The Economic Trojan Horse is Actually a German Horse

Romeo-Victor Ionescu[1]

Abstract: The paper is focused on the immigrants' impact on the EU's economy in the context of the latest immigrant crisis generated by Germany and France. The analysis in the paper covers not only the economic negative effects, but the social effects as well. The scientific approach is based on the latest official data. A distinct part of the paper deals with forecasting procedures able to point out the powerful negative impact of the immigrants on the labor market and public finances on short and medium terms. The main conclusion of the paper is that Germany is not able to manage this immigrant crisis and it will try to solve the problem putting pressure on other Member States or translating the crisis management to the global organism, as Davos Conference, for example.

Keywords: migrant distribution keys; relocation scheme; risk of poverty or social exclusion; unemployment rate; labor market.

JEL Classification: E24; F22; F66; I32; J61

1. General Approach

The immigrant crisis becomes the greatest challenge in the EU's history. The dimension of this migration is impossible to quantify. Moreover, the phenomenon is far away of stopping.

Germany's initial availability to receive Syrian migrants represented the beginning of an exodus with unbelievable economic, social, political and military implications.

Moreover, it was absolutely obvious to anyone that Germany assumed EU's leadership and forced other Member States to apply its migrant policy.

The situation is so bad that Germany threatened other Member States to cut the financial assistance from the European Funds. It was an unprecedented action in the EU's history.

The final result was a European document voted by the Home Affairs ministers,

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[1] Professor, PhD, Danubius University of Galati, Faculty of Economic Sciences, Romania, Address: 3 Galati Blvd, Galati, Romania, Tel.: +40372 361 102, Fax: +40372 361 290, Corresponding author: ionescu_v_romeo@yahoo.com.

which covered the migrants' distribution and redistribution across the Member States (European Commission, September 2015).

The worst estimations talk about one million migrants in the first year, but more specialists are more pessimistic. The basic idea is that present migrants are not only war's victims and do not come only from Syria and options connected to those Member States where they want to arrive: only the most developed countries. This is why Germany, France and Northern Member States supported the migrants' distribution process.

According to this process, four distribution keys were used in order to quantify the capacity of the Member States to absorb refugees and to integrate them then. These keys are quantified according to: the size of the population (40%), total GDP (40%), the number of asylum applications and resettled refugees per 1 million inhabitants over 2010-2014 (10%) and the unemployment rate (10%).

2. Literature - Critical Overview

There are on many scientific papers focused on the present migration trends. One of them describes the population growth and the less-skilled migrant workers as the main effects of the immigrants' flows (Card, 2007).

Other specialists focused on the historical overview of the immigration in Europe. This approach is followed by an analysis of the migrants' advantages and disadvantages on the European labor market (Dustmann & Frattini, 2011).

The immigration as an economic phenomenon is the theme of another research. This approach is followed by an analysis of the immigrants' effects on labor markets and public finances of host Member States, especially from Northern Europe (Kerr & Kerr, 2011).

An interesting research focuses on long-term immigration characteristics in Europe. The paper covers interesting aspects as the following: access to citizenship, asylum seeking, border enforcement, amnesties and policies to attract talent (Rica, Glitz & Ortega, 2013).

3. Immigrants' Relocation Schemes vs Immigrants' History in Europe

According to the above four distribution keys the Members States' implication on immigrants receiving is presented in Table 1.

Table 1. European relocation scheme (key value-%)

Member State	Key	Member State	Key
Austria	2.62	Belgium	2.91
Bulgaria	1.25	Croatia	1.73
Cyprus	0.39	Czech Republic	2.98
Estonia	1.76	Finland	1.72
France	14.17	Germany	18.42
Greece	1.90	Hungary	1.79
Italy	11.84	Latvia	1.21
Lithuania	1.16	Luxembourg	0.85
Malta	0.69	Netherlands	4.35
Poland	5.64	Portugal	3.89
Romania	3.75	Slovakia	1.78
Slovenia	1.15	Spain	9.10
Sweden	2.92		

Looking to Table 1, some remarks have to be done. Denmark, Ireland and UK are not object of the relocation scheme because they didn't take part in the adoption by the Council of this scheme. All these three countries are developed economies.

