DIFFERENTIATION AND EURO ADOPTION IN CESEE COUNTRIES: POLICY OPTIONS FOR REDUCING FRAGMENTATION UNDER GEOPOLITICAL PRESSURE

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Back on the agenda: the pros and cons of euro adoption in CESEE

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*Based on research with Assem Dandashly, Maastricht University

1. INTRODUCTION

Research question: When contemplating euro adoption in countries of Central, Eastern and Southeastern Europe (CESEE) that have not yet joined the euro, how do geopolitical pressures alter the balance between strict convergence standards and reducing fragmentation?

Core argument: geopolitical pressures increase the value of cohesion without removing the need for credible convergence.

2. EVOLUTION OF EMU AND EURO ADOPTION

- EMU originally envisioned broad membership
- Crisis governance strengthened insider-outsider dynamics
- Euro area decisions increasingly concentrated in Eurogroup venues
- Since 2026, when Bulgaria joined, 21 EU member states use the euro
- Domestic stance on euro adoption is shaped by both economics and politics

3. WHY SOME CESEE STATES REMAIN OUTSIDE

Of those member states who joined the EU in 2004 and 2007, Czechia, Hungary, Poland, and Romania have still remained outside the euro area. Common challenges include:

- No participation in the Exchange Rate Mechanism-II (ERM-II) of the European Monetary System (EMS)
- Inflation performance
- Long-term interest rates
- Domestic political constraints
- Concerns about becoming ‘stuck’ in ERM-II

4. CONVERGENCE CRITERIA (INFLATION)

Figure 1 Czechia – Inflation criterion

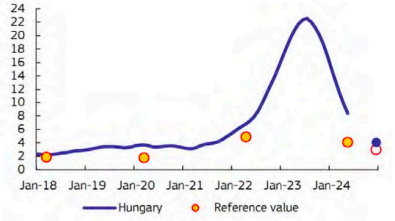
(percent, 12-month moving average)



Source: Eurostat, Commission's Spring 2024 Economic Forecast.
Note: The dots at the right end of the chart show the projected reference value (red/unfilled dot) and 12-month average inflation rate (blue/solid dot) of Czechia in December 2024. The reference values for 2018, 2020 and 2022 refer to the reference values calculated in the previous convergence reports.

Figure 2 Hungary – Inflation criterion

(percent, 12-month moving average)



Source: Eurostat, Interim Spring 2024 Economic Forecast.
Note: The dots at the right end of the chart show the projected reference value (red/unfilled dot) and 12-month average inflation rate (blue/solid dot) of Hungary in December 2024. The reference values for 2018, 2020 and 2022 refer to the reference values calculated in the previous convergence reports.

Figure 3 Poland – Inflation criterion

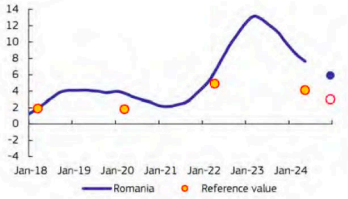
(percent, 12-month moving average)



Source: Eurostat, Commission's Spring 2024 Economic Forecast.
Note: The dots at the right end of the chart show the projected reference value (red/unfilled dot) and 12-month average inflation rate (blue/solid dot) of Poland in December 2024. The reference values for 2018, 2020 and 2022 refer to the reference values calculated in the previous convergence reports.

Figure 4: Romania – Inflation criterion

(percent, 12-month moving average)



Source: Eurostat, Commission's Spring 2024 Economic Forecast.
Note: The dots at the right end of the chart show the projected reference value (red/unfilled dot) and 12-month average inflation rate (blue/solid dot) of Romania in December 2024. The reference values for 2018, 2020 and 2022 refer to the reference values calculated in the previous convergence reports.

4. CONVERGENCE CRITERIA

Overview table of economic indicators of convergence

	Price stability	Government budgetary developments and projections			Exchange rate		
	HICP inflation [1]	Country in excessive deficit [2,3]	General government surplus (+)/ deficit (-) [4]	General government debt [4]	Currency participating in ERM II [3]	Exchange rate vis-à-vis the euro [5]	Long-term interest rate [6]
Bulgaria							
2022	13.0	No	-2.9	22.6	Yes	0.0	1.5
2023	8.6	No	-1.9	23.1	Yes	0.0	3.8
2024	5.1	No	-2.8	24.8	Yes	0.0	4.0
Czech Republic							
2022	14.8	No	-3.2	44.2	No	4.2	4.3
2023	12.0	No	-3.7	44.0	No	2.3	4.4
2024	6.3	No	-2.4	45.2	No	-4.2	4.2
Hungary							
2022	15.3	No	-6.2	74.1	No	-9.1	7.6
2023	17.0	No	-6.7	73.5	No	2.4	7.5
2024	8.4	No	-5.4	74.3	No	-2.0	6.8

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Poland							
2022	13.2	No	-3.4	49.2	No	-2.6	6.1
2023	10.9	No	-5.1	49.6	No	3.1	5.8
2024	6.1	No	-5.4	53.7	No	4.9	5.6
Romania							
2022	12.0	Yes	-6.3	47.5	No	-0.2	7.5
2023	9.7	Yes	-6.6	48.8	No	-0.3	6.7
2024	7.6	Yes	-6.9	50.9	No	-0.6	6.4
Reference value [7]	**3.3**		**-3.0**	**60.0**			**4.8**

