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Author

FAN, Gaoyue

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A Chinese Perspective on the US Third Offset Strategy and Possible Chinese Responses

FAN Gaoyue

Chinese defense analysts have widely divergent views on the rationale and intentions behind the US Third Offset Strategy. Some characterize it as a trap to induce China and Russia into an arms race or a hoax designed by the United States to cover its weaknesses. Others see it as a competitive strategy to seek technological superiority that will safeguard the security of the United States and its regional allies and partners. This brief presents a Chinese perspective on the strategy and its motivations, and offers some possible Chinese responses as China upgrades its defense technological capabilities.

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CHINESE PERSPECTIVES ON THE US THIRD OFFSET STRATEGY

Since 2014, Chinese think tanks and academic institutions have launched a large number of projects to study the US Third Offset Strategy, and hundreds of papers have been published in Chinese newspapers, magazines, and journals. The perspectives of these researchers can be summarized as follows: 1) the Third Offset Strategy is a trap designed by the United States to drag China and Russia into a military competition favorable to the United States; 2) the Third Offset Strategy is a hoax designed by the United States to cover its weaknesses; or 3) the Third Offset Strategy is a competitive strategy to strengthen US technological superiority and safeguard the security of the United States and its allies and partners.¹

In my view, the Third Offset Strategy most likely reflects current US strategic anxieties, including:

1. the relative decline of US economic strength;
2. rapid transformation of the old world order to a new order;
3. China's ever-increasing confidence; and
4. Russia's resurgence and assertiveness.

To ease these anxieties, the United States put forward the Third Offset Strategy to seek continuing military superiority over China and Russia and try to deter them from challenging US hegemony.

The essence of the Third Offset Strategy is to effectively shift the competition to technological areas where the United States has fundamental long-term advantages to offset its prospective adversaries' anti-access/area denial capabilities. These include:

1. space technology that is fast launching, has good space situation awareness, and has on-orbit servicing capabilities;
2. undersea technology, including unmanned undersea vehicles, detection technologies, and undersea navigation and communication;
3. air dominance and strike technology, including rapid strike and hypersonic aircraft;
4. air and missile defense technology, including multi-target killing and directed energy; and
5. new concept weapon technology, including 3D printing, high-energy lasers, electromagnetic guns, automated unmanned weapon systems, smart weapons, and supersonic weapons.

While the Third Offset Strategy reflects traditional US strategic thinking of putting technology above everything else to seek absolute military superiority, it also demonstrates new developments in US strategic thinking, including new ideas about deterrence (deterrence by denial and punishment), combined operations, and nuclear strategy. A combination of these new developments constitutes a new and compound deterrence strategy to deter China and Russia.

The Third Offset Strategy is an innovation strategy that will expedite the "revolution in military affairs" by developing game-changing technology, building a culture of innovation, and fostering thinking about old problems in new ways to offset the ever-increasing military capabilities of China and Russia.

The Third Offset Strategy will require the United States to leverage its capability advantages in cyber and electronic warfare, unmanned systems and automation, extended-range and low-observable air opera-

tions, undersea warfare, and complex system engineering and integration to construct a balanced, resilient, responsive, and scalable global surveillance and strike network.

DEVELOPMENT OF US DEFENSE TECHNOLOGICAL CAPABILITIES

The Third Offset Strategy will guide US military technology development and the allocation of future defense budgets. Fiscal uncertainties mean that the US military will likely invest more resources in defense technology than in manpower because of ever-increasing personnel costs.

However, the history of human warfare has demonstrated that weaponry is an important, but not decisive, factor of war. If the United States invests more resources in military personnel development (both in military skills and fighting spirit) rather than defense technological development, perhaps less money will be spent and better results will be achieved.

The US Department of Defense (DoD) has adopted a number of measures to support its implementation of the Third Offset Strategy, including:

- creation of "a long-range research and development program" to clarify technological development strategies.
- improvement of the "Better Buying Power" program to establish effective and flexible acquisition systems.
- promotion of national defense education and innovation programs to train innovative leaders.
- creation of new operational concepts.²

The DoD has invested heavily in the development of defense technological capabilities. Generally speaking, information technology has be-

¹ International Military Branch, China Association for Military Science/Department of Foreign Military Studies, *World Military Review*, No. 5 (2015); China International Strategy Association, *International Strategic Studies*, No. 2 (2015).

² New operational concepts include examples such as cross domain operations, cloud cyber operations, undersea operations, and global surveillance and strike.

come a mainstay in weapon and equipment innovation and development. Stealth technology is employed more widely and in multi-frequency spectrums. Heavy investments in unmanned system technologies have led to rapid developments. New concept weapon and platform technologies, including directed-energy, electromagnetic launching, cross-domain and virtual technology, are moving from the theoretical to the practical at an accelerated pace.

