

## Teaching Plan: Global Economic Risks and Geoeconomics: Applications to Europe and its Businesses

**Duration:** 3 hours [2 hours and 45 minutes of lesson to incorporate a 15 minute break]

### Lesson Objectives:

After completing the lesson, the student will be able to:

- Summarize, analyze and discuss today's key global economic and geoeconomic trends;
- Define and explain Rodrik's Trilemma;
- Identify global macroeconomic, financial, governance, and geoeconomic risks; and
- Articulate recommendations for EU businesses based on global economic and geoeconomic trends and risks.

**Target Audience:** Masters-level business, marketing or economics students from the EU

**Classroom Size:** 20-40 students

**Materials:** Teaching Plan, PowerPoint slides, and reading materials

### Student Preparation:

Before class, each student will complete the following assignments:

- 1) Read the chapter titled "Global Risks and EU Businesses" in *The Global Context: How Politics, Investment, and Institutions Impact European Businesses*.
- 2) Read the chapter titled "The Importance of Political Risk for European Business" in *The Global Context: How Politics, Investment, and Institutions Impact European Businesses*.

2 minutes

#### ❖ [slide 1] Welcome

3 minutes

#### ❖ Hook

- [slide 2] Watch the following video (from 0:00 to 1:43) on why economies grow rapidly: [http://www.mckinsey.com/insights/operations/the\\_flow\\_of\\_value\\_an\\_interview\\_with\\_michael\\_spence](http://www.mckinsey.com/insights/operations/the_flow_of_value_an_interview_with_michael_spence) (Published by McKinsey & Company in April of 2014; interview with Michael Spence).

2 minutes

- Ask students whether they agree with Michael Spence's statements, and whether they see any caveats.

❖ **[slide 3] Provide the road map for the lesson**

5 minutes

❖ **[slide 4] Introduction to the new VUCA (volatility, uncertainty, complexity, and ambiguity) context**

- Reference the implications it has on European businesses

53 minutes

❖ **Content: 12 Key global economic and geoeconomic trends**

**Method: Interactive lecture with scenario-based questions for students**

- **[slide 5]** Set the context: the global economic landscape (2 minutes)
- **[slide 6]** 12 Trends (overview; subsequent slides explain each in depth)
  - 1) **[slide 7]** Economic axis shifting back to the Pacific (2 minutes)
  - 2) **[slide 8-9]** Slowdown in emerging economies (China) (4 minutes)
  - 3) **[slide 10-12]** Increasing role of emerging and frontier markets (6 minutes)
    - Scenario situation:
      - Ask students to imagine they are owners of a medium sized company in Germany and they are reading about this trend.
        - What trickle down effects could they experience?
        - What kinds of risks would this generate for their businesses?
    - Circle back to the video with Michael Spence
  - 4) **[slide 13]** Secular stagnation (3 minutes)
  - 5) **[slide 14]** Deflation (4 minutes)
  - 6) **[slide 15]** Drop in oil prices (3 minutes)

- 7) [slide 16] Quantitative easing and possible risk of price effects (7 minutes)
  - Potential scenario situation:
    - Ask students to imagine they own a business in their city or country of origin. In order to create demand due to recession, liquidity is being injected into the system.
      - Does this affect the student’s business?
      - What kinds of risks would this generate for the business?
- 8) [slide 17] World financial system remains vulnerable (4 minutes)
- 9) [slide 18-19] On-going euro crisis (6 minutes)
- 10) [slide 20-21] Structural unemployment (4 minutes)
- 11) [slide 22] Rise of state capitalism (4 minutes)
- 12) [slide 23] Retrenching globalization (4 minutes)

30 minutes

❖ **Content: 12 Key global economic and geoeconomic trends**

**Method: Group exercise reacting to the lecture**

- [slide 24] Divide the class into four groups.

Have each group deliberate amongst themselves (prompts found in table below in column titled “Phase 1: Brainstorm”).

Then, allow each group in turn to share with the whole class, allowing time for other students and yourself to comment (“Phase 2: Share”).

