

Stockpile Diplomacy: How the Ukraine War is Redrawing Global Defense Supply Chains

Nabib Bin Zahid¹



The Arsenal as Arena

When Russia launched its full-scale invasion of Ukraine in February 2022, most commentary framed the war as a test of military will and territorial resolve. Less visible, but arguably more consequential, was its role as a structural shock to the global defense supply chain. A regional confrontation has become a case study in how weapons get produced, stockpiled, transferred, and turned into leverage. Arsenals now function as currency. How deep a country's stockpiles run, how fast it can refill them, and what industrial base sits behind both of those things has become a genuine input into diplomatic bargaining. Call it stockpile diplomacy: defense industrial capacity and materiel reserves used deliberately as tools of alliance management, deterrence, and economic statecraft.

None of this is distant for observers in South Asia. The forces reshaping NATO procurement, such as, surge demand, supplier concentration, interdependence turned into a weapon, are the

¹ Nabib Bin Zahid is a Research Assistant at the Bangladesh Institute of Peace and Security Studies (BIPSS). He has completed his B.S.S in International Relations from the University of Rajshahi.

same forces reshaping how Bangladesh and India buy hardware. As the arms market splits along geopolitical lines, smaller and mid-sized powers are navigating a marketplace where access is conditional, prices swing, and technological dependency comes with political risk attached. The war has not just emptied warehouses. It has redrawn how defense supply chains are organized, and the Indo-Pacific will be living with that redrawing for a long time.

From Surplus to Scarcity

The war's first effect was a rapid drawdown of Western inventories. The United States, Ukraine's largest supplier, repeatedly invoked the Presidential Drawdown Authority to move materiel straight out of Pentagon stockpiles — fifty-five times between August 2021 and early 2025, totaling roughly \$31.7 billion in equipment.² More than 3,000 Stinger anti-aircraft missiles went out this way, along with thousands of Javelins and enormous quantities of 155 mm shells: munitions that were never built to be spent at the rate of a high-intensity land war in Europe.³

The strain showed up fast. At peak intensity, Ukraine could burn through a full pre-war month of U.S. 155 mm shell production in a little over a day. Its monthly drone use — around 10,000 — threatened to exhaust the entire American inventory within weeks.⁴ By mid-2022, Western analysts put Ukrainian consumption at three times Western production capacity. By mid-2023, Russia was firing three artillery rounds for every one Ukraine fired; by April 2024, that ratio had widened to nine to one.⁵ The numbers were not abstract. In 2022 alone, transfers to Ukraine cut U.S. Javelin stocks by at least a third and Stinger stocks by roughly a quarter. Some systems, like the M777 howitzer, were not even in active production anymore, which left the Pentagon and its contractors scrambling to restart dormant lines or find alternative sourcing.⁶

The deeper problem the crisis exposed was structural. Decades of just-in-time optimization and peacetime efficiency had made the transatlantic defense industrial base brittle in ways nobody had stress-tested. Lean supply chains, thin inventories, and single-source dependence on a handful of European firms for chemicals and explosives — none of it was built for surge

²U.S. Department of State, “U.S. Security Cooperation with Ukraine,” Fact Sheet, January 2025, <https://www.state.gov/u-s-security-cooperation-with-ukraine/>.

³Ibid.

⁴Center for Strategic and International Studies, “From Production to Procurement: How Europe and Ukraine are Transforming Defense Supply Chains,” March 2025, <https://www.csis.org/>.

