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Protecting American Universities from Undue Foreign Influence

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KEY TAKEAWAYS

Foreign funding, while not automatically suspect, flows to U.S. colleges and universities in five primary ways and can exert influence on these institutions.

Those include direct gifts to institutions, indirect gifts to institutions, foreign student tuition, foreign satellite campuses, and research grants to professors.

Congress and the executive must enforce transparency requirements, lower reporting thresholds, and prohibit gifts from entities in countries of concern.

The U.S. government rightly restricts the ability of foreign individuals, entities, and governments to contribute to U.S. political campaigns. It does so because financial influence over the outcomes of elections would distort policymaking toward foreign—rather than U.S.—interests.

U.S. universities do not directly make public policy decisions, but they train the people who typically make and implement policy, and they shape elite culture and ideas to set the agenda for policy discussions. Foreigners seeking to influence these policy roles of U.S. universities currently face relatively few restrictions on their ability to do so.

This report explores the ways foreign individuals, entities, and governments can convey funds to U.S. universities, why that flow of funding matters, how new legislation could improve Americans' understanding of the scope of this funding, and what might be done to address its disadvantages. Foreign funding flows to American colleges and universities in five primary ways: direct gifts to institutions, indirect gifts to institutions, tuition paid by foreign students—sometimes covered by their foreign governments—U.S. university satellite campuses in foreign countries, and research grants provided to professors.

How Foreign Sources Purchase Influence with Universities

American colleges and universities have disclosed $40.2 billion in foreign funding since 1981, reporting $1.1 billion in foreign payments in 2021 alone.[1] However, as scholars Lars Erik Schönander and Dan Lips detail, this is certainly a low estimate given lax disclosure enforcement by the U.S. Department of Education.[2] Universities are required to report any foreign gifts in excess of $250,000 per Section 117 of the Higher Education Act of 1965, yet that provision is poorly enforced, and the Department of Education's data management is "deeply flawed."[3]

Revenue from foreign sources flows to U.S. colleges and universities in five primary ways. While such funding is not automatically suspect simply because the source is outside the United States, these are the primary ways foreign sources can attempt to exert influence:

1. Direct Gifts to Institutions. The most direct way to gain financial leverage is to give gifts. Restricted gifts and grants may be used only as the donor directs. Even unrestricted gifts establish relationships that facilitate outsized influence. The federal government does not restrict this giving, but it does impose a disclosure requirement: Any foreign gift in excess of $250,000 must be disclosed to the U.S. Department of Education. Remarkably few such gifts are disclosed, however.[4] It is unclear whether institutions are intentionally or unintentionally failing to disclose as required. Gifts may also be arriving in smaller annual quantities to avoid reporting. Meanwhile, there are other, less transparent methods for foreign sources to deliver money to universities, as described below.

2. Indirect gifts. Gifts and grants to nonprofit organizations, which then give the money to universities, do not currently trigger disclosure requirements. Many universities, particularly public ones, have created affiliated nonprofit foundations that have no substantive purpose other than to pass funds directly to the university. In this way, public institutions avoid open records and other disclosure requirements that apply to most public institutions, as well as state rules on how to manage public funds.

3. Tuition Payments. Foreign students pay, on average, much higher tuition than U.S. students do. They tend to pay the full sticker price, while U.S. students at private colleges have their undergraduate tuition discounted by about half or get their graduate tuition covered by fellowships.[5] Some universities, especially more selective ones, have high rates of foreign enrollment—for example, New York University is now at about 40 percent foreign enrollment—so they receive large shares of tuition revenue from foreign sources.[6] While students themselves or family members provide most tuition for foreign students (57 percent), it is unclear what proportion of this funding originates with foreign governments. (Only about 2.2 percent comes directly from foreign governments.)[7]

The number and rate of foreign students in U.S. universities has grown dramatically over the past several decades. More than 1 million foreign students attended U.S. institutions in 2023.[8] About the same number of foreign students were enrolled as of 2019, representing 9.3 percent of total enrollment.[9] In 1980, there were scarcely 300,000, constituting about 5 percent of total enrollment. More than one-third of foreign students now come from Communist China, up from less than 1 percent in 1980.[10]

4. U.S. Campuses in Foreign Countries. Another significant source of foreign funding for U.S. universities is the operation of affiliated campuses in foreign countries. These are foreign franchises that are largely operated independently but pay significant fees to their home universities. Essentially, U.S. universities are being paid large sums to license their names to overseas universities, and the home universities claim the prestige of being universities of the world for world citizens rather than merely provincial U.S. institutions.

