CUSTOMS AND MONETARY RELATIONS BETWEEN THE EUROPEAN UNION AND NEIGHBORING MICROSTATES

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***Abstract**: European Union has several neighboring "microstates", i.e., states with an area of up to 1,000 square kilometers. Those are Andorra, Liechtenstein, Monaco, San Marino, and Vatican City. Liechtenstein is a contracting state to the Agreement on the European Economic Area. The others have with the EU a particular regime of international treaties. The present article deals with a system of such treaties in customs and monetary matters as well as with interpretation of some of their provisions by the Court of Justice of the European Union. The prospect of EU membership of Andorra, Monaco, San Marino, or Vatican City seems to be not realistic. On the EU side, there is a view that whilst all the "microstates" are historically unique, many do in fact have similarities when it comes to their legal relation with the EU. There is a broad acceptance within the EU institutions that the "microstates" have to continue to be treated according to their sui generis nature, but at the same time, the maintenance of a legal relationship between the parties has been very important to the EU. "Microstates" have a keen interest in diversifying small economies. This is imaginable on various levels. The minimal framework was created for relations with Vatican City including a customs regime and the circulation of the euro after 2002. Andorra and San Marino have negotiated their Association Agreements permitting their partial integration into the EU single market without any perspective for EU membership. The legal relationship between the EU and Monaco remains fragmented and it seems that more integration through major international agreements could be more wise.*

***Keywords:** EU, customs policy, monetary policy, microstates, Andorra, Holy See, Monaco, San Marino, Association agreements.*

INTRODUCTION

The European Union has multiple neighboring states that are not members. Among them, a special category is represented by the so-called "microstates", i.e., states with an area of up to 1,000 square kilometers.[1] In the practice of the European Union, Andorra, Liechtenstein, Monaco, San Marino, and Vatican City are considered to be such neighboring microstates. Sometimes countries that are separated from the territory of the European Union by the sea, namely Cyprus (its Greek part) and Malta, are added. The latter two have been members of the EU since 2004. Liechtenstein is a contracting state to the 1992 Agreement on the European Economic Area (EEA), guaranteeing the free movement of goods, services, persons, and capital, as well as a single related policies (competition, transport, energy, economic, and monetary cooperation) between the EU and the signatory countries.[2] The particular regime of international treaties with the European Union thus applies only to Andorra, Monaco, San Marino, and Vatican City.

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[1] GLASSNER, M. I. *Political geography*. Singapore: John Wiley & Sons, Inc., 1993; OTOK, S. *Geografia polityczna*. Warsaw: Wydawnictwo Naukowe PWN, 2001.

[2] Apart from Liechtenstein as well with Iceland and Norway.

I. CUSTOMS RELATIONS

According to the Treaty of the European Union (TEU) the European Union has to have concrete legal relations with neighboring countries, in particular some type of treaty or agreement. Article 8 TEU provides that the Union shall develop a special relationship with neighboring countries, aiming to establish an area of prosperity and good neighborliness. For this purpose, the Union may conclude specific agreements with countries concerned. Such agreements may contain reciprocal rights and obligations as well as the possibility of undertaking activities jointly.

In conformity with the Article 351 Treaty on the Functionning of the European Union (TFEU) the rights and obligations arising from agreements concluded before 1 January 1958 or, for acceding states, before the date of their accession, between one or more Member States on the one hand, and one or more third countries on the other, shall not be affected by the provisions of the Treaties. To the extent that such agreements are not compatible with the Treaties, the Member States or states concerned shall take all necessary steps to eliminate the incompatibilities established. Member States shall, where necessary, assist each other to this end and shall, where appropriate, adopt a common attitude. In applying these agreements, Member States shall take into account the fact that the advantages accorded under the treaties by each Member State form an integral part of the establishment of the Union and are thereby inseparably linked with the creation of common institutions, the conferring of powers upon them and the granting of the same advantages by all the other Member States. The European Union is thus respecting one of the basic principles of international law – the *pacta sunt servanda* principle.[3] The Court of Justice of the European Union (CJEU) in the case of *Burgoa* in 1979 ruled that the application of the treaty does not affect either the duty to observe the rights of non-member countries under an agreement concluded with a Member State prior to the entry into force of the treaty or, as the case may be, the accession of a Member State, or the observance by that Member State of its obligations under the agreement and that, consequently, the institutions of the Community are bound not to impede the performance of those obligations by the Member State concerned.[4]

