

**Statement before the U.S. House of Representatives
Committee on Armed Services**

Subcommittee on Seapower and Projection Forces

***“THE ROLE OF MARITIME AND AIR
POWER IN DOD’S THIRD OFFSET
STRATEGY”***

A Statement by

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Chairman Forbes, Ranking Member McIntyre, thank you for the opportunity to testify today on the Department of Defense's offset strategy and its implications for the role of maritime and air power. It is an honor to appear as a witness before this committee, my former professional home, and a place where the critical national security questions of our time have, and I believe always will, get the thorough review they require.

The topic of today's hearing is an important one. The Department of Defense's recently announced Defense Innovation Initiative, which is tasked to develop and support a new offset strategy, is in my view a serious effort to achieve an important strategic objective. That objective is to leverage innovation, both operational and technological, to extend the Department's military advantage over potential adversaries even as those adversaries engage in carefully planned, aggressive, and increasingly successful efforts to erode that advantage. It is my view that at the most essential level, innovation is the key to the next US offset strategy. The 2012 Defense Strategic Guidance (DSG) makes this point clear, but the question of whether the US has a concrete plan to realize this objective has persisted since its release. This is the task that I believe the new Defense Innovation Initiative must tackle and the task that the Congress must ensure the Department is resourced and organized to pursue. I'll first propose how I recommend the Congress think about and assess the offset strategy, then discuss some possible approaches to such a strategy and their implications for maritime and air power, and finally I'll lay out some potential challenges that stand in the way of the next offset strategy and how Congress can help address them.

Lessons of Previous Offset Strategies

As was recently noted by Department of Defense officials when announcing the Defense Innovation Initiative, two previous offset strategies were pursued by the United States in the post-World War II era. First, President Eisenhower sought to offset the Warsaw Pact's significant numerical advantage in conventional forces in the 1950s by investing in a substantial nuclear arsenal. Later, as it became increasingly clear that the US nuclear advantage had eroded and that the nuclear arsenal did not provide the United States with the strategic flexibility required to confront the full range of security challenges posed by the Cold War, the United States adopted another offset strategy by investing in capabilities for communications, stealth, and precision guidance that yielded the technological edge that US forces have enjoyed until the present day.

A number of key lessons from the last offset strategy are highly relevant today. One overarching lesson was the need to link the offset strategy with the larger whole of government national security strategy. The successful offset strategy of the 1970s was designed to enable the larger shift in the US strategy toward more flexible response options to address Soviet aggression. The purpose of that offset strategy was to give the Commander-in-Chief conventional options for countering the Soviet ability to mass conventional forces at the high-end of conflict and to address Soviet aggression in proxy battles at the low-end. A second key lesson is how the maximization of US forces' qualitative advantage through communications, stealth, and precision guidance leveraged existing US assets. It did not require a wholesale replacement of US equipment, and capitalized on ongoing developments in commercial technology. It enabled new operational concepts, such as AirLand Battle, by spreading innovative capabilities such as precision guided munitions throughout the force, and was less about radical new weapon designs or revolutionary new platforms with the notable exception of stealth. Third, the adoption of the new offset strategy did not immediately render the nuclear

arsenal, the cornerstone of the previous offset strategy, obsolete. The US continued to maintain and enhance its nuclear arsenal although the increasing accuracy of conventional weapons eventually allowed for significant decreases in the size of the nuclear arsenal.

These lessons are directly applicable to the next offset strategy and point to several ways that Congress should assess the Defense Innovation Initiative. It is critical that the use of innovation as an offset strategy is integrated within a broader national strategy. Only in a broad strategic context can it be determined which capabilities, and therefore which innovative concepts and technologies, merit enhanced investment. The 2012 DSG, the 2014 Quadrennial Defense Review, and ultimately the National Security Strategy must provide this strategic context. These documents specify a remarkably wide range of missions US forces will need to be able to perform in the future and cite the need for new capabilities in the critical domains of cyber and space. To address this diverse mission set, the next offset strategy will have to focus on capabilities with a broad array of applications. As such it is my view that the next offset strategy should consist of a set of targeted capabilities enabling new operational concepts and paired with a technology investment roadmap. The next offset strategy should not focus on platform specific investments. To be effective, the next offset strategy needs to guide investments by the Department of Defense as well as those of industry, so that the Department's investments are fully leveraged. Communication with industry therefore, including to the maximum extent possible non-traditional suppliers, will be a key enabler as will be the ability to harvest commercial technologies. The capabilities targeted in the next offset strategy must be applicable to the broadest range of threats from the high-end to the low-end of conflict. In addition, the strategy must be flexible enough to allow adjustments based on unexpected or unforeseen adversary capabilities. Lastly, the development of a new offset strategy should not imply that existing capabilities and concepts are necessarily obsolete. There will inevitably be

necessary trade-offs between developing new capabilities and operational concepts and maintaining existing ones. However, we must take care not to throw the baby out with the bathwater.