According to Global American Higher Education, 58 campuses of U.S. universities are operating in China. These include campuses affiliated with selective private universities including the University of Chicago, Duke University, Johns Hopkins University, New York University, and Washington University (St. Louis), as well as flagship state universities including Arizona State University, Georgia Tech University, Rutgers University, University of Arizona, University of Michigan, University of Minnesota, and Utah State University. Operational control is sometimes effectively ceded to China, and quality control is not like one would expect at the home campus. When Chinese institutions operate in the United States, they serve the Chinese Communist Party; when U.S. institutions with foreign campuses operate in China, they also abide by the rules of Communist China. Beijing wins in both contexts.

Six campuses of U.S. universities are operating in Qatar. Four are affiliated with private universities: Carnegie Mellon University, Cornell University, Georgetown University, and Northwestern University. Two are affiliated with public universities: Texas A&M University and Virginia Commonwealth University.

Although there are exceptions that include some high-quality programs, these arrangements should be understood largely as vehicles for financial exchange more than educational exchange. Evidence suggests that relatively few U.S. students attend these foreign campuses, and few courses are taught by U.S. instructors. As the *Washington Post* detailed in 2015, "The Georgetown campus [in Qatar], like the others, is deeply international, with students from Oman, Mexico, Iraq, Pakistan, Saudi Arabia, Lebanon and more. Many have the zigzag life stories of the expatriate majority in Qatar." The *Post* also reported broadly on the challenges attracting U.S. faculty to these foreign posts, noting that "Carnegie Mellon's dean in Qatar, Ilker Baybars, called faculty recruiting 'the most difficult part of my job.' It is hard to persuade tenured professors to trade life on a bustling American campus for Doha, where the academic community is small and the weather ranges from pleasant to sweltering."[11]

Other foreign campuses may represent the upper bound of U.S. enrollment. For example, at NYU Shanghai, roughly one-third of the class of 2025 was from the United States.[12] On the whole, however, the data suggest that these are mostly foreign campuses with foreign students taught by foreign staff. The main thing crossing borders is money, not people or ideas. How much money is generally not disclosed.

5. Research Grants to University Professors. Foreign grants to individual professors must be disclosed along with university-level gifts when the $250,000 federal threshold is crossed. But at Yale University, for one, such individual grants have not been disclosed through the federal reporting requirement.[13] Other professors, even when they do not receive grants, receive all-expenses-paid trips to foreign countries to speak about their research. Such trips alone serve to strategically build goodwill to cash in later.

What Do Foreign Nations Get in Exchange for Their Money?

Direct gifts, indirect gifts, tuition payments, foreign campus licensing fees, and research funding all enable foreign sources to deliver money to U.S. institutions of higher education, providing influential leverage. What do foreign nations expect or get in exchange?

A key category is access. As with contributions to politicians, gifts that are legal buy access to decision-makers when their interests are at stake. This is one reason some universities found it difficult to abandon their Chinese-sponsored Confucius Institutes. Financial leverage enables donors to have special influence on policies, programs, and hires that could affect the donors' interests. That pattern is a normal and legitimate part of the U.S. philanthropic landscape. But it looks different when donors are foreign individuals, entities, or governments—especially if those foreigners are hostile to U.S. interests.

For example, Middle East studies centers at leading U.S. universities are beneficiaries of funding from countries in that region. Those centers have hired faculty and sponsored projects that regularly advocate for the interests of those countries even when evidently against the interests of the United States.[14] The graduates of those centers staff the State Department, Capitol Hill, and other government agencies, and their research shapes policy discussions.

Financial leverage also allows foreign students to protect themselves when things go wrong. For example, many of the students involved in protests against Israel following the Hamas attacks of October 7, 2023, are foreign nationals. Despite repeated violations of university policies (and in some cases state law)—and threats that they are exposing universities to liability for violations of civil rights protections for Jewish students—the students involved in those protests have faced little to no disciplinary action by universities. The Massachusetts Institute of Technology (MIT), where foreign students comprise 30 percent of the student body, explicitly declined to discipline rule-breaking foreign students for fear that suspension might jeopardize their student visas.[15] It takes significant financial leverage to get MIT to care more that foreign students might be deported than to enforce their rules and avoid sanctions under Title VI of the Civil Rights Act of 1964.