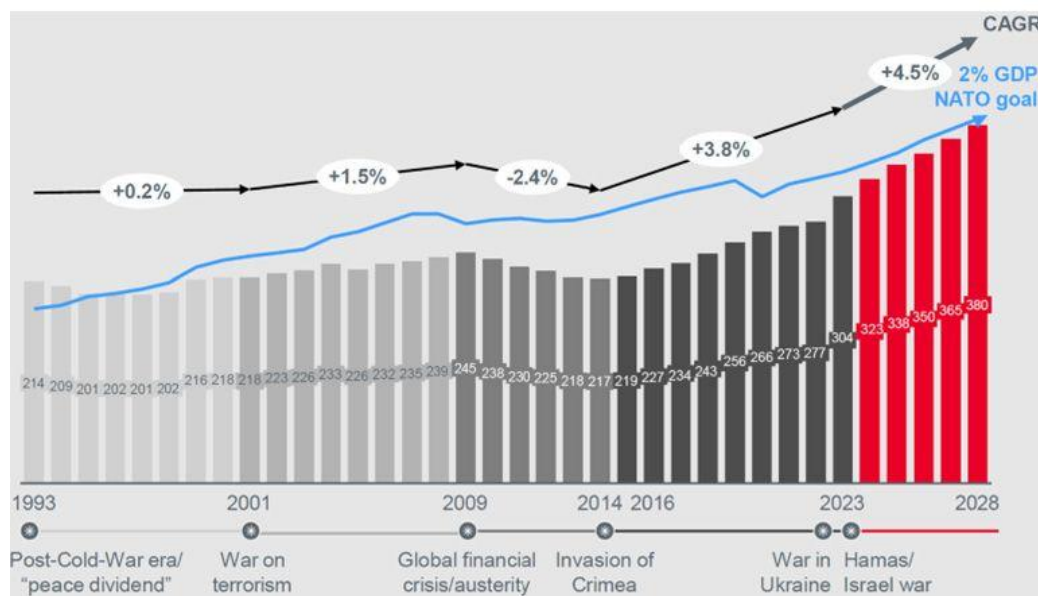
⁵Ibid.

⁶Ibid.

demand.⁷ A systematic review of twenty-two peer-reviewed studies from 2022–2025 traced five major impact channels out from the conflict: food security, energy markets, critical materials, transportation, and financial markets.⁸ Developing economies absorbed these shocks unevenly. Pakistan's wheat imports were disrupted by 39 percent. Sri Lanka lost tourism revenue. Across the Global South, food, fuel, and fertilizer price spikes compounded and strained both budgets and political stability.⁹

NATO's 5% Pivot and Europe's Arsenal Renaissance

The political response has been historic. At the June 2025 NATO Summit in The Hague, allied leaders committed to raising defense and security spending to 5 percent of GDP by 2035 — more than double the old 2 percent floor. The target splits into at least 3.5 percent for core military expenditure and up to 1.5 percent for critical infrastructure, cyber defense, and the industrial base itself.¹⁰ All thirty-two members except Spain signed on, making this the alliance's biggest investment shift since the Cold War.¹¹



Source: Wisdom Tree¹²

⁷Scandinavian Journal of Military Studies, “Transformation in European Defence Supply Chains as Ukraine Conflict Fuels Demand,” January 2025, <https://sjms.nu/articles/10.31374/sjms.303>.

⁸Frontiers in Sustainable Food Systems, “The Impact of the Russia-Ukraine War on Global Supply Chains: A Systematic Literature Review,” September 2025, <https://www.frontiersin.org/journals/sustainable-food-systems/articles/10.3389/fsufs.2025.1648918/full>.

⁹Ibid.

¹⁰NBC News, “NATO Allies Agree to Higher 5% Defense Spending Target,” June 2025, <https://www.nbcnews.com/>; NATO, “Defence Investment and NATO's 5% Commitment,” 2025, <https://www.nato.int/>.

¹¹Ibid.

¹² <https://www.wisdomtree.com/us/insights/blog/europes-rearmament-push-from-austerity-to-arsenal>

Europe has moved on a parallel track. The EU's Act in Support of Ammunition Production (ASAP), adopted in 2023 with a €500 million budget, aimed to push shell production to two million rounds a year by the end of 2025.¹³ EDIRPA and the broader European Defence Industrial Strategy (EDIS) followed, trying to aggregate demand, harmonize standards, and cut the bloc's reliance on non-EU suppliers. EDIS's targets are specific: half of member states' procurement budgets going to European industry by 2030, rising to 60 percent by 2035, with collaborative acquisitions climbing from 18 percent to at least 40 percent.¹⁴ The European Defence Industry Programme (EDIP), finalized in December 2025, added €1.5 billion in grants for 2025–2027, including €300 million earmarked for Ukraine's own defense industry.¹⁵

