

José Luis Escrivá: Capital flows, exchange rates, and geopolitics - the value of trust in a changing global order

Speech by Mr José Luis Escrivá, Governor of the Bank of Spain, at the Spain LatAm Economic Forum, Roda de Bará, 9 May 2026.

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Good afternoon.

Let me start by thanking all of you for the quality of the discussions we have had over the last two days.

We have discussed how central banks should understand and factor into their analysis a world in which two major forces are reshaping the environment in which we operate.

The first one is a transformation in the geoeconomic order. The second one is a profound shift in the technology that underpins money, payments and finance.

Let me begin with the geoeconomic dimension.

Our discussions have highlighted a defining feature of the current environment: we are operating in a world that is gradually moving from multilateral cooperation towards an environment in which economic and financial tools are increasingly used as instruments of pressure.

Against this background, several key lessons emerge.

The first is a broader lesson, one that goes beyond any single instrument.

Many geoeconomic measures appear to be designed from a relatively static, partial-equilibrium perspective: as if the structure of the global economy could be taken as given, and other countries, firms and households would simply absorb the first-round effects.

But the reality is more complex. Economies adapt. Governments and individuals adjust and change their behaviour.

We have seen this clearly in the evidence discussed at this Forum. When geoeconomic measures worsen the incentives to trade with one country, flows with that country tend to weaken, while flows among other regions can strengthen. Agreements that had remained stalled for years can suddenly acquire new strategic relevance and move forward.

The broader lesson is that the response to geoeconomic pressure is endogenous and dynamic. The longer-term effects of these measures may differ substantially from their immediate effects -and, in some cases, may even run counter to the objectives of those who designed them.

This dynamic perspective also helps to make sense of two more specific findings that emerged from our sessions.

- First, that tariffs matter less through their direct trade effects than through the financial channels they activate. Tariffs bite first through financial markets: they change the value of existing assets and liabilities and prompt investors to move or withdraw capital. As a result, they can have large effects on exchange rates, asset prices, and overall financial stability. These dynamics naturally place capital flows at the centre of geoeconomic transmission.
- The second lesson concerns the broader architecture of interdependence. Geoeconomic pressure depends critically on choke points rather than tariffs as such. Its effectiveness scales with the degree of control over critical nodes, and the difficulty of substituting them.
- Where control is high and substitutability is low, interdependence becomes vulnerability, turning globalization from a stabilizing force into a channel for coercion.

The relevant choke points lie in finance, in technology, in platforms, in critical inputs - and the strategic question is how easily each can be substituted.

Let me now turn to the second dimension that emerged as a cross-cutting theme in the conference: technology.

We are living through an unprecedented wave of technological change that is redefining the very fabric of our economies, but also bringing new risks. For example, recent developments in artificial intelligence force us to reassess the robustness of our financial infrastructure and our cybersecurity.

Payments are one of the areas where the transformational power of technology is generating more innovation. As President Lagarde reminded us yesterday in her inspiring keynote address, the promise of innovation is fully compatible with preserving the core monetary and settlement functions within the central bank domain -and in particular with maintaining the role of central bank money as the basic anchor of our payment system.

This brings me to a broader point that connects both dimensions. In a world being reshaped by geoeconomic fragmentation and by technological change, central banks provide one of the most valuable public goods in times of uncertainty: trust.

On the first dimension, we learned that the impact of geopolitical shocks and trends depends crucially on the credibility of monetary policy. When the framework is credible, the resulting exchange-rate adjustment is more limited and more orderly, the pass-through to inflation is contained, and the spillovers to financing conditions are more easily managed.

Trustworthy central banks remain essential: in a world dominated by short-termism, central banks are best equipped to design policies that take into account their long-term and general equilibrium consequences.

On the second dimension, central banks need to incorporate new technologies -but these technologies also need to rely on central banks as ultimate guarantors.

Private stablecoins, by their nature, cannot anchor the monetary system: their stability rests on contingent confidence in their backing, and that confidence can vanish at the very moment it is most needed. What central banks provide -and what no private instrument can substitute-is the ultimate anchor of trust on which financial systems rest.

This is the lens through which we should read what we have learned about Latin America in this Forum. The story of the region over the last two decades is, in many respects, the story of trust slowly being built -and of the difference that trust makes when shocks arrive.

Two messages emerged from our discussions.

The first is that the region is more resilient than in the past.

The discussion was cautiously optimistic. Monetary policy frameworks in Latin America have strengthened markedly over time. Central banks have gained credibility, inflation targeting has matured, and flexible exchange rates have continued to function as effective shock absorbers -even in a global environment still dominated by the dollar.

This greater credibility has allowed central banks to navigate recent global shocks with fewer episodes of de-anchoring of expectations and more systematic policy responses. Monetary policy in the region is working better than in the past.

The second message is that resilience should not lead to complacency.

Monetary policy cannot be expected to do all the heavy lifting on its own. A recurring theme of the conference was that the current global environment is increasingly shaped by supply shocks, for which monetary policy is ill-suited and where the traditional "divine coincidence" breaks down.

At the same time, discussions highlighted that despite recent resilience, Latin America's growth performance remains modest and uneven, reflecting longstanding structural constraints and weak productivity dynamics rather than cyclical factors alone.

These challenges are further compounded by profound changes in global capital flows, which are increasingly driven by non-bank financial intermediaries and potentially by faster, more opaque digital channels-making flows more price-sensitive and more prone to sudden reversals. As a result, greater weight falls on fiscal policy, structural reforms, and robust macro-financial and prudential frameworks.

The region has gained trust in an essential pillar of prosperity, macroeconomic stability. But while macroeconomic stability is a necessary condition, it has become increasingly clear that it is not sufficient. Latin America's future performance will increasingly depend on progress along the technology ladder, on greater diversification, and on the ability to attract and retain high-quality, long-term capital -which ultimately hinges on institutions, on predictable rules, and on the capacity to turn strategic assets into durable growth.

Let me thank once again all of you for the spirit of the discussions over these days. I also want to express my gratitude to the team that has worked behind the scenes to make this meeting possible.

I hope we leave Roda de Bará with a shared diagnosis, but also with a renewed commitment to enhanced cooperation between our institutions.

Thank you very much.