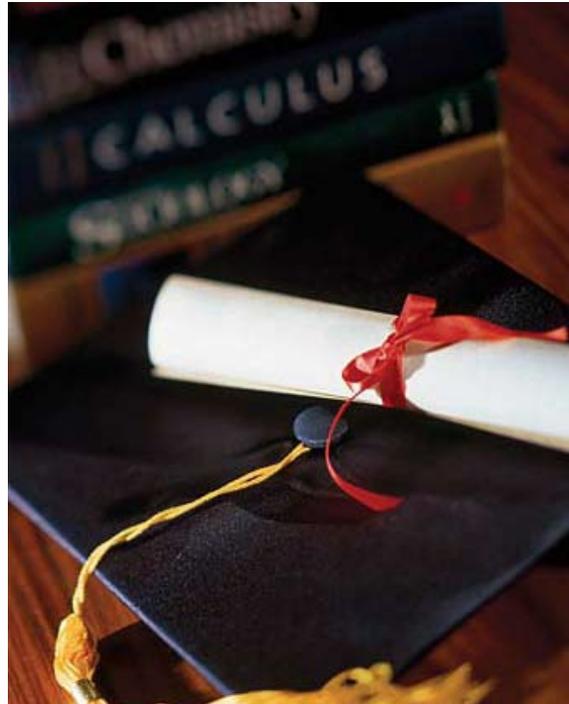


# Restoring U.S. Competitiveness

FOR INTERNATIONAL STUDENTS AND SCHOLARS

The United States is engaged in a global competition for international students and scholars.

That might seem like an unremarkable statement, but in fact, it is not clear that the nation even knows it is engaged in this competition. The international student market has been transformed in this century, with many new entrants acting much more purposively and strategically than ever before. The best and brightest from around the globe are now a sought-after commodity, and are able to choose from many centers of excellence where they can ply their creative skills. Yet, while other countries are working hard to access the benefits gained from educating the next generation of world leaders and from attracting the world's scientific, technological, and intellectual elite, the United States is curiously disengaged, content to compete with speeches, sound bites, and photo ops.



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A senior Microsoft official once said to *New York Times* columnist and author Thomas L. Friedman, “We have really dramatically shut down the pipeline of very smart people coming to the United States.” In a knowledge economy—where knowledge is the coin of the realm—such a statement is alarming. Why are we closing off the United States in this

way? It is not, of course, intentional. Rather, it is a consequence of our failure to adjust our thinking about security and immigration to the realities of the age in which we live.

Today we urgently renew our call for a national strategy to enhance U.S. leadership, competitiveness, and security by attracting the world's most talented students and scholars to America's campuses and research institutes. Our January 2003 report, *In America's Interest: Welcoming International Students*, provided a comprehensive strategy for attracting international students. This sequel analyzes the current U.S. competitive position for international students and scholars and provides updated, comprehensive recommendations for restoring U.S. competitiveness for these vital resources.

## THE DECLINING U.S. COMPETITIVE POSITION

When we released our report three years ago, the U.S. position in the international student market appeared strong on the surface, but there were warning signs of an underlying weakness. The market was becoming highly competitive. Competitor nations were dismantling disincentives to study in their countries and implementing proactive strategies to attract international students. The United States was doing neither. As a nation, we lacked an overall strategic sense of our stake in educational exchange, assuming that international students would always come because they always had.

From today's perspective, we can see that by the time the report was released three years ago, the era of robust growth in international student enrollments in the United States was already over. There are now fewer international students enrolled in U.S. higher education institutions than there were in the fall of 2001. It is true that the collapse of the numbers has occasioned welcome, high-level rhetoric recognizing the strategic importance of attracting international students. However, the rhetoric is a mixed blessing: People forget that beneath it all, there is still no strategy—no real policy or plan for protecting the U.S. interest in this asset.

