

Geopolitical and Economic Disruptions: Insights from the "It's the Economy, Stupid!" Webinar

Executive Summary

The current global landscape is characterized by a "triple convergence" of geopolitical uncertainty, economic shifts, and technological acceleration. This briefing document, based on the insights of Jens Schulte (Executive Board Member at Deutsche Börse Group), outlines the end of the rules-based international order and the rise of a fragmented, multipolar world.

Critical Takeaways:

- **Global Fragmentation:** Trade is increasingly divided into two shielded hemispheres, forcing businesses to consider "local for local" strategies and brace for second- and third-order economic consequences.
- **The AI Revolution:** Artificial Intelligence has transitioned from hype to material value creation, serving as a "co-thinker" that scales intelligence, yet it poses existential risks to corporate security and traditional career training models.
- **European Capital Mobilization:** Europe holds €17 trillion in stagnant savings. The primary challenge for the EU is not merging stock exchanges, but harmonizing regulations and reforming pension systems to mobilize this private capital for infrastructure, defense, and innovation.
- **Supply Chain Vulnerability:** Conflict in the Middle East, specifically the potential closure of the Strait of Hormuz, poses a catastrophic risk to global supply chains—not just in energy, but in essential chemicals like methanol, which could halt production in the beverage and nutrition industries.

I. Primary Geopolitical Disruptions

The contemporary global order is shifting away from a rules-based system toward one defined by three major disruptive forces:

- **Global Fragmentation and Res-Dominance:**
 - There is a visible rise in trade restrictions and conflicts driven by economic interests.
 - Businesses increasingly face a choice between two "hemispheres" that are becoming shielded from one another.
 - This instability necessitates the development of local sources and "local for local" production models.
- **AI and Geopolitical Cyber Risk:**
 - Artificial Intelligence is now a central geopolitical tool.

- Technological advancements (e.g., Anthropic’s Claude) allow for "monkey tests" on software to identify vulnerabilities, necessitating a "paranoid" level of corporate security.
- **The De-prioritization of Climate Risk:**
 - While climate risk is accelerating, it is slipping from the global top priorities due to distractions from the pandemic and regional wars.
 - There is an urgent need to re-center the narrative on zero-carbon technologies and green hydrogen.

II. Global Economic Shifts

The shift in the economic landscape is driven by three key factors:

Economic Shift	Description & Impact
Deglobalization	The continuing rise of Asia is creating a different global perspective. For Asian markets, centric conflicts (e.g., in the Middle East) are often viewed through the lens of local opposition rather than global crisis.
Demographic Shifts	An aging population in the West creates new requirements for productivity and labor market flexibility.
Digital Value Creation	AI is moving beyond the "proof of concept" phase to scale within economic value creation as a generative "co-worker" and an analytical tool.

The Currency Duopoly

The global financial system is evolving into a multipolar or duopolistic world. While the U.S. Dollar remains the leading reserve currency, its dominance is weakening as global flows move toward the Renminbi, the Euro, and other currencies.

III. Regional Analysis: Europe and Germany

The European Union’s Challenges and Potential

Europe possesses the necessary ingredients for success—skilled labor, scientific legacy, and vast capital—but suffers from systemic inefficiencies:

- **Capital Stagnation:** €17 trillion sits in private savings accounts. Europe fails to mobilize these funds for productive investment in defense and infrastructure.
- **Decision-Making Speed:** EU industrial policy and antitrust decisions are often too slow and can prevent the creation of "European champions."
- **Regulatory Fragmentation:** To compete with the U.S., Europe must harmonize securities and trading laws and reform pension systems rather than simply merging national stock exchanges.

The German Economy

Revitalizing Germany requires "common sense" reforms rather than complex "rocket science":

- **Mobilizing Capital:** Implementing a more robust pension system.
- **Bureaucracy:** Reducing the regulatory burden on corporations and providing tax incentives.
- **Political Stability:** While Germany benefits from an orderly government, the slow pace of decision-making and the rise of extremist parties (like the AfD) reflect public anxiety over migration and the pace of economic renovation.

IV. Artificial Intelligence: Impact on Business and Society

The integration of AI presents a spectrum of outcomes for corporations and the workforce:

Best-Case Scenario: Scaling Intelligence

- **Leverage:** Using AI to handle tasks where humans lack capacity (e.g., managing hundreds of mid-tier procurement contracts that humans cannot realistically optimize).
- **Co-thinking:** AI serves as a "challenge agent" for executives, providing alternative perspectives and decisions.

Worst-Case Scenario: Societal Disruption

- **Existential Risks:** The potential for models to rationalize themselves and develop independent motivations.
- **Training Gaps:** AI threatens the "apprentice" model. For example, if AI performs the pass-through work for junior lawyers, the path for training future experts becomes unclear.

Recommendations for the Next Generation

1. **Learn how to think:** This remains the most important output of formal education.
2. **Stay Updated:** Maintain a constant awareness of technological shifts.
3. **Physical and Psychological Work:** Value "human-centric" roles—such as care, psychology, or specialized engineering—that are the most difficult to automate.

V. Corporate Risk Management and Leadership

Supply Chain Vulnerabilities

The Middle East conflict serves as a case study for supply chain fragility. If the Strait of Hormuz closes:

- **The Methanol Crisis:** The region provides 60% of the global methanol supply.
- **Downstream Impact:** Methanol is required for the materials used to create bottle caps. A closure longer than three months (the average working capital inventory)

would halt the beverage and nutrition industries because they would be unable to seal their products.

Leadership Requirements in the "New World"

Modern boards are often prepared for "classical" complex problems but struggle with the exponential dynamics of AI. Effective leadership now requires:

- **Fundamental Attributes:** Empathy, trust, and agility.
- **Generational Integration:** Hiring young talent who have a "natural edge" in emerging technologies.
- **Situational Leadership:** Recognizing when to give autonomy to experts and when to provide directional leadership in areas where staff feel "lost."
- **Constant Learning:** Leaders must accept that they are in a state of perpetual education to keep pace with global shifts.