SPEECH

Navigating a fractured horizon: risks and policy options in a fragmenting world

Speech by Piero Cipollone, Member of the Executive Board of the ECB, at the conference on “Policy challenges in a fragmenting world: Global trade, exchange rates, and capital flow” organised by the Bank for International Settlements, the Bank of England, the ECB and the International Monetary Fund

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I’m honoured to welcome you to this conference, jointly organised by the Bank for International Settlements (BIS), the Bank of England, the European Central Bank (ECB) and the International Monetary Fund (IMF).[1]

Today, we come together to discuss the urgent challenges posed by global fragmentation – a growing risk to our interconnected world. Earlier this month, the President of the United States announced tariff hikes, sending shockwaves through the global economy – a stark reminder that the fractures we face are no longer hypothetical, but real.

This announcement is but the latest chapter in a series of four major shocks that have been reshaping our world in recent years.

First, since 2018 the intensifying power struggle between the United States and China has led to tit-for-tat tariffs affecting nearly two-thirds of the trade between these two economic giants. Second, starting in 2020, the pandemic caused unprecedented disruptions to supply chains, which prompted a re-evaluation of the balance between global integration and resilience. Third, in 2022 Russia's unjustified invasion of Ukraine not only triggered an energy crisis but also deepened a geopolitical divide that continues to have worldwide repercussions. And fourth, we are now facing the rising risk of economic fragmentation within the western bloc itself, as new trade barriers threaten long-standing international partnerships.

The data paint a sobering picture. Geopolitical risk levels have surged to 50% above the post-global financial crisis average, and uncertainty surrounding trade policy has risen to more than eight times its average since 2021.[2] What we are experiencing is not merely a temporary disruption – it is a profound shift in how nations interact economically, financially and diplomatically. So, it does not come as a surprise that financial markets have experienced considerable volatility in recent weeks. It remains to be seen if, for markets to find a stable equilibrium, it will be enough to step back from the current international economic disorder towards a more stable, predictable and reliable trading system – a development that appears elusive in the short term. Against this backdrop, recent moves in exchange rates, bond yields and equities, suggest that US markets have not been playing their usual role as a safe haven in this particular episode of stress. This potentially has far-reaching longer-term implications for capital flows and the international financial system.

Today I will focus on three key points. First, we are seeing increasing signs of fragmentation becoming visible across the economy and financial system. Second, the implications of this accelerating fragmentation could extend far beyond the immediate disruptions, with consequences for growth, stability and prosperity. Third, in this evolving economic landscape, central banks must adapt their approaches yet retain a steadfast focus on their core mandates, while striving to preserve international cooperation.

The emerging reality of fragmentation

Let me begin by addressing a common belief – still held by many until recently – that, despite rising geopolitical tensions, globalisation appears largely resilient. Headline figures in trade and cross-border investment, for example, do indeed appear to support this belief. In 2024 world trade expanded to a record USD 33 trillion – up 3.7% from 2023. Similarly, the global stock of foreign direct investment reached an unprecedented USD 41 trillion.[3] However, these surface-level indicators may not reflect the underlying realities, creating a misleading sense of stability when important changes are already underway. In reality, fragmentation is already happening in both the global economy and the financial system.

Fragmentation of the real economy

Fragmentation is most evident in rebalancing trade, driven by escalating geopolitical tensions. Take, for instance, the escalating US-China trade tensions that have been intensifying since 2018. Studies show the impact of geopolitical distance on trade has become notably negative. A doubling of geopolitical distance between countries – akin to moving from the position of Germany to that of India in relation to the United States – decreases bilateral trade flows by approximately 20%.[4]

The series of shocks to the global economy in recent years have also contributed to this fragmentation. According to gravity model estimates, trade between geopolitically distant blocs has significantly declined. Trade between rivals is about 4% lower than it might have been without the heightened tensions post-2017, while trade between friends is approximately 6% higher.[5] Global value chains are being reconfigured as companies respond to these new realities. In 2023 surveys already indicated that only about a quarter of leading firms operating in the euro area[6] that sourced critical inputs from countries considered subject to elevated risk had not developed strategies to reduce their exposure.[7]

However, these shifting trade patterns have not yet been reflected in overall global trade flows. Non-aligned countries have played a crucial role as intermediaries, or connectors, helping to sustain global trade levels even as direct trade between rival blocs declines.[8] But this stabilising influence is unlikely to endure as trade fragmentation deepens and geopolitical alliances continue to shift.