*What is most alarming is that, for the first time, the United States seems to be losing its status as the destination of choice for international students.*

What is most alarming is that, for the first time, the United States seems to be losing its status as the destination of choice for international students. For a variety of reasons that go beyond education and recruitment policy, the United States has lost the allure it once had. It is no longer seen as being as attractive a country to the rest of the world, and that has profound implications not only for international students, but for U.S. leadership and security.

The picture for international scholars and researchers is not much better. Although the number of international scholars at U.S. doctoral degree-grant-

ing institutions increased in the academic year 2004–05 after two years of decline, according to the Institute of International Education, the near-universal perception of the nation's leading scientific associations is that their international members increasingly feel that the process of gaining entry to the United States is not worth the trouble.

The issue was highlighted briefly in the press in February 2006, when Dr. Goverdhan Mehta, an internationally renowned scientist from India and a frequent visitor to the United States, was refused a visa to lecture at a conference at the University of Florida, where he had previously served as a distinguished visiting professor. The refusal was reversed after an international outcry threatened to disrupt President Bush's visit to India, but Dr. Mehta ultimately declined the invitation in protest of a visa application process that he found burdensome and demeaning.

Although it is impossible to know how many scientists might have come to the United States over the past several years but did not want to put themselves through the daunting process of getting here, it stands to reason that the factors that repelled Dr. Mehta must play on the decisions of other eminent scientists as well, whose stories do not make it into the press. Like students, scholars have options. Leading specialists can do research at the frontiers of their fields at a variety of research and learning centers around the world. If the United States is not interested in creating a welcoming environment for them, they can and will go elsewhere.

## WHY DOES THIS COMPETITION MATTER?

Why is it important to attract international students and scholars to the United States?

**First, it promotes U.S. foreign policy and international leadership.** The United States needs friends in the world—and educational exchange is a proven means of making friends. International students and scholars often return home with an appreciation for the United States and a network of personal connections to our country. Over the past half-century, U.S. foreign policy leaders have consistently acknowledged that educational exchange is one of our nation's most valuable foreign policy tools.

**Second, attracting international students and scholars is an important way that the United States grows its knowledge economy.** In an era of competition for scarce global talent, the countries that draw the world's best and brightest to their universities are the countries that will have the best talent pool from which to fill their cutting-edge jobs. The countries that create the most attractive environment for the world's finest scientists will do the most to enhance their scientific leadership. Indeed, the very diversity that we gain through openness to international talent itself fuels innovation and creativity.

**Third, educational exchange benefits U.S. education.** International students and scholars enrich their institutions and enable American students to have contact with other cultures and ways of thinking. Graduate students contribute to science instruction and research on their campuses. International scholars bring global expertise and the international dimensions and perspectives of their disciplines.

**Fourth, spending by international students and their dependents contributes significantly to the U.S. economy.** NAFSA's research indicates that \$13.3 billion was contributed in the academic year 2004–05 to the bottom lines of universities and the communities where international students live.

**Most importantly, in all of these ways, educational exchange enhances U.S. security.** Immediately after 9/11, Americans feared that educational exchange threatened our national security. In fact, it is integral to our security; it is an investment we make to create a world in which we can be secure.

We believe that U.S. government and political leaders agree that attracting international students and scholars provides these benefits. What is necessary is to translate their strong public statements to that effect into concrete, strategic *actions* that will enhance the U.S. position in the crucial competition for international students and scholars.

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## THE TRANSFORMATION OF THE INTERNATIONAL STUDENT MARKET

Because the capacity of U.S. higher education dwarfs that of any other country, the United States perennially has the largest share of the international student market. For decades, the number of international students studying in the United States increased virtually every year. It went largely unnoticed that U.S. competitiveness as measured by market share was in fact declining, a natural consequence of the development of increased capacity in other countries and complacency on the part of the United States. Today, the collapse of U.S. competitiveness is there for all to see, a result of the transformation of the international student market in this century, the implementation of post-9/11 security measures, the shattering of America's image in the world, and the absence of a U.S. strategy for addressing these problems.

