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STRAIT IS THE GATE – EUROPE’S IMMIGRATION PRIORITIES

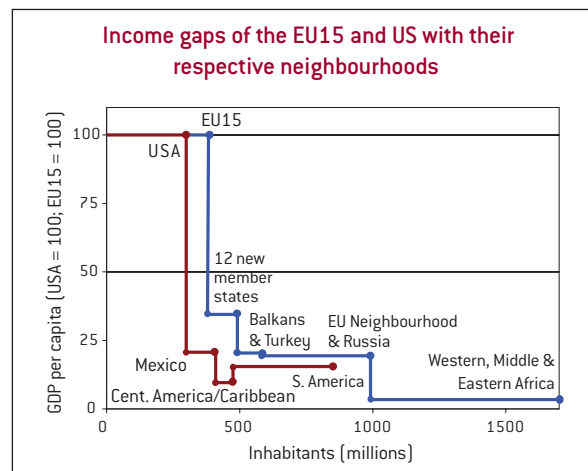
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SUMMARY Purely national migration policies are increasingly ineffective in addressing the EU’s urgent migration challenges. But progress to date on a common EU policy has been patchy, and the failed Irish referendum further delays the introduction of qualified majority voting in this area. So what should be the EU’s priorities? We identify **high-skilled migration, irregular migration and asylum policy** as the key areas for common action, while mid- and low-skilled legal migration and the integration challenge should continue to be dealt with at the national level. While the EU immigration agenda may receive a welcome airing during the French EU presidency, it needs a balanced mix of restrictive and accommodating measures to succeed.

POLICY CHALLENGE

High-skilled immigration: the European Commission’s draft Blue Card directive needs to be revised so that it genuinely offers access to the entire EU labour market. Developing countries concerned about brain drain should be offered an opt-out clause. **Irregular migration:** Tighter controls should be combined with better and common humanitarian standards and an agreement on continuous ‘earned regularisation’ as an alternative to haphazard mass regularisations. **Asylum:** A ‘new Nansen’ scheme offering 25,000 humanitarian immigration slots per year is proposed, the funding and allocation of which are to be organised at European level.



Source: Brücker and von Weizsäcker [2007].

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EUROPE'S MIGRATION CHALLENGE needs to be addressed with urgency. First, migratory pressure is on the rise as more people from poorer countries consider migration a realistic option for a better life. Second, EU member states with a significant stock of immigrants are confronted with a major integration challenge as the aspirations of many second-generation migrants are frustrated by poor education and poor labour market performance – if integration policies fail, large ethnic underclasses will become a permanent feature in the EU. Third, global competition for high-skilled workers has intensified owing to skill-biased technological change and globalisation and the EU struggles to attract and retain top talent. With the internal mobility agenda in the aftermath of EU enlargement settled, the time to address the external migration challenge is now.

Traditionally, immigration policy is considered a national responsibility. Decisions on who is allowed to enter a country and who is not can even be viewed as a tenet of national sovereignty. However, within the EU and the Schengen area in particular, purely national policies are becoming increasingly ineffective. For this reason, the EU has already started to develop a common European immigration policy under the Hague programme which extends until 2010.

But progress to date has been uneven and the failed Irish referendum further delays the introduction of qualified majority voting on European immigration policy. Against this backdrop, it is positive

that immigration features prominently on the French EU presidency's agenda. This may give new momentum to the current legislative proposals and shape the EU's work programme on immigration beyond 2010.

However, when decision-making is fraught with difficulties, careful prioritisation is required. Where is the need for a common European approach most pressing? And what should continue to be dealt with at the national level? As in other fields, European policies are needed in areas where cross-border spill-overs are material and national preferences well aligned, national responsibility continuing to prevail elsewhere.

The following sections attempt to apply the above logic to the areas of legal migration, irregular migration, asylum, and integration policy. For those areas identified as EU priorities, concrete policy proposals are developed, comparing and contrasting them to the known details of the agenda of the French EU presidency where appropriate. The final section concludes and summarises the policy recommendations.

