Report and Discussion Paper on Internationalisation Initiatives from Chinese Universities
Prof A R Wallace, 22 May 2017

This report is to summarise, for CLTC and CSMC, recent developments and discussions around approaches recently made to schools within College by Chinese universities for deeper engagement with them on their campuses.

Background
The longest standing, and most established relationship exists between CMVM and Zhejiang University as the Edinburgh-Zhejiang Institute for BioMedical Sciences on the International Campus in Haining (http://www.intl.zju.edu.cn/). After that came the Shanghai Donghua-Edinburgh Research Center for Creative Industries (http://english.dhu.edu.cn/4d/8b/c5367a150923/page.htm). Last week there was an alliance formed between the School of Geosciences and Shanghai Jiao Tong University around the establishment of a Low Carbon College (with joint provision of Masters’ courses) in Lingang Province.

In course of this year there have been further developments and discussions between the School of Engineering and Huazhong University of Science and Engineering (HUST) in Wuhan, around the establishment of a Joint Institute in Microelectronics (with joint provision of undergraduate and postgraduate teaching in China and collaborative PhD programmes and research initiatives). More recently there has been an approach from North China Electric Power University to the School of Engineering to explore conjoined 2+2+1 BEng/MEng provision.

There may be other similar initiatives which we will aim to discover and summarise through the work of the College International Group, and Edinburgh Global.

British Council Intelligence
In March this year the British Council (BC) in London held a workshop on Management and Operations of TNE in China (report appended separately)

As background, the report confirmed that transnational education (TNE) is a very large and rapidly growing sector in China. There are over half a million students currently enrolled on joint TNE programmes in China, with 1.5 million already graduated. There are around 1,000 active joint programmes or institutes at Bachelor’s degree level or above, twice as many as five years ago. The UK has most live partnerships in China with 271 joint degree provisions, representing 22% of total followed by the U.S. and Australia. The report observed that recent changes in China suggest that the Chinese government is now focussing on quality not quantity of these relationships, reinforced by further communications from BC below.

The report of the workshop concluded that UK TNE institutions must remain aware of the complex and changing tax and compliance regulations in China as they are complex and changing although well-considered strategy makes it possible to deliver considerable benefits in both the UK and China. The university, city, regional and national differences across China mean it is critically important to understand how opportunities differ and complete awareness of the local context is crucial. Experience has shown that TNE programmes must be managed locally in China from a strong base, but that in itself raises numerous HR, staffing and logistical issues in China and in the UK. Obviously perhaps, the summary was that TNE is a long-term commitment that requires careful planning and delivery as China requires investment in resources, staff and a solid understanding of the local operating context.

On 11 May the Ministry of Education in China announced it was drafting a revision to its TNE regulations and implementation measures. Here follows verbatim cuttings from the BC analysis.
China’s Ministry of Education has started the revision process of the "Regulations of the People’s Republic of China on Chinese-Foreign Cooperation in Running Schools" and its Implementation Measures. These are the main regulations governing transnational education (TNE) in China and were last updated in 2003. Changes from the previous version of the law cover the process for project approval and filing, standards for the resources which must be introduced by each partner, qualifications required by programme/institution management, the process for making changes to approved programmes/institutions, supervision and management regulations, and other areas. Based on the results of feedback, the MoE intends to produce a second draft of the updated regulations in late June 2017.

BC analysis is that this law covers joint programmes and institutes in China which involve in-country teaching from both the overseas and Chinese partners. Its major goal is to clarify the process for forming new transnational education partnerships and for withdrawing from existing partnerships. Other changes will focus on improving the quality of TNE and ensuring that joint programmes help to meet domestic development priorities, while being more restrictive of programmes that they see as adding less value. BC does not expect any major liberalisation in TNE policy.

Prof Sue Welburn opines that this is indeed about quality assurance and an effort to bring to an end sub-contracting of teaching that has been going on with some institutions, to ensure that Chinese students are taught by quality UK staff.

China Global Office perspective
Discussions with Nini Yang, Global Office Director in Beijing (Edinburgh, wc 1 May) confirmed that: the 2+2 articulations that we currently enjoy may not go on forever; there is an initiative underway in China to fund joint presence and teaching provision in new campuses/buildings of existing universities generally by providing central funding for real estate and staff through provincial government, as a means of social improvement in some areas of China.

Nini was able to get confirmation that, contrary to rumours, there was no firm limit to the number of Chinese TNE partnerships that any one UK university could form, provided that they all differed and added value to the overall TNE provision.