The transformation of the market results from three primary factors. **First, our traditional competitor countries have adopted and implemented strategies for capturing a greater share of the market.** For example, Prime Minister Tony Blair announced a U.K. strategy for international student recruitment in 1999, the result of which was that international enrollments in the United Kingdom have increased by 118,000 students—more than twice the U.S. increase on a smaller base. In an April 2006 op-ed article entitled “Why we’re putting up millions to attract more students from overseas”—a headline that is hard to imagine in this country—Mr. Blair announced a new initiative to increase international enrollments by another 100,000 over the next five years.

**Second, new competitors have entered the market.** Primary among them is the European Higher Education Area, which includes the signatories to the Bologna Declaration and encompasses the European Union plus other European states. Under the Bologna Process, the signatories (currently 45) are pledged to create a seamless higher education system by a target date of 2010, with credits

entirely transferable among their higher education institutions. One of the stated objectives of the Bologna Process is to promote European higher education to the rest of the world—a task that is facilitated by the fact that, in order to encourage student mobility throughout the area, English is becoming a common language of instruction. It is now possible to study for a university degree in English in many non-Anglophone European countries. This initiative has made Europe, overnight, a major competitor in the international student market. Elsewhere, other centers of instruction (such as Singapore, Doha, and Dubai) have emerged to serve regional markets.

**Third, countries once thought of as “sending countries” are building their indigenous higher education capacity and are encouraging students to stay home for their education so as not to lose them to the United States.** China is engaged in a dramatic expansion and opening of its higher education system and India is also emphasizing keeping its students home. These countries are the source of 25 percent of all international students in the United States.

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These three developments are transforming the international student market into a highly competitive one. In the midst of all this, after 9/11, the United States instituted a series of visa restrictions that made it exponentially harder to get into the United States and—however unintentionally—sent a message to international students that they were not really wanted. This created the perfect storm.

Based on Institute for International Education data, the market has reacted quite clearly. In 2002–03, the first full academic year after 9/11, the United States experienced only a 0.6 percent increase in international students, following several years of increases in the 5 to 6 percent range. This was followed by declines in international student enrollments in the next two academic years—2.4 percent in 2003–04 and 1.3 percent in 2004–05—the only successive two-year decline in memory. Preliminary data for 2005–06 suggest that enrollments this year are essentially flat, leaving us with fewer international students than were here on 9/11.

A little-noticed factor that exacerbates these trends concerns the demise of the intensive English industry in the United States. Intensive English programs are a gateway to U.S. degree programs. Students who learn English here are more likely to pursue their university education here, and indeed, one of the ways that many universities have recruited international students is by attracting them to their English-language programs. Yet international student enrollments in U.S. intensive English programs have declined by almost 50

percent since 2000, and many schools offering these programs have closed. This is due primarily to the vastly increased difficulty of obtaining a visa for the specific purpose of studying English in the United States. One would be hard pressed to think of another major power in the world that discourages the study of its language.

*We will not win back the market simply by adjusting visa procedures, and we will not win it back with a public relations campaign.*

It is important to give credit where credit is due. The Department of State has done a great deal to ameliorate the visa problems it created after 9/11. But there is more work to do—and not just to fix the visa system. The issue now goes far beyond visas. What has happened is that post-9/11 security measures surfaced long-term trends that were already making the United States less competitive and provided, in economic terms, a “shock” that has moved the market to a different place. We will not win back the market simply by adjusting visa procedures, and we will not win it back with a public relations campaign. Restoring U.S. competitiveness will require a concerted strategy, involving many agencies as well as higher education itself, to make the United States a more attractive destination for international students and scholars both in word and in deed.

## THE COMPETITION FOR INTERNATIONAL TALENT

The United States is engaging in the global competition for the world's best and brightest international students and scholars with three limbs tied behind its back. **First, we have overcorrected our visa system in reaction to 9/11.** In an effort to keep out the people we don't want, the system all too often fails to welcome the people we do want. Too many scientists (and others) are subjected to burdensome, unnecessary, and repetitive interviews and security-clearance procedures. We live in an age when mobility is the norm. The global competition for talent stems not only from talent's scarcity, but also from its mobility. When talent is both scarce and mobile, it is as important for the visa system to be a gateway for international talent as it is for it to be a barrier to international criminals. Under the able leadership of the assistant secretary for consular affairs at the U.S. Department of State, we are getting there, but the appropriate balance has not yet been found. (For further information, see our paper, "Promoting Secure Borders and Open Doors: A National Interest-Based Visa Policy for Students and Scholars.")

