

DR. PISANO: Thank you, Chairman D'Amato, Chairman Weidenbaum, and members of the Commission.

I appreciate the opportunity to speak to you this afternoon. My name is Jane Pisano. I'm Senior Vice President for External Relations at the University of Southern California in Los Angeles.

International education is the fifth largest U.S. service sector export. The Institute of International Education, IIE, open doors report for 1998 and 1999 indicates that almost 500,000 post secondary students were enrolled in institutions of higher education. They and their dependents spent more than \$13 billion on tuition, fees, and living expenses.

If USC's experience is typical, this number understates the total impact of U.S. higher education as a service sector export.

There are four ways that higher education exports goods and services abroad. First, international students come to our loading dock, bringing foreign capital to pay for tuition and other university provided goods and services.

Second, international students and their families contribute to the U.S. economy, paying for room, board, and miscellaneous expenses in local communities that surround academic institutions.

Third, there was a lifetime consumption effect. International students become accustomed to buying American goods and services.

And fourth, there is a partnership effect. International students are likely to eventually become joint venture partners and/or distributors of U.S. goods abroad.

The impact of the lifetime consumption effect and the partnership effect has not been estimated. However, we believe it is substantial. The University of Southern California experience is illustrative on all four points. USC, with 20,000 international alumni, has welcomed international students for decades. In 1998, 1999, USC enrolled as students 4,278 foreign citizens holding non-immigrant visas. This included 1,168 undergraduates, 2,915 graduate students, and 197 non-degree students.

Together these international students comprised a little over 15 percent of the total student population. That number had climbed to almost 16 percent in the current fiscal year.

You might be interested to know that between two thirds and 70 percent are graduate students, and they come principally to USC to study electrical engineering, computer science, business and computer engineering.

The undergraduates are overwhelmingly in pre-business courses, although may study in the College of Letters, Arts, and Sciences.

International students at USC come predominantly from seven countries, although there are many others. Most come from: Taiwan, China, South Korea, India, Japan, Hong Kong, and Indonesia, in that order.

USC conservatively estimates the impact of our international students on the Los Angeles economy at \$96.4 million, of which 42.3 million is community expenditures and 54.1 million is university expenditures.

In fact, the Presidents of USC and UCLA recently estimated that the impact of international students on the Los Angeles economy is comparable to the impact of tourism in Los Angeles, international tourism in Los Angeles. So it's a very large effect.

The 1998-99 estimated total impact is a \$6.8 million increase over the prior year, the result of an increase in students, an increase in tuition, fees, and other expenses.

University expenditures include tuition with a reduction for expenses incurred by students receiving USC source income, university room and board, books, and supplies.

Community expenditures include expenditures for room and board, and miscellaneous expenditures.

Expenses of spouses and children are not included.

USC estimates that between 20 and 25 percent of international students are accompanied by spouses and children.

Also not included are expenditures associated with visits by relatives, visits of international USC alumni, the expenditures of more than 750 postdoctoral students, at least \$5.4 million in community expenditures per year, and tuition paid by foreign students who enroll in summer session courses.

Most of the evidence on lifetime consumption effect is anecdotal. As a result of having spent their collegiate years in Los Angeles, international students acquire a familiarity with American products and services and usually develop a lifelong pattern of favoring them.

After returning to their countries, our alumni return, bringing their families to Disneyland in Southern California, as well as to Disney parks in Japan and France.

We know our alumni buy American movies, tapes, and compact disks, and they buy American golf clubs.

We also know that our alumni often send their children and their parents to U.S. hospitals for serious operations.

The partnership effect also impacts our trade balances in both goods and services. USC actively nurtures partnerships involving our alumni. Indeed, we take great pride in the Trojan family network, lifelong and worldwide.

Our international program of longest standing, the International Business Education and Research Program, IBEAR, has recruited international students who are mid-career managers to USC's Marshall School of Business. Students come from as many as 20 countries and the United States with an average of ten years' work experience for a one-year MBA program.

In addition to course work, students engage in hands on consulting, attend frequent luncheon round tables, and an annual Asia-Pacific outlook conference, have the opportunity to receive optional language training in Chinese, Japanese, and Spanish, and receive career search support.

This cohort experience is designed to connect students to the university and to each other. IBEAR graduates stay connected through active alumni groups and a Web site. Numerous joint ventures involving IBEAR alumni have resulted from this program.

Following the success of the IBEAR experience, all USC MBA students at the Marshall School must complete a research trip abroad. Students visit selected companies, both domestic and multinational and governmental institutions, in selected Pacific Rim countries. The purpose is to train students as global managers by allowing them to compare and contrast U.S. and Pacific Rim countries' business experiences.

In an effort to accomplish multiple goals, USC has opened overseas offices in Japan, Taiwan, Indonesia, and Hong Kong. These offices help arrange internships for USC graduate students, as well as support the business students' research trips.

In addition, the international offices work with alumni, recruit students, keep in touch with parents of current students, assist with development efforts, and support the entire range of academic and business interests of the university.

The university has active alumni clubs in these four countries and is embarking on a program to support alumni clubs in other countries where we have a large alumni population. It is our belief that active Trojan family networks will result in more partnerships to export goods and services from the U.S. abroad.

USC also nurtures partnerships through A-P-R-U, or APRU, the Association of Pacific Rim

Universities, an organization of 34 Pacific Rim organizations which USC co-founded in 1997.

APRU is designed to enable chief executive officers to help their institutions become more effective contributors to the development of an increasingly integrated Pacific Rim community.

Last week, for example, USC hosted a distance learning and Internet conference for representatives of APRU universities to explore possibilities of partnership in distance learning. Since the U.S. is a leader in information technology, these partnerships will promote the sale of U.S. hardware, software, and courseware.

Clearly, international education is an important U.S. service sector export that should be sustained. While not a major threat now, countries like the United Kingdom and Australia are aggressively competing for international students marketing through trade missions and subsidizing student enrollment with targeted scholarships and targeted research funds.

At the same time, U.S. immigration policy makes it difficult for some students to study in the United States.

In short, institutions of higher education are successful global competitors today, and it is in

the national interest that they remain successful in the future.

Thank you very much.

CHAIRMAN D'AMATO: Thank you, Dr. Pisano.

Yes, Dr. Weidenbaum.

CHAIRMAN WEIDENBAUM: First of all, I'd like to thank this panel for --

CHAIRMAN D'AMATO: I have another witness.

CHAIRMAN WEIDENBAUM: Oh, I'm sorry.

CHAIRMAN D'AMATO: Mr. Saunders.