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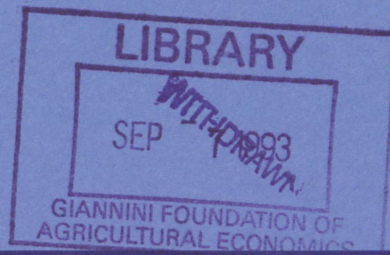
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## **Thinking about Migration: Notes on European Migration Pressures at the Dawn of the Next Millennium**

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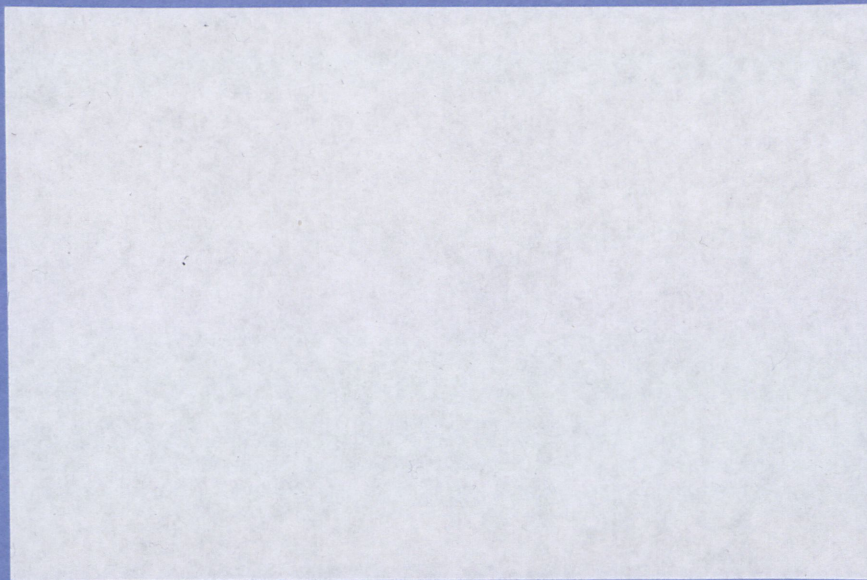
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**Thinking About Migration:  
Notes on European Migration Pressures at the Dawn of the Next Millennium<sup>1</sup>**

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An American residing temporarily in Western Europe cannot help but be of two minds about the migration pressures the region will face at the dawn of the next millennium. On the one hand, transportation costs are low and continuing to fall. A one-way trip by small boat with chaperon from the Moroccan coast to the Spanish city of Tarifa reportedly costs less than \$600. The media makes available copious information about living standards and employment prospects in different countries. On the other hand, the relatively structured character of Western European labor markets, in which semi-skilled workers must be credentialed and possess proof of residence, and the prevalence of binding controls on housing markets create barriers to the integration into the work force and society of undocumented emigrants.

Europeans, including economists, are of the same two minds. Ask some and they will profess anxiety about the number of Eastern Europeans with facility in a Western European language who need only cross one western border to raise their wages by a factor of 10 or two borders to raise them by a factor of 100. Ask others and they will insist that Europe is different from North America: that lower levels of labor mobility and higher

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<sup>1</sup> This is a revision of paper prepared for the Kiel Week Conference, 23-24 June 1993. It was written during the author's sabbatical leave at the Institute for Advanced Study in Berlin, whose hospitality and support are gratefully acknowledged. I thank Rudiger Dornbusch and Pierre Sicsic for helpful comments.

degrees of regulation and surveillance of employment relationships limit the opportunities and dilute the incentives of Western Europe's neighbors to move.

Between these two extremes lies reality. There one can find a body of evidence about migration and labor-market experience that provides a basis for thinking about Europe's migration prospects. It suggests a set of observations -- some widely accepted but others controversial -- with which any analysis of prospective European migration pressures must come to grips.

These observations point to a pair of central conclusions. First, there exists a very large stock of potential economic immigrants to Western Europe. The EC can realistically do little if anything to keep them out if they want to come. What it can do is to enhance their incentive to stay home by helping to foster economic growth in the sending regions. Fortunately, income equalization between source and destination is not necessary to prevent large-scale migratory flows. Reasonable prospects of economic growth are sufficient to keep the vast majority of potential migrants from moving. Most residents of sending countries cite the difficulty of separating from their families and pride and responsibility for their home country as motives for staying home and are prepared to do so if the local economy improves. But if transformation in Eastern Europe falters and growth performance in Africa remains disappointing, Western Europe may see immigrants on a scale that dwarfs anything witnessed to date. This realization suggests clear policy priorities: development assistance and trade liberalization.