**Second, the U.S. export control system also hampers the ability of U.S. universities and research laboratories to attract international talent.** Under the guise of controlling "deemed exports," the United States is moving toward further limiting access to U.S. laboratories by the world's best foreign scientists—a measure that fails to understand the nature of scientific research, and that can have little effect in a world where advanced research is conducted in many locations. These controls may be an understandable reaction to 9/11, but they

recommendations for ensuring that a "deemed export licensing policy most effectively protects national security while ensuring the U.S. continues to be at the leading edge of technological innovation."

**Third, the U.S. immigration system has likewise not yet effectively adapted to the era of globalization. One reason to attract international students is that, increasingly, today's international students are tomorrow's innovators in the U.S. economy.** It is a reality of our time that, at the high-skill level, the temporary immigration system has become a conveyor belt of talent into the permanent immigration system. In a global job market, employers look for the talent they need wherever they can find it, and students and high-end workers look for the places to study and work that offer them the most opportunity. What better way to capture the world's best and brightest for the United States than to make it easy for them to come here and easy for them to stay here and contribute to American economic and scientific leadership after they graduate from U.S. universities?

To be able to do this, we must reform our immigration laws in order to create and support a climate that encourages the contributions of foreign talent. Three issues must be addressed.

*In a global job market, employers look for the talent they need wherever they can find it, and students and high-end workers look for the places to study and work that offer them the most opportunity.*

ultimately make the United States weaker by driving scientific talent to more welcoming countries. We welcome the Commerce Department's announcement in May 2006 that it was withdrawing an advance notice of proposed rulemaking with regard to deemed exports and instead will establish a Federal Advisory Committee to make recom-

**First, current law requires applicants for student (and in some cases scholar) visas to prove that they have “nonimmigrant intent”—that is, that they have no intention of remaining in the United States after graduation.** Many foreign students do want to go home after graduation, but some of them want to stay here to use the knowledge they gained at our universities. Both outcomes are good for our country. The nonimmigrant intent requirement is inconsistent with today’s realities and is not an effective tool of visa policy. It incorrectly assumes that all students want to immigrate permanently to the United States; it requires the consular officer to make a virtually impossible judgment call about a person’s intentions in the course of a minutes-long interview; and it is a clumsy and unnecessary instrument for visa denial, tailor-made for arbitrary and capricious decision making. Most significantly, it prevents the United States from benefiting from the contributions of foreign students who might want to stay here, whether for the long term or for a few years.

**Second, there are artificial annual caps on the numbers of visas for skilled foreign workers, which are reached early each year and leave many employers stranded in their search for qualified talent to fill key jobs.** Businesses look to higher education institutions when they recruit employees, and they rely on foreign students, especially in the fields of science, technology, engineering, and math (‘STEM’, in common parlance), to fill in the gaps left by the shortage of qualified American graduates. As we work to encourage more of our own students to pursue study and careers in these fields, foreign students are also a crucial part of the equation.

**Third, the U.S. immigration system lacks the flexibility to accommodate the international nature of scientific inquiry, academic collaboration, and business, putting us at a competitive disadvantage in the world.** The very concept of “immigrating,” as it is traditionally defined, is increasingly beside the point for students, scholars, and workers who are globally mobile. They may live in one country for a while, later move to another, and then return to their home country—or follow some entirely different combination of residency options.