1. LEGAL IMMIGRATION

Currently, the spill-over effects caused by legal immigration remain relatively small even within the Schengen area. The status of third-country nationals as legal immigrants only becomes 'portable' between member states after five years of legal residence

within the EU. After the first five years, immigrants have usually already made a substantial investment in a local social network and have aged somewhat, both factors reducing their propensity to move on. While in principle there would always be the possibility for legal migrants to move and work within the entire Schengen area on an irregular basis even before five years had elapsed, any move that led to a loss of legal status would typically be unattractive.

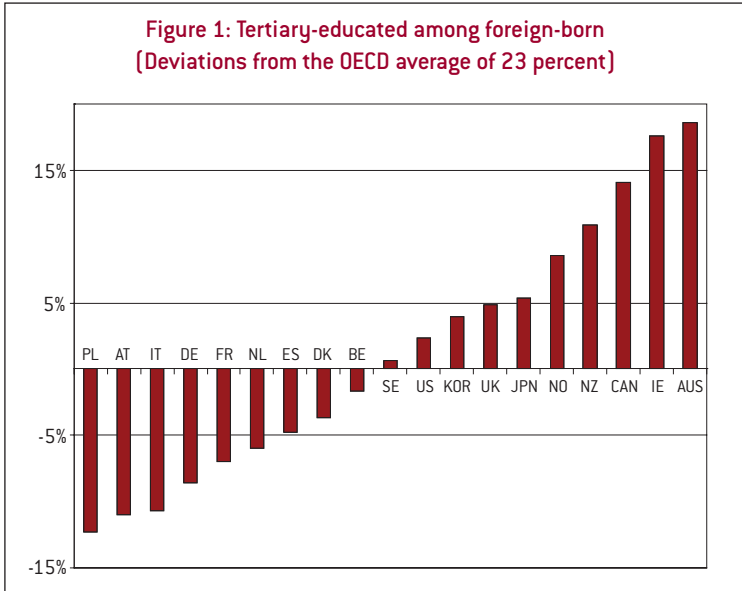
'Blanket harmonisation of legal immigration policies should not be regarded as an urgent priority at the EU level.'

Therefore, blanket harmonisation of legal immigration policies should not be regarded as an urgent priority at the EU level. In addition, preferences among member states regarding low- and mid-skilled legal migration often differ substantially. However, there is one major exception - high-skilled immigration - where preferences among member states are generally much better aligned and where a common European solution could make Europe much more attractive in the global competition for talent.

Figure 1 shows that the percentage of the university-educated among foreign-born inhabitants is currently well below the OECD average for the typical EU country. There is little doubt that the world's English-speaking countries have a substantial advantage when it comes to attracting high-skilled immigrants because English is the *lingua franca* of the globalised age. Hence, non English-speaking countries will need to offer high-skilled immigrants at least as



**Figure 1: Tertiary-educated among foreign-born
(Deviations from the OECD average of 23 percent)**



Source: OECD, own calculations.

attractive conditions of entry as English-speaking countries in order to compensate for the language disadvantage.

The recent flurry of national attempts to improve the legal basis for attracting high-skilled migrants, including the recent ‘carte des compétences et talents’ in France, illustrates the progress that has been made in this respect. However, there is one important feature that purely national initiatives will not be able to offer: immediate access to the entire EU labour market. For highly specialised immigrants this would undoubtedly be attractive. For example, an Indian high-skilled migrant with a job offer in Vienna will accept it much more readily if this guarantees access to the entire EU labour market. Were the first job to prove unattractive or the family to have difficulties adjusting, the option value of being able to transfer to, say, Manchester (and not just within Austria to, say, Innsbruck) would be substantial.

