Tradable Refugee-admission Quotas and EU Asylum Policy

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The current refugee crisis in the neighborhood of the European Union is putting EU policies and institutions dealing with refugees and asylum seekers under heavy pressure to reform. This note suggests that Tradable Refugee-Admission Quotas (TRAQs) can help addressing some of the main problems identified with the existing policies. It builds on well-established models in public economics (markets for tradable quotas) and on recent contributions in the field of mechanism design (the “matching” mechanism below) to design policies that promote efficiency, fairness in burden (or responsibility) sharing, and take refugees’ preferences over destinations (and vice-versa) seriously.

“Nine member states in the EU today receive 90% of all asylum applications annually but those nine states are starting to, well, become fed up”

Tobias Billström, Sweden’s Immigration Minister
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As revealed by the above citation, EU policies and institutions are put under heavy pressure to bring new answers to the current refugee crisis. The emergency humanitarian situation and the sheer volumes involved act as stress-tests for the “Common European Asylum System” (CEAS). It is only fair to say that by and large, the existing system has been unable to provide appropriate responses to the new situation, prompting strong criticism of the CEAS’s legal framework (see De Bruycker et al., 2010); at the same time, the pressure to “do something” generates frantic policy experimentation, with a succession of spectacular but often short-lived initiatives (such as the “Mare Nostrum” operation). On the positive side, the current crisis is also an opportunity to rethink EU asylum policy afresh.

The policy proposal outlined in this note is part of such a reflection. It builds on well-established models in public economics (markets for tradable quotas) and on recent theoretical contributions in the field of mechanism design (the “matching” component in what follows). These tools have been successfully applied to issues as diverse as pollution, kidney transplants, or to the allocation of students to schools and colleges (see for example Roth, 2002). With some adaptation, they can also be applied to improve the EU’s asylum and refugee-admission policy in terms both of efficiency and equity. In the working paper corresponding to this note (Fernandez-Huertas Moraga and Rapoport, 2014a), we set out a “Tradable Refugee-Admission Quota System” (TRAQS) with matching.

THE ELUSIVE QUEST FOR A FAIR RESPONSIBILITY SHARING RULE

In a first step, we document the general recognition in both academic and policy circles for the need to reform the CEAS and to structure EU asylum policy reform around a number of core legal and institutional principles; first among them is the notion of solidarity, both internal (sharing responsibility among EU member countries) and external (providing refugee protection to those who most deserve it).
Second, we detail the two components of our proposed mechanism, which are borrowed from a broader scheme developed in Fernandez-Huertas Moraga and Rapoport (2014). The first component is the tradable quota system. Its principle is to determine a total number of asylum seekers/refugees to be hosted by the EU and a distribution of initial quotas across countries. We are agnostic with respect to the total number and the initial allocation, which could be done according to population, GDP, or more sophisticated rules such as the “combined capacity index” mentioned above. These issues must be addressed in any solidarity mechanism, not just ours. The advantage of a tradable quota system, however, is that it allows for revealing information on the true costs of accommodating refugees in the participating countries, and it also allows (actually, forces) countries to exploit their comparative advantages in either “hosting” or “funding”. In other words, there are two ways by which countries can contribute to the public good “international protection of refugees”: through visas, or through money. The market for admissions will allocate refugees so that the marginal cost of hosting them is equalized across destinations. The solution is efficient in that it minimizes the total cost (or, for a given total cost, allows for the accommodation of more refugees).

Of course, for such a system to bring about benefits that exceed its set-up costs, there must be large cross-country differences in the costs of admitting refugees and asylum seekers. This will be more likely the case if countries are more dissimilar in their assessments of how “costly” are refugees’ admissions (which in turn depend on how dissimilar they are in terms of economic performance, demographic structure, intrinsic preferences for diversity and cultural proximity, and any other dimension affecting the actual and perceived costs of hosting refugees). Finally, it is also important to assess the extent to which the EU member states are opened to financial compensations among them as potential solidarity mechanism.

Regarding “responsibility-sharing” (often improperly referred to by the less politically-correct term “burden-sharing”), we recall the findings of studies (notably Hatton, 2012, and Thielemann et al., 2010) trying to assess the fair share of refugees and asylum seekers each EU country should take according to its “capacity”.

For example, Thielemann et al. (2010) suggest that based on an “equal burden sharing rule” (assessed by a “combined capacity index”), more than one third of the asylum seekers that were present within the EU borders in 2010 should have been transferred to other countries within the EU. As shown on the following figure 1 (Figure 19 in Thielemann et al., 2010), some countries (e.g., Sweden, Greece or Austria) had a large excess number of asylum seekers while others (e.g., Germany, Spain) had large deficits.

The following figure 2, also reproduced from Thielemann et al. (2010) (Figure 67 of their report), suggests that financial compensation is among the preferred mechanisms (together with information sharing and joint capacity-building) listed by the destination-countries’ representatives among various options to be explored to put solidarity in the field of asylum policy into practice.
MATCHING REFUGEES TO DESTINATIONS

The second component is the matching mechanism, whereby each candidate refugee (e.g., an asylum seeker, or a refugee applying for resettlement within the EU) is asked to rank his or her preferred destinations. This means that they would prefer to be resettled in that destination (or have their asylum request examined there) rather than remaining in their current situation. Candidate refugees are then ranked in a random order, with the first in line granted their first choice, the second in line their first choice etc., until we have to go down the list as preferred destinations gradually fill up. At the same time, EU hosting countries also express their preferences, this time vis-à-vis the “type” of refugees they would like to host. For example, countries can express preferences according to the skill or education level of the refugees, their nationality, family status, or legal status (e.g., asylum-seekers vs. refugees applying for resettlement). This is done by “bidding” for certain types as part of the country’s quota. If all countries have the same preferences, the result will be equivalent to a case where they are indifferent with respect to refugee type. If countries have diverging preferences, then allowing them to express these preferences will reduce the expected cost of the system.

CAN IT WORK IN PRACTICE? LEARNING FROM THE MALTA EXPERIENCE

Overall, the combination of these two elements – the tradable quotas system and the matching mechanism – results in a policy tool that has lots of theoretical advantages: cost-efficiency, incentive compatibility (that is, generates a truthful revelation of preferences both on the migrants’ (refugees) and countries’ sides), and fairness in cost-sharing and in refugees’ allocation. But could it work in the real world? To try to assess this, we conclude with a discussion of the properties of the proposed tool against the background of the EUREMA (European Relocation from Malta) Program. This program took place in 2011-12 and allowed for the relocation of about 500 refugees and asylum seekers in 15 participating countries. The selection of potential beneficiaries that were relocated was made in two steps: UNHCR first stepped in through a registration exercise, and then participating countries sent missions to Malta to make the final selection.

Importantly from our perspective, the program was evaluated by the European Asylum Support Office (EASO, 2012). The evaluation report reveals important information about the conception and execution of the program. First, it is clear that a lot of attention was paid to the selection criteria and demands emanating from participating countries, but that candidate refugees’ preferences over destinations were largely neglected. This led to long delays, friction and inefficiency. Second, the report listed a series of problems identified by the participating countries, including: delays in the identification of candidate refugees genuinely interested in relocation; lack of overlap between the participating States’ selection criteria and refugee profiles; troubles in assessing the willingness and suitability of potential beneficiaries to being relocated; unclear criteria concerning relatives and family reunification; and lack of will by some candidates to commit to relocation offers by new EU Member States where there are few migrant communities.

As explained above, a tradable quotas system (with a matching mechanism) is precisely designed to address these problems.

References