*We must reform our immigration laws in order to create and support a climate that encourages the contributions of foreign talent.*

To enhance U.S. competitiveness for international students and to maximize students’ exposure to U.S. society, immigration laws and regulations pertaining to employment must also be updated in other ways. International students should be permitted to work part-time off campus, as U.S. students are able to do, in order to enhance their American experience and their ability to earn spending money. The period during which students may work full-time after graduation under their student visas (Optional Practical Training) should be extended from one year to two years, which will help international students earn money to pay off student loans. Finally, new regulations are required to enable international students to participate in internships related to their studies. Competitor countries are taking all of these actions as part of their strategies to attract international students at the expense of the United States.

## WHAT MUST BE DONE?

The United States has every reason to be competitive in attracting the world's talent. The U.S. higher education system dwarfs that of any other country and is widely acknowledged to be unsurpassed in quality. Our scientific research establishment is likewise the envy of the world. We have great strengths—if we would use them—but they do not automatically translate into competitiveness.

The United States must have a national strategy for restoring its status as a magnet for international students and scholars as a means of enhancing U.S. leadership, competitiveness, and security. The elaboration and implementation of this strategy must be overseen by a senior White House official who is responsible to the president for the result. There is no other way to impose order on a bureaucracy that currently takes two steps back for every one step forward in this arena.

In our 2003 report, we said that a strategic plan for attracting international students must encompass four areas for action:

- Develop a comprehensive national recruitment strategy that would coordinate the efforts of all relevant federal agencies.
- Remove excessive governmentally imposed barriers to international student access to the United States in the areas of immigration law and regulations and visa procedures.
- Address the issue of the high cost of a U.S. higher education through innovative loan, tuition-exchange, and scholarship programs.
- Develop a national marketing plan that carries a clear, consistent message about the advantages of U.S. higher education and that helps students navigate our complex higher education system and locate the institution that best meets their needs.

Our recommendations in the last two areas remain essentially unchanged. However, developments over the past three years, and broadening the discussion to include scholars and competitiveness issues, require a reassessment of the first two areas.

### **Coordinating U.S. Government Efforts**

In 2003, we noted the virtual absence of coordination among the three U.S. government agencies responsible for international student recruitment—the Departments of State, Education, and Commerce. One can now see the beginnings of coordination, which is gratifying. However, there is a new player on the block that did not exist when we wrote our report—the Department of Homeland Security. DHS is the 800-pound gorilla. It fundamentally affects the U.S. position in the competition for international students and scholars. But it is equipped neither by mandate nor by organization and structure to advance the competitiveness agenda—let alone to achieve synergy with other agencies. The net result is that the United States government is in worse disarray on this matter than it was before 9/11. No one can enter the United States without the concurrence of the Department of State and DHS. Yet no one is imposing on those agencies a requirement that they pull in the same direction. Hence, they don't.

*The United States has every reason to be competitive in attracting the world's talent.*

*We have great strengths—if we would use them—but they do not automatically translate into competitiveness.*

*A comprehensive strategy must do the following:*

- **Provide for effective policy coordination by the disparate DHS bureaus that are responsible for admission, monitoring, and services for international students and scholars.** DHS is not currently capable of pursuing or participating in a coordinated strategy to enhance U.S. competitiveness.
- **Provide for policy coordination between the Department of State and DHS with respect to visa policy.** The current situation, in which the Department of State makes the individual visa decisions (with DHS oversight locally in some countries) and administers visa programs but DHS makes visa policy, gives DHS a veto over anything the Department of State does, without adding any value. In the absence of a proactive policy for attracting international students and scholars, policy becomes, in effect, the lowest common denominator of what the two agencies can agree to.
- **Provide effective mandates for the Departments of State, Commerce, and Education with respect to recruiting international students.** All three agencies play important roles in international student recruitment. But in Commerce and Education, the efforts tend to be orphans within their agencies, lacking priority and support at the senior levels. The Department of State's 450 overseas advising centers, often the first stop for international students seeking information about a U.S. education, do excellent work, most of them on a shoestring budget. But they are an underused resource. They need to be turned into a comprehensive marketing tool.

