

Eurozone and Schengen Area

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Why in news?

- Croatia adopted the European Union's common currency, the euro, and joined the Schengen Area, Europe's visa-free travel area, on January 1.
- With this, Croatia became the fully integrated member of EU. The country had joined the EU in 2013.
 - It was the last time a country was admitted as a new member nation of EU.

What Is the Eurozone?

- All European Union Member States are part of Economic and Monetary Union (EMU) and coordinate their economic policy-making to support the economic aims of the EU.
- However, a number of Member States have taken a step further by replacing their national currencies with the single currency – the euro.
- These Member States form the euro area, also known as eurozone.
- In other words, it is a **geographic and economic region** that consists of all the European Union countries that have fully incorporated the euro as their national currency.
- As of January 2023, the **eurozone consists of 20 countries** in the European Union (EU):
 - Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain.

What are the requirements for joining the eurozone?

- In order to join the eurozone and use the euro as their currency, EU nations must meet certain criteria consisting of four macroeconomic indicators that focus on:
 - **Price stability.**
 - **Sound and sustainable public finances.**
 - **The durability of convergence.**
 - **Exchange rate stability**

What is Schengen area?

- Schengen Area signifies a zone where 27 European countries, abolished their internal borders, for the free and unrestricted movement of people.
 - Croatia became the 27th nation in the passport free Schengen zone.
- **Member of this area include:** 23 of the 27 EU member states and all members of the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland).
- Being part of this area means that countries:
 - do not carry out checks at their internal borders, except in cases of specific threats;
 - carry out harmonised controls at their external borders, based on clearly defined criteria.

News Summary

- On January 1, 2023, Croatia switched to the shared European currency, the euro, and removed dozens of border checkpoints to join the world's largest passport-free travel area.

How will this move help Croatia?

- Joining Europe's ID-check-free Schengen zone means Croats will now be able to roam its 27 member countries without passports for work or leisure.
- Adopting the euro will offer Croatia the benefits stemming from deeper financial ties with the currency's 19 other users and with the European Central Bank.
- It will also make traveling and doing business easier, removing the hassle of currency exchange for Croats going abroad and for tens of thousands of tourists.
- Experts also believe that the adoption of the euro will help protect Croatia's economy at a time when inflation has been soaring globally due to Russia-Ukraine war.
- It will also provide a boost to tourism industry, which accounts for 20% of the country's GDP.

What are the challenges?

- The country is entering the eurozone at a time when the bloc itself is in turmoil as the European Central Bank (ECB) tries to tame inflation.
- Before this, ECB was busy in rekindling the growth which was exceptionally low following the 2008 financial crisis.
- Also, Croatia will have to apply strict border control on its eastern frontier with non-EU neighbours.
- The fight against illegal migration remains the key challenge in guarding the EU's longest external land border at 1350 km.

Q1) What is eurozone?

Eurozone is a **geographic and economic region** that consists of all the European Union countries that have fully incorporated the euro as their national currency.

Q2) What is Schengen area?

Schengen Area signifies a zone where 27 European countries, abolished their internal borders, for the free and unrestricted movement of people.

Source: [Croatia rings in New Year as fully integrated EU member](#) | [European Council of the European Union](#) | [European Commission](#)

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