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Key Takeaways from the 9th Annual Research Conference of the NBU and NBP: Economic and Financial Integration in a Stormy and Fragmenting World

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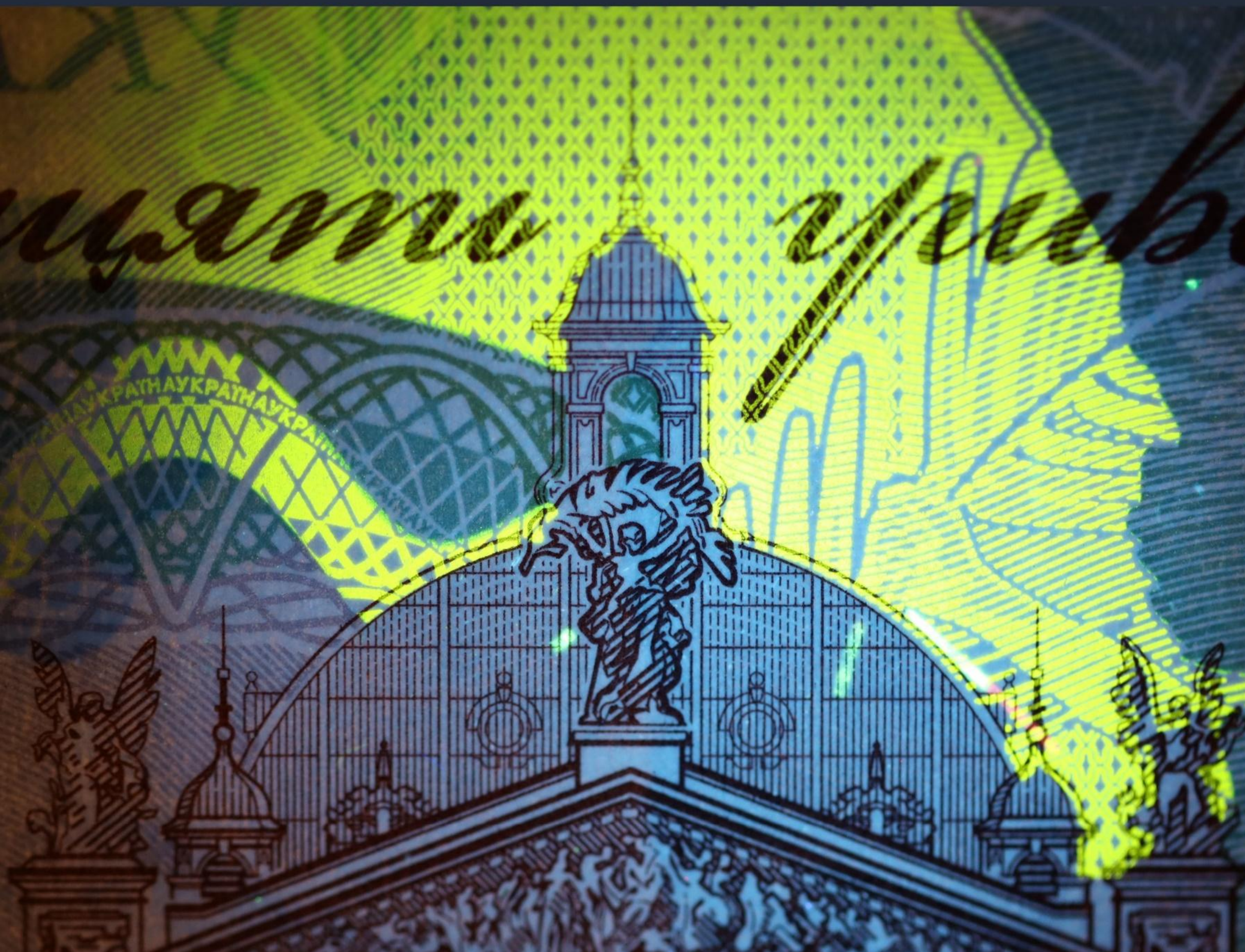