- **Provide for effective coordination among all four of these agencies, in addition to others that affect U.S. attractiveness for international students and scholars, including the Social Security Administration and the Internal Revenue Service (which regulate the availability of social security and tax identification numbers for international students and scholars).** All too often in the current policy environment, any agency at the table can veto a positive proposal. Until the president's representative is at the table articulating the president's instructions to make it easier for international students and scholars to enter and live in the United States—while maintaining needed security—policy will continue to be based on the sum total of every agency's security measures, and attractiveness measures will continue to lose out.

### **Removing Excessive Governmentally Imposed Barriers**

The Department of State has been justly praised for the steps it has taken to undo the damage of the visa procedures it imposed in the months following 9/11. DHS also deserves to be recognized for the fact that SEVIS, the international-student monitoring system, does not now appear to be a significant negative factor in international students' decisions regarding study in the United States. Although these positive steps have been taken in the past three years, the inescapable reality is that the U.S. government has yet to create a welcoming legal and regulatory regime for international students and scholars.

*To address the myriad barriers to and disincentives for study, research, and attending professional meetings in the United States, a comprehensive strategy must do the following:*

- **Eliminate the legal requirement for applicants for student visas to demonstrate intent not to immigrate to the United States, at least for those pursuing degree programs.** Any bona fide student who has been accepted at an accredited U.S. higher education institution should be eligible for a visa, provided that he or she meets the other requirements of the law. Once in the United States, the duration of the student's stay is governed by the terms of the visa, the terms of admission, the legal options available to the student to change status, and the availability of jobs.
- **Remove inappropriate impediments to students' and researchers' changing status in order to work in the United States, by removing or adjusting unrealistic caps on temporary and permanent employment-based visa categories.** The caps on H-1B and permanent employment-based visas currently in effect are utterly unrealistic for a growing economy. U.S. employers should be able to hire the people they need, whether Americans or foreigners, without regard to artificial caps.

*To get back on track, America needs to do better. We renew our call for national leadership to elevate international educational exchange as a national priority and to establish a national strategy to ensure that the United States can attract the best in talent from around the globe.*

- **Articulate and implement a balanced visa policy that facilitates access for students, scholars, and other valued visitors.** Congress must return to U.S. consulates the discretion to grant waivers of personal appearance (interviews) based on risk analysis, subject to Department of State guidance and approval. In addition, the Department of State must refocus security clearances for scientists ("Mantis" reviews) on the most sensitive cases and eliminate them in cases where neither the applicant nor the applicant's country present concerns; eliminate repetitive processing of frequent visitors and those who temporarily leave the United States; and make better use of its overseas advising centers to facilitate visa reviews.
- **Give international scientists and advanced science students engaged in fundamental research access to U.S. research laboratories and associated equipment "that is comparable to that given to uncleared U.S. citizens and permanent residents," as recommended by the National Academies.**
- **Revive the U.S. intensive English industry by permitting short-term study (less than 90 days) on tourist visas, as most other countries do.**
- **Further reform the U.S. immigration system to provide the flexibility required by a globally mobile workforce.** Our immigration regulations and procedures are simply too rigid to provide streamlined, effective means of moving across borders. If we make it too difficult for people to come and study, work, or live in the United States, we will lose out in the global competition for scarce talent.

The American way of life owes its success and vitality to our historical ability to harness the best in knowledge and ideas, not only those that are home grown, but also those that come from outside our borders. We must sustain and reinvigorate this tradition to be competitive in today's global market for talent. Other countries are aggressively using international education to advance their economies and foreign policies. The United States has been remarkably complacent in this arena, slow to appreciate the impact of new educational markets across the globe and the ways that today's unprecedented movement of people across borders has fundamentally shifted the playing field in education, business, and scientific and technological discovery. To get back on track, America needs to do better. We renew our call for national leadership to elevate international educational exchange as a national priority and to establish a national strategy to ensure that the United States can attract the best in talent from around the globe.



**Association of  
International Educators**

NAFSA: Association of International Educators  
1307 New York Avenue, NW, Eighth Floor  
Washington, DC 20005-4701 USA  
Phone: 202.737.3699  
Fax: 202.737.3657  
[www.nafsa.org](http://www.nafsa.org)