I.1 The Holy See

With regard to European microstates this is particularly the case of the Lateran Treaty between the Holy See and Italy of 1929. The Lateran Treaty gives first of all, the grounds for a customs union between Italy and the Holy See. Article 20 of the Lateran Treaty states that:

Goods arriving from abroad for destinations within the Vatican City, or without its boundaries for institutions or offices of the Holy See, shall invariably be allowed transit over Italian territory (from and part of the Italian boundary as also from any seaport of the Kingdom) free of payment of any customs or octroi dues.

[3] WOUTERS, J. et al. *The Law of EU External Relations: Cases, Materials, and Commentary on the EU as an International Legal Actor (3rd edition)*. Oxford: Oxford University Press, 2021.

[4] Judgment of the Court of 14 October 1980. – *Attorney General v Juan C. Burgoa.* – Reference for a preliminary ruling: Circuit Court, County of Cork – Ireland. – Fisheries: Rights of non-member countries. – Case 812/79.

This provision of the Lateran treaty is binding Italy to facilitate importation of both EU and non-EU goods from Italy to Vatican City.[5] The customs territory of the European Union is defined by the EU's Uniform Customs Code (UCC). Regardless of the functioning customs territory between the EU and the Holy See created by the Lateran Treaty, the UCC is omitting this relationship. Unlike Monaco where the customs territory with the EU is clearly covered by the UCC. The explanation may be that the Vatican has no goods-producing or manufacturing industry worth noting. The market economy and private sector of the Vatican is restricted, and it is controlled by the Holy See. There is thus no interest from the EU side in particular customs arrangements. The Vatican is fully dependent on goods coming from Italy which is a Member State of the EU.[6]

I.2 The Republic of San Marino

Analogically, the Republic San Marino created a customs union with Italy in 1939. After the creation of the EC customs union in 1968, both the Holy See and San Mario were declared parts of the EC (later EU) customs territory, though not the customs union. In 1862, San Marino signed a friendship treaty with Italy and in 1939 a Convention of Friendship and Good Neighborhood provided *inter alia* for San Marino to be considered part of the customs territory of Italy. Meaning that Italy would collect the applicable duties for goods entering Italy that were ultimately destined for San Marino. In return, Italy paid a portion of those duties onwards to San Marino.[7] When Italy joined the European Economic Community in 1958 this very Convention fell under the regime of the present Article 351 TFEU and San Marino became an enclave of the EEC. The situation was analyzed by the CJEU in *Commission v. Italy* (San Marino) as follows:

Although, by virtue of the Community customs provisions, on the one hand the territory of the Republic of San Marino formed part of the customs territory of the Community and the Community customs legislation, in principle, applied to movements of goods destined for or coming from San Marino and, on the other hand, the introduction of goods into the customs territory of the Community meant that those goods were subject to customs control until they were assigned a customs-approved treatment in conformity with Community law, imports from third countries of goods destined for San Marino were the subject of a specific customs-approved treatment recognized by Community law, namely the customs procedure under the San Marino/Italy Agreement. The introduction into the customs territory of the Community of goods destined for San Marino and their subjection to the customs formalities prescribed for that destination did not in themselves give rise to a customs debt.[8]

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[5] ARANGIO-RUIZ, G. On the Nature of the International Personality of the Holy See. *Revue belge de droit international*. 1966, No. 355, pp. 366–369.

[6] BUTLER, G. The Legal Relations of the European Union with the Vatican City and the Holy See. *European Foreign Affairs Review*. 2022, No. 2, pp. 263–282.

[7] BUTLER, G. The Legal Relations of the European Union with the Republic of San Marino. *European Foreign Affairs Review*. 2024, No. 3, pp. 247–274.

