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# European Microstates and European Union Integration: A Qualitative Case Analysis

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## Citation

Savage, M. (2023). *European Microstates and European Union Integration: A Qualitative Case Analysis*.

Version: Not Applicable (or Unknown)

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Downloaded from: <https://hdl.handle.net/1887/3655760>

**Note:** To cite this publication please use the final published version (if applicable).

# **European Microstates and European Union Integration: A Qualitative Case Analysis.**

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09/06/2023

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APA

Master Thesis

MSc Public Administration: European and International Governance

Leiden University, The Netherlands

## Abstract

The European microstates Andorra, Liechtenstein and the Holy See have only been partially integrated into the multi-level framework of the European Union (EU). What is puzzling to academics specialized in European Integration is the stark contrast to the degree of integration into the European Union experienced by Malta and Luxembourg which have both fully integrated into the European community in comparison to these microstates. The resultant regulatory and political discrepancies between each of these microstates is investigated in this paper with an investigation into the possibility of further integration for the unincorporated microstates. The different routes to integration of economic, political, and diplomatic arrangements follow in line with the 2013 Association Framework agreement established by Brussels which this paper will use to conceptualize an analysis into wider microstate integration. This paper assumes that intergovernmental agreements between microstates and their EU member state neighbors reduce the incentives for integration into the European Union. Other assumptions rely on an investigation into the value that European microstates have in maintaining their sovereignty at the expense of gains through European integration. It also investigates economic development of these microstates to their degree of integration as a control variable, of which there is less of an impact than intergovernmental agreements. The findings of this paper highlight the importance that microstates show towards intergovernmental agreements over supranational integration.

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## **1. Introduction**

In the field of contemporary Public Administration scholarship there has been a long-established history of investigation into the reasons for countries agreeing to integration into supranational institutions and bodies (Hooghe & Marks, 2009). The European Union has been of considerable interest to the study of Public Administration as the supranational body has managed to administer a diverse collection of member states with a high degree of integration. The size of these member states varies considerably with microstates such as Malta and Lichtenstein represented amongst the 27-member strong union. Academic literature has focused on the accension of Malta into the Union as a microstate without considerable investigation to the many European microstates that still do not have full degrees of integration into the European Union. The lack of research into the myriad microstates on the European continent and their different degrees of integration into the many bodies of the EU creates a significant gap in the literature which limits the fields understanding of the intricate processes that affect microstate integration. This paper will seek to address this issue with a Qualitative Case Analysis into microstate integration between Andorra, Liechtenstein, and the Holy See against the Maltese experience with EU integration.

The degree of analysis into state integration into larger supranational bodies is a well-researched area within Public Administration scholarship. The pressures and influences that cause states to integrate into supranational bodies vary considerably but there have been some attempts to create a framework in understanding this procedure through the process of European integration. This focuses on a conceptualisation of governance that recognises that the issues and challenges of public administration are interconnected and cannot be addressed by a solely state focused approach. Instead, scholarship should focus on understanding the cooperation and coordination between different levels of government, supranational and non-state actors to comprehend issues of integration.

This approach has been used to understand how the European Union was formed and its consequent enlargement over its existence. The EU constantly operates through a system of multi-level governance with its institutions having various degrees of jurisdiction over different areas concerning the Union's operation. At the national level, each member state has its own government and parliament which are responsible for implementation of EU policy and laws. At the supranational level, the many institutions, agencies, and bodies of the European Union provide support in implementation and decision-making for the union. There are also more stakeholders in this conceptualisation, but this paper will focus on the national and supranational level for its comprehension.

This approach has worked well to define why the microstate of Malta chose to join the European Union (Harwood, 2014). After independence the Maltese economy was primarily reliant on its tourism and manufacturing industries. With the adoption of the common market and the Schengen Agreement (1985), these industries faced increasing competition from other countries. The small size of the Maltese economy gave the country little leverage in conducting individual trade and freedom of movement treaties with her main trading partners which created a strong incentive to join the European Union (Calleja Ragonesi, 2020, pp. 139-140). In addition to economic benefits, the diplomatic isolation of Malta also incentivised the island nation to join the union to enjoy greater bargaining power in international affairs and the ability to participate in EU decision-making which it has

benefitted from. This paper will seek to show how this situation was not shared with the other microstates in Europe with their very different diplomatic and economic ties in Europe creating less incentives to fully integrate into the EU.

### *1.1 Societal relevance and research question*

One of the main purposes of research is to understand the processes that shape how our society functions (Creswell, 2009). Comprehension over the impact of certain phenomena is important for policy makers and academics in formulating problem solving solutions. The field of European Integration is no different. Considering the turmoil stemming from Brexit and the rise of Euroscepticism, Brussels is constantly seeking to manage the complex tapestry of needs for its many member states. If we are only able to understand European Union integration through analysis of enlargement by large member states then it is likely that from a Public Administration academic perspective there is a considerable gap in understanding enlargement. As such, the lack of investigation into the pressures and needs of microstates creates a socially relevant requirement for further investigation into this area in order to better understand the wants and needs of applicant states to the European Union.

To analyse the understanding of what causes microstates to decide to join supranational groups this paper will investigate the relationships that drive microstates to renege on full integration into a supranational body. The microstates investigated throughout this paper all have historic agreements with their neighbours that provide many of the benefits given by deeper integration into the European Union. These range from free movement agreements to customs unions, all central pillars to the European Union. The research conducted in this paper will seek to investigate the degree that interstate level agreements have on pressures for integration. Strong agreements at the state level are investigated as the independent variable and the degree of EU integration is the dependant variable for the research conducted in this paper. Considering this, the guiding research question for this paper is as follows:

*RQ: To what extent can the limited degree of integration into the European Union by microstates be explained by established strong interstate level agreements instead of agreements made with the European Union?*

### *1.2 An outline*

This paper will a more inductive philosophy in its approach in investigating European microstate integration. To achieve this, the following chapters of this paper have been constructed in a manner to examine this issue adequately and methodically. Chapter two involves a literature review which analyses the current academic literature. This comprises of an analysis of European integration theories, the reasons for Malta joining the European Union as a microstate and the suggestions proposed by current academic literature for the lack of European microstate integration. This chapter is followed by a theoretical framework investigating the key theories and assumptions for European integration and how these can be used in understanding microstate integration. This is followed by an explanation of the research problem and the expectations that will underpin the analysis section for this paper.

The methodology chapter for this paper consists of an analysis of the case design for this paper, what control variables are selected, the case selection process, the data collection

process, and the methodological limitations for the selected methodology. In this chapter, the processes for this paper's analysis will be provided so that the reader can comprehend the sources and processes for the analysis section. The results and analysis section comprises the results of this paper's case study and an analysis of findings. This is split into subchapters investigating the different aspects of integration that European microstates have experienced with the European Union. The conclusion for this paper is split into two chapters. The former conclusionary chapter comprises an analysis of the results of this paper through this paper's theoretical framework as well as an introspective analysis of other theoretical considerations. The secondary conclusionary chapter comprises an analysis of further limitations to the findings of this paper. This is followed by potential policy recommendations based on the findings of this paper to better integrate microstates into their neighbouring supranational bodies. It concludes with the implications for this research as well as suggestions for further analysis into European microstate integration.

## **2. Literature Review**

This paper investigates the relationship between European microstates and the extent to which they are willing to agree to further integrate into the European Union. Previous work on this topic has sought to explain this relationship with a focused on the Maltese experience with EU integration (Harwood, 2014). This paper will compare this relationship with other European microstates, these having a very different experience with integration into the European Union.

The following section will review the relevant literature required to construct the main theoretical framework for this paper. This will first involve an evaluation of the causes for states wishing to join the European Union followed by the current literature on Maltese integration into the EU. It will next examine the literature relating to current degrees of integration for the examined microstates of Vatican City, Andorra, and Liechtenstein.

### *2.1 Why do states wish to join the European Union?*

There has been considerable literature written on the subject for the causes of nation states joining supranational bodies, particularly regarding the accession of European states into the European Union. The primary reasons for states joining the union were based on increasing economic integration with neighbouring European trade partners but there were also political and security considerations for many states (Wiener et al., 2019). Current academic literature focuses on these key reasons through a variety of different research methodologies, but it is possible to collect these reasons for the purpose of investigating what causes states (and therefore microstates) to integrate into supranational institutions. This section will provide a literature review analysing the causes for European integration in a more general methodology.

Current literature highlights the importance that economic ties have had in pressuring states towards supranational integration. The EU's single market is a customs union that allows goods, services, capital, and people to move freely between member states. Any member of this single market benefits with access to a market of over 500 million consumers without tariff or other trade restrictions. States with trade that mostly involves European Member states are likely to integrate into the single market to see avoid tariff and trade restrictions with the single market, providing a strong incentive for market integration (Pittaluga, 2016).

The monetary union of the Eurozone also provides considerable benefits to states that suffer from unstable currencies. The common currency of the Euro and the consequently advantage of fiscal reliability pushes states with unstable currencies to integrate (Pittaluga, 2016, p.103). In essence, there are strong fiscal and customs pressures that can influence states to integrate into the European Union.

The EU also provides economic benefits for member states through developmental aid and the common agricultural policy. The EU provides its member states aid in many forms ranging from regional developmental aid to grants and loans for various programmes. Less developed European states such as Poland have seen impressive growth after their accession to the European Union due to investment through these mechanisms (Ambroziak, 2021). Impoverished European states are likely to be incentivized to integrate into the



European Union to access such aid packages and this is likely to be a strong pressure for such states.

