

**In Brief:** In late 2014, the U.S. Department of Defense launched a defense initiative, often called the “Third Offset Strategy,” to ensure that Washington maintains technological superiority and “military dominance for the 21<sup>st</sup> century.” If the Europeans are not to be also offset by the U.S. military’s next leap forward, they will have to be engaged in this process. However, the initiative and its concrete implications remain unclear to most European partners, and even if they did understand the U.S. vision better, the lack of strategic discussions at the European level prevents Europe from developing its own coherent, complementary vision. Budget, short-term security priorities and political constraints limit the European ability to design strategic ambitions for the long term. Though the United States and its European allies do not share the same strategic starting point for a constructive dialogue around the Third Offset, they must try. Failure to do so poses clear risks for defense interoperability, deterrence policy, and, eventually, for the transatlantic security partnership as a whole.

## The Impossible Transatlantic Discussion on the U.S. Third Offset Strategy\*

by Martin Quencez

Launched in November 2014, the U.S. Department of Defense (DoD)’s “Defense Innovation Initiative,” also called “Third Offset Strategy,” is meant to address the erosion of U.S. technological superiority and to “identify and invest in innovative ways to sustain and advance U.S. military dominance for the 21st century.”<sup>1</sup> The Third Offset Strategy, under the control of Deputy Secretary of Defense Robert Work, has since then been portrayed as an ambitious long-term program, aiming to increase “the competitive advantage of our American forces and our allies over the coming decades.”<sup>2</sup> The commitment of the Pentagon to this initiative has been stressed numerous times, and the 2017 defense budget request officially included \$3.6 billion for the Third Offset, and \$18 billion until 2021.<sup>3</sup>

1 U.S. Secretary of Defense, “Memorandum,” November 15, 2014, <http://www.defense.gov/Portals/1/Documents/pubs/OSD013411-14.pdf>

2 Robert Work, “The Third U.S. Offset Strategy and its Implications for Partners and Allies,” speech delivered at the Willard Hotel, Washington, D.C., January 28, 2015, <http://www.defense.gov/News/Speeches/Speech-View/Article/606641/the-third-us-offset-strategy-and-its-implications-for-partners-and-allies>

3 Aaron Mehta, “Defense department budget: \$18B over FYDP for Third Offset,” *Defense News*, February 9, 2016, <http://www.defensenews.com/story/defense/policy-budget/budget/2016/02/09/third-offset-fy17-budget-pentagon-budget/80072048/>

\*The arguments presented in this policy paper are partly based on the content of the discussions of the GMF *Innovation and Technology* workshop, which took place in Paris in June 2016. The author thanks the participants for their input and suggestions.

Despite the hype and explicit ambition of the project, the United States' transatlantic partners have been particularly cautious in assessing its potential implications for defense cooperation and the defense industry. On one hand, the true nature and scope of the Third Offset Strategy remain hard to define, and it does not seem to be a real game-changer. On the other hand, even if Europeans are uncertain where the Third Offset will lead, the potential risks for interoperability and operational cooperation are very clear. Indeed, by offsetting its adversaries, how could the United States not further offset its closest allies? The question is not a new one, and solutions have been debated at the NATO level for years.<sup>4</sup> However, recent joint operations, such as in Afghanistan or during the 2011 intervention in Libya,<sup>5</sup> have put a new emphasis on this issue. If not addressed efficiently, the current defense technological and expenditure gap poses increasing challenges for the transatlantic security partnership, and the Third Offset Strategy could aggravate the situation.

The current defense technological and expenditure gap poses increasing challenges for the transatlantic security partnership, and the Third Offset Strategy could aggravate the situation.

