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# **The Euro's Eastern Frontier**

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**30 June 2026**

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***The Euro's Eastern Frontier***

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**Executive Summary**

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**Eastern Europe and the Euro's New Frontier**

- ✦ Central and Eastern Europe has become a core part of Europe's industrial base, deeply integrated into European supply chains, but now faces mounting challenges from geopolitical tensions, trade fragmentation, demographic decline and technological change.
- ✦ Boris Vujčić's appointment as ECB Vice-President reflects the growing importance of Eastern Europe within the EU and highlights the shift of future eurozone enlargement towards Eastern Europe and the Western Balkans.
- ✦ Countries on the euro's eastern frontier follow different paths to monetary integration: Croatia and Bulgaria have joined the eurozone, Montenegro and Kosovo already use the euro without membership, Romania remains a future candidate, and Hungary is reconsidering euro adoption following political change.

**EU Enlargement and Current Membership**

- ✦ EU enlargement and eurozone expansion are increasingly shaped by geopolitical considerations, with security concerns, Russia's war in Ukraine and broader strategic interests influencing decisions alongside economic and institutional criteria.
- ✦ Montenegro and Kosovo occupy a unique position in Europe, having adopted the euro unilaterally despite remaining outside both the EU and the eurozone. Their challenge is no longer currency adoption but securing formal EU and institutional membership.
- ✦ Euroisation has delivered stability and credibility but comes with significant trade-offs, as Montenegro and Kosovo lack influence over ECB policymaking and access to eurozone institutions despite already using the common currency.

**The Western Balkans' Path to Europe**

- ✦ Montenegro is the most advanced Western Balkan candidate for EU membership, having closed sixteen accession chapters and aiming to join the EU by 2028, although rule-of-law reforms remain a key obstacle.
- ✦ As a country that already uses the euro without formally belonging to the eurozone, Montenegro presents a unique challenge for the EU, raising questions about how unilateral euroisation should be treated during accession.
- ✦ Kosovo's path to integration has been slowed by political instability, with repeated elections, governance deadlock and unresolved relations with Serbia delaying reforms and complicating its ambitions to join the EU and NATO.

**Hungary's Return to the Euro Debate**

- ✦ Hungary is reconsidering euro adoption following a political shift under Prime Minister Péter Magyar, marking a departure from Orbán-era policies that prioritised monetary autonomy and "geoeconomic bridging" between the EU, China and Russia.
- ✦ While the government aims to join the euro by 2030, significant economic and political obstacles remain, including meeting Maastricht criteria, securing frozen EU funds and rebuilding credibility with European partners.

## Eastern Europe Moves to the Centre of Europe

Central and Eastern Europe is no longer merely Europe's convergence project. Over the past three decades, the region has become deeply embedded within European production networks, serving as a critical manufacturing base for Germany and other Western European economies. Countries such as Poland, Czechia, Slovakia and Hungary have built export-oriented growth models around integration into European value chains.

Yet the region now faces a new set of challenges. Global trade fragmentation, geopolitical tensions, rising energy costs, demographic decline and technological transformation are placing increasing pressure on the economic model that underpinned its convergence with Western Europe. As Europe debates competitiveness, industrial policy and strategic autonomy, the future of Central and Eastern Europe has become increasingly important for the European project as a whole.

Against this backdrop, [the appointment of Boris Vujčić](#) as Vice-President of the European Central Bank carries significance beyond personnel politics. As the first representative from a post-2004 EU accession state to join the ECB's Executive Board, his appointment reflects the growing economic and political weight of Central, Eastern and South-Eastern Europe within the European Union.

More importantly, it comes at a moment when the geography of European monetary integration is shifting. Most Western European countries already participate in the euro area. Future enlargement is increasingly concentrated in Eastern Europe and the Western Balkans, forcing the ECB to engage with economies that remain outside the eurozone but are already closely tied to the single currency.

