

## **Boris Vuji: A European perspective on currency and convergence**

Keynote speech (virtual) by Mr Boris Vuji, Vice-President of the European Central Bank, at the conference on Iceland's Currency Options, Frankfurt am Main, 2 June 2026.

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It is a great pleasure to participate in today's conference and to contribute a European perspective to the discussion on currency options.

Before I start, allow me to note that today is my second day in my new job. So I am transitioning into a new regime, and I can't help noticing a certain thematic consistency with the topic of today's conference. Transitioning into any new regime requires some adaptation and can bring some challenges.

Hence, when the Maastricht Treaty laid the foundations for the Economic and Monetary Union (EMU) back in the early 1990s, the project was seen as ambitious, unprecedented in many respects, and, by some observers, uncertain. There was no modern example of sovereign states pooling monetary sovereignty on such a scale. And there was considerable scepticism. Some economists questioned whether a diverse group of European economies could successfully share a single currency. Others doubted whether the institutional framework would prove sufficiently robust over time, especially once enlargement beyond the original core countries would begin. But few anticipated how much the monetary union would eventually grow.

Yet today, more than a quarter of a century after the launch of the euro, the number of euro area members has almost doubled. 21 countries now share our single currency. Countries with very different economic histories, institutional traditions and initial levels of economic and financial development have successfully converged and joined the EMU. More than 350 million Europeans now use the euro in their daily lives. And the euro has cemented its place as the second most important currency in international trade and finance.<sup>1</sup> This is an extraordinary achievement.

Such an achievement would not have been possible without considerable effort. The architects of the euro understood that a common currency required more than political commitment alone if it was to succeed. It also called for a shared framework capable of fostering stability and convergence over time. From the outset, the aim was not simply to create a currency union, but to create an Economic and Monetary Union that is stable and durable.

The idea that monetary integration could only succeed if the participating economies entered the union with a sufficient degree of convergence and proven policy discipline lies at the heart of the convergence criteria that the architects of EMU enshrined in the Treaty. These criteria were therefore designed not merely as technical conditions for adopting the euro, but also as safeguards for the long-term stability of EMU itself. One feature is the compatibility of national institutional and legal frameworks with the European treaties governing the monetary union. Another is the need to comply with four economic convergence criteria.

Let me briefly recap these and explain why they matter. First, the need for price stability reflects a fundamental principle of the EMU: a common currency can only function effectively if the participating economies share a common culture of stability. This inflation criterion is therefore not simply a technical threshold, but rather a way of ensuring that countries adopt the euro under compatible monetary and macroeconomic conditions.

Second, this goes hand in hand with the need for sound public finances. This fiscal criterion – relating to the government budget balance and public debt – seeks to ensure that countries adopting the euro have sustainable public finances by preventing excessive deficits. Fiscal discipline at national level is particularly important for overall stability and mutual trust among EMU member countries.

Trust is also at the core of the long-term interest rate criterion, which serves as a test of market confidence in the sustainability of a country's macroeconomic framework. Long-term interest rates reflect expectations regarding inflation, productivity, fiscal sustainability and broader economic stability. Their convergence is therefore an important signal that financial markets view the convergence process as credible and durable.

Finally, since today's discussion concerns currency matters, let me elaborate in somewhat greater detail on the exchange rate stability criterion. It requires the successful participation in the European Exchange Rate Mechanism (ERM II) for at least two years. The exchange rate criterion occupies a unique place within this framework because it combines economic discipline with practical experience of monetary integration. In a nutshell, participation in ERM II implies a joint commitment on the part of the ECB and the other participating central banks to limit exchange rate fluctuations against the euro.<sup>2</sup>

Participation in ERM II is sometimes referred to as a "waiting room" for euro adoption. But in reality, it is much more than that. Others have described it more fittingly as an "exercise room", where countries work out to be fit for – and demonstrate their readiness to enter – the final stage of adopting the euro as their currency.

ERM II therefore constitutes a framework for policy coordination, institutional readiness and confidence-building. It also fosters the Single Market and shields currencies from unwarranted pressures on foreign exchange markets, while incentivising the pursuit of sound macroeconomic policies. In doing so, it provides reassurance both to markets and to European partners that convergence is sustainable and not merely temporary.

The requirement to participate in ERM II for at least two years before adopting the euro reflects a key insight of the architects of EMU: successful integration within a monetary union cannot be achieved through a single policy decision or a short-lived statistical alignment of macroeconomic indicators. It calls for durability, consistency and credibility over time.

Looking back over the almost three decades since ERM II was set up in 1997, this framework has worked remarkably well. Following the introduction of the euro in 1999,

the Danish krone was the only currency participating in ERM II for several years. This changed after the 2004 enlargement of the European Union, when the currencies of the Baltic countries, Cyprus, Malta, Slovakia and Slovenia all entered the mechanism.

The circumstances under which those countries started participating in ERM II differed widely, however. There were substantial variations in their economic structures, historical experiences, institutional traditions and levels of economic development. For example, the income and price levels of the three Baltic countries and Slovakia were initially only half of the euro area average, whereas in Cyprus they were broadly comparable with those in the euro area. Some economies were small and highly open, while others were more internally diversified. Cyprus and Malta had been market economies for decades, whereas the other countries were transition economies emerging from profound political and economic transformations.

