigration policy.** The UK Government’s immigration policy and the lack of a post-study work route to offer international students remains the single biggest challenge facing Scotland’s higher education sector in regards to meeting our export targets. Despite a 1 per cent increase in overall numbers of non-EU students from 2012/13 to 2013/14 Scotland’s universities have experienced a substantial cumulative decline in enrolments since 2010/11 of students from key

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overseas markets, particularly India (-58.4%), Nigeria (-28.2%) and for the first time also China (-2%).

- **Fierce global competition.** The competition for international students is both global and fierce. Several of Scotland’s English-language competitors currently offer a better immigration package to prospective international students including Australia, Canada and New Zealand all offering attractive post-study work arrangements. Canada allows international students graduating from its universities up to three years to find work. New Zealand offers a graduate work visa for three years and a job search visa allows international graduates 12 months to find work. The USA has allows international STEM students to remain in the country and work for longer (2+ years). It is also worth noting that neither Canada, the USA, Australia nor New Zealand have a minimum earnings thresholds for graduate work visas. In contrast to the decline in international student numbers seen in Scotland the United States and Canada have continued to expand their international student numbers very steadily over the past five years (on average 5.5% for USA and 7.3% for Canada over the period).

- **Potential cuts to Horizon 2020.** A European Commission legislative proposal published in mid-January has announced the intention to divert money from the research and innovation budget to a newly created ‘European Fund for Strategic Investments’. If this goes ahead this could significantly reduce Scotland’s ability to lever in resources from this fund.

**The effectiveness of SDI and UKTI, as well as Scottish Enterprise and Highlands and Islands Enterprise, in helping Scottish firms enter and grow in international markets;**

With the recognition of Education being a growth sector and a priority area as identified by the Scottish Government Universities Scotland has a very close working relationship with SDI, Scottish Enterprise and Highlands and Islands Enterprise as demonstrated by our partnership in Connected Scotland. It has been an enormous asset to the sector as a whole, and to Universities Scotland, to have a dedicated education team that has been hugely enthusiastic and passionate advocates for the higher education sector.

In addition to bringing collaborative partnership opportunities to Universities Scotland that allowed us to enter agreements in form of Memoranda of Understanding with India and Korea, SDI has been instrumental in setting up and formalising the Framework Statement for Connected Scotland. SDI’s commitment to Connected Scotland and its development of sustained market engagement through a programme of tailored outward missions has been essential in our goal to further develop sustainable international partnerships and to increase Scotland’s international footprint in higher education. A good example was the sector-wide fact finding mission to Indonesia in September 2013 which saw a connected approach being adopted for the first time to which SDI’s support by providing market intelligence and travel grants to participating institutions as well as its in-country support have been vital to the mission’s success. Through market research commissioned by SDI and British Council Scotland Brazil, China, Malaysia and Mexico/Colombia have been identified by the sector as priority countries which will benefit from a connected approach.
Like with the British Council, SDI also works closely with UKTI to access the full range of support available and institutions leverage support by taking part in activities and overseas missions led by UKTI to benefit from governmental relationships and connecting into networks and opportunities on the ground overseas at UK level. Over the past year members were actively engaged on missions to China and Mexico to name a few.

As mentioned in the previous submission, a nation-wide thematic approach continues to be helpful in terms of promoting the sector’s research strengths internationally. The university sector already works collaboratively in a number of research ‘pools’ to build critical mass. An example of how this collaboration works to Scotland’s advantage is the recent establishment of a Framework Agreement signed by the Scottish Funding Council and the Research Grant Council in 2013, which led to initial pump-priming funding being made available to promote collaboration between scientists in Hong Kong and Scottish universities in the fields of Life Sciences and Energy. The funding is to promote and support collaboration between scientists and engineers in the Scottish Life Sciences Association (SULSA), the Scottish Energy Technology Partnership (ETP) and the University Grants Committee (UGC)-funded institutions in Hong Kong.

As previously mentioned, a thematic approach helps to bring relevant partners together across sectors and forge partnerships between the public and private sectors in Scotland. A thematic approach is also favoured by the small specialist institutions within the university sector who feel that without a thematic approach, on the creative industries for example, fairly narrow areas of great potential could be overlooked. No doubt this problem is also experienced by smaller companies on the business side.

**Whether the Scottish Government is likely to meet the Government’s Economic Strategy target of increasing the value of exports by 50% by 2017 (and the usefulness of this target);**

We are unable and unwilling to speculate on the likelihood of the Scottish Government meeting its overall target of a 50 per cent increase in total export income by 2017 however we can offer comment on the likelihood of Scotland’s university sector meeting its own export target, developed in collaboration with SDI in recognition that universities are one of Scotland’s seven key industry sectors (the goal set was for an increase in export income from £1.3 billion to £2 billion in 2017 which equates to an increase of 53 per cent).

We believe that if Scotland’s higher education sector was given a policy environment to equal its competitors we have the potential to compete effectively in a fiercely competitive market and make good progress towards the target set for 2017. However, income from international student fees comprise a significant proportion of the sector’s export income and so unless we see a change in immigration policy, either within Scotland (following the Smith Commission’s recommendations) or at a UK level, we are highly unlikely to be able to meet this goal. Since committing to the target international student numbers coming to Scotland has been in decline with double-digit decreases in student numbers from India, Nigeria and Pakistan, countries deemed “high-risk” by the Home Office. This was reaffirmed by HESA enrolment figures released in January which showed although there was a one per
cent increase in international enrolments overall there was a concerning drop in enrolments from China (-2% and Scotland’s largest market for international students) as well as India and Nigeria. India has fallen from Scotland’s second largest market for international students with over 2,200 in 2009/10 to fifth with just over 700 new first year enrolments in 2013/14.

There are opportunities for the sector presented both by transnational education and in the form of the Horizon 2020 fund to grow the value of the sector’s research exports as noted above in answer to the question on export opportunities. This income stream is unaffected by immigration policy however traditionally this has comprised a smaller proportion of the sector’s recorded export income.

Scotland’s most successful exporting sectors and what can be learned from them;

The export of higher education is quite a different proposition to that of many other industry sectors in Scotland and so it is difficult to draw direct comparisons or lessons that might be learned. However, as a close partner of SDI which works across all industry sectors we would expect to gain from that organisation’s knowledge and expertise. Similarly, SDI ventures focussed on a particular business sector or of a thematic nature might create collaborative opportunities for higher education institutions which we would expect them to draw to our attention.

Where growth is likely to be seen over the next few decades and how these businesses/sectors can best be supported.

It is difficult to speculate at the international potential for growth for higher education on a timeframe of the next few decades as the environment is fast moving and can be highly changeable as it is vulnerable to socio-political factors. However, the markets analysis gives Scotland’s universities an evidence-informed basis for growth in the short-term. It will be valuable if this is routinely refreshed to ensure the sector’s strategy for engagement is still focused in the right areas and taking advantage of the right set of opportunities for Scotland.

As an additional point and separate to the role that higher education directly plays in generating its own export income, higher education has a role as an enabler of Scotland’s other six key industry sectors through research and development partnerships. Universities and business both understand that to stand still is to fall behind in a time when global competition is intensifying. Scotland will see export success where it is bringing new products or processes to market and greater engagement between universities and business can help to deliver that innovation. Scotland’s universities currently partner with around 20,000 Scottish businesses on innovation every year of which 13,000 of those are SMEs. Encouraging more Scottish businesses to recognise the value of research and innovation and to look to universities as part of an “open innovation” model should be a central part of Scotland’s strategy to support export growth over the next ten-to-twenty years.

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