## The Euro's Eastern Frontier

The countries on the euro's eastern frontier occupy very different positions within Europe's monetary architecture. Regarding, Montenegro and Kosovo, neither belongs to the European Union nor the eurozone, but both have adopted the euro unilaterally. Croatia and Bulgaria represent a different trajectory. Croatia completed its accession to the euro area in 2023, while Bulgaria became the euro area's twenty-first member in January 2026. Together they illustrate the continued eastward expansion of the monetary union. Elsewhere, Romania remains formally committed to euro adoption but continues to operate an independent monetary policy. Hungary, meanwhile, has entered a new political phase following the defeat of Viktor Orbán's government. While euro adoption remains a distant prospect, the political barriers that previously blocked the debate have weakened, potentially reopening the question of Hungary's future relationship with the single currency.

## Enlargement, Geopolitics and Monetary Integration

Joining the EU is a lengthy and demanding process, involving not only compliance with formal accession criteria but also political judgements about a candidate country's readiness and the Union's capacity to absorb new members. The path to membership is therefore shaped as much by geopolitics and strategic considerations as by economic indicators and institutional reforms.

In recent years, both EU enlargement and eurozone expansion have increasingly become instruments of broader geopolitical competition. Russia's war in Ukraine, growing concerns over European security, and uncertainty surrounding the future of the transatlantic relationship have strengthened the argument that enlargement serves not only economic objectives but also strategic ones. In this context, Bulgaria's adoption of the euro was viewed by some observers as evidence that political considerations can at times outweigh a strict interpretation of economic criteria.

At the same time, enlargement is taking place against a backdrop of growing challenges within the Union itself. Europe is already grappling with questions of competitiveness, industrial policy, governance and political cohesion. As a result, future enlargement debates are likely to focus not only on whether candidate countries are ready to join, but also on whether the EU itself is prepared for a larger and more diverse membership.

For the Western Balkans, the question is no longer simply whether to adopt the euro, but how monetary integration relates to EU accession. The European Commission has suggested that new members could join the Union by the end of the decade, with Montenegro widely regarded as the most advanced candidate. Yet membership of the euro area remains a separate and often more demanding process. Countries must satisfy the Maastricht criteria, align domestic institutions with EU standards, and demonstrate sustained macroeconomic stability.

This creates a unique situation for euroised economies such as Montenegro and Kosovo. Unlike previous candidates, they already use the common currency but remain outside both the eurozone's decision-making structures and the broader institutional framework of the European Union. Their challenge is therefore not adopting the euro, but transforming a de facto monetary reality into de jure membership.

### **Euroisation Before Membership**

The roots of this unusual arrangement lie in the turbulent aftermath of Yugoslavia's collapse. During the 1990s, newly independent states across the region introduced national currencies not only to pursue independent monetary policies but also to reinforce statehood and national identity. Croatia's kuna and Slovenia's tolar became symbols of sovereignty as well as tools of economic stabilisation.

Montenegro and Kosovo chose a different path. Scarred by the hyperinflation that accompanied the collapse of Yugoslavia, both economies abandoned the Yugoslav dinar and adopted the German mark as a source of monetary stability. When the euro replaced the mark in 2002, both economies transitioned automatically to the new currency.

Unlike microstates such as Andorra or San Marino, however, Montenegro and Kosovo adopted the euro unilaterally, without a formal agreement with the European Union. The arrangement delivered significant benefits. It reduced currency risk, enhanced monetary credibility, facilitated trade with Europe and improved the investment climate. At the same time, it imposed substantial constraints. Neither country has influence over ECB decisions, control over interest rates, nor access to the institutional mechanisms available to eurozone members.

In effect, Montenegro and Kosovo surrendered monetary sovereignty without gaining representation in the institutions that govern the currency. Their experience stands in sharp contrast to the traditional model of European monetary integration, under which countries first join the European Union, then satisfy the Maastricht criteria, and only afterwards adopt the euro.

### **Montenegro: The First Real Test Case**

Among the euroised economies, Montenegro has emerged as the clearest test of how the EU intends to manage this anomaly. The country moved another step closer to [membership in 2026](#) when EU ambassadors approved a dedicated working group tasked with preparing the legal framework for Montenegro's accession treaty. Podgorica has provisionally closed [sixteen of the thirty-three](#) negotiating chapters required for accession, while rule-of-law reforms remain the principal obstacle. The government has set an ambitious goal of joining the European Union by 2028.

Brussels increasingly views Montenegro as the most advanced candidate among the Western Balkan states and a potential success story for the enlargement process. At the same time, its case exposes unresolved questions about the relationship between euroisation and membership. Unlike previous accession candidates, Montenegro already uses the euro but has never formally adopted it through the procedures established for eurozone entry.