Yet ERM II proved sufficiently robust and flexible to accommodate this diversity while maintaining common rules and standards.

The Baltic countries are perhaps among the clearest examples of this. Estonia, Latvia and Lithuania pursued determined convergence strategies, often under challenging circumstances. Importantly, they weathered a severe crisis in 2008-09 while maintaining their exchange rate commitments and convergence strategies and undergoing substantial internal adjustment – a remarkable demonstration of political commitment and institutional credibility. For these countries and others, adopting the euro was not only an economic objective but also part of a broader process of European integration and institutional anchoring.

The case of Slovakia is another example that demonstrates how the European institutional framework is capable of pragmatically and credibly accommodating economic convergence dynamics. During Slovakia's participation in ERM II, the central rate of the Slovak koruna was revalued twice in response to strong economic performance and sustained real convergence, as well as to offset the effect of the resulting real appreciation pressures on inflation outcomes. This was not an exception; it was the framework functioning as intended. The Slovak experience therefore illustrates that the framework is sufficiently flexible to reflect underlying economic fundamentals and preserve monetary stability.

A final example relates to the inclusion of the Croatian kuna and Bulgarian lev in ERM II in 2020 and, finally, the adoption of the euro by both countries – Croatia in 2023 and Bulgaria in 2026. They began participating in ERM II in particularly challenging circumstances as uncertainty spiked during the pandemic. But even amid these circumstances of severe economic disruption, the European convergence framework demonstrated its resilience as it continued to function effectively and credibly. In the case of my home country, Croatia, euro adoption followed swiftly after only three years, and this at a time when Europe was just emerging from the pandemic only to be confronted with the extraordinary challenges stemming from the economic and geopolitical consequences of Russia's invasion of Ukraine. Once again, the European convergence framework demonstrated its robustness.

This ability to support these very different convergence experiences also helps explain the remarkable continuity of the framework over time. Of course, institutional

architecture needs to adapt to new challenges. Experience has shown that monetary integration requires more than nominal convergence alone.

The global financial crisis exposed vulnerabilities related to financial sector imbalances, sudden stops in capital flows and insufficient banking supervision. In particular, it revealed that sustainable monetary integration requires not only nominal convergence, but also resilient financial institutions, effective crisis management mechanisms and closer coordination of economic policies.

Europe responded with significant institutional reforms. The Single Supervisory Mechanism and the Single Resolution Mechanism were established as the first and second pillar of the European banking union, macroeconomic surveillance was strengthened and economic and fiscal governance frameworks were reinforced.

These reforms complemented the original convergence framework. The Maastricht criteria and ERM II remained the anchor of the euro adoption process, while greater emphasis was placed on financial stability and institutional quality. Close cooperation within the banking union ahead of euro adoption has consequently become an important element of the ERM II entry process.

From an economic perspective, this evolution reflects a broader lesson: sustainable participation in a monetary union requires not only nominal convergence at the point of entry, but also sufficient institutional capacity to absorb shocks once inside the union.

Looking at outcomes, the euro has proven its value in a variety of ways. Today, it plays a major role in international trade, financial markets and reserve holdings. Within Europe, it has facilitated trade, investment, tourism, financial integration and price transparency across borders. Transaction costs have declined, and smaller open economies in particular have benefited from deeper integration into the Single Market. For citizens, it has become a practical and tangible part of everyday life. And importantly, public support for the euro remains consistently strong.

Recent Eurobarometer surveys show historically high support for the single currency among citizens. This is significant because monetary unions ultimately depend not only on institutional arrangements and economic indicators, but also on political legitimacy and public support. After more than two decades, the euro enjoys both. Indeed, one of the most striking aspects of the European experience is that public support for the euro often strengthened rather than weakened following periods of crisis. This is ultimately the strongest evidence that the framework designed in the 1990s has proven considerably more robust than many initially expected.

So let me conclude by highlighting that our Economic and Monetary Union will continue to evolve, and further improvements in governance, financial integration and fiscal coordination will remain important. The central lesson of the past is a highly positive one: A rules-based convergence framework, combined with gradual integration, institutional preparation and policy credibility, can support successful monetary integration. The euro has contributed to one of the most ambitious, enduring and successful projects of economic and political integration in the world. The continuous

enlargement of the euro area since its inception is a testament to the continued attractiveness of the euro. This conference, and the report that Catherine has presented today, is further testimony of the ongoing dynamics in the euro debate.

In an era of heightened geopolitical uncertainty and economic fragmentation, the European experience demonstrates the value of stable institutions, credible rules and sustained economic integration. These are not abstract concepts – they are tried and tested aspects of the reality of European integration. At a time when Europe is called upon to stand united, this experience offers a strong foundation for confidence in our common future.

Thank you very much.

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<sup>1</sup> See ECB (2026), "[The international role of the euro](#)", 2 June.

<sup>2</sup> See European Commission, "[ERM II – the EU's Exchange Rate Mechanism](#)".