

# CHALLENGE EUROPE

## Challenges and new beginnings: Priorities for the EU's new leadership

September 2014



László Andor  
Janis A. Emmanouilidis  
Malcolm Harbour  
Jo Leinen  
George Pagoulatos  
Daniela Schwarzer  
Alexander Stubb  
Herman Van Rompuy

Rosa Balfour  
Heather Grabbe  
Paul Ivan  
Cecilia Malmström  
Maria João Rodrigues  
Radoslaw Sikorski  
Pawel Swieboda  
Fabian Zuleeg



EUROPEAN POLICY CENTRE

In strategic partnership with the  
King Baudouin Foundation

# CHALLENGE EUROPE

Issue 22

## Challenges and new beginnings: Priorities for the EU's new leadership

László Andor  
Janis A. Emmanouilidis  
Malcolm Harbour  
Jo Leinen  
George Pagoulatos  
Daniela Schwarzler  
Alexander Stubb  
Herman Van Rompuy

Rosa Balfour  
Heather Grabbe  
Paul Ivan  
Cecilia Malmström  
Maria João Rodrigues  
Radoslaw Sikorski  
Pawel Swieboda  
Fabian Zuleeg

Articles in this publication represent the views of the authors and not necessarily those of the EPC.

**September 2014**

ISSN-1783-2462

## Freedom of movement of persons – the building-block of European growth

*Radoslaw Sikorski*

The European integration project is founded on values and principles which are simple, equal, and advantageous for all. Freedom of movement of persons is one of the main cornerstones of EU success. It is a fundamental, cherished right of EU citizens. Thanks to this liberty, European citizenship is real, concrete and attractive. Moreover, it spurs economic growth and technological development. But because freedom of movement has become an obvious feature of our day-to-day lives, some of us tend to underestimate its consequences. Important recent developments mean that we must renew our commitment to defend this building-block of a Europe whole and free.

The year 2013 was proclaimed the European Year of Citizens and was dedicated to the rights that come with EU citizenship. And yet, during this time, several European countries witnessed a growing backlash against the free movement of persons. At a time of economic crisis, the political debate has become swollen with stereotypes and prejudices. As a consequence, the image of EU mobility is becoming increasingly distorted. This in turn has led policy-makers to take decisions based on falsities, rather than facts. It is thus high time to dispel the myths of migration.

When it comes to the public debate, we should underscore another key aspect: that migration from third countries and intra-EU mobility are two very different phenomena. While the former is based on secondary law via a process that we manage, control and adapt to our needs, the latter is a manifestation of the rights bestowed upon all the EU citizens.

First and foremost, free movement of persons within the EU is exercised in a limited scope. Only 3% of EU citizens live in a different country than that of their origin. So it is false to claim that Western Europe is facing a Central European invasion. Far from it. The EU enlargements in 2004 and 2007 contributed only around 4 million people to the current 11.3 million people exercising freedom of movement, aligning the EU average with the global one.

Second, free movement of persons, an inherent part of the single market, stimulates economic growth. Studies carried out by various think tanks in both receiving and sending countries, as well as by the European Commission, show that migrations from Central and Eastern Europe have brought huge benefits to the EU economy. The estimated combined effect of migration on GDP growth in the EU-15 receiving countries amounted to 1% – and that's just between 2004 and 2009! So it should come as no surprise that the boost in economic growth has been most visible in countries that opened their labour markets back in 2004: Great Britain and Ireland. Freedom of movement helped revitalise EU economies back then – and is continuing to do so today.

Third, another widely disseminated myth concerns the misuse of social benefits by EU-10 citizens abroad. Also in this case, reality has nothing to do with the ugly picture painted by

many politicians. Indeed, social benefits are not the reason why people move to a different country – it is the possibility of finding gainful employment. Let us take the example of the United Kingdom, where many of my fellow citizens have settled and found jobs. Since the year 2000, migrants from the 'new' Member States have paid 25 billion GBP more into the UK budget than they have received in benefits. Another study shows that the net contribution of immigrants to the British budget amounted to 37% in 2008-2009. A report published by the Centre for Research and Analysis of Migration at University College London puts it bluntly: between 2001 and 2011, immigrants from the European Economic Area to the UK contributed about 34% more in taxes than they received in benefits. Similar evidence can be found in other European countries, such as Denmark. Far from breeding benefit seekers, free movement is bringing benefits to national budgets in receiving countries.

Nevertheless, the alleged 'abuses' of mobility continue to make the headlines. Slogans like "Send them all back home" and "They've stolen all our jobs" still adorn the front pages of the newspapers in some EU countries. Indeed, one of the most common arguments is that migrants prevent local inhabitants from getting work. But studies show that immigration from the EU-8 fills gaps in the labour market, which consequently contributes to economic growth – which in turn creates jobs. Instead of scapegoating hard-working, legal EU migrants, Western employers have learned to respect Central European employees. Now it is time for politicians to follow suit.

While free movement brings benefits to the EU economy and Europeans on the whole, it can be challenging for local communities faced with a large influx of migrants. I fully understand their concern and believe that some domestic measures may be taken to fix this issue, but under no circumstances should the steps taken threaten the fundamental freedoms that make up the EU single market. The challenges local governments are facing are not being neglected. An exhaustive study was carried out by the European Commission, which presented its results in the communication, "Free movement of EU citizens and their families: Five actions to make a difference". It presents several proposals of measures and good practices to better cope with the issue at the local level.

