



Great Migration to Europe

Jacob Funk Kirkegaard sees opportunity in Europe's migrant crisis for a closer integration and discusses a new proposal that involves greater regional coordination.

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Pedro da Costa: Hi, I'm Pedro da Costa. I'm an Editorial Fellow here at the Peterson Institute for International Economics and I'm joined by Jacob Kirkegaard who's a Senior Fellow here and has just released a policy paper about migration. Thank you for joining me.

Jacob Kirkegaard: My pleasure.

Pedro da Costa: So let's start with, I guess, the magnitude of the crisis. We hear these just dramatic stories of people risking their lives literally and often dying on their way to what they hope is a better life. But if you could put some figures on this and meat on the bones for us, how much more severe has the inflow of migrants become and migrants and refugees I should say become into Europe in the last couple of years?

Jacob Kirkegaard: I think the first thing to recognize is actually inflows of inward migration into Europe has been very high throughout the last couple decades in fact. And in some ways, at least in the last 15 years, have actually rivaled in some ways inflows into the United States. So broadly speaking, Europe has become a real destination for large inward migration.

But what has happened in the last say 12, 18 months is of course that because of failed state – Syria, Libya, et cetera – you've had an additional sort of uncontrolled inflow of typically refugees and those numbers have been very large. I mean, so far estimates for 2015 suggest that you will hit one to 1.2 million. That's the number of so-called registered illegal border-crossings or essentially refugees arriving. So those numbers are very large.

And then of course you have the qualitative element to this. I mean, you've had these terrible tragedies, people being suffocated in the back of trucks, drowning on the Mediterranean and, I think, the biggest issue really here is winter is coming. So the human suffering element of this is only going to increase.

Pedro da Costa: So there's an urgency to this matter that's clearly, I mean, I like to say there's nothing like a humanitarian crisis to put a banking one in perspective. And now there are some analogies I guess to your approach to the way that Europe is integrating in the banking sector and the way it might integrate in the migration sector. Could you talk to us a little bit about why you're optimistic about sort of there being an opportunity in this crisis for closer cooperation rather than what some people fear which is heading toward disintegration and strengthening of more right wing anti-immigrant parties?

Jacob Kirkegaard: Well, I think the old saying also in Europe, never let a good crisis go to waste. And I think the reality here is that this is a crisis that in political terms is at least as potentially damaging

to Europe, to the EU, to the sort of entire European projects as the euro crisis itself was because precisely unless you do something to address this issue and the perception among voters in Europe that the borders are under siege and they're being overrun and those types of voter perceptions, they're going to elect new type of leaders that will be very, very different from those you have seen basically in post-World War II European history.

So this is really about the long-term functioning of the European Union as we have come to know it. And, I think, once or at least the lesson from the euro crisis over the last couple of years that once it dawns and once this realization reaches the top political levels in Europe that actually it's between cutting a deal and doing, in my opinion, more integration or essentially ending the European project. That's when the crisis itself creates the, shall we say, political space that allows for compromises that unfortunately are politically impossible in a normal sort of political environment but in the midst of a crisis suddenly becomes not only the least bad option but often, in fact, the only one that's workable.

Pedro da Costa: Now, you've released a policy brief this week outlining a fairly detailed policy proposal. What do you see as the greatest weaknesses in the current system and what are some of your proposals for how to address them?

Jacob Kirkegaard: Well basically, the problem that Europe has is that it is in what I would call a new normal with regard to inward migration. And this is a new normal that has exposed some very serious governance flaws in the current wave that not only European migration but European borders are managed. Because you have in Europe, and this is one of the great liberalizations, opening up triumphs of Europe and you have open internal borders inside the Schengen area. But at the same time, we have seen now in the last year or so that the external border control is not necessarily at a level that is comforting I would say to the broad European electorate.

Pedro da Costa: Nor is it homogeneous.

Jacob Kirkegaard: Nor is it homogeneous. It's basically left to the national member states. And at the same time, you also have national control over asylum rules, residency, work permits, et cetera which means that everyone that makes it into the open area, the Schengen area in Europe as a refugee, have a very clear incentive to go to the country with the most lenient rules and that means that that country will be left bearing a disproportionate part of the burden and therefore be overwhelmed. And this is true even for the largest countries such as Germany at the moment.