The tariffs announced by the US Administration are far-reaching and affect a substantial share of global trade flows. The effects on the real economy are likely to be material. In its World Economic Outlook, published last week, the International Monetary Fund revised down global growth projections for 2025-26 by a cumulative 0.8 percentage points and global trade by a cumulative 2.3 percentage points.[9] This notably reflects a negative hit from tariffs that ranges between 0.4% to 1% of world GDP by 2027.[10] In particular, IMF growth projections for the United States have been revised down by a cumulative 1.3 percentage points in 2025-26. The cumulative impact on euro area growth is smaller, at 0.4 percentage points.

Financial fragmentation

The fragmentation we are witnessing in global trade is mirrored in the financial sector, where geopolitical tensions are also reshaping the landscape.

In recent years, global foreign direct investment flows have increasingly aligned with geopolitical divides. Foreign direct investment in new ventures has plunged by nearly two-thirds between countries from different geopolitical blocs. However, strong intra-bloc investments have helped sustain overall foreign direct investment levels globally, masking some of the fragmentation occurring beneath the surface.[11]

But, as with trade flows, this dynamic is unlikely to persist as geopolitical tensions grow within established economic blocs. For instance, increased geopolitical distance is shown to curtail cross-border lending. A two standard deviation rise in geopolitical distance – akin to moving from the position of France to that of Pakistan in relation to Germany – leads to a reduction of 3 percentage points in cross-border bank lending.[12]

The impact of fragmentation in global financial infrastructure is perhaps even more revealing. Since 2014 correspondent banking relationships – crucial for facilitating trade flows across countries – have declined by 20%. While other factors – such as a wave of concentration in the banking industry, technological disruptions and profitability considerations – have played a role[13], the contribution of the geopolitical dimension can hardly be overstated. The repercussions of this decline can be profound. Research shows that when correspondent banking relationships are severed in a specific corridor, a firm’s likelihood of continuing to export between the two countries of that corridor falls by about 5 percentage points in the short term, and by about 20 percentage points after four years.[14]

Contributing to this trend, countries such as China, Russia and Iran have launched multiple initiatives to develop alternatives to established networks such as SWIFT, raising the possibility of a fragmented global payment system.[15] Geopolitical alignment now exerts a stronger influence than trade relationships or technical standards in connecting payment systems between countries.[16] This poses risks of regional networks becoming more unstable, increased trade costs and settlement times, and reduced risk sharing across countries.

Additionally, we are witnessing a noticeable shift away from traditional reserve currencies, with growing interest in holding gold. Central banks purchased more than 1,000 tonnes of gold in 2024, almost double the level of the previous decade, with China being the largest purchaser, at over 225 tonnes. At market valuations, the share of gold in global official reserves has increased, reaching 20% in 2024, while that of the US dollar has decreased. Survey data suggest that two-thirds of central banks invested in gold to diversify, 40% to protect against geopolitical risk and 18% because of the uncertainty over the future of the international monetary system.[17] There are further signs that geopolitical considerations increasingly influence decisions to invest in gold. The negative correlation of gold prices with real yields has broken down since 2022, a phenomenon we have also observed in recent weeks. This suggests that gold prices have been influenced by more than simply the use of gold to hedge against inflation. Moreover, countries geopolitically close to China and Russia have seen more pronounced increases in the share of gold in official foreign reserves since the last quarter of 2021.

