Eurozone

Prelims: *Current events of national and international importance | International relations*

Why in News?

Bulgaria, the poorest member of the European Union (EU), became the 21st member of the eurozone.

- **Eurozone/euro area –** It represents a ***monetary union within the EU***, distinct from the wider EU membership.
- In other words, it refers to the geographic and economic region comprising those **members of the European Union** (EU) that have ***fully adopted the euro as their official currency***.
- **Maastricht Treaty, 1992** – It laid the foundation for the Eurozone by establishing
  - European Economic and Monetary Union (EMU);
  - A common currency – Euro;
  - European Central Bank (ECB); and
  - Common Economic Region.
- **Eurozone Membership –** The Total EU states is 27, of which 21 are members of the eurozone (with Bulgaria, Jan 2026).
- **Non-Eurozone EU states (6)** - Denmark, Sweden, Poland, Hungary, Czech Republic, Romania retain their own currencies.
- **Special Cases**
  - **Microstates with EU agreements** – Andorra, Monaco, the Vatican City and San Marino use the euro through agreements with the EU.
  - **Unofficial euro users** – Kosovo and Montenegro use the euro as their sole currency without an agreement.
- **Eurozone eligibility –** All EU member states, ***except Denmark*** (which availed an opt-out clause), satisfy certain "convergence criteria" under the Maastricht Treaty, and certain legal alignment with the European Central Bank (ECB) framework.
- **Transition to the Euro –** Starting January 1, both the ***lev and the euro*** can be used for transactions. From February 1, the euro will become the sole legal tender.
- **Gains for Bulgaria –** For Bulgaria, joining the Eurozone means credibility in global finance, a stronger European identity, and a tourism boost through seamless travel.

After the US Dollar, the euro is the largest reserve currency, and a vital symbol of European integration and identity.

- **Benefits of the eurozone –** The countries join the Eurozone to gain stability, competitiveness, cost savings, deeper EU integration, and global credibility.

Reference

Indian Express | Bulgaria joins eurozone

SHANKAR IAS PARLIAMENT
Information is Empowering