National capitals are running their own surge plans too. The UK's 2025 Defence Industrial Strategy commits £6 billion to munitions this parliamentary term, £1.5 billion of it for an “always on” production pipeline, plus at least six new energetics and munitions factories — all explicitly justified by lessons from Ukraine.¹⁶ Germany's military spending hit \$114 billion in 2025, a 24 percent jump and the third straight year of double-digit growth. Berlin has pledged 3.5 percent of GDP by 2029, and military spending above 1.0 percent of GDP is now carved out of Germany's constitutional debt brake entirely.¹⁷ It is a deliberate break from the lean, efficiency-first models of the post-Cold War decades, toward what NATO Secretary General Mark Rutte has called a “wartime mindset” for defense production.¹⁸

The mobilization is uneven, though. A RAND Corporation assessment is blunt about this: transatlantic reforms are positive but modest, key production lines still struggle, and funding is not guaranteed to hold.¹⁹ Firms still chase large international clients over domestic surge capacity, keep inventories thin, and hold back on capacity investment without guaranteed long-term contracts. Skilled labor shortages and slow supplier qualification processes make rapid scaling harder still.²⁰

¹³European Council, “European Defence Industry Programme,” December 2025, <https://www.consilium.europa.eu/>; Reuters, “EU Aims to Produce 2 Million Artillery Shells per Year by End-2025,” 2023, <https://www.reuters.com/>.

¹⁴European Defence Industrial Strategy (EDIS), 2024, <https://defence-industry-space.ec.europa.eu/>.

¹⁵European Council, “European Defence Industry Programme,” December 2025.

¹⁶UK Ministry of Defence, “Defence Industrial Strategy 2025,” March 2025, <https://www.gov.uk/>.

¹⁷Stockholm International Peace Research Institute (SIPRI), “Trends in World Military Expenditure, 2025,” April 2026, https://www.sipri.org/sites/default/files/2026-04/2604_milex_2025.pdf.

¹⁸NATO, “Defence Investment and NATO's 5% Commitment,” 2025.

¹⁹RAND Corporation, “Consequences of the Russia-Ukraine War and the Changing Face of Conflict,” Research Brief, May 2025, https://www.rand.org/pubs/research_briefs/RBA3141-1.html.

²⁰Scandinavian Journal of Military Studies, “Transformation in European Defence Supply Chains as Ukraine Conflict Fuels Demand.”

Weapons as Currency of Influence

If the war depleted stockpiles, it also exposed their diplomatic value. Washington has leveraged its defense-industrial base to do more than arm Ukraine — it has used that base to bind allies more tightly into its own strategic orbit. In one of the clearer examples of stockpile diplomacy at work, the Trump administration persuaded European NATO states and Canada to purchase over \$10 billion in American arms, either to replenish stocks diverted to Ukraine or for direct transfer under the NATO Prioritised Ukraine Requirements List (PURL). The mechanism, finalized at a July 2025 meeting between President Trump and Secretary General Rutte, requires participating states to fund tranches of roughly \$500 million each. The Netherlands, Denmark, Norway, Sweden, Germany, and Canada have all signed on for initial packages.²¹



Source: Calcalist²²

This serves Washington two ways at once: it speeds materiel to Ukraine, and it locks in long-term demand for U.S. defense products. Between 2020 and 2024, the United States accounted for 64 percent of NATO allies' arms imports, up from 52 percent in 2015–19, with the Ukraine crisis doing most of the driving.²³ Direct aid has been giving way to sales. In August 2025, the State Department approved an \$825 million sale of 3,350 Extended Range Attack Munition (ERAM) missiles to Ukraine — funded not by U.S. taxpayers but by NATO allies Denmark, the Netherlands, and Norway, topped up with U.S. Foreign Military Financing.²⁴ Earlier in

²¹ORF Online, “Capitol Consensus: Where War is Business,” 2025, <https://www.orfonline.org/>.

