



Toward a European Migration and Mobility Union

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My experience is that we can only really decide and take bold decisions when we have our backs against the wall and are staring at the abyss with a knife against our throats! So convening on major steps, unfortunately, requires a crisis situation.

—Herman Van Rompuy, former president of the European Council, September 10, 2015¹

If we are not able to find humanitarian and efficient solutions, then others will find solutions which are inhumane, nationalistic, and for sure not European.

—Donald Tusk, president of the European Council, October 15, 2015²

Europe has been subject to nearly a decade of crises. After surviving its worst economic downturn since the Great Depression and the near collapse of its common currency, the region is now engulfed by hundreds of thousands of desperate migrants and refugees from the Middle East and Africa. Undeterred by the risks of death by drowning or suffocation in trucks, the refugees calculate, probably rationally, that the risks

1. Quoted in EurActiv, www.euractiv.com/sections/development-policy/van-rompuy-eu-leaders-only-take-bold-decisions-when-they-have-knife.

2. Comment at European Council meeting, www.consilium.europa.eu/en/meetings/european-council/2015/10/15-16/.

of escape are worth it. Many Europeans fear that these refugees are bringing social disruption and imposing fiscal burdens.

Such fears, however, are misguided. Immigration into Europe is already an important source of economic growth,³ has at least a neutral impact on government finances,⁴ often contributes critically to countries' human capital,⁵ and together with labor mobility is an important economic shock absorber.⁶ Maintaining a generally open door toward migrants and its open internal borders is hence critical to the continent's economic future.

But Europe needs new and permanent migration institutions and the resources to accommodate the influx of refugees and set up a new border control system throughout the region. These demands pose a challenge for European policymaking as serious as the euro crisis of the last five years.

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Yet the current situation also offers Europe an opportunity. The refugees and the challenges they present could speed a necessary process of integration and common migration institutionalization in Europe that would be politically impossible in normal times.

3. The Organization for Economic Cooperation and Development (OECD 2012) estimates that 70 percent of the increase in the European workforce in the last decade can be attributed to inward migration. The effect on EU members' aggregate GDP is hence unambiguously positive.

4. See Liebig and Mo (2013). Migrants tend to be younger than native populations and hence more likely to be economically active, reducing dependency ratios. See also Gagnon (2014).

5. See Hunt (2010) and Boubrane and Dumont (2013).

6. See Jauer et al. (2014).

This *Policy Brief* proposes a migration and mobility union, to be implemented gradually, with the goal of comprehensively reforming European migration policy. The proposed union would establish permanent common sea, land, and air external border control and harmonize some national rules of asylum and other types of residency at the European level. It would also establish new “blue” (common) and “red” (national) migration categories and create earmarked European-level funding mechanisms or instruments to finance common external border control and migrant reception.

Funding for Europe’s immigration crisis—a sum that could reach tens of billions of euros—could come from a variety of options proposed in this *Policy Brief*. Member states of the proposed union could fund the effort through the reallocation of some existing national fiscal resources, for example. A possible “migration system user fee” could generate income from administrative immigration levies or broader indirect user fees. In addition, the introduction of migration and mobility bonds (MMBs), jointly guaranteed by member states and also backed by earmarked levies, would be consistent with Europe’s increasing mutualization of financial responsibilities in times of crisis, as happened during the recent economic downturn and financial emergency.

WHY THE CURRENT CRISIS SITUATION IS AN OPPORTUNITY

Net migration into the countries of the European Union (EU-28) has been estimated at 1.2 million annually in the 21st century, bringing the region’s foreign-born population to more than 10 percent of the total population in 2014.⁷ The numbers, which are probably higher than many believe, have rivaled the flow of immigrants into the United States.⁸ In 2015, however, the number of new asylum applications doubled from the previous year, and detected illegal border crossings reached 1.2 million, a quadrupling of the number in 2014.⁹ The European migration system is clearly stretched to a breaking point.

This situation is unlikely to change in coming years. The reasons lie in the persistent high differences in GDP per capita

levels between Europe and the immigrants’ countries of origin, the relative youth of growing neighboring populations, collapsed states and armed conflict in Europe’s immediate periphery (particularly Libya and Syria), and the desire of refugees to avoid confinement in refugee camps that lack basic necessities or educational opportunities for their children. Thus the elevated level of inward migration to Europe is a “new normal.”

The process of European integration, meanwhile, is evolving from deepening engagement among sovereign states to embryonic bottom-up nation building and crisis management. Member countries are attempting fitfully to overcome economic and political constraints and pool national sovereignty into new supranational European laws and institutions.

National sovereignty is still jealously guarded by individual EU member governments, however. But the current crisis may serve as an opportunity for them to relinquish sovereignty, to achieve “more Europe.” Member states must begin by accepting their interdependence and realize that only a common European solution may be practical. Technocrats, policymakers, and bureaucrats can effect integration below the public’s political radar screen and media coverage; but European integration involving a surrender of basic tenets of national sovereignty, as involved in immigration policy, is not a stealth proposition.

The European Union remains largely anchored at the member state level for most voters, as it is here their self-identities are rooted (figure 1). European Parliament elections and pan-European party candidates for the European Commission presidency may have begun creating a single regional political arena and debate, but for now political power to expand the power of European institutions flows upward from member states.

A crisis situation can alter these circumstances. As the recent euro area crisis illustrated, only when the status quo is politically insufferable or a regional economic disaster looms will member states reach for a new supranational solution.

