



Know your smallest neighbours

How can a state be a part of the European Union but not a member? How can it use the euro without having a seat in the European Parliament? These are not questions about some weird British post-Brexit fantasy, it's about something much smaller and more elegant than that. This is about places where you may have been skiing, sunbathing, sightseeing or spending a lot of money. We're talking about European micro-states.

by Garry Britton

Can we be sure which they are?

Even the definition of a European micro-state is not quite clear. It can refer to the six smallest states by area, which (from smallest to largest) are Vatican City (only 0.49 km²), Monaco, San Marino, Liechtenstein, Malta and Andorra (468 km²). Already with this list there's an inconsistency: Malta is a full member of the EU, whereas the other five are not member countries – but Malta is smaller than Andorra.

Another definition is that micro-states are small independent states protected economically and politically by larger countries. But under this definition, only Liechtenstein, Monaco and San Marino really qualify, each being 'protected' by Switzerland, France and Italy, respectively. That's how they are at the same time outside the EU but within its sphere. Whatever the definitions, we can recognise Malta's status as a full and enthusiastic EU member state. By population it is also the smallest, with only 542,000 in 2023, compared with Luxembourg's 660,000 and Cyprus's 920,000.



A closer look at the 5 true micro-states

Some are a full part of Schengen, others enjoy a special arrangement. Some have open borders, none can issue Schengen visas. The European Single Market and EEA apply in some territories. These micro-states are full of interesting anomalies. As business travellers, the economic circumstances are of particular interest. Let's look at each in turn – with the smallest first.

Vatican City. Population 800, area 0.44 km²



The world's smallest fully independent state and a tiny enclave within Rome, Vatican City is an elective monarchy (the monarch being the Pope). It has its own post office, radio station, banking system and phone system. Almost all supplies are imported. There is no tax, and no restriction on importing or exporting funds. Income stems from tourism, investments and sales of stamps, coins and publications.

Liechtenstein. Population 37,000, area 160 km²



Banking secrecy is guaranteed by law, so thousands of overseas companies are registered here, providing a source of tax income. Liechtenstein enjoys a customs union with Switzerland and uses the Swiss franc as currency. Small manufacturing companies exist in precision instruments, electronics and other consumer goods.

Monaco. Population 38,000, area 2 km²



Apart from luxury tourism and gambling, Monaco's economy includes light manufacturing, financial services, shipping, R&D and business conferencing. Citizens do not pay income tax, so the principality has been known as a tax haven, but there is a tax on commercial transactions. The currency is the euro.

Andorra. Population 80,000, area 467 km²



Catalan is the only official language in this parliamentary democracy and World Heritage Site. The euro is its official currency, by agreement with the EU, but it is completely independent from its neighbours, France and Spain. Andorra is known for its winter sports but also for its duty-free shopping for alcohol, tobacco, electronics and clothing.

San Marino. Population 34,000, area 61 km²



Landlocked in northeastern Italy, this is the oldest sovereign constitutional republic in the world. Banking and specialised fine printing are essential industries besides tourism. It also manufactures craft products including ceramics, wrought iron and furniture.

Vokabeltraining

anomalies
Besonderheiten

tax haven
Steuer-oase

sovereign
souverän

currency
Währung

providing
bereitstellen

