Europe’s Refugee Crisis
PRESSURE POINTS AND SOLUTIONS

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Executive Summary

Europe’s refugee crisis beginning 2015 is the largest population movement the continent has seen since the end of the Second World War. The EU’s asylum system was not designed to deal with large, irregular influxes of asylum seekers. In its current form, it places unreasonable strains on countries on the EU’s external border, such as Greece and Italy. To a large extent, the legal basis for moving toward a common asylum policy already exists. The reason why it has not translated into effective policy has to do with the fact that a number of member states view burden-sharing mechanisms as unacceptable encroachments on national sovereignty.

Various institutional mechanisms can help the EU overcome the resulting public good problem, driven by a lack of commitment to absorbing specific numbers of refugees, absence of incentives to resettle, and an overall lack of coordination. Such mechanisms include tradable quotas and two-sided matching algorithms that would allocate refugees to individual countries or substate units. Similar mechanisms are used in other contexts, such as to match kidney donors and recipients or hospitals and medical residents.

Such a system would respect the wishes of asylum seekers while ensuring that the member states and local authorities are in the driving seat for decisions over numbers and characteristics of the refugees they will accommodate. Because security considerations have become central in political discussions of the refugee questions, a European asylum policy needs to be accompanied also by measures that would prevent radicalization of incoming asylum seekers, which represents a far more serious risk than the commonly discussed ISIS infiltration of refugee flows.
Europe’s Refugee Crisis: Pressure Points and Solutions

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With more than 1 million people arriving on its shores in 2015 and almost 400,000 in 2016, Europe’s refugee crisis is the largest population movement the continent has seen since the end of the Second World War. The crisis has been profoundly destabilizing to the European Union (EU) and politics in individual member states. The perceived failure of public authorities to control the flows of asylum seekers and migrants across the European continent has given an unprecedented boost to anti-immigration and nativist political parties. Even in countries, such as Poland and the United Kingdom, which are relatively unaffected by the influx of refugees, the events came to the forefront of public debates and played a role in swaying important elections and votes, including the UK referendum in June 2016 on EU membership.

The crisis is not over. On the Central Mediterranean route between Libya and Italy, migration might return as weather conditions continue to improve in the spring. The European Commission’s current policy is premised on a series of agreements with non-EU states to prevent asylum seekers from traveling to Europe and effective readmission on a vast scale, which may prove fatal if carried out. For example, it remains an open question whether the EU’s current deal with Turkey, which has nearly halted the influx of asylum seekers to Greece, is sustainable given the rise of authoritarianism in Turkey and its deteriorating relations with the EU.

Although the EU has taken some meaningful strides, particularly in strengthening its border protection force, it lacks a truly coordinated approach to asylum policy. The reasons for this situation, we argue, are not legal or technical, but political. Because EU member states do not know how many asylum seekers ought to be allowed into Europe, if any, and to which countries they should go, the refugee crisis has led to a reintroduction of temporary border controls within the Schengen area and to new border fences and barriers. These disagreements reflect the substantial collective action problems in achieving a genuinely common European asylum policy, with incentives stacked against individual countries stepping up their efforts.

The EU would be unable to cope systematically with a repeated influx of 2015 proportions. Another iteration of the refugee crisis would shift leaders’ attention away from other long-term strategic challenges and force the bloc back into crisis-fighting mode. It is unthinkable for the EU to become a major geopolitical player, project strength, or actively engage with its neighborhood if it cannot provide a public service as elementary as a functioning border protection and rights-respecting asylum policy. A return to the unmanaged flows of 2015 would also give new impetus to reactionary nativist politics, amplifying the already significant risk of the EU’s uncontrolled implosion.

This report explains how the EU can overcome the current political deadlock and create a system of asylum protection that solves the incentive problem facing European governments and reconciles the divergent views of member states about their own humanitarian obligations. Several options, including
tradable refugee quotas and a centralized clearing-house matching refugees to countries, are available. Furthermore, the paper addresses questions of security and terrorism, which have been associated with the refugee influx in the popular imagination.

Whether or not the risk of ISIS fighters and other terrorists infiltrating refugee flows is credible, addressing it has become a political necessity. Smarter security controls and screenings of incoming asylum seekers can mitigate such risks and ought to be an integral part of any functioning asylum system. That should not come at the expense of addressing the more pressing concern of radicalization of asylum seekers in Europe, particularly if member states continue to seriously mismanage the asylum process and the integration of asylum seekers into local labor markets.