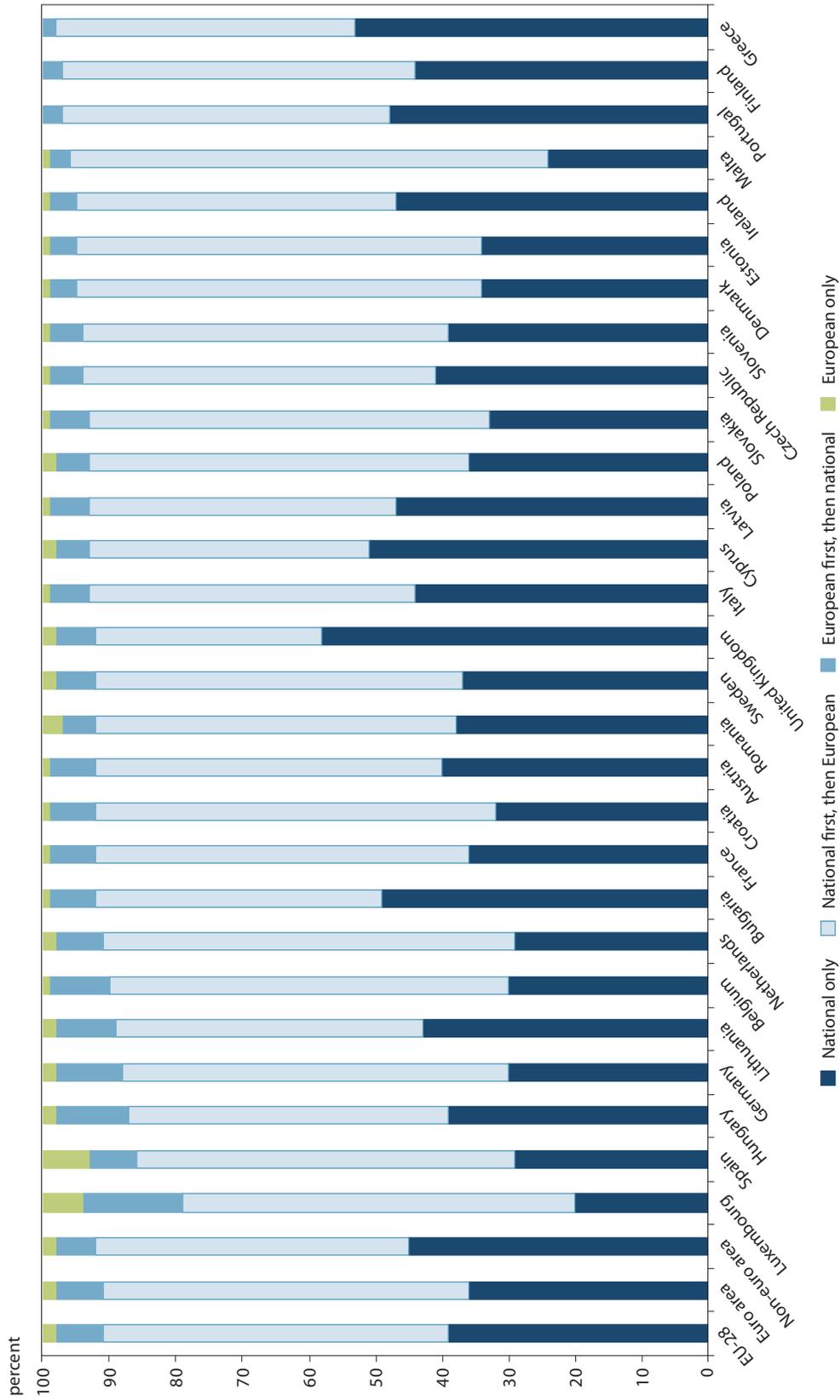
A major reform of European migration institutions is probably overdue. The current immigration crisis threatens the political viability not only of one of the European Union’s earlier liberalizing successes—implementation of the borderless Schengen Area in 1995—but of the entire European integration project. Concerns go well beyond the reintroduction by some member states of national border control and cancellation of Schengen’s open borders. Such controls will not stop the inflow of migrants. They will only force Greece, Italy, and other frontline border states to bear the burden of the crisis, becoming larger versions of the tragic Calais migrant camps in France, where thousands camp out in the hope of making it across the Channel (the Schengen border) to the United Kingdom. And it may just be a matter of time before

7. One can define “foreign-born” as meaning any country other than an EU member state, or only countries outside the EU-28. Total foreign-born population in the 28 EU member states in 2014 was 51.5 million, though this includes people born in other EU members. When including only migrants from outside the EU-28, the total in 2014 drops to 33.6 million, or 6.6 percent of the EU-28 total population.

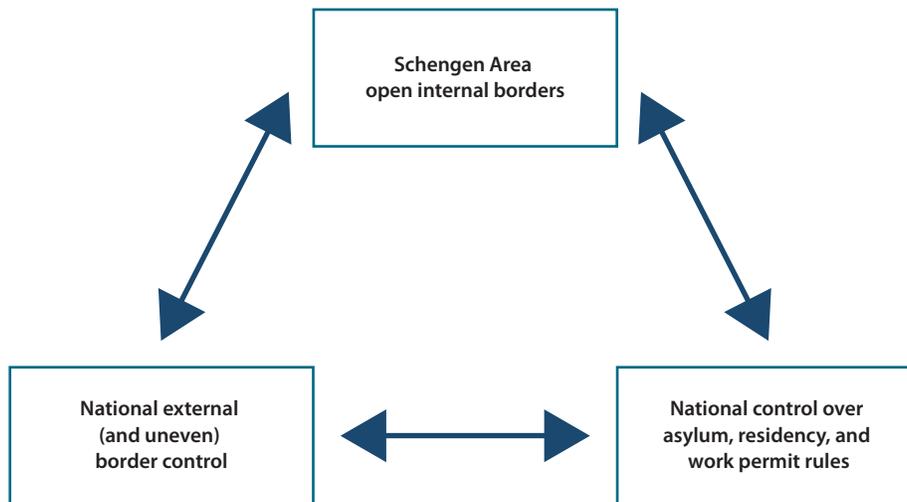
8. The annual number of new permanent lawful residents (green card recipients) in the United States have ranged between 700,000 and 1.25 million since fiscal year 2000. Data from DHS (2014).