The looming consequences of fragmentation

Accelerating fragmentation is resulting in the immediate disruptions we are now seeing, but this is likely to only be the beginning – potentially profound medium and long-term consequences for growth, stability and prosperity can be expected.

Medium-term impacts

The initial consequences of fragmentation are already evident in the form of increased uncertainty. In particular, trade policy uncertainty has led to a broader rise in global economic policy instability, which is stifling investment and dampening consumption. Our research suggests that the recent increase in trade policy uncertainty could reduce euro area business investment by 1.1% in the first year and real GDP growth by around 0.2 percentage points in 2025-26[18]. Consumer sentiment is also under strain, with the ECB's Consumer Expectations Survey revealing that rising geopolitical risks are leading to more pessimistic expectations, higher income uncertainty and ultimately a lower willingness to spend.[19] Moreover, ECB staff estimates suggest that the observed increase in financial market volatility might imply lower GDP growth of about 0.2 percentage points in 2025.

Over the medium term, tariffs are set to have an unambiguously recessionary effect, both for countries imposing restrictions and those receiving them. The costs are particularly high when exchange rates fail to absorb tariff shocks, and some evidence suggests exchange rates have become less effective in this role. [20]

The Eurosystem’s analysis of potential fragmentation scenarios suggests that such trade disruptions could turn out to be significant. In the case of a mild decoupling between the western (United States-centric) and the eastern (China-centric) bloc, where trade between East and West reverts to the level observed in the mid-1990s, global output could drop by close to 2%.[21] In the more extreme case of a severe decoupling – essentially a halt to trade flows – between the two blocs, global output could drop by up to 9%. Tradedependent nations would bear the brunt of these trade shocks, with China potentially suffering losses of between 5% and 20%, and the EU seeing declines ranging from 2.4% to 9.5% in the mild and severe decoupling scenarios respectively. The analysis also shows that the United States would be more significantly affected if it imposed additional trade restrictions against western and neutral economies – with real GDP losses of almost 11% in the severe decoupling scenario – whereas EU losses would increase only slightly in such a case.[22]

The inflationary effects of trade fragmentation are more uncertain. They depend mainly on the response of exchange rates, firms' markups and wages. Moreover, they are not distributed equally. While higher import costs and the ensuing price pressures are likely to drive up inflation in the countries raising tariffs, the impact is more ambiguous in other countries as a result of the tariffs' global recessionary effects, which push down demand and commodity prices, as well as of the possible dumping of exports from countries with overcapacity. The short to medium-term effects may even prove disinflationary for the euro area, where real rates have increased and the euro has appreciated following US tariff announcements.

In fact, a key feature of most model-based assessments is that higher US tariffs lead to a depreciation of currencies against the US dollar, moderating the inflationary effect for the United States and amplifying it for other countries. But so far we have seen the opposite: the risk-off sentiment in response to US tariff announcements and economic policy uncertainty have led to capital flows *away from* the United States, depreciating the dollar and putting upward pressure on US bond yields. Conversely, the euro area benefited from safe haven flows, with the euro appreciating and nominal bond yields decreasing.

Long-term structural changes

The long-term consequences of economic fragmentation are inherently difficult to predict, but by drawing on historical examples and recognising emerging trends, it's clear that we are on the verge of significant structural changes. Two areas stand out.

The first one is structurally lower growth. On this point, international economic literature has reached an overwhelming consensus.[23] Quantitatively, point estimates might vary. For example, research of 151 countries spanning more than five decades of the 20th century reveals that higher tariffs have typically led to lower economic growth. This is largely due to key production factors – labour and capital – being redirected into less productive sectors.[24]

However, data from the late 19th and early 20th centuries, a period which tariff supporters often look back to, seem to tell a different story. At that time, trade barriers across countries were high – the US effective tariff rate, for example, reached almost 60%, twice as high as after the 2 April tariffs. And sometimes countries imposing higher trade barriers enjoyed higher growth, which may provide motivation for current policymakers' trade tariff policies. But these episodes need to be read in historical context. Before 1913, tariffs mostly shielded manufacturing, a high-productivity sector at the time, attracting labour from other, less productive sectors, like agriculture. Therefore, their negative effects were mitigated by the expansion of industries at the frontier of technological innovation. Moreover, the interwar years offer further nuance –

the Smoot-Hawley tariffs of the 1930s had relatively limited direct effects on US growth, mainly because trade accounted for just 5% of the economy.