Zhejiang University
Discussions with Prof Jeremy Bradshaw, Dean International CMVM and Prof Sue Welburn, Vice Principal Global Access and Executive Dean of the ZJE Institute (Edinburgh wc 1 May) were very useful to clarify the situation around the joint venture with Zhejiang University.

The first useful distinction is that CMVM approached Zhejiang as partners of choice based on an established and useful research partnership over many areas. There are six new Joint Institutes on a new international campus that have attracted key prestige participation in Imperial College London (Data Science), Illinois at Urbana – Champaign (Engineering) and Wharton Business School (Chinese Studies), as well as Edinburgh (Biomedical Sciences).

Student recruitment is underway for joint undergraduate degrees, whose descriptors are already in the Edinburgh DRPS based on an accredited 4 year programme. There are around 25 students already enrolled from across SE Asia (there was no shortage of very highly qualified applicants). The plan is to grow the cohort up to 150 students in each of the 4 years. All teaching is in English. Student fees are around RMB120,000 (£13k) and operational costs will be met from student fees, with the joint institute underwriting shortfall in the early years. The fees are approved by Chinese Government and the Institute is not intended to be profit-making, so after meeting Chinese and UK staff costs and any re-investment there is no ‘profit’ to be returned to the UK. There is guaranteed support for up to 5 years.
The staffing model is that the final complement of 63 academics will be 1/3 ‘flying faculty’ from UoE, 1/3 visiting from Zhejiang as the Chinese parent university and 1/3 living in and from Haining City. The 21 established CMVM staff will be paid by Edinburgh, invoiced to the Joint Institute and will spend up to 3 months in China teaching. They will continue with their research, for REF return, in Edinburgh and in Haining. There has been considerable interest from staff in Edinburgh and recruitment of full-time faculty and research staff in Haining is underway (external international advert and internal email communications) in Research themes include: Stem Cell and Regenerative Medicine, Inflammation & Immunology, Infection & Molecular Medicine, Neuroscience, Cancer & Oncology. 8 new staff out of 15 staff in Biomedical Sciences are already associated with this initiative.

PhD student cohort is also being rapidly built up, with budget approved for 1000 scholarships of which 200 have been allocated to and filled by existing staff.

Both Sue and Jeremy were keen to stress that this initiative was justified on the basis of research quality and opportunity, to be part of a wider international campus (spawning opportunities such as that below), for the long game, and that the education provided was expected to be premium product rather than high volume.

Recent Developments at Zhejiang
Around two weeks ago, Sue Welburn approached the Schools of Engineering and Biology with the following proposition.

At the Zhejiang International Campus management meeting (chaired by the University of Zhejiang Principal) a proposal emerged for a new multi-disciplinary 3 way partnership in Bio-Engineering between Illinois, Zhejiang and Edinburgh. The proposal is for a major new research Institute for advanced healthcare development that would have State key lab status in China, involving a $100M R&D proposal. A building has been identified by the Chinese Principal, at the International Campus, that could be dedicated to this initiative (similar to the buildings for the Zhejiang Edinburgh Biomedical Institute, the Zhejiang Illinois Engineering Institute and that for Imperial Data Science) This would be a new fully equipped 5 storey building. Edinburgh has been invited to discuss whether we would be interested in joining a task force to look at this proposed initiative in more detail. The intention would be to have a working group and then a workshop in China. Illinois have identified 3 staff to sit on a working group to see if this proposal is viable and Zhejiang are looking from their side.

There has been some interest from staff in Biology (Doerner, Millar) and Engineering (Pankaj) but as yet, to my knowledge, no response.

Recent Developments at HUST
At about the same time three senior staff from Engineering visited HUST to explore the approach made to the School by HUST to consider establish a Joint Institute in Micro-electronics. They were able to visit state of the art facilities in the university and in a world-leading industry cluster in micro- and opto-electronics.

Discussions in TNE began with joint undergraduate BEng provision in Wuhan (target 800 students eventually) where Course curriculum can be shared, by exchanging UoE and HUST modules. Twenty-two teaching staff would be required at full establishment in UoE with the Joint Institute paying for all salaries from fee income. There was discussion of joint two-year MSc provision in Wuhan reaching a total of 360 students in steady state and requiring 18 staff at Edinburgh. The staffing model is similar to other initiatives with 1/3 of the staff in Edinburgh, 1/3 in the Joint Institute and 1/3 in HUST. UoE appointed staff would spend up to 12 weeks/year in HUST teaching
or supervising projects and the rest of the time in Edinburgh and the Joint Institute will provide staff and admin costs and other expenses.