9. Data from UNHCR (2015) and Frontex (2015).

Figure 1 How do Europeans identify themselves, autumn 2014



Note: Data refer to the answer to the question, "Do you see yourself as...?"
 Source: Eurobarometer 82 (2014).

Figure 2 Europe's impossible migration policy trinity

Greece, Italy, and the other frontline states send recent migrants back to the countries they left (Turkey or Libya, primarily) or on to other EU members. If Austrian border police, for example, try to stop refugee trains or buses chartered by Italy for returning refugees, the European Union as we know it will have stopped functioning. The gravity of the situation will likely only deepen as panicking national governments pursue purely national solutions.¹⁰

Fortunately, the economic crisis of the last five years has proven that eventually EU leaders do what is necessary to safeguard the European project. And it offers other parallels, too.

Introduction of the euro in 1999 combined with capital markets integration threatened to undermine the initial institutions of the common currency. A critical governance failure was that while monetary policy was regionally shared and capital mobility free, banking supervision and resolution (and fiscal matters) remained national. The recent euro crisis overwhelmed several national banking systems, and by mid-2012 it was clear that integrating euro area banking supervision and resolution was necessary.

Similarly, the introduction in the 1990s of borderless internal travel in most of the European Union, while leaving migration, asylum rules, and external border control largely at the member state level, constitutes a design shortcoming in the form of an impossible migration policy trinity (figure 2): open, regionwide internal borders coexisting with differences in both national border control and national rules for asylum, residency, and work permits. The demands of these three imperatives can

be sustainably remedied only through “more Europe,” the adoption of genuinely common external border control and more harmonized migration and asylum rules among the countries that want to maintain ease of travel within their own borders.

It was a different era when the borderless travel accord was signed in Schengen, Luxembourg, by France, Germany, Belgium, the Netherlands, and Luxembourg in 1985. At that time, total gross migrant inflows¹¹ to these countries was about 500,000 annually. And when the Schengen Agreement was implemented in 1995 gross inflows to the original 13 members¹² were 1.2 million, less than half of current levels, and most immigrants came from neighboring countries. The immigration patterns are very different now and Europe needs a new common approach.

A NECESSARY NEW APPROACH TO MIGRATION IN EUROPE

Europe has been pursuing the wrong approach to reform its migration policy. Recently, the EU Council set up a compulsory national quota system for up to 120,000 asylum seekers (on top of an earlier pledge to relocate 40,000 on a voluntary basis), shifting refugees from Greece and Italy to other parts of the Schengen Area.¹³ This step marked a new level of European-

10. The Dutch government has already unofficially floated a “mini-Schengen” proposal. See Reuters, “Dutch government floats ‘mini-Schengen’ idea to EU partners,” November 19, 2015, www.reuters.com/article/2015/11/19/us-europe-migrants-netherlands-idUSKCN0T81J720151119.

11. Gross inflows (or immigrant arrivals) minus gross outflows (or emigrant departures) equals a country’s net migration in a given year.

12. The 15 members of the European Union at the time, excluding the United Kingdom and Ireland.

13. The countries currently participating in the Schengen Area are 22 of the 28 EU members; the 6 nonparticipating countries are Bulgaria, Croatia, Cyprus, Ireland, Romania, and the United Kingdom.

level activism.¹⁴ But instituting national quotas to deal with a regional problem is misguided. Maintaining Europe's open borders in the Schengen Area must be the goal. Reinstitution of national borders through national asylum seeker quotas is unworkable and counterproductive.

Even if 120,000 asylum seekers were reallocated across the Schengen Area based on the new compulsory distribution key, they would not likely remain in their newly allocated country of processing. They would probably move instead to a country where they could find a job or live with relatives or cultural kin, even if doing so cost them access to social assistance from the

Permanent new European migration institutions should support progress toward two long-term goals: safeguarding Schengen Area mobility and adequate regional inward migration.

country to which they were relocated. Such an outcome could be beneficial by channeling labor input to where it is needed. In a regional labor market hampered by differences in economic growth and low labor mobility, restricting freedom of movement of probably the most mobile group of workers is bad economic policy.

Fortunately, the initial EU action is already failing. Only 2,254 relocation offers were made by member states by November 2015,¹⁵ two months after the decision to relocate up to 160,000. At this rate, the European Union would reach its asylum seeker relocation goal in late 2026.

A new approach is thus clearly needed to deal with the “new normal” of large numbers of migrants, currently from the unstable countries of the Middle East and sub-Saharan Africa. Permanent new European migration institutions should support progress toward two long-term goals:

1. *Safeguard Schengen Area mobility.* Labor mobility should be a premium in a European economy struggling with the effects of the asymmetric shocks of recent years and persistent differences in unemployment. Internal national border restrictions must not be reimposed.