But today's tariffs are unlikely to replicate the positive effects seen in the 19th century. Instead, they risk creating the same inefficiencies observed in the course of the 20th century, by diverting resources from high-productivity sectors to lower-productivity ones. This contractionary effect could lead to persistently lower global growth rates. In fact, the abolition of trade barriers within the EU and the international efforts towards lower trade barriers in the second half of the 20th century were a direct response to the economic and political impact of protectionism,[25] which had played a key role in worsening and prolonging the Great Depression[26] and had contributed to the formation of competing blocs in the run-up to the Second World War.[27]

The second long-term shift driven by fragmentation might be the gradual transition from a US-dominated, global system to a more multipolar one, where multiple currencies compete for reserve status. For example, if the long-term implications of higher tariffs materialise, notably in the form of higher inflation, slower growth and higher US debt, this could undermine confidence in the US dollar's dominant role in international trade and finance.[28] Combined with a further disengagement from global geopolitical affairs and military alliances, this could, over time, undermine the "exorbitant privilege" enjoyed by the United States, resulting in higher interest rates domestically.[29]

Moreover, as alternative payment systems gain traction, regional currencies may start to emerge as reserves within their respective blocs. This could be accompanied by the rise of competing payment systems, further fragmenting global financial flows and international trade. Such shifts would increase transaction costs and erode the capacity of countries to share risks on a global scale, making the world economy more fragmented and less efficient.

The central bank's role in a fragmented world

So, as these tectonic shifts reshape the global economic landscape, central banks must adapt their approaches while remaining steadfast in their core mandates. The challenges posed by fragmentation require a delicate balance between confronting new realities and working to preserve the benefits of an integrated global economy. In order to navigate the present age of fragmentation, it is necessary to take action in four key areas.

First, central banks must focus on understanding and monitoring fragmentation. Traditional macroeconomic models often assume seamless global integration and may not fully capture the dynamics of a fragmenting world. Enhanced analytical frameworks that incorporate geopolitical factors and how businesses adjust to these risks will be essential for accurate forecasting and effective policy formulation. The Eurosystem is reflecting on these issues.

Second, monetary policy must adapt to the new nature of supply shocks generated by fragmentation. The effects of the greater frequency, size and more persistent nature of fragmentation-induced shocks and their incidence on prices require a careful calibration of our monetary responses. In this respect, our communication needs to acknowledge the uncertainty and trade-offs we face while giving a clear sense of how we will react depending on the incoming data. This can be done by making use of scenario analysis and providing clarity about our reaction function, as emphasised recently by President Lagarde. [30]

Third, instead of building walls, we must forge unity. Even as political winds shift, central banks should strengthen international cooperation where possible. Through forums such as those provided by the BIS and the Financial Stability Board, we can keep open channels of cooperation that transcend borders. Our work on cross-border payments stands as proof of this commitment in line with the G20 Roadmap[31]. The ECB is pioneering a cross-currency settlement service through TARGET Instant Payment Settlement (TIPS) – initially linking the euro, the Swedish krona and the Danish krone. We are exploring connections between TIPS and other fast-payment systems globally, both bilaterally and on the basis of a multilateral network such as the BIS' Project Nexus.[32]

