



To: Senate Foreign Affairs, Defence and Trade References Committee
From: Professor Simon Jackman,
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Re: Inquiry into Funding for public research into foreign policy issues
Date: 14 April 2021

Introduction and scope of this submission

1. The Committee is inquiring into the contribution of government funding for public research into current and emerging foreign policy issues affecting Australia, with a focus on our key interests in the Indo-Pacific, including examining:
 - a. current funding by Australian Government departments and agencies in this area;
 - b. the quality and diversity of publicly funded think tanks focused on foreign policy;
 - c. ways of enhancing greater public understanding of foreign policy issues;
 - d. how the Australian Government involves states, business, civil society, unions, universities, think tanks, diasporas and the wider community in developing and implementing foreign policy;
 - e. strategies the Australian Government should adopt to build the knowledge needed to support more effective future foreign policy; and
 - f. any related issues.
2. This submission will address these issues by summarising the experience of the US Studies Centre (USSC), given that the Centre is
 - a. a recipient of Australian government support
 - b. research-led and based at one of Australia's leading universities
 - c. an institution with a mission to help shape public understanding of Australia's most important ally and partner, the United States, and of Australia's relationship with the United States
 - d. well-placed to offer relevant comparisons with the think-tank and foreign policy research environment in the United States.



Summary of this submission

Issues (a), (b) and (c):

3. **The case for Australian government funding.** Unless and until Australian civil society (individuals, businesses, philanthropic foundations) supports Australian foreign policy think tanks and research institutes far more than they do, there is a compelling national interest in Australian government support of foreign policy think tanks and institutes.
4. This is especially the case given the rapid pace of geo-strategic change in the Indo-Pacific, the breadth of the policy challenges and the dexterity and creativity being sought from the policy making community. As Australia bears the costs of adapting to a far less benign strategic environment, think-tanks have a critical role to play not just in policy development, but in deepening public understanding, contributing to debate and fostering a degree of consensus and policy legitimacy.
5. **Think-tanks supported by the nation, serving the nation.** Indeed, nothing less should be expected of publicly supported think-tanks and research institutes, i.e., that their charge is to generate rigorous research and contribute to policy debates and public understanding consistent with the national interest.
6. **Testing the think-tank value proposition.** USSC and the Perth US Asia Centre regularly submit themselves to external reviews to assess their performance on these criteria, relative to the expectations among Australian government funding departments, agencies and the other stakeholders.

Issues (d) and (e):

7. **Think-tanks and University partnerships.** Unlike some peer and competitor institutions, USSC is located at the University of Sydney, bringing a number of mission-relevant and operational advantages:
 - a. teaching and mentoring at the University are key to USSC realising its mission of deepening public understanding of the United States and Australia's relationship with the United States.
 - b. Financial and in-kind support from the University of Sydney is central to the USSC's viability.
 - c. Enrolment in USSC-taught units of study at the University of Sydney has contributed to a helpful diversification of the Centre's revenues.
 - d. A small number of promising undergraduates and post-graduates – some of the finest emerging Australian talent in foreign affairs – join the Centre as interns or entry-level researchers, often then going on for further study and careers in Australian government departments and agencies. This has also provided the Centre with a modest but important opportunity to bring more young women into the Australian strategic affairs community and the think-tank research community more broadly.



8. **Secondments and exchanges with APS/ADF.** Careers in the US strategic affairs community frequently involve exchanges between government service and spells at think-tanks. For a small strategic affairs community like Australia's, these exchanges and the intellectual cross-fertilisation they produce would be a tremendous fillip.
9. **Grow and diversify the talent pool.** Strategic affairs communities the world over – but perhaps especially Australia – suffer from a lack of diversity. Gender is perhaps the most telling imbalance. But so too is the relative dearth of younger scholars/researchers/analysts that might be euphemistically termed “double” or even “triple threats”: i.e., whose talents and skills span international relations/politics/history/area studies, plus a key foreign language, and/or a technical proficiency (e.g., data science, engineering, chemistry). Australia should invest in producing more of these types of scholars, perhaps by offering scholarships to promising early career APS/ADF personnel.