Existing literature also investigates the relationship between political considerations for European integration. States with concerns over their democratic legitimacy can receive this legitimacy from accession into the European Union. The EU's commitment to democratic rule within the union gives democratic legitimacy to member states with an internationally low perception of democratic legitimacy. In order to join the European Union, applicants must meet certain criteria established in the 1993 Copenhagen Criteria. A state that meets these stringent requirements and is granted membership gains considerable international democratic legitimacy (Szewczyk, p.201). As such, legitimacy can push states towards European integration.

There are other political concerns that are to be considered from the current literature to explain European integration. The concept of politicization is used to explain the phenomena of elected political officials gaining influence over policymaking over key political issues that the bureaucracy of an institution would otherwise not consider (De Wilde, 2011, p.561). Critical issues that affect the entirety of the European union have the capacity to influence the degree of integration that member states are willing to accept (De Wilde, 2011, p.566). Issues such as the Eurozone crisis created the political issue of Euroscepticism that impacted both national and supranational discourse within the European Union (Schimmelfennig, 2018, p. 979). The result of such salience is something that influences decision-making for European integration not just for member states but also for prospective member states that may rescind their applications based on politicization of accession. As such, it is important to consider the politicization of European integration in analysis of microstate attitudes to their sovereignty.

The current literature also investigates the importance of security considerations for European states in their decision-making process regarding deepened integration with the European Union. The European Union started with the European Coal and Steel community established in post war Western Europe to promote peace and stability in Europe (Dedman, 1996, pp.57-64). States that subscribed to the Common Foreign and Security Policy of the EU benefitted from collective security cooperation from member states and as such there are strong pressures for states to integrate into Europe. European enlargement into the east was strongly supported by Eastern European states for this reason as European integration could protect from future aggression from a resurgent Russia (O'Brennan, 2006, pp.165-167). The European Union was seen by these states as an alternative to bilateral negotiations for security guarantees from neighbour states and as a neutral body to lessen interstate territorial disputes through the freedom of movement. In essence, integration with the European Union provides states with security concerns a degree of protection and certainty that intergovernmental agreements are unable to offer.

Other than these factors, current academic literature on European integration studies considers other explanatory factors for European integration. An interesting consideration for the purposes of this paper is the influence that crises and shocks have on European integration, outside the scope of more gradual explanations for integration (Schimmelfennig, 2018). The systematic shocks that Brussels experienced during the migrant and Eurozone crises had considerable influence on influencing policymaking between the supranational and intergovernmental level (Schimmelfennig, 2018, pp.979-984). What is of note from crises is that crises can increase cooperation and integration as much as they can create resistance to

European integration (Schimmelfennig, 2018, pp.985-987). For the purposes of understanding European microstate integration, the concept of transnational interdependence in crises can explain disparities in European integration (Schimmelfennig, 2018, p. 982). The geographic and diplomatic isolation of the European microstates and the influence of strong intergovernmental agreements reduced the strength of transnational interdependence on influencing integration compared to other candidate states.

Building upon all these factors that create pressures for European integration, this paper will be structured in its analysis on these pressures. The main theories of European integration of intergovernmentalism, neofunctionalism and Postfunctionalism will be explained in relation to the concepts investigated in this literature review in the next chapter of this paper. These theories have been excluded from this chapter to be used in the next chapter for a theoretical rather than academic analysis of European microstate integration. Concepts from this literature review section will be the basis to divide the analysis section into economic, political and security considerations that influence the selected cases in their attitudes towards European union integration. Considering this, it is important to investigate the academic literature in explaining the causes for Malta's accession to the European Union.

## *2.2 What pressures caused Malta to join the European Union?*

There has been literature written on the subject of Malta's accession to the European Union compared to that of other European microstates. Academics have differed on their definitions for what constitutes a microstate, although a consensus terminology defines a microstate as a small state with a small population and territory. This has usually been defined as a state with a population below one million inhabitants and a territory smaller than 5000km<sup>2</sup> (Domingo, 2021, pp.372-373). With this definition out of the eight microstates in Europe, only three of these have fully integrated into the European Union: Malta, Luxembourg, and Cyprus. Out of these three microstates, Malta is closest to the other investigated microstates in this paper concerning its smaller territory and population more akin to that of these investigated cases.

Due to these factors, Malta has had a considerable degree of academic output in explaining its experience with European integration as it has held a position as a so called 'lilliputian state' within the EU (Domingo, 2021, p.372). Considerable focus has been made into explaining why the island nation has forged stronger ties with the European Union which have resulted in different academic fields examining this relationship. These investigations have largely been built on previous literature on European integration as a guide to explain the cause for European integration. Following the previous sections focus on European integration, this section will examine the economic, political and security considerations for Maltese integration into the European Union.

Current literature highlights the importance that economic pressures had in moving Malta towards integration into the European Union. Malta as a small island nation in the Mediterranean has always been dependant on international trade for its economic base (Austin, 1996). Harwood (2014) argues that with the rise of globalisation, the Maltese primary economic sectors became uncompetitive outside of the economic protections provided by the European Union. Economic dependency upon their principle European trade partners made European tariffs especially harmful to the Maltese economy, creating a strong incentive for joining the European Union Customs Union (Harwood, 2014, pp.136-140).

The strong economic grants from the Common Agricultural Policy of the EU, also created a strong pressure to join the European Union. The Maltese agricultural sector was a tiny part of the GDP before accession unable to meet anywhere near local demand for agricultural products (Harwood, 2014, p.162). The protectionist policies of the Maltese state regarding agriculture created tensions with accession. Despite this, the economic pressures from other sectors created a stronger incentive for accession.

Malta's tourism sector was also a key driver in Maltese accession to the European Union. Malta has had a formalised tourism industry since the early 1920's with the Maltese state investing heavily into its tourism sector since the later 1960's (Pantzar & Panyik, 2014, p.339). Although the majority of the tourists have come from the United Kingdom, a rise in tourists from Italy, France and Germany from the 1980's shifted governmental tourism planning to incentivise more continental European visitors. The higher spending of these tourists resulted in the 1991 Tourism Master Plan which put forth investment to attract more of these continental European visitors (Pantzar & Panyik, 2014, p.342). It is no wonder then that the Maltese tourism industry has benefitted considerably from the Schengen Agreement, despite political concerns over immigration from the agreement (Harwood, 2014). In essence, the literature points towards the influential Maltese tourism sector creating strong pressures towards integration with the European Union.

The contemporary academic literature also highlights considerable political pressures for Malta integrating further into the European Union. The political situation of Malta has been historically tumultuous with a history of foreign occupation and pressure from neighbouring powers most recently as a British protectorate. Malta's push for independence came with economic caveats that still imbedded the Maltese economy into the British economy until the rise of the Labour party in 1971 (Harwood, 2014, p.32). The Labour government pushed for nonalignment as a key tenet of their reforms towards a so called "third world socialism" (Pace, 2002, p.23). The struggles between this move towards the non-aligned movement led the opposition Nationalist party to push for European Community membership to safeguard Malta's market economy from drifting too far towards a more socialist perspective.

After the unexpected victory in the 1987 election, Malta moved towards integration with Western Europe as the Nationalist party sought to cement their powerbase. This led to an application for EU membership in 1990 to cement relationships with the European Union (Calleja Ragonesi, 2020, pp. 139-140). Despite this shift, electoral victory by the labour government scuppered membership negotiations with the European Union. There was a clear political conflict within Malta over European accession during the 90's but it is notable that after accession into the European Union, Malta has lacked a strong Eurosceptic party presence and the previously anti-Europe Labour party has become a strongly pro-EU party (Pace, 2002, p.200).

The security concerns for Malta also encouraged a push towards European integration. With Malta's position between Europe and North Africa it has always held considerable geo strategic importance. Security guarantees played a considerable role in influencing foreign relations between the island nation and her neighbours. The push towards isolation from Western in the non-aligned movement in the 1970's followed more inter-governmental agreements instead of supranational agreements (Harwood, 2014, pp.32-33). As these agreements failed over national economic and military interests the government were forced to reconsider their nonalignment and focus on intergovernmentalism.

The failures of these intergovernmental agreements and a shift in geopolitical climate at the end of the Cold War created incentives for the Maltese government to move away from the non-aligned movement (Pace, 2002, p.29). Malta lacked the ability to play off the West against the East during this period whilst would regain the ability to be a neutral powerbroker in the Mediterranean as a member state of the EU. As such, Malta began the process of EU membership in the 1990's with this in mind (Calleja Ragonesi, 2020, pp. 137-138). As such the security concerns for the island nation were seen to be better resolved within the Europe Union as a neutral state rather than full reliance on intergovernmental treaties. It can therefore be suggested by current literature that a shift to a more supranational approach for security concerns exists only as intergovernmental solutions become untenable.

Considering these qualities from the current academic literature there does appear to be a gap in explanation for a general pattern for microstate integration. As such, this literature review will further explore the current literature on other European microstates and their experiences with European Union integration.

### *2.3 Why did other microstates not join the European Union?*

Compared to the large degree of Academic output on the causes for Malta's accession to the European Union, there is substantially less regarding the other European microstates and their relationships with the European Union. This section will seek to try and evaluate from this limited literature on the common relationships and pressures the microstates outside the European Union experience.