Recent Developments at SJTU

Last week VP Jeffery signed a MOA with Shanghai Jiao Tong University to establish a Low Carbon College in Lingang Province, from which Geosciences would deliver joint Master’s teaching. The final model is less clear, but has similar aspirations in terms of teaching commitment. ECCI and ERI are also in discussion with Chinese multi-national companies in the high technology parks in this China’s first low-carbon city.

Conclusions

Firm conclusions are a little difficult at this stage, other than that there is a lot of fast-moving opportunity being pursued by different Schools, in different ways, with differing motivations and with partners of differing status offering different propositions.

CSE and the University need to be fully sighted of all approaches and opportunities and respond in a coherent, planned and centrally approved (if not supported) manner, although there appears to be no additional financial central support available.

There is a new International Ventures Group in the university and a slightly older China Partnerships Group set up by VP Jeffery.

I propose to convene a sub-group of College International Group to understand the scale and nature of this changing landscape and opportunity, and to make it a standing item in our reporting to CSMC and CLTC.

We need to agree our appetite for such adventure and commitment and, more importantly if we wish to engage further, proceed on a proactive basis with these or other partners of our choosing.

Meantime we should consider our response to the invitation from Zhejiang to take part in the working group and also be able to articulate a clearer business case for the proposition from HUST.
Workshop on Management and Operations of TNE in China

London

20 March 2017
Table of Contents

I. Event speakers ........................................................................................................................................3
II. Background and TNE context .................................................................................................................4
III. Key discussions ......................................................................................................................................5
   3.1 Joint Programmes with a Chinese partner: Queen Mary, University of London............................5
   3.2 Working with a Chinese partner in a Joint Institute programme: University of Central Lancashire............................................................6
   3.3 Tax and legal considerations for investing in the Chinese education industry ....................7
   3.4 British Council-CEAIE research on TNE ..........................................................8
IV Conclusion .................................................................................................................................................9

www.britishcouncil.org/siem
I. Event speakers

- Jim Addison, Director Education, British Council, China
- David Sadler, Vice-Principal International, Queen Mary University of London
- Tim Steele, Executive Director/Vice President International Strategy and Partnerships, University of Central Lancashire
- Matt Durnin, Regional Head of Research and Consultancy (East Asia), British Council
- Jazreel Goh, Director Education Operations, British Council, China
- Lily Li, Tax Partner, Deloitte China
- Fabrizio Trifiro, Deputy Head International, Quality Assurance Agency (QAA)
- Raegan Hiles, Head of programme HE Global, Universities UK International (UUKi)
II. Background and Transnational Education (TNE) context

Transnational education (TNE) is a large and growing sector in China. Over half a million students are currently enrolled on joint TNE programmes, while the total number that have graduated from these programmes is more than 1.5 million\(^1\). There are currently almost 1,000 active joint programmes or institutes at bachelor’s degree level or above, a number that has almost doubled over the last five years, from 570 in mid-2011.

The UK has been at the forefront of developing course and qualification export opportunities in China and ranks first with 271 joint degree partnerships with China. Twenty-two per cent of TNE partnerships in China are with the UK, followed by the U.S. and Australia. The UK has also pioneered new education models in the form of joint university campuses (e.g. the University of Nottingham Ningbo China and Xi’an Jiaotong-Liverpool University) as well as establishing the first joint institute specialising in business (the University of Surrey and Dalian University of Finance and Economics). These are testimony to the high level of confidence that the Ministry of Education has in the UK’s higher education system\(^2\).

The number of approved TNE programmes in China has increased rapidly during the last decade. Most of this growth has come at the undergraduate level. However, the growth of new programmes has faltered over the past few years. In part, this reflects a change in emphasis from quantity to quality. Although the Chinese Ministry of Education is open towards international education cooperation and particularly TNE programmes, the government has slowed the momentum of new approvals.

TNE is an increasingly important part of UK universities overseas strategy. The main challenge is to maintain the leading position of the UK in the market in the face of an evolving regulatory system and competition from other providers.

A key to successful provision of our TNE offer is in understanding and managing the demands from Chinese partners. The workshop aims to look at some of the experiences of managing TNE partnerships in China, to reflect on the challenges as well as to support the UK sector in managing the operational demands and complexity of the regulatory environment in China.

---

\(^1\) Ministry of Education

\(^2\) The UK’s higher education engagement with China is worth over £2.8 billion to the UK economy, comprising of international students and university partnerships

www.britishcouncil.org/siem
III. Key discussions

3.1 Joint Programmes with a Chinese partner: Queen Mary, University of London

David Sadler, Vice-Principal International at QMUL, shared his experience of working with Chinese partners in TNE delivery. QMUL currently has two joint programme partners in China and will have a third from September 2017. In the next three to four years, QMUL will have between 4,000 and 5,000 students in China.