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KEY TAKEAWAYS FROM THE 9TH ANNUAL RESEARCH CONFERENCE OF THE NBU AND NBP: ECONOMIC AND FINANCIAL INTEGRATION IN A STORMY AND FRAGMENTING WORLD[1]

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Abstract

The article summarizes the key ideas and takeaways from the 9th Annual Research Conference, jointly organized by the National Bank of Ukraine and Narodowy Bank Polski, titled Economic and Financial Integration in a Stormy and Fragmenting World. The event took place on 19–20 June in Kyiv. Strategic guidelines for central banks in the new geopolitical and economic environment were outlined at the event, based on presentations by keynote speakers, panel discussions, and research presentations. Special attention was paid to the role of economic research in enhancing the institutional capacity of central banks and strengthening their resilience and ability to respond in a timely and effective manner to the unprecedented challenges of the global environment.

JEL Codes E60, E52, F50

Keywords asymmetric shocks, monetary policy flexibility, global fragmentation, integration

INTRODUCTION

The 9th Annual Research Conference, organized jointly by the National Bank of Ukraine and Narodowy Bank Polski with support from the German Society for International Cooperation (GIZ) and the International Monetary Fund, was dedicated to the topic *Economic and Financial Integration in a Stormy and Fragmenting World*.[2] This event was a powerful intellectual platform for in-depth analyses of the new reality in which central banks operate amid geopolitical turbulence, increasing global fragmentation, evolving supply chains, and new challenges for central-bank policy.

The conference brought together leading researchers, practitioners, and policymakers from 34 countries around the globe, including representatives of central banks, international organizations, government agencies, academic institutions, and think tanks. Event discussions focused on rethinking the role of central banks in the new global coordinate system, where their institutional credibility, analytical capacity, and independence in implementing regulatory policies are drawing increasingly more attention.

The event's agenda covered in-depth academic research and panel discussions on strategies that deepen integration processes to counter the effects of fragmentation. Particular emphasis was placed on the challenges and transformations of the role of leading currencies in the global economy, geopolitical shocks and fragmentation, sanctions policy, the evolution of

[1] Disclaimer: The opinions and ideas described here are the interpretations of the authors of this article, and do not necessarily coincide with the opinions of the conference speakers and the institutions they represent.

[2] https://events.bank.gov.ua/ARConference/2025/index.html

monetary regimes, and new approaches to institutional interaction.

At the conference, key speeches were delivered by European Central Bank President Christine Lagarde, Bank of England Governor Andrew Bailey, and Harvard University Professor Kenneth Rogoff. Ukraine's unique experience of having a central bank functioning in extreme conditions was an important part of the discussions, as was Ukraine's potential role in the transformation of the entire European Union to strengthen its resilience against new global challenges.

The present article features five key takeaways from the conference.

FIVE KEY TAKEAWAYS FROM THE CONFERENCE

1. Global fragmentation is not a temporary shock but the new reality.

The world is entering a phase of systemic fragmentation that goes far beyond geopolitics and encompasses institutional, regulatory, and value dimensions. For central banks, this means that geopolitical tensions can no longer be viewed as an external or temporary factor – they are becoming increasingly integrated with monetary and macroprudential policy and require strategic adaptation.

After decades of globalization – the expansion of international trade, financial integration, and the unification of standards – the world has reached a turning point. The new geopolitical geometry poses new risks to the economy, especially given that some of them lie in the realm of security, while at the same time laying the foundations for self-reinforcing fragmentation.

The study *Hegemonic Globalization* (Fernando Broner et al., 2025) shows that globalization has never been neutral – it has always been shaped around hegemons that set the rules of the game. An analysis of a unique database of international treaties (1800–2020) proves that these hegemons – primarily the United States since 1945 – acted as the main centers of gravity for global cooperation. In the 2010s, China rapidly closed the gap with the United States, intensifying competition for regulatory and institutional leadership.

