

Thinking Thematically

Oppenheimer: how past and present are colliding in the future of defense



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Overview

- With the massive box office returns of *Oppenheimer*, it was a timely reminder of the ways the past still influences the present
- Ukraine's counteroffensive presses on, though progress is slow through dense minefields
- Still, NATO has rallied around the effort, and the dynamics we're seeing in defense spending could change the picture of global defense moving forward

As the theater lights dimmed on July 21st, you'd be forgiven if you thought you'd somehow slipped into a time machine. With crowds of fans alternating between *Barbie* and *Oppenheimer* – or *both* in the case of the diehards at a double feature – theaters worldwide were *packed*, especially by post-pandemic standards. In the first weekend, the movies took in more than \$500M at the global box office, breaking Warner Brothers records in Latin America, Europe, and Asia.¹

But seeing a pre-pandemic crowd laden with popcorn wasn't the only way we'd turned back the clock. While *Barbie* received a much-needed refresh from the 1950s, *Oppenheimer* took viewers to 1945 and the run-up to the creation of the first atomic bomb. While criticisms abound about the treatment of this pivotal time in history, the characters certainly agonize over the right question: When we press this button, will we forever alter the world?

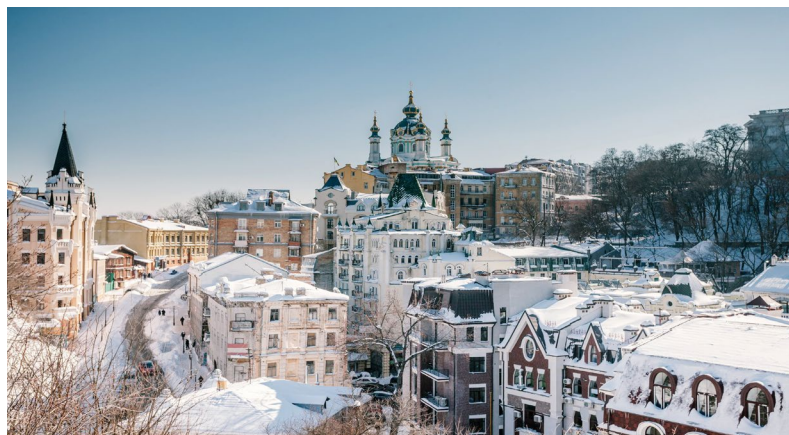
But perhaps we aren't returning to the past – perhaps the past is coming to us. The tragic war in Ukraine grinds on, and nuclear powers are competing for the future state of the world, with the unipolar reality of post-World War II finally giving way to fresh uncertainties. With summer halfway over, we'd like to turn to Ukraine, to the counteroffensive and how Ukraine is forever changing the picture of defense around the globe.

What's happening with the counteroffensive?

Starting in the spring – and after the grueling siege of Bakhmut – Ukraine's hope was to recapture as much territory as possible before the weather turns cold again. However, it's been much slower going than expected. For one, this war continues to teach about the relative advantage of defense. But more importantly, Russia seems to have learned from past mistakes, increasing the resilience of their trenches and marring progress with extensive minefields. In some cases, there have been hundreds in single fields, leaving Ukrainian soldiers with the difficult task of sweeping the front for possible weak points.²

However, it isn't as if progress isn't being made. Recently, President Zelensky said the counteroffensive is about to "gain pace" as training and weaponry catch up – even if some of those weapons, like US-supplied cluster missiles, are controversial.³ Western allies also don't seem to have lost faith. As the chair of the US joint chiefs of staff recently testified, the counteroffensive is "far from a failure."⁴ At first, experts seemed to fear that lack of progress would hurt support for the war, but during recent meetings of world leaders, support was strong, with the G7 announcing a joint declaration of support.⁵

So Ukraine will maintain its support, and they will fight on for their freedom, but that will take more equipment, more weapons, and more political will. So where does that leave us with the rest of the defense picture? And what has already changed around the globe?



1. Deadline, July 2023
2. Business Insider, July 2023
3. CNN, July 2023
4. Reuters, July 2023
5. CBS, July 2023

Step one: resupply

The first major change facing Ukraine's western allies is the sheer magnitude of supplies already sent – supplies that will need to be replenished. From the US alone, we've seen more than 300 million rounds of small arms ammunition, more than 2 million artillery rounds, and tens of thousands of grenade launchers, small arms, and body armor.⁶ That's before we consider the relative levels of stockpiles held by Ukraine's western allies, with levels gradually depleted over time as the threat of a protracted land war in Europe had seemed impossible just years earlier. Experts think it will take years to re-supply many of these armaments, with the Pentagon recently setting a goal of producing 70,000 artillery shells per month.⁷

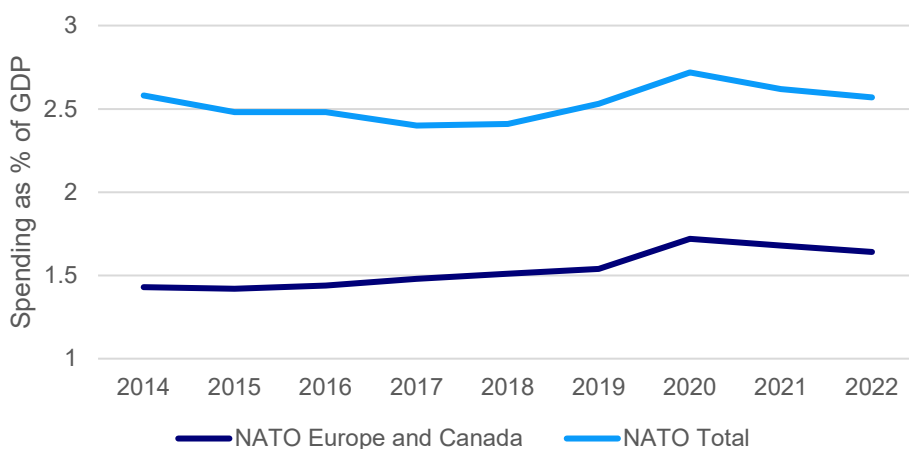
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Bloomberg L.P. as of 6/30/2023

NATO Member Defense Spending as a % of GDP



Source: NATO

A changing picture for NATO

Historically, NATO members hadn't needed to spend large amounts on defense, supported by their alliance with the US and a relatively stable Europe. Many NATO countries failed to meet targets for defense spending and equipment was often aging or unusable. However, in the wake of the Russian invasion of Ukraine, the tone has changed dramatically. The German military, for example, is pushing quickly toward combat readiness. The country originally had dozens of combat-ready units before reunification in the early 1990s but has none today. Their goal now is to have one unit ready by 2025 and three by 2032. After the war broke out, Germany vowed to spend 100 billion euros on the military, a number that could well grow as the military modernizes.⁸ Asia also remains in focus for the US and its allies, with Japan looking at modernizing its self-defense forces in the wake of China's rapid rise.

What happens next?

After decades of relative peace, the world is rapidly changing again with new defense threats and priorities. The grinding war in Ukraine has shown that nothing is simple when conflict breaks out, and nations around the globe are exploring how to prepare themselves for a newly uncertain future. While much of the world spent the end of July in the movie theaters, Oppenheimer was a reminder that while history never repeats, it often rhymes. We have fresh challenges ahead and a world rising to meet them.

6. SPADE, July 2023

7. Federal Reserve Bank of Boston, 2022

8. Reuters, March 2022

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