[8] Judgment of the Court (Fifth Chamber) of 7 March 2002. – *Commission of the European Communities v. Italian Republic*. – Failure by a Member State to fulfil its obligations – Community own resources – Import from third countries of goods destined for San Marino. – Case C-10/00.

As the CJEU confirmed in 2009, San Marino is not a Member State of the Community. Nor is that state one of the territories to which the EC Treaty applies under Article 351 TFEU.[9] Unlike the Holy See or Andorra being merely a customs territory with the EU, San Marino created a customs union step by step with the EU. Since 1992, San Marino has been bound to the EU customs union by two treaties: EU – San Marino Interim Agreement on Trade and Customs Union and the EU – San Marino Agreement on Cooperation and Customs Union. The customs union between the EU and San Marino covers all products which is a different regime from EU relations with Andorra where the customs arrangement excludes agricultural products. The agreements between the EU and San Marino admit some regulatory barriers concerning free movement of goods. Products originating from San Marino, when exported to the EU single market, must meet standards provided for by the EU secondary legislation. Furthermore, San Marino is not allowed to have its own external trade policy. The EU negotiates on behalf and for San Marino with countries with which it has concluded agreements on products originating from the European Union.[10]

In 2024, the EU and San Marino negotiated an Association Agreement. This Association Agreement negotiated in 2024 as well with Andorra will help to participate in the EU's internal market. After adopting the Association Agreement, San Marino will introduce EU internal market legislation. The CJEU will thus be involved in the consistent interpretation and application of the Association Agreement in line with its case law. The CJEU will be the arbiter for disputes on the interpretation and application of the Association Agreement Similar Association Agreement has been negotiated with San Marino (see below).

I.3 The Principality of Monaco

Similarly, prior to France EEC accession in 1958, the legal regime of the Principality of Monaco has been governed by multiple arrangements and treaties with France. The most important seems to be the treaty to determine the Principality's relations with France signed in 1918. The treaty provides for the framework of Monaco's international relations. In particular, in order to act on conformity with the interests of France.[11] After France joined the EEC, a new treaty was signed in 1963. This treaty reflected a new situation of the Common Market including topics like customs or tax issues. The third important legal act – the exchange of letters between France and Monaco took place in 1998 in context of the future introduction of single currency and its impact on Monaco.[12]

In order to be independent from France and to maintain legal relations with the EU Monaco has sufficient international legal capacity. In particular, Monaco is a signatory of

[9] Judgment of the Court (Second Chamber) of 15 January 2009. *M-K Europa GmbH & Co. KG v. Stadt Regensburg.* Reference for a preliminary ruling: *Bayerischer Verwaltungsgerichtshof – Germany.* Case C-383/07.
[10] BUTLER, G. *The Legal Relations of the European Union with the Republic of San Marino.*
[11] GRINDA, G. *The Principality of Monaco: The State, Its International Status, Its Institutions.* Paris: Pedone, 2009.
[12] VANDERSANDEN, G. The application of Community law on the territory of the Principality. *Revue de droit Monégasque.* 2000, p. 175.

the European Convention of Human Rights and member of the Council of Europe.[13] The legal regime between the EU and Monaco is very limited. Unlike San Marino and like the Vatican, Monaco has not created a customs union with the EU. It remains a customs territory. Originally, France and Monaco used to have a customs union from the nineteenth century. Ten years after France joined the EEC this customs union was downgraded in 1968 to the customs territory following establishment of the EC customs union. The difference between the EU customs territory and EU customs union is obvious. States like Andorra, Monaco, or the Vatican are not parts of the EU common commercial policy. They are not bound by EU commercial treaties but must respect the EU customs *acquis*. This includes EU customs and tax obligations vis-à-vis third countries. Monaco cannot develop its own commercial policy and does not automatically benefit from EU international commercial agreements with third countries.