The Next Offset Strategy

I do not claim to be able to lay out a fully developed offset strategy for you today that meets all the requirements I've described so far. Developing such an approach will take time and will entail a much broader discussion with the Department of Defense, the national security community, and industry. The wargaming and experimentation that the Department of Defense has indicated will be part of the Defense Innovation Initiative is a critical element in this effort. However, my expectation is that the next offset strategy will resemble the prior offset strategy more than that strategy resembled its predecessor. While the challenges of the next few decades are unlikely to be similar to those posed by the massed forces of the Warsaw Pact, many of the capabilities developed as part of the last offset strategy are likely to be highly relevant when addressing future challenges. I believe that future adversaries are likely to pursue cost-imposing strategies that seek to raise the economic and military stakes for US military action to levels they believe will be unacceptable to the American public. The US must pursue capabilities that enable effective responses at acceptable costs.

I'll illustrate a few potential approaches to the problem for the Committee to consider. A key element in the current US technological advantage comes from battlespace awareness, a detailed knowledge of the locations of friend and foe on the battlefield. Further advancing the gains in battlespace awareness achieved in the last three decades will be a critical enabler in both high-end conflicts involving advanced anti-access area denial threats and in low-end conflicts involving less technologically sophisticated, but no less deadly, threats to US forces. Given the rapid pace of development in areas such as data mining, sensor fusion, and image processing,

significant advances in battlespace awareness are likely to become available in coming years. Such advances can significantly enable the ability of US forces to plan and execute successful missions against the full range of potential adversaries.

Today the need to task, process, exploit, and disseminate vast quantities of data generated by a wide range of battlefield sensors is a significant driver of both cost and personnel, and is a major limiting factor to increased battlespace awareness. Technological advances that automate data processing while leveraging the unique capabilities of the human brain can pay large dividends in capacity and ultimately capability. Likewise, the ability to transmit growing volumes of data across a networked force by efficiently utilizing, and where necessary increasing, bandwidth will be vitally important. Teaming of manned and unmanned assets has the potential to significantly extend the capability of existing high value manned platforms at reduced cost and risk. Finally, the ability of US forces to act cooperatively with partner forces can provide access to additional sensors and information that enhance our battlespace awareness while significantly complicating potential adversaries' ability to impose costs on the United States.

Equally important to extending US capabilities for battlespace awareness will be denying adversaries' battlespace awareness. Stealth and electronic warfare have been and will remain significant contributors in this area even as cyber takes on an increasingly important role. Advances in both hardware and software should enable significantly increased sophistication in our ability to degrade adversaries' battlespace awareness. While by no means exhaustive, this list gives some indication of areas where investments in innovation and new operational concepts, leveraging the rapid pace of developments in commercial technology, are likely to pay significant dividends.

Application to the Role of Maritime and Air Power

The capabilities described above readily lend themselves to application in the realm of maritime and air power. Capabilities such as the Airborne Warning and Control System (AWACS) and the Combined Engagement Capability (CEC) were pioneered by the Air Force and Navy respectively and were designed to provide exactly the kind of networked battlespace awareness that is likely to be key to both sides in future conflicts. The United States Marine Corps Distributed Operations concept applied a related conceptual approach to the control of terrain in Iraq and Afghanistan while the Army, working with the Joint IED Defeat Organization, developed integrated sensor networks for the protection of US forward operating bases. There is significant opportunity to further extend these networked approaches to missions such as air defense; command, control, communications, and intelligence; precision strike; suppression of enemy air defense; force protection; and a broad range of other ground, maritime and air missions. Perhaps more importantly, there is abundant opportunity to degrade adversaries' ability to utilize these same networked approaches. Such counterforce applications drew little focus from the US when we possessed a virtual monopoly on advanced battlespace awareness. An increased focus on battlespace awareness capabilities only reinforces the importance of the space and cyber domains to maritime and air operations as these domains represent vital links for developing battlespace awareness.