The use of the size of the population as main component of the relocation key can lead to strange situations. Romania, for example has to receive more immigrants than Sweden, even that the economic development in Sweden is higher than in Romania. According to the latest official statistical data, the size of the population was 19,511,000 persons in Romania (United Nations, 2015) and 9,838,480 persons in Sweden (Statistics Sweden, 2015). On the other hand, the GDP per capita was 21426 USD (IMF, 2015) in Romania and 47319 USD in Sweden (IMFa, 2015), as well (see Figure 1).
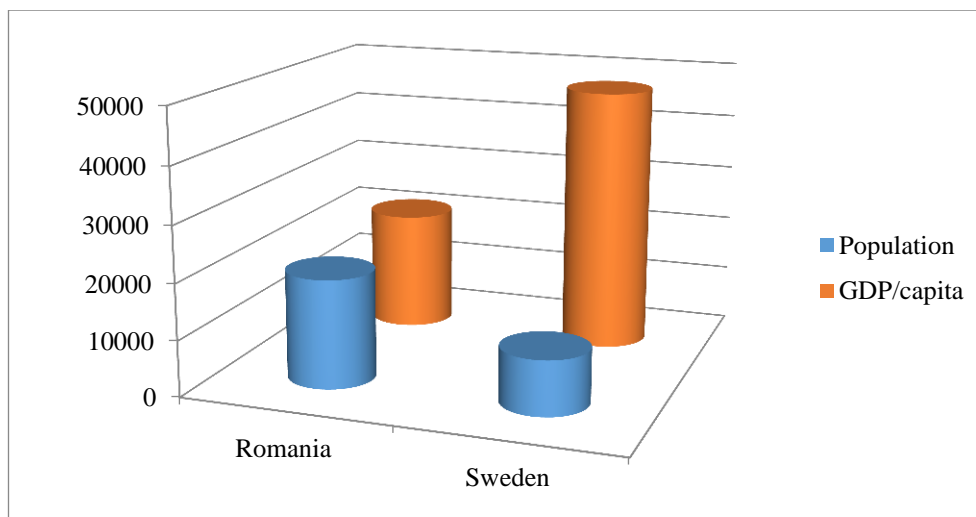
Figure 1. Selected data for Romania and Sweden

Source: Personal contribution

Germany, France and Italy have to receive the greatest number of immigrants. Those who support the immigrant receiving in these Member States talk about that their tradition in having immigrants, but we are not sure that these traditions are good enough to cover the immigrants' integration in the European economy and society.

According to the latest official statistical data, Germany and France have the greatest Muslim population across the EU28. The greatest part of them is immigrants. The main question is if these two countries succeeded in integrating those immigrants into the European society's standards and on the European labor market, as well?