The authors demonstrate that the presence of a hegemon promotes economic integration, while the loss of its coordinating role stimulates the formation of geo-economic blocs based on common interests and values. Thus, fragmentation appears not only as a consequence of disintegration processes, but as a new, more complex form of global order in a multipolar environment.

In his speech *Will the Dollar's Loss be the Euro's Gain?*, Professor Kenneth Rogoff (2025) described the transformation of the currency architecture as a transition to a multi-currency system. He emphasized that confidence in a currency is less and less determined solely by a country's economic power and increasingly by the political behavior, institutional quality, and external responsibility of the issuing state. Thus, the strength of the dollar is based not only on the stability of the U.S. economy, but also on confidence in its institutions.

At the same time, according to Professor Rogoff (2025), the weakening of the dollar's dominance creates opportunities for other currencies, primarily the euro, to strengthen their international positions. However, this window of opportunity requires decisive action: the development of the EU's internal financial market, and achieving institutional depth, stability of the rules of the game, and growth in geopolitical agency. Competition among currencies in a multipolar world requires not only economic weight, but also political cohesion and strategic vision.

These considerations are supported by Marco Garofalo's (University of Oxford) study *Sanctions and Currencies in Global Credit* (Garofalo et al., 2025), which emphasizes that sanctions policy against an aggressor – morally and politically justified – also has a price. It is not limited to directly blocking transactions, but changes the structure of global demand for reserve currencies. This once again underscores that the international financial system is sensitive to geopolitics, and decisions in this area have long-term consequences.

Thus, geo-economic fragmentation is becoming the new norm, and central banks must consider this not as an exceptional circumstance but as a structural feature of the environment. This requires rethinking foreign economic and currency relations, strengthening institutional capacity, building trust, and developing resilience to global shocks.

2. Asymmetric shocks are the new normal in global economics and finance.

The fragmented global environment is characterized by regular, large, and mostly asymmetric shocks resulting from trade restrictions, financial sanctions, supply chain disruptions, and geo-economic confrontations. These shocks differ from classic macroeconomic shocks in that they are structural, long-lasting, and often non-linear in their effects. All of this requires a rethinking of approaches to identifying vulnerabilities, as well as a significant modernization of policy tools.

In the study *Inputs in Distress: Geoeconomic Fragmentation and Firms' Sourcing*, Denis Essers (National Bank of Belgium) demonstrated that a significant proportion of firms in the European Union are critically dependent on a limited number of suppliers (Panon et al., 2025). Modeling shows that even a short-term halt in trade with China could lead to a significant decline in GDP, with uneven impacts across sectors, regions, and countries. This creates systemic risks that cannot be neutralized by rapid diversification. Economies with underdeveloped institutional frameworks and limited access to alternative markets remain particularly vulnerable.

Another manifestation of asymmetry is the effects of sanctions policy, which can be uneven even for the countries that initiate it. Nicolas Gavollie (Bank of Latvia) studied the impact of sanctions on Latvian companies in his research paper *A Short Drop or a Sudden Stop? Sanctions, Trade Shocks, and Firms' Adjustment Margins* (Gavollie, 2025). Gavollie showed that companies that are deeply integrated into global value chains incur the largest losses. At the same time, some companies demonstrate adaptability or even benefit by using friend-shoring or creating regional production alliances as a means of reducing dependence on geopolitically vulnerable areas.

Aurelija Proškutė (Bank of Lithuania) in her study *Intermediaries in International Trade: Managing Sanctions and Geoeconomic Fragmentation* (Lastauskas et al., 2024) drew attention to the spread of intermediary trade, where sanctions are formally observed but actually circumvented through legally modified routes. Such "circumventing logistics" complicates the assessment of the effectiveness of restrictions and requires new approaches to monitoring – in particular, modeling trade flows with the inclusion of informal segments and shadow channels.

Thus, the shocks of the new generation are not only more difficult to detect and predict, but also have much more varied consequences for different sectors, countries, and households. For central banks, this means there is a need for institutional readiness for multifactorial scenarios, the development of flexible analytics, and the construction of early vulnerability detection systems. All of this must be integrated into macroprudential and anti-crisis strategies in the new global context.