The economic pressures for non-European Union member state integration for microstates is an area where there is some academic literature. The focus of this academic output largely attempts to explain why these microstates remain outside of the European Union. The economic flexibility that a lot of European microstates rely upon to remain competitive in the global financial market creates an incentive to remain outside of the European Union (Dózsa, 2007, p.95). These microstates actively trade upon their sovereignty to create the high degrees of development they enjoy, which EU integration puts at risk. Economic exclusive arrangements such as the gambling industry is also an economic arrangement which microstates wish to keep control over (Simpson, 2014). Regulation into these industries is a huge threat to the economic health of European microstates which reduces economic incentives to European integration. In essence, the literature points towards a relationship that reduces the economic incentives for further European integration and incentivizes maintaining state level agreements for its economic stability.

The literature also points towards the influence that intergovernmental agreements have in reducing incentives for European Union integration. Microstates such as San Marino have historic agreements with neighboring states and Brussels as whole. San Marino has been considered to be in a customs union with the European Union since 1968 through a 1939 agreement with Italy (Dózsa, 2007, p.98). With a customs union already established through this agreement, San Marino had little reason to agree to deepen economic relations with Brussels. San Marino is not unique in this relationship with Monaco also having a similar relationship through agreements with France (Dózsa, 2007, p.99). Without a pressing need for economic agreements with all member states, there is a reduced pressure for integration into the European Union.

The political aspect to European Union integration for microstates does have more academic literature for analysis. This literature mostly focuses on the historic and domestic political makeup of European microstates to explain their lack of interest in EU integration. Veenendaal (2020) argues that the political systems of these microstates undermine political movements for European integration. Citizens of microstates enjoy a very high degree of closeness between citizens and politicians which leads to a very high degree of political participation for citizens (Veenendaal, 2020, p.157). Further European integration undermines this relationship and as such integration is unpopular politically. Other political considerations involve the political structure of microstates. The European Union only allows states with a stable democracy for accession. States such as Liechtenstein and Vatican City give considerable powers to their Monarchs which would make accession unlikely without radical political reform (Klieger, 2013). Other microstates take pride in their historical political systems and a move towards giving powers over policy to Brussels are unthinkable politically. In essence, from the current literature it is apparent that the politics of European microstates create a pressure to resist supranational integration.

There is a limited degree of academic literature regarding the security considerations for European Union. Microstates owe their sovereignty to the consent of their larger neighbours and as such their security considerations are dependent on these neighbouring states. Liechtenstein for example bases their security on its close ties to neighbouring Switzerland. The international recognition of Swiss Neutrality protected the microstate during the Second World War and beyond (Klieger, 2013, p.49). The relationship between intergovernmental protection applies to all European microstates which is most apparent by the lack of European microstates in NATO (Veenendaal, 2020). In essence, microstate security considerations follow the protection of their neighbors which limits the pressure to join supranational institutions.

#### *2.4 Economic pressures to join the European Union?*

The degree of economic integration with the European Union for each investigated microstate varies considerably and this section illuminates the causes for this varied degree of economic integration. The influence of de facto agreements with the European Union through arrangements with neighbouring EU member states is a considerable influence upon the formal arrangements made between microstates and the European Union.

There is a common shared theme between the investigated data for this analysis is the impact that treaties with neighbouring states have in reducing the need for integration into the European Union. Intergovernmental treaties have much more of an influence in dictating domestic economic policy than the allure of supranational integration, with EU economic integration being a consequence of intergovernmental treaties instead of the cause. The unique position of microstates requiring a benefactor or so called 'mother state' to pursue their economic interests and sovereignty is cause for such an arrangement (Eccardt, 2005).

The influence of the Eurozone on the many states of Europe is also an area that holds sway over the economic decision making between many states, not just in Europe. The Euro is currently the world's second most traded currency and as such there are strong economic pressures for states to (Huynh et al., 2023). Countries with strong economic ties to European member states are likely to conduct trade agreements in Euros and hold considerable holdings of Euros in their domestic currency reserves (Coerdacier & Martin, 2009). With such

arrangements in place, these states have a strong incentive to integrate into the Eurozone as the monetary benefits of Eurozone integration are better felt.

The microstates of Europe are typified by historic customs arrangements with their neighbors. Vatican City has an arrangement with Italy, Andorra with France and Spain and Liechtenstein with Switzerland (Eccardt, 2005, pp.23-26). Both Andorra and Vatican City exist in the Eurozone due to their customs unions adopting the Euro as a currency rather than through their own arrangements with the European Union. Although the Vatican Lira was a separate currency to the Italian Lira, the peg held by this currency effectively equated to a shared currency with regards to de facto arrangement. Andorra did not have an official currency de jure but used both the French Franc and Spanish Peseta as de facto currencies until adopting the Euro (Dózsa, 2007, p.97). Both states adopted the Euro after their customs unions adopted the currency which forced each microstate to sign monetary agreements.

Malta is an interesting case for such analysis as instead of moving from a shared currency to the Euro, it had its own domestic currency (The Maltese Lira) to transition from (Eccardt, 2005, p.24). Instead of taking the Euro due to prior intergovernmental agreements the Maltese transition to the Euro came from a more conventional economic and monetary pressures (Austin, 1996). Liechtenstein exists in a customs and monetary union with Switzerland and as such uses the Swiss franc for its official currency despite considerable trade integration with the European Union.

Another area of economic integration disparity between the investigated microstates is the European Economic Area (EEA). The EEA is an international agreement that extends the European Union's single market to countries in the European Free Trade Association (EFTA). The EFTA exists to provide economic integration to states that are unwilling or unable to join the EU's single market as member states. Liechtenstein is an interesting case for this as it is a member of the EEA unlike the microstates of Andorra and Vatican City. This degree of integration is particularly surprising as Liechtenstein's customs union partner of Switzerland is only integrated into EFTA (Dózsa, 2007, p.100). Despite this arrangement, Switzerland still holds considerable sway over domestic trade policy with intergovernmental agreements held between the two states over areas unrelated to EEA policy still being dictated from Bern.

For the other examined European microstates, none other than Malta are members of defined supranational agreements and hold individual trade agreements for their degrees of integration. What is notable is that the EU has taken measures to investigate the validity of potential economic enlargement of the EEA for these microstates. A 2013 Commission report on this matter concluded that the intricate nature of these agreements would require microstates to sign new association agreements for EEA participation (COM(2013) 793, 2013). It is certainly interesting that the EU itself finds supranational integration to be inappropriate for microstate economic integration.

In essence, the available information on economic integration of European microstates points towards state level agreements superseding pressures for EU integration. The instances where there is economic integration for microstates are typified by intergovernmental agreements being responsible for this integration, rather than a supranational pressure.

From this literature review, it is apparent there exists a gap in the literature for analysis of microstate integration into the European Union. The current existing literature

suggests that there is indeed a causal relationship between intergovernmental agreements and microstate integration into the European Union there is still an insufficient investigation into this relationship. Assumptions for this rely on a general format for European Union enlargement instead of a concrete causal mechanism for this phenomenon especially for microstates other than Malta. To fully resolve this issue, this paper will provide a case study into European microstate integration into the European Union. The following section will describe the theoretical framework required to provide the basis for understanding this issue.

### **3.Theoretical framework**

This section will be divided into two sections. The first section will describe the basic assumptions and theories necessary for the subsequent analysis conducted for this paper and the second section will build upon this to create the theoretical framework required for the analysis undertaken in this paper.

#### *3.1 Key theories and assumptions of this paper*

There are three main approaches commonly used in European Studies towards explaining European integration (Wiener et al., 2019, p.11). These are post functionalism, neofunctionalism and intergovernmentalism. This section will analyse how these theories can be used to explain European integration and will conclude with the assumptions used for analysis based on these theories.

Neofunctionalism is a theory of European Union integration that emphasizes the role of supranational institutions in promoting further integration among itself and its member states (Haas, 2020). Integration is driven by functional spillover which occurs when cooperation in one field leads to further cooperation between states. This functional spillover is driven by the interdependence between states in one specific area which can spillover into an area that these states do not plan on cooperating with. This spillover can take the form of either horizontal or vertical spillover. Horizontal spillover occurs when cooperation spreads to other policy areas within the same level of government for example agreements in trade may lead to security agreements later between these two states. Vertical spillover occurs when cooperation spreads from one level of government to another, for example agreements made on the national level can lead to agreements being made at the supranational level.

Regarding European Union integration, neofunctionalism argues that supranational institutions, such as the European Commission and the European Court of Justice, play a critical role in promoting functional spillover and further integration. These institutions act as a catalyst for integration by proposing new policies, enforcing existing ones, and promoting the interests of the EU as a whole. In this way, neofunctionalism can be used to explain that EU integration can be achieved through this process of functional spillover driven by supranational institutions, leading to the gradual transfer of powers moving from member states to the EU supranational level.

Intergovernmentalism is a theory of European Union integration that investigates the relationship and influence of member states in the decision-making process instead of focusing on the supranational aspect to the Union (Moravcsik, 2015). Instead of a powerful supranational institution dictating policy, the EU is instead a forum for cooperation between sovereign member states. The decision-making process is therefore made through intergovernmental negotiations and agreements instead of through the mechanisms of the supranational institution.

