

Institute for Economy and Forecasting, NAS of Ukraine



# **Financial openness: contradictions of European integration requirements under global economic destabilization**

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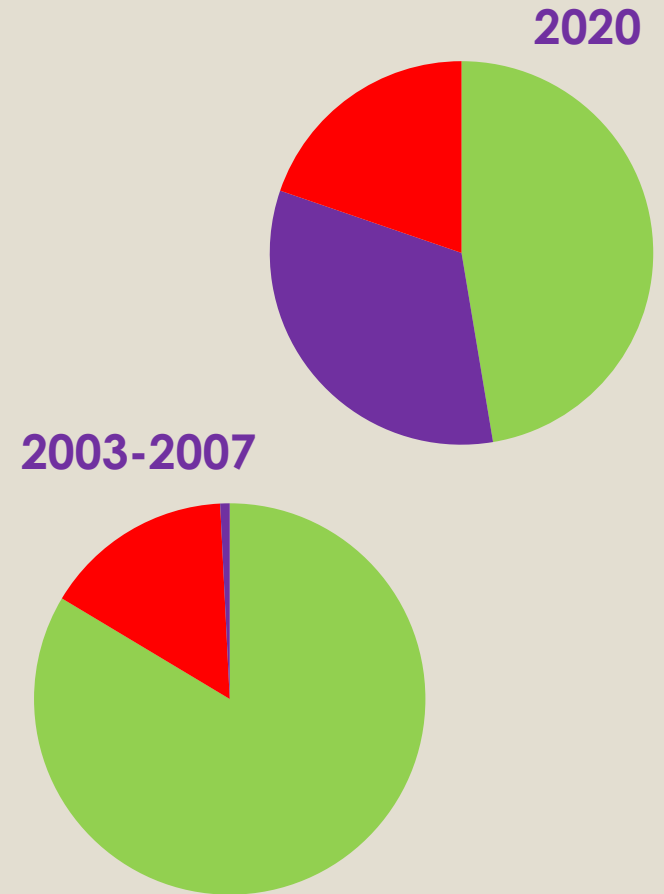
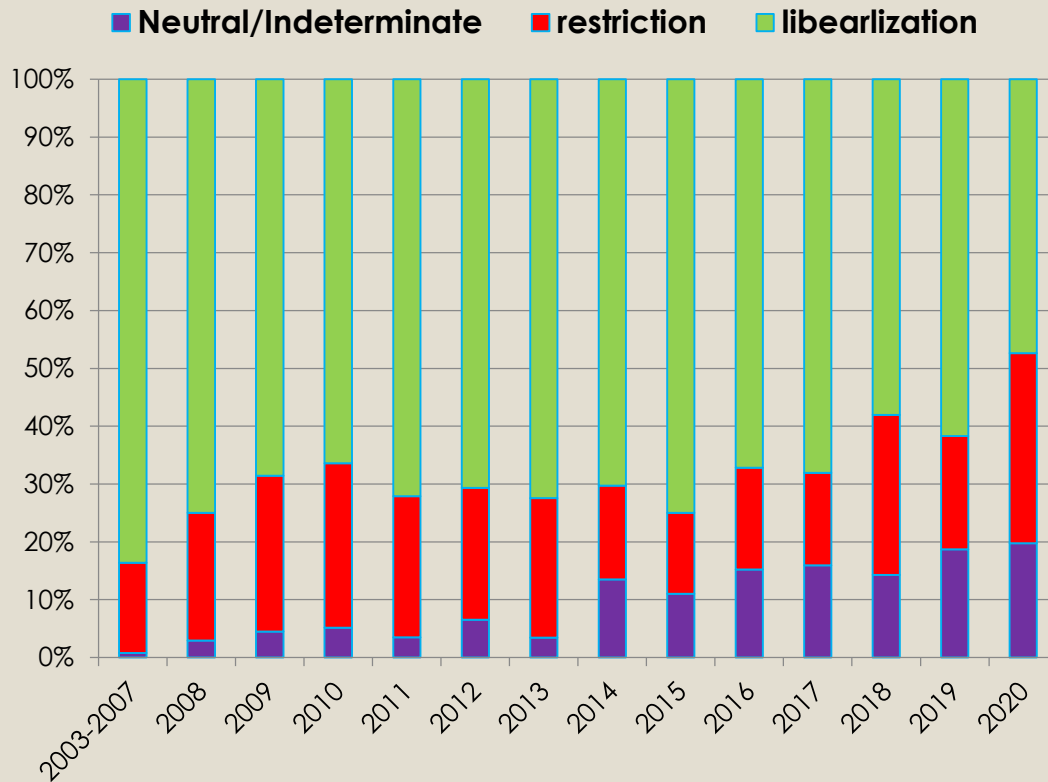
**THE IMPACT OF INTEGRATION PROCESSES ON THE MONETARY POLICY:  
BULGARIAN EXPERIENCE AND UKRAINIAN PERSPECTIVE**