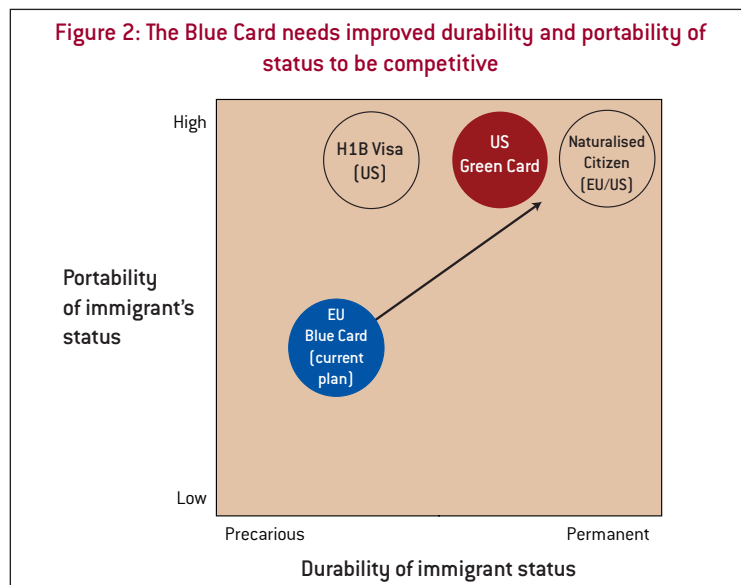
Blue Card

To achieve this enhanced portability of status, a European Blue Card for high-skilled immigrants has been proposed¹. However, while the European Commission’s draft directive on the creation of a Blue Card is a key step in the right direction, it is unfortunately weak on status portability. Transferring from one member state to another using the

Blue Card in its currently proposed form would be almost as difficult as applying for a fresh Blue Card upon first entry from outside the Union.

The larger the labour market to which an immigration permit offers access, and the more permanent this access is, the more attractive the destination is for high-skill migrants. This is illustrated in Figure 2, where the most attractive immigration status – citizenship – is in the top right corner. The current EU Blue Card proposal would not be competitive compared to the US H1B visa for the highly skilled or the US Green Card. The US arrangements set a much more generous initial period of validity than the Blue Card and, in contrast to the poor portability of the Blue Card within the EU, grant access to the entire US labour market. The current Blue Card proposal thus needs to be improved substantially in both dimensions to position the EU more favourably in the global competition for talent, as indicated by the arrow in Figure 2.

Figure 2: The Blue Card needs improved durability and portability of status to be competitive



¹ See von Weizsäcker (2006) for the original proposal of the ‘Blue Card’.



A lack of effective portability of the Blue Card even risks undermining the whole point of this EU exercise since portability would be the principal added value of an EU scheme compared to any national scheme. But there is little hope that an agreement among member states can be reached to strengthen portability on the basis of the currently proposed access criterion for the Blue Card of three times the minimum wage in the first member state in which the migrant works. Since the level of the minimum wage compared to the median wage varies substantially between member states, the economic rationale for the proposed eligibility criterion is weak at the outset. More importantly, a Blue Card that can be obtained on the basis of, say, monthly earnings of as low as €400 in Romania is unlikely ever to be accepted throughout the EU.

A more promising approach would be to allow skill, age, language skills and other migrant characteristics to determine eligibility for a Blue Card. Ideally, this would be achieved through a Europe-wide points system as applies in Canada. The Canadian points system rewards characteristics such as educational status, young age, language proficiency and work experience, which are good predictors of immigration success. By similarly enlarging the set of criteria for the Blue Card well beyond a salary threshold based on the first job contract, it ought to be much easier to agree on a Blue Card that would grant access to the entire EU labour market.