The answer to this question is NO!!! For the example, 40.1% of the non- EU - born population in the EU28 was at risk of poverty or social exclusion in 2014. This is why Eurostat implemented a new statistical indicator: AROPE (risk of poverty or social exclusion). This indicator had a negative trend at least from 2005 for whole EU inhabitants (European Commission, 2016).
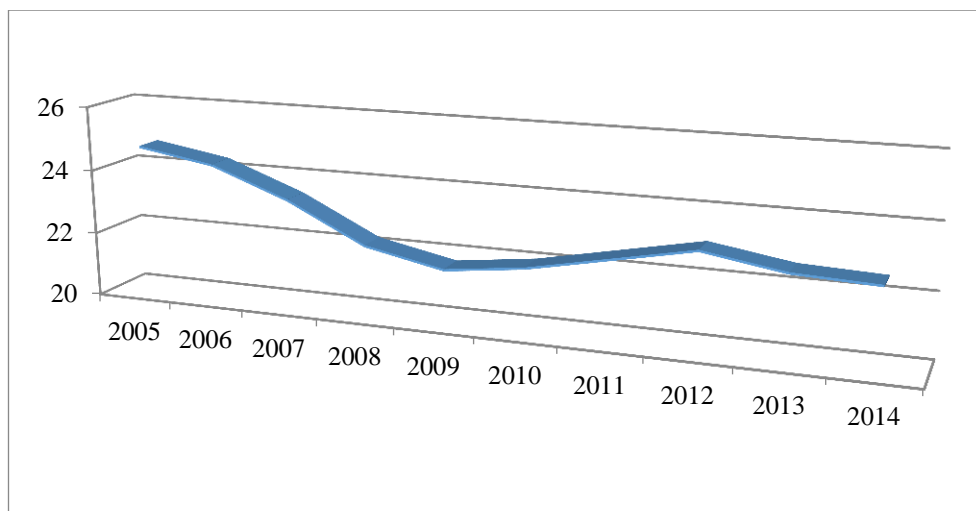
Figure 2. Evolution of people AROPE by broad group of country of citizenship, EU-28 (%)

Source: Personal contribution using Eurostat data

The situation is worst for the young people at risk of poverty and social exclusion who achieved 43.8% of young people aged 16-29 in the EU for foreign-born in 2013.

One of the elements which supported this situation is the income distribution. The average income for EU nationals was higher (16716 Euros) than for foreign citizens (14580 Euros) in 2014 (see Table 2).

Table 2. Median income by groups of country of citizenship (Euro)

	Nationals (20-64)	Foreign citizens (20-64)	EU citizens (20-64)	Non-EU citizens (20-64)
EU28	16716	14580	17938	12633
Belgium	24364	15797	21286	11640
Bulgaria	3648	4090		
Czech Rep.	8151	8195	7904	8504
Denmark	29931	22317	24716	19983
Germany	21041	17565	20957	15850
Estonia	8619	6098	6185	6098
Ireland	21345	18521	19106	14167

Greece	8167	4848	6240	4456
Spain	14451	8396	9938	7466
France	22088	15191	21214	13648
Croatia	5566	5489		4703
Italy	17151	11539	12294	11471
Cyprus	15991	11584	12062	10753
Latvia	5846	5075		5050
Lithuania	5426	4536		5206
Luxembourg	40293	29157	30222	23518
Hungary	4688	3860	4206	
Malta	13727	13373	14462	12183
Netherlands	22168	18401	22015	14999
Austria	25966	16925	20715	16079
Poland	5511	6504		4679
Portugal	8613	6519	8480	6427
Romania	2325			
Slovenia	12382	7624	10018	7540
Slovakia	7335	7426	5976	
Finland	25662	19062	23343	15817
Sweden	29334	19459	24315	17250
UK	22979	20038	20110	20002

Source: Personal contribution using Eurostat data

According to Table 2, the greatest gaps between average income of nationals and foreign citizens are in Luxembourg, Sweden, Austria, Belgium, Denmark and France. There are no data for Romania, while the foreign citizens' average income is higher than nationals' income in Czech Republic, Poland and Slovakia.

On the other hand, 31.5% of the foreign citizens aged 20-64 faced to risk of poverty in 2014 (see Table 3).