14. “EU Council Decision establishing provisional measures in the area of international protection for the benefit of Italy and Greece,” September 22, 2015, <http://data.consilium.europa.eu/doc/document/ST-12098-2015-INIT/en/pdf>.

15. European Commission press release, “State of Play: Measures to Address the Refugee Crisis,” November 4, 2015, http://europa.eu/rapid/press-release_IP-15-5958_en.htm.

2. *Safeguard adequate regional inward migration.* Countries generally benefit from managed inward migration, and aging European economies must seek to benefit from inward migration of labor. A managed open door policy, with both regional and national quotas and criteria, should help people who need asylum and seek economic opportunity.

The formation of the new banking union after 2012 provides a model for a feasible political path for a timely response to the migration crisis. Revising the EU Treaty (e.g., the Lisbon Treaty of 2009) would be legally and institutionally preferable, but adoption of a new treaty would take too long and run a risk of failure. Like the 1985 Schengen Area initiative, incorporated into a protocol to the Treaty of Amsterdam in 1997,¹⁶ a new migration and mobility union (MMU) can be initially formed outside the EU Treaty framework as an inter-governmental accord.

European policymakers should not merely sit back and await new immigration-related initiatives from the European Commission, which is unlikely to present new proposals for the diversion of resources away from its own budget or for new institutions outside its control. Europe needs instead to think outside the box of existing institutions and budgets.

A new MMU treaty would logically include only the EU members in the Schengen Area as the best way to secure political backing. The United Kingdom, for example, would not likely opt into an increasingly common EU immigration policy. Keeping non-Schengen EU members Bulgaria, Croatia, and Romania outside, at least initially, may make the proposed union more acceptable among the rest as well. On the other hand, non-EU Schengen Area members Iceland, Norway, and Switzerland would sensibly be founding members—indeed, they would have to be, or face a loss of the free cross-border movement they now enjoy in the Schengen Area. The proposed union could start out as a “coalition of the willing” among Schengen Area members, but a critical mass of these members would be needed to create the momentum that would compel others to join, knowing that refusal to do so might cost them their open borders with the MMU member countries.

Germany should be in favor of joining such a union, bolstered by Chancellor Angela Merkel's desire for a “European solution” to the immigration crisis. France, reeling from the Paris terrorist attacks of 2015, could use the new union to jumpstart a new Franco-German European integration project. Add the Mediterranean frontier countries of Italy, Greece, and Spain to the Franco-German locomotive and a critical mass is within reach, especially as the small open Benelux members could not

16. The text is available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:l33020>.

remain outside such a project.¹⁷ Convincing more skeptical Eastern European Schengen members to join might prove difficult, but their concerns about losing free access to the largest economies in the continental European Union could bring them aboard, especially if the union included a new permanent pan-European border control organization on their eastern borders.

A migration and mobility union would be responsible for external border control in the Schengen Area on land, at sea, and in international airports. It would also adjudicate and issue applications for temporary and permanent residency in expanded new pan-European immigration and residency categories. Finally, it would be tasked with the initial registration, processing, and housing of asylum seekers in collaboration with member state authorities.

The following three-step political timetable would launch the proposed union.

Step 1: Secure the Schengen Area External Borders

The candid admission of EU Council president Donald Tusk in September 2015 that “we as Europeans are currently not able to manage our common external borders”¹⁸ reflects a political imperative for action. As in the debate over immigration reform in the United States, no other migration reforms can proceed without border control as the first priority.

Three main elements appear necessary.

1. *Reach a new and stronger political understanding with key transit countries, first and foremost Turkey.* The European Union must secure better cooperation from the most relevant border states to manage and restrict immigration to genuine asylum seekers and credible economic migrants. Recalcitrant governments can be induced to cooperate through political concessions and direct economic (and military) support. The recent EU-Turkey agreement of November 29¹⁹ is a step in the right direction, with Turkey agreeing to help on migration issues in return for EU political concessions²⁰ and up to €3 billion in aid.

17. Reaching the nine-member-state threshold to launch the MMU as an enhanced cooperation initiative under the Lisbon Treaty thus seems politically feasible.

18. “Europe has lost control of its external borders,” *Financial Times*, September 20, 2015, www.ft.com/intl/cms/s/0/79b86e32-5faa-11e5-9846-de406ccb37f2.html#axzz3pmpweVx5.

19. European Council/Council of the European Union press release, “Meeting of heads of state or government with Turkey: EU-Turkey statement,” November 29, 2015, www.consilium.europa.eu/en/press/press-releases/2015/11/29-eu-turkey-meeting-statement/.

20. These include restarting stalled negotiations concerning a future EU membership for Turkey, prospective lifting of the visa requirement for Turkish nationals to the Schengen Area, and other bilateral issues.

2. *Put more boots on the common border.* Schengen Area members must commit more personnel and equipment to establish credible external border control, register migrants, and prevent illegal entries in the areas of the Southern Mediterranean and Aegean Sea and along the Balkan routes. Additional financial resources should be provided to Greece and Italy, and all national fiscal expenditures on external border control and refugee handling should be exempt from EU budgetary assessments.²¹ Fences and other physical measures should be considered only when the external Schengen Area border is also an external EU border.
3. *Accelerate the return of baseless asylum seekers and opportunistic economic migrants.* Failure to deal with migrants posing as refugees but merely seeking higher living standards will anger the public and lead to excessive restrictions in the future. Asylum seekers who are not fleeing war zones and do not require international protection should be returned quickly, as should economic migrants who lack minimum skills and employment prospects.

