

# The “China Reset” for International Undergraduate Enrollment

Rahul Choudaha

## Abstract

Chinese undergraduate students were an economic bonanza for American universities in times of shrinking college-age population and dwindling budgets. Recent trends indicate a stagnation and even a decline in Chinese undergraduate student enrollment at many universities. This “China reset” will pose severe challenges for universities and press them to reinvest in the diversification of their student body and supporting student success.

**I**nside *Higher Ed* noted in October 2019, “After an unprecedented boom in Chinese undergraduate enrollments, universities see declines.” This narrative contrasts with the November 2011 report of the *Chronicle of Higher Education*: “The explosion of interest among Chinese students continued unabated.” How did we reach here, and what are the implications for American universities?

## Riding the Growth Wave of Chinese Students

It is well established that many American universities in parts of the country are facing demographic shifts, which is resulting in smaller college-going cohorts. At the same time, public funding for higher education has been shrinking. This pressure of declining enrollment and budgets has prompted many American higher education institutions to find ways to increase international student enrollment as a new source of cash flow to fund operations and fill the budget deficits.

In this context, the growth in demand from Chinese undergraduate students could not have been better timed to help meet enrollment goals while earning up to two to three times the rate of resident tuition fees. The aspirations of the expanding upper-middle class in China fueled much of the growth in demand for US education and perfectly aligned with the institutional need to grow undergraduate enrollment.

As a result, Chinese undergraduate enrollment increased by 132,143 between 2007–2008 and 2017–2018—an increase of 800 percent over 10 years. Contrast this growth of Chinese undergraduate students with a decline of 132,996 non-Hispanic and white high school graduates in the same period, according to *Knocking at the College Door*, a report by the Western Interstate Commission for Higher Education (WICHE).

In the last decade, the economic impact of the growth of Chinese undergraduate students has been substantial. My estimates based on the NAFSA report on the *Economic Value of International Students* suggest that the contribution of Chinese undergraduate students increased from US\$410 million in 2007–2008 to US\$5.3 billion in 2017–2018.

## The Land-Grant Benefit

Some universities, such as land-grant universities, benefited more from Chinese undergraduate enrollment than others. While there is no national data on Chinese students by institutions, *Foreign Policy* analyzed the F-1 visas issued from 2014 until March 2015 and identified that most of the universities among the top 25 receiving Chinese students are large public institutions, with a few exceptions such as Columbia University and Boston University.

More specifically, public land-grant universities benefited from China’s demand for US undergraduate education due to a combination of factors, including ranking and a relatively lower cost of living and tuition. For example, the University of Illinois at Urbana-Champaign (UIUC), which ranks among the top-50 in the world according to *THE World University Rankings*, was also identified by *Foreign Policy* as the leading recipient of Chinese students with F-1 visas. The enrollment numbers of Chinese undergraduates at UIUC increased from 96 in 2007–2008 to 3,202 by 2017–2018.

Over the decade, land-grant universities such as UIUC were able to increase nonresident tuition fees, and yet Chinese student demand remained robust. For example, out-of-state average tuition for full-time undergraduates at UIUC increased from US\$22,526 to US\$31,681 between 2007–2008 and 2017–2018—an increase of nearly 41 percent. The

Some universities, such as land-grant universities, benefited more from Chinese undergraduate enrollment than others.

estimated revenue from international undergraduate students at UIUC increased from US\$2.2 million in 2007–2008 to US\$101.4 million in 2017–2018.

Given this context of economic impact of Chinese undergraduate students, it is unsurprising that in 2017, UIUC signed a US\$60 million insurance policy to protect against a sudden loss in tuition revenue due to a decline in Chinese students. However, drawing out an insurance policy is reflective of a short-term risk management approach and not a long-term investment approach.

### **The Impact of the “China Reset”**

In my article “Mobility of Chinese and Indian Undergraduate Students” published seven years ago in *IHE*, I projected that Chinese undergraduate enrollment was expected to decline due to demographic shifts, local education reforms, and capacity concerns at campuses. However, headwinds related to geopolitical tensions and economic slowdown were not in the picture at that time, and so not considered in the projection.

The “China reset” is likely to hurt many land-grant universities first. These universities have not only high tuition pricing but also virtually no scholarships. At the same time, tightening postgraduation work options for international students, coupled with increasing competition from new destinations in Europe and Asia, will make it more challenging to grow enrollment from price-sensitive countries such as India, Nepal, Nigeria, and Vietnam.

### **Need to Reinvest in Student Success and Access**

One of the most significant implications for American universities is that they cannot rest on their past laurels. They must identify ways of reinvesting in the diversification of their student body through proactive outreach and financial assistance. They should recognize the importance of access and affordability for international students and support their success during their studies.

In the last decade, much of the enrollment growth was demand-led. In other words, the rapid increase in demand from Chinese undergraduate students was passively absorbed by universities. To sustain future growth in enrollment and ensure diversity of the student body, universities must become proactive and international in their approach. The past decade of student enrollment in the United States has also exposed a lack of readiness at many campuses in engaging and supporting international students. At many universities, support services for international students are mostly limited to immigration and visa compliance. By continuing to increase tuition and fees for international students without a proportionate reinvestment in their success, some institutions are on the slippery slope of treating international students as cash cows.

American higher education commands a strong reputation for excellence and quality among international students. Institutions that are only considering the revenue side of the equation without corresponding investment in campus readiness and student experience are not only threatening the appeal of the United States as a destination, but are also pursuing an unsustainable way of expanding international enrollment.

In sum, the “China reset” is a challenge for many universities, as they face budget squeeze and enrollment cuts. However, it also creates an opportunity to reassess their approaches for international enrollment and to reinvest in student access and success. ▲

*Rahul Choudaha is the principal researcher and cofounder of DrEducation, LLC. E-mail: [rahul@DrEducation.com](mailto:rahul@DrEducation.com).*