The Crisis of 2015

The European refugee crisis that accelerated in 2015 had been in the making for a long time. By April 2013—less than two years into Syria’s civil war—the UN High Commissioner for Refugees had registered more than 1 million Syrian refugees in surrounding countries.1 Notwithstanding humanitarian efforts, their access to basic services, education, health care, and labor markets was and remains limited. In Turkey, for example, the vast majority of refugees from Syria and Iraq live outside of refugee camps and bear their own housing costs.2

Given the proximity of the European continent, the acceleration of refugee inflows into the EU was only a matter of time. In 2014, Frontex, the EU’s border agency, registered more than 282,000 illegal border crossings, compared with around 107,000 in 2013.3 Most used the Central Mediterranean route, arriving in Italy. In 2014, there were more than 526,000 first-time asylum applications across the EU, with German authorities receiving the largest number.

The situation escalated in 2015. The absolute number of crossings along the Central Mediterranean route fell somewhat, but unprecedented numbers of asylum seekers crossed the Aegean Sea between Turkey and Greece, along the Eastern Mediterranean route. More than half of the 885,386 illegal border crossings in 2015 (compared with just below 51,000 in 2014) were made by Syrian nationals, followed by significant numbers of Afghans and Iraqis. The overwhelming majority did not stop in Greece but continued onward to other EU countries, most notably Germany. The journey took asylum seekers through the non-EU countries of Macedonia and Serbia and then through Hungary and Austria toward Germany. In 2015, Hungary’s construction of a razor-wire fence on its border with Serbia diverted the refugee flow into Croatia and Slovenia.

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In 2015, a total of 1,255,685 first-time asylum applications were made in the EU. More than half (307,000) of the first-instance decisions (592,000) were positive.4 As in previous years, member states faced an uneven demand for asylum. More than 441,000 of them were made with German authorities, compared with only 225 filed in Estonia, 260 in Slovenia, and 270 in Slovakia.

Contrary to the common perception of Hungary as a purely transit country, Hungarian authorities received the second-largest number (more than 174,000) of first-time asylum applications. However, only 3,420 first-instance decisions were made, of which 505 were positive, making the success rate of asylum applicants in Hungary the second lowest in the EU, after Latvia.

In 2016, well over 1 million first-time asylum applications were made in the EU. However, following the March 2016 deal between the EU and Turkey, the numbers of illegal crossings along the Eastern Mediterranean route plummeted. Overall, fewer than
182,277 such crossings\textsuperscript{5} were made in 2016—most of them in the beginning of the year—compared with more than 885,000 in the previous year.

Besides the EU’s pledge of €3 billion to support refugee programs in Turkey, the commitment to “re-energize” Turkey’s accession negotiations with the EU, and the prospect of visa-free travel, the agreement stipulated that all “irregular migrants” arriving from Turkey to Greece would be returned to Turkey. However, for each returned migrant the EU promised to resettle one Syrian refugee, capping the total number at 72,000. The Turkey deal has effectively outsourced the EU’s border protection to Turkey. That situation is unlikely to be sustainable over time—not least due to concerns regarding Turkey’s compliance with international law governing the protection of refugees. After the attempted coup and the political tightening in the country, Turkey’s accession to the EU seems a distant possibility. Furthermore, because Turkey fails to meet the EU’s criteria, the introduction of visa-free travel for Turkish citizens will likely be further delayed. Turkish officials have threatened repeatedly to withdraw from the agreement, which could plausibly result in a full-scale reopening of the Eastern Mediterranean route unless the EU removes visa requirements for Turkish citizens.\textsuperscript{6}

Furthermore, the agreement with Turkey has done little to curb the inflow of asylum seekers to Europe through the Central Mediterranean route. In 2016, 181,459 illegal border crossings were recorded along this route, compared with 153,946 in 2015. Of all the avenues for entering the EU, the journey from the northern coast of Africa (mostly Libya) to Italy is by far the most dangerous. The deadliest year for those trying to cross the Mediterranean was also 2016, with more than 5,000 people dead or missing. These were mostly attributed to smugglers overloading ships and the replacement of Operation Mare Nostrum with Operation Triton, which substantially gutted search-and-rescue capacity in the Mediterranean. The ethnic composition of asylum seekers arriving via the Central Mediterranean route has changed over the years as well. While in 2013 and 2014 a plurality were from Syria, by 2015 Eritreans, Nigerians, and Somalis accounted for almost half.\textsuperscript{7}

### The Political Fallout

In the eyes of her critics, Angela Merkel’s famous “welcome” for Syrian asylum seekers in September 2015 is largely to blame for the severity of the refugee crisis in Europe.

