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SECTION: SURVEY

HEADLINE: Wandering scholars

For students, higher education is becoming a borderless world

BILL CLINTON tells a nice story about the first time he set eyes on Oxford University. He was dropped off at his college at 11pm on a rainy October night, together with three other Rhodes scholars. One of them was Robert Reich, his future labour secretary, who is exceedingly short. The four Americans walked into the college's main quadrangle, a splendid 17th-century edifice, and marvelled about the wealth of history facing them. But they were immediately brought down to earth by the head porter, Douglas Millin, who complained that he had been promised four Yanks, but had been sent only three and a half.

In Mr Clinton's student days, international education was still the preserve of a small elite of potential superstars. Today it is undergoing the same process of "massification" that has reshaped domestic higher-education policy. The number of foreign students in the OECD (see chart 5) has doubled over the past 20 years, to 1.5m.

What is driving this solid growth? The two most obvious things are the magnetic power of the world's top universities and the under-supply of university places in the developing world. The world's brightest students—and particularly its brightest graduate students—want to study at the world's best universities. Half the world's students live in developing countries where the supply of university places cannot keep up with the demand. Two of the biggest exporters of students in absolute numbers are China (with 10% of all those studying abroad) and India (with 4%).

In recent years several other things have speeded this growth even further. One is competition for talent. A growing number of rich countries are rejigging both their education and their immigration policies in order to attract highly qualified workers. A second is competition for the tuition fees that foreign students have to pay, which is particularly fierce from countries that will not allow their universities to charge realistic fees to home-grown students. Oxford has recently doubled the proportion of its overseas students, to 15%; at the London School of Economics, 75% of graduate students are from abroad. A third factor is the EU's policy of sponsoring student mobility within the Union so as to create a European identity among the young.

Several countries-most notably Australia and New Zealand-are trying to turn education into an export industry. Foreign students are triply valuable. They pay fees to universities, spend money on things like food and lodging, and may even end up staying on permanently. What better way to shift your economy from its traditional reliance on primary production?

For the past 50 years America has effortlessly dominated the market for international students, who have brought both direct and indirect benefits. Not only are they contributing some \$13 billion a year to America's GDP, they are also supplying brainpower for its research machine and energy for its entrepreneurial economy. But now America's leadership is under challenge. The Institute of International Education reports that the number of foreign students on American campuses declined by 2.4% in 2003-04, the first time the number has gone down in 30 years. Foreign applications to American graduate schools fell by 28% last year, and actual enrolment dropped by 6%.

Coming after decades of steady growth, these figures sent shock waves through the academic system. Many American universities initially blamed the tightening of visa rules after September 11th 2001 and lobbied furiously for reform. Visa policy clearly played a part, but in fact America has been losing market share among international students since 1997. The biggest reason for that is foreign competition. In 2002-04 the number of foreign students increased by 21% in Britain, 23% in Germany and 28% in France. A growing number of European countries are offering American-style degree programmes taught in English. Germany has the added attraction of dispensing university education free to foreigners as well as to domestic students. Universities in the developing world, too, are expanding rapidly, and often a booming domestic job market stands ready to absorb the resulting graduates.

Yet it would be a mistake to equate America's loss of its quasi-monopoly in the supply of higher education to foreigners with long-term decline. For one thing, the market is likely to continue to grow rapidly as Asia produces its own mass middle class. For another, American universities are well placed to operate in the global market for student talent. In the past, American universities have been at their best when competing for faculty or domestic students. Why should foreign students be any different?

The spectacle of so many bright people from poor countries upping sticks for the rich world raises questions of social justice, in part because they contribute both money and brainpower to their host country while they are studying and in part because so many of them end up staying permanently. Some people see the development as a kind of neo-colonialism of the mind. But there is no guarantee that all these bright people would have prospered if they had stayed at home. The combined net worth of Indian IIT graduates in America is reportedly \$30 billion. But would all those brilliant Indians have become so

rich if they had stayed in India? "Better brain drain than brain in the drain," was the much-quoted verdict of the late Rajiv Gandhi, an Indian prime minister.

Perhaps what is going on is not so much a "brain drain" as "brain circulation". The governments of many developing countries encourage bright students to go abroad, often using scholarships as inducements, as part of a general policy of "capacity-building" so they can plug themselves into the latest thinking in the West.

Few highly skilled migrants cut their links with their home countries completely. Most keep in touch, sending remittances (and, if they are successful, venture capital), circulating ideas and connections, and even returning home as successful entrepreneurs. A growing number of Indian and Chinese students go home after a spell abroad to take advantage of the hot labour markets in Shanghai or Mumbai. And a growing number of expatriate businessmen invest back home.

Increasingly, developing countries encourage foreign universities to come to them, rather than sending their students abroad. Singapore has established close relations with 15 partners, including such elite institutions as Stanford, Cornell and Duke Medical School. Dubai has established a "knowledge village" with 13 foreign universities, and Qatar an "educational city" with four, largely for the benefit of Middle Easterners who want a western education but think they may no longer be welcome in America.

Some developing countries are even establishing themselves as educational middlemen: importers as well as exporters of talent. China not only sends the most students abroad but is also one of the leading hosts in the Asian region. Between 1998 and 2002 the number of international students in the country doubled, from 43,000 to 86,000. Malaysia sends lots of its own students abroad in an effort at "capacity-building", but is also actively recruiting students from China and Indonesia, and increasingly from Pakistan and other Islamic countries.

The problem with equity arises not so much between the rich and the poor world but within the developing world. As a rule, only the developing world's elites attend foreign universities. The Ford Foundation is devoting huge resources to putting this injustice right: in 2000 it provided \$280m over 12 years-its biggest-ever grant-for a scholarship programme to send disadvantaged people from poor countries to leading universities abroad. Douglas Millin is, alas, no longer with us. But if the Ford Foundation has its way, his successors will have to deal with people from considerably farther afield than Hope, Arkansas.