The talk highlighted four issues: staffing, programme content, quality assurance and governance.

Organising international office and recruitment staff based in Beijing has been a challenge in an administrative and logistical sense. Staff also faced their own problems such as tax payments and international travel. The delivery model has also placed some constraints on how QMUL has managed these staffing issues.

QMUL aimed to build distinctive programmes that blend different types of teaching and curriculum content from the UK and China. The ‘four one-thirds’ rule has presented challenges for the university. It means the overseas partner must provide at least one third of total modules and one third of core curriculum modules, whilst core modules taught in China by faculty from the overseas partner must represent at least one third of all modules taught during the course and one third of teaching hours. The rule has meant that QMUL must carefully plan and execute their programmes in order to satisfy the Ministry of Education expectations in China.

QMUL has ensured that Quality Assurance is built into its model. On the other hand, QMUL must also meet the expectations of the Chinese university, which can vary greatly across institutions. This means that QMUL has had to pay careful attention to its relationship with various Chinese university partners – there is no one size fits all. Their Beijing programme was reviewed in 2006 and 2012 and it received positive feedback on both occasions.

The university created a comprehensive governance structure for its TNE activities. QMUL split the partners largely as separate budget centres. Each of the three partner activities is mainly run as a separate cost centre inside a particular school. In Nanchang, for example, the partnership is run out of the school of biological sciences. QMUL has benefitted from long-serving, hands on staff but looking ahead the university faces the challenge of ensuring they are succeeded and supported by equally strong staff.

TNE strategy has enabled QMUL to become more ambitious as it seeks to grow as an institution. However, the university has faced several challenges and tensions in its operations in China. As well as the above issues, QMUL faces the challenge of improving two-way mobility between students in London and China. The university also aims for its Chinese partnerships to have a stronger research profile. As QMUL works with a growing number of Chinese institutions, it also faces the challenge of managing competition between partners.

www.britishcouncil.org/siem
3.2 Working with a Chinese partner in a Joint Institute programme: University of Central Lancashire

UCLan has over 3,500 TNE students with several partners in China. After establishing partnerships in Shanghai, Beijing and Shenzhen, UCLan saw a joint institute as the next step forward. In 2014, UCLan opened a new joint institution with Hubei University, the School of Media Communications and Creative Industries.

One challenge for UCLan has been engaging with the wider academic community at the university. As student numbers have grown rapidly since 2014, the university has a new purpose-built facility will give the course a stronger foothold at the university and ensure the course is of a high standard.

Another challenge has been the difference in procurement systems. The right equipment and facilities are essential to the running of the course. The procurement system in China does not operate in the UK academic year, which has meant UCLan must work with the partner in order to find ways to ensure this obstacle can be overcome.

Several staffing issues arose. Personnel changes at UCLan have meant that succession planning has been an important part of programme management. Intelligent workforce planning and staff management is crucial. UCLan has its staff based in China, which means attracting and retaining staff can be an issue. Additionally, there have been other practical issues such as tax rules, visas, accommodation and culture shock.

UCLan found that the right staff is vital to the success of a joint institute programme. It is important to have personnel who have a firm grasp of British higher education in order to create dialogue between the UK side and China.

Furthermore, location is an important consideration in partnership operations. This ranges from location specific issues such as pollution to obstacles such as the transmission of information from the UK to China.

Working with local authorities has required careful management by UCLan and the partner university. Although the government has been very supportive, regulations on foreign entities can prove to be an obstacle and can vary across the country.

Finally, quality assurance is an important consideration for TNE. UCLan has staff implemented an interim review every year for the first three years, which means it receives continuous external feedback about where development is. From this, UCLan can make on-going changes to ensure the feedback leads to improvements. In 2018, the Ministry of Education will complete its first full inspection.
3.3 Tax and legal considerations for investing in the Chinese education industry

For the education industry, regulatory, tax and foreign exchange rules in China are important considerations. Although these rules are complex and changing, they can be successfully navigated by careful planning and management.

The operations of foreign corporations in China and education are a highly restricted industry. Foreign investment is prohibited in the years of compulsory education.

A big change in the regulations has been in the laws of promoting privately run education. Previously, for-profit schools were prohibited from operating in China, but from September 1st 2017 this ban will be removed. Elsewhere, for joint venture institutes, the most recent regulations have not been amended but they are likely to change as has happened in the past.

Profit-making schools need to take into account several key issues. Whilst non-profit schools enjoy the same benefits as public schools, such as tax probation and incentives, profit-making schools are not entitled to them. However, these institutions have more flexibility in terms of school management, student recruitment, tuition fees and hiring lecturers.