Necessarily, in times of austerity every government is forced to implement measures resulting in public spending cuts. Any kind of abuse of the social welfare system, if evidenced, should be eliminated as contradictory to the freedom of movement and conducive to unwelcome distortions. To some, excluding migrants from the social welfare system comes as the only reasonable solution. I believe the chosen tools should be different, more proportional to the scale of the problem and less threatening to the fundamental freedoms of the EU. The stakes are high, as they concern our common prosperity and future position in the global economy. We will sympathise with countries undertaking reforms of their social welfare systems. But freedom of movement must prevail and any changes should be founded on the principle of equal treatment to all legal residents. To this end we must provide for a balanced response to the problems at stake.

So we will either manage to cope with these economic challenges – or risk being marginalised by more dynamic global regions. The only effective way to proceed – and succeed – is to do

it together. Thus I strongly oppose the approach of some European politicians, mainly from far right parties, who claim that a singular and national approach to the economy might not only suffice, but would also enable the restoration of their cherished 19<sup>th</sup>-century order. Such an ahistorical vision of modern socio-economic processes has no chance of working in practice.

Instead, it should be the joint responsibility of European leaders to facilitate endeavors that make our continent more innovative, more competitive, and more cost-efficient – as well as more sustainable as regards social structures. Measures that some governments have already implemented or are planning to adopt in coming months are signs that we are losing the spirit of European unity.

I believe that one of the most important lessons we have learnt from European history is that the more troubled and testing the times, the stronger the demand for a coherent and coordinated response to the problems troubling our continent. Setting aside the rhetoric, we are faced with a simple truth – no Member State can afford to isolate itself, shut its doors and go it alone. We need to discuss these issues objectively and act responsibly. To put it simply: we need to stand as one.

Today the EU is tasked with tackling an unemployment rate of about 10.5%, reaching 22.8% among young people. This situation, which limits possibilities for growth and innovation, has important consequences for an entire generation of Europeans. Thus, we need not less but more mobility. We should be talking about further eliminating restrictions – and not imposing new ones.

Mobility has proven its positive impact on the economic and social development of Europe. It is also of great importance to our citizens, enabling them to build careers and ensure the well-being of their families. For this reason, it deserves to be strengthened by the abolition of administrative rules that hinder EU citizens' exercise of this freedom. We need to cut red tape and make moving within Europe easier. This would also help reduce the risk of abuse and fraud. Removing barriers will operate in both directions, as well as facilitate the return of migrants to their home countries.

People who benefit from the freedom of movement are motivated and determined to make better use of their skills and talents. In their new place of residence they tend to become more efficient and productive, thus contributing to economic development. What is more, cross-cultural interaction often leads to innovative solutions. The European economy cannot afford to let go of this potential.

However, just for the sake of argument, let us assume that all EU Member States would decide to take similar steps restricting freedom of movement. Reverting from the EU Treaties would only please those who dream of benefitting from weak, internally divided and mutually competing European economies. If our intention is to tackle global challenges, we will have to make better use of the instruments at our disposal – and not abandon them. What we need is good use of the EU budget and a new proactive European Commission that would be more willing to see off the real problems our societies are facing. We need

institutions that would engage in good reforms. This means that we have to re-assess the paradigms of EU policies. But we also need to watch the Commission's actions and keep reminding it about public expenditure, the priorities linked with youth, and – last but not least – good communication. The outcome of European Parliament elections confirms that we need to become more adept at explaining our decisions to Europeans. At the same time, we need to check our priorities and promote those activities which require prompt action.

Our achievement of the common market, complete with its four freedoms, plays another crucial role. It determines our position on the economic and political map. Indeed, today more than ever before, political power stems from solid economic foundations.

As we exit the economic crisis, we must not rest on our laurels. A lot still needs to be done – and we need all Member States to act consistently. Though the EU is often rightly challenged for not taking precautionary anti-crisis steps in advance and focusing too much on the institutional dimension, moving away from the EU would do us wrong, already in the short-term.

Positive changes not only require time, but also determination and joint effort. If we don't accept this, we stand to lose a lot, not least economically.

Europeans make up just 7% of the globe's population. Moreover, the forecasts are gloomy – in 2050, no EU country will be among the top ten global economies. Even those EU Member States currently considered world powers will lose their privileged position.

Yet, the EU as a whole is still a global powerhouse – an indispensable element of the international order. Our market of over 500 million consumers produces almost 25% of the world's GDP. That's more than the US, and more than Brazil, Russia, India and China combined. We are the largest exporter of goods in the world. Our experience in terms of conflict resolution, democracy promotion, institution-building and economic integration is being sought after by countries all over the world – including on our doorstep, not least in Ukraine.

Let us look back 25 years. According to World Bank data, in 1990 the GDPs *per capita* of Poland and Ukraine were on a par. Today Poland's is three times higher. Given this comparison it is difficult to question the effectiveness of the European model. Still, in order to maintain its attractiveness we need to consistently work on its coherence. Dismantling the very foundations of the single market is precisely the opposite of what we should be doing.

Over the last quarter-century, Poles have experienced first-hand the benefits stemming from European integration. So we believe that the future of our continent lies in advancing the European project. Returning to economic nationalisms, on the other hand, would jeopardise our recovery, thereby impeding the creation of highly competitive market economy for the benefit of Europe as a whole. For this reason, as Europeans we have both the right and the obligation to develop the European Union into a genuine community of solidarity and responsibility.

For the last several years, the European Union has had to face perhaps the most demanding internal test in its history. To pass it, we all need to accept that this exercise demands concessions and sacrifices. This applies to every member of our community, without exception. Our actions should be evaluated not in the context of a simple cost-benefit ratio within a single labour market, but in light of the combined strength of the Union. Because what we need right now is a stronger and more competitive Europe.

**Radoslaw Sikorski is Marshal of the Sejm (Polish Parliament); former Minister of Foreign Affairs of the Republic of Poland.**