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Insights from exclusive interviews with Joachim Gauck, René Obermann, Ralf Fücks and Daniela Schwarzer during the ODDO BHF Live 2023.

Change of Era



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“We have to learn that the peace that we dreamed of and that we initially earned after 1990 is not a good that will always be there without loss, but that it can disappear, and that is why we will see a new cold war. We will see a new readiness for defense and we will see a government that follows up big words with actions,” said Joachim Gauck, former President of Germany. One year ago, Vladimir Putin ordered Russian troops into Ukraine. This war is the largest interstate conflict since the Korean War; it has reminded Europe and the West that bloody battles can still take place in Europe, and it opened a new era for European defense policy.

One year after its beginning, the horizon of this war of attrition remains uncertain, but three lessons can already be drawn from this conflict.

First, Ukraine’s capabilities were underestimated. At the beginning of the war, Russian troops expected to achieve victory within a week. That didn’t quite happen. Ukraine have stepped up defense quickly with a broad mobilization. According to Daniela Schwarzer, executive director of Open Society Europe *“Russian abuses in Bucha show that it was for Ukraine a survival question. For Ukraine it is not about war or peace, it is about winning a war or losing sovereignty.”*

Second, Russia’s military capabilities were overestimated. The West believed Russian propaganda regarding the strength of its army, the possible escalation of the conflict, and the threat of a third world war. Bill Browder was the largest foreign investor in Russia until 2005 and spearheaded the Magnitsky Act. For him *“everybody says: Russia is the second military in the world. But the reality is that the military, just like every other aspect of the Russian society, is plagued with corruption. They have not gotten air superiority over Ukraine, why? Because they have sold all the spare parts and cannibalized their own mix to sell to the Indian air force. Superior officers are stealing their salaries from enlisted men. Enlisted men are stealing gas from the tanks. And so, nothing works. As a result, we end up way overestimating Russia”.*

And third, Europe was not prepared. Eastern Europe countries, like Poland or the Baltic states have been aware of Russian imperialism and revisionist agenda. But Western European countries, including Germany and France, were in denial about a risk, which would be too unpleasant for their economies and energy supplies. According to Ralf Fücks, Managing director of the Center for Liberal Modernity *“This is the inconvenient truth.”*



Neither Germany (nor France) had the political will or the military capacity to protect Ukraine.” Even before the start of the war, it was clear that the USA were essential. US intelligence alerted Europe that Russian troops at the border were not simply there for exercise. The political pressure exercised from the US made it then possible for Europe to quickly deliver arms and implement sanctions.

This war shows how much Europe is unable to defend itself. The very recent awareness of Europe of the need to defend itself with a specific budget - still low but which has the merit of existing with 8bn euros over the next 7 years – is a good point. Above all, with the industrial agreement between Dassault

and Airbus to work together on the Future Air Combat System, European defense finally has an ambitious and concrete project. For René Obermann, Chairman of the airbus Board of directors *“the future combat Air System will be the most important European Defence program for the next decades. With the potential to become a double game-changer, for a more coherent and integrated European Defence policy as well as a stronger and more consolidated European Defence industry.”* The war in Ukraine marks undeniably the beginning of a new era.

ODDO BHF On Demand platform



Focus on the challenges facing the European industry today: energy crisis, supply chain disruption, loss of competitiveness due to the rise in energy prices and the implementation of protectionist industrial policy in the world. Warning about the combination of expensive energy and American subsidies leaving Europe at risk of mass deindustrialization.



During ODDO BHF New Year’s Reception, former German President **Joachim Gauck** spoke about the global political situation dominated by the war in Ukraine. He shared clear and inspiring analyses in dialogue with Joachim Häger, Partner and Member of the Board ODDO BHF.



Which lessons can we draw from the war in Ukraine? What does it say about winning a war in 2023? Europe’s defense strategy and capabilities? Russia’s military power? **Ralf Fücks** and **Daniela Schwarzer** analyse the consequences of current tensions on the arms industry, taking a look at States budgets and considering the supply issues and labor shortages.

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