There are a number of hurdles preventing a constructive transatlantic dialogue on the Third Offset Strategy from emerging. Washington could help Europeans participate in the conversation by offering a much

4 David S. Yost, "The NATO capabilities gap and the European Union," *Survival*, vol. 42, no. 4, Winter 2000-01, pp. 97-128, [http://calhoun.nps.edu/bitstream/handle/10945/38796/inc\\_yost\\_nato\\_capabilities\\_2001.pdf?sequence=1](http://calhoun.nps.edu/bitstream/handle/10945/38796/inc_yost_nato_capabilities_2001.pdf?sequence=1)

5 Olivier Schmitt, "A war worth fighting? The Libyan intervention in retrospect," *International Politics Reviews*, vol. 3, issue 1, May 2015, pp. 10-18, <https://olivierschmitt.files.wordpress.com/2015/04/a-war-worth-fighting.pdf>

clearer definition of the initiative from the U.S. side, and by including allies and cooperation in the picture. For their part, European powers would also need to design a united strategic vision on long-term industrial and technological issues if they want to be part of rethinking security.

### An Ambitious Initiative to Sustain U.S. Military Dominance

The development of the Third Offset Strategy stems from a forthright analysis of the current security environment: the United States is progressively losing its military comparative advantage as rivals gain access to similar technologies and capabilities. The term "third offset" already signals the gravity of this assessment, as it draws a parallel with the first two "offset strategies" of the U.S. DoD. The first offset, in the early 1950s, was intended to offset the Soviets' quantitative superiority by relying on the nuclear arsenal, where the United States had a decisive advantage at the time. Eisenhower's "New Look Strategy" was meant to reinforce U.S. deterrence against an enemy greater in number while investing in technology and innovation. Two decades later, the USSR's nuclear capacities had cancelled out the U.S. advantage, and a second offset strategy was necessary to make up for the shortfalls in conventional forces. This second initiative enabled the United States to dramatically improve the effectiveness and accuracy of its weapon systems using new technologies and to regain its military edge at the global level. Nowadays, advanced guided missiles are no longer the privilege of the U.S. military, and the technological gap with potential adversaries is reducing. The Third Offset is therefore the consequence of a new strategic necessity: dealing with a world of ubiquitous precision munitions. Just as in the 1950s and 1970s, what is at stake is the global dominance of the U.S. military.

This dominance is not threatened in the short- or even mid-term future, but developments in the military realm can be of concern for the evolution of the balance of power in the 21<sup>st</sup> century. From the

U.S. perspective, the most challenging phenomenon concerns the dramatic improvement in China's defense capabilities. Chinese military spending, reaching about \$146 billion in 2016, has experienced double-digit growth for several years during the last decade. The rapid modernization of its military and the use of new technologies in space and cybersecurity have enabled China to challenge the credibility of U.S. deterrence. One of the key drivers of the Third Offset Strategy has been the development of Chinese anti-access/area-denial capabilities (A2/AD). The growing tensions in maritime warfare, a domain where the United States has enjoyed undisputed superiority, further explain the focus on China.

Yet, the ambition of this initiative cannot be limited to the deterrence of China's growing military power. According to Robert Work, the United States faces "multiple potential competitors, from small regional states like North Korea and Iran, to large advanced states like Russia and China, to non-state adversaries and actors with advanced capabilities."<sup>6</sup> The Third Offset Strategy is ultimately about U.S. deterrence worldwide, with the explicit intention to deal with the challenges posed by a great variety of actors, and not only the competition imposed by another state power.

In order to maintain, or even increase, its advantages over adversaries of different natures, the offset strategy will need to address asymmetry. Transatlantic actors — and the United States in particular — already hold clear technological superiority over most enemies, leading to a greater efficiency of military actions and general asymmetry in armed conflicts. Transatlantic partners, however, must resort to expensive ways to defeat low-cost, asymmetric threats. High-priced missiles are launched to destroy pick-up trucks, while simple improvised explosive devices (IED) cause damage to the most modern armed forces. Investing in new technologies and capabilities therefore has to enable transatlantic powers to transform this equation

The Third Offset Strategy is ultimately about U.S. deterrence worldwide, with the explicit intention to deal with the challenges posed by a great variety of actors.

and regain the control of the costs. The Third Offset Strategy will reinforce U.S. deterrence if it significantly increases the cost of threatening the asset of the United States, and provides measures that are more sustainable than the counter-measure of the enemy.