Source: ECB (Convergence Report 2024

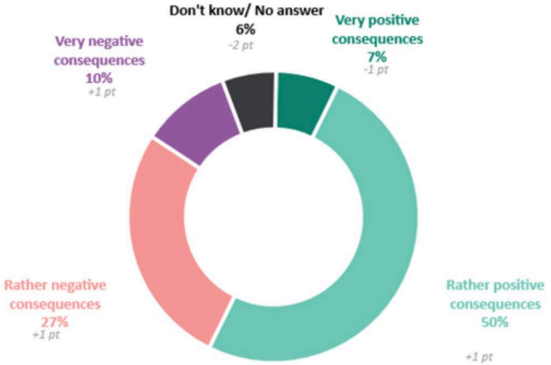
4. COMPARISON OF FOUR PROSPECTIVE ADOPTERS

Country	Debt/Deficit	Inflation	ERM-II	Overall
Czechia	Relatively strong	Problematic	No	Closest
Poland	Mixed	Problematic	No	Several gaps
Hungary	Weak	Weak	No	Challenges and opportunities
Romania	Weakest	Weakest	No	Furthest away

5. PUBLIC OPINION

Consequences of the introduction of the euro

When asked to assess the consequences that the introduction of the euro has had in the countries that are already using the euro, nearly six out of ten respondents (57%) in the five non-euro area Member States surveyed consider these consequences to have been positive overall vs. 37% who consider them to have been negative.



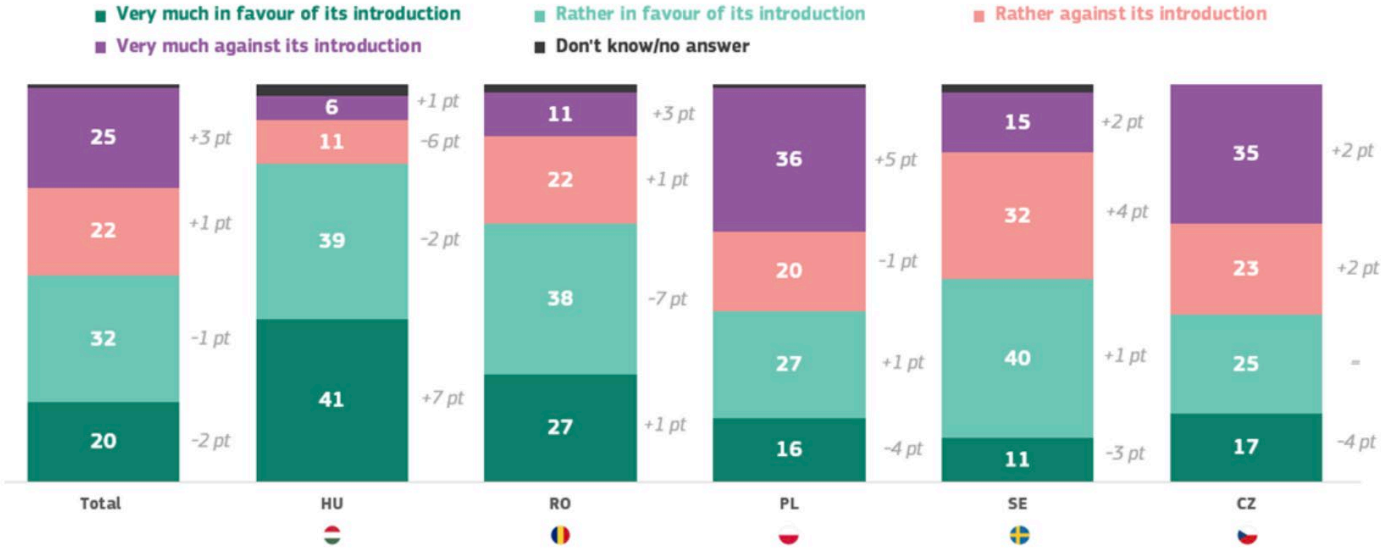
51% of respondents think that the introduction of the euro will have positive consequences for their country vs. 46% who think the introduction of the euro will have negative consequences. At the same time, 52% expect the euro to have positive consequences for them personally vs. 45% who think it will have negative consequences.

Source: Flash Eurobarometer 548

5. PUBLIC OPINION

In favour of the introduction of the euro

52% of respondents are personally in favour of the idea of introducing the euro in their country. The highest rates can be found in HU (80%, up 5 points) and RO (65%, down 6 points).



Source: Flash Eurobarometer 548

5. PUBLIC OPINION

- Support for the euro has risen across the EU
- Romania: strongest support among cases examined
- Hungary: relatively high support
- Czechia and Poland: lower and more stagnant support
- Many citizens believe their country is not yet ready

6. DIFFERENTIATION

Outsider status has institutional consequences:

- Limited access to key EMU deliberations
- Crisis-era decisions often made in euro-area venues
- Inclusion depends partly on compliance with insider norms
- Differentiation can become politically consequential

6. FRAGMENTATION

Outsider status has geopolitical consequences:

- In a changing world where financial infrastructure can be weaponized it is becoming more important to have a strong European Union
- Being part of the euro and the euro area institutional structure is one element of Strategic Autonomy

7. CONCLUSIONS

A more contested international environment increases the value of internal cohesion.

Tension:

- Preserve credibility and convergence standards
- Reduce unnecessary barriers to accession

Question: can pathways become smoother without lowering standards?

8. POLICY RECOMMENDATIONS

1. Clarify the path into ERM-II
2. Improve sequencing during external shocks
3. Strengthen inclusive coordination
4. Support national credibility and institutions
5. Reduce procedural frictions without weakening standards

THANK YOU FOR THE ATTENTION

Questions / comments:

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Reference/further reading:

Verdun, Amy (2026) 'Differentiation and Euro Adoption: Policy Options for Reducing Fragmentation under Geopolitical Pressure', in Marco Buti, Giancarlo Corsetti, and Anna Peychev (eds) RECONFIGURING EUROPE IN A FRACTURED GLOBAL ECONOMY (The 2026 EMU Florence Report). Florence: European University Institute, pp. 181-194.