The United States Studies Centre: mission and national relevance

10. USSC educates Australians about the United States and Australia's relationship with the United States, through independent, non-partisan, rigorous research. The Centre's discoveries and insights are delivered through engagement with policymakers, teaching and media presence, thereby strengthening Australia's relationship with the United States.
11. It is difficult to overstate the depth and breadth of the US-Australia relationship and hence the relevance of the USSC mission. As the Committee well knows, the United States is far and away Australia's most important ally and strategic partner, with Australia's defence alliance with the United States the centrepiece of Australian national security. Australia and the United States also have a long-standing intelligence cooperation arrangement. In 2005 Australia and the United States entered into a Free Trade Agreement; for many years the United States has been the single largest source of inbound foreign investment and the number one destination for outbound foreign investment. In science and technology, the creative industries, arts and culture, across groups and institutions in civil society and person-to-person contacts, the number of touchpoints between the two countries defy enumeration.
12. Recent developments have reminded Australians of the centrality of the United States to Australia's security, prosperity and strategic prospects:
 - a. the uncertainty and volubility accompanying the Trump presidency and the sometimes-fractious debate within the United States about its willingness to bear the costs of global leadership.
 - b. the growing ambition, assertiveness and capability of an increasingly authoritarian Chinese regime, principally focussed on the Indo-Pacific.
 - c. proven and potential vulnerabilities in supply chains and sovereign capabilities revealed by the COVID-19 pandemic.
 - d. rapid proliferation and transformation in the ways nation states project power and influence.
 - e. the transition to the Biden administration and its emphasis on an allies-centric approach in meeting the China challenge.
13. These developments have prompted a rapid burgeoning in the Australia-US government-to-government "alliance agenda", focussed on the near-term and the Indo-Pacific, reaching far beyond long-standing areas of cooperation in defence and intelligence, to take in strategic investments and partnerships in critical materials, frontier technologies and renewable energy, health security, regional infrastructure provision, cyber-security, defending against and deterring foreign interference, law enforcement and border security.



14. With 2021 marking the 70th anniversary of ANZUS, USSC is focussed on leading the national conversation as to the breadth and depth and the relevance and value of Australia's relationship with the United States.
15. In confronting the most challenging geo-strategic environment since World War Two, the US-Australia alliance is Australia's single most important strategic asset.
16. In turn, the work of USSC – and its mission – has never been more relevant nor more valuable.
17. As documented below, the Centre is widely recognised as a national asset, an authoritative source of analysis of American politics, foreign politics, economics, culture and history, building Australia's awareness of the dynamics shaping American society – and critically – their implications for Australia.

The United States Studies Centre: structure, governance and operational profile

18. The Centre is a public company limited by guarantee, with two members, the American Australian Association Pty Ltd (AAA) and the University of Sydney.
19. The Centre's Board of Directors has equal numbers of directors appointed by AAA and the University of Sydney.
20. The Centre is registered with the Australian Charities and Not-for-profit Commission and has deductible gift recipient (DGR) status.
21. The Centre's operations currently span (a) policy-focused research (aka "think-tank" research) on foreign policy and defence, economics, trade and investment, US politics and public opinion and their implications for Australia, designed to contribute to policy formulation and public understanding; (b) translation of "think-tank" outputs for a broader, lay audience, through a program of in-person and virtual events, media engagements and other forms of outreach; (c) teaching units of study at the University of Sydney and academic research.

The Centre's founding, funding and editorial independence

22. The United States Studies Centre (USSC) was established in 2006 as a joint venture between the American Australian Association Pty Ltd (AAA) and the University of Sydney.
23. The University of Sydney was selected as the host institution for the Centre through a competitive process, after a review of hosting proposals from a number of prestigious Australian universities.



24. The AAA received approximately \$25M from the Australian government for the establishment of the Centre. The AAA and its American-based counterpart, AAA Inc, raised an additional \$7M from corporate sources in the United States and Australia.
25. Smaller grants have been provided by the Australian government to the AAA for the sustainment of USSC's activities by subsequent Australian governments from both sides of politics.
26. The AAA invests and manages these funds on behalf of USSC, and more recently, the Perth US Asia Centre.
27. Other key sources of funding over the Centre's history have included
 - a. grants from NSW state governments from both sides of politics
 - b. direct and in-kind support from the University of Sydney
 - c. project-specific grants from corporations and foundations,
 - d. research contracts from Commonwealth government departments
 - e. tuition fees from units of study taught at the University of Sydney.
28. Financial contributors to the Centre have no editorial control on the results of USSC research.
29. Totalled over its history, direct support from the Commonwealth (via the AAA) amounts to 30% of USSC revenues. Year-to-year variations in student enrolments and in the timing of the receipt of other sources of support (e.g., project-specific grants) means that in any given year that proportion of USSC revenues from the Commonwealth/AAA varies around the 30% long term average.
30. USSC seldom receives financial support from entities associated with foreign governments. This relative independence from foreign governments helps bolster the reality – and the perception – that USSC serves Australian national interests.
31. Over the period 2015-2020, 1% of the Centre's revenues came from the US government and just 6% from US-based foundations, companies or individuals.
32. In 2018/19, USSC was in receipt of US State Department support for a series of workshops and simulation exercises. USSC was the first Australian think-tank to register an arrangement with a foreign principal on the Foreign Influence Transparency Register.