Financial leverage also expands the opportunities for espionage. Universities are repositories of a significant amount of commercial and national security information, some of which is produced under contract with the government and U.S. companies. Foreign money for graduate students and campus institutes, such as China-supported Confucius Institutes, brings in potential spies on this sensitive information and research—and in the case of China, offers entry to spies on innocent Chinese students and citizens in America.[16] Some Chinese spies enroll in graduate programs and work under leading researchers, even gaining access to labs working on pre-classified technologies. China also recruits accomplished researchers through its

Thousand Talents Program.[17] Finally, U.S. professors themselves can be turned: The chair of the Biochemistry Department at Harvard became so close with the Chinese that he took hundreds of thousands of dollars to serve as an adjunct faculty member at the Wuhan Institute of Technology and supply the Chinese with information. He was ultimately convicted and sentenced for lying about his relationship with China and its Thousand Talents Program.[18]

Policy Recommendations

Although foreign entities have several ways to direct money to U.S. universities and thereby purchase significant influence, distinguishing legitimate academic support and cultural exchange from illegitimate influence is difficult. The first step is to better understand the full scope of this issue. There are several steps Congress and states should take to increase transparency around foreign funding and to limit the influence of malign foreign influences on American higher education.

Expand and Strengthen Disclosure Requirements on Foreign Funds Provided to U.S. Universities. While U.S. donors should continue to enjoy the right of anonymity, especially to avoid political harassment, this principle is not necessarily correct for foreign donors, particularly those from countries that are hostile to American interests. Congress should lower the amount of direct giving that triggers disclosure requirements and more strictly enforce those disclosures with tougher penalties for non-compliance. Congress could, for example, lower the reporting threshold from its current level of $250,000 to $50,000.

Universities should also be required to disclose, by country of origin, the number of foreign students and the amount of tuition received, as well as the total revenue generated from each foreign campus. Congress should condition access to federal funding—including funding under Title IV of the Higher Education Act for student loans and grants—on compliance.

States should pursue similar reporting requirements pursuant to their authority to authorize or de-authorize institutions to be incorporated and operate in the states.

Limit Foreign Financial Support of American Institutions of Higher Education. Once expanded and strengthened disclosure requirements provide a better understanding of the scope of foreign involvement and where to focus attention, explicit limits on foreign financial leverage may be warranted. These include capping or prohibiting both direct and indirect giving from foreign individuals, entities, and governments that are located in countries of concern to U.S. security interests. The list of countries of concern might be as narrow as in the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act—China, Iran, Russia, and North Korea—but must likely be broader and include other Middle Eastern countries or additional countries that the disclosure requirements reveal as purchasing risky levels of influence. It may also be sensible to cap the share of university enrollment from each of those countries of concern as well as the absolute number of student visas from these countries collectively. Finally, following due investigation and other due process, it may be necessary to prohibit or significantly curtail U.S. institutions' foreign campuses in countries of concern. U.S. foreign policy and security interests may need to play a significant role in such decisions, and Congress should empower appropriate federal agencies to make these decisions.

Enforce the Foreign Agents Registration Act (FARA) and Amend It to Cover Universities. Colleges and universities currently enjoy a "scholastic, academic, or scientific" exception to the Foreign Agents Registration Act (FARA),[19] which requires entities considered foreign agents to register with the Department of Justice.[20] This exemption does not apply, however, to political activities. FARA has been sparsely enforced. Like Section 117 of the Higher Education Act, FARA is another "backwater of American law… with just seven prosecutions between 1966 and 2016."[21] Policymakers have recognized the need for greater FARA enforcement, particularly in higher education. For example, Senators Jim Risch (R–ID), Tim Scott (R–SC), and Chuck Grassley (R–IA) wrote to Attorney General Merrick Garland in late 2023 that there is "clear evidence that [Chinese students and scholars associations] act as an arm of the [Chinese government] for the purpose of shaping U.S. policy and public opinion, and the United States should therefore evaluate whether they are required to register as foreign agents."[22] Beyond enforcement already available under the law, FARA's academic exception should be dropped or at least dropped for countries of concern.

Support Policies in the DETERRENT Act. U.S. universities are vital to American interests, yet federal and state funding should not flow to institutions that are significantly influenced by hostile foreign sources. Financial disclosure and enforcement policies such as those pursued in the DETERRENT Act, at the state and federal levels, would help protect U.S. universities and broader American interests. The DETERRENT Act would not only reduce the disclosure threshold to $50,000 for gifts and contracts with most foreign countries, but it would also establish a $0 threshold for the countries and entities that threaten U.S. interests the most.[23]

Conclusion

American colleges and universities, supported by American taxpayers, deserve transparency around the sources of foreign funding that may exert influence on these institutions. Enforcing existing transparency requirements, lowering reporting thresholds, and requiring the disclosure of every penny from sources that may threaten American interests are necessary reforms. Congress should also work to prohibit both direct and indirect giving from foreign individuals, entities, and governments located in countries of concern. Doing so will strengthen colleges and universities and ensure they are oriented toward best serving American student needs.

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