Another theory for European integration is Postfunctionalism. Postfunctionalism is a theory of European Union integration that challenges the assumptions held by both neofunctionalism and intergovernmentalism. Unlike these theories, Postfunctionalism suggests that the EU faces a systemic crisis of legitimacy, and that further integration of states is a difficult task for the Union to achieve (Hooghe & Marks, 2009).



Postfunctionalism agrees with the neofunctionalist position that the EU's initial success was based on functional spillover. However, as integration has progressed, the benefits of further integration have become less apparent to member states. Postfunctionalists argue that member states are becoming increasingly hesitant to further integrate into the European Union and have prioritised national sovereignty in their diplomacy.

Postfunctionalism challenges the assumptions of intergovernmentalism stating that national governments are no longer able to influence or control the integration process. They argue that the EU has developed a byzantine bureaucracy of institutions and policies that are difficult for national governments to navigate. This has led to a growing democratic deficit, as citizens are increasingly disconnected from the EU decision-making process and have pushed citizens towards movements surrounding populism and Euroscepticism.

In addition to these challenges, post functionalism also highlights a growing number of external pressures on the EU. The impact of globalisation and great power politics has weakened Brussel's legitimacy in securing its position in the global economy and as a guarantor of security to its member states. If member states are to further integrate into the European Union, Brussels should better represent the needs of its citizens.

### *3.2 The research problem and expectations*

My theoretical framework and expectations draw from the literature already written upon the current literature regarding Malta's accession to the European Union. To investigate how this compares to other microstates in Europe my theoretical framework will compare and contrast explanations of European integration in Malta. This will then extend its scope towards a more general explanation of the causes for multi-level integration for states into supranational institutions and apply this to the cases analysed in this paper. The expectation for this paper focuses on proving that intrastate agreements can supersede the pressures for supranational integration, and this will be analysed through a qualitative case analysis methodology.

Considering these findings, the first expectation of this paper is as follows:

*Expectation 1: Since the European microstates outside of the European Union have strong intergovernmental agreements with their neighbours, we expect that strong intergovernmental agreements reduce the incentives for European Union integration for European microstates*

Building upon the literature review of previous chapters, it is apparent that there is considerable value towards sovereignty for European microstates. The political, cultural and economic value that each microstate puts upon its own sovereignty may be another key factor in the lack of incentives for European microstate integration. Although the European Union is not a federal system and does grant significant degrees of autonomy to its constituent member states, the value that these member states place on their own autonomy appears to be less than microstates, according to the literature review. With this in mind it can be expected that there is a relationship between these two variables, this being written as follows:

*Expectation 2: Since European microstates extract considerable political, cultural and economic value from their sovereignty, we expect that the reduced sovereignty from further European Union integration reduces the incentives for European Union integration for European Microstates and encourages intergovernmentalism*

In order to investigate these expectations, this paper will investigate the processes and intergovernmental agreements held between European microstates and other states with the methodology for this process being examined in the methodology and operationalisation chapters.

### *3.3 Control expectations*

Although from the literature review there appears to be some degree of evidence to suggest that strong intergovernmental agreements may impact the degree of European Union integration for microstates it is important to consider if there are other variables that may have impact on integration. For the purposes of this paper's analysis, this variable will be economic development using gross domestic product per capita as the metric for this analysis.

The economic development of a state has wide reaching impacts on many aspects of policy by that state. Wealthier states have much more influence in conducting trade and customs agreements than less wealthy states and consequently the decision for integration into supranational institutions can be impacted by the development of the potential applicant (Bickerton et al., 2015). In the European Context, there appears to be substantial evidence to support the potential influence that different degrees of economic development influence state decision-making regarding accession to the European Union.

There is evidence to support a possible causal relationship between low levels of economic development and desires for further European Integration. A great example of this is the eastern enlargement of the European Union. The economic crisis that emerged in post-soviet states after the collapse of the Soviet Union created strong pressures for each state to tie themselves with their neighbouring free market states. The economic benefits experienced in the Union for these new member states has created considerable pressure for other post-soviet states still not in the Union, with the majority of these in talks for integration at present (Caliendo et al., 2021). Iceland also strikes a compelling example to validate this possible relationship. Iceland considered accession to the European Union in the midst of the 2009 financial crisis as the European Union was seen as a potential hedge against a worsening crisis. The fact that as Iceland's economy rebounded and the government changed in 2013, these talks were halted does suggest that economic health may impact pressures for EU integration.

There also exists evidence to support the idea that wealthier states are less likely to join the European Union. Out of the non-member states of the European Union, the wealthy states of Switzerland and Norway have had histories of application for full membership that have been stalled by either referendum or domestic political pressure. The economic pressures for integration for either state differs but there is some credibility towards a possible link between development and integration pressures when this is compared to Eastern enlargement.

With this in mind, this paper will also consider the relationship that European microstates have with European integration with regards to their degree of economic development and if integration may threaten this economic development through the following expectation:

*Expectation 3: Since European microstates outside of the European Union experience very high degrees of economic development, we expect that the risk of becoming a net contributor to the European Union reduces incentives for European microstate integration.*

With these expectations established, the next section will examine the methodology conducted in order to analyse the validity of these expectations.

## **4. Methodology:**

This chapter will first describe the methodology selected for this paper. This will be followed by an explanation of case selection, data collection and concluded with the methodological limitations for this paper.

### *4.1 Design of the Study: A Small N Case Study*

Following the findings of Creswell (2009), the objective of research design is to identify the method (either quantitative or qualitative) and approach that fits the required research. Creswell (2009) provides four components for selecting an appropriate research design: The nature of the research problem, the researcher's worldview, the researchers' experiences, and the prospective audience of the study. These respective components were considered in the design of this case study.

The decision to select a qualitative research method instead of a quantitative method for this paper was dependant on a few factors. A quantitative method seeks to understand a problem through the lens of causality, prediction and then applying a generalisation of findings made through statistical analysis. The qualitative method investigates an issue with the goal of better understanding of an issue using nonnumeric methods. Qualitative research can be used to understand an issue when inadequate theories exist to explain the complexities of that issue (Creswell, 2009, p.40). Although quantitative research methods can explain a causality for an issue, the exploratory comparative research required to understand a potential causal relationship between intergovernmental agreements superseding supranational pressures for European Union integration.

To design this study, I examined the schools of thought within qualitative research to determine the most appropriate research method for this paper. These traditions are defined by Creswell (2009) as narrative, phenomenology, grounded theory, ethnography, and case study. A case study is defined by Creswell (2009) a qualitative strategy in which researchers explore a specific time and space to create a detailed analysis of a person or group. Yin (2009) furthers this view on the strengths of a case study with case studies being useful to investigate phenomenon in depth with the ability to better understand an issue than just using data points. As the scope of this paper concerns the pressures for European Union integration with the under researched area of European microstates, a case study is the most appropriate method to fully comprehend this area of research.

The decision to investigate the phenomenon of disparities in developmental states using a small N case study was based upon the findings of Ebbinghaus (2006). A small N case comparative case study benefits from the ability to compare disparate cases without the issues of making a generalised statement from the outcome that is an issue with large N case studies (Ebbinghaus, 2006, p.4016). The benefits of within case analysis experienced through small N case studies is also another compelling reason for its selection (Ebbinghaus, 2006, p.4020). As this paper seeks to understand the issue of disparate integration between Malta and other European Microstates states whilst searching for a causal relationship, the small N case study has been selected to investigate this.

### *4.2 Case Selection*

From the literature review for this section, it is apparent that some microstates have much more literature on their relationship with European integration than others. This section will explain the case selection procedure undertaken by this paper to analyse the relationship that causes some European microstates to integrate into the European Union, whilst others maintain their sovereignty and fail to fully integrate.

### *4.3 Cases Selected*

#### *Malta*

Malta is an interesting case to study for Public Administration. Malta is a microstate island nation in the Mediterranean between Tunisia and Italy. It's strategic position at the crossroads of Europe, North Africa, and the Middle East has made the Island a coveted territory throughout history. In the modern era, Malta has been influenced by a variety of pressing geopolitical influences. As a former British colonial possession, it has maintained close ties with the United Kingdom, which remains an important trading partner and source of tourism for the country.

Malta's main geopolitical issues stem with its relationship with her northern neighbour of Italy. Despite the two states having historically close ties due to cultural similarities, geographic proximity and Catholicism, there are ongoing conflicts regarding immigration and fishing rights (Harwood, 2014). These ongoing conflicts in North Africa and the Middle East have exacerbated these problems with immigration being a current source of great turmoil between the two European Union member states.

The selection of Malta over the other comparable EU microstate member states was driven by most similar system design (MSSD) principles. MSSD aims to choose cases that share similar variables and characteristics but differ in a particular variable. The variable selected for this case selection is that of European Union Membership. The other potential cases for selection were Cyprus and Luxembourg. Both countries have a much larger population and territory than any of the unintegrated microstates of Europe (Domingo, 2021, pp.372-373). The Maltese population and territory is still considerably larger than the other investigated cases but is closest to the unintegrated microstates of Europe and as such will be a case to compare the unincorporated microstates.

Malta shares characteristics other than low degrees of population and territory with the other investigated microstates. The other European microstates suffer from a lack of natural resources which has created a requirement to create flexible domestic economies in areas such as banking and the gambling industry. They also share a high economic dependence on the tourism industry for their economies. Another key area that all microstates investigated in this paper share with Malta is the importance of good relations with their neighbours which will be a key point of evaluation in this paper.