Table 3. Risk of poverty rate (%, 2014)

	Nationals (20-64)	Foreign citizens (20-64)	EU citizens (20-64)	Non-EU citizens (20-64)
EU28	15.8	31.5	23.8	37.6
Belgium	10.5	38.9	25.0	58.7
Bulgaria	18.3	6.0		7.2
Czech Rep.	8.8	11.2	15.5	7.1
Denmark	13.2	28.2	20.1	32.7
Germany	17.1	23.2	18.5	29.2
Estonia	17.4	29.9	22.2	30.0
Ireland	14.2	17.7	11.9	42.1
Greece	21.0	47.0	25.0	51.0
Spain	20.0	47.6	36.8	53.5
France	11.5	35.5	22.6	42.8
Croatia	17.5	25.2		30.9
Italy	17.7	35.4	33.5	36.3
Cyprus	10.2	28.2	23.0	36.8
Latvia	17.3	22.8		23.0
Lithuania	17.4	28.9		29.6
Luxembourg	9.5	22.2	19.4	36.7
Hungary	14.1	7.0	7.6	
Malta	12.7	20.5	16.6	26.9
Netherlands	12.0	19.5	12.4	26.8
Austria	9.4	33.1	29.5	35.8
Poland	16.3	6.2		7.7
Portugal	18.6	30.0	24.4	31.2
Romania	23.1			
Slovenia	12.4	42.9	33.8	44.5
Slovakia	12.0	11.0	18.0	
Finland	11.9	28.3	17.7	36.2
Sweden	12.3	38.7	31.6	46.2
UK	14.6	19.4	18.0	21.4

Source: Personal contribution using Eurostat data

Across the EU28, the average risk of poverty rate for foreign citizens was 31.5% in 2014. Some Member States faced to higher poverty rates for foreign citizens: Spain (47.6%), Greece (47.0%), Slovenia (42.9%), Belgium (38.9%) and Sweden (38.7%). The lowest poverty rates were in Bulgaria (6.0%), Poland (6.2%) and Hungary (7.0%). Romania has no data connected to this indicator, even that the Romanians' rate of poverty was the greatest one across the EU28 (23.1%) in the same year.

On the other hand, the housing and living conditions of migrants are not good enough. Migrants live in households with very low work intensity (Eurostat, 2016).

According to the above analysis, the first intermediary conclusion is that EU was not able to succeed in integration immigrants even before the new wave from 2015.

4. Immigrants' Impact on the European Economy

Interesting scientific forecasts related to EU Muslim population's trend lead to a strange conclusion. According to US-based Pew Forum on Religion & Public Life, the Muslim population in the EU28 will increase substantially until 2030 (Simon, 2011). These forecasts were realized under the presumption that that the present demographical tendency will continue (see Table 4).

Table 4. EU Muslim population up to 2030 (million persons)

	Muslim population 2010	% total population	Muslim population 2030	% total population
Austria	0.475	5.7	0.799	9.3
Belgium	0.638	6.0	1.149	10.2
Bulgaria	1.002	13.4	1.016	15.7
Croatia	0.056	1.3	0.054	1.3
Czech Rep.	0.004	-	0.004	-
Denmark	0.226	4.1	0.317	5.6
Estonia	0.002	0.1	0.002	0.1
Finland	0.042	0.8	0.105	1.9
France	4.704	7.5	6.860	10.3
Germany	4.119	5.0	5.545	7.1
Greece	0.527	4.7	0.772	6.9
Hungary	0.025	0.3	0.024	0.3
Ireland	0.043	0.9	0.125	2.2
Italy	1.583	2.6	3.199	5.4
Latvia	0.002	0.1	0.002	0.1
Lithuania	0.003	0.1	0.002	0.1

Luxembourg	0.011	2.3	0.014	2.3
Malta	0.001	0.3	0.001	0.3
Netherlands	0.914	5.5	1.365	7.8
Poland	0.020	0.1	0.019	0.1
Portugal	0.065	0.6	0.065	0.6
Romania	0.073	0.3	0.073	0.4
Slovakia	0.004	0.1	0.004	0.1
Slovenia	0.049	2.4	0.049	2.4
Spain	1.021	2.3	1.859	3.7
Sweden	0.451	4.9	0.993	9.9
UK	2.869	4.6	5.567	8.2

Source: Personal contribution using Eurostat data

According to data from Table 4, the Muslim population will have minor impact on labor market in Czech Republic, Estonia, Latvia, Lithuania, Poland and Slovakia in 2030. The Muslim population will stay constant as percentage of total population in Croatia, Hungary, Luxembourg, Malta, Portugal and Slovenia during 2010-2030. The other Member States will face to an increase of the Muslim population as part of the total population.