Funding for foreign policy think-tanks: international comparisons

33. Like my two predecessors as USSC CEO (Bates Gill and Geoffrey Garrett), I have deep familiarity with American higher-educational and think-tank environments. I taught at Stanford University for 20 years before returning to Australia, after PhD study at the University of Rochester and Princeton University and my first academic appointment at the University of Chicago (1994-96).
34. Based on my personal experience – and conversations over the years with my predecessors and other Australian think-tank leaders – there are substantial differences between the USA and Australia in the way foreign policy think-tanks and research institutes are funded. US institutions are much more likely to be supported by:
 - a. in-perpetuity endowments, and
 - b. corporate and individual philanthropy, building both endowment reserves but also supporting year-on-year operating costs and projects.
35. In the United States, large, well-established and well-known think-tanks draw a substantial proportion of their annual operating expenses covered by the investment returns of “in-perpetuity” endowment assets or have the capacity to fall back on those assets when contingent revenue streams diminish.
36. For better-established US think-tanks and foreign policy research institutes the underlying endowments are on the order of hundreds of millions of dollars, either built up over decades (e.g., the Hoover Institute at Stanford, the Centre for Security and International Studies in Washington DC) and/or bootstrapped with a mix of large, founding gifts, fundraising campaigns or institutional support (e.g., the Freeman-Spogli Institute for International Studies, resulting from Stanford University’s “International Initiative” in the early 2000s, anchored by a \$50M “naming” gift and with more than that amount again coming from other donors and Stanford itself).
37. For smaller, newer think-tanks in the United States (e.g., the Centre for a New American Security in Washington DC, founded in 2007), there is much more reliance on annual giving and grants and contracts for specific programs and projects. In the 2019-2020 financial year, CNAS reported four gifts each in excess of \$500K (one from the US Department of State, one from a defence prime, two from philanthropic foundations), four in the \$250K-\$500K range (two from the US Department of Defence), 34 donations in the \$100K to \$250K range, and so on, including over 80 gifts each less than \$5K each from individual donors. CNAS reported total revenue of \$13.6M in FY 2018-19, of which \$13.2M came as contributions and grants (see CNAS’s IRS Form 990, linked from its website <https://www.cnas.org/support-cnas/cnas-supporters>).



38. The magnitudes of the in-perpetuity endowments necessary to sustain even small research institutes and think-tanks are extremely difficult to realise in the Australian environment. Consider the following two data points:
- a. The University of Sydney's published salary cost for a senior, nationally prominent and internationally recognized scholar (a "Level E" professor) is about \$252K in 2020, inclusive of 30% on-costs. Assuming a 5% investment payout, an endowment of \$5.4M is required to cover the salary and on-costs of a researcher or scholar at this level of seniority and professional accomplishment.
 - b. The financial statements in USSC's Annual Report for 2019 lists \$12.9M in assets. If all of these assets were considered "endowment" and available for investment, a 5% payout would yield \$645K for funding operations. The resulting operational footprint would be tiny, even in the context of Australian think-tanks and research institutes, and in stark contrast with the national significance of the Centre's mission and mandate.
39. While Australian think-tanks and research institutes might use the term "endowment", seldom does the term have the "in perpetuity" interpretation or operationalisation it typically carries in the US context.
40. As a result, Australian think-tanks and research institutes tend to operate in more "hand-to-mouth" mode, with the proximity of the "solvency horizon" – and hence the urgency of funding renewals – being a key variable distinguishing Australian think-tanks from one another and, in particular, from their US cousins and competitors.
41. Australian think-tanks and research institutes are thus also more reliant on (a) recurrent annual corporate or philanthropic giving and (b) grants and fee-for-service contracts. The sums available to be raised this way are small in the Australian context (at least relative to the United States), constraining the magnitude and hence output and impact of Australia's foreign policy think-tanks and research institutes.

Supported by the nation, serving the nation.

42. Commonwealth support was vital to the establishment of USSC. In the absence of a large "in perpetuity" endowment generating substantial investment returns, Commonwealth support remains crucial, even as the Centre has diversified its revenue sources of funding over its history.
43. Serving the national interest is literally foundational for USSC, part of the Australian government's motivation for the establishment of the Centre and why



Australian governments from both sides of politics have continued to support the Centre.

44. To this end, we often summarise the USSC mission as “*Analysis of America, Insight for Australia*”.
45. The Centre’s recent successes with respect in serving the national interest – in policy impact and public outreach – are detailed in the annexure and in successive Annual Reports available on our web site (see <https://www.ussc.edu.au/about/mission>).