As established in the literature review, there is plenty of academic output surrounding the drivers for Maltese accession into the European Union. Malta fulfils the role of a model for microstate integration into the European Union and serves as an excellent area of analysis to compare the other microstates investigated in this paper.

#### *Andorra*

Andorra is a small landlocked European microstate located in the eastern Pyrenees mountains, between the two countries of France and Spain. The country has a unique geopolitical situation based on its strategic location nestled between two historic powers.

Although Andorra is not a member of the European Union it has a special relationship with the EU as part of a customs union with the EU and France. As such, Andorra receives treatment subject to the European Union for its customs and trade but is not subject to many of the Unions regulations and laws (Stiles, 2018). Despite its small size, Andorra has a relatively high level of economic development and a strong tourism industry, which is driven by its ski resorts and mountain landscapes. Andorra has also benefitted from its status as a popular tax haven due to its low tax rate and strong banking secrecy laws which has caused considerable criticism from many European states (Maiani, 2019).

Andorra has historically maintained close ties with both France and Spain. It is in a unique political situation due to the fact that it has two heads of state that rule the country for six months at a time every year. These co-princes are the President of France and the Spanish Bishop of Urgell. This unique political arrangement has little impact on the political running of the country, which is governed through a parliamentary system.

Andorra has consistently attempted to integrate further into the European Union and is out of the selected European microstates a case with a high degree of integration with the Union (Stiles, 2018,p.162-172). Andorra is in the Eurozone, negotiating an association agreement and partially part of the European Union Customs union. The pressure being placed for EU integration is therefore a notable feature to this case.

Andorra fits into the MSSD design due to its position as a European Microstate out of the European Union, with relations with Brussels and strong intergovernmental relations with its neighbors. As such it has been selected as a case for analysis.

### *Liechtenstein*

Liechtenstein is a small landlocked principality located in Central Europe nestled between Switzerland and Austria. The country has a unique geopolitical situation due to its location, history, and political structure. Liechtenstein has a high level of economic development and is known for its banking and financial services industry. The degree of economic success that these industries have provided for the small mountainous principality is evident by its citizens having one of the highest Gross Domestic products per capita in the world (Veenendaal, 2020).

Liechtenstein is ruled by a hereditary monarchy, with the Prince of Liechtenstein serving as the country's head of state. What is notable about this arrangement is that the prince holds significant political power such as with the right to veto legislation passed through the democratically elected institutions of the principality. This high degree of monarchical power has put the country at odds with the democratic principles central to the European project of the European Union.

Liechtenstein has close ties with its neighbor of Switzerland (Stiles, 2018, pp.73-84). Switzerland provides the principality with military protection through its armed neutrality and is the guarantor of the principalities sovereignty. Both countries share the Swiss Franc and exist in a customs union with each other as well as sharing open borders. The relationship

between the two states is incredibly cordial with Switzerland empowered to represent interests of the principality if Liechtenstein is not represented in such diplomatic endeavors.

Although Liechtenstein is not a member of the European Union, it has a close relationship with the EU through a series of bilateral agreements. The country is part of the European Economic Area, has an association agreement with the EU, is subject to the Dublin regulation and a member of the European common market.

Liechtenstein fits into the MSSD design due to its position as a European Microstate out of the European Union, with relations with Brussels and strong intergovernmental relations with its neighbors. As such it has been selected as a case for analysis.

### *Vatican City*

Vatican City is an independent microstate located within the city of Rome. It is notable as being the smallest sovereign state in the world, with an area of just over 44 hectares and a resident population of around 800 people. As the headquarters of the Roman Catholic Church and the residence of the Pope, Vatican City has a unique geopolitical situation that is closely tied to the Catholic Church's role in world affairs. The Vatican has diplomatic relations with many countries around the world and plays an important role in international affairs, particularly in matters related to religion, culture, and ethics.

Despite its small size and limited resources, Vatican City has a well-developed economy that is focused on tourism for revenue. The city state also receives considerable funding from the Catholic Church due to its relationship with the institution. The relationship between Vatican City and Italy is complex and has been shaped by conflict between the two states. This conflict ended with the Lateran Treaty (1929) which established a formal relationship between Vatican City and Italy. This treaty recognized the sovereignty of Vatican City as a separate state and granted the Pope and the Holy See sovereignty over the territory of Vatican City. This treaty also settled a dispute between the two bodies over jurisdiction of Rome, which the Holy See gave jurisdiction over in exchange for recognition as a sovereign state. Today, the relationship between Vatican City and Italy is governed by a series of agreements covering a wide scope of different areas. This intergovernmental relationship grants great powers to Italy over Vatican affairs (Butler, 2022).

Although the Vatican City is not a member state of the European Union it does maintain a close relationship with the supranational body. The microstate is part of the Schengen area through its open borders with Italy and is a member of the Eurozone.

Vatican City fits into the MSSD design due to its position as a European Microstate out of the European Union, with relations with Brussels and strong intergovernmental relations with its neighbors. As such it has been selected as a case for analysis.

### *4.4 Data Collection Strategy*

For this case study, textual analysis will be used as the method of analysis as a tool to answer both the research quest and expectations. This textual analysis will use a qualitative content analysis to investigate the link between European microstates and integration with the European Union. These have been sourced from journals, Books, Government reports, the public register of Council documents from the European Union, governmental and non-

governmental sources and publications from the European Union Secretariat through European Union databases.

Since there are three expectations to investigate for the purposes of this paper, the degree to which member states have or wish to integrate into the European Union is measured over three expectations. The data collection strategy for this paper looks into both primary and secondary sources regarding the three microstates of Andorra, Liechtenstein and Vatican City. These are not bundled into a general microstate case but instead are cases investigated together in the data collection. References to the case of Malta were not specifically collected on that basis, but references towards Malta in any of the sources will be investigated in the analysis. A more detailed description of the data collection and operationalisation strategies for this paper are provided in the next chapter investigating the operationalisation of this paper.

#### *4.5 Methodological limitations and quality of research*

This case study is however subject to several limitations. The selection of a small N case study comes with limitations. There are limitations such as selection bias, the too many variables small N problem and deterministic outcomes to consider (Ebbinghaus, 2006, pp. 4016-4019). These limitations should be considered in this paper's analysis but as explained earlier in this section, the reasons for case and methodology selection outweigh these limitations. There are also potential limitations regarding the replicability and validity of the results of this paper.

Regarding potential limitations for the replicability of this paper, the methodology of this paper allows for replicability of investigation into this field. The qualitative case analysis approach for this paper allows for the research to be replicated following the exact same documents and sources analysed through this paper. The open accessibility of these sources provides a potential researcher with easy access to evaluate the replicability of the findings and to potentially build upon the findings through a similar data collection strategy. Through the effective isolation of investigated keywords through the data collection process and a clear process of the functions used to source data from their respective databases, it should be possible for this process to be replicated by any researcher. In essence, any researcher wishing to replicate this paper should be adequately provided with the relevant information and processes to follow the findings of this paper.

Due to the aforementioned literature gap previously discussed in earlier sections of this paper, this thesis seeks to investigate the relationship between European microstates and the European Union through a variety of different viewpoints. In order to properly understand any possible relationship it is important



## **5. Operationalisation:**

The type of data collected for this paper is qualitative in nature, which means that the information gathered for analysis is primarily non-numerical. This qualitative data is used to explain state level behaviour regarding microstate integration into the European Union. This data largely is sourced from the European Union, domestic publications and through advisory stakeholders for the issue of European integration. This data includes primary as well as secondary sources and principally comes from the EUR-Lex database of EU law, the IPEX OEIL database.

The EUR-Lex database is a free access database for European Union law, including a published library of EU legal documents. To actively find relevant data to investigate the relationship between the EU and the investigated microstate cases, the advanced search function was utilised to search the database using the function EUROVOC Descriptor functions of “Enhanced cooperation” and “European integration”. These functions filter the searched documents to only include examples that involve cooperation between member states and European integration as topic matters. The next function used was a search for any published work that included the keywords ‘Liechtenstein’, ‘Andorra’ or ‘Vatican City’. What was interesting in this process was that the OR and AND functions both yielded the same results, suggesting that this topic grouped all of the investigated cases together. This yielded 10 results of which 6 were selected for analysis.

The OEIL database is a database that monitors the decision-making processes of the EU, containing all of the procedures published since July 1994. The database does not have the same advanced search functionality as the EUR-Lex database, but a similar process was conducted for data collection. Instead of a EUROVOC descriptor, the search was filtered by the selected search option of “8 State and evolution of the Union”. The key words function of ‘Liechtenstein’, ‘Andorra’ or ‘Vatican City’ remained the same however. This led to 58 results of which 6 were selected for analysis. The other sources were excluded for several factors. These included irrelevance for being budgetary statements, legal cases that only name the microstates without reference to integration and comments being noted instead of relevant output to this analysis.

An overview of the collected sources sourced from the various investigated EU databases can be found below:

*Table 1 – Overview of Primary Sources*

<b>Type of source</b>	<b>Number of sources</b>
International Agreement	3
Staff Working Document	2
Communication	1
Own-Initiative Procedure	3
Non-Legislative Enactment	3

Other than these primary sources, secondary sources were also selected for analysis for the purposes of this paper. These mostly focused on non-academic publishing such as newspaper articles, journals, magazine entries etc. The process for this secondary source gathering came through Googles advanced search function. The functions for this followed a similar process to the investigation through the EUR-Lex and OEIL with the google search being inputted as “European Integration Liechtenstein, OR Andorra, OR Vatican OR City”.