Also, more could and should be done to attract high-skilled

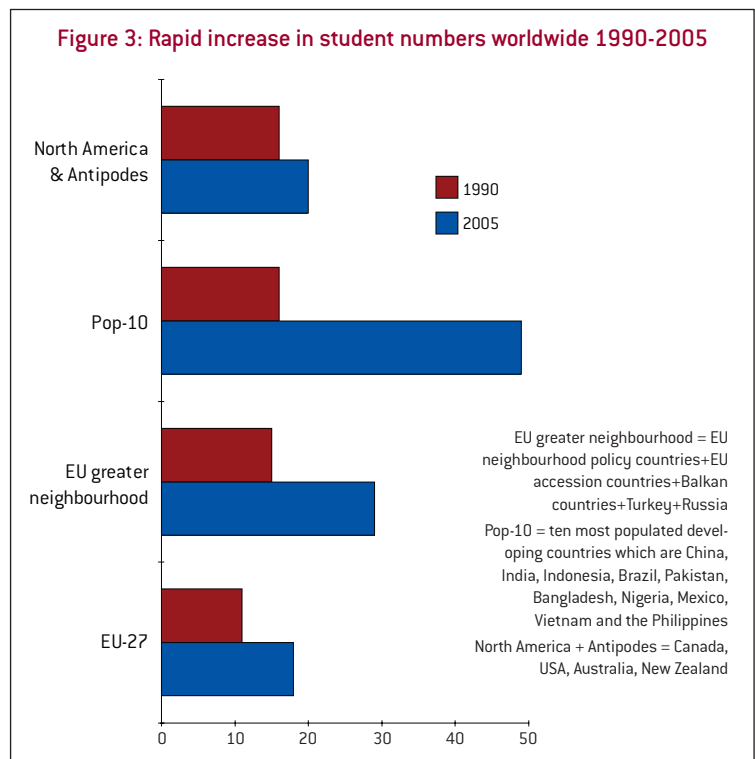
migrants by strengthening the attractiveness of European universities, which to some extent also requires European policy action as argued in Aghion *et al.* (2007). In the US, the quality of its leading universities is one of the most important channels by which top talent is attracted early, and after their studies foreign-born students benefit from a special quota of H1B visas to allow them to stay on and work. A similar feature could be introduced in the EU on the basis of the Blue Card in the form of a 'Blue Diploma', allowing foreign-born graduates with a Masters degree (or equivalent) from a participating university to find a job in the EU without being subject to the proposed salary threshold of the Blue Card².

Brain Drain

Perhaps the most serious policy concern that the Blue Card raises

is its prospective 'brain drain' impact on the source country. Brain drain could have a negative impact on the growth potential of the source country's economy and the skill premium might increase, thereby leading to greater inequality. Furthermore, the fiscal impact of high-skilled emigration will generally be negative.

However, brain drain may not be a net negative for the source country. The option to emigrate may substantially increase the expected returns on education, thereby improving private education incentives. Also, if migrants return to their country of origin – and many of them do – the skills and savings that they have acquired abroad can become a powerful force for development. For these reasons, moderate levels of brain drain may in fact be beneficial for the source country as is argued, for example, by Beine *et al.* (2003).



Source: World Bank Edstats

² See also von Weizsäcker (2006).



Further, the explosion of tertiary education in developing countries over the last 15 years as presented in Figure 3 has dramatically increased the supply of skill in developing countries. In particular, the number of students in the ten most populated developing countries (Pop-10) has trebled, increasing from 16 million in 1990 to 49 million in 2005. This rapid increase in the supply of skill is likely to have reduced the potentially adverse effects of brain drain for any given level of emigration. In fact, certain developing economies even have difficulty in properly absorbing the rapidly increased supply of university graduates, leading to shockingly high unemployment rates among them in countries such as Morocco.

Nevertheless, the EU may wish to consider an opt-out from the Blue Card for those developing countries concerned about brain drain³. The EU could also make a point of offering financial support for tertiary education to developing countries with particularly large numbers of high-skilled migrants to the EU, an area of the education system that is typically not covered by donors since the Millennium Development Goals rightly focus mainly on primary education.

2. IRREGULAR MIGRATION

Unlike legal migrants, irregular migrants do not have a legal status to lose when they move around within the Schengen area. This *de facto* mobility gives rise to substantial spill-over effects. For example, an estimated 50 percent of irregular Ukrainian migrants in Portugal originally entered the EU

with a Schengen visa issued by the Austrian or German embassies⁴. The argument for EU coordination of irregular migration is further strengthened by the expectation that immigration pressures are set to increase in the coming years.

