

MICROSTATES, SMALL ECONOMIES, AND LARGE CHALLENGES: REFLECTIONS ON SMALLNESS IN THE AGE OF GLOBAL RISKS

Zbigniew Dumieński

In a world dominated by great powers and large states, powerful multinational corporations, big military alliances, and trade blocks, very small states and territories may seem inherently disadvantaged, or at least inadequate. This is particularly the case when considering the global nature of key threats facing political communities today.

The effects of such challenges as armed conflicts, ecological catastrophes, weapons of mass destruction, pandemics, growing global inequality and related social pressures, financial system meltdowns, and transnational crime transcend state boundaries and can, in theory, easily overwhelm all countries, particularly the smallest ones that usually played no role in instigating crises.

More importantly, addressing these challenges appears to require vast material and human resources. Large states with considerable techno-industrial depth and robust bureaucratic machineries seem to be much better placed to respond to such perils, exemplified by the rapid development of COVID-19 vaccines by the world's leading large states.

Relatedly, small political entities seem to be severely disadvantaged by the ever-growing complexity and burden of regulations governing international trade, financial services, and technological standards. Unlike large states, small polities may appear, at first glance, to simply lack the resources to function in a world whose rules have been set by the big players.

Despite all of these purported disadvantages, small states and territories are more prominent today than ever before.¹ This is arguably, in large part, a reflection of the nature of the international system, with its emphasis on an equality of sovereign states (at least in theory) as well as strong international opposition to territorial conquest and violation of existing borders. As observed by Lee Kuan Yew, the long-serving first prime minister of

Singapore, the survival of small states “depends upon world conditions. It doesn’t depend on [small states] alone ... it depends on whether there is an international environment which says that borders are sacrosanct and there is the rule of law.”²

The benefits conferred by internationally-recognized sovereignty allow some of the world’s smallest and most resource-poor countries to receive the attention of global elites. It also means they may have influence over the shape and dynamics of the international system out of proportion to their size. As noted by Baldacchino and Wivel, “The increasing number, complexity and detail of international institutions have helped to level the playing field in international affairs by allowing small states a bigger voice and more platforms and arenas where to seek influence.”³

Thus, one could rightfully conclude that while small states and territories manage to survive thanks to a favorable international environment, despite many challenges, they are certainly unlikely to prosper in a world dominated by larger political units and blocs.

However, a closer look at many of the world’s smallest political units reveals that, contrary to many pessimistic predictions, small states and territories have managed not just to survive but often thrive with respect to both political institutions and socioeconomic well-being. In particular, when it comes to prosperity, it is evident that many small and very small sovereign political communities, and to an even greater extent zones of special jurisdiction, can function as well or better than large national economies.⁴ Indeed, overall economic performance of smaller political units has been sufficiently positive that it has served as an inspiration and justification for numerous new separatist movements.⁵

It has been suggested that the economic success of small political units might be a by-product of a revolution in transportation and communication that, coupled with trade liberalization, theoretically permits small states and other small political units to trade with or provide services, mainly financial, directly to the global economy.⁶ While not without merit, such arguments alone fail to explain why and how diminutive polities in particular⁷ have been so successful at making use of the new economic and technological opportunities. Instead, small size itself may be advantageous to attaining good economic outcomes.

Similarly, while small states and territories may lack the resources of large states to combat some of the major global challenges, they seem remarkably successful at both creating bespoke, small-scale institutional and technological solutions and adopting remedies developed by larger states or through international collaborative efforts.

This has been clearly illustrated in the context of COVID-19 response, as small states and territories were among the first to achieve high rates of

vaccination. Indeed, many diminutive jurisdictions have achieved near-universal vaccination coverage well ahead of larger countries, including those that financed the research and development of the vaccine technology. As of July 1, 2022, more than 90 percent of people living in the Cook Islands, Malta, Niue, Tonga, Samoa, and Qatar had been fully vaccinated, versus around 70 percent in the United Kingdom and the United States. Even within larger states, distinct sub-national jurisdictions tended to perform above the national average, with such territories as Gibraltar achieving near-universal vaccination coverage and small U.S. states and territories (most notably Guam, Rhode Island, Vermont, Maine, and Puerto Rico) attaining higher vaccination rates than those of larger states.

