



Micro States

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Among the new members of the UN, some are so small that they have none of the usual attributes of state sovereignty -- neither currency, nor army, nor independent foreign or economic policy. Some cannot even afford to maintain a mission at UN headquarters in New York (or to pay their annual assessments). But others are enjoying unprecedented prosperity, by operating as tax havens and centers for "offshore" finance (to learn more about offshore banking and investment, check out, e.g., [The Freebooter's Website](#)).

It's puzzling that mini-nations like Andorra (pop. 64,000), San Marino (24,000), Monaco (34,000) and Liechtenstein (31,000) decided to become UN members in recent years, since they have enjoyed independent status for centuries. Tiny, newly-independent nations have also joined -- like St. Kitts & Nevis (41,000) and the Maldives (253,000). The Vatican, the world's smallest state in terms of both area and population (774) has "observer" status at the UN. With dozens of "nuncios" and other diplomatic missions worldwide, it is probably the only state in history whose diplomats outnumber its current residents.

Outside the UN membership, there are other mini-territories, with semi-independence, like the Channel (or "Anglo-Norman") Islands (150,000), the Faeroes (45,000) and the [Isle of Man](#) (70,000). They owe their special status in part to history but mostly to their role as "offshore" havens for capital within Europe. In 1995, *Le Monde Diplomatique* drew up a list of nine mini-states in Western Europe that are not an integral part of the EU and that escape from EU financial controls, taxes and regulations, even though they exist to a large extent under the sovereign authority of EU member states. In addition to the three just mentioned, the list includes Andorra, Gibraltar, Liechtenstein, Monaco, San Marino and the Vatican. The tiny Channel Island of Jersey, whose expatriat population of wealthy tax-dodgers has swelled to 35,000 in recent years, boasts bank deposits of 60 billion pounds sterling and a booming finance sector. The big

governments are clearly complicit in these offshore arrangements, even though they face an increasing hemorrhage of taxes and regulatory power.

The Caribbean area has a number of micro-states and territories of the same type, including the British Virgin Islands, [Anguilla](#) (10,000) (check out Don Mitchell's [Anguilla Overview](#)), Bermuda, the Bahamas, and the Netherlands Antilles (home of George Soros' Quantum Fund). The tiny British territory of [Cayman Islands](#) (pop. 23,000) stands out as the most extraordinary offshore of all. Until the 1970's, these three small coral islands south of Cuba attracted little attention. Their 19th Century schooner-building business had long since disappeared and a small, impoverished population subsisted from second-class tourism, fishing and smuggling. By the mid 1990's, the Caymans had metamorphosed into the world's fifth largest banking center as measured by deposits (after the United States, Japan, Britain and France)! No less than 560 banks are registered in the territory, including 46 of the world's 50 largest (though only 70 banks actually maintain a physical presence on the islands).

Many major accounting and law firms have also located branches in the Caymans. The Caymans have succeeded, according to one source, because they offer "tax efficient asset protection." There are virtually no taxes, no exchange controls and no threats to the "confidentiality" of deposits. The Caymans are a paradise of capital, with a minimal government. But because London is sovereign over the Caymans, the Cayman paradise is "Made in The City" (that is, in London's financial district).