Step 2: Agree on New Funding Sources

As external border control becomes a shared European responsibility, a migration and mobility union will require new institutions to fulfill its role. Since 2004 the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex) has been tasked with the promotion, coordination, and development of European border management. It also plans and implements joint member states’ sea, land, and air operations at the common external borders.²²

But Frontex is inadequately prepared to carry out its mission. The 2016 Work Program proposals from the European Commission²³ envision the establishment of a new European Border and Coast Guard and are thus a tiny step in the right direction. Beefing up Frontex a bit will not suffice, however. A more comprehensive and far-reaching reform would involve the transfer of equipment and personnel, legal authorities, and implicitly national sovereignty from member states to new European institutions. Such a transfer will cost a lot of money.

21. The European Commission has already indicated that it will adopt such a stance. See Valentina Pop, “Migrant Crisis Could Prompt EU to Loosen Budget Deficit Rules,” *Wall Street Journal*, October 27, 2015, www.wsj.com/articles/migrant-crisis-could-prompt-eu-to-loosen-budget-deficit-rules-1445943475?alg=y.

22. See details about Frontex tasks and mission at <http://frontex.europa.eu/about-frontex/mission-and-tasks/>.

23. See details at http://ec.europa.eu/atwork/pdf/cwp_2016_en.pdf.

Frontex's 2015 budget of €143 million represents a 45 percent increase from €98 million in 2014,²⁴ but it is a pittance when one considers the EU habit of giving away billions in emergency aid and, in 2008, guaranteeing trillions of euros in bank assets. By contrast, the US government budget for border control authorities in the fiscal year 2015 budget²⁵ is nearly \$32 billion, the equivalent of €29 billion at the current exchange rate. Thus the United States is spending 200 times more than Frontex to meet this problem.

There are, of course, vast institutional and geographic differences between the United States and Europe, and these numbers leave out member state spending on managing the same borders. But obviously Europe needs to do more than the Frontex budget allows.

There is a political constraint, however, on additional spending because of restrictions on the 2015 EU budget of €162 billion. That sum is subject to terms of geographic redistribution ensuring that no member state can receive "politically unacceptable" net financial benefits from the common budget.²⁶ Without dramatic change, a credible MMU external border control initiative or new MMU institution cannot be financed by the existing EU budget. Most new MMU expenditures, for example, would be channeled to Greece, Italy, or other frontline states, implying that unless these states lost large parts of the expenditures from other parts of the EU budget (say agricultural subsidies or some structural funds), a new MMU would lead to a violation of the politically acceptable existing levels of net financial benefits embodied in the entire EU budget. Changing the rules is highly unlikely now that the European Union has just begun a new 7-year budget financial framework (2014–20).

New sources of revenue must therefore be found—a formidable problem for the European Union, which does not have its own taxing powers and will not have such powers for the foreseeable future. The traditional EU budget "own resources," e.g., resources not related to member state VAT and GNI determined contributions, come from external customs duties and sugar levies and in 2013 amounted to about €15 billion²⁷—all

of which might easily be required to fund the MMU and its institutions.

The proposed new union could be funded if member states allocated sufficient national fiscal resources for it, especially if it could be agreed that such outlays would be exempt from the normal EU budget surveillance. This approach would be in line with other examples of European countries jointly financing a major integrative project outside the general EU budget, like the European Stability Mechanism. Member states could transfer some existing domestic fiscal layouts toward border control and migration measures to the European level, and hence would not be compelled to fund an MMU entirely through new additional expenditures. The precise weighting for national member contributions would be debated but could easily be comparable to that used for the regular EU budget, in which contributions are weighted by GDP/GNI. Alternatively, funding could be patterned after EU Council voting procedures, based on population or perhaps on where new migrants actually resided over a 3- to 5-year period. The latter approach would ensure that Schengen Area countries benefiting the most from ongoing inward migration would pay a proportionate part of the costs of the new union. National contributions could also be based on a country's projected population decline, under the assumption that member states most in need of migrants would benefit and therefore provide proportionately greater funding for the new union. Funding keys of this nature would have the implication/political advantage that the European Union's traditional paymaster, Germany, would contribute a relatively large part of the total.

In terms of political process, the proposed union should begin as a Franco-German-led initiative, with Paris and Berlin putting up an initial sum of money and encouraging other states to follow suit proportionately. The more financially ambitious the Franco-German opening gambit, the more others should chip in. The recent call by the French and German economy ministers Emmanuel Macron and Sigmar Gabriel to pool €10 billion to fund external border control, security measures, and investments to improve conditions in Syria's neighboring countries²⁸ was a potentially big step in the right direction. The €10 billion should not be a one-off fund, though, but a new annual recurring expenditure.

Alternative and more innovative schemes to achieve such funding while avoiding a burden on taxpayers would include immigration system user fees, broader earmarked targeted fiscal levies, and new issue-specific project finance bond financing (MMBs). The recent establishment of the banking union

24. See Frontex budget details at http://frontex.europa.eu/assets/About_Frontex/Governance_documents/Budget/Budget_2015_N2.pdf.

25. Included here are the 2015 budget allocations for the US Customs and Border Protection (CBP), US Immigration and Customs Enforcement (ICE), US Coast Guard (USCG), and US Citizenship and Immigration Services (USCIS). See details in the Department of Homeland Security budget at www.dhs.gov/sites/default/files/publications/FY_2016_DHS_Budget_in_Brief.pdf.

