

The Global Market for International Students: American Perspectives

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As we are often reminded, the United States remains the number one international study destination for intelligent students from across the world—in particular from India, China, and Korea, the big three sources of international students globally. In the long term, little doubt exists that US higher education will remain extremely attractive to foreign talent—due to the academic quality of a large number of its research universities; the legacy of a relatively open society for immigrants; and America's still-brilliant, if slightly tarnished, reputation as a land of opportunity.

However, a closer look at shifting higher education markets and at the possible impact of the evolving global recession provides a more nuanced perspective for policymakers. In sum, there are already signs that the world market for student talent is shifting to the benefit of the United States' competitors, and in bad economic times we may find that shift accelerating.

Currently, the United States remains a good performer in attracting the world's growing cadre of international students to its graduate and professional schools, although it could do much better, and its once-dominant position is eroding. Yet, it is an underperformer at the first-degree level, when compared to its competitors. Perhaps most importantly, the United States lacks a strategic approach to capitalizing on the global pool of mobile students.

So what has changed? Two macrorends help explain the shift: growing demand and increased competition.

DEMAND—THE SHORT AND LONG OF IT

The global demand for higher education is creating a surge in the number of students seeking an international experience in higher education. The Organization for Economic Cooperation and Development estimates 135 million students in tertiary education worldwide, a number doubled over the last 10 years, with huge increases in Asia and across Europe, especially. More students are seeking to study outside their home countries. Between 1975 and 1990, the number of international students grew from some 600,000 to 1.2 million; by 2000 the

total was 1.9 million, and in 2006 it reached 2.9 million.

Although the full impact of the global recession will not be felt until the next academic year, surveys completed by the Council of Graduate Schools in the United States, based on data collected on fall 2009, show that number of international students in US graduate programs remained flat after five years of growth. Decreases were especially significant in the STEM (science, technology, engineering, and mathematics) fields and in business.

We surmise that the long-term trend will involve a large expansion in the number of international students, fueled in part by overall population growth and in part by the changing needs of the global labor market. The open question is how those students will distribute themselves.

NEW COMPETITORS

Developed and developing nations are improving their higher education systems, seeking to raise the international profile and attractiveness of their universities, and integrating higher education into their domestic and foreign policy initiatives. Consequently, new competitors for international students have emerged in a market once dominated by the United States and a select group of largely English-speaking nations. From

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2000–2006 the US market share of all international students dropped from 25 percent to 20 percent. Meanwhile, most European Union nations and countries such as Australia, New Zealand, Canada, and Japan have retained and, in some cases, expanded their market share of international students. The United Kingdom, France, and Germany continue to attract large numbers of international students; and relative newcomers with high growth in the past decade include Australia, New Zealand, Canada, the Netherlands, Japan, and China.

Competition has increased given the relatively recent recognition that international students, by paying their full freight or more, are a real or potential profit center, subsidizing native students (most nations cap tuition for native students but not for international students). In the United Kingdom, for example, international students now produce some 10 percent of the entire income of the higher education system, while in Australia they fund some 15 percent of all income for the national universities. New Zealand also relies heavily on international students to support its national higher education system; Japan is attempting to follow a similar path.

Evolving notions of workforce development is another important key factor. Canada and the Netherlands, for

instance, are openly using higher education to attract and retain highly educated immigrants. They—along with Japan, New Zealand, Australia, and most of Europe—are all experiencing declines in population and are thus recruiting and enrolling more international students as a means to remain economically competitive.

MARKET COMPLEXITY

With the evolving global knowledge economy and the attendant demand for highly educated professionals, serious consequences would be created by not meeting the emerging global market for talent, particularly in the STEM fields. Indeed, since 1977 the many more doctorates awarded to foreign students on temporary visas has led to the overall growth in the number of conferred doctorates in the sciences and engineering in the United States.

Over the past decades, international students who gained a doctorate increasingly chose to stay in the United States. As more students came to the United States, more of them stayed and entered the job market. Their presence has markedly influenced technological innovation and the overall competitiveness of the US economy.

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But this past success story also indicates vulnerabilities in the ability of the United States, and other major national providers like the United Kingdom, to continue to be dominant. Citizens of China, India, South Korea, and Taiwan secured about 20 percent of all doctorates in the United States in 2007. In a sign that this pattern may be unsustainable, the United States and other developed economies with mature higher education systems are experiencing the new phenomenon of declining stay rates.

THINKING STRATEGICALLY, ACTING GLOBALLY

The market for international students is only one dimension of the larger problem of adapting the university to globalization and the global economy. The United States lacks key components of an international strategy for its higher education sector and has assumed that its premier position in past decades will simply be retained. We do not think in that direction and do believe the Obama administration needs a much more proactive strategy at the national, state, and institutional level to recruit foreign students.

Here are some of our recommendations to US policymakers. First, the Obama administration needs to *elaborate a national policy on higher education* as a critical national resource

in the global economy that must attract talented students and scholars from abroad and prepare Americans to be competent professionals and leaders in an international context.

We also urge the *development of national strategic goals* for international student enrollments at both the undergraduate and graduate levels and link them to broader policy objectives in areas such as foreign relations, national economic development, and educational attainment. We suggest a goal to double international student enrollments in the United States to 1.25 million by 2020, with emphasis on increasing the percentage of undergraduate students and on public-sector institutions.

Much *greater flexibility in visa policies* is required and other strategies to improve both recruitment and “stay rates” for foreign nationals and reassess national security needs. Fourth, and a related recommendation, is the real need to *increase financial aid for foreign students* via grants, scholarships, loans, and paid work.

The federal government, along with smart state and local governments, can greatly support *marketing US higher education internationally*, with the goal of creating a more friendly and supportive environment for students to apply and enroll in US universities and colleges. The real need is to improve the availability of information within an international market often crowded with multiple, often profit-minded ventures.

And finally, the US strategy should include an effort to *diversify the national origin of international students* to anticipate new markets for talented students in the future. The United States is, in short, too dependent on only a few major providers of international students.

CONCLUSION

More and more competitors in the global higher education market for talent are providing financial resources to subsidize and support foreign students, via grants, scholarships, loans, and allowing for paid work. This, in turn, and without strategic initiatives at the federal and state levels, will influence the attractiveness of the United States, where tuition rates are, generally, much higher.

Eventually an initiative will be working to encourage more international students to come to the United States and to promote joint programs and activities among US and foreign universities—probably in 2010, and after other major domestic policy issues are, to some extent, addressed. If so, the timing is right. A tremendous opportunity is afforded by the new Obama administration to offer a larger strategic vision and an enhanced sense throughout the world that the United States is once again a more friendly and active participant in world affairs. The president and his administration need to more fully incorporate what is one of the nation's chief assets—its universities and colleges—into its new, emerging foreign policy vision. ■