²² <https://www.calcalistech.com/ctechnews/article/vrvgh4wdb>

²³Ibid.

²⁴Associated Press, “US Announces a \$825 Million Arms Sale to Ukraine,” August 2025, <https://apnews.com/>.

2025, the administration announced FMS packages of \$652 million and \$330 million for air defense and artillery sustainment.²⁵

Washington did not invent this model. Denmark got there first, with what is now called the “Danish model”: financing Ukrainian defense manufacturers directly rather than donating from national inventories. An initial €50 million tranche funded eighteen Bohdana self-propelled howitzers, delivered within two months. The mechanism has scaled fast since — partner contributions reached roughly \$400 million in 2024 and jumped to \$6 billion in 2025, effectively expanding Ukraine's own defense procurement budget by 60 percent. Sweden, Iceland, Norway, Canada, and the EU have all joined, with the EU adding €1 billion from frozen Russian asset revenues for 2025.²⁶

What PURL and the Danish model share is that they turn stockpiles from static inventory into something politically conditioned and constantly moving. The ability to produce, finance, and deliver weapons has become a working measure of alliance commitment. A CSIS analysis puts it well: the war has pushed European defense supply chains away from transactional, short-term buyer-seller arrangements and toward trust-based partnerships where governments coordinate directly with domestic suppliers.²⁷

The Global South's Bifurcated Arms Market

The transatlantic alliance has tightened its defense industrial integration. The Global South's experience has been messier. SIPRI data show the global volume of major arms transfers in 2021–25 running 9.2 percent higher than the previous five years, but that headline number hides sharp regional divergence. European arms imports more than trebled (+210 percent), while Africa's fell 41 percent, Asia and Oceania's fell 20 percent, and the Middle East's fell 13 percent.²⁸ European demand has crowded out other buyers, stretched delivery timelines, and in some cases pushed up costs for both platforms and munitions.

For a major importer like India, the war has accelerated a diversification away from Russian suppliers that was already underway. SIPRI figures show Russia's share of India's arms imports

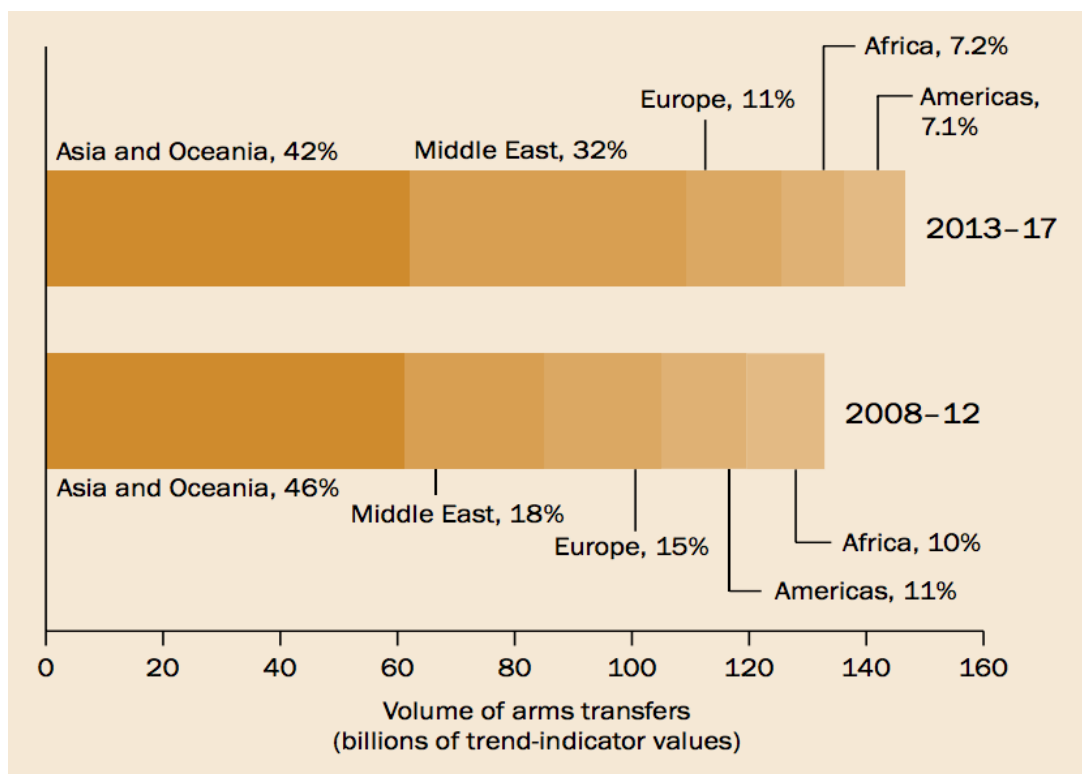
²⁵U.S. Department of State, “U.S. Security Cooperation with Ukraine.”

