

Soft power and central banks

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Ladies and Gentlemen,
Distinguished Guests,

It is my great pleasure to welcome you to Banca d'Italia for the seventh edition of the Soft Power Conference. First of all, I would like to thank the speakers for their contribution to today's debate, and the Soft Power Club for fostering a space where diplomacy, culture, and economics meet for informed and constructive dialogue.

More than three decades ago, Joseph Nye defined soft power as the ability to shape the preferences of others not through coercion or payment, but through attraction and persuasion.

Today, this notion appears to be losing ground. Countries are increasingly turning to hard power – brute force and economic pressure – with often dramatic consequences. The international order is under growing strain. Conflicts, rising geopolitical tensions, the fragmentation of global trade, and rising protectionism challenge the foundations on which decades of prosperity were built. Escalating conflicts continue to exact a heavy toll on people around the world, while cyber warfare is also on the rise. Overall, the world's willingness to cooperate is at its lowest level in several decades.

Yet soft power – rooted in dialogue and persuasion – is more needed than ever, even as it becomes harder to sustain, amid polarization and information overload.

Today's event features an analytical tool, the Global Soft Power Index, which will be presented in a few moments. As the authors' tentative evidence seems to suggest, soft power is not just a matter of diplomatic prestige; it may also bring significant economic benefits. These findings underscore something that central banks have long observed: trust is a key economic asset. Credibility, predictability, and the ability to communicate effectively are forms of soft power that influence how households, firms, and financial investors take decisions. They shape expectations and, through them, the functioning of the economy.

A central question of today's discussion is how soft power can support and strengthen the multilateral system. Given the state of world affairs I have just described, one might be tempted to conclude that it cannot. Yet that conclusion would not be correct, not entirely at least. Let me illustrate this with an example from the community of central banks.

Within this community we experience the importance of international cooperation on a daily basis. Dialogue at the technical level remains open through long-standing fora such as the International Monetary Fund and the World Bank, the Basel Committee on Banking Supervision, the Bank for International Settlements, and the Financial Stability Board – a body that also includes government representatives. These fora have a long tradition of reaching agreement through dialogue and compromise. Today, dialogue continues not only on traditional issues, such as financial stability or the regulation of digital innovation, but also on highly contentious ones.

Even on the topic of climate-related risks, a way forward is gradually being found. I will not deny that difficulties have arisen. Yet discussion has allowed progress to be made, at least in certain areas. Specifically, we have agreed that a focus on physical risk for the purposes of financial stability and the supervision of financial intermediaries is appropriate. This outcome is far from optimal in the eyes of many of us, but it allows the community of central banks and supervisors to move forward with a pragmatic agenda at a difficult juncture. Even more importantly, it enables us to keep the dialogue open. Ultimately, this is an investment in soft power: the glue that binds cooperation, and the force that sustains dialogue even when interests diverge.

To conclude, as Pope Leo XIV recently put it, 'If you want peace, prepare institutions of peace'. This is precisely why soft power – and the quiet political and technical work that sustains it – matters so much. It is earned through credible institutions, responsible leadership, and consistent action. It grows when countries invest in education, culture, and innovation, and when nations engage constructively in dialogue with one another.

I am confident that today's discussion, along with the insights of our distinguished speakers, will contribute meaningfully to this collective effort. Thank you, and I wish you all a productive and inspiring conference.

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