On the other hand, since Monaco is part of the EU customs territory, no duties can be imposed on trade between Monaco and EU Members States. In the EU, goods originating from Monaco are treated as originating in the EU, and thus covers all the principles of the free movement of goods as regards customs issues.[14] As noted in the case of *Suzanne Criel*: 'The provisions of the Treaty concerning the elimination of quantitative restrictions and all measures having equivalent effect are applicable without distinction to products originating in the Community and to those which were put into free circulation in any Member State'.[15] As mentioned in the CJEU case of *Estée Lauder*: 'The very fact that Monaco is part of the customs territory of the Community justifies treatment of goods originating in Monaco as benefiting from the rules on free movement'.[16] Analogically in the *Guarnieri* case the CJEU in 2011 confirmed that goods of Monegasque origin, together with goods imported into Monaco from a third country and placed into free circulation there, should benefit from the treaty's free movement provisions.[17]

Concerning the free movement of goods, the relationship between the EU and Monaco has its limits. In the above-mentioned *Guarnieri* case, the CJEU ruled that quantitative restrictions and measures having an equivalent effect in terms of Article 34 TFEU are not applied on free movement of goods originating from Monaco. These goods can be submitted to particular EU restrictions concerning e.g., sanitary or technical measures without proving necessity or proportionality of such measures. In other words, goods from Monaco do not benefit from the mutual recognition principle in terms of the famous

[13] GALLOIS, J.-P. *The international regime of the Principality of Monaco.* Paris: Pedone, 1964.

[14] EECKHOUT, P. *Linking Internal and External Trade in a Perfect customs union*. In: Graham Butler – Ramses A. Wessel (eds.). *EU External Relations Law: The Cases in Context*. Oxford: Hart Publishing, 2022; BUTLER, G. The Legal Relations of the European Union with the Principality of Monaco. *European Foreign Affairs Review.* 2023, No. 3, pp. 259–282.

[15] Judgment of the Court of 15 December 1976. *Suzanne Criel, née Donckerwolcke and Henri Schou v. Procureur de la République au Tribunal de grande instance de Lille and Director General of circulation.* Case 41-76.

[16] Opinion of Mr. Advocate General Fennelly delivered on 16 September 1999. – Estée Lauder Cosmetics GmbH & Co. OHG v Lancaster Group GmbH. – Reference for a preliminary ruling: *Landgericht Köln – Germany*. Case C-220/98.

[17] Judgment of the Court (First Chamber) of 7 April 2011.*Francesco Guarnieri & Cie v. Vandevelde Eddy VOF. Reference for a preliminary ruling: Rechtbank van koophandel te Brussel – Belgium*. Case C-291/09.

CJEU decision in the case of *Cassis de Dijon*.[18] Since the economic production of Monaco is quite restricted such an interpretation has not represented a substantial problem. Nevertheless, Monaco succeeded in concluding with the EU an agreement on the application of certain EU standards on the territory of Monaco. This agreement of 2003 facilitates Monégasque trade with the EU with pharmaceutical goods, cosmetic products, or medical devices as long as those products are complying with EU standards. A special situation occurred in the exportation of animals. Under normal single market conditions animals are considered to be goods and thus part of the free movement of goods. Eventually restrictions come under measures having equivalent effect in conformity with Article 34 TFEU.[19] But in relations with Monaco such regime does not exist. The problem was created for the famous International Circus Festival of Monte-Carlo (Festival International du Cirque de Monte-Carlo) when animals were imported to Monaco and then exported to the EU. Such an exchange represents concerns in terms of complying with sanitary and health measures. For similar reasons, importation of foods products of animal origin from Monaco to the EU is not allowed because such goods presumably do not meet EU health standards.[20]

I.4 The Principality of Andorra

The Principality of Andorra is neighboring two EU Member States France and Spain. In 1990, Andorra concluded an agreement establishing a customs union with most favored nation status with the EC. Andorra is thus treated as an EU Member State where trade in manufactured goods is concerned. This treaty does not cover agricultural products. Concerning transposition of EU standards for goods into Andorran law, there was a conclusion that Andorra's manufacturing industry was so small that that administrative costs of transposition of EU directives and regulations would be too high to be justified. Andorran manufacturers willing to export to the EU Member States can unilaterally adopt EU standards using the French or Spanish texts of EU legislation.[21] In EU Andorra relations, only one of the four freedoms of the EU single market i.e., free movement of goods – has been really opened. The remaining three other freedoms – free movement of services, free movement of labor, and free movement of capital are still substantially restricted. A specific area is that of financial services. Andorra is still considered by the OECD to be what it calls an "uncooperative tax haven", and the quality of regulation of its financial markets does not yet meet all EU and internationally accepted standards.[22]