If Montenegro succeeds in joining the EU before the end of the decade, it may become the first country to force the bloc to reconcile unilateral euroisation with formal participation in the monetary union. In that sense,

Montenegro is more than simply another enlargement candidate. It is a test case for the future of European monetary integration itself.

### Kosovo's Path to Integration

Kosovo held its [third election in 18 months](#) in an effort to break a prolonged political deadlock that has delayed reforms, hindered access to EU funds, and complicated the country's ambitions to join the EU and NATO. Prime Minister Albin Kurti's Vetevendosje party emerged as the largest force with around 42% of the vote, but fell short of an outright majority, setting the stage for potentially difficult coalition negotiations.

The crisis began after political parties failed to agree on a successor to former President Vjosa Osmani, leaving Kosovo without a stable government for much of the past year. The political uncertainty has weighed on an economy already struggling with high energy costs, inflation, and weak living standards.

The institutional impasse has also slowed Kosovo's European integration. [EU leaders have urged](#) Kosovo's political parties to reach a compromise and restore stable governance, while progress toward both EU and NATO membership remains tied to domestic reforms and the normalization of relations with Serbia.

### Hungary's Return to the Euro Debate

Hungary presents the opposite challenge to Montenegro and Kosovo. Whereas the Western Balkan economies adopted the euro before joining the European Union, Hungary spent two decades inside the EU while deliberately remaining outside the single currency. Under Viktor Orbán, this reflected a broader strategy of "[geoeconomic bridging](#)" that sought to position Hungary between competing centres of economic power, including Germany, China and Russia. The arrival of Prime Minister Péter Magyar raises the possibility that this approach may gradually give way to a renewed emphasis on integration with the EU core and, eventually, the euro itself.

The new government has set an ambitious goal of adopting the euro by 2030, framing membership of the single currency as part of a broader effort to restore Hungary's standing within the European Union after years of tensions with Brussels under Orbán.

The new government has set an ambitious target of adopting the euro by 2030, framing membership as part of a broader effort to restore Hungary's standing within the European Union after years of confrontation with Brussels. Yet the challenge is formidable. Hungary currently fails to meet several Maastricht criteria, particularly regarding budget deficits, public debt, inflation and interest rates. Compliance would require years of fiscal consolidation, while the government simultaneously seeks to preserve social spending, increase defence expenditure and revive economic growth.

Securing the release of [roughly €17 billion](#) in frozen EU funds has therefore become a central objective, with Budapest viewing improved relations with Brussels as essential for economic stabilisation and convergence. The National Bank of Hungary has supported the objective in principle but cautioned against rushing the process, arguing that economic convergence and macroeconomic stability must come first.

Even if Hungary succeeds in improving its macroeconomic indicators, political hurdles remain. Some eurozone policymakers remain wary of Hungary's weak fiscal position, the institutional legacy of the Orbán era and the possibility of future political reversals. [New PM Péter Magyar recently said Orbán hid half of Hungary's budget deficit](#), and his predecessor 'lied' about 2026 shortfall of 8% of GDP. Concerns persist that a future government could either abandon the euro project before accession or resume illiberal policies after joining the monetary union.

Supporters argue that euro membership would reduce currency risk, lower transaction and borrowing costs, and further integrate Hungary into European supply chains. Critics, however, warn that abandoning the forint would mean sacrificing monetary policy flexibility before the economy is sufficiently prepared. As a result,

Hungary's path to the euro will depend less on political ambition than on its ability to deliver sustained fiscal discipline, economic convergence, and institutional credibility over the coming years.

Yet Hungary's renewed interest in the euro carries significance beyond the economics. Alongside Poland and Czechia, it remains one of the few countries from the 2004 enlargement that has yet to adopt the single currency. For Brussels, Hungary's euro ambitions represent more than a monetary project; they symbolise a potential return to the European mainstream and a deeper reintegration of Central Europe into the EU's political and economic core. Even if the 2030 target ultimately proves unrealistic, the commitment itself marks a notable departure from the Euroscepticism of the Orbán years and signals a renewed willingness to pursue closer European integration.