The double objective of potency and sustainability will rely on a strong investment in new technologies and innovation, and on improving existing capabilities. The response to the global spread of guided weapon technology lies in part in "the new era of human-machine collaboration and combat teaming."<sup>7</sup> The expected *revolution* stems from the technological progress in artificial intelligence and autonomy, and their implications for the robotization of warfare. New cybersecurity technologies and the growing militarization of space are also part of the U.S. defense investments. In parallel, improving the efficiency of existing capabilities, especially in the domain of drones and guided missiles, constitute another aspect of the defense innovation initiative. These complementary developments all should increase the speed of reaction of the U.S. military, and to create surprises for the enemy.

These investments are thought to have two positive implications for the transatlantic security partnership. Firstly, U.S. innovation could eventually benefit its closest allies, either directly through transfer of

<sup>6</sup> Robert Work, "The Third U.S. Offset Strategy and its Implications for Partners and Allies"

<sup>7</sup> Mark Pomerleau, "DoD's Third Offset Strategy: what man and machine can do together," *Defense Systems*, May 4, 2016 <https://defensesystems.com/articles/2016/05/04/dod-work-on-third-offset-strategy.aspx>

technologies, or indirectly as the credibility of the United States as a security provider in North America and Europe improves. Secondly, the Third Offset Strategy could force transatlantic partners to develop a constructive dialogue on the way to engage with China and Russia at the strategic level. European powers, witnessing the ambitious investment of the U.S. DoD, will have to define their positions and objectives. However, important hurdles are still on the way to a real transatlantic dialogue. Uncertainties and fragmentation, both between the transatlantic powers and among European states themselves, hinder the prospects for cooperation.

### Clarifying the Scope of Action and U.S. Expectations Toward its Allies

The U.S. leadership has regularly explained the rationale behind the Third Offset and its general objectives since its launch in November 2014, but in Europe there is still much uncertainty. The implementation process of the Third Offset as well as its concrete implications for U.S. defense policymaking and for the transatlantic security partnership remain unclear. Europeans are uncertain about the strategy itself and where or whether it defines its own limits or sets identifiable goals. There are also some doubts about whether the initiative is truly revolutionary or just an acceleration of existing trends rather than a game-changer for the defense industry. Finally the United States' expectations toward its allies, and notably toward Europe, have not been made transparent.

The scope of the Third Offset Strategy lacks clarity due to the diversity of its strategic objectives. By appearing as an attempt to solve too many different issues, and embracing too many new developments in warfare, the initiative may have become confusing for transatlantic partners. In 2015, Robert Work mentioned that the United States was pursuing “offset strategies” rather than one offset strategy:<sup>8</sup> the difficulty to grasp the one

defining transformative characteristic of the strategy remains. Better communication, and a more restrained definition of the goals, are necessary. The United States is facing a great number of state and non-state sponsored threats, and needs to design solutions for each challenge, but the Third Offset Strategy should only focus on one singular objective: fighting and winning on future battlefields where precision munitions are ubiquitous. This definition is still very ambitious, with significant implications in terms of deterrence and power-projection, but it provides a good understanding of the finality of this initiative.

There are also some doubts about whether the initiative is truly revolutionary or just an acceleration of existing trends rather than a game-changer for the defense industry.

Although relying on a strong innovative effort to anticipate and solve future problems, it also is intended to deepen and enhance existing technologies — but it does not seem to introduce a revolutionary shift. The Third Offset therefore appears to be an acceleration and improvement of current trends as much as a transformation of the terms of warfare.<sup>9</sup> The use of game-changing technologies, already listed in Secretary of Defense Chuck Hagel’s 2014 speech — including notably robotics, miniaturized and autonomous systems, and 3-D printing<sup>10</sup> — are put together with upgrades of current weapons and quantitative

9 “One reason for this murkiness is that the Third Offset is not just a quest for next-generation technologies, but also a re-evaluation of existing programs with an eye toward how they can be dramatically improved at relatively low cost.” Mackenzie Eaglen, “What is the Third Offset Strategy,” *RealClearDefense*, February 16, 2016, [http://www.realcleardefense.com/articles/2016/02/16/what\\_is\\_the\\_third\\_offset\\_strategy\\_109034.html](http://www.realcleardefense.com/articles/2016/02/16/what_is_the_third_offset_strategy_109034.html)

