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## Immigration: An Opportunity for the European Union

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The debate in Europe on migration, and its impact on employment, is lively but often painfully misguided. Increasing unemployment and the euro crisis are fertile grounds for those who support closing the EU borders for migrants. Although many Europeans know that immigrants are needed in the economy, proposals to enhance worker mobility in the EU, or more open migration policies, stir up opinions. As witnessed in some recent elections, nationalist parties and certain European statesmen, have few scruples about exploiting these sentiments. They are in clear minority, but their assertive tones are often mistaken as voices of the majority. Closing the borders to protect national production and people from imports and competences from abroad have become a worrying undercurrent in many parts of the European Union.

Yet immigration is crucial for European competitiveness and economic growth. At least 75 million migrants are needed just to cover declining population in many European countries. Furthermore, it is critically important in high-debt countries that production volumes are at least sustained – preferably they should increase fast – as the relative size of debt expands in shrinking economies. And if population shrinks, so will the size of economic output. Also, fixing the euro-crisis will require re-balancing between countries – between the mass youth unemployment in the south, and relatively healthy economies in the north where there is demand for labour.

The European population is aging and life expectancy has been increasing continuously at the rate of 2-3 months every year. And low birth rates will cause a decline of the number of people in working age. In a few years to come, the social expenditure burden put on those in working age will increase significantly. This has already started, but the trend will speed up remarkably in the next two decades. As a consequence, most European countries will suffer fiscal pressures and face problems to finance their social security systems. Some member states have already introduced highly unpopular reforms to increase the working age, but these reforms will not suffice. It is already a fact that new immigration and second-generation immigrants are the main drivers behind Europe's population growth.

Meanwhile, the world's leading metropolitan clusters are engaged in a fierce competition for migrants – both skilled and unskilled people destined predominantly for the services industry. Countries in South East Asia and the Pacific generally top the lists of migration friendly countries thanks to generous tax breaks, family packages, English speaking public services, and vibrant and migrant friendly communities. In the HSBC's list of expat friendly countries, only two EU countries make it into the top ten (but not the top five). The equation simply does not hold – the EU needs migrants, but is generally unable to attract them. Worse, too many politicians pander to immigration-unfriendly opinions, or are too timid when faced by prejudices or erroneous facts about immigration.

The economic effects of migration are beneficial; there are more gains than costs. In the UK, for instance, the first generation of migrants arriving ten years ago brought a net fiscal contribution of £2.5 billion. And that is only the fiscal part of the estimation. Immigrants also improve entrepreneurship, productivity and investments. They also take up low-paid vacancies rejected by locals. The centre-right government in Sweden has abolished most policy barriers to labour migration, without any evidence of negative effect on wages. This is a stark contrast to the Swedish debate ten years ago when politicians and unions demanded protection against 'welfare tourism' from the then recently acceded Central and Eastern European member states, despite no evidence of them actually migrating to Sweden. Economic migrants are generally creative people looking for opportunities rather than welfare benefits. They want to improve their lives and living standards. They want to live the equivalent of the 'American dream'. But the problem is that there is no equivalent 'European dream' to attract as many migrants as Europe needs.

Misguided views on migration also clog up international trade policy. The 'presence of natural persons' (so-called Mode 4 in the WTO's agreement on services, GATS), often confounded with migration, has become a crucial but sensitive issue in trade negotiations. While many countries liberalize trade in goods and access for foreign investment they are still reluctant to open their labour markets for specialists from third countries, let alone unskilled migrants. But trade is increasingly dependent on people, not only goods, crossing borders. The capacity for trade success in this century will be a factor of a country's openness and attractiveness to people from other countries.

And on the other side of the ledger, some people fear that open borders for people will drive unnecessary brain drain. Oddly, few people with strong views on the issue seems to have noticed that the 'brain drain' phenomenon, which was exaggerated in the first place, has instead developed into 'brain circulation', where high-skilled and educated migrants tend to return to their home countries, bringing experience and skills that boost local economies. Moreover, the remittances from developed countries have exceeded the volume of development aid entering developing economies, helping to develop markets and increase trade.

Although no data shows a consistent increase in public hostility towards newcomers, there is a widespread fear of immigrants taking the jobs of locals. Despite the common consensus that they contribute positively to the culture, local people tend to think that immigrants need to be completely assimilated for immigration to work harmoniously. Sadly, prejudices and stereotypes regarding culture, religion or race tend to be stronger than economic arguments in this debate. There is still a strong belief that some groups do not want to integrate and prefer to live isolated from the rest of the community. The media is often a perpetrator, exacerbating negative stereotypes and images of migrants. Yet such perceptions are also based on individual examples seen, erroneously, as a representative of an entire group of immigrants. A gunman killing children in Toulouse – or, for that matter, Zinedine Zidane – are seen as representatives of an entire group of immigrants.

The current drive for increased competitiveness in Europe, manifested e.g. by the Europe 2020 strategy, is unlikely to succeed unless we rethink both migration and employment policy. The demand for specific kinds of workers is not really met by the supply offered by the European countries. And, perhaps surprisingly to some, this is true also in countries with high unemployment. Although it is difficult to promote a liberal migration policy in times of crisis, it is important to focus on the long-term gains. The strength of the European economy in the next decades will be dependent on its ability to attract people to cross borders.