Second, Europeans typically view internal and external labor mobility as at odds with one another. Removing Europe's internal barriers to labor mobility is only feasible, it is

argued, if at the same time external barriers are strengthened. Otherwise immigrants from outside the EC will enter through the member state whose policies toward migration are least rigorously enforced and disperse throughout the Community. With internal mobility, all member states will suffer from any one's failure to vigorously enforce immigration restrictions. But further analysis in fact suggests that the implications of extra-EC labor mobility for the internal market are more complicated than this. Though a smoothly functioning economic and monetary union requires labor mobility, Western Europeans are unlikely to become significantly more mobile in the short run. Guest workers from outside the Community, by comparison, are exceptionally mobile. Having moved once, they are relatively inclined to move again. They have the weakest cultural and linguistic links to their place of residence in the Community. Extra-EC labor can thus provide an important safety valve and regional adjustment mechanism for Western Europe's economic and monetary union. Barring guest workers may therefore significantly complicate efforts to establish a single market featuring unfettered labor mobility internally.

I develop these points by considering 11 successive propositions.

\* \* \* \* \*

**1. European borders are porous.**

The Neisse River, which makes up half of the border between Poland and Germany, is less difficult to cross than the Rio Grande. The problems this creates for German immigration policy will sound familiar to those acquainted with the border between Mexico

and the United States. Individuals fording the river barely have to get their ankles wet. A mere 35 guards patrol 23 miles of border and spend much of their time on paperwork. Serious penalties can hardly be imposed. The behavior of migrants is entirely predictable: in the words of one German border guard, "A colleague of mine caught the same man, a Rumanian gypsy, three times in two days. You must admit it gets a bit depressing, because you know that if they keep trying they will always get through in the end." By one estimate, no more than 25 per cent of illegal migrants are caught (Lieven, 1993, 7).

In principle, one can imagine policies sufficiently draconian to eliminate all immigration into countries with sufficient "political will." But implementing such policies is oppressive socially. Religious, anti-racist and human-rights groups have all condemned the call by the French interior Minister, Charles Pasqua, for "zero immigration," for example.<sup>1</sup> From a narrowly economic point of view, moreover, enforcement of such policies is likely to be prohibitively expensive.

Thus, the belief that the European Community can be sealed off from undocumented immigration like the two halves of Berlin were sealed off from one another in the time of the Wall must be dismissed as illusory.

## **2. Immigration from outside the EC remains surprisingly low and stable.**

Given the porousness of the border, the rate of immigration remains surprisingly low. The 450,000 asylum-seekers who entered Germany in 1992 represent but 4/10 of one per cent of the population of Eastern Europe (1/10 of a per cent if one includes in the denominator the European portions of the former USSR). Total asylum-seekers arriving



from Central and Eastern Europe in all Western European countries since 1985 amount to little more than five times this number (Table 1). Since the population of Western Europe is roughly the same as that of Eastern Europe (European former-USSR included), these numbers look proportionately the same from the perspective of the receiving countries.

Asylum-seekers are only one small component of European immigration. More important by any measure are the economic immigrants. Yet total extra-EC migration remains surprisingly small. Table 2 shows data on foreigners as a share of population in various European countries circa 1987. For the European Community as a whole, foreigners from non-EC countries accounted for only 2.5 per cent of resident population. This is peculiar given developments, especially recently, that appear to heighten the incentive to migrate. Vanderkamp (1971) reports a variety of estimates which point to the conclusion that distance and income differentials are the most powerful determinants of migration flows. Since distances between Eastern and Western Europe are small and the cost of traversing them continues to decline, while real income differentials have grown with the transitional difficulties of the Eastern economies and the checkered development record of Africa, that more migration has not eventuated must be regarded as something of a surprise.

Some light on this puzzle can be shed by a study of Eastern Europe and the former Soviet Union conducted in 1992 by the UN's International Organization for Migration.<sup>2</sup> 73 per cent of Russians surveyed said that it was unlikely that they would seek work abroad even for a few months. The same answer was given by 69 per cent of Ukrainians and 65 per cent of Bulgarians. The Russians surveyed cited as deterrents to migration the need to separate from their families, the difficulties of obtaining work in the West, and patriotism ("a

**Table 1**

**Total Number of Asylum-Seekers Originating from Central and Eastern Europe  
and Arrived in Western Europe, 1985-1992<sup>a</sup>**

**(Thousands)**

Country	Asylum-seekers
Albania	35.7
Bulgaria	53.4
Czechoslovakia	26.9
Hungary	24.9
Poland	148.5
Romania	265.5
USSR	17.6
Yugoslavia	414.6
Total	987.0
Memorandum item: Total asylum seekers	25576.0

<sup>a</sup> Reported by 13 West European countries.