In addition to gesturing at potential institutional advantages inherent in small size, the COVID-19 pandemic has demonstrated the value in having space for autonomous policy making while still retaining access to metropolitan cores. Microstates, understood here as small states that delegate certain attributes of sovereignty to larger states,⁸ as well as many other diminutive, non-sovereign, autonomous jurisdictions, have achieved impressive public health outcomes. Certainly, this has been aided by geography, with small islands being naturally better placed to prevent the virus from arriving into their communities in the first place. Still, equally or perhaps even more remarkably, these small states also managed to avoid socioeconomic collapse despite, in many cases, losing a large fraction of income due to COVID-19 restrictions in general and border closures in particular. They were able to do so primarily by taking advantage of special relationships with either a larger state or metropolitan centers.

Political affiliation with larger states or metropolitan centers has provided financial, operational, logistical, and medical lifelines throughout the pandemic. Both microstates like the Cook Islands or Palau, and autonomous jurisdictions like New Caledonia, could rely on New Zealand, the U.S., or France, respectively, to provide not only medical support (including vaccines) but also vital economic support that allowed them to cushion the effects of pandemic restrictions on their populations and businesses.

Furthermore, such special relationships have provided a powerful safety valve. Unlike the residents of small but unaffiliated states, e.g., Tonga and Samoa, residents of associated states or autonomous jurisdictions have retained unimpeded access, despite border closures, to large labor markets, education opportunities, and welfare.

Overall, one of the key determinants of both short- and long-term socioeconomic outcomes in very small states and territories is often their ability to take advantage of “customized linkages”⁹ with other larger states or metropolitan centers. These arrangements, typically based on a complex pattern “of mutual accommodation and convenience,”¹⁰ have proven remarkably

durable and resilient, despite the turbulent nature of contemporary interstate relations in the international system.

In some cases, such relationships take an active form, in which small territories rely on continued economic aid and other forms of direct assistance from a larger partner or metropole. In other cases, microstates can use their political affiliation to gain access to markets and large-scale infrastructure as well as to “outsource” the provision of expensive public goods to a larger partner.¹¹ In either case, even the smallest political units can overcome their geographic and demographic constraints and disadvantages and remain viable (indeed successful) in a world dominated by much larger states. Seen from this perspective, skillful diplomacy is perhaps the most valuable resource most small states and territories possess.

As noted by contributors to this volume, small states and territories face significant geopolitical and environmental challenges. However, their past performance and history of resourceful agility, with respect to engaging with larger powers, provides room for optimism. For students of international relations and economics, the successes and failures of small states and territories present a good opportunity to explore the often-overlooked questions of size and scale and how they influence political, social, and economic outcomes.

As Donald Livingston, echoing Aristotle, rightly noted, “Everything in nature has a proper size, beyond or below which it becomes dysfunctional. A jury of 12 is well suited in size to determine the facts of a case. But a jury of 120 would be dysfunctional, even if everyone were virtuous and motivated to seek the truth. ... The same holds for the functioning of other social entities such as committees, lawmaking assemblies, and bureaucracies.”¹² Figuring out what might be the right scale for specific institutions, policies, and solutions is key to finding the right answers to some of the most pressing issues faced by both large and small states today. ♣

NOTES

¹ Godfrey Baldacchino and Anders Wivel, “Small states: concepts and theories,” in *Handbook on the Politics of Small States*, ed. G. Baldacchino and A. Wivel (Cheltenham: Edward Elgar Publishing, 2020), 2–19, <https://doi.org/10.4337/9781788112932.00007>.

² Lee Kuan Yew, “Excerpts from an interview with Lee Kuan Yew,” *The New York Times*, August 29, 2007, https://www.nytimes.com/2007/08/29/world/asia/29iht-lee-excerpts.html?_r=0.

³ Godfrey Baldacchino and Anders Wivel, “Small states: concepts and theories,” in *Handbook on the Politics of Small States*, ed. G. Baldacchino and A. Wivel (Cheltenham: Edward Elgar Publishing, 2020), 2, <https://doi.org/10.4337/9781788112932.00007>.