And fourth, central banks must enhance their capacity to address financial stability risks arising from fragmentation. The potential for sudden stops in capital flows, payment disruptions and volatility in currency markets requires robust contingency planning and crisis management frameworks. Global financial interlinkages and spillovers highlight the importance of preserving and further reinforcing the global financial safety net so that we can swiftly and effectively address financial stress, which is more likely to emerge in a fragmenting world.[33]

In fact, the lesson from the 1930s is that international coordination is key to avoiding protectionist snowball effects, where tit-for-tat trade barriers multiply as each country seeks to direct spending to merchandise produced at home rather than abroad.[34] In order to avoid this, the G20 countries committed to preserving open trade could call an international trade conference to avoid beggar-thy-neighbour policies[35] and instead agree on other measures, such as macroeconomic policies that can support the global economy in this period of uncertainty and contribute to reduce global imbalances.

Let me finally emphasise that the current situation also has important implications for the euro area. If the EU upholds its status as a reliable partner that defends trade openness, investor protection, the rule of law and central bank independence, the euro has the potential to play the role of a global public good. This requires a deep, trusted market for internationally accepted euro debt securities. That is why policy efforts to integrate and deepen European capital markets must go hand in hand with efforts to issue European safe assets.[36]

Conclusion

Let me conclude.

As we stand at this crossroads of global fragmentation, we must confront an uncomfortable truth: we are drifting toward a fractured economic and financial landscape where trust is eroded and alliances are strained.

Central banks now face a double challenge: to be an anchor of stability in turbulent economic waters while reimagining their role in a world where multiple economic blocs are forming. The question is not whether we adapt, but how we mitigate the costs of fragmentation without sacrificing the potential of global integration.

Our greatest risk lies not in the shocks we anticipate, but in the alliances we neglect, the innovations we overlook and the common ground we fail to find. The future of global prosperity hinges on our ability to use fragmentation as a catalyst to reinvent the common good.

1.

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2.

ECB (2025), “Topic 2: The impact of a shift in US trade policies”, *Introductory statement in three charts*, 20 March.

3.

Leino, T. and Gavrilovic, M. (2025), “Foreign Direct Investment Increased to a Record $41 Trillion”, *IMF Blog*, International Monetary Fund, 20 February.

4.

Gopinath, G., Gourinchas, P. O., Presbitero, A. F. and Topalova, P. (2025), “Changing global linkages: A new Cold War?”, *Journal of International Economics*, Vol. 153, January. See also Qiu, H., Xia, D. and Yetman, J. (2025), “The role of geopolitics in international trade”, *BIS Working Papers*, No 1249, Bank for International Settlements, 14 March – the paper finds that year-on-year trade values between more geopolitically distant economies grew, on average, around 12 percentage points more slowly than between closer ones from 2017-23, mostly reflecting a fall in the quantity of goods traded among more geopolitically distant economies.

5.

Bosone, C., Dautović, E., Fidora, M. and Stamato, G. (2024), “How geopolitics is changing trade”, *Economic Bulletin*, Issue 2, ECB. “Rivals” and “friends” refer to countries that fall into the fourth and first quartile of the distribution of geopolitical distance across country pairs respectively. Geopolitical distance is measured based on countries’ observable behaviour on foreign policy issues, such as disagreements in their voting behaviour in the UN General Assembly, in line with Bailey, M.A., Strezhnev, A. and Voeten, E.

(2017), “Estimating Dynamic State Preferences from United Nations Voting Data”, *Journal of Conflict Resolution*, Vol. 61, No 2, pp. 430-456.

6.

The firms surveyed are mostly multinationals with significant operations in the EU, and most also have a large share of activity outside the EU.

7.

Almost 40% said that they were pursuing a strategy to mostly source the same inputs from other countries outside the EU, 20% that they were pursuing a strategy to mostly source the same inputs from other countries inside the EU, while 15% said that they were pursuing other strategies, such as holding more inventory, diversifying their input sources, monitoring risk more closely, changing the composition of their product(s) or closing down some production capacity. See Attinasi, M. G., Ioannou, D., Lebastard, L. and Morris, R. (2023), “Global production and supply chain risks: insights from a survey of leading companies”, *Economic Bulletin*, Issue 7, ECB.