Source: UNECE (1993).

sense of pride and responsibility for the mother country"). There is no obvious reason why any of these factors should change radically in the future. Revealingly, however, the UN study also found that fully 77 of Albanian respondents said they were likely to seek work abroad. The difference from responses in other countries plausibly reflects the breakdown of the Albanian economy, with looting, riots and unemployment rates in excess of 50 per cent. The implication is clear: collapse of the transformation process in other Eastern European countries, more than anything else, can provoke significant increases in migratory flows; therefore Western support for Eastern transformation will be the most effective means of stemming immigration. I return to both of these points below.

**3. Unless it increases very significantly, immigration from outside the EC will have only minor effects on unemployment and wages.**

Immigration is such a contentious issue partly because of fears that foreign workers will depress wages and raise unemployment among natives. In fact, most previous studies have found only small effects of immigration on the labor market outcomes of natives (Altonji and Card, 1991; LaLonde and Topel, 1991). But all such studies suffer from problems of simultaneity: if immigration raises unemployment rates but at the same time rising unemployment rates reduce immigration, the two effects may cancel out, misleading the investigator into concluding that the first effect is absent.

Card (1990) and Hunt (1992) have examined two natural experiments in which the immigration can reasonably be regarded as exogenous. Hunt considers the impact of the return of 900,000 individuals of European origin to France within a year of Algeria's independence

**Table 2**  
**Foreign Population in the Member States of the European Community**  
**1987**

		Foreign Citizens (thousands)			Proportion of foreigners from (percentage)	
Receiving country	Reference date	Total	European Community countries	Third countries	All countries	Third countries
Belgium	1987	853.3	538.1	315.2	8.6	3.2
Denmark	1987	128.2	26.6	101.6	2.5	2.0
France	1982	3680.1	1577.9	2102.2	6.8	3.9
Germany, Federal Republic of	1987	4630.3	1377.6	3252.7	7.6	5.3
Greece	1987	193.4	111.0	82.4	1.9	0.8
Ireland	1988	83.6	66.5	17.1	2.4	0.5
Italy	1987	527.1	173.0	399.1	1.0	0.7
Luxembourg	1981	95.8	88.6	7.2	26.3	2.0
Netherlands	1987	568.0	159.7	408.3	3.9	2.8
Portugal	1987	39.8	23.9	65.9	0.9	0.6
Spain	1987	334.9	193.3	141.6	0.9	0.4
United Kingdom	1984-	1736.0	752.0	984.0	3.1	1.8
Total	1986	12965.5	5088.2	7877.3	4.0	2.5

Source: United Nations (1992), p. 178.

in 1962. In 1968 the repatriates represented 1.6 per cent of the French labor force. Since Algerian independence was exogenous with respect to French labor market conditions, the immigration with which it was associated can reasonably be regarded as exogenous as well, solving the simultaneity problem.

Using cross-section data for 90 French départements, Hunt finds a small but significant impact of repatriates on unemployment among natives. A one percentage point increase in the proportion of repatriates in the population is associated with a 0.1 percentage point increase in the non-repatriate unemployment rate. The evidence that immigration reduced wages is weaker, but some of her equations suggest that a one percentage point increase in the proportion of repatriates in the population was associated with a 0.5-0.8 percent decrease in wages. Thus, these results confirm the intuition that an increase in labor supply should reduce the rate of return to labor, *ceteris paribus*, but also indicate that immigration would have to increase very significantly before the impact on labor market outcomes began to approach that of normal business cycle fluctuations.

The Algerian experiment may not be entirely applicable to present-day Western Europe, however. Most Algerians came with assets and families; many opened small shops and businesses. Because so many were self-employed, they may have had an unusually small impact on wages and unemployment statistics. The case analyzed by Card (1990), the Mariel boat lift of Cubans to Miami, is likely therefore to be more relevant to Europe today. Overall the Mariel immigrants increased the Miami labor force by seven per cent. Few came with assets and families, and they were concentrated in less-skilled occupations and industries. In all these respects they resembled the majority of African and Eastern European

immigration to Western Europe. Yet Card in his study of the Mariel boat lift, like Hunt in her study of the Algerian returnees, finds that the immigrants had only a small impact on the recipient labor market. This strengthens the general conclusion that labor markets have a considerable capacity to absorb immigrants without giving suffering severe declines in wages or increases in unemployment.<sup>3</sup>

#### **4. Southern Europe is now receiving rather than sending immigrants.**

The leading EC destinations for immigrants, along with Germany, are now Greece, Italy, Spain and Portugal, all of which were long countries of emigration. A corollary of their rapid economic growth has been a simultaneous increase in the demand for unskilled labor for so-called "dirty jobs" and a decline in the supply of domestic workers willing to undertake them. Hence, an increasing number of service-sector jobs in these economies have been filled by foreigners. In addition, the tightening of immigration restrictions by the countries of Northern Europe (see proposition 5 below) encouraged immigrants from outside of Europe to migrate to its south.