Using Google as a search engine for this source collection predictably resulted in a countless number of results. As with most search engines, Google determines which results are likely to match the inputted user query based on its algorithm that determines this query. The most relevant results are listed first with every page resulting in less relevant results. Due to this, a limit was placed on the last page at 5 pages that sources were taken from, as well as irrelevant sources rejected from analysis. These sources ranged from newspaper articles to NGO publications but were all selected for their non-academic relevance to this papers analysis. Out of these publications 7 sources were selected for analysis. The other sources were excluded for several factors. These included irrelevance for being tourist guides, lacking any references to the microstates, being academic journal-based literature and unsuitability on the grounds of irrelevance towards the investigated topic.

An overview of the collected secondary sources sourced through Google search engine can be found below:

*Table 2 – Overview of Secondary Sources*

<b>Type of source</b>	<b>Number of sources</b>
Newspaper Article	3
Governmental information	1
Institutional Publishing	2
NGO Publishing	1

With this data sourced, analysis was to be conducted through these sources searching for indicators to evaluate the expectations expressed earlier in this paper. These varied from expectation to expectation with differing independent variables whilst the dependent variable remained constant. Within this analysis there is certainly a difference between the primary EU output compared to the secondary source output and as such different indicators had to be expressed for analysis. It is still relevant in this analysis to

A table summarizing the operationalisation and research design of this paper can be found below:

Table 3 – Research design, operationalisation, and data sources

Expectations	Independent variables	Dependent variables	Indicators	Sources
Expectation 1: <i>Strong Intergovernmental agreements reduce the incentives for EU integration for European microstates</i>	Strong intergovernmental agreements	Degree of EU integration	Number of agreements made outside the EU, lack of agreements with the EU, references to intergovernmental agreements with neighbours	EUR-Lex, OEIL, secondary sources
Expectation 2: <i>Reduced sovereignty reduces the incentives for EU integration for European microstates</i>	Sovereignty	Degree of EU integration	Agreements with the EU that limit infringement on autonomy, references to gains from autonomy, rejection of trade agreements/customs agreements	EUR-Lex, OEIL, secondary sources
Expectation 3: The high degree of economic development reduces the incentives for EU integration for European microstates	Economic Development	Degree of EU integration	References to high levels of GDP, GDP/Capita, HDI, GNI in sources,	EUR-Lex, OEIL, secondary sources

## **6. Case Study Results**

This section will cover the results of the case study for this paper. The comparative case study involves investigation into each case and its relationship with European Union assimilation. These have been divided into three sub chapters which follow in line with each of the expectations already proposed in earlier sections of this paper. To begin with, this paper will investigate the findings related to the first expectation that strong intergovernmental agreements reduce the incentives for European Union integration for European microstates. This will be done through any references in the sources that point towards a possible relationship between these two variables. The next sub chapter will follow the second expectation that reduced sovereignty reduces the incentives for EU integration for European microstates. This again will follow an analysis of the sources to find references to any possible relationship on this axis. The third sub chapter will present the results that point towards the expectation that the high degree of economic development reduces the incentives for EU integration for European microstates. All of these subchapters will be split into an EU focused aspect for results from the European database sources and another section on the secondary source results.

### *6.1 Expectation 1: strong intergovernmental agreements reduce the incentives for European Union integration for European microstates.*

The degree that the primary sources highlight the relationship between European microstate integration should firstly consider that these sources stem from the European Union. As such, all of the references towards integration will come from an EU perspective and conclusions from this should take this into consideration.

The sources from EUR-Lex mostly concern legislative output concerning certain microstates. This legislative output regarding the microstates ranges from a report for consideration for integration of European microstates into the union to stabilisation agreements based on new membership of the EU. The most prominent work concerns the factors for a framework for EU integration of these microstates, with all investigated microstates mentioned (SWD(2012) 388, 2012). References are made to anti-fraud agreements with Liechtenstein and the applicability to make these agreements with Andorra (SWD(2012) 388, 2012, p.7). This suggests that agreements can be made at the intergovernmental level if further European integration is not possible. The effectiveness of bilateral relations in economic agreements for Andorra is mentioned in the paper suggesting a strong intergovernmental agreement can work in a de facto way for integration (SWD(2012) 388, 2012, p.8). Negotiations between microstates and the EU on specific matters is also floated as a potential solution to the many problems experienced in their lack of integration (SWD(2012) 388, 2012, p14). This again suggests that strong intergovernmental agreements can replace direct integration from the EU's perspective. The paper also points out issues that microstates would experience with direct EU membership and suggests alternative solutions for EU dealings with microstates (SWD(2012) 388, 2012, pp16-18).

The other sources from EUR-Lex concern a variety of different references to the value of intergovernmental agreements to European microstates. Direct agreements with Switzerland is provided as a potential intergovernmental solution to issues with freedom of movement between the EU and microstates (COM(2012) 680, p.10). Customs agreements with Andorra are also described to have worked through a protocol instead of accepting Andorra into the EU customs area directly, again providing evidence for strong intergovernmental agreements offsetting supranational integration (COM(2012) 680, p.16).

The other documents from EUR-Lex do not concern any references to intergovernmental agreements between microstates and the European Union.

The sources from OIEL mostly concern the legislative output placed in consideration through the process of passing laws in the EU context. Documents pointed towards the processes that Liechtenstein agreed to European integration with some references towards the causes for such arrangements. The principality agreed to cooperation and economic provisions towards its Asylum office with the European Union (2013/0423(NLE), 2013). Although not explicitly mentioned, the lack of Switzerland's presence during these discussions suggests that their intergovernmental arrangements were insufficient for this common problem between Liechtenstein and Brussels. Liechtenstein agreed to discussion with Brussels giving up its autonomy over intergovernmental trade deals during the integration of Bulgaria and Romania (2007/0115(NLE), 2007).

This also applied to discussions over financial mechanisms, which the principality was happy to discuss from a supranational perspective (2010/0129(NLE), 2010). This sentiment also applies towards common association agreements to reduce fraud in microstates, with Andorra specifically mentioned (2010/2247(INI), 2010). The implication for this being that intergovernmental agreements are insufficient for imposing the needs of the EU upon microstates and that these microstates require more incentives for supranational agreements through a common association agreement. There were few references to the value of intergovernmental agreements for Malta or Vatican City from sources in this database.

The secondary sources mostly highlight the interesting relationship that European microstates have with the European Union although there does appear to be evidence that follows in line with the assumption. The governmental information pages mostly focus on the degrees of integration from the perspective of the European Union towards these microstates and the challenges and opportunities related to such an arrangement (EEAS, 2021). There is considerable focus towards the positives of the current arrangements between Brussels and the microstates with references towards the value extracted from current arrangements between the Union and the microstates. Vatican City for example is described as "like minded partners" with the EU and Andorra is described as being "like minded close neighbours" with the EU (EEAS, 2021). This contrasts with the quite cold and short sentence on Liechtenstein which only refers to its relationship in the European Economic Area Agreement (EEA) instead of positive language relating to integration.

The journal articles express a different viewpoint on this matter. Instead of looking at the issue of intergovernmental agreements through the lens of Brussels, they overwhelmingly view integration from the perspective of each microstate. Integration into the European Union for Vatican City is described as being a situation where "both sides are reluctant", with intergovernmental agreements already providing de facto degrees of integration for the city state (Warsaw Institute, 2021). The city state is also seen to be content with security through its protection through the Italian Armed forces providing necessary defence for the city state (Finlator, 2022). It is argued by Bosoni (2015) that the cause for Vatican City's accession to the Eurozone is a strategic choice, instead of any substantial agreements for further European Integration.

These journal articles do not only exclusively refer to the relationship between Vatican City and the EU but also refer to the experiences of Liechtenstein and Andorra. Liechtenstein's relationship in the sources with the EU is principally referred to through the

lens of its economic arrangements through the EEA (Vannier, 2019). Others refer to the “privileged” relationship that the microstate has with its neighbour of Switzerland in explaining its lack of de facto use of the Euro (Bosoni, 2015). The country’s higher degrees of European integration are explained through its relationship towards Brussels on integration on only partial matters (Finlator, 2022). Liechtenstein’s dealings with Brussels are described in the Large’s (2023) agreements with Austria to necessitate trade dealings through intergovernmental agreements with this third party. The article also mentions the direct dealings that the principality has with the EU, such as through its official delegation to the European Union which suggests a rapprochement towards European integration for the principality.

Andorra’s relationship towards the EU follows similar attitudes from the secondary journal sources. It’s integration into the European Customs Union and de facto membership of Schengen plays off against security guarantees through intergovernmental treaties with Spain and France over security matters (Bosoni, 2015). Andorra’s agreements with France and Spain feature prominently within these journals (Vannier, 2019). Malta is also referred to in these secondary sources with references to its accession to the European Union being in contrast to the other microstates (Bosoni, 2015). Although this is the only reference to Malta regarding intergovernmental agreements, it is certainly of note.