Breakthroughs in cutting-edge basic technology are sure to give rise to new developments in military technology, weapons, and equipment. In the near future, new material, energy and manufacturing technologies will be priorities in the development of cutting-edge basic technology.

PROSPECTS FOR THE THIRD OFFSET STRATEGY

Although its previous two offset strategies achieved what the United States had expected, prospects for the success of the Third Offset Strategy seem less certain for a number of reasons.

The era is different. The earlier world order was bipolar, with the West and East competing for world hegemony, and relations between the great powers much more confrontational. Although today's world order seems to be moving toward multipolarity, the United States remains the Number One power. Relations today between the United States and other major powers are more constructive and cooperative and the competition among them is no longer a "life-or-death struggle."

The threats faced by the United States are different. During the Cold War the Soviet Union was the clear threat to the United States. In the twenty-first century, the United States faces multiple ambiguous

and complex threats, including traditional security threats, unconventional threats from some states and nonstate actors, and disruptive threats such as cyber attacks, with China and Russia as potential, rather than stated, adversaries.

The target country is different. The previous US offset strategies were aimed at the Soviet Union, but the Third Offset Strategy is aimed at both China and Russia, who are cooperative partners, or at most potential adversaries, of the United States.

The economic situation is different. From the 1960s through the 1980s the US economy grew at about 4 percent per year, and its share of global GDP was around 34.4 percent. However, the US share of global GDP has slipped to 23.4 percent (\$15.685 trillion in 2014) as its rate of economic growth has slowed. China's GDP has grown to about two-thirds of the United States and Russia's GDP is about one-eighth that of the United States.

S&T levels are different. During the Cold War, the United States and the Soviet Union were at roughly the same S&T level. At present, China significantly lags the United States in S&T in more than 20 of 33 industrial sectors; in core technologies such as commercial aircraft, semiconductor, bio-technology, specialized chemicals, and system software China is behind the United States by 20 to 30 years. Russia is perhaps a little better off than China.

Political objectives are different. During the Cold War the United States and the Soviet Union clashed for world domination. With the end of the Cold War, the United States became the world leader, a position it has held for 25 years. The United States would like to maintain this position. China wishes to real-

ize its two "hundred-year" goals: 1) to build a moderately prosperous society by 2021, when the Chinese Communist Party celebrates its centenary; and 2) to build a modern socialist country that is prosperous, strong, democratic, culturally advanced, and harmonious by 2049, when the People's Republic of China marks its centenary. Russia's political objectives are to develop its economy and restore its great power status.

On balance, the Third Offset Strategy seems to be the same strategy applied to a quite different strategic environment and to different target countries (China, Russia, Iran, North Korea, Syria), which might lead to different outcomes.

The Second Offset Strategy played a role in the collapse of the Soviet Union's economy. China and Russia will have learned from studying the previous US offset strategies and will not "follow the track of the overturned cart." The US military also faces a constrained and uncertain defense budget. According to then Defense Secretary Chuck Hagel, "[t]he continuation of sequestration could impose nearly \$1 trillion in cuts to the defense budget over 10 years in a department that has already begun taking deep cuts over the last few years."³ If sequestration continues, the DoD might not have enough resources to implement the Third Offset Strategy.

The Third Offset Strategy is still important: it may help the US military obtain a larger budget for defense R&D programs and improve defense technological innovation and capabilities. It may also help the United States sustain, and in some areas expand, its technological superiority. It may well deter potential adversaries from challenging the United States; however, prospective adversaries might try to avoid a defense technological competition trap altogether.

3 Cheryl Pellerin, "Hagel Announces New Defense Innovation, Reform Efforts," *DoD News*, November 15, 2014.

POSSIBLE CHINESE RESPONSES

In the face of the pressures posed by the Third Offset Strategy, China may adopt a policy of “you do your things in your way and I do my things in my way”; that is, China will not adopt a tit-for-tat policy to compete with the United States in the development of defense technology but will adopt some asymmetric methods to develop the defense technologies it needs most.

At present China is trying to realize its dream of great national rejuvenation, and its priorities are the two “hundred-year” strategic goals.

China’s national defense budget has stayed at the level of 1.25–1.5 percent of its GDP, compared with 3.5 percent in the United States, 3.32 percent in Russia, and 2.79 percent in South Korea. In the future, China probably will adjust its national defense budget according to the threats and challenges it faces and the development of its economy. China will most likely invest

resources in the development of defense technologies such as aerospace, cyberspace, unmanned systems, and undersea warfare to modernize its national defense and narrow the gap between the US and Chinese militaries.

Senior Colonel (retired) **FAN Gaoyue**, former director and chief specialist at the PLA Academy of Military Science, is now a guest professor at the Collaborative Innovation Center for Security and Development of Western Frontier China, Sichuan University.