Also contributing to the growth of immigrants in Southern Europe is the region's proximity to a main source of immigrant supply, North Africa. Many immigrants now come from Eritrea, Somalia, Cape Verde, Gambia, Ghana, Guinea, the Maghreb, and from other Third World countries such as Egypt, Jordan and the Philippines. A quarter of registered immigrants in Southern Europe come from these countries, a number which might reach 50 per cent if undocumented immigrants could be counted (Salt, 1992).

Demographic factors are important here for thinking about future trends. Forecasts

for the 1990s predict a population increase of a mere 5.5 million for the EC and EFTA countries combined. In contrast, the population of countries along the Mediterranean's southern rim is predicted to double in only 25 years. The population of the non-EC Mediterranean Rim states is forecast to increase by 50 million in the 1990s alone. Successful economic development could moderate immigration pressure. But political instability, poverty and stagnation would create considerable potential for the opposite.

**5. Governments everywhere seek to discourage migration, but especially Western European governments.**

The relatively negative attitude of European governments toward migration is evident in the results of the United Nations' 1990 survey of 170 member countries (United Nations, 1992) summarized in Tables 3 and 4. While only 37 of 169 countries (or 22 per cent) viewed levels of immigration as too high, and while the same was true of only 24 per cent of all developed countries, 30 per cent of European countries viewed immigration levels as excessive, and 50 per cent intended to reduce the level of immigration. Of 12 EC member states, 8 stated that immigration rates were too high (the exceptions being Denmark, Ireland, Portugal and Spain). 9 member states (all but Denmark, Ireland and Portugal) stated their intention of intervening to reduce immigration.

Western European countries have already used policy more aggressively than other industrial nations, particularly those of North America, in attempting to achieve these ends. The movement toward more restrictive European migration policies has been underway since the early 1970s, when economic growth rates declined and the large cohorts born in the

Table 3

**Distribution of Countries by major areas and according to Governments'  
Perceptions of Immigration and Emigration, 1990**

(Percentage)

Region	Perception of migration level			
	Too low	Satisfactory	Too High	Total
<b>Immigration perceptions</b>				
Africa	1.9	76.9	21.2	100.0
Latin America	12.1	69.7	18.2	100.0
Northern America	0.0	100.0	0.0	100.0
Asia	2.6	71.1	26.3	100.0
Europe	0.0	70.0	30.0	100.0
Oceania	0.0	90.9	9.1	100.0
USSR	0.0	100.0	0.0	100.0
All countries	3.6	74.6	21.9	100.0
<b>Emigration perceptions</b>				
Africa	5.8	78.8	15.4	100.0
Latin America	3.0	54.5	42.4	100.0
Northern America	0.0	100.0	0.0	100.0
Asia	10.5	65.8	23.7	100.0
Europe	0.0	90.0	10.0	100.0
Oceania	0.0	90.9	9.1	100.0
USSR	0.0	100.0	0.0	100.0
All countries	4.7	74.6	20.7	100.0

Source: United Nations (1992), p.172.



aftermath of World War II began entering the labor force. New policies adopted since that time make it more difficult for immigrants from outside the EC to obtain temporary work and permanent residence. France has almost completely halted the regular inflow of migrant workers; foreign entrants to the labor force now consist almost entirely of children and spouses of foreigners already living in France. Germany and Switzerland have curtailed the issuance of work permits to foreigners. Belgium adopted a new Law on Foreigners in the mid-1980s that restricted family reunion and the right of foreigners to reside in certain geographical areas. These and other countries have promoted return migration by schemes paying a premium to those returning to their country of origin, offering such individuals aid for setting up small businesses in their home country, granting subsidies for professional training there, and targeting development aid to countries of origin. From this perspective, recent initiatives to tighten up immigration restrictions in Western Europe are not a new departure but simply the continuation of an ongoing trend.

In North America the trend is in the other direction. The 1965 amendments to the U.S. Immigration and Nationality Act, which abolished national origin quotas, led to levels of immigration that are quite high by the standards of previous decades (Bean et al., 1990, 1). The 1986 Immigration Reform and Control Act legalized most illegal immigrants already in the country, leading to the submission of more than 3 million petitions for residency and citizenship. As a result, net migration to the United States during the second half of the 1980s was higher than total net immigration in all other countries of the world combined (Collinson, 1993, 9). In Canada, the Immigration Act of 1978 called for accepting a minimum of 100,000 immigrants a year, a large number for relatively small (in terms of

Table 4

**Distribution of Countries by major area and according to Governments' Policies  
on Immigration and Emigration, 1990**

(Percentage)

