

# **Reducing The U.S. Trade Deficit By Educating Foreign Students**

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## **ABSTRACT**

By way of a well-educated, internationally savvy populace, the United States can possibly maintain a sense of global prominence and at the same time reduce the nation's chronic trade deficit. The purpose of this research is to discuss the comparative advantage the U.S. has in educating foreign students. Moreover, as a service export, educating foreign students in the U.S., reduces the trade deficit, and if implemented strategically and intentionally, can help internationalize U.S. colleges and universities.

## **PURPOSE OF RESEARCH**

The purpose of this exploratory research is to analyze who studies in the U.S., where students come from, what majors they select, and the economic impact foreign students have on the U.S. economy. Even though most of the literature addresses internationalizing U.S. students by encouraging them to study abroad, (Kwok, Arpan, & Folks, 1994; Webb, Mayer, Pioche, & Allen, 1999; Dessoff, 2006) this research is unique in that it advocates for internationalizing U.S. colleges and universities by intentionally and strategically recruiting foreign students to study in the U.S. As Allan Goodman, president of the Institute of International Education (IIE), stated more than 10 years ago, "As more and more international undergrads come here, it may be the only way our American students get a chance to interact with someone from another country" (Marklein, 2012. para. 4).

## **U.S. BALANCE OF TRADE**

Every year, since 1975, the U.S. has experienced a chronic trade deficit whereby imports exceed exports (Klein, 2025). The chronic trade deficit is due in large part to the shift towards importing manufactured goods. It is no secret that the U.S. is no longer a manufacturing powerhouse and many of our tangible products are imported from countries like China.

“Merchandise exports and imports are tangible products like cars, clothes, and appliances, which are respectively sent out of and brought into a country. Because we can see these goods, they are sometimes called visible exports and imports.” (Daniels, J, Radebaugh, L, & Sullivan, D, 2018, p. 15).

Service exports, on the other hand, contribute enormously to reducing the chronic U.S. trade deficit, and unlike merchandise exports, include intangibles such as tourism, travel, transportation, advertising, accounting, legal, engineering, banking, insurance, and education (Daniels, J, Radebaugh, L, & Sullivan, D, 2009; Cateora, P. Gilly, M., & Graham, J. (2009). “The provider and receiver of payments makes a service export.” (Daniels, R. et al., 2018, p. 15). With some countries, their main service export is tourism.

Fortunately, the U.S. has evolved into a service-oriented economy and according to the U.S. Department of Commerce’s Bureau of Economic Analysis (BEA), education-related service exports were valued at \$50.2 billion and ranked 7th among service exports in 2023 (U.S. Education Service Exports, 2023).

## **ATTRACTING INTERNATIONAL STUDENTS**

The purpose of this paper is not to ascertain whether the U.S. is a sellers’ market in education, or a buyers’ market in education. What this research will study is the economic impact foreign students have on the U.S. economy. In fact, during the 2023-2024 academic year, international students studying in the U.S. contributed \$43.8 billion to the economy and supported more than 378,175 jobs (NAFSA: International Student Economic Value Tool, 2024).

For decades, the United States continued to be the most popular destination for international students (Shorelight Team, May 2025), and during the 2023-2024 school year, an estimated 1,126, 690 international students from over 200 countries enrolled at U.S. colleges and universities, representing a 7% increase from the previous academic year (Open Doors 2024 Report: International Students, Institute of International Education). During the 2023/2024

academic year, the majority of international students were in graduate school (502,291), an 8% increase and an all-time high, and international undergraduate students, which had a slight decrease from the 2022/2023 academic year went to 342,875 (Open Doors 2024 Report: International Students, Institute of International Education).

The majority of international students studied in the STEM fields (56 percent), and math and computer science continued to grow for international students in 2023/24 (United States Hosts More Than 1.1 Million International Students at Higher Education Institutions, November 2024). Other popular fields include business and management, physical and life sciences, social sciences, and the fine and applied arts (Open Doors 2024 Report: International Students, Institute of International Education).

## COUNTRY OF ORIGIN

For the first time since 2009 India and China together made up over half (54%) of all international students in the United States, and India became the leading place of origin in the United States in 2023/2024, reflecting a 23% increase from the prior year. (United States Hosts More Than 1.1 Million International Students at Higher Education Institutions, November 2024). Other countries, who send students to the United States, experienced strong growth, with Bangladesh, Colombia, Ghana, India, Italy, Nepal, Pakistan, and Spain reaching all-time highs (United States Hosts More Than 1.1 Million International Students at Higher Education Institutions, November 2024). Sub-Saharan Africa countries numbers grew by 13% in 2023/24 and had the highest growth rate among all world regions for the second consecutive year, with an 18% increase in 2022/23. (United States Hosts More Than 1.1 Million International Students at Higher Education Institutions, November 2024). Table 1 illustrates the top 10 countries that send students to the U.S.