26. The latest EU Budget Financial Report Annex 3 shows how the approximate annual geographic redistribution associated with the EU budget in 2007–13 ranged between a net benefit of 4.26 percent of GNI in Latvia (–€1.3 billion) to a net deficit of –0.37 of GNI in Germany (–€9.5 billion). See European Commission (2013).

27. The EU budget also derives a very small amount of resources from the contributions of non-EU members to some programs, taxing EU staff wages and fines levied on companies.

28. See Les Échos, "Macron et Gabriel veulent un fonds de 10 milliards pour la sécurité et les réfugiés," November 25, 2015, www.lesechos.fr/monde/europe/021505684292-macron-et-gabriel-veulent-un-fonds-de-10-milliards-pour-la-securite-et-les-refugies-1178277.php.

could serve as a model, although the “polluter pays” principle (essentially requiring the banking system to pay for a banking union) is not feasible. While many refugees clearly are paying people smugglers considerable sums of money to be brought to Europe, and hence do possess in principle leviable financial assets, it is inherently impossible to put an entry levy directly on newly arrived migrants and refugees to pay for new border control measures.

“User fees” can raise substantial resources. In the late 1980s, the US Immigration Examinations Fee Account (IEFA) was created to fund the activities and operations of relevant federal government agencies.²⁹ Today, US Citizenship and Immigration Services (USCIS)—the agency responsible for US immigration adjudications, work authorizations, consideration of refugee and asylum claims, and related services—is more than 95 percent fee funded and receives over \$3 billion annually in such fee-based resources.³⁰ A tax on at least some categories of new arrivals is thus not out of the question. The USCIS generally does not, however, charge a fee for “humanitarian-related services,” including processing refugee and asylum claims. Instead, fees are collected from other arrivals at a level ensuring recovery of the full costs of provided migration services, including those services provided without charge to mostly asylum applicants, as well as other administrative costs (e.g., overhead). Would-be American immigrant workers, students, investors, or citizens hereby cross-subsidize the processing of US asylum applications. A similar cross-subsidization would surely have to be implemented in an MMU to raise resources in this way, requiring a broader transfer also of nonrefugee immigration responsibilities to the common European level.

Another source of funding would come from broadening the definition of “migration system users” to include indirect users of other parts of migration-related infrastructure. A small toll fee on all individuals entering the European Union/Schengen Area by plane, boat, or even car might be one method of raising funds. With 584 million European tourist arrivals in 2014 alone,³¹ even a small fee would raise large sums, especially if it covered both visitors and residents. At the same time, it would be clear that such an arrangement would logically cover both visitors and existing European residents. It would hence morph from being a levy on foreign users of the immigration system to something more akin to earmarking relevant fiscal

29. For details, see Kandel (2015).

30. The fact that USCIS is largely “self-funded” in this way provides the agency and the executive branch with a very large degree of political independence from Congress, as the latter is unable to make its power of the purse really count. This is incidentally a major reason why Congress has to date been unable to act against the Obama administration’s recent executive orders on immigration-related issues.

31. See UNWTO (2014).

revenues for the purpose of the MMU. This type of indirect broad user fee model has worked for US highway infrastructure projects, supported by a gasoline tax of 18 cents a gallon. Any such broader fee would have to be levied at the external borders of the European Union plus the Schengen Area based on negotiations with non-Schengen Area EU members.

A fourth option would establish a common project for mutualized debt financing (see Kirkegaard and Philippon 2015). Such an entity would take advantage of the current low European financing costs and establish among the participants the “Hamiltonian principle” that mutualized debt financing is useful for projects of shared and urgent interest among member states. A scheme to issue MMBs, essentially a mixture of project finance and revenue bonds partly guaranteed by future immigration fee revenues, would likely require some form of member state fiscal guarantees, however. Direct member state fiscal guarantees would be appropriate on the grounds that member states should expect higher future growth rates and hence higher future tax revenues from the additional economic activity generated by arriving migrants.

Issuing MMBs would pave the way toward central fiscal capacity and help the functioning of the currency union, a worthy objective even if the MMU would likely not overlap completely with the euro area. Establishing an embryonic common European fiscal capacity starting with earmarked MMBs toward funding the proposed new union would signal the beginning of a long political process to equip Europe with a genuine fiscal capacity one issue or sector at a time (politically enabled one crisis at a time). These bonds could win the approval of European leaders, for whom regular eurobonds and a comprehensive fiscal union are nonstarters. A crisis-by-crisis and issue-by-issue fiscal union is probably the most that European politics can deliver under current circumstances.

The two most promising initiatives of those discussed here are the schemes to require member state fiscal resources and the issuance of bonds. In light of the urgent need to confront the immigration crisis, MMBs ought to be policymakers’ priority.

Step 3: Integrate the Schengen Area’s Regulations on National Migration, Asylum, Residency, and Work Permits

Harmonizing Schengen Area immigration rules will be extremely difficult, despite the remorseless logic of safeguarding European internal physical freedom of movement and the need to maintain adequate levels of inward migration of highly mobile migrants. MMU member states must also harmonize their national rules for asylum, work permits, residency, and even citizenship.

Maintaining purely national rules that dictate how long and under what circumstances migrants can reside in a member state will remain a fiction as long as free physical movement inside the Schengen Area exists. Recent arrivals who are granted residency in any MMU member state will have wide opportunities to move about in the Schengen Area, even at the risk of losing social benefits in an individual member state. Absent harmonized rules for asylum seekers among Schengen Area members, newly arriving applicants will “shop around” and try to reach the country with the most lenient national asylum rules, potentially overwhelming that country’s capacity to handle the problem.