However, that account overlooks that the influx of asylum seekers into Germany was already underway for years before September 2015. More fundamentally, it ignores the character of the situation to which the German chancellor was responding. From January 2015 until the German government’s decision in August 2015 to suspend application of the Dublin Regulation to Syrians arriving in Germany—applying the regulation would have resulted in their return to their EU country of entry—more than 700,000 applications for asylum had been made in the EU. This was more applications than in all of 2014. By the time of the “welcome,” the EU had not been applying the Dublin rules anyway. Greece, which at the time was the main country of arrival in the EU, was overwhelmed by the inflow. Other EU and non-EU countries along the way—such as Hungary, Austria, and Serbia—were doing little to stop refugees’ and migrants’ passage north.

Hungary had seen a substantial number of arrivals and new asylum applications and displayed little willingness to accommodate them. In Budapest, asylum seekers were greeted by government-erected billboards warning them (in Hungarian) not to violate Hungarian laws or take the jobs of Hungarians.\textsuperscript{8} During the summer of 2015, the government started constructing a fence along the country’s border with Serbia to stop future asylum seekers from entering the country.

The situation escalated further in September 2015, when Viktor Orbán’s government decided to enforce the Dublin Regulation by blocking off the access to Budapest’s Keleti railway station, a point of departure for Austria-bound trains. This stranded thousands of refugees in the Hungarian capital. An improvised refugee camp grew outside the station, and tensions flared between police and increasingly desperate refugees.

In this context the German government, following consultations with Austria and Hungary, announced
that it was suspending the Dublin Regulation. In the evening of September 4, Hungary allowed hundreds of asylum seekers to start their journey to Austria, first walking alongside one of Hungary’s highways and later by buses across the border and continuing by train toward Germany. During the first weekend of September, more than 20,000 arrived in Munich, followed by substantial numbers later in the year. Merkel’s decision to open up Germany to this influx must be analyzed in the context of the alternatives: forcing large numbers of asylum seekers to remain in Hungary where they had little chance of obtaining asylum or allowing Hungary to return them to Greece or Turkey.

However, the decision had unintended political consequences. Instead of making a compromise over the EU’s common asylum policy more likely by relieving some of the immediate pressure on countries such as Hungary or Greece, Merkel’s “welcome” became an instant scapegoat for the entire refugee crisis.

Adding to the mix was the European Commission proposal to use mandatory quotas to relocate refugees across member states.\(^\text{10}\) It was adopted by qualified majority, in spite of opposition from Slovakia, Hungary, Romania, and the Czech Republic. In Poland, the refugee crisis played a central role in the campaign ahead of its October 2015 parliamentary election. Jarosław Kaczyński, the leader of Law and Justice Party (PiS), warned that asylum seekers could carry diseases, including cholera and “various parasites, protozoa that are common and are not dangerous in the bodies of these people, [but] may be dangerous here.”\(^\text{11}\) Slovak Prime Minister Robert Fico—nominally a social democrat—also used the crisis as a campaign prop ahead of his country’s election in March 2016, rejecting the quota proposal and pledging “to prevent the emergence of a compact Muslim community in Slovakia.”\(^\text{12}\) Fico’s government also filed a lawsuit against the quota system in the European Court of Justice.\(^\text{13}\) The legal challenge notwithstanding, only a fraction of asylum seekers in the initially assigned quotas have been successfully resettled. As of February 27, 2017, Slovakia has accepted only 16 refugees from Greece, and the Czech Republic has accepted a mere 12.\(^\text{14}\)

Orbán’s government organized an unsuccessful referendum in early October about the relocation mechanism, with a distinctly manipulative question: “Do you agree that the European Union should have the power to impose the compulsory relocation of non-Hungarian citizens to Hungary without the consent of the National Assembly of Hungary?”\(^\text{15}\) Void because of a low turnout, it also lacked any legal force because it pertained to EU, not Hungarian law. However, a successful referendum would have strengthened Hungary’s position within the Visegrád group, which has opposed not only relocation, but also any efforts to create a common asylum policy reflecting the EU’s humanitarian obligations.

While the four Visegrád countries have led the opposition to the relocation of refugees and immigration from Muslim-majority countries in general, the refugee crisis has had political repercussions elsewhere in the EU. Immigration and the EU’s real or imagined failure to prevent the arrival of large numbers of migrants and asylum seekers were central issues in the campaign ahead of the UK’s referendum on EU membership. Even the consultative referendum about the EU’s association agreement with Ukraine—a largely uncontroversial matter unrelated to questions of immigration or asylum—was temporarily shaken by the anxieties of the Dutch public over the refugee crisis. Geert Wilders, the leader of the Netherlands’ anti-EU, anti-immigration forces heralded the defeat of the agreement as “the beginning of the end” for the EU.\(^\text{16}\)

The refugee question remains a hot topic in 2017. It has fed into the French electoral campaign and will likely play a role in the German and the Czech elections in the fall, shaping not only Europe’s response to the refugee crisis but also the broader character of the European project for years to come.