10 Sydney Freedberg Jr., “Hagel lists key technologies for U.S. military; launches ‘offset strategy,’” *Breaking Defense*, November 16, 2014, <http://breakingdefense.com/2014/11/hagel-launches-offset-strategy-lists-key-technologies/>

8 Robert Work, “The Third U.S. Offset Strategy and its Implications for Partners and Allies”

increases of precision munitions. In many ways, the solutions that are proposed are not new. For instance, the question of the interaction between the military and commercial manufacturing has been heightened by the development of the Third Offset Strategy, but it has not led in any ground-breaking way to integrating civilian innovation to the defense industry. Cultural differences, and bureaucratic inertia continue to hinder the collaboration with Silicon Valley, despite obvious common interests.

Finally, the Third Offset does not provide clear guidance on U.S. expectations toward its transatlantic allies and partners. The risk of broadening the current capability gap with the Alliance is well known on both sides of the Atlantic, and the potential implications in terms of interoperability cannot be overlooked. Yet, while the Europeans cannot ask the United States to stop investing in new technologies, the United States cannot expect Europeans to pay more in order to follow the pace of its innovation. This paradox can only lead to a two-tier partnership, and eventually the end of operational cooperation between the U.S. and European militaries. The DoD should therefore identify a framework to discuss technology transfers and proliferation regulation as part of the Third Offset Strategy, as well as clearly communicate its expectations for a transatlantic technological or organizational dialogue in the coming years.

### Conflicting Starting Points for a Strategic Dialogue

A transatlantic discussion on the implications of the Third Offset Strategy would require a common understanding of the security environment and on the way innovation and technologies can help resolve long-term challenges. Unfortunately, the state of the strategic debate in the United States, on which the rationale of the Third Offset has been built, differs greatly from the European one. Three main discrepancies, affecting both the transatlantic relationship and intra-European relations, currently prevent a constructive dialogue from emerging.

While transatlantic partners face a multitude of security challenges, the perception gap has dramatically widened in recent years. From the European perspective, the Ukrainian conflict, the refugee crisis, and the spread of Islamic terrorism have put all other issues on the backburner. European political leadership is under immense pressure to find the adequate responses to these challenges, which directly affect the lives of their citizens, and the investment in long-term threats has been consequently more limited. The Third Offset Strategy, stemming primarily from a strategic reflection to the rise of Chinese military power, simply does not fit with the European perceptions of threat. For European powers, the role of China in world affairs is essentially approached from an economic perspective, and commercial interests overshadow most defense or strategic considerations.

The state of the strategic debate in the United States, on which the rationale of the Third Offset has been built, differs greatly from the European one.

Political and budget constraints also hinder the European ability to engage in strategic thinking on long-term issues. Traditionally, the role of European states and of the EU at the global level has not been defined assertively. Indeed, European political cultures — with some notable exceptions such as France and the United Kingdom — often favor a modest and nuanced approach to security issues outside European neighborhoods. The European Union Global Strategy (EUGS) provided a more ambitious framework to influence global developments and play an active part in the defense of the international order, but this is only the very first step of a long evolution of European strategic mindsets, and it is still difficult to discuss the idea of power projection in many European capitals.

The limited resources of the defense and foreign affairs ministries also limit the capacity to think beyond the most urgent matters. From an operational point of view, innovation in the defense industry has to support the military efforts in the short term, and provide answers to current issues. European countries can hardly afford to invest time and money in finding the solutions to long-term challenges. The budgetary context allowing the United States to launch the Third Offset Strategy is, for most European powers, simply unrealistic.

Finally, transatlantic partners need to define a clear platform of discussion to address the question of defense innovation. NATO ACT appears to be a natural forum to develop a coordinated transatlantic strategy and better understand the implications of the Third Offset. However, the EU, investing money both in civilian research with the Commission and in defense innovation through the European Defense Agency (EDA) can also provide a framework to design common priorities and objectives. The difficulty in defining the right platform of discussion is increased by the different political cultures in transatlantic bureaucracies and ministries. Institutions have distinct understandings of the relationship between defense and civilian innovations, as well as the role of the state in supporting the development of new technologies. Competition between organizations and institutions has not yet been overcome, and the Brexit vote may further complicate the possibility of reaching an agreement on the right model for transatlantic cooperation.