Andorra, together with San Marino, is the most advanced microstate in terms of negotiating an Association Agreement with the EU. This Association Agreement negotiated in 2024 will help Andorra to participate in the EU's internal market. Access to the EU internal market will become comparable to that enjoyed by Norway, Iceland, and Liech-

[18] Judgment of the Court of 20 February 1979. *Rewe-Zentral AG v. Bundesmonopolverwaltung für Branntwein.* Case 120/78.
[19] Judgment of the Court of 23 May 1996. *The Queen v. Ministry of Agriculture, Fisheries and Food, ex parte: Hedley Lomas (Ireland) Ltd.* Case C-5/94.
[20] BUTLER, G. *The Legal Relations of the European Union with the Principality of Monaco.*
[21] EMERSON, M. *Andorra and the European Union.* Brussels: Centre for European Policy Studies (CEPS), 2007.
[22] Ibid.

tenstein under the Agreement on the European Economic Area. It should provide for the participation of Andorra in a homogenous internal market under equal conditions of competition and respect of the same rules. A particular accent is put on access to the internal market in financial services. This will be progressive and will depend on a successful audit of the robustness of the Andorra's regulatory and supervisory frameworks. The European Supervisory Authorities will play a central role in the auditing process. After adopting the Association Agreement, Andorra will adopt EU internal market legislation. The CJEU will thus be involved in consistent interpretation and application of the Association Agreement in line with its case law. The CJEU will be arbiter for disputes on the interpretation and application of the Association Agreement. A similar Association Agreement has been negotiated with San Marino. The Association Agreements both with Andorra and San Marino will be reflecting specific situation of both countries. That being their proximity to the EU, their size, and their population. The agreements will thus contain several transitional periods for implementation and application of the EU *acquis*.

II. MONETARY AGREEMENTS

The idea to create a monetary union for Europe was elaborated already during 1960s. In 1969, the so-called "Werner-report"[23] came out containing a concept of a single currency with common currency policy and common European institution for monetary affairs. Due to the economic crisis of mid-1970s the process of European monetary integration was slowed down. In 1979, it was renewed through the creation of European Monetary System.[24] In 1989, the so-called "Delors report"[25] determined three stages of European monetary integration with its final stage – the introduction of a single currency. In 1993, the process of European monetary integration was fixed in the Treaty establishing the European Community (TEC). The single currency, in 1996 baptized as the "euro", was introduced as a virtual currency in 1999 and in 2002 euro notes and coins were put into circulation.[26]

In the beginning of 1990s, the EU related "microstates" were using currencies of neighboring EU Member States: Andorra was using both the French franc and the Spanish peseta, San Marino and Vatican City were using the Italian lira, and Monaco was using the French franc. Until 1995, Monaco used the Monégasque franc, then the Principality shifted to the French franc in light of the perspective introduction of the EU single currency. In the Republic of San Marino, there was an exceptional currency the Sammarinese lira pegged to the Italian lira according to monetary agreements with Italy of 1939 and 1991. The Sammarinese lira was withdrawn from circulation in 2002 and was replaced by euro notes and coins. The Grand Duchy of Liechtenstein related with the EU through the EEA, was and is still using the Swiss franc. Declaration No. 6 to the TEU and TEC stated that 'the existing monetary relations between Italy and San Marino and Vatican City and

[23] Named according to its main organizer Prime Minister of Luxembourg Pierre Werner (1913–2002).
[24] TOMÁŠEK, M. *Právní základy evropské měnové unie.* Praha: Bankovní institut, 1999.
[25] Named according to that time President of the European Commission Jacques Delors (1925–2023).
[26] TOMÁŠEK, M. *Právní nástupnictví měny euro.* Praha: Leges, 2000.