8.

Gopinath, G. et al., op. cit.

9.

See International Monetary Fund (2025), “Chapter 1: Global Prospects and Policies”, World Economic Outlook, April.

10.

See International Monetary Fund (2025), “The global effects of recent trade policy actions: insights from multiple models”, ibid.

11.

Boeckelmann, L. et al. (2024), “Geopolitical fragmentation in global and euro area greenfield foreign direct investment”, *Economic Bulletin*, Issue 7, ECB.

12.

Pradhan, S. K., Stebunovs, V., Takáts, E. and Temesvary, J. (2025), “Geopolitics meets monetary policy: decoding their impact on cross-border bank lending”, *BIS Working Papers*, No 1247, Bank for International Settlements.

13.

Various factors might have been at play, such as fallouts from the financial crisis – which forced weaker banks to shut down or merge with stronger institutions to survive – or technological disruptions, with digital banking and fintech alternatives reducing the need for smaller, local banks as customers shifted to online platforms, bypassing physical branches, or the creation of new payment platform and digital asset exchanges. Lower profitability and revisions of banks' strategies also contributed to the decline in banking relations as the prolonged low interest rate environment compressed profit margins for banks, especially smaller ones reliant on traditional lending, pushing some to exit or merge.

14.

See Borchert, L., De Haas, R., Kirschenmann, K. and Schultz, A. (2024), "Broken Relationships: De-Risking by Correspondent Banks and International Trade", *CEPR Discussion Papers*, No 19373, CEPR, 19 August. See also Boar, C., Rice, T. and von Peter, G. (2020), "On the global retreat of correspondent banks", *BIS Quarterly Review*, Bank for International Settlements, March.

15.

ECB (2024), *The international role of the euro*, June.

16.

Ferrari Minesso, M., Mehl, A., Triay Bagur, O. and Vansteenkiste I., (2025), "Geopolitics and global interlinking of fast payment systems", *CEPR Discussion Papers*, No 20105, CEPR, 4 April.

17.

OMFIF (2024), *Global Public Investor 2024*.

18.

See ECB (2025), "The impact of tariffs on the March 2025 staff projections", *ECB staff macroeconomic projections for the euro area*, March.

19.

Coibion, O., Georgarakos, D., Gorodnichenko, Y., Kenny, G. and Meyer, J. (2025), "Worrying about war: geopolitical risks weigh on consumer sentiment", *The ECB Blog*, 7 April.

20.

Barattieri, A., Cacciatore, M., & Ghironi, F. (2021). "Protectionism and the business cycle", *Journal of International Economics*, 129, 103417; Eichengreen, B. (2019). "Trade policy and the macroeconomy", *IMF Economic Review*, 67, 4-23; Furceri, D., Hannan, S. A., Ostry, J. D., & Rose, A. K. (2018), "Macroeconomic consequences of tariffs", *National Bureau of Economic Research Working Paper*, No. 25402.

21.

Attinasi, M. G., Mancini, M., Boeckelmann, L., Giordano, C., Meunier, B., Panon, L., Almeida, A.M., Balteanu, I., Bańbura, M., Bobeica, E., Borgogno, O., Borin, A., Caka, P., Campos, R., Carluccio, J., De Castro Martins, B., Di Casola, P., Essers, D., Gaulier, G., Gerinovics, R., Giglioli, S., Ioannou, D., Kaaresvirta, J., Khalil, M., Kutten, A., Lebastard, L., Lechthaler, W., Martínez Hernández, C., Matavulj, N., Morris, R., Nuutilainen, R., Quintana, J., Savini Zangrandi, M., Schmidt, K., Serafini, R., Smagghue, G., Strobel, F., Stumpner, S., Timini, J. and Viani, F. (2024), "Navigating a fragmenting global trading system: insights for central banks", *Occasional Paper Series*, No 365, ECB. Countries are allocated to geopolitical blocs (western, eastern and neutral) according to an index of economic and political alignment. See "Annex 1: Allocation of countries to geopolitical blocs", ibid.