²⁶Center for Strategic and International Studies, “From Production to Procurement: How Europe and Ukraine are Transforming Defense Supply Chains.”

²⁷Ibid.

²⁸SIPRI, “Trends in International Arms Transfers, 2025,” March 2026, <https://www.sipri.org/publications/2026/sipri-fact-sheets/trends-international-arms-transfers-2025>.

falling from 70 percent in 2011–15 to 51 percent in 2016–20, and down again to 40 percent in 2021–25.²⁹ France now supplies 29 percent of India's imports, Israel 15 percent, and the United States has climbed to roughly 13 percent.³⁰ The conflict disrupted Russian supply chains and raised real questions about delivery reliability — India's 2018 deal for five S-400 systems saw its fourth and fifth units delayed as a direct result.³¹ The May 2025 India-Pakistan conflict, fought with combat aircraft, drones, and missiles, then pushed Indian military spending up 8.9 percent to \$92.1 billion, with capital outlays for military aircraft systems revised 50 percent above the original budget.³²



1 Importers of major arms by region, 2013-2017 and 2008-2012

Source: World Economic Forum³³

Smaller states feel this more acutely. Bangladesh spends approximately \$4 billion a year on defense under its Forces Goal 2030 modernization plan and has historically sourced around 70 percent of its major arms imports from China.³⁴ But growing dissatisfaction with Chinese

²⁹India's World, "India's Arms Imports: Shift in Structure, Scale Remains," April 2026, <https://indiaworld.in/indias-arms-imports-shift-in-structure-scale-remains/>.

³⁰Ibid.

³¹Ibid.

³²SIPRI, "Trends in World Military Expenditure, 2025."

³³ <https://www.weforum.org/stories/resilience-peace-and-security/what-you-need-to-know-about-global-arms-sales-in-6-charts/>

³⁴Military Spend, "Bangladesh Military Spending 2025," 2026, <https://militaryspend.org/country-profiles/bangladesh>.

equipment quality — crashes involving Chinese-built fighter jets, reported deficiencies in radar and ammunition — has pushed Dhaka toward a multi-vector procurement strategy.³⁵ Bangladesh has signed a letter of intent with Italy's Leonardo for Eurofighter Typhoon jets, explored Turkish Bayraktar TB2 drones and air defense systems, negotiated with South Korea over submarines, and even revived defense exchanges with Pakistan for the first time since 1971.³⁶ In January 2026, the Bangladesh Air Force signed an agreement with China Electronics Technology Group Corporation to build a drone manufacturing facility domestically — even as Dhaka signed a separate defense technology transfer agreement with Japan the following month.³⁷ Whether this diversification actually reduces Bangladesh's exposure, or simply adds new dependencies on partners with their own strings attached, is a question Dhaka has not yet had to answer under real strategic pressure — and probably should think through before it does.

The broader pattern here is straightforward: as the arms market splits into competing blocs, middle and smaller powers are diversifying for survival, not just operational preference. Depending too heavily on one supplier — especially one whose own industrial base could be disrupted by sanctions, conflict, or export controls — is a risk no serious defense planner can afford to ignore anymore.