between France and Monaco remain unaffected by the Treaty until the introduction of the ecu as the single currency of the Community'.[27] Andorra was not specifically mentioned owing to the fact that at the time, the legal status of Andorra had not been settled.[28]

After the introduction of the euro as a single currency in 1999, even if in a scriptural form, the monetary policy was shifted from the Member States to the EU represented by the European Central Bank (ECB). This obviously concerned Member States whose currency was circulating in neighboring "microstates", i.e., Italy for Vatican City and the Republic of San Marino, and France, concerning Monaco and Andorra (the latter together with Spain). Until the physical introduction of euro notes and coins in 2002, "old" currencies were still used in "microstates" under the regime of relations between such currencies and the euro, as provided for in EU Regulation No. EC 2866/98. This is a good example of extraterritorial effect of European law in Andorra, Monaco, San Marino, and Vatican City.[29] The "old" currencies were irrevocably fixed to the euro through conversion rates: 6.55957 French francs 1,936.27 Italian liras, 166.386 Spanish pesetas for one euro.[30]

In general, the TFEU allows the single currency to become the official currency of a non-Member State. The relevant monetary agreements may, in the light of Article 219 TFEU include the use of materialized currency, the formal status of the single currency, third country access to the Single Euro Payments Area (SEPA). In the case of Andorra, Monaco, San Marino, and the Holy See, it was necessary to negotiate such agreements, because formally France, Italy, and Spain, which were bound by monetary agreements with "microstates", lost their monetary powers in favor of the EU. Italy negotiated a monetary agreement on behalf of the Community in 1999 with the Vatican City state on behalf of the Holy See, effective from 2000. Compared to the previous monetary agreement of the Vatican City state with Italy, it assumed an extension every ten years, this agreement was concluded for an indefinite period. Each of the contracting parties were given the option to terminate the currency agreement. Analogically, France negotiated on behalf of the Community a similar monetary agreement with Monaco in 2002. The monetary agreement with San Marino came in force in 2000. A common feature of monetary agreements with "microstates" was their right to use the euro as their official currency. From this point of view Andorra was the last "microstate" do so, because the monetary union with the EU came in force in 2011. Until then, the euro was used in Andorra only *via facti*. The obligations of signatory "microstates" was to closely cooperate with the EU in using EU legislation on several aspects of the single currency. Above all, measures against counterfeiting of the euro were paramount. It is worth noting that at the time the EU did not have direct competences to harmonize legislation on the protection of the single currency. Today, the policy in the areas of freedom, security, and justice is according to

[27] It is worth noting that the TEC speaking about the single currency was using the name "ecu" because its name "euro" came out only in 1996.

[28] BUTLER, G. *The Legal Relations of the European Union with the Vatican City and the Holy See.*

[29] MARESCEAU, M. The relations between the EU and Andorra, San Marino and Monaco. In: Alan Dashwood – Marc Maresceau (eds.). *Law and Practice of EU External Relations.* Cambridge: Cambridge University Press, 2008, pp. 270–307.

[30] TOMÁŠEK, M. *Právní nástupnictví měny euro.*

Article 4 a shared competency between the EU and its Member States. In the pre-Lisbon era until 2009, a big burden of harmonization lied within the hands of Member States.[31] "Microstates" had to follow the legislation of Italy (Vatican City and San Marino) or of France (Andorra and Monaco).

The single currency euro was introduced in several steps, each of which had a partial effect on the relevant social and particularly economic relations. The sum of these steps ultimately led to the final and full introduction of the new euro currency and the complete withdrawal of currencies of the participating states. It follows from the above that the introduction of the euro single currency was a gradual process that was implemented within a certain period of time, called the transitional period, which lasted three years from 1 January 1999 to 31 December 2001.

