

5.2.2.1 Andorra

Andorra is one of the VSC with the longest history of independence. It gained independence in September 1278, but is nevertheless often judged as having limited economic autonomy. This fact is mainly due to the lack of an own currency and the relatively high dependence on the adjacent countries France and Spain. Andorra is however not part of the EU, but it signed a customs union agreement in 1991 which contains some important exclusions from free trade, especially in the agricultural sector.

Unemployment is inexistent and economic growth rates are remarkably high. Economic pillars are summer and especially winter tourism (skiing) with about eight million visitors a year (some sources speak of 13 million) and duty-free sales. Recently, banking and financial services have gained importance. Furthermore, timber and the energy sector constitute a considerable proportion of the Andorran economy. Seventy-eight percent of the workforce is employed in the tertiary sector; unfortunately, there are no data on contributions of single sectors to GDP. Roughly 80% of GDP is related to the tourism sector. Due to the scarcity of arable land, the agricultural sector is negligible and most food has to be imported.

The Andorran population mainly consists of Catalans, Spanish, Portuguese and French, and Catalan, Spanish and French are the main languages spoken.

5.2.2.2 Bahamas

The Commonwealth of the Bahamas – the only country in our high-income sample located in the Caribbean – is, in contrast to Andorra, a very «young» independent country with its independence from Britain dating back to July 1973. Its own currency, the Bahama dollar is pegged to the US dollar, and dependency on adjacent countries is not that high as in the case of Andorra.

Unemployment, growth and inflation rates are moderate and comparable to European averages. The economy is primarily dependent on tourism and off-shore banking. Tourism alone accounts for approximately one half of Bahamian GDP. Main exports are pharmaceuticals, cement, rum and refined petroleum products, with export partners spread