The difficulty in defining the right platform of discussion is increased by the different political cultures in transatlantic bureaucracies and ministries.

## Conclusion

It will be difficult to have a constructive dialogue on the Third Offset Strategy. At this stage, the U.S. initiative and its concrete implications remain unclear to most European partners, and even if they did understand the U.S. vision clearly, the lack of strategic discussions at the European level on industrial and technological issues prevents Europe from developing its own coherent, complementary vision. Budgetary issues, short-term security priorities, and political constraints limit the European ability to design strategic ambitions for the long term.

Despite the challenges, the transatlantic partners cannot stop trying. Failure to cooperate poses clear risks for defense interoperability, deterrence policy, and, eventually, for the transatlantic security partnership as a whole. These risks will persist regardless of the political evolutions. The U.S. elections will not change the fundamental security challenges that are faced by the United States and underpin the Third Offset Strategy. The name of the initiative may change, but the core will remain relevant in the coming years. In Europe, the vote for Brexit in June 2016 has rendered any European unity on industrial and technological priorities more complicated, but no less necessary. The EUGS, published in the summer 2016, highlights that “a sustainable, innovative, and competitive European defense industry is essential for Europe’s strategic autonomy,”<sup>11</sup> and for its credibility.

It is time to increase the awareness of all transatlantic partners that the U.S. Third Offset Strategy is an opportunity to rethink their approach to 21st century security challenges. The first step would be for Europeans to discuss it — without the United States being involved — and have a clearer sense of their priorities and the means for innovation and new technologies in their defense industry. The U.S. elections, which have marked a pause in the development of the Third Offset

11 “Share vision, common action: stronger Europe — A global strategy for the European Union’s foreign and security policy,” European External Action Service, June 2016, p. 46. [https://eeas.europa.eu/top\\_stories/pdf/eugs\\_review\\_web.pdf](https://eeas.europa.eu/top_stories/pdf/eugs_review_web.pdf)

Strategy, gives Europeans a chance to improve their coordination before the new U.S. administration takes office. A constructive dialogue at the transatlantic level will only be possible if European partners have already started to think strategically about the challenge the Third Offset must address: the long-term implications of the ubiquity of guided weapons.

The views expressed in GMF publications and commentary are the views of the author alone.

#### **About the Author**

Martin Quencez currently serves as program officer and fellow at GMF's Paris Office. He holds a bachelor's from the French Institute of Political Studies, and a master's from the Paris School of International Affairs, Sciences Po.

#### **About the Foreign and Security Policy Program**

The Foreign and Security Program (FSP) at GMF comprises a stream of activities furthering objective analysis and debate on geopolitical questions of transatlantic concern. The program spans regional and functional issues, from NATO affairs to energy security, including challenges and opportunities in Europe's East, the strategic environment in the Mediterranean, and the role of Turkey as a transatlantic partner. .

#### **About GMF**

The German Marshall Fund of the United States (GMF) strengthens transatlantic cooperation on regional, national, and global challenges and opportunities in the spirit of the Marshall Plan. GMF contributes research and analysis and convenes leaders on transatlantic issues relevant to policy-makers. GMF offers rising leaders opportunities to develop their skills and networks through transatlantic exchange, and supports civil society in the Balkans and Black Sea regions by fostering democratic initiatives, rule of law, and regional cooperation. Founded in 1972 as a non-partisan, non-profit organization through a gift from Germany as a permanent memorial to Marshall Plan assistance, GMF maintains a strong presence on both sides of the Atlantic. In addition to its headquarters in Washington, DC, GMF has offices in Berlin, Paris, Brussels, Belgrade, Ankara, Bucharest, and Warsaw. GMF also has smaller representations in Bratislava, Turin, and Stockholm.

1744 R Street NW  
Washington, DC 20009  
T 1 202 683 2650 | F 1 202 265 1662 | E [info@gmfus.org](mailto:info@gmfus.org)