**What Went Wrong?**

Asylum as a fundamental right has been embedded in international law since the 1951 Geneva Convention on the protection of refugees.\(^\text{17}\) However, liberal democracies, including EU member states, have
differed substantially in how they interpret these international standards, most significantly the principle of non-refoulement—the prohibition of returning asylum seekers or refugees to countries where they can be persecuted. The government of Australia, for example, has attracted nearly universal criticism for placing asylum seekers in detention facilities, some outside of Australia, while they wait for the government to process their claims. Until 1999 when the work on the EU’s Common European Asylum System (CEAS) began, few universal standards of asylum policy and refugee protection existed in the EU, other than the international treaties binding individual member states. The combination of policy differences and the right of free movement of people within the Schengen Area was bound to create frictions, if not an outright crisis of the magnitude seen since the summer of 2015.

In 1990, a number of EU countries signed the Dublin Convention, which entered into force in 1997, and they were joined by some nonmembers, most significantly Norway and Iceland. The convention and the successor documents adopted in 2003 (Dublin II Regulation) and 2013 (Dublin III Regulation) sought to prevent asylum seekers from submitting multiple applications to different member states and to curb uncontrolled movement of asylum seekers through the Schengen Area. It did so by stipulating that refugees must apply for asylum in the first signatory country in which they arrive, which would then be responsible for making the decision. Furthermore, refugees could not restart the process in another member state.

Without additional coordinating mechanisms—which were still absent in 2015—the Dublin system incentivized EU governments to actively discourage prospective asylum seekers. After all, member states where the asylum procedure was fast and resulted in favorable outcomes would attract the bulk of applications. It also forced asylum seekers to play a lottery when applying because the country of their choice likely received more applications than it would be willing or able to process.

For asylum seekers who applied for asylum after arriving in the EU via an irregular route, the Dublin system places the burden of processing asylum applications and providing assistance to applicants on states that are points of entry into the EU. Greece, which has been at the frontline of the crisis, was already criticized in 2008 for the inadequacy of its asylum and refugee protection systems. The fiscal pressures created by the country’s sovereign debt problems and the strictures imposed by bailout conditions left the country even less well prepared for the influx, which accelerated in 2015.

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With the Schengen area as a space of unrestricted, passportless travel, upholding the Dublin rules was challenging because nothing prevented asylum seekers from migrating to other EU states. Such secondary migration could have been, in principle, mitigated by thorough registration of asylum claims immediately upon arrival in the country of entry. Alternatively, as ultimately happened in 2015, movement was limited by a reintroduction of border checks and construction of physical barriers, as seen along the western Balkans route starting in 2015.

In short, the Dublin system was not designed to deal with large, irregular influxes of asylum seekers. Strict enforcement, unaccompanied by mechanisms for burden sharing, would place unreasonable strains on countries such as Greece and Italy, which have
become the points of arrival for large numbers of asylum seekers and refugees solely because of geography. Unsurprisingly, such a strict version of the Dublin system was not upheld as the numbers of asylum seekers arriving in the EU grew throughout 2015. Instead of being registered, accommodated, and processed in Greece, migrants and asylum seekers continued their journey toward countries that were seen as more desirable destinations, most prominently Germany. The uncontrolled movement then prompted several countries to unilaterally reintroduce border controls and build border fences instead of working jointly to create a functioning asylum system for the entire EU.24

The Response of EU Institutions

The legal frameworks to improve the EU’s asylum system already exist. The Common European Asylum System has existed since 1999. The European Asylum Office was created in 2008. These are complemented by a raft of EC directives on minimum standards for asylum procedures,25 reception conditions,26 and qualification and status of third-country nationals,27 along with the (much maligned) Dublin III Regulation28 and the EURODAC regulation establishing a European fingerprint database of asylum seekers.29 European states agreed in 2000 to create a European Refugee Fund, which disbursed €630 million between 2008 and 2013, when it was replaced by the Asylum Migration and Integration Fund, which has a total budget of €3.137 billion through 2020. Frontex has managed cooperation among national border guards on Europe’s external borders since 2004, which in October 2016 was renamed the European Border and Coast Guard and granted enhanced powers, scope, and budget.