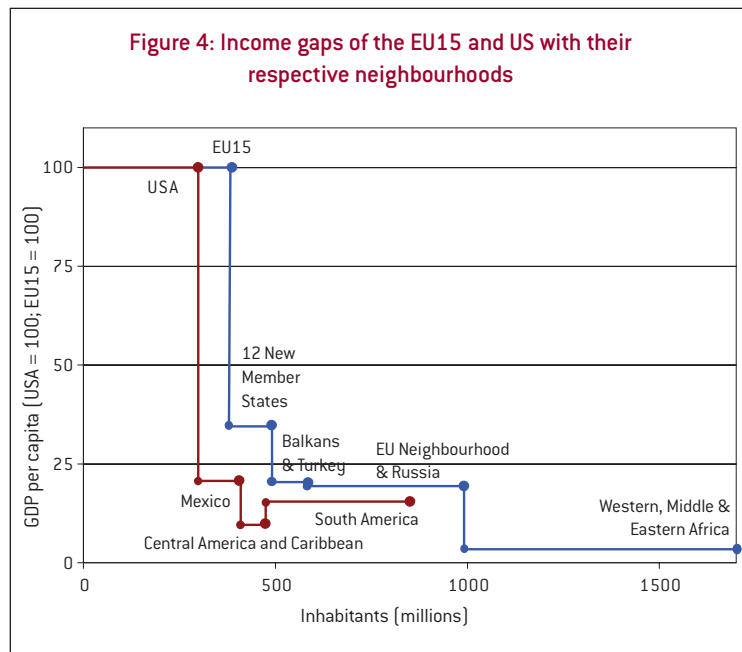
Estimates put the stock of irregular migrants in the EU at between four and eight million people, with an inflow of perhaps as much as half a million per year⁵, which increasingly looks comparable to the massive influx of migrants from Mexico to the US. It is estimated that there are currently some 12 million Mexican immigrants living in the US, roughly 60 percent of whom are illegal, while the illegal inflow from Mexico may exceed 400,000 migrants annually.

These immigration pressures are driven by proximity and income differences. As shown in Figure 4, the US-Mexico income gap is similar to the gap between EU15

and the average of EU future accession and neighbourhood countries around the Mediterranean and in eastern Europe. However, the low-income populations in the vicinity of the EU are markedly larger than for the US, suggesting that the longer term immigration pressures could also be substantially greater.

How will Europe respond to these pressures? The key remedies routinely advanced are better border enforcement, more development assistance for countries of origin, and new legal migration schemes. However, while some of these measures can make sense, they are unlikely to be able comprehensively to address the problem of irregular migration, which is why a European agreement on a path to legalisation should be part of any policy package dealing with irregular migration.

Better border enforcement: The EU is already engaged in joint enforcement efforts to reduce irregular



Source: Brücker and von Weizsäcker (2007).

³ However, it is less clear whether this opt-out should also be extended to governments that, according to the consensus view, fail even remotely to act in the best interests of their citizens, as may currently be the case in Zimbabwe.
⁴ See Baganha *et al.* (2004)
⁵ See Düvell (2006)



migration. Control of external borders is to be strengthened (EU Frontex agency). Efforts to fight human trafficking are to be stepped up. And there are plans to intensify cooperation with major transit countries and to accelerate the repatriation of irregular migrants. Irregular migrants generally respond to incentives and it is thus likely that a comprehensive set of enforcement measures will succeed in reducing inflows. But by how much? Again, it might be instructive to look to the US. Recently, the Congressional Budget Office (2007) assessed the likely impact of the (currently stalled) Comprehensive Immigration Reform Act 2007. It was estimated that the comprehensive set of enforcement measures in this bill would succeed in reducing the influx of irregular immigrants by about 25 percent.

Similarly, the EU might find it difficult to achieve a reduction in irregular inflows of more than 25 percent by means of tighter controls, let alone reduce them to insignificant levels. The commonly held view that enforcement alone might solve the problem of irregular migration is clearly flawed, since a large inflow of irregular migrants can be expected to continue even with tight controls. It is important that political decision-makers put their cards on the table about this fact.