Major area	Migration policy				
	Reduce	No intervention	Maintain	Increase	Total
<b>Immigration policies</b>					
Africa	30.8	28.8	38.5	1.9	100.0
Latin America	24.2	24.2	36.4	15.2	100.0
Northern America	0.0	0.0	0.0	100.0	100.0
Asia	47.4	2.6	47.4	2.6	100.0
Europe	53.3	10.0	36.7	0.0	100.0
Oceania	0.0	9.1	90.9	0.0	100.0
USSR	0.0	0.0	100.0	0.0	100.0
All countries	34.3	16.6	43.8	5.3	100.0
<b>Emigration policies</b>					
Africa	23.5	31.4	41.2	3.9	100.0
Latin America	40.6	37.5	21.9	0.0	100.0
Northern America	0.0	100.0	0.0	0.0	100.0
Asia	26.3	21.1	42.1	10.5	100.0
Europe	23.3	40.0	36.7	0.0	100.0
Oceania	0.0	18.2	81.8	0.0	100.0
USSR	0.0	0.0	100.0	0.0	100.0
All countries	25.1	31.1	40.1	3.6	100.0

Source: United Nations (1992), p. 173.

population) country, and these numbers were raised further in the 1980s. From this perspective, Europe seems out of ste

**6. The structure of European labor and housing markets does not prevent migration.**

Given the aforementioned grounds for doubting that border controls can stem migration into Western Europe, those wishing to contain it must seek comfort elsewhere. Some find it in the structure of European labor markets. To a much greater extent than in, say, the United States, semi-skilled workers are expected to acquire vocational training prior to employment. Even shop clerks may be expected to have several semesters of vocational training and to possess the relevant certificate. Unions, being more prevalent than in the U.S., have both the incentive and the leverage to bring about the adoption of policies to prevent entry into such occupations by foreign workers who might undermine their market power. All this can make it difficult for undocumented workers to gain employment, which may serve to discourage their migration.

At the same time, there is abundant evidence that labor market regulations do not prevent undocumented immigrants from obtaining employment. In countries like Italy, where the informal sector purportedly accounts for 20 per cent of employment (as opposed to perhaps 4 per cent in France and Germany), labor market regulations can hardly represent a binding constraint (Simon, 1990). It is commonly held that many manual laborers working on construction projects in Eastern Germany are undocumented immigrants. For the same reasons that not every kilometer of Germany's eastern border can be continually patrolled, not every construction site can be continually monitored. Thus, the main effect of

regulations may be to channel undocumented workers into secondary sectors and parallel labor markets, a tendency which also exists in other places but may operate even more powerfully in Europe.

Housing is the other European market whose structure may discourage migration. In comparison with the United States, rents are more likely to be controlled. This gives rise to housing shortages which discourage migration. Even where housing is available, its very different price in countries of origin and destination discourages East-West migration in response to wage differentials. But while the difficulty of obtaining housing at an acceptable price may make it unattractive for a skilled professional to move from Bonn to Berlin, and the difficulty of obtaining acceptable housing at any price may make it unattractive for her to move to Halle, things are different for the manual laborer from Eastern Europe. The living room couch in the already-cramped quarters of an acquaintance will suffice if the expected duration of the period abroad is short, as is likely in a significant number of cases.

#### **7. There will be considerable return migration to Eastern Europe.**

Western European concerns about immigration revolve in part around the question of whether foreigners are here to stay. If there is reason to anticipate considerable return migration, anxiety may diminish. The modern literature on return migration (Vanderkamp, 1972; Da Vanzo and Morrison, 1981) sheds little light on this issue. Here historical evidence can be illuminating, however. European immigration to the New World before 1914 passed through two distinct phases. In the first (the "old immigration"), little return migration took place. This vision of permanent relocation is the one that informs most

discussions of immigration (especially by Americans, since they are the children of those who stayed). But in the second phase (the "new immigration") starting in the 1890s, return migration was considerable. 30 to 40 per cent of Portuguese, Croats, Serbs, Hungarians and Poles who migrated to the U.S. in the early 20th century returned home subsequently. Up to 50 per cent of all Italian immigrants did so.<sup>4</sup> Stays of three to four years, the shortest period it would take an unskilled worker to save enough to make the trip worthwhile, were common.

Which model is more applicable to Western Europe at the dawn of the next millennium? Baines (1991) shows that return migration was promoted in the 19th century by falling transportation costs. Prior to the advent of the ocean-going steamer, the cost and rigors of the voyage posed a formidable barrier to return migration. The advent of shipping lines catering to emigrants sailing on regular time tables transformed this situation.