Table 1  
Top 10 Places of Origin of International Students

Country	2022-2023	2023-2024	% of Total	% of Change
India	268, 923	331, 602	29.4	23.3
China	289, 523	277, 398	24.6	-4.2
South Korea	43, 847	43, 149	3.8	-1.6
Canada	27, 876	28, 998	2.6	4.0
Taiwan	21, 834	23, 157	2.1	6.1
Vietnam	21,900	22, 066	2.0	0.8

Nigeria	17, 640	20,029	1.8	13.5
Bangladesh	13, 563	17,099	1.5	26.1
Brazil	16, 025	16, 877	1.5	5.3
Nepal	15, 090	16, 742	1.5	10.9

Open Doors Data 2024 Fast Facts, Places of Origin of International Students

## U.S. STATES THAT EDUCATE INTERNATIONAL STUDENTS

Of the International Students who Study in the U.S., Table 2 highlights the Top 10 U.S. States that Host International Students. California, America’s most populated state, educates the most foreign students followed by New York and Texas. Of the top 10 states hosting international students, three Midwestern states saw the greatest growth: Missouri, Michigan, and Illinois. (United States Hosts More Than 1.1 Million International Students at Higher Education Institutions, November 2024).

Table 2  
Top 10 U.S. States Hosting International Students

State	2022/2023	2023/2024	% Change
California	138, 393	140, 858	1.8
New York	126, 782	135, 813	7.1
Texas	80, 757	89, 546	10.9
Massachusetts	79, 751	82, 306	3.2
Illinois	55, 337	62, 299	12 .6
Pennsylvania	48, 593	50, 514	4.0
Florida	42, 590	44, 767	5.1
Michigan	33,501	38, 123	13.8
Ohio	34, 204	36, 884	7.8
Missouri	24,260	32, 647	34.6

Open Doors Data 2024 Fast Facts, U.S. States Hosting International Students

## COMPETING COUNTRIES

As other countries focus on attracting international students, the U.S. may be risking its comparative advantage in educating foreign students. Competition for international students comes mainly from Italy, the United Kingdom, Spain, and France with nearly half (45%) of all students studying in these top four destinations (United States Hosts More Than 1.1 Million International Students at Higher Education Institutions, November 2024). Other competing

destinations for foreign students include the Netherlands, South Korea, New Zealand, Poland, Mexico, Chile, and Spain.

Table 3  
Top 10 Destination Countries

Destination	Number of Students	% Total	% Change
Italy	41,840	14.9	36.7
United Kingdom	35,018	12.5	27.3
Spain	32,648	11.6	28.8
France	17,096	6.1	18.7
Ireland	9,780	3.5	39.1
Japan	9,675	3.4	1.327
Germany	9,324	3.3	22.0
Costa Rica	6,558	2.3	38.0
Australia	6,135	2.2	564.0
Greece	6,006	2.1	37.3

Open Doors 2024 Report: Leading Destinations, Institute of International Education

## **DISCOURAGING FOREIGN STUDENTS FROM COMING TO THE U.S.**

Although not the focus of this paper, the recent ethnocentric White House policies toward international students inadvertently enhances other nations' competitive advantage in attracting foreign students to study in their respective countries.

During President Trump's first term in office (2017-2021) due in part to restrictions on immigration, including travel bans and policies targeting mainly Chinese students, enrollment rates at U.S. colleges and universities began declining. Moreover, although not directly related to foreign policy, foreign student enrollment in colleges and universities worldwide plummeted during the COVID-19 pandemic.

As of the beginning of 2025, and currently during President Trump's second term, government policies are causing anxiety among international students and the universities that host them. These discouraging White House policies on foreign students pose several significant disadvantages, including 1. Loss of economic contributions 2. Weakened innovation and research 3. Damaged reputation and congenial global relationships 4. Reduced diversity and cultural exchange among other damaging repercussions.

## CONCLUSION

As stated, every year since 1975, the U.S. has experienced a trade deficit (Klein, 2025), whereby imports exceed exports. Fortunately, however, the U.S. has evolved into the world's leading exporter of services (Picerno, 2025).

If the U.S. is to remain a leading nation in an era of increasing global competition and wants to enhance its comparative advantage in service exports, vis-à-vis educating foreign students in the U.S., the government, academic institutions, non-governmental organizations, corporations, and other stakeholders, must foster and reward internationalization. In addition to reducing the trade deficit, although not directly measured, the global perspectives brought by foreign students enhance the learning environment for all students. Other advantages foreign students bring is an increase in patent applications and students, at home and from abroad, have a chance to live, work, and learn from one another. This intangible asset provides valuable teamwork experience and cultural sharing.

President, Nannerl Keohane admonished, more than 20 years ago, “Our country would be much impoverished if we allowed ourselves to fall back into isolationism and xenophobia. It will be particularly important for U.S. in years ahead to have students who can speak a variety of languages and know the cultures of many different countries in order for our nation to take its place as one of the leading countries in building a stronger and more peaceful world” (NAFSA Association of International Educators, 2004, p.29).

Providing education to international students, as a service export, concurrently contributes to reducing the U.S. trade deficit. In addition to the cultural sharing, the economic impact is a “win-win:” the government reduces its trade deficit and colleges universities can be more internationalized. As is the case with the U.S., or with any nation wishing to exploit its comparative advantage in service exports, vis-à-vis education, exporting education cannot be overlooked by any nation intent on reducing its trade deficit.

Due to the dynamic nature of American Foreign Policy, and its impact on many sectors of the economy and society, including education, the authors are conducting further research.

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