Increased development assistance: The argument is often advanced that increased development assistance could be used to improve economic prospects in key countries of origin so that the incentive to

emigrate is reduced. However, the level of income in the country of origin and the propensity to emigrate may well be hump-shaped⁶, with rising incomes initially increasing the likelihood of emigration. One reason for this is that poor and credit-constrained individuals will only find migration affordable above a certain income level. Only once income has grown beyond that threshold will migration go down on account of reduced income differences between source and host country. In view of substantial uncertainty here, it would be imprudent to tightly couple development assistance and migration policy in the political discourse.

Legal migration schemes: It is sometimes claimed that a suitable means to combat irregular immigration could be the expansion of legal immigration schemes, possibly in the form of temporary or circular migration. For example, temporary migration schemes are to be an integral part of the 'mobility partnerships' that the EU plans to conclude with source countries, not least to reduce the inflow of irregular migrants. However, it is not clear how effective this would be. For the sake of argument, assume that every fourth potential irregular immigrant manages to enter the EU. On this assumption, four potential irregular migrants would need to be admitted legally in order to reduce the number of irregular migrants by one. And this also – optimistically – assumes that the four legal migrants would indeed come from the pool of

potential irregular migrants, which is not necessarily the case. Temporary legal migration schemes may even increase irregular migration as a result of visa overstays.

Path to regularisation: None of the above approaches is likely to make the problem of irregular migration disappear in the foreseeable future. Therefore, the EU needs to find a pragmatic way to accommodate residual irregular migration in ways that are compatible with human rights, basic law and order and the requirements of integration policy.

'It might be difficult to reduce irregular inflows by more than 25 percent by means of tighter controls.'

First, more stringent standards governing the proper treatment of irregular migrants should be agreed. With open internal borders, some member states might otherwise be tempted to drive irregular migrants away to neighbouring EU countries by treating them poorly. Individual countries that treat irregular migrants decently might in any case end up attracting more than their expected share. Better and common standards for the decent treatment of irregular migrants could help resolve this problem.

Second, a basic framework for regularisation procedures should be defined, recognising the advantages of timely regularisation, as opposed to sporadic mass regularisations accompanied by unrealistic promises of governments in denial that new repressive measures will obviate the need for repeat mass regularisation.

⁶ See eg Adams and Page (2003).



We propose that a system of continuous ‘earned regularisation’ should be introduced, offering accelerated regularisation for those irregular migrants who rapidly acquire language skills and display other characteristics that are conducive to rapid integration, or for humanitarian reasons. By contrast, irregular migrants who do not conform to this set of criteria would only be regularised after a much longer period during which they would continue to be exposed to the generally small but non-negligible risk of forced repatriation.

The proposed ‘earned regularisation’ approach could help achieve the declared objective of the French EU presidency of abandoning mass regularisations, and at the same time offer sufficient flexibility to accommodate the disparate positions of countries like Spain, Italy, Germany and France within a single framework.

3. ASYLUM

With the end of the cold war, the EU experienced a rapid surge in asy-

lum applications, as can be seen in Figure 5. In response, member states progressively tightened their asylum legislation and also started progressively to introduce EU rules governing asylum within Europe. Hatton (2008) estimates that these tighter and better coordinated rules have contributed to about one third of the recent decline in asylum applications, the other two thirds being attributable to a decline in the demand for asylum especially from citizens of eastern European countries and the CIS.