On the first day of January 2002, 15 billion euro notes with a total value of EUR 642 billion and almost 50 billion euro coins and euro cents with a total value of EUR 16 billion were put into circulation. However, the introduction of the cash euro also meant the need to withdraw roughly the same volume of old defunct currencies, with a total weight of a quarter of a million tons. The process of withdrawing old currency and replacing it with new euro banknotes and coins took place on the territory of "microstates" willing to use the euro in accordance with the rules of the EU Member State whose currency was about to be withdrawn: in Andorra according to the rules of France and Spain, in Monaco according to the rules of France and in San Marino and Vatican City in accordance with the rules of Italy. Each EU Member State could set a date for the end of circulation of its original currency. In the case of Italy, and therefore in San Marino and Vatican City, it was until 1 March 2002. Expired Italian lira currency could be exchanged in Banca d'Italia branches at the above-mentioned conversion rate until 29 February 2012. In France and thus in Andorra and Monaco, the dual circulation period – when both the French franc and the euro had legal tender status – ended on 17 February 2002. The Banque de France exchanged French franc coins until 17 February 2005 and franc banknotes until 17 February 2012. As for the Spanish peseta used in Andorra, in Spain the dual circulation period, when both the Spanish peseta and the euro had legal tender status, ended on 28 February 2002. The Banco de España will exchange peseta notes and coins for an unlimited period.

The ECB in Frankfurt am Main became the issuing bank of the new currency notes and coins. The ECB is the exclusive issuing authority of euro notes. For issuing euro coins, it has shared issuing powers with the national central banks of the Member States. According to Article 128 TFEU, euro coins can be issued by Member States, but the volume of the issue must be approved by the European Central Bank. Unlike euro banknotes, space for national motifs is given on the reverse side of euro and cent coins.[32] According to the above-mentioned monetary agreements with Monaco, San Marino, and the Vatican City state, euro coins with motifs of these "microstates" were put into circulation on 1 January 2002.

Monaco has issued two different series of euro coins, one in 2002 and one in 2006. The 2002 series feature the effigy of the Head of State Prince Rainier III on the €2 coin, and

[31] TOMÁŠEK, M. et al. *Europeizace trestního práva.* Praha: Leges, 2009.
[32] TOMÁŠEK, M., TÝČ, V., PETRLÍK, D. a kol. *Právo Evropské unie. 4. aktualizované vydání.* Praha: Leges, 2025.

the effigies of Prince Rainier III and his son Prince Albert II on the €1 coin. The 10, 20, and 50-cent coins reproduce the seal of the Prince of Monaco, and the 1, 2, and 5-cent coins show the coat of arms of the Sovereign Princes of Monaco. Following the death of its Head of State, Prince Rainier III, Monaco issued a new series of euro coins in 2006. The portrait of the new Head of Sate Prince Albert II features on the €2 and €1 coins, and his monogram is depicted in the 10, 20, and 50-cent coins. As in the 2002 series, the 1, 2, and 5-cent coins show the coat of arms of the Sovereign Princes of Monaco.[33]

San Marino has issued two different series of euro coins, one in 2002 and one in 2017. Sammarinese euro coins feature separate designs for every coin. The €2: first series: the Government building (Palazzo Pubblico); second series: the portrait of Saint Marino, detail of a painting by Giovan Battista Urbinelli. The €1: first series: the Republic's official coat of arms; second series: the Republic's official coat of arms; second series: the Sammarinese Second Tower. (Cesta). Sammarinese eurocents are bearing different motives of San Marino historical monuments.[34]

[33] Official Journal of the European Communities 2001/C 373/29.
[34] Ibid.

Vatican City has since 2002 issued five series of euro coins. The first series of 2002 was showing Pope John Paul II. The second series of 2005 was issued when no Pope sat on the Apostolic Throne. Therefore, their design was surrounded by the semicircular words "SEDE VACANTE" depicting the coat of arms of the Cardinal Chamberlain, the acting head of state of Vatican City, superimposed on the emblem of the Apostolic Chamber in the center of the coin.[35] The series of 2006 was bearing the effigy of Pope Benedict XVI the same as the series of 2014 was bearing the effigy of Pope Francis.[36] When Pope Francis no longer permitted his effigies to be used on coins, the fifth series of 2017 began to feature his papal coat of arms.[37]