3. Monetary policy in times of crisis: flexibility without loss of confidence.

Global experience proves that a clearly defined monetary policy framework, such as inflation targeting, is the foundation of central bank credibility and institutional stability. However, the increasingly complex global environment, asymmetric geopolitical shocks, and uncertainty require monetary institutions to be flexible in their decision-making. The key challenge is to maintain policy consistency and predictability while still being able to adapt to crisis conditions.

Christine Lagarde (European Central Bank) and Andrew Bailey (Bank of England) clearly outlined this new paradigm in their speeches, emphasizing the importance of the "flexibility while maintaining an anchor of trust" approach (Lagarde, 2025; Bailey, 2025). In times of emergency – pandemics, wars, and geopolitical tensions – central banks must act decisively and promptly, but without losing the long-term integrity of their policies.

The example of Ukraine is illustrative. In response to russia's full-scale invasion, the National Bank of Ukraine resorted to fixing the exchange rate, FX restrictions, and emergency stabilization measures. These actions were justified in the face of an unprecedented shock and helped maintain macrofinancial stability. At the same time, effective communication was a critical element of success: a clear explanation of the temporary nature of the emergency measures was given, and a strategy was put in place for a gradual return to the normalization of policies to ensure their sustainability in the medium term. The public's trust was based not only on the central bank's actions, but also on their understanding the logic behind them.

These conclusions are supported by a study by Yevhenii Skok (University of Oxford, University of Liverpool) *Foreign Exchange Regimes in (Normal Times and) Times of War: Insights from Ukraine* (de Groot and Skok, 2025). The modeling shows that for small shocks, exchange rate flexibility is optimal, but in the case of a large-scale shock, such as a war, fixing the exchange rate may be more appropriate, as a sharp depreciation of the currency deepens financial instability, in particular due to the foreign currency debt burden. This proves that the choice of regime should be adaptive and strategically driven, not doctrinally based.

Christine Lagarde (2025) also emphasized that flexibility does not contradict credibility – on the contrary, it supports it if accompanied by a clear vision and consistent communication. Temporary measures should be explained as being an exception, and not a departure from the principles of independence or predictability. The experience of Ukraine is a vivid example. Ms Lagarde acknowledged that the NBU's reforms in the banking sector, the adoption of a risk-based supervisory model, closer alignment with EU standards, and the financial system's resilience despite the ongoing full-scale war are exceptional achievements that demonstrate institutional maturity in the face of an existential shock. Moreover, Ukraine's banking sector being profitable and well-capitalized in 2023–2024, despite the war, would not have been possible without the decisions that were taken in advance.

These examples demonstrate that adaptability and transparency should go hand in hand, and that trust is not just a goal but an asset that allows for anti-crisis measures to be implemented without undermining long-term stability.

The experience of other countries also confirms the importance of flexibility. Krzysztof Makarski (National Bank of Poland) modeled the potential consequences of Poland's being in the euro area in his study *Monetary Integration under Heterogeneity of Households and Bounded Rationality*. The author concludes that the economy would have been more vulnerable to external shocks in the event of a loss of independent monetary policy, in particular during the COVID-19 pandemic or the war in Ukraine. This once again emphasizes the role of a flexible monetary policy as a stabilization tool in times of crisis.

Thus, monetary policy in times of crisis should be based on three principles: transparency, proper communication, and a timely transition from temporary to more sustainable solutions. Trust is not only a goal, but also a key resource that allows for the implementation of non-standard measures without a loss of legitimacy. Central banks should communicate not only their actions but also the rationale behind them, building strategic trust in an environment of uncertainty.

4. Integration in the era of fragmentation is not an oxymoron, but a response to global challenges.

The conference clearly demonstrated that in the context of the transformation of the global order and increasing geo-economic fragmentation, deepening integration between countries that share common values is a strategic response to current challenges. Integration in the new reality is not an archaic desire for unification, but a flexible tool for strengthening economic, political, and security resilience.