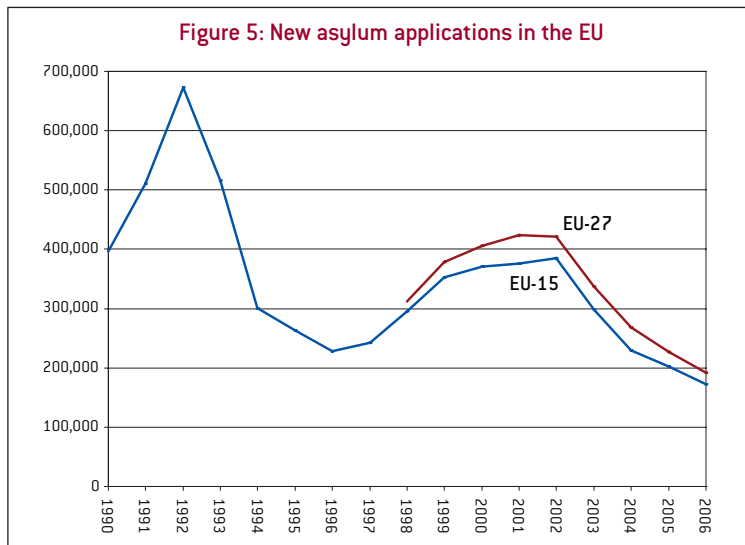
The legal tightening and the remarkable success in reducing asylum application numbers (and to a lesser extent the number of people granted asylum) raises the question of whether Europe still does justice to its ambition to provide shelter to people who are in need of protection. While Europe continues to receive about three quarters of asylum claims among industrial countries, the contributions of individual countries vary enormously. In particular, Sweden’s performance is remarkable, absorbing over ten percent of

total asylum claims received in industrialised countries in 2007, a not-so-distant second place behind the US and well ahead of much larger EU countries such as Germany, France, and the UK.

The fact that 41 percent of the 45,200 Iraqi asylum applicants worldwide went to Sweden is something that not only Sweden but also the rest of the EU should be proud of and, consequently, Swedish tax payers should not foot the bill alone. Perhaps the time has come to acknowledge that an asylum policy which upholds European values is a European public good that should to a larger extent be provided through joint financing and joint organisation. To start with, this could take the form of a European commitment proactively to offer 25,000 extra people per year refuge from persecution and war (or 0.05 percent of the EU population). Rather than waiting for these refugees to arrive at our borders, such a proactive commitment could include transport logistics where needed. This special category of humanitarian migrants could be offered what we have called a ‘new Nansen’ passport. The previous incarnation of the Nansen passport was introduced by the Norwegian polar explorer and Nobel peace prize winner Fridjof Nansen to equip refugees from the Russian revolution with travel papers.

4. INTEGRATION

Because the mobility of legal immigrants from third countries remains relatively low, each member state can expect to bear the overwhelming part of the cost caused by failed integration



Source: Eurostat.



policies for legal migrants. Furthermore, differences between member states in the composition of immigrant populations, institutional differences not least in education and labour markets, and subtle differences in outlook reduce the prospect of far-reaching EU legislation in this area. As a consequence, integration policies should mainly be regarded as a national remit for the time being. Nevertheless, a continued European dialogue on the challenges of integration would appear to be desirable, providing political momentum to national integration policies and enhancing their quality through joint learning.

5. CONCLUSIONS

The main conclusions and policy recommendations identified in this paper are as follows:

- **High-skilled migration:** For the EU successfully to participate in the global competition for talent, the Blue Card draft directive needs to be revised. In particular, the Blue Card needs to become more readily transferable so that it genuinely offers access to the entire EU labour market. At the same time, concerns about brain drain should be taken seriously, not least by offering developing countries an opt-out clause.
- **Irregular migration:** The EU agenda on irregular migration must be balanced to succeed. The currently envisaged efforts to reduce irregular migration through tighter controls will merely slow the inflow of irregular migrants somewhat but will not make the problem of irregular migration disappear. It is

proposed that tighter controls should be combined with better and common humanitarian standards and an agreement on continuous 'earned regularisation' as an alternative to denial-induced sporadic mass regularisations.

- **Asylum:** Not least because of past coordination efforts, asylum applications in Europe have dropped considerably in recent years while wars and political persecution continue to make people flee their home countries on a large scale. In order for Europe to help these refugees more effectively, a 'new Nansen' scheme offering 25,000 humanitarian immigration slots per year is proposed, the funding and allocation of which are to be organised at the European level.

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