In addition, the European Commission has promoted the use of both fixed and mobile “hot spots” in Greece and Italy to rapidly identify and register incoming migrants. Contrary to what is sometimes suggested, such hot spots can work only as complements, not as substitutes, for a functioning relocation mechanism. Otherwise, as has happened in some instances, they turn into centers of indefinite arbitrary detention, often with poor conditions.30

The 2001 directive on temporary protection means there is a preexisting legal basis for invoking emergency procedures in the event of a mass influx. It created: an exceptional measure to provide . . . immediate and temporary protection. It applies in particular when there is a risk that the standard asylum system is struggling to cope with demand stemming from a mass influx that risks having a negative impact on the processing of claims.31

The protection status thus granted lasts for one year (although it can be renewed), imposes automatic burden-sharing obligations on all states, and can be adopted by a simple qualified-majority vote of the European Council (EC).

The EC has also clarified how to calculate obligations under burden-sharing. The Commission’s proposal on a European Resettlement Scheme, adopted in July 2015 aimed to resettle 22,504 persons in clear need as identified by UNHCR. In September 2015, member states committed to relocate 160,000 people from Greece and Italy by September 2017. These proposals included a distribution key to calculate the obligations of member states. This could be used to calculate both financial contributions and participation in relocation and resettlement. As currently proposed, it is based on:

1. The size of the population (40 percent) as it reflects the capacity to absorb a certain number of refugees;
2. Total gross domestic product (40 percent) as it reflects the absolute wealth of a country and thus indicates the capacity of an economy to absorb and integrate refugees;
3. Average number of spontaneous asylum applications and the number of resettled refugees per 1 million inhabitants over the period 2010–14 (10 percent) as it reflects the efforts made by member states in the recent past; and
4. Unemployment rate (10 percent) as an indicator reflecting the capacity to integrate refugees.\textsuperscript{32}

In July 2016, the Commission proposed a permanent EU Resettlement Framework based on these principles, although it did not include a specific distribution key. These proposals allow discretion in implementing these principles. For example, the September 2015 schemes exempted Greece and Italy of any obligations. The November 2015 EU action plan further commits member states to manage the admission of refugees via safe routes from Turkey.

Essentially, the core obstacles to an effective response at this stage are political and administrative, not legal or institutional. The delicate balancing act negotiated by Frans Timmermans during the Dutch Presidency of the European Council required sustaining relocations at an adequate rate from both Greece and Turkey. That was necessary for the Greek government to not move refugees from the camps onto the mainland, where they would continue their journey into Europe, leading to increased numbers attempting to cross the Aegean and putting further pressure on the Turkish coast guard. On the other hand, the EU must sustain relocations from Turkey to convince the Turkish government that the EU is holding up its end of the deal. Besides convincing Turkey to accept returned refugees from Greece, relocations from Turkey are necessary to give refugees there a sufficient incentive to not attempt dangerous sea crossings. This also means processing in the Greek islands must happen rapidly enough to generate a sufficient flow of returnees. All parts of this fragile house of cards must carry their weight for the EC’s current plans to work.

The underlying logic behind this plan is sound. It “solves” the political crisis and effectively contains the humanitarian crisis outside Europe. The EC’s gamble is that, if control can be restored to Europe’s borders, European publics will more willing accept refugees via relocation. The cases of Australia and the United States show that stringent border controls and the effective criminalization of asylum (in the Australian case) can be accompanied by generous resettlement programs.

Next Steps

In this context, however, it would be constructive to do whatever is possible to further incentivize the fullest possible burden-sharing by the widest coalition of European states. Three proposals within the power of European policymakers, and one key lever available to non-European states, have the potential to do this.

Invoking the temporary protection directive, issuing humanitarian visas, or using some other form of protection that lacks the open-ended obligations of full convention refugee status may create further routes to resettlement, while reassuring states that their obligations will not spiral out of control.

Preference matching schemes offer the possibility of finding the most efficient matches between refugees and the states (or substate entities) that host them, maximizing their likelihood of finding employment, reducing their vulnerability to radicalization, and minimizing the cost to the public purse.

Tradeable quota schemes may make it possible for states to exchange “financial” for “physical solidarity,” which would increase willingness to participate and more efficiently channel the available resources to protect as many refugees as possible. Non-European states, such as the United States, could also further incentivize burden-sharing by making their willingness to shoulder some portion of the load conditional on the participation of European states.

We expand on all these proposals in the next section.

The Road Ahead

From one helpful perspective, the European refugee crisis is a failure of a decentralized “market” in which refugees are “matched” to European states (or towns and cities). The reason for this failure is apparent: When a European state does not accept a refugee who is already inside the EU, the burden of helping this refugee almost certainly falls on another member state. European countries such as Hungary that build fences on their borders do not internalize the external cost that they impose on other European states. The outcome of this market is that many refugees find
themselves in communities ill-prepared to host them or not hosted anywhere.