#### *6.2 Expectation 2: reduced sovereignty reduces the incentives for European Union integration for European microstates.*

The degree that the primary sources highlight the relationship between European microstate integration should firstly consider that these sources stem from the European Union. As such, all of the references towards integration will come from an EU perspective and conclusions from this should take this into consideration particularly as the value of sovereignty is something that is unlikely to be considered in such dealings.

The sources from EUR-Lex mostly concern legislative output concerning certain microstates. There are references to the “sovereignty and independence” of microstates being of importance in any dealings with these microstates from the EU (SWD(2012) 388, 2012, p18). Sovereignty is also directly referenced regarding foreign investment policy for Andorra, with the EU conceding the importance of reducing this in regard to capital movement law (COM(2012) 680, p.24). Despite Andorra using the Euro, the paper also references the value the mountainous nation has in maintaining its economic position regarding treaties with the EU with economic controls being expected by Andorra (COM(2012) 680, p.23). The other documents from EUR-Lex do not concern any references to sovereignty for microstates.

As discussed in the previous section, sources from OIEL mostly concern the legislative output placed in consideration through the process of passing laws in the EU context. Documents pointed towards the processes that encouraged microstates to reduce their sovereignty through supranational agreements with the European Union. Liechtenstein and Andorra were pressured to negotiate on their taxation policy with Malta also mentioned in the document on similar concerns (2013/2060(INI), 2013). The document references how these microstates fail to adequately police their taxation policy and recommends that the European commission be provided with a mandate to conduct treaties with each state to enforce anti-tax haven laws. The microstates sovereignty regarding its own policies regarding business seems to be apparent to EU lawmakers with pressures to agree to supranational

agreements requiring a common agreement to improve compliance (2010/2247(INI), 2010). Again, Malta and Vatican City are barely mentioned in the sources.

The secondary sources highlight areas in which sovereignty is seen as something of particular value to European microstates, particularly for their tax and financial benefits from remaining outside the European Union (Baur, 2020). Liechtenstein benefits particularly from this arrangement, with the tax incentives for expats being such a successful policy that Liechtenstein rates as one of the highest GDP per Capita in the world (Finlator, 2022). The articles point towards the pressures applied by Brussels to reduce the banking secrecy laws that have benefitted Andorra and Liechtenstein with an implication of the antagonism towards adopting these laws (Bosoni, 2015). The degree to which these states are willing to give up sovereignty over these banking laws came only after Brussels agreement to be removed from a list of uncooperative tax havens (Bosoni, 2015).

Liechtenstein's political sovereignty is noted as being particularly important to its citizenry with its constitutional amendment and the subsequent condemnation by the Council of Europe being seen by the citizenry as a threat to their independence (Large, 2023). Vatican City's political sovereignty is also referred to regarding its exclusion from a potential association agreement, a position it shared with Liechtenstein (Warsaw Institute, 2021). Other degrees of political sovereignty exclude Andorra in these sources which is certainly an interesting aspect.

Despite considerable references to aspects of sovereignty in the journals and publishing in the secondary sources, there is little of note from the governmental publishing regarding the relationship between sovereignty and its value to the European microstates.

### *6.3 Expectation 3: the high degree of economic development reduces the incentives for European Union integration for European microstates.*

The primary sources lack sizeable references to economic development reducing the incentives for European Union integration for microstates. In EUR-Lex references to the high development of Andorra is mentioned as a benefit to the EU with further integration instead of a benefit to Andorra specifically (SWD(2012) 388, 2012, p13). There are references to the economic diversity that these microstates are unable to achieve outside of the EU and as such point towards their high development reducing incentives to change their economies and diversify (SWD(2012) 388, 2012, p13). The other documents from EUR-Lex do not concern any references to the high degrees of economic development for microstates.

As discussed in the previous sections, sources from OIEL mostly concern the legislative output placed in consideration through the process of passing laws in the EU context. Documents sparsely pointed towards values towards the economic development of the investigated microstates. There are sparse references to Liechtenstein's concerns over being a contributor nation regarding common EU migration policy, suggesting that their economic development is something highly valued by the EU (2013/0423(NLE), 2013). Further concessions were granted with concerns over the principality's financial contributions regarding EEA financial contributions (2007/0115(NLE), 2007). Other than these references to disputes over being a contributor state in any EU level supranational agreement, there are no further references to microstate economic development affecting potential EU integration.

The secondary sources show less emphasis about the wealth of microstates and the importance that has in adjusting for EU integration. Although many of the journal articles mention the wealth of these microstates, the impact that this has in their dealings with the European Union is something that is much harder to find in these sources. The economic potential that the European Union would gain from these states is minimal and as such from the side of Brussels there is a limiting factor towards further economic integration with microstates as a whole (Warsaw Institute, 2021). The low degrees of economic growth from the European Union appears to have created pressures for more economic European integration, as the impacts of value from the Euro impacts the economies of the Euro using microstates of Andorra and Vatican City whilst they have no say on currency policies (Bosoni, 2015). This influence over the currency is also apparent regarding minting, which despite the wealth of Vatican City and Andorra still have the final say over their domestic currency concerns (Vannier, 2019). Again, the governmental sources lack any reference to economic development being a concern to European integration, which is of note. These secondary sources point towards a position that despite the high levels of economic development for the European microstates, their economic reliance on Europe may provide pressures for integration despite this.

From these results it is possible to analyse what influences the relationship between European integration for European microstates from the three expectations analysed. This analysis will take place in the following chapter.



## **7. Analysis of Results:**

This section will analyse the results from the previous chapter. This will use the theories described in the theoretical framework to attempt to explain the results through relevant theories to public administration.

Firstly, there appears to be plentiful evidence from the primary sources that the EU considers an intergovernmental approach towards the microstates as a valid solution towards the discrepancies between European microstates and European integration. The current framework that many of the working arrangements held between Andorra and the EU are functional and to be built upon stands in line with conclusions discovered in the literature review (SWD(2012) 388, 2012, p.8). This follows the conclusions of Pittaluga (2016) that shocks to the status quo only can cause integration if there is a strong enough incentive to stray from this status quo. From a more typical intergovernmentalism based framework, the competitiveness of intergovernmental agreements over supranational delegation is essential for the dynamic economies of the European microstates (Dózsa, 2007).

Other aspects from the results highlight the influence of the periods in which microstates are willing to accept European integration. The cases of Andorra and Liechtenstein accepting supranational agreements over fraud and tax evasion seem to point to these agreements being taken as last resort ((2013/2060(INI), 2013). The preference for these states to still engage with the EU in intergovernmental agreements instead of subscribing to supranational agreements for all other cases points towards intergovernmentalism being preferred. Common association agreements between Andorra and the EU are put into the scope of specific treaties instead of a blanket issue being addressed through this process (2010/2247(INI), 2010). This could be explained through the process of politicization. Areas of common interest that become actively politicized in the microstate could create pressures for supranational integration explaining why only certain issues can be conceded to supranational bodies (De Wilde, 2011). This politicization could also explain why Liechtenstein accepted supranational agreements regarding a common European migration policy (2013/0423(NLE), 2013).

This sentiment is also shared in the secondary sources with less pressing issues such as security being handled through intergovernmental agreements with neighbours. (Finlator, 2022). Politicization could be an adequate explanation for this concession, with the autonomy of European microstates being a militarily salient issue and causing a lack of faith in supranational solutions. The preference for Liechtenstein's agreements with Brussels coming through Austria highlights another potential preference for intergovernmental arrangements over a more supranational approach to common issues (Large, 2023).

In essence, strong intergovernmental agreements seem to be preferred by microstates over supranational agreements from the sources. If a microstate has the opportunity to resolve an issue through bilateral talks it is likely to rely on that instead of agreeing to a supranational solution to the issue.

Through the comparative analysis of unincorporated European microstates, the results have shown that intergovernmental arrangements in the fields of economics, politics and security are influential in affecting integration. The results do however point towards an impactful degree of influence that individual state sovereignty has on keeping the current status quo on microstate integration.

Although this degree of sovereignty is seen as an important factor in explaining the current discrepancies in integration between the microstates of Europe, intergovernmental agreements still appear in the results as being a much more impactful factor in determining the current status quo of microstate integration. This is particularly apparent from the primary sources viewpoints being mirrors of European Union perspectives. Sovereignty is mentioned by the EU publishing in these sources as an important aspect to consider when drafting policy aimed at integrating these microstates into the European Union (SWD(2012) 388, 2012, p18). The value that the EU places on these states sovereignty relating to integration seems to point to an understanding of the high value that microstates place on their own sovereignty highlighted in the literature review for this paper (Veenendaal, 2020, p.157).

From the secondary sources the value of sovereignty is highlighted more often. The Tax and financial benefits of autonomy play a constant role in limiting microstate integration (Baur, 2020). This degree of reliance on their own sovereign status fits in line with references in the literature review about microstates trading on their sovereignty as an economic engine, resulting in their perception as tax havens (Simpson, 2014). Integration into the EU threatens this economic opportunity and is the cause of disagreements between the two parties (Bosoni, 2015). The extent that the political sovereignty of states such as Liechtenstein is actively valued undermining integration attempts is also apparent in the findings, with the constitutional backlash in the principality being a point of conflict (Large, 2023).

Despite these findings, it is important to consider potential other explanations for the integration of the investigated European microstates. A key area that all of the microstate's share is a high degree of economic development despite their small economies (Domingo, 2021, pp.372-373). What is notable in this instance is that the microstate with the lowest GDP per capita is Malta, which is the only investigated microstate that has fully integrated into the European Union (Bosoni, 2015). As such there appears to be some credibility to this investigated variable.