Raw Material Politics and the Geography of Scarcity

The restructuring runs deeper than finished weapons. Russia and Ukraine together supplied critical inputs — neon gas (50 percent of global supply), krypton (40 percent), palladium (47 percent), plus significant shares of titanium, gallium, and nitrogen fertilizers — and the disruption of those flows rippled through semiconductor, automotive, and agricultural supply chains alike.³⁸ Interdependence turned into a weapon has convinced policymakers that defense supply chains cannot keep resting on adversarial or geographically concentrated sources.

Within Europe, the push to cut reliance on non-EU suppliers has intensified. Non-EU defense procurement's share jumped from 60 percent in 2006–2016 to 78 percent between February

³⁵Observer Research Foundation, “Deciphering Dhaka's Diversifying Defence Inventory and Partnerships,” September 2025, <https://www.orfonline.org/expert-speak/deciphering-dhaka-s-diversifying-defence-inventory-and-partnerships>.

³⁶9DashLine, “Bangladesh's Defence Diversification and Pivot to Networked Security,” February 2026, <https://www.9dashline.com/article/bangladeshs-defence-diversification-and-pivot-to-networked-security>.

³⁷Observer Research Foundation, “Deciphering Dhaka's Diversifying Defence Inventory and Partnerships.”

³⁸Frontiers in Sustainable Food Systems, “The Impact of the Russia-Ukraine War on Global Supply Chains.”

2022 and June 2023; EDIS wants that back below 50 percent by 2030.³⁹ The U.S. Defense Department has similarly prioritized on-shoring and near-shoring for energetics, rare-earth elements, semiconductors, and batteries.⁴⁰ NATO has its own supply chain security road-maps and common standards, aimed at interchangeability and cutting dependence on adversarial sources for critical materials.⁴¹

For the Global South, this cuts both ways. As Western states redirect critical minerals and manufacturing capacity toward defense, competition for scarce resources tightens. States without domestic rare earths, advanced semiconductors, or precision-manufacturing capacity risk ending up structurally disadvantaged in a world where defense industrial capacity is treated as a strategic reserve rather than a commercial commodity.

A Permanent Redrawing

The Ukraine war did not just strain supply chains; it changed what defense production is for. Arsenals are no longer a residual commercial category, optimized for peacetime efficiency and forgotten between wars. They are being rebuilt as strategic capability — stockpiled, financed through allied consortia, and written into procurement contracts as instruments of diplomacy in their own right.

Three shifts are running in parallel: defense supply chains consolidating around allied blocs, state-industry partnerships becoming institutionalized rather than ad hoc, and arms transfers structured increasingly as sales, joint investments, or asset-seizure mechanisms rather than aid with no strings attached. NATO's 5 percent pledge, the EU's ASAP and EDIS frameworks, the UK's new munitions factories, and the Danish model of direct Ukrainian industrial financing are all expressions of the same underlying logic.

Whether the reforms outpace the threat is an open question. Russia has reportedly pushed annual shell production to roughly three million rounds — nearly triple combined U.S. and European output — while drawing on North Korea, Iran, and Belarus for additional supply. That gap between mobilization and exhaustion will do a great deal to determine how the war's next phase unfolds, and possibly the shape of European security for a generation.

For South Asia, the practical lesson is narrower but no less real: the era of abundant, apolitical arms markets is over. Supply chains are now instruments of alliance and vectors of coercion as

³⁹European Defence Industrial Strategy (EDIS), 2024.

⁴⁰UK Ministry of Defence, “Defence Industrial Strategy 2025.”

⁴¹NATO, “Defence Investment and NATO's 5% Commitment,” 2025.

much as they are commercial arrangements. India's shift toward Western and Israeli suppliers and Bangladesh's multi-vector procurement are both adaptations to that reality, not departures from it. Neither strategy removes exposure — it only changes whose leverage a country is exposed to. That is the trade-off stockpile diplomacy imposes on smaller states, and it is one Dhaka will be negotiating for the rest of this decade, not just during the current defense procurement cycle.