That is, of course, a classic public good problem. No one wants to pay to maintain lighthouses, and if someone does not pay, it is someone else’s ship that is lost at sea. It is in every member state’s interest to set its refugee quota as low as possible, but this hurts other states. Raising quotas in unison would, in fact, make all member states better off than the current political equilibrium of building fences and sending thousands of undocumented refugees across the EU.33

There are three reasons for this market failure: a lack of commitment to overall numbers, a lack of incentives for individual member states to resettle refugees, and a lack of coordination in refugee assignment. However, Ronald Coase shows in his classic article on the history of lighthouses34—the canonical example of a collective action problem—that it is eminently possible to devise institutional mechanisms, with or without centralized enforcement, that align the interests of individual actors with social interest. We now take each of the drivers of the market failure in refugee protection in turn and explain the possible solutions.

Lack of Commitment to Numbers. Clearly, the most obvious reason for the EU’s failure to allocate refugees is that it cannot agree precisely on how many refugees, over what time frame, of what origin, and under what conditions the EU is prepared to accept. Absence of a clear commitment reduces states’ willingness to make political and financial investments to improve their ability to host refugees. Open-ended (or “open-door” as their critics prefer to call them) policies to resettle refugees are bitter pills for many voters to swallow. But just as importantly, states need to muster resources for hosting potentially unprecedented numbers of refugees. In this regard, a proposal for temporary protection, while not perfect, is a step in the right direction: It sets clear time periods for which the state would be required to host certain numbers of refugees and allows resources to be allocated to ensure the refugees’ well-being. Investments require certainty, and certainty is not something the EU currently offers in refugee resettlement.

The European refugee crisis is a failure of a decentralized “market” in which refugees are “matched” to European states.

Lack of Incentives to Resettle. Even if the EU decides on refugee quotas, it is still unclear how many refugees each country is supposed to host. The EU is attempting to deal with refugee burden-sharing in the same way it deals with other complex allocation decisions, such as quotas for fisheries or renewable energy targets: by trying to achieve a reasonable consensus while appealing to solidarity and goodwill of member states. Unsurprisingly, this is not working in the current political climate.

If refugee hosting were only an issue of financial resources, tradeable refugee quotas are an obvious solution. This proposal has been rigorously and quantitatively developed by Fernández-Huertas Moraga and Rapoport.35 The EU is already familiar with a similar tool called the EU Emissions Trading Scheme in the context of climate change.

The refugee tradeable quota scheme would work as follows. First, the EU would agree on the overall number of refugees that it is willing to host (see above) every year over a certain number of years. Second, the EU proposes a reasonable initial allocation of quotas. This could either be done through a negotiation (which is more likely, but will also be as complex as any burden-sharing agreement) or through an auction process (much simpler, but politically poisonous). Third, countries would be allowed to trade quotas by paying to reduce their quotas or being paid to increase their quota in any particular year.
The outcome of quota trading is an allocation of quotas to states at a minimum cost. In other words, quota trading is the most efficient way to manage allocation. The advantage of this system is that it is transparent, robust, and sustainable for many years, allowing countries to manage their refugee inflows over time. It creates a clear trade-off between cash and refugees for each country: The costs of hosting an additional refugee across countries would be the same. Hence, countries would have a proper incentive to reveal precisely how many refugees they are willing to host given the total EU quota, fully solving the lighthouse problem.

One disadvantage of refugee quota trading is that the initial allocation would likely be extremely controversial and result in windfall payments for some states. Another disadvantage is that it reduces the fragile discourse about refugee protection to money, sidestepping serious issues of moral responsibility and international humanitarian obligations.

**Lack of Coordination.** Even if the overall number is decided and the quotas are allocated in a sensible way, one final question remains unclear: Which refugees will be resettled where? As the economists Jesús Fernández-Huertas Moraga and Hillel Rapoport explain, this is a two-sided matching market design problem similar to what happens with public school choice in many cities in the United States.

Whatever their quotas, countries have priorities in the kinds of refugees they would like to host because of labor market needs, preexisting refugee communities, or political will to host particular vulnerable refugees, such as children in the case of the Dubs Amendment in the UK. Refugees, for obvious reasons, also have strong preferences about the countries where they would like to permanently resettle.

Member states can universally agree on how to prioritize criteria for allocating refugees. For example, in our view, it would be unethical to use race or religion as a priority. The Dublin convention explicitly ruled out taking these preferences and priorities into account by insisting that refugees must apply for refugee status in the first safe country of arrival.