Kyiv-Sofia, 20 October 2021

# Changes in authorities' view on the role of ICF in financial instability:

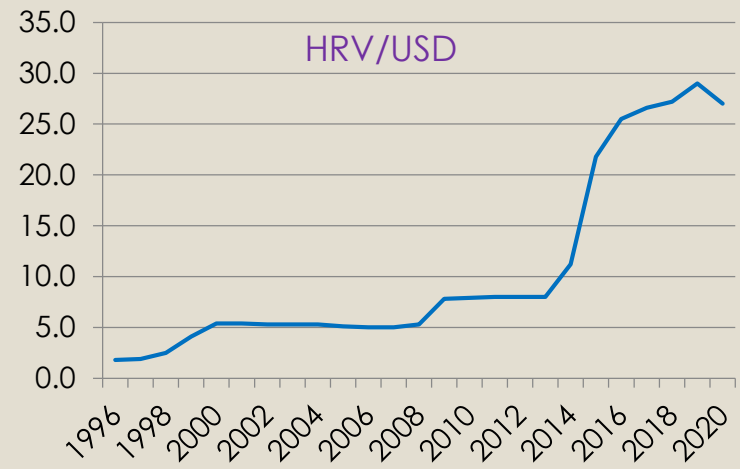
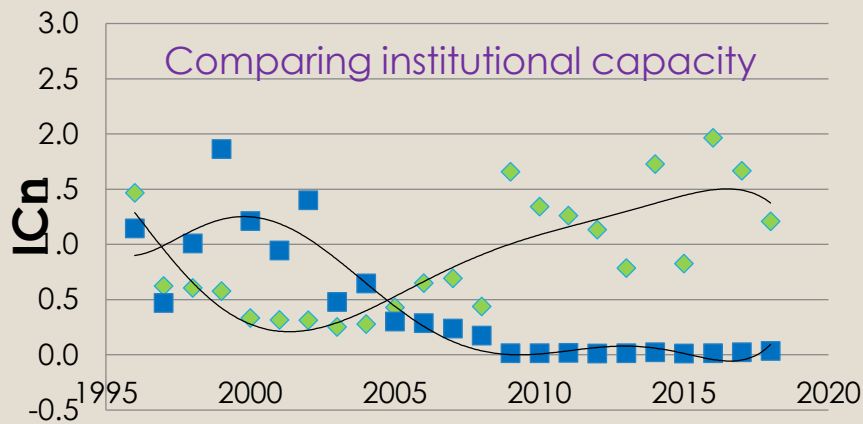
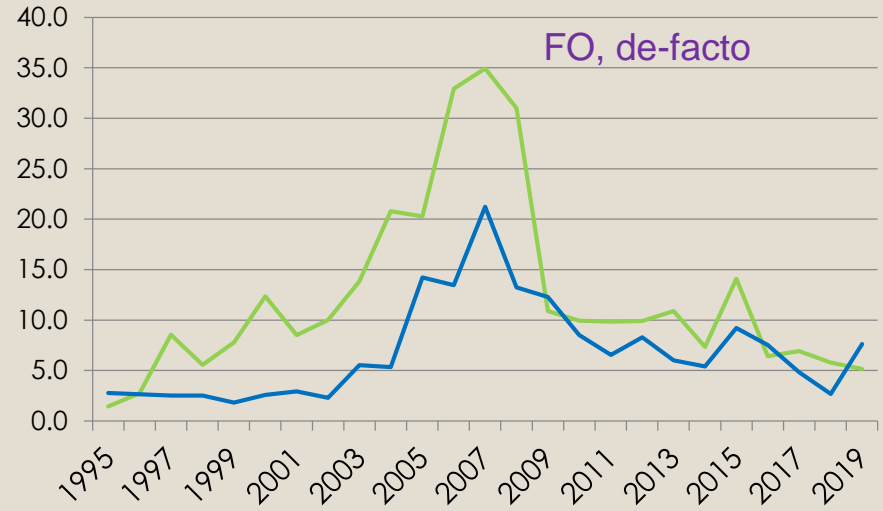
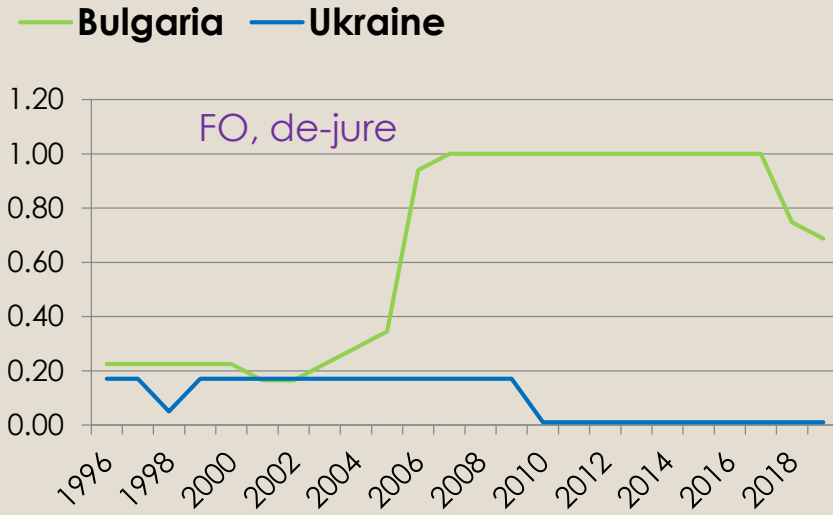
- ❑ “Experience has also shown that countries **will only remain on a path towards openness if they can manage episodes of excessive volatility in capital flows and exchange rates**, and protect domestic financial stability.” (World bank, 2018)
- ❑ “Private foreign capital is, as suggested earlier, increasingly being cast as the Good Samaritan in the resource gap story around the 2030 Agenda. But increased financial integration has already **exposed developing countries to global financial cycles and volatile capital flows. This has tended to widen macroeconomic imbalances, create financial vulnerabilities...**” (UNCTAD, 2019)
- ❑ But in reality financial openness has proven a double-edged sword. The typical emerging market economy (EME) receiving higher capital inflows will grow 0.3 percentage points faster, all else equal. But **the typical EME with higher capital flow volatility will grow 0.7 percentage points slower.** (Mark Carney Governor of the Bank of England, 2019)

# Changes in investment policies through the World



Source: UNCTAD (2021)

# ICF process assessing



# preliminary measures of Ukrainian financial openness policy on the path to EU:

- *foreign exchange control regulations adjustment and using intervention to limit excessive volatility of the national currency caused by the speculative or panic behavior;*
- *developing of macroprudential policy tools to prevent the system risk of ICF's negative impact on financial stability;*
- *applying indirect influence on the ICF parameters by implementing international initiatives to limit illegal capital flows and capital fly (e.g. BEPS).*

*... by limiting the illegal, volatile or systemically risky part of capital flows, these measures should free liberalization process for casual market participants on the path to EU.*

**Thank You for Your Attention!**