As already mentioned, Andorra signed monetary agreement with the EU only in 2011. As a result, Andorra can use the euro as its official currency and issue its own euro coins. The first Andorran coins were issued in 2014. The €2 coin shows the coat of arms of Andorra; the €1 coin features Casa de la Vall, the former seat of parliament; the 10, 20, and 50-cent coins show the Romanesque church of Santa Coloma and the 1, 2, and 5-cent coins show a Pyrenean chamois and a golden eagle.[38]

[35] Official Journal of the European Communities 2005/C 308/08.
[36] Official Journal of the European Communities 2006/C 186/02 Official Journal of the European Union 2013/C 379/11.
[37] Official Journal of the European Union 2017/C 23/06.
[38] Official Journal of the European Union 2014/C 62/07.

Euro coins of the above mentioned "microstates" are quite rare in circulation and therefore are quite interesting for collectors.[39]

Between 2009 and 2011, a new generation of monetary agreements was negotiated between the EU and Monaco, San Marino, and Vatican City (an agreement between the EU and Andorra of 2011 was already such a type of agreement). The new monetary agreements included a regime of dispute resolution between signatory parties. The agreements provide for a surveillance power of the European Commission and are establishing Joint Committees to be the first forum for dispute settlement. A subsequent option is to resolve disputes before the CJEU. The monetary agreements stipulate that the CJEU has exclusive jurisdiction to resolve ongoing disputes that may arise between contracting parties and that cannot be resolved within the framework of the Joint Committee. Moreover, these must be long-term disputes and their resolution before the CJEU should be proposed by the Commission, as one of the EU representatives in the Joint Committee. In this regard, the courts of "microstates" do not have the authority to dispose of proceedings before the CJEU, especially the submission of preliminary questions. Although "microstates" are not members of the EU, any proceedings before the CJEU concerning disputes from monetary agreements could be compared to an infringement procedure. In contrast to such proceedings against a Member State, where sanctions are of a pecuniary nature, in case of "microstates" such a sanction would be a termination of the monetary agreement. The CJEU case law admits to a non-Member State to address under particular circumstances the CJEU. In the case of *Switzerland v. European Commission*, the EU courts allowed a non-Member State to dispose of proceedings in the matter of international treaties, *in concreto* concerning the treaty between the EU and Switzerland on air transport.[40] In the case of *Venezuela v. the Council* the CJEU came to the conclusion that a third state is actively legitimized to file an action for the invalidity of an EU act, without having to prove that the said provisions affect it personally.[41]

CONCLUSION

The European "microstates" like Andorra, Monaco, San Marino, or Vatican City can be considered as to closest neighbors of the EU since their territory is encapsulated into the territory of EU Member States. Nevertheless, the perspective of their EU membership seems to be not realistic. On the EU side, there is a view that whilst all the "microstates" are historically unique, many do in fact have similarities when it comes to their legal relation with the EU. There is a broad acceptance within EU institutions that the "microstates" have to continue to be treated according to their *sui generis* nature, but at the same time, the maintenance of a legal relationship between the parties has been very important to the EU. "Microstates" have a keen interest in diversifying small economies. This is imaginable on various levels. The minimal framework was created for relations

[39] ADAMEC, J. Mezi minulostí a dneškem. *Země světa*. 2021, Vol. 20, No. 11.

[40] Judgment of the Court (Third Chamber) of 7 March 2013. *Confédération suisse v. European Commission*. Case C-547/10.

[41] Judgment of the Court (Grand Chamber) of 22 June 2021. *République bolivarienne du Venezuela v. Council of the European Union*. Case C-872/19.

with Vatican City including a customs regime and the circulation of euro after 2002. Andorra and San Marino have negotiated their Association Agreements permitting their partial integration into the EU single market without any perspective for the EU membership. The legal relationship between the EU and Monaco remains fragmented and it seems that more integration through major international agreements would be wiser. In such a context, an analogy with the EEA, treating another "microstate" Liechtenstein, seems to be unlikely. At least for one reason, that strengthening of the normative influence of the EU could be very difficult. The question of how far legal relations between the EU and "microstates" will go remains open to further academic and diplomatic analysis.