So basically what I'm proposing is to say that we've got this governance failure of sort of unholy policy triangle where something is liberalized and integrated and other things are not. You got to do away with that and you have really no choice in my opinion than for Europe to move towards a genuine common external border control mechanism. And you also have, in the medium to long run, no alternative than to move towards harmonizing more categories of migration.

So what I propose is that you basically separate it into one category, what I call blue migration, which is essentially categories of migrants where you have a Pan-European quota if you like or group that is regulated by European law. And then you have another category called red migration which is left to the member states. So they can basically cater for sort

of national specific circumstances. If the French want to let in more French speakers and things like that, they can do so.

So you basically go from having migration be solely a national level, political issue to be an issue that is shared between the European level and the national level.

Pedro da Costa: So there's some yielding of sovereignty but it's not a supernational arrangement?

Jacob Kirkegaard: It is not purely supernational; it's basically shared. And then the last thing I should say I also propose is the realization that this is going to cost money. And an example is that the current European external border agency called Frontex has a budget of about 150 million euros. You compare that to the sort of relevant external border control agencies here in the United States, the Coast Guard, Citizen Immigration Services, they cost about 30, 35 billion dollars a year. So it's orders of magnitude.

And if you want to do this properly which you will have to in order to basically sort of mitigate the political fears that you have in European voters, it's going to cost money. So I make a number of proposals for how you can raise this money. You can basically declare this a European project so that you basically are willing to debt finance it by new sort of migration and mobility bonds. I call them backed by member states but on the political—so it's sort of a, shall we say, issue-specific euro bond.

I also make a suggestion what you can do, which you also do here in the United States, you rely to a certain extent on user fees that if you want a work permit for the European, well, it's going to cost you something. You could also choose sort of specific item levies to raise money in that way and it's all to get around this issue that this is going to cost money and it's going to cost more money that totally exists in the European budget. But you got to do it and you got to do it relatively quickly because otherwise the politics are going to be prohibitively more difficult.

Pedro da Costa: When you talk about the cost, I want to ask you about the two extreme strains of economic interpretations that come when it comes to the discussion of migration. One is that Europe is going to be overwhelmed and therefore that an already fragile and weak economy is going to collapse under the weight of this new influx. And the other view is that hey, Europe has a demographic problem. It has an aging population. This influx of young people is great. But surely, the influx is great if it's managed in an orderly fashion. Can you talk a little bit about where you stand in that dichotomy?

Jacob Kirkegaard: Yeah. I guess I'm mostly in the latter camp. I mean, I think if you look at European demographics, there's no doubt that Europe, I mean, the EU or the Euro area as a whole is already facing a declining workforce. So from that perspective alone, having an inflow of migrants from outside the region is economically beneficial. There's no doubt about that. And it has in fact, as I said earlier, been going on already for quite some time.

The difference now is in large scale the sort of sudden spike and the degree in which this is unmanaged. And that's really where the main downside is the political feedback loop from this because economically speaking at least in the short run, this is good. It's a fiscal stimulus basically. If you wanted the German fiscal stimulus, this is the way you're going to get it. And in the long run, you get a bigger workforce. So it's good.

But the politics can lead to something I, unfortunately, fear can be very destabilizing and that's why European leaders won't have an alternative in the longer run to do what they did in the European crisis and the euro crisis when they finally came together, put together this so-called banking union which is similar to what I proposed. I call it a migration and mobility union for Europe and the key here is we got to understand that internal mobility in Europe, open borders, is intimately linked with also managed migration.

So what you want to achieve is both maintaining internal mobility open borders inside of Europe. But at the same time also having what I would call a managed sensible level of inward migration which Europe also needs. So there's a lot of issues and they're all politically contentious on leaders' agenda. But as I said ultimately, I'm cautiously optimistic that the lack of alternatives is what is going to drive this process.

Pedro da Costa: Well, let's hope they can get their act together a little more quickly than they did on the financial front because this matter is, of course, a little more urgent it seems. So thank you very much, Jacob. I appreciate it.

Jacob Kirkegaard: My pleasure.