

Why Croatia Sees Joining the Euro as Path to Security

Croatia, the European Union's newest member, adopts the euro as its currency on Jan. 1. The move vaults the nation of around 4 million people into the EU's core, making payments easier and cheaper and giving its financial system a safety net in future crises. The country, whose economy is highly dependent on foreign tourists, also joins the Schengen zone, allowing Croatians to travel more easily around Europe.

1. Why is Croatia joining the euro?

Croatia began its push to join the single currency as soon as it won accession to the EU in 2013, a step that was delayed by the bloody wars in the 1990s as Yugoslavia disintegrated. The move is partly aimed at cementing a Western alignment after about half a century of communist rule following World War II.

That's arguably even more compelling. The country relies more than any other EU state on tourists, who generate a fifth of gross domestic product and find holidaying much easier when they don't have to grapple with exchange rates. Meanwhile, most private and corporate bank deposits in Croatia are held in euros, along with more than two-thirds of debt totaling about 520 billion kuna (\$74 billion). Euro-area membership can lower interest rates, improve credit ratings and make Croatia more attractive to investors, according to central bank Governor Boris Vujcic.

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