In this context, special attention was paid to Ukraine as a key factor in European stability and a catalyst for positive changes in the European Union. In his opening remarks, Andriy Pyshnyy, Governor of the National Bank of Ukraine, gave a professional answer to the main caveats to Ukraine's integration into the European Union, emphasizing the strategic benefits that the entire region would gain in the event of the full integration (Pyshnyy, 2025). The NBU governor also mentioned the results of a recent IMF study that pointed to bilateral benefits from the integration. In particular, the previous waves of enlargement in 2004 and 2007 contributed to a 30% increase in GDP per capita in the new member states compared to the alternative scenario without accession. At the same time, per capita incomes in "old Europe" also grew by 10%, reflecting the economies of scale generated by the common market.

Christine Lagarde confirmed that Ukraine is not a burden or a threat, but rather a source of renewal and institutional impetus for the EU (Lagarde, 2025). Ukraine's reform potential is based on its resilience in the face of war, a high level of civic mobilization, and a deep internal demand for dignity and the rule of law. This adds a new dimension to integration – the dimension of values.

At the same time, European integration is not a one-time act or a technical procedure; it is a dynamic process that requires constant adaptation by both candidate countries and EU institutions themselves. Integration is not only the implementation of standards, but also the transformation of management practices, building trust, and changing political culture.

Andriy Pyshnyy emphasized that integration is a bilateral process that requires harmonization of visions, frameworks, and expectations. Gediminas Šimkus (Bank of Lithuania) metaphorically defined it as "a journey, not a destination," while Jacek Jastrzębski (Polish Financial Supervisory Authority) pointed out that the true success of integration is measured not only by technocratic compliance, but above all by public trust in change.

During the conference, the speakers also discussed the search for a new balance between the key principles of the free market and the need to ensure economic security in a fragmented environment. The discussions showed that ensuring resilience requires a joint regional response: integration policies should not only facilitate the freedom of movement of capital, goods, and services, but also provide strategic protection for critical sectors, coordinate the security of supply, and develop regional competitiveness. This means that integration should include a security dimension – both for individual countries and for the region as a whole.

Central banks, as institutions that traditionally enjoy a high level of public trust, play a critical role in this process. Not only do they ensure macrofinancial stability – they also become the guides for institutional synchronization, enhancing public administration capacity, and building structural compatibility with the European policy framework. Their capacity for reform and transparency is not only a national achievement, but also an indicator of a country's overall readiness for deeper integration.

5. The development of research and analytical functions is a key condition for the institutional sustainability of central banks.

The final, but no less important conclusion of the conference was directly related to its format: the Annual Research Conference emphasizes that the sustainable development of the analytical function and economic research is the foundation of the institutional capacity of central banks. In a fragmented world characterized by high volatility, uncertainty, and structural shocks, not only forecasting but also evaluating the effectiveness of decisions under different scenarios becomes a prerequisite for effective policy.

Policy flexibility, the need for which was discussed above, cannot be effective without a deep understanding of the nature of the processes that necessitate such adaptability. In particular, the complexity and heterogeneity of the impact of asymmetric shocks – whether trade, geopolitical, or financial – requires systematic analysis, improved models, and the development of research tools that can take into account multifactorial linkages and associated risks. That is why the institutional capacity to conduct high-quality research is not an additional advantage, but a precondition for effective policy.

The growth of geopolitical risks requires their integration into the working models of central banks. Antoine Cornevin (Graduate Institute of International and Development Studies, Geneva) in his study *Geopolitical Risks and Economic Expectations: The Role of Trade Linkages* (Covernin, 2025) showed that events such as wars or international conflicts significantly affected the expectations of professional analysts in 32 countries. Geopolitical turmoil significantly increases the variance of economic growth forecasts, indicating deep uncertainty. According to the author's conclusions, this reaction is related to the phenomenon of "rational inattention," which emphasizes the need to develop behavioral approaches in economic analysis.