⁴ Harvey W. Armstrong and Robert Read, “Comparing the Economic Performance of Dependent Territories and Sovereign Microstates,” *Economic Development and Cultural Change* 48, no. 2 (January 2000): 285–306, <http://www.jstor.org/stable/10.1086/452459>; Godfrey Baldacchino, “Bursting the Bubble: the Pseudo-Development Strategies of Microstates,” *Development and Change* 24, no. 1 (January 1993): 29–52, <https://doi.org/10.1111/j.1467-7660.1993.tb00476.x>; Mark Bray and Howard Fergus, “The implications of Size for Educational Development in Small Countries: Montserrat, a Caribbean Case Study,” *Compare* 16, no. 1 (1986): 37–41, <https://doi.org/10.1080/0305792860160106>; Edward Dommen, “Some distinguishing characteristics of island states,” *World Development* 8, no. 12 (December 1980), 931–943, [https://doi.org/10.1016/0305-750X\(80\)90085-6](https://doi.org/10.1016/0305-750X(80)90085-6); Bimal Jalan, *Problems and Policies in Small Economies* (London: Palgrave Macmillan, 1982); and Ozay Mehmet and M. Tahiroglu, “Growth and Equity in Microstates: Does Size Matter in Development?,” *International Journal of Social Economics* 29 (1/2) (January 2002): 152–162, <https://doi.org/10.1108/03068290210413047>.

⁵ Eric Hobsbawm, *The Age of Extremes: A History of the World, 1914-1991* (New York: Vintage, 1996), 281–282.

⁶ Alberto Alesina and Enrico Spolaore, *The Size of Nations* (Cambridge: The MIT Press, 2003); Alberto Alesina and Romain Wacziarg, “Openness, country size and government,” *Journal of Public Economics* 69, no. 3 (September 1998): 305–321, [https://doi.org/10.1016/S0047-2727\(98\)00010-3](https://doi.org/10.1016/S0047-2727(98)00010-3); Harvey W. Armstrong and Robert Read, “Trade and Growth in Small States: The Impact of Global Trade Liberalisation,” *The World Economy* 21, no. 4 (June 1998): 563–585, <https://doi.org/10.1111/1467-9701.00148>; Ronen Palan, “Tax Havens and the Commercialization of State Sovereignty,” *International Organization* 56, no. 1 (Winter 2002): 151–176, <https://doi.org/10.1162/002081802753485160>; and Anthony Van Fossen, “The Struggle for Recognition: Diplomatic Competition Between China and Taiwan in Oceania,” *Journal of Chinese Political Science* 12, no. 2 (2007): 125–146, <https://doi.org/10.1007/s11366-007-9008-0>.

⁷ Harvey W. Armstrong and Robert Read, “Trade and Growth in Small States: The Impact of Global Trade Liberalisation,” *The World Economy* 21, no. 4 (June 1998): 563–585, <https://doi.org/10.1111/1467-9701.00148>; Godfrey Baldacchino and Geoffrey Bertram, “The Beak of the Finch: Insights into the Economic Development of Small Economies,” *The Round Table* 98, no. 401 (2009): 141–160, <https://doi.org/10.1080/00358530902757867>; and Ozay Mehmet and M. Tahiroglu, “Growth and Equity in Microstates: Does Size Matter in Development?,” *International Journal of Social Economics* 29 (1/2) (January 2002): 152–162, <https://doi.org/10.1108/03068290210413047>.

⁸ Zbigniew Dumieński, “Microstates as Modern Protected States: Towards a New Definition of Micro-Statehood,” *The Centre for Small State Studies* (2014).

⁹ Godfrey Baldacchino and David Milne, “Exploring sub-national island jurisdictions: An editorial introduction,” *The Round Table* 95, no. 386 (2006): 489, <https://doi.org/10.1080/00358530600929735>.

¹⁰ Baldacchino and Milne, 489.

¹¹ Zbigniew Dumieński, “Political Survival and Economic Development in Microstates: The Cases of Liechtenstein, the Cook Islands and Niue” (PhD diss., University of Auckland, 2017), <https://research-space.auckland.ac.nz/handle/2292/36867>.

¹² Donald W. Livingston, *Rethinking the American Union for the Twenty-First Century: Reflections on State Nullification, Secession, and the Human Scale of Political Order* (Gretna, LA: Pelican Pub. Company, 2012).