Schengen Area countries will resist surrendering national control of immigration rules, so complete harmonization of such rules is politically unrealistic. Greater harmonization is achievable, however.

International treaty obligations for the protection of refugees are enshrined in EU law, and common EU rules apply for some categories of would-be workers and students, including high-skilled workers (EU Blue Card), accredited researchers, students, and some trainees and voluntary workers.³² But the vast majority of inward migrants to Europe are adjudicated according to national laws. This arrangement has to change in a migration and mobility union.

Over the years EU members have shown a remarkable ability to slice and dice national sovereignty according to their political needs in order to overcome a particular problem. The same flexibility is required to address the immigration crisis. It will probably be politically necessary for Schengen Area policymakers to agree on overall regionwide numbers for annual arrivals in at least some migration categories. Such politically determined quotas would be analogous to national quotas for some of the same inward migration categories in the United States, where for instance an annual 140,000 employment-based green cards are available.³³ Members of the Schengen Area should also harmonize their national rules for asylum applications and establish regional target ranges for this category of inward migration, too.³⁴

32. See details at http://ec.europa.eu/immigration/who-does-what/what-does-the-eu-do/coming-to-the-eu_en.

33. In more detail, the annual limit is 140,000 + unclaimed family-sponsored preference green cards from the previous fiscal year, meaning that the annual limit is a minimum of 140,000. For a detailed discussion of the US immigration system, see Kirkegaard (2015).

34. A race toward the higher common ceiling on asylum seekers is already under way in Europe, as recent elevated numbers of asylum seekers and Europe’s open borders are forcing the Schengen Area countries with the most permissive asylum rules (e.g., Sweden and Germany) to tighten them toward the area average.

In addition, MMU members should consider a separation of total inward migration into “blue” and “red” categories.³⁵ Blue migration would be governed by common European rules and red migration would remain the responsibility of individual member states. Blue migration terms would, in a scaled-up version of the existing EU Blue Card, let the incoming migrant choose freely to reside and work, study, or carry out other intended activities in any MMU member country. To promote greater labor mobility, blue migration beneficiaries would enjoy many of the same options to move from country to country as Schengen Area natives.

Blue migration entries should also be made available for temporary and permanent residency and work authorizations. As discussed above, a share of this new category could be subject to an administrative fee. Blue migration permits for many employment categories could be subject to such a fee, and fee-based “expedited service lines” could guarantee recipients and businesses a quick reply.³⁶ More controversially, perhaps, outright sales of EU citizenship to non-EU residents—as today possible in for instance Cyprus and Malta—would take place only at the centralized level and only in exchange for a fee or investment pledge.

Commonly agreed annual immigration category quotas for all of the migration and mobility union would cover only blue migration. Member states would set their own limits for national red migration. Blue migration should thus be viewed as merely a minimum, annual, regional inward migration.

Under such an arrangement important elements of immigration policy would be left to member state governments, according to their own national needs and preferences. If France wants to welcome more French-speaking migrants, for example, or if Spain wants more from Latin America, their governments would be able to do so through the terms of their national red migration.

Blue migration would maximize regional labor mobility. Employment-based migration currently accounts for about a quarter of total first-time residency permits in the European Union and Schengen Area (according to 2014 data³⁷). Many student visas should sensibly be put in the blue migration category, with the opportunity for successful graduates who hold

35. The separation of migration into “blue” and “red” categories is inspired by the distinction made by Delpla and von Weizsäcker (2010) between blue and red bonds.

36. This would be similar to the USCIS “Premium Processing Service,” which guarantees processing of some types of applications within 15 calendar days in return for a \$1,000 fee. See details at www.uscis.gov/sites/default/files/files/presrelease/PremProcSer_060101.pdf.

37. Eurostat data on residency permits (Residence permits (migr_res)), <http://ec.europa.eu/eurostat/data/database>.

such visas to stay on and work temporarily in the Schengen Area.³⁸

Under these proposals, member states would design their own national rules to govern family-based migration and other categories of particular national concern. Refugee arrivals should be included mostly under red migration, though as noted national rules for asylum should be harmonized among Schengen Area members. EU members' international obligations under the Geneva Convention and protocols relating to the status of refugees would logically fall under blue migration.

The total level of inward migration under the proposed union would be a mixture of blue and red, with different breakdowns across individual categories (and perhaps also varying across members) of inward migration. The political sensitivity of immigration would likely bring about a gradual shift toward more blue migration. Thus perhaps an initial 40-60 breakdown in blue and red migration would move toward 80 percent blue migration in 2025. Figure 3 illustrates how a gradual transition toward an MMU would alter the composition of inward migration in Europe from national toward regionally regulated inflows.

CONCLUSION

This *Policy Brief* argued for a fundamental reconsideration of European migration policy and proposes the gradual introduction of a migration and mobility union among the current members of the Schengen Area. A smaller vanguard group of EU members, likely led by France and Germany, would probably be required to launch the new union, with other countries joining later.

The current migration crisis may serve as a political window of opportunity to encourage member states' governments to agree to otherwise politically impossible integration of immigration-related issues, in a manner reminiscent of the crisis-driven introduction of the EU banking union in 2012. Only when European leaders see that continued misguided action on migration could unravel decades of European integration will they have the political will to act effectively.

The current crisis will in the end force Europe to adopt one more mantle of traditional statehood, namely that of (common) external border control. The proposed union would shift migration policy and (common) external border control

from a national to a European responsibility. It would have the explicit intent of safeguarding sensible levels of overall inward migration and maintain internal free physical movement in the Schengen Area. It would, initially at least, be an intergovernmental arrangement outside the existing EU Treaty framework.