Testing the Centre’s value proposition

46. Over USSC’s fifteen-year history, AAA has commissioned three external reviews of USSC and the Perth US Asia Centre, led by distinguished individuals with a long history of public service: (1) a review by John Brumby and Peter Sheehan (2012), (2) a review by Peter Varghese and David Ritchie (2017) and (3) a review by Martin Parkinson and Alan Gyngell (2020).
47. In 2012, Brumby & Sheehan noted that
in view of the extensive public benefit provided by USSC’s activities, there is a case for further direct support from the Australian Government through a new or extended funding agreement...
48. In early 2017, Varghese & Ritchie (VR) seconded this conclusion, noting that
indeed, in some ways the public benefit, and benefit to government [of USSC and the Perth US Asia Centre], is even more pronounced than in 2012.
49. Further, in early 2017 and in contemplation of the Trump presidency, VR noted that
Given the degree of uncertainty about the direction of US strategic policy, combined with the continuing importance of the United States as a security and economic partner, it is as important now as it has ever been for the government to have an institution outside government that conducts research addressing these and other issues, drawing on its independent expertise, sources of information, and networks of contacts. An independent and authoritative source of analysis will enable government to triangulate the analysis it receives from its own sources – DFAT and ONA, for instance.



50. VR further concluded that “Commonwealth funding represents vital financial ballast for the Centre [USSC]”.

51. Parkinson and Gyngell (PG) made a similar conclusion in 2020, stating that

The two Centres [USSC and Perth] are performing well and have developed into national assets worthy of further nurturing, especially in this rapidly changing and contested geostrategic environment.

52. Further, PG said they

strongly recommend that the Australian Government provide sufficient resources to the AAA to allow the Centres to continue operating over the four-year forward estimates period and, preferably, beyond.

53. These types of rigorous and regular tests of the value proposition to government of their support for think-tanks should be standard operating procedure.

Investing in foreign policy capacity

54. USSC takes full advantage of its location at the University of Sydney with respect to recruiting and mentoring talent.

55. A small number of promising undergraduates and post-graduates – some of the finest emerging Australian talent in foreign affairs – join the Centre as interns or entry-level researchers, often then going on for further study and careers in Australian government departments and agencies.

56. This has also provided the Centre with a modest but important opportunity to bring more young women into the Australian strategic affairs community and the think-tank research community more broadly.

57. Recent examples of the think-tank to higher-degree pathway involve USSC alumni studying at Johns Hopkins SAIS in Washington DC, the London School of Economics and an offer for one of our alumni to pursue a PhD at Princeton University (currently under consideration).

58. Recent transitions from the Centre to the APS include ONI (where a former USSC Fellow has a senior leadership role), numerous placements with PM&C and another agency.

59. Careers in the US strategic affairs community frequently involve exchanges between government service and spells at think-tanks.



60. I concede that rotations in and out of government service in the United States are largely a product of the preponderance of political appointments in the US government.
61. Nonetheless, these transitions between the government and the think-tank community are a tremendous source of vitality in the American strategic affairs community, all but guaranteeing the policy relevance of think-tank outputs, policy contestability and a high tempo of policy development.
62. For a small strategic affairs community like Australia's, these exchanges and the intellectual cross-fertilisation they produce would be a tremendous fillip.
63. USSC and the Perth US Asia Centre are taking some of their first steps towards APS and ADF secondments and hosting members of the APS making career transitions.
64. Institutionalising these exchanges – with the right mix of “buy-in” and signals of support from APS leaders – will be crucial to their success, for a public service unfamiliar with this model of career progression.
65. Australia also needs to give consideration to the mix of talents we deem desirable in foreign affairs, defence and related fields. Strategic affairs communities the world over – but perhaps especially Australia – suffer from a lack of diversity, on a number of dimensions. Gender is perhaps the most glaring imbalance.
66. But of increasing concern is the relative dearth of younger scholars, researchers and analysts that might be euphemistically termed “double” or even “triple threats”: e.g., the combination of (the frequently seen) international relations/politics/history/area studies undergraduate degree, plus a key foreign language, and/or a technical proficiency (e.g., data science, engineering, chemistry), or some combination or ordering thereof.
67. It is unusual to find students with this mix of talents and skills. But as Australia's strategic challenges become increasingly about strategic investments in critical materials, future technologies, cyber-security, defending and deterring against economic coercion, operating in the grey zone, health security and climate change, all with an Indo-Pacific focus, the demands for intellectually dexterous policy analysts and researchers will only continue to grow.
68. Australia should invest in producing more of these types of scholars, researchers or analysts.



69. One pathway is to offering scholarships to promising early career APS/ADF personnel for the year or two or three years of additional study required to acquire a 2nd degree or PhD; e.g., the US Army and Navy makes this kind of professional development available to a small number of promising mid-career officers, some of whom I taught at Stanford.
70. Another pathway might lie in either the Australian government &/or institutions in civil society creating scholarships for a small number of promising undergraduates, funding an additional year or two of study on top of an undergraduate degree to pick up that second and/or third competency, helping them become a more “mission ready” for mid-21st century careers in foreign policy and strategic affairs than would conventionally be the case.