In addition, return migration was stimulated by the growing difficulty of acquiring a homestead in the New World. In the first half of the 19th century, immigrants could obtain workable farm land for little cost other than the labor necessary to clear it. By the end of the century, in contrast, land was still readily available only in Western Canada. The late 20th century equivalent to the family farm is a permanent job; consequently, insofar as immigrants are relegated to transitory employment in parallel labor markets, they will be less likely to settle permanently (DaVanzo and Morrison, 1981).

Most importantly, return migration was stimulated by improving economic conditions in the immigrant's home country. Using foreign earnings to acquire a farm or small business at home was more attractive when the economy of the home country was thriving. There

was a clear pro-cyclical pattern, then, to migration.

These historical observations suggest the likelihood of considerable return migration of Eastern Europeans. Transport costs are low, access to permanent jobs in the West will be limited, and there is reason to hope that economic conditions in the sending countries should improve. In the short run, in contrast, there is less reason to anticipate considerable return migration by Africans.

How much return migration occurs will also depend on EC policy. This is true first and foremost of immigration policy: closing Community borders to immigration will discourage return migration because those who would otherwise wish to return home for limited periods will hesitate to do so if the tightening of border controls makes them fear for their ability to reenter. But other EC policies may have an even more powerful ability to affect both permanent and return migration, as the next section explains.

#### **8. Trade policy is migration policy.**

The view advanced in previous sections suggests that the main thing that can discourage East-West migration is improving economic conditions in the East. This in turn raises the issue of EC trade policy toward its neighbors, in particular the Europe Agreements with Hungary, Poland and the Czech and Slovak Republics which seek to restrain the growth of trade in the products of so-called "sensitive sectors."

Given the controversy and confusion that surrounds this issue, it is worth reviewing what the literature has to say about the relationship between trade and migration. Most early discussions followed Mundell (1957) in assuming that trade and migration are substitutes.

Heckscher-Ohlin trade leads to factor-price equalization, in the limit eliminating the incentive for migration. Conversely, trade barriers erected by the potential importers will reduce the return to the relatively abundant factor -- in the case of Eastern Europe, labor -- enhancing its incentive to migrate.

Trade becomes a less perfect substitute for migration when Heckscher-Ohlin assumptions are relaxed (Markusen 1983). For example, if there exist strong scale economies in the production of certain goods, more trade will tend to draw the factors used intensively in the increasing-returns sectors toward the countries specializing in them, under plausible assumptions the larger or more advanced economic region. In a variety of theoretical settings, then, trade and migration can be complements rather than substitutes.

The question is which of these theoretical possibilities obtains empirically. It is plausible that much trade between Eastern and Western Europe is of the Heckscher-Ohlin variety. The West is capital abundant, the East land and labor abundant, providing scope for Heckscher-Ohlin trade and rendering trade and factor mobility substitutes. This suggests that by restraining Eastern European exports the Europe Agreements exacerbate Western Europe's perceived immigration problem. In contrast, agglomeration and other external economies are likely to play a more important role in intra-EC trade. Molle and van Mourik (1988) present empirical results consistent with the view that within the Community immigration and trade are complements rather than substitutes.

This discussion assumes that the main channel through which trade affects migration is by altering relative factor prices. In the case of Eastern Europe, it might be argued, models of smooth production isoquants and offer curves are beside the point. The real issue

is sustaining political support for economic reform, to which open export markets can contribute by moderating the costs of adjustment and providing incentives to adjust. If reform is not sustained, then a very different scenario may obtain.

**9. East-West migration could rise significantly in the worst-case scenario.**

The collapse of economic reform in the East is not the only worst-case scenario under which East-West migration could rise significantly. Two other circumstances under which this could occur are further civil strife along ex-Yugoslav lines and additional persecution of minorities. As the case of the Balkans makes clear, many refugees from civil conflict move only a small distance. As of the end of 1992, more than 750,000 refugees had been taken in by Croatia, a country with a population of only 4.7 million (Economist, 5 December 1992, 32). But the additional distance from there to the EFTA and EC countries is slight: nearly the same number of ex-Yugoslavs (some 560,000) were admitted by Germany, France, Austria, Britain, Sweden and Switzerland between the outbreak of the war in 1991 and late 1992. A widening of the war to include Albania, Bulgaria, Greece, Hungary and Turkey would of course multiply these numbers significantly.

Tendencies toward nationalism and intolerance of ethnic and religious minorities could also lead to the mass exodus of persecuted groups. An example is that of the gypsy population. Estimates of its size are notoriously unreliable; one is given in Table 5. Its destination is difficult to predict: two obvious possibilities are Germany, because of proximity and for the fact that a million gypsies lived there before World War II, and Italy, Spain and France, where significant gypsy communities already reside.