The system would work as follows. Refugee families would submit their preferences for countries, and countries would submit their priorities of refugees to a central EU Refugee Matching Agency. The agency would then adjudicate in which countries the refugee families would be eligible for asylum (since rules are not harmonized across the EU member states) and match the refugee families by taking these preferences into account. The exact details of different matching algorithms are not important, but it is worth briefly describing their possible properties. First, an algorithm could produce a fair allocation in which no refugee families’ priority in any country is violated. This means that if a refugee family prefers a particular country over one it has been assigned, it is only because its priority in the preferred country is not sufficiently high. Second, the outcome could be efficient with respect to refugee preferences. In other words, no refugee family would be allocated to a more preferred country without making another family worse off by bumping it off that country’s list. Finally, refugees could be given an incentive to report their preferences for countries truthfully. While no algorithm can satisfy all three properties, there are algorithms that would work well in this context.

The advantage of coordinating refugee assignment in this way is that it gives refugees agency over their future and allows them to choose—as much as possible—what is best for them. The same goes for the states, which could better control both the number of refugees (under the tradeable quota system) and the composition of the refugee arrivals, which can further strengthen the political case for increasing quotas.

An international refugee matching system is not without disadvantages. First, if refugees know that they could get a higher priority in a country they prefer (i.e., if they are more likely to be admitted based on qualifications), they would have an incentive to lie about their personal characteristics. The characteristics hardest to misrepresent (e.g., ethnicity) tend to be the ones that are unethical to use to determine priority. Second, centralization of the refugee assignment process can be tough pill for governments to swallow. Normally, governments prefer to exercise full control over it instead of surrendering its administration to an EU authority.
However, in spite of these disadvantages of the international refugee matching systems, member states would have tremendous scope to determine initial allocations of refugees within countries to local areas, such as towns and cities. Instead of matching refugees to countries, it is possible to match refugee families directly to local areas, which might also have priorities over what refugees they are best able to host. Refugee families would then submit preferences over the kinds of local areas where they would prefer to live (e.g., an urban area or near good schools).

Such a matching system could be used to relocate refugees from Greece or Italy directly to other member states such as Portugal, ease the reallocation of thousands refugees across federal states in Germany, or help in separate resettlement schemes in countries such as the UK. From studies of refugee resettlement in Denmark and Sweden in the 1990s and in the United States, we know that the initial placement of refugees matters enormously for their and their children’s lifetime outcomes. Therefore, we expect that matching systems will play a greater role in refugee resettlement in the next few years, not just in Europe, but in other resettlement destinations, such as the US, Canada, and Australia.

Security

The links between refugee flows and transnational terrorism are real (if usually wildly overstated) but more often than not arise from mismanagement. The refugee crisis poses two types of security concerns, which can be labeled infiltration and radicalization. Infiltration refers to the possibility that those already intent on committing acts of terror will take advantage of migration routes and refugee protection facilities to bring matériel or militants into Europe. Radicalization refers to the possibility that those extended protection will subsequently be recruited into terrorist networks.

The overwhelming consensus is that the radicalization of asylum seekers is a far more serious threat than infiltration. ISIS, in particular, is not presently interested in sending militants back to Europe and would much prefer them to stay in Syria or move to Iraq, although that may change if ISIS continues losing territory. These migration routes are some of the most expensive, arduous, and risky, so any organization seeking to infiltrate Europe will far more likely use easier channels, such as returnees who already possess European passports.

The radicalization of asylum seekers is a far more serious threat than infiltration.

The techniques for addressing infiltration are well-known. They amount to effective security checks. Physical security checks (e.g., metal detectors and bag scanners) are largely uncontroversial if treated properly. Refugees themselves fear being in insecure spaces, and physical checks will likely help refugees feel safe, as long as they are not unnecessarily punitive, intimidating, or degrading. Bureaucratic checks depend on the effectiveness of intelligence sharing. Pan-European cooperation on this issue is usually thought to be poor. Overwhelmingly, the most sophisticated network available to the West is the Five Eyes—the intelligence alliance comprising Australia, Canada, New Zealand, the United Kingdom, and the United States—which suggests that there is ample room for more effective transatlantic cooperation to improve security checks on both sides.

Arguably, the risks related to infiltration should not distract from the potential of radicalizing asylum seekers in situ, either in camps or elsewhere. Examples are comparatively rare, but significant in the consequences they have engendered. Perhaps the clearest cases are those of Hamas and Fatah, both of which emerged out of Palestinian refugee camps. However, this process took decades and required a well-developed infrastructure of ideological sensitization, mobilization, and recruitment in these camps.
At present, there is little evidence of similar recruitment or organization in camps of Syrians.

**Three Factors of Radicalization**

Three core factors would likely reduce the likelihood of radicalization in situ. All attempt to overcome two key causal factors: the alienation that gives rise to radicalization in the first place and the distrust that discourages communities from reporting it. Psychologists and scholars of terrorism are unanimous that terrorists are not irrational, but a terrorist is created by a combination of a disaffected individual, an enabling community, and a legitimizing ideology.\(^{41}\) Therefore, there are relatively simple ways to drastically reduce this risk.