Previously, the education industry in China was subject to business tax rates, but this has changed to VAT which generally means 3% on top of gross income. The input tax cannot be credit. VAT is filed on a monthly basis for a general VAT payer and a quarterly basis for a small scale VAT payer.

Some preferential tax policies apply to the education industry but they are mainly for public schools, where income is exempt from company income tax and VAT. Under new tax laws, there is a clause which says that if the sponsor who set up the schools did not see a reasonable return then they can enjoy the same tax incentives as a public school.

The tax system in China means that education institutions will have to make careful considerations based on different scenarios and adapt their strategy accordingly. For example, for both public and private schools, if a building is owned by the school than it can be exempted from VAT.

Depending on the type of TNE activities in China, different investment vehicles can be adopted. One option is to set up the joint institute as a separate legal entity; the other option is to set it up as attached to a Chinese institution. There are only around 7 institutions that are separate legal entities whereas for the joint institutions there are around 70 across 2,000 joint programmes.

The Wholly Foreign Owned Enterprise (WFOE) is a separate legal entity that can work well as an investment vehicle. The model can also be used to setup a holding company and another subsidiary, which can be treated as a domestic company that can act as a sponsor to setup a school. However, even this approach does not work in some cities.
Since 2008, Chinese tax authorities have pursued tax avoidance in TNE more vigorously. Previously, the Chinese partner would find ways to withhold tax such as remitting the tuition fees to the foreign university directly, but more tax authorities now see this is as income earned by the foreign universities. This shift means that joint programmes and institutions face more tax problems in China.

Tightened foreign exchange rules in China mean that it is important to agree with the relevant tax authority how much tax you will withhold and what the VAT and corporate tax liabilities are. This approach will also need to be taken in the cash-arbitration method.

In summary, it is important to understand the different sets of rules and regulations that apply to foreign institutions operating in China. They can vary by geography and the laws continue to change.

3.4 British Council-CEAIE research on TNE

The British Council recently co-authored a report with the China Education Association for International Exchange (CEAIE) about UK-China TNE partnerships.

There was a large increase in joint programmes around 2011 and although small in number, there has been high growth in joint institutions, particularly since the application period in 2012. Looking at TNE approvals overall, serious growth started in 2011, more than doubling to the point we are at in the current year.

The research looked at how TNE partnerships are being managed, how both partners view successes and challenges and how student experiences play into this. As part of the research, a survey of around 100 Chinese administrators on these programmes, including those at joint institutes. 17 UK administrators responded and there were around 609 responses from students.

UK and Chinese institutions had roughly similar reasons for entering the partnerships. As far as challenges go, curriculum and scheduling were the biggest issues for both sides.

Decision-making in the partnerships was found to be very similar across institutions, although there was some disagreement about who has the largest impact on decisions. 61% of Chinese respondents from joint programmes said the UK side had staff based in China. There was slightly less from the UK sample. With joint institutes, more staff are based in China.

Student satisfaction surveys showed that students tended to be very or fairly satisfied with the programme. One area of concern was the weak support for recommending the programme to someone else. Only 63% said they strongly agreed or somewhat agreed they would recommend their course to someone else. There are abiding quality issues that need to be addressed.
Programme satisfaction scored the highest among 3+1 students, with less positive responses from 4+0 students. The strongest responses came from those taught in a mixture of English and Chinese. Students were very positive about faculty input but less positive about staff being good at making the subject interesting or involving students.

In terms of the predictors of satisfaction, the largest gap was between those who were satisfied and those who were not came in the international elements of the course and also in the English-language portion. The English-language issue came up frequently in the survey responses. 4+0 students reported much more diversity in the language format, whilst the majority of 3+1 students are split between English and Chinese or mostly in English.

A key finding of the research is the importance of building a good partner relationship. A partnership built on informal connections rather than deep institutional engagement was much more likely to encounter difficulties. Partnerships cannot be remotely managed, which means that if institutions have no staff based in China then they will need to travel there frequently.

**IV Conclusion**

It is important that UK TNE institutions stay up to date with tax and compliance regulations in China as they are complex and changing. However, it is important not to overstate these challenges. As the case studies in the workshop have shown, well-considered strategy can result in considerable benefits in both the UK and China.

There are city, regional and national differences across China that mean it is important to understand how different partners and approaches are influenced by the target location. An awareness of the importance of local context is invaluable to TNE operations.

Crucially, TNE programmes cannot successfully be managed remotely. Although there are numerous staffing and logistical issues involved, having a strong base in China is central to a successful TNE strategy.

In summary, TNE is a long-term commitment that requires careful planning and delivery. China requires investment in resources, staff and a solid understanding of the local operating context.