**Table 5**

**Estimate of the Gypsy Population in Eastern Europe in the early 1980s  
(1980-85)**

**(in thousands)**

Bulgaria	400-600
Hungary	400-600
Poland	10-15
Romania	500-900
Czechoslovakia	300-400
USSR	200-500
Yugoslavia	700-900

Source: Chernaïs (1992).

These numbers pale in comparison with those of minorities in the former Soviet Union with ties to kindred groups outside the country in which they reside. These include at least 1.5 million Jews, 2 million ethnic Germans, 1 million ethnic Poles, and 1.5 million Armenians living in Russia, Georgia and Azerbaijan (Chernais, 1991). As in the cases of the Jewish population and of ethnic Armenians living outside Armenia, not all of these groups would necessarily make Western Europe their destination. In the case of those of Polish heritage (along with the significant numbers of those of Bulgarian, Hungarian, Rumanian and Slovak extraction), the Eastern European country to which they have links is both closer and likely to be more hospitable.

Western Europeans who are skeptical about the prospect of large numbers of Russians or Ukrainians camping on their doorstep even if conditions in the East take a significant turn for the worse should not overlook the possibility of chain migration. An economic crisis in the former Soviet Union which led to a significant influx into countries of Eastern Europe could so aggravate economic difficulties in the receiving countries as to provoke an outflow of their own populations to the West. Alternatively, drastic measures by the countries of the EC to bar the door could saddle the transforming economies of Eastern Europe with millions of asylum-seekers, greatly aggravating economic conditions there.

**10. The Single Market will not radically raise intra-EC migration.**

The next set of propositions concerns the internal dimension of Western European integration. A goal of the Single Market Program is to increase the efficiency of resource allocation by enhancing factor mobility. One means by which this could take place is

increased mobility of labor between EC countries. The nine members of the Schengen group (the 12 EC members minus Britain, Ireland and Denmark) are committed to dismantling all passport controls, although their transition to a passport-free Europe has been delayed repeatedly (most recently by France, which on April 30, 1993 indefinitely suspended implementation of the Schengen Treaty's provisions.) Mutual recognition of technical credentials, portability of pension rights and other measures to enhance intra-EC labor mobility are also in the process of implementation (Werner, 1991; Ulman, Eichengreen and Dickens, 1993).

The removal of border controls does not automatically guarantee a significant increase in the number of border crossings. Not only is migration between European countries significantly lower than migration between U.S. regions, but migration within European countries is lower as well. Migratory flows between French départements and German lander are only a third to a half those between U.S. states. Eichengreen (1992) uses panel data to estimate the relationship between interregional migration and regional differentials in unemployment and wages for Great Britain, Italy and the U.S., showing that migration is less responsive to such differentials in these European countries than in the United States.

The Single European Act will surely enhance both the incentive and capacity to migrate. The question is to what extent. Previous empirical studies of Europe uniformly conclude that legislative liberalization of labor movements have failed to significantly stimulate labor flows (Werner, 1990, Molle and Van Mourik, 1988). Removal of restrictions on Greek mobility in 1987 did not prompt a wave of intra-EC migration. Even if legal obstacles are absent, linguistic and cultural differences remain. In the presence of such

differences, barriers to acquiring information about employment prospects elsewhere are still formidable. Given the hesitancy of workers to migrate even within EC member states, it is far-fetched to assume that intra-EC labor mobility will rise to match levels of migration between U.S. regions in the foreseeable future.

**11. Mobility of guest workers can provide an important adjustment mechanism for the economic and monetary union.**

Optimum-currency-theory (Mundell, 1961) suggests that a high degree of interregional labor mobility is essential for the smooth operation of a monetary union. Separate monetary areas can adjust to region-specific shocks through the use of independent monetary policies. If one suffers from a decline in the demand for products produced locally, its government can lower interest rates and increase the money supply in order to stimulate demand. Its exchange rate will depreciate against other countries, rendering its goods more competitive in international markets and shifting demand toward them. In a common currency area, this independent monetary policy is no longer available, since the exchange-rate instrument has been abolished. Adjustment, if it is to occur, must take place on other margins. Blanchard and Katz (1992) have shown that, in the U.S. currency and customs union, a large proportion of the adjustment to region-specific shocks in fact occurs through intra-regional migration.

The relatively low level of labor mobility in Western Europe is therefore worrisome for the architects of the Community's economic and monetary union. There may be some comfort in the fact that guest workers in the EC display an exceptionally high level of

mobility. Immigrants from outside the Community have the weakest cultural and linguistic ties to their current place of residence. Having moved once, they may be particularly inclined to move again. Hence, labor-market adjustment to region-specific shocks can be accomplished to some extent through the inter-regional movement of guest workers. Insofar as a depressed local labor market also induces return migration by guest workers, intra-EC differences in local labor market conditions will be further attenuated. Shutting out extra-EC immigrants whose mobility is likely to be greatest may therefore intensify the strains of operating Europe's monetary union.