Geopolitical risks also have a direct impact on international commodity markets, including the energy and food markets. Understanding their dynamics is critical both for forecasting inflation and for assessing the effectiveness of policy decisions. Olga Bondarenko's (National Bank of Ukraine) paper *Shockwaves from Ukraine: Trends and Gaps in Agricultural Commodity Prices* (Bondarenko, 2025) offers a new methodology for analyzing global agricultural prices in times of war. The study shows that the absence of a sea corridor for Ukrainian exports could have led to an increase in global prices of more than 10%, while the actual increase was only 2%–5%. This makes supporting Ukrainian agricultural exports not only an economic but also a geopolitical priority.

In addition, research development is not only a tool for a stable policy, but also an important aspect of European integration. The free circulation of knowledge, scientific cooperation, and the mobility of researchers are prerequisites for the formation of a common intellectual space. Olha Zadorozhna (Kozminski University) in her research *Limits of Integration: Relocation of the Central European University and Fragmentation in the EU Academic Labor Market* shows, using the example of the relocation of the Central European University from Budapest to Vienna in 2019, that despite the formal openness of the EU academic space, there still remain barriers and inequalities between countries, industries, and career stages. This underscores the need for a more targeted EU policy to support academic mobility, especially for young researchers, and confirms that research is not only an intellectual resource, but also part of the institutional and political architecture of European integration.

CONCLUSIONS

The results of the 9th Annual Research Conference of the National Bank of Ukraine and Narodowy Bank Polski confirm that the challenges faced by central banks are structural rather than temporary in nature. In an era of fragmentation, geo-economic competition, and permanent volatility in the global environment, the strategic guidelines for central bank policy should be as follows:

First, recognition of fragmentation as a new systemic reality that is changing not only the configuration of global value chains, but also the currency architecture and the nature of international cooperation. Geopolitical tensions are no longer just an external backdrop – they are increasingly integrated into the operational environment of central banks.

Second, adapting to asymmetric shocks requires updating analytical tools and modernizing macroprudential policy. New types of shocks require high flexibility, the early detection of vulnerabilities, and a deeper understanding of the interrelationships between sanctions, global markets, and domestic economic sectors.

Third, monetary policy flexibility in times of crisis must be based on transparency, high-quality communication, and timely policy transformation. Trust is built not only through compliance with rules, but also through the ability of institutions to explain exceptional decisions and return to the strategic trajectory in peacetime.

Fourth, integration in conditions of fragmentation is not a contradiction but a response. Integration strategies should focus not only on legal compliance but also on institutional compatibility, security coordination, and public trust. Today, integration includes economic, political, and value dimensions.

Fifth, the development of the research and analytical function of central banks is not only a tool for internal effectiveness but also a means of international integration. High-quality research allows for better modelling of the impact of geopolitical events, adapting policy to new challenges, and supporting the open circulation of knowledge, which is especially important for young researchers and the European scientific community as a whole.

Ensuring the institutional resilience of central banks in a world of turmoil and fragmentation relies on a combination of flexible policies, strategic thinking, international dialogue, and knowledge development. This requires not only technical expertise, but also a deeper understanding of the times, risks, and values that shape trust.

The speech by European Central Bank President Christine Lagarde, who quoted lines from Ukrainian writer Ivan Franko's poem You Mother Nature!, became symbolic for the conference:

"Let life be a moment
and composed of moments,
we carry eternity in our souls;

These lines not only strike a poetic chord, but express a profound metaphor for the responsibility of central banks in a turbulent world. Every decision that seems purely technical or temporary reflects a deeper strategic quality – continuity, trust, and responsibility for the future. The strength of a central bank today lies in its ability to maintain a balance between the moment and eternity, between flexibility and principles, and between crisis response and long-term vision.

Continuing the quoted poem:
"Every tone and every shade—
is a single moment, a ray,
but in every moment
the diamond of eternity shines."[3]

[3] Translation of the poem in the authors' own version.

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