Enabling Innovation

Support for the funding and flexibility needed for the Department to adopt innovative approaches is far and away the most important role Congress can play in the development of the next offset strategy. For those who may hesitate to support such an approach due to doubts about whether an organization as large and bureaucratic as the Department of Defense is capable of the necessary innovation, you must consider the evidence of the past 10 years of war. During this period, the Department has been able to innovate to quickly address threats posed by a range of

determined and adaptive enemies. The Department responded rapidly to well over 500 validated joint urgent operational needs and a much greater number of service specific urgent requirements to prevent loss of life and the potential for mission failure. In so doing, the Department was able to leverage innovation, both in industry and within its own labs and commands, to address a range of serious threats including Improvised Explosive Devices (IEDs) and indirect fires. Through the dedicated effort of thousands of individuals working to rapidly field innovative solutions to Iraq, Afghanistan and other parts of the globe, and with the strong support of Congress for these efforts, thousands of military men and women are alive today. This innovation was accomplished using many of the tools, contracting approaches, and personnel employed in the existing acquisition system but utilized in a highly tailored, expedited way. The essential ingredients that enabled these successes were senior leadership focus, up to and including the Secretary of Defense, a clear and rapid process for validating urgent requirements, and financial flexibility. While the approach to addressing urgent operational needs cannot simply be replicated to produce an offset strategy, I believe the recent demonstrations of the US military's capacity for innovation makes clear that innovation is alive and well if the Department and Congress take the steps necessary to enable it.

Challenges to Innovation

Unfortunately, it is not a foregone conclusion that the Department will be able to retain the capacity for innovation against low-end threats demonstrated in the last 10 years let alone retool that capacity for addressing high-end threats that frequently require longer development efforts to counter. Investments in innovation compete for resources with other priorities with strong constituencies. In an era of declining budgets, it is all too easy to decrement investments in innovation in order to pay readiness bills created by sequestration or to pay bills resulting from the failure to make needed changes in force structure or compensation. The temptation to short

change investment in innovation to finance daily operations is not unlike the trade-off made by those using pay day lenders to borrow against tomorrow's paycheck to cover today's expenses, and it holds great risk for national security over the medium to long term.

This risk is by no means simply theoretical. Recent research by the Center for Strategic and International Studies on defense contract trends documents that contract spending for research and development (R&D) dropped by 21% in fiscal year 2013, the first year of sequestration, significantly more than the overall 10% drop in the defense budget under sequestration and the 16% drop in all contract spending. Although fiscal year 2014 contract data is not yet fully available, initial indications are that the Department experienced another decline in R&D contract spending in the past fiscal year, albeit less dramatic. This data is unsurprising given the known reductions in R&D budget accounts due to sequestration, but it is important confirmation because not all funding in R&D budget accounts pays directly for actual research and development. Furthermore, R&D contracts can sometimes utilize funding from other budget accounts. It is increasingly clear that the threat to innovation in our current budget environment is very real, and it will require senior leadership attention of the sort contemplated in the Defense Innovation Initiative to address. It will also require the active support of Congress to ensure that innovation is enabled and not stifled by dynamics both internal to and external to the Department of Defense, most especially sequestration.

Reducing Barriers to Innovation

A significant opportunity for Congress to facilitate the next offset strategy comes from reducing barriers to the adoption of innovative approaches. Such approaches require relatively open communication with industry and careful tailoring of the acquisition process. Rapid acquisition processes are appropriate where technologies are mature and operational needs compelling, however, many innovative approaches will require longer term acquisition

approaches. Modular open system approaches can be utilized in the vast majority of systems to enable the rapid incorporation of innovative capabilities throughout system lifecycles. Most critically, Congress can support easier access to commercial technologies. Existing statutory requirements such as the Truth in Negotiations Act (TINA) and the Cost Accounting Standards (CAS) were designed to protect the government's interest in acquiring technology from firms that engage in both government and non-government work. In that sense these statutory requirements address issues in the government-industry relationship that are highly relevant today and going forward, however, the implementation mechanisms for these systems date largely from the 1970s and are not well aligned with modern commercial practices. A careful review of TINA and CAS implementation could substantially enhance the Department of Defense's ability to access the cutting of technology.

Importance of Congressional Support

In closing, I commend the Committee's decision to focus on the Department of Defense's next offset strategy at this hearing and recommend that the Committee continue to follow this effort closely. I've tried to suggest how the Committee can assess the Department's progress in developing the next offset strategy and to indicate several areas where congressional action can contribute positively to its development and implementation. Congressional support for change is likely to prove decisive to success.