\* \* \* \* \*

What are the implications of these observations for European migration pressures at the dawn of the next millennium? They make clear the unrealism of attempting to seal off the labor market of the European Community from that of the rest of Europe, much less the rest of the world. Regulating undocumented labor flows through the use of border controls and domestic monitoring will steadily grow more costly and problematic. Economic incentives will have to be used instead to discourage immigration if its "social externalities" are viewed as undesirable.<sup>5</sup>

In the face of prospective migration pressures, the kind of economic incentives applied in the past will be relatively ineffectual. The subsidies for repatriation offered by various Western European countries in the 1970s had little impact on the volume of return migration. Those immigrants who returned home would have done so anyway, and few of

those who stayed would have changed their minds even if offered significantly larger subsidies (Collinson, 1993). Similar objections can be registered against proposals to provide legal status to undocumented immigrants but only on a rotation basis (Hansen, 1993). Experiences with rotation in the 1970s and 1980s suggest that employers will oppose it on the grounds that they are denied the advantages of labor-force continuity, and that most of the workers to be rotated back to their home country will find ways of resisting repatriation.

If this view is correct, then the main economic incentive capable of containing European immigration is economic development and sustained growth that enhance the incentive to stay home. To say that the EC needs to expand its commitment to aid, trade and enlargement to its East, and to similarly accommodate other parts of the world, is to say the obvious; the point here is that migration pressures will steadily heighten the urgency of doing so. It is best to acknowledge this reality and get on with the task.

These implications would have followed even if the EC was not embarked on its Single Market Program. That it is pursuing an ambitious agenda of economic integration heightens the importance of dealing rationally with immigration pressures. Failing to do so will slow down the progress of the Single Market Program and may even present a fatal threat. The specter of an influx of undocumented extra-EC immigrants into all EC countries as a result of lax enforcement by any one member state of Community-wide immigration restrictions may cause governments to hesitate in relaxing border controls. The states of Southern Europe that have not been traditional countries of immigration are relatively inexperienced in the administration of restrictions.<sup>6</sup> This raises doubts in the minds of policymakers in Northern European countries that share with them a common border. The

alternative of national identity cards and personal registration has no tradition in the UK, where there is no obligation to carry any form of identification. This has already led to conflict between the British government and the European Commission, with the British arguing of the continued need for border controls and the Commission insisting on the adequacy of random internal checks. But a message of this paper is that, in any case, bringing enforcement of immigration restrictions in Greece, Italy, Portugal and Spain up to the levels of the Northern European countries will not insure the rest of the European Community from immigration pressures. Even with these countries' help, building a moat around a Fortress Europe will simply not be feasible in the next millennium.

That moat would not be desirable even were it were feasible. The economic and monetary union envisaged for 21st-century Europe will require new channels for adjusting to region-specific shocks once exchange-rate changes and independent monetary policies are no longer available. Labor mobility will provide one such mechanism. Yet Western Europeans display a low propensity to relocate across regions, a fact that is unlikely to change quickly. Immigrants in general and guest workers in particular are less tied by language, culture and heritage to a particular locale within the European Community. They are likely therefore to play an important role in supplying the labor mobility that economic and monetary union requires. Shutting them out will only exacerbate difficulties of regional adjustment in the integrated Europe of the future.

## Footnotes

1. The Economist 12 June 1993, p.37.
2. The rest of this paragraph draws on Barber (1993). A survey of East Germans that points to essentially the same conclusions is reported in Akerlof et al. (1991).
3. One can think of still other natural experiments, like the immigration of Russian Jews to Israel. Analyzing them in detail would seem to be a valuable avenue for future research.
4. Although data are necessarily incomplete, the best available estimates suggest that as many as 40 per cent of all European immigrants heading for the United States in this period eventually returned to Europe. See Cinel (1991), chapter 5.
5. "Social externalities" is the term some economists use to dress up anything from urban crowding to xenophobia. Indeed, it might be argued that the profession would be better served if, rather than providing technical cover for essentially political arguments, economists devoted their time to systematically measuring any negative externalities and, if they fail to turn up, arguing strongly against basing policy advice upon their existence.
6. Thus, it is not surprising that it was France, which shares borders with six countries, that has expressed the most serious reservations about implementing the Schengen Treaty.



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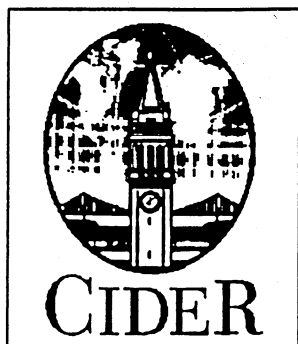
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