On 3 September 2014, then US Secretary for Defense, Chuck Hagel, delivered a keynote speech on innovation to the South-Eastern New England Defense Industry Alliance in Newport, Rhode Island. It was arguably the most important address of his tenure. During his speech, Secretary Hagel announced the launch of a Defense Innovation Initiative (DII), the catalyst within the Department of Defense (DoD) for a major change in strategic direction. It was the birth of the 3rd Offset Strategy.

In military terminology, an offset strategy is one that seeks to change an unattractive competitive situation to one that is more advantageous to the implementer. In US military parlance, the 1st Offset Strategy occurred in the 1950s when President Eisenhower used nuclear superiority to avoid the huge cost of maintaining sufficient conventional forces to deter the Warsaw Pact countries. The 2nd Offset Strategy was used from 1975 until the collapse of the Soviet Union in 1989, and leveraged technical superiority to counterbalance the superior numbers of conventional forces in non-allied countries. The research programs that were part of the 2nd Offset Strategy resulted in improved AEW&C aircraft, precision-guided munitions, stealth aircraft, and space-based communications and navigation capabilities. These systems and weapons proved to be war-winning capabilities in the 1991 Gulf War.

In his speech, Secretary Hagel acknowledged that the US is facing a period of fiscal uncertainty of unknown duration. This, he observed, is occurring concurrently with long-term, comprehensive modernisation programs being pursued by China and Russia and the proliferation by numerous actors, of destructive technologies and weapons many of which were previously only available to advanced nations. He challenged the DoD, US industry and academic institutions to identify innovations to sustain the military advantage the US had enjoyed after the Cold War and into the 21st century. The 3rd Offset was the initiation of a long-term competitive strategy; in essence, a peacetime competition between rival defence establishments that aimed to generate a sustained strategic advantage for the US and her allies. This strategy is about finding the right combination of technology and operational constructs to achieve decision-advantage in warfighting, and in doing so, bolster conventional deterrence.

While not solely concerned with technological advantages, offset strategies historically tend to have a powerful technological component, as is evident in the two prior offset strategies employed by the US. The 3rd Offset Strategy appears to have settled on six areas of technological innovation: counter anti-access / area denial technologies; advances in and repurposing of guided munitions; undersea warfare;
development of cyberspace and electronic-warfare capabilities; advanced human-machine teaming where soldiers work with unmanned platforms; and wargaming and testing of 3rd Offset operational concepts. The program’s aim is to identify and employ advanced game-changing technologies, then integrate these with re-purposed conventional weapon systems. A high-low technology mix will provide the US with a ‘capability overmatch’ against its adversaries.

The 3rd Offset agenda continues to be pursued by the current Secretary of Defense, Ash Carter. In its 2017 budget, the Pentagon has allocated funds for research and development of 3rd Offset technologies and operational concepts over the coming five years. Much of this money is assigned to Air Force and Navy programs, with the greatest allocation to counter anti-access / area denial technologies.

As an element of the 3rd Offset program, the DoD’s acquisition processes were reviewed with the aim of improving their productivity, efficiency and effectiveness. This has reinvigorated the Better Buying Power initiative which contains 34 steps to delivering greater affordability including the implementation of industry incentives, increased competition, reducing bureaucracy, improving the acquisition of contracted services and greater professionalism. The aim of the initiative is to seek efficiencies in technology acquisition ‘reducing cycle time for production development,’ and removing ‘barriers to greater use of commercial and international sources of technology.’ This has already contributed to reduced delays in the Joint Requirements Oversight Council process. Project requirement approval times over the last financial year have been reduced from nine months to six, with the realistic expectation that they will be further reduced to three months. This aspect of the 3rd Offset program parallels the RAAF’s Plan JERICHO which aims to ‘transform our relationship with industry to ensure we procure and innovate in alignment with the breathtaking speed at which technological change is occurring in the information age’.

Of particular interest to the ADF are the repeated calls from Secretaries Hagel and Carter for the involvement of allies. The calls have suggested that the ‘US can no longer do it alone’. Themes of allied collaboration in the development of operating concepts, mission-specific technologies and investments in future capabilities are common in public announcements by Deputy Secretary of Defense Robert O. Work. He leaves little doubt as to his willingness to share the investment burden, encouraging allies to ‘push the boundaries of innovation’ and collaboration.

Given the DoD’s commitment to its Asian rebalance and the focus on countering the emergent capabilities of the People’s Liberation Army, the ADF is well placed to exploit the US Government’s willingness to collaborate. The current recapitalisation programs being implemented by the RAAF will see it mature over the next decade into the first truly 5th generation–capable Air Force in the world. The employment of modern air power force elements, combined with US interest in ADF participation in sensitive and critical areas of capability development, gives the RAAF (and other Australian Defence agencies) considerable currency for participation in 3rd Offset initiatives.

Many of the themes of the US 3rd Offset lexicon are being echoed in the Australian First Principles Review. Calls for a strategy-driven, integrated force supported by a streamlined acquisition process are evident in both programs. This presents an alignment of ADF and US DoD interests evident in the Plan JERICHO Program of Work, science and technology research priorities, areas of operational analysis and wargaming, and joint force design and the development of operating concepts.

Collaborative opportunities exist across a broad range of programs within the US defence enterprise providing genuine opportunity for the ADF to enhance the effectiveness of its future force and maintain high levels of interoperability with its principle ally. The RAAF (and ADF) should seek to exploit these opportunities while being a proactive partner in the DoD’s efforts to define the next offset strategy.

Key points
• The DoD’s 3rd Offset Strategy is actively encouraging the participation of allies.
• The RAAF has considerable currency for involvement in the development of future technologies and operating concepts under this initiative.
• Exploiting these opportunities is consistent with RAAF’s priority to realise a networked, integrated 5th-generation force.