22.

To the extent that the EU faces no trade restrictions with other western economies and neutral countries.

23.

Eichengreen, op. cit., Barbiero, O., Farhi, E., Gopinath, G. and Itskhoki, O. (2019), "The macroeconomics of border taxes", *NBER Macroeconomics Annual*, Vol. 33, Issue 1, pp. 395-457.

24.

Furceri, D., Hannan, S. A., Ostry, J. D. and Rose, A. K. (2020), "Are tariffs bad for growth? Yes, say five decades of data from 150 countries", *Journal of Policy Modeling*, Vol. 42, Issue 4, pp. 850-859. They show that a one standard deviation increase in tariff rates correlates with a 0.4% decline in GDP five years later.

25.

See also Panetta, F. (2023), "United we stand: European integration as a response to global fragmentation", speech at an event on "Integration, multilateralism and sovereignty: building a Europe fit for new global dynamics" organised by Bruegel, Brussels, 24 April.

26.

Eichengreen, B. and Irwin, D. A. (2010), "The Slide to Protectionism in the Great Depression: Who Succumbed and Why?", *The Journal of Economic History*, Vol. 70, Issue 4, pp. 871-897.

27.

Jacks, D. S. and Novy, D. (2019), "Trade Blocs and Trade Wars during the Interwar Period", *NBER Working Paper Series*, No 25830.

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Mukhin, D. (2022), "An equilibrium model of the international price system", *American Economic Review*, Vol. 112, No 2, pp. 650-688; Barbiero, O. et al., op. cit.

29.

Eichengreen, B., Mehl, A. and Chiţu, L. (2019), "Mars or Mercury? The geopolitics of international currency choice", *Economic Policy*, Vol. 34, Issue 98, pp. 315-363.

30.

See Lagarde, C. (2025), "A robust strategy for a new era", speech at the 25th "ECB and Its Watchers" conference organised by the Institute for Monetary and Financial Stability at Goethe University, Frankfurt am Main, 12 March.

31.

G20 (2020), *G20 Riyadh Summit Leaders' Declaration*, 21 November, paragraph 16; Financial Stability Board (2020), *Enhancing Cross-border Payments – Stage 1 report to the G20*, 9 April; Committee on Payments and Market Infrastructures (2020), *Enhancing cross-border payments: building blocks of a global roadmap – Stage 2 report to the G20*, Bank for International Settlements,13 July; and Financial Stability Board (2020), *Enhancing Cross-border Payments – Stage 3 roadmap*, 13 October.

32.

See Cipollone, P. (2025), "Enhancing cross-border payments in Europe and beyond", speech at the Regional Governors' Meeting in Osijek, 1 April.

33.

As noted in Aiyar, S. et al. (2023), "Geoeconomic Fragmentation and the Future of Multilateralism", *IMF Staff Discussion Notes*, 15 January, the global financial safety net plays an important role in safeguarding the stability of the global economy, but its coverage is uneven and global liquidity provision is limited. The global financial safety net consists of central banks' foreign exchange reserves, central banks' bilateral swap arrangements, regional financing arrangements and the IMF. See also IMF (2025), *Global Financial Stability Report*, April.

34.

Eichengreen, B. and Irwin, D. A., op. cit.

35.

See also Sapir, A. (2025), "The European Union should form an international open trade coalition in response to Trump's tariffs", *First Glance*, Bruegel.

36.

Cipollone, P. (2024), "Why Europe must safeguard its global currency status", *Financial Times*, 12 June, and Panetta, F. (2023), "Europe needs to think bigger to build its capital markets union", *Politico*, 30 August.