Introducing an MMU would first politically require member states to restore full control over their external borders, followed by agreement to establish and fund permanent common external border control institutions and harmonize national migration regulations.

The proposed migration and mobility union would shift migration policy and (common) external border control from a national to a European responsibility.

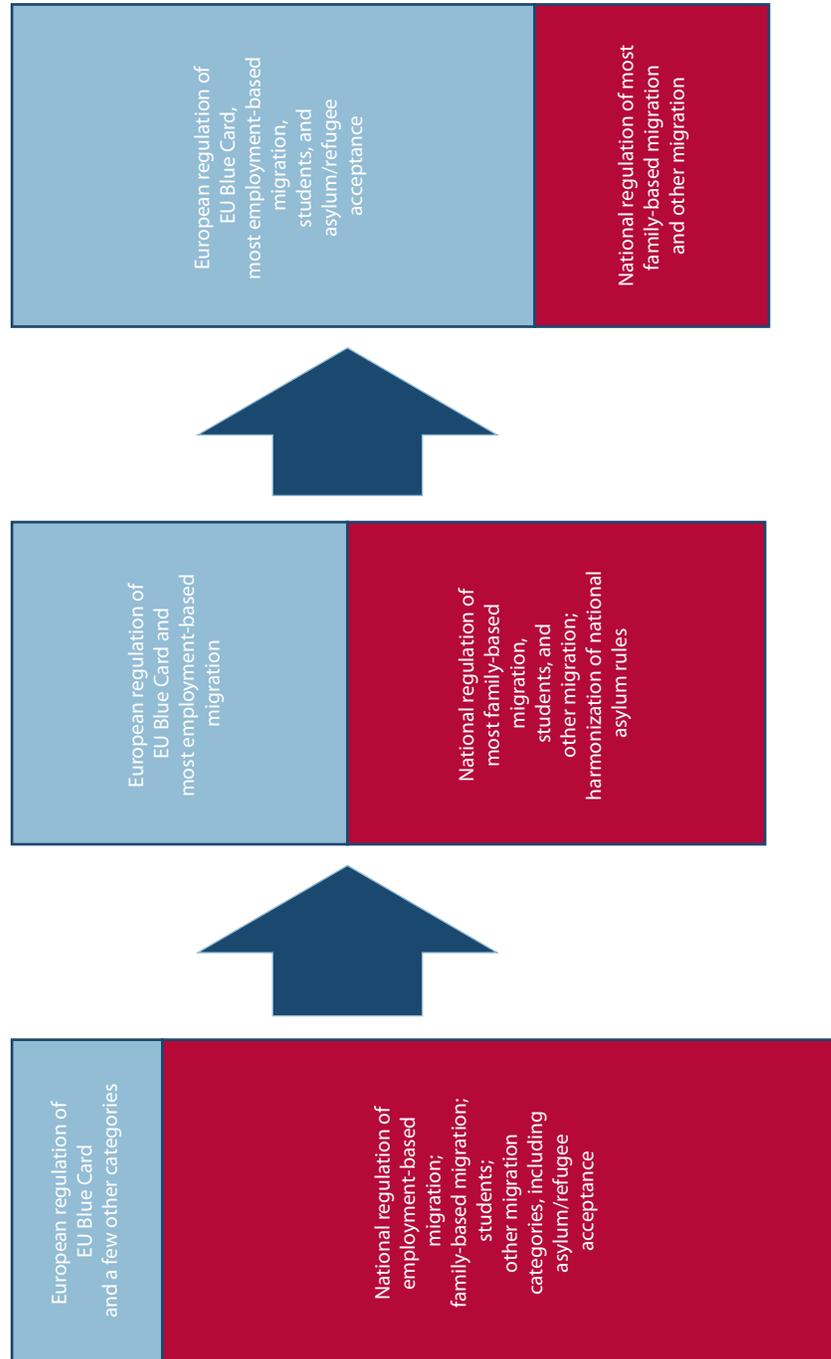
Financing common external MMU border control would entail orders of magnitude increases in joint spending from today's Frontex budget of less than €150 million. Since such money will be impossible to find in the existing EU budget, a series of alternative financing options must be considered, including direct member state funding out of existing national fiscal resources, "migration system user fee" income from administrative immigration levies, broader indirect user fees from earmarked levy revenue from wider categories, and the introduction of migration and mobility bonds, jointly guaranteed by member states and also backed by earmarked levy fees. Issuing MMBs would establish an issue-specific central fiscal capacity in Europe to deal with the shared problem of external border control and migration management. This step-by-step approach toward a genuine fiscal union in Europe is the most politically feasible path toward a common fiscal capacity in Europe for the foreseeable future.

Aggregate annual MMU inward migration ranges must be agreed and a distinction made between European law-based blue migration and national law-based red migration for both temporary and permanent residency and work permits. Blue migration entrants might work and reside throughout the proposed union and would account for the majority of regional employment-based migration and student residencies. Under the red migration category member states would remain responsible for most family-based migration and other categories of national interest.

Over time, the relative importance of blue migration categories will increase, converting inward migration from the current overwhelming national issue to a common European responsibility.

38. Such a blue migration temporary work permit would resemble the US Optional Practical Training (OPT) option, which grants every foreign graduate at a US university up to 12 months work authorization in a job related to his/her degree. See www.uscis.gov/eir/visa-guide/f-1-opt-optional-practical-training/f-1-optional-practical-training-opt.

Figure 3 From Schengen to MMU: Composition of total inward migration



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