**Linkages with Pro-Peace Nonstate Actors.** The key relationship in encouraging at-risk communities to report radicalization is not between the state and the community, but between the community and civil society organizations that can form a link to the state. Reporting requires a wealth of accessible contact points that are nonconfrontational and trusted by the community. Most evidence suggests governments find it extremely difficult to perform this role, particularly in contexts where they are forced to implement carceral or otherwise coercive measures. In contrast, the state can support civil society organizations, which can mediate between refugees and the state, likely improving subsequent access to information.

**Providing the Right to Work.** The evidence overwhelmingly suggests that this is the simplest way to combat the dependency, idleness, and poverty, which foster the alienation that leads to radicalization. Of course, further measures, such as providing property rights, access to credit, and facilitating employment are all likely to further enhance this, if they are politically palatable.

**Easy Access to Trusted Sources of Information.** In desperate conditions, rumors and misinformation foster radicalization. There are two important subpoints to this. First, sources of information that are generalized and collective are likely to be more successful in avoiding radicalization than access to information sources that are narrow, self-selected, and vulnerable to “filter bubble” effects. In practical terms, that makes improving radio access more likely to assist than better smartphone connectivity. Second, given high levels of distrust, active propaganda efforts are likely less effective than empowering the trusted media sources of refugees' conationals and connecting them to the mainstream media of the country in which they are residing.

This points to a dilemma that faces any state seeking to reduce the security threats presented by the crisis. The centralization and extensive monitoring required to address infiltration undercuts the ability of the state to use nongovernmental organizations and civil society to combat radicalization. If done heavy-handedly (e.g., the British government’s PREVENT strategy), such strategies might be counterproductive and foster alienation that leads to radicalization. Furthermore, such policies may incentivize ordinary refugees to engage in two strategies that make monitoring and combating radicalization harder: Confronted by an adversarial state or limited opportunities to prosper, refugees may seek to avoid the attention of the state and enter the illicit economy, or they may engage in unmonitored “secondary movements” to locations elsewhere in Europe. Both strategies exacerbate European security concerns and should be avoided if possible. Given the abundance of evidence that radicalization is a far larger threat than infiltration, a rational security policy should prioritize combatting the radicalization over infiltration.

**Conclusion**

The 2015 refugee crisis was one of the most consequential events in European politics in recent decades, with corrosive effects on the trust of European electorates and trust in EU institutions, liberal democracy, and values of openness and social tolerance. Besides the nativist political forces that were keen to exploit the situation, much of the blame for
the crisis’ fallout rests with the EU’s woefully inadequate response. Alas, the EU today does not seem significantly better prepared to confront a similar wave of migration in 2017 than it was two years ago.

Europe also faces a real risk that the EU-Turkey deal will collapse, which effectively outsourced the EU’s border protection and asylum policy to an increasingly authoritarian and reckless regime. In Syria, Western liberal democracies have vacated the arena to Iran and especially Russia, which has a direct interest in destabilizing Europe, including by setting in motion large movements of population. With incomes rising across the developing world, it is also reasonable to expect increasing mobility of populations fleeing systemic injustice and lack of economic opportunity (as opposed to violent conflict), potentially blurring the lines—as it has in the most recent refugee crisis—between economic migrants and refugees.

The clock is ticking on European leaders to put in place policies that (a) show European citizens that their governments and the EU are in control in order to prevent populist backlashes, (b) honor the humanitarian obligations of European countries, and (c) use inflows of refugees and migration more generally as part of normal, reasonable policymaking and as a source of economic dynamism, not as a nativist prop.

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Notes


2. The rising rental prices that result also contribute to tensions with the host population. See Ahmet İçduygu, Syrian Refugees in Turkey: The Long Road Ahead, Migration Policy Institute, April 2015, 10, http://www.migrationpolicy.org/research/syrian-refugees-turkey-long-road-ahead.


8. Ibid., 4.


23. For example, the hiring freezes made it impossible to recruit new employees for the Greek Asylum Service, even temporarily.


35. Fernández-Huertas Moraga and Rapoport, “Trade Immigration Quotas.”

36. See also Will Jones and Alexander Teytelboym, “Matching Systems for Refugees” (working paper, 2016); and Will Jones and Alexander Teytelboym, “The Refugee Match” (working paper, 2016).


40. It is important to remember that large numbers of people going to join ISIS are not taking on combatant roles; they simply want to live in the caliphate. Many of the returnees from ISIS may therefore not be mass murderers or militants.