Economic development for each of the investigated microstates stemmed from creating unique economic conditions by focusing on a single industry (Eccardt, 2005, p.41). By exploiting their sovereignty to incentivise business through favourable tax and regulation arrangements, European microstates have been able to outcompete their neighbours in creating wealth for their citizens. The secondary sources mention Liechtenstein for example has managed through its banking sector to have one of the highest degrees of GDP per capita in the world (Bosoni, 2015). With such a degree of economic development, there appears to be less of an incentive to join the European Union although the extent that this is obvious from this source only considers this in relation to the damaging effects of regulation.

The degrees of integration between each investigated microstate and their GDP per capita also appears to show some correlation with microstates with less development. The wealthiest of the European microstates Liechtenstein has the highest degree of European integration out of the European microstates other than the incorporated Malta (Veenendaal, 2020). Andorra has the lowest degree of de facto integration and has the lowest GDP per capita. Sources such as (Warsaw Institute, 2021) appear to undermine the potential pull factors of European integration on poorer states being applicable to microstates. This may potentially explain Malta's integration into the European Union but the extent this applies to the other investigated microstates is still not apparent from the results (Harwood, 2014).

Other explanations for economic development impacting the desire for EU integration could be that the very circumstances for their economic development are actively working against pressures for EU integration (Haas, 2020). As the unique position of the European microstates allows for their sovereignty to be economically exploited, accession to the European Union would undermine this arrangement. The sources touch upon this to some degree with Baur (2020) coming close to suggesting this. The strong degrees of autonomy expected in such an arrangement would be impossible to gain from Brussels and as such, there is little impetus for integration.

Considering all of this, the assumption of economic development is a worse explanatory variable for microstate EU integration and as such can be disregarded for the considerations of this paper. Intergovernmental arrangements have much more of an impact on agreements between the EU and microstates and as such a potential relationship is unlikely to adequately answer the research question.

The lack of references to Vatican City in the primary sources is notable. Although the tiny city state is in a very different situation to the other microstates in EU integration, it would be assumed that it would still appear in the primary source material to some extent. Instead, the references to Vatican City appear much more prominently in the secondary sources with the other microstates being compared to the city state (Vannier, 2019). The explicit references to intergovernmental agreements, sovereignty and economic development are also much less pronounced than in the other cases but this could possibly be explained by the more limited scope and expertise of these secondary sources.

What is also interesting from the results is the sparse references to Malta throughout the sources. From the literature review it would be expected that the Maltese experience with European integration would be something that the sources would compare the other microstates towards. This could be due to the exclusion of having an AND search function for Malta in the data collection but that would limit the effectiveness in comparative analysis between Malta and the European microstates. It's particularly of note that Malta is referenced in more examples in the secondary literature than the primary sources, although this may be due to Malta's membership in the EU preceding the publication of all of the primary sources.

With this analysis conducted it is important to consider the theoretical limitations that stem from this analysis, which the next chapter will examine in detail.

## **8. Theoretical Considerations**

Although the data from the case study conducted by this paper insinuates that there is a relationship between strong intergovernmental agreements limiting the pressures for microstates to assimilate into the European Union. Other theoretical frameworks in Public Administration studies could also be used as an explanation for the comparative differences between Malta and other microstates and the influence that strong intergovernmental agreements have on European integration. The first are of consideration is the multi-level governance theory of European integration.

Multi-Level governance (MLG) is an alternative theory of European integration. Multi-level governance argues that policy making and integration in the European Union is inadequately explained by the overly static theories of more traditional European integration theories. The European Union's relationship with nation states is not a static arrangement and that there are further levels of actors in decision making than merely the nation state and the European Union. There are instead actors at many levels influencing integration ranging from institutions and governments to civil society organisations and private stakeholders (Hooghe & Marks, 2009).

According to Multi-level governance, the EU is not a supranational body imposing decisions upon member states but is instead a complex network of interactions between different actors and stakeholders. Each level of governance has its own set of jurisdictions and resources with decision making undertaking a process of negotiation, cooperation and bargaining.

The degree that multi-level governance could explain a possible relationship between European microstates and European integration is a plausible alternative theory. The influential banking sectors in each of the unincorporated microstates analysed in this paper could have considerable influence in lobbying national level institutions to avoid further integration. Grassroots movements as well may have had an impact in pressuring states to resist EU integration, something that the failed Norwegian referenda to join the EU might provide an interesting case study to analyse. Solely investigating intergovernmental agreements also may be a limitation for this paper. Regional and municipal agreements between cities that cross international borders have been shown to later result in intergovernmental and supranational agreements and as such a focus on purely intergovernmental treaties and agreements is a limitation for this paper.

Related to the Multi-level governance approach to European integration is the methodology of policy network analysis. Public network analysis is a methodology that studies the interaction between public and private actors through the lens of collective networks. These different actors at different levels interact with each other in loosely defined informal networks which govern in an ad hoc basis (Peterson, 1995, p.391). Public network analysis is then used to analyze these networks searching for patterns of interaction between different actors in governance.

In the European Union context, this analysis can be used in conjunction with other methodologies in the Multi-level governance tradition to analyze the processes that influence policy making. By focusing on areas such as agenda setting it is possible to comprehend the key actors and mechanisms that influence state level actions in the context of supranational institutions (Kleine, 2013). In the context of the relationship between microstates and

European Union integration, policy network analysis could be used to investigate if there are other networks influencing integration other than state level agreements. Instead of a focus on defined treaties, ad hoc agreements between microstate governments and different institutions within the European Union could be a viable area of analysis for this paper.

## **9. Concluding Remarks**

This conclusion comprises of three parts. Firstly, it will summarise the content of this paper, it then will answer the research question and conclude with recommendations for further research.

The goal of this paper has been to investigate the relationship between European Microstates and their degrees of European Union integration in regard to strong inter state agreements over the European Level agreements. The literature review and theoretical framework have investigated the causes for European Integration, the pressures for the microstate of Malta's integration into the European Union and the potential reasons for the lack of integration experience by other microstates in Europe. Established theories of European integration were examined in relation to this relationship in the theoretical framework, providing some theoretical explanations for the limited degrees of integration experienced by European microstates. The methodology explained the process to investigate this relationship in the process of a case study followed by the operationalisation for this procedure. The results and analysis provided the products for this investigation with potential explanations for these results. Theoretical considerations and alternate explanations were next proposed to compare to these results and analysis.

With consideration to the observations made by the case studies of this paper it can be concluded that strong intergovernmental agreements between microstates and neighbouring states reduce the pressures for EU integration to a great extent. The first assumption of this paper from the results appears to be the most compelling explanation for why these European microstates still have not fully integrated into the European Union. The second assumption over sovereignty is theoretically compelling but the sources show a much weaker relationship than experienced regarding intergovernmental agreements. The degree to which economic development may influence European integration is theoretically persuasive but again from the results appears to be a poor explanation for the phenomenon.

As documented in the preceding chapters, this paper has sought to investigate this relationship through a qualitative case study analysis which has highlighted the extent that intergovernmental agreements impact integration pressures. Through the results answer the following research question : *To what extent can the limited degree of integration into the European Union by microstates be explained by established strong interstate level agreements instead of agreements made with the European Union?* The results show that there is evidence to support a preference for European microstates towards interstate agreements over supranational agreements. As such, it can be argued that the limited degree of integration into the European Union by microstates is explained by established strong interstate agreements to a considerable extent.

This paper has sought to explore an area of European Integration studies that has long been overlooked in academia. Microstates are usually investigated through the lens of their unique taxation and banking industries in public administration analysis instead of their unique position as sovereign states in a continent of rapidly integrating nations. These states do not exist as curiosities or footnotes to studies of the European project but are indicative of the value that actors have in valuing their own sovereignty. As such, if we are to understand the current reality of a more interconnected supranational understanding of governance it is

essential that there is more research conducted into the forces that influence states to integrate into the European Union.

For the purposes of policy towards Eurocrats engaged in the process of European enlargement it would be important to view diplomacy from the lens of the microstates. Too many sources looked at microstate integration from the viewpoint of benefits to Brussels, instead of looking for solutions to any negative consequences experienced through European integration. This is particularly poignant in the aftermath of Brexit and the rise of Euroscepticism for policymakers to consider not just for microstates, but for the states currently engaged in integration talks with Brussels. In essence, this paper should encourage policymakers to look to intergovernmental arrangements as a framework for future diplomatic overtures regarding European enlargement.

For future research, investigation into other microstates than the cases selected by this paper would add considerable academic value to the area. Much of the literature cited in this paper referenced the other European microstates of San Marino and Monaco. As such, a case study analysing these cases would build upon the conclusions of this paper. The case of Malta could also be swapped for the microstate of Cyprus for analysis, as the relationship between both of their experiences with European Integration differ on a few levels. Investigation into other microstates globally and different supranational bodies may also be of academic interest, to examine if there is a common experience for microstate integration globally. The sources also contained few references to Malta surprisingly. Another case study could take a different methodology to include Malta directly to search for more detail.

In summary, the findings of this paper are reflective of the value of sovereignty to nation states and the influence that intergovernmental arrangements still have in the field of international governance. If we are to understand public administration through the lens of a greater European and international perspective, it is essential that academia does not overlook this still influential arrangement between actors in governance.

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