Nowadays, Germany and France have the largest Muslim population in the EU28. About 3.5 million Muslims live in Germany, but only 20% of them have German citizenship (Euro-Islam.info, 2016). As a result, the first intermediate conclusion of this chapter is that Muslim population will increase powerfully in the EU. And this forecast was realized under normal demographic conditions.

Nowadays, the German and French immigrant policy leads to supplementary high flows. These new immigrants support unemployment rate's increasing in the receiving Member States. In Germany, for example, the Muslim population unemployment rate is twice as high compared to non-Germans and it achieved 30% in some lands (European Commission, 2016). Moreover, the Muslim population will achieve 20 million in Germany within the next five years. In 2015, 1.5 million asylum seekers entered in Germany and their number will increase in 2016. At least ¾ of them have no qualifications (Eurostat, 2016). The president of the Bavarian Association of Municipalities considered that the Muslim population in Germany represents "a demographic shift of epic proportions, one that will change the face of Germany forever" (Soeren, 2015).

The second intermediate conclusion of this chapter is that the demographic structure of the German population will be change dramatically by the Muslim immigrants in the next five years. The economic impact of the Muslim immigrants is absolutely great. On 22.01.2016, the Vice-Chancellor of Germany Sigmar Gabriel declared that "80% of the refugees do not have any qualifications. An increasing proportion of them are illiterate." This is the real challenge for the EU

labor market. According to the latest official data, the EU unemployment achieved 23.2 million persons in 2015, which corresponded to a rate of 9.5% (European Commission a, 2015). Under the previous assumption that the immigrants will achieve 3 million persons during 2015-2016, the EU28 will face to an unemployment rate of 10.6% at the end of 2016. The real problem is that the domestic employment increase will put under pressure the same unemployment rate in the Member States and the negative effect will be higher in 2016 (see Table 5).

Table 5. EU labor market dynamics (%)

|	Employment growth rate 2015	Unemployment rate 2015	Employment growth rate 2016	Unemployment rate 2016*
Austria	0.7	6.1	0.8	9.0
Belgium	0.6	8.6	0.7	12.1
Bulgaria	0.3	10.1	0.3	10.7
Cyprus	0.2	15.6	1.2	14.8
Croatia	0.6	16.2	0.7	16.5
Czech Rep.	1.3	5.2	0.2	7.4
Denmark	0.9	6.1	1.0	5.8
Estonia	1.1	6.5	-0.6	6.8
Finland	-0.4	9.6	0.3	11.4
France	0.3	10.4	0.5	29.7
Germany	0.5	4.7	0.6	30.3
Greece	0.4	25.7	-0.6	25.8
Hungary	1.8	7.1	1.1	8.6
Ireland	2.0	9.5	1.5	8.7
Italy	1.0	12.2	1.0	11.8
Latvia	0.2	10.1	0.4	9.9
Lithuania	1.5	9.4	0.2	9.2
Luxembourg	2.6	5.9	2.5	6.2
Malta	2.4	5.8	2.0	5.8
Netherlands	1.2	6.9	1.1	12.4
Poland	1.0	7.6	0.6	14.8
Portugal	1.1	12.6	0.8	14.2
Romania	0.3	6.7	0.4	10.3
Slovakia	1.8	11.6	1.2	11.7
Slovenia	0.6	9.4	0.5	9.7
Spain	2.8	22.3	2.5	32.5
Sweden	1.3	7.7	1.6	11.3
UK	1.7	5.4	1.0	5.4

*under the assumption of the relocation immigrants' schemes. Denmark, Ireland and UK take not part of this process. Greece and Italy are transit countries.