Group	Phase 1: Brainstorm (6 minutes)	Phase 2: Share (6 minutes)
<b>Questioners</b>	Ask two questions related to the lecture	Give other students the opportunity to answer the questions. Rectify and further explain anything necessary.
<b>Example givers</b>	Provide two applications that pertain to Europe	Allow other students to comment. Expand on their applications if applicable.
<b>Divergent thinkers</b>	Disagree with two points of the lecture	Ask the other students if they have any rebuttal. Share your own if applicable.

<b>Agreers</b>	Explain two points they agreed with or found helpful	Allow other students to comment. Share any applicable reactions.
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- Ask if there is anything else the students would like to add on the topic of key global economic and geopolitical trends

15 minutes

❖ **Content: Rodrik's Trilemma**

**Method: Explanation with visual diagram and pair-based reaction**

- [\[slides 25\]](#) Explain [Rodrik's Trilemma](#) to the class using the visual diagram
- **Pair-based reaction:** Partner students up for [4 minutes](#) to share whether they agree with the theory and to think of examples of its presence or absence. Then, call for volunteers who would like to explain their partner's reactions.

20 minutes

❖ **Content: From trends to risks**

**Method: Engaging lecture with student applications**

- [\[slide 26\]](#) Overview: global economic and geoeconomic risks  
 Show overview of the four types of risks that flow from the trends discussed before. Then discuss each class of risks in turn. After discussing each class of risks, pick one student and ask him/her to provide one example of a concrete risk to a business caused by a risk of this category.

1) [\[slide 27\]](#) **Macroeconomic risks (5 minutes)**

- Global macroeconomic imbalances
- Global growth slowdown
- Global economic and regional recessions and crises
- Contagion of national imbalances: recessions, fiscal deficits, inflation, deflation, etc.

## 2) [slide 28] Financial risks (5 minutes)

- System financial crises
- Shadow banking
- Credit bubble contagion
- International liquidity crisis: sudden stops and capital outflows
- Stock market volatility and crashes
- Currency wars

## 3) [slide 29] Governance risks (5 minutes)

- Global economic governance shortcomings. Lack of institutional capacity.
- Divergence between US, Japanese, and EU policies
- Excessive dependence on Central Banks
- International competition and new technologies lead to low tax-gathering capabilities
- Incorporation of emerging markets in global institutions

## 4) [slide 30] Goeconomic risks (5 minutes)

- Companies aligned with the interests of their States: diplomatic ambitions, supply of raw materials, local job-creation, infrastructure, positioning on key trade routes, etc.
- Sovereign wealth funds buying critical infrastructures in foreign countries (ex. Huawei)
- Use of SWFs investment as a tool of foreign policy interference
- Companies faced with "unfair" competition by state-sponsored rivals

20 minutes

### ❖ **Content: Recommendations for EU businesses**

**Method: Student-generated conclusions with complementary feedback**

- [slide 31] Ask the students to take 5 minutes to individually brainstorm one or more recommendations they have for EU businesses based on the global economic and goeconomic trends and risks they learned about in

today's sessions. Ask students to share their recommendations. Comment on their recommendations.

- Share your own and the following recommendations if they have not already been addressed:
  - Boost the internationalization of European businesses
  - Promote multi-localization (combining outsourcing and market access) and SME collaboration
  - Rethink human resource strategies to attract multicultural, flexible, and adaptable human capital
  - Focus on emerging social groups and new consumption patterns

12 minutes

❖ **Content: Summary of today's learning**

**Method: Two-minute Paper**

- [slide 32] Ask the students to write for 2 minutes about what they learned in today's session. Ask if any would like to volunteer to share their answers.

3 minutes

❖ **Conclusion**

- [slide 33] Answer any additional questions.

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❖ **Additional opportunities for discussion**

- Before class, provide the students with recent articles related to the topics discussed. Ask a student to summarize the article and start a dialog amongst the students and yourself about the content.

*This teaching plan and the matching powerpoint presentation were developed as a part of the Jean Monnet project MEKBiz (Mainstreaming EU Knowledge in Business Studies and Strategy), hosted by ESADEgeo – Center for Global Economy and Geopolitics and partially funded by the European Commission.*

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