According to Table 5, 20 Member States will face to higher unemployment rates in 2016 compared to 2015 as a result of the immigrant process. For some Member States, including both which supported this process, the unemployment rates will grow powerfully.

This process will support the disparities increasing across the EU28 (see Figure 3).
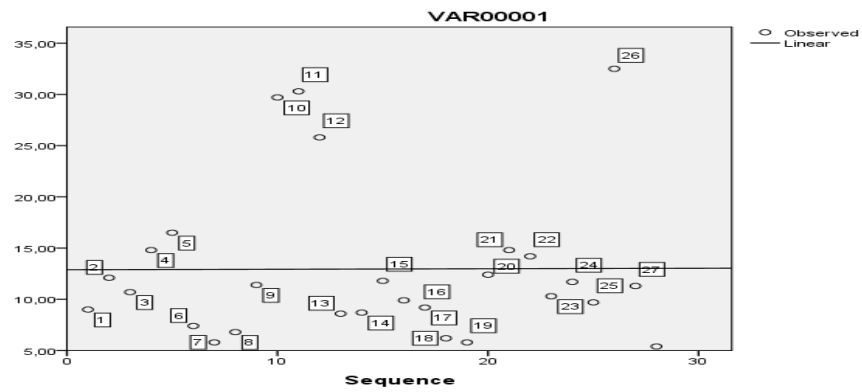
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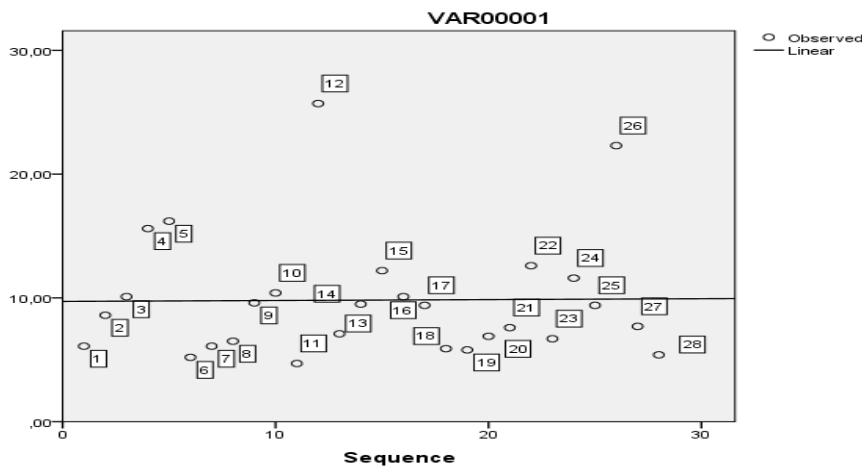
2015

Figure 3. Unemployment's disparities in 2015 and 2016

Source: Personal contribution using Eurostat data

Figure 3 supports the idea of increasing disparities between the Member States as a result of immigrants' inputs. Moreover, Germany and France can face to unexpected negative effects on their labor markets.

On the other hand, the German government has to allocate 20 billion Euros for immigrants in 2016. The financial efforts focused on immigrants' support may be unrealistic for many Member States.

5. Conclusions

Germany adopted wrong strategy connected to immigrants' flows. It wanted to cover the lack of labor supply on German labor market and to become an important actor in the conflict regions. This approach was not good and the present negative results are far away of finishing.

Germany and France operated as leaders of the EU28 and imposed refugees' quotes to the other Member States, even that they didn't want this.

Nowadays, EU28 faces to a new important challenge – refugees' crisis – and has not viable solution for it. This crisis came over the Greek crisis and the whole EU structural crisis, as well.

The whished advantages for the German economy from the refugees' crisis change into dangerous challenge not only for Germany. EU28 is closed to enter into dangerous economic, social, political and military crisis.

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