

Kiel Institute for World Economics

Duesternbrooker Weg 120

24105 Kiel (Germany)

Kiel Working Paper No. 1189

Germany — an Immigration Country

by

Horst Siebert

November 2003

The responsibility for the contents of the working papers rests with the author, not the Institute. Since working papers are of a preliminary nature, it may be useful to contact the author of a particular working paper about results or caveats before referring to, or quoting, a paper. Any comments on working papers should be sent directly to the author.

Germany — an Immigration Country

Abstract:

Germany has about the same proportion of foreigners in its population as the United States, it is an immigration country. In a way, Germany has let immigration happen, but it did not really have an explicit immigration policy in the past. Now it has to make up its mind on its immigration policy in the future. The paper looks at the experience with immigration in the past, at the integration of foreigners and at the issues of immigration policy.

Keywords: Immigration, labor market, European integration.

JEL classification: F22, J61, R23

Horst Siebert

Kiel Institute for World Economics

24100 Kiel, Germany

Telephone: +49/431/8814-567

Fax: +49/431/8814-568

E-mail: hsiebert@ifw.uni-kiel.de

Germany — an Immigration Country

In an aging society like Germany, immigration is an important topic. Immigrants can make up for the decrease in the work force, augment the contribution base of the social security system, of course also receiving benefits thereof, and move into bottlenecks of the labor markets in the agglomerations and into those occupations that Germans no longer are willing to pick up. But there also is the issue how well foreigners are integrated into the German society and how much integration Germany as an immigration country requires from its immigrants. This issue is at the heart of Germany's debate on its immigration policy. In a way, Germany has let immigration happen in the past, it did not have an explicit immigration policy only correcting unsatisfactory outcomes *ad hoc*. It thus has to make up its mind on its immigration policy in the future.¹

Immigrants in Germany

About one tenth of the population in Germany are foreigners. The actual percentage for the whole of Germany is 8.9 (December 2002). Since there was less immigration to Eastern Germany in the past (the former German Democratic Republic being less open), West Germany has a larger proportion of foreigners in the population than the whole of Germany, namely 10.4 per cent (December 2000). This is the same percentage as in the United States (foreign born population in 2000) and double that of other European countries like France (5.4 per cent in 1999) and the United Kingdom (4.0 per cent in 2000). In addition to 7.3 million foreigners, there are about 430 000 asylum seekers who

¹ This working paper belongs to a series of papers on the German economy, along with working paper „Reform-Notwendigkeit der Alters- und Gesundheitsvorsorge. Zwölf Thesen“, Kieler Arbeitspapier 1147, „Deutschland in der Krise — Wie wird die Starre aufgelöst?“, Kieler Arbeitspapier 1150, “Germany's Social Security System under Strain”, Kiel Working Paper 1155, “The Failure of the German Labor Market”, Kiel Working Paper 1169, “Why Germany Has Such a Weak Growth Performance”, Kiel Working Paper 1182, I appreciate critical comments from Matthias Knoll and Rainer Schmidt.

receive benefits according to the asylum law. Thus, it is fair to say that in an international comparison Germany is an immigration country in spite of the public discussion in Germany which creates the impression that there is still the choice whether to have immigration or not.

One quarter of the foreigners in Germany are from the EU-15 countries (1.9 million), most of them from Italy (610 000, data for 2002²). More than one quarter (2 million) are from other European countries including the former Yugoslavia (590 000) and Poland (320 000). A third quarter are from Turkey (1.9 million), and the remaining quarter come from Asia (12 per cent or 877 000), from Africa (4 per cent or 300 000) and from the Americas (3 per cent or 220 000).

Foreigners do not stay permanently in Germany. There is quite a bit of out-migration to their former home countries. Thus, in the boom year 2000, immigration was at gross 841 000, whereas gross emigration ran at 674 000 so that net immigration was 167 000. Net immigration in the period 1995-2002 was 211 000 annually; this is 2.5 persons per thousand of the population.³ The average duration of stay in Germany is 15.6 years (end of 2002). This means that in contrast to a traditional immigration country like the United States or Australia part of the immigrants return to their home countries. It is therefore important to look at the net immigration figures.

² Council of Economic Advisers 2002, Annual Report, Table 15*, updated.

³ For comparison, the United States had an immigration of 8.9 per 1000 of the population from 1881 to 1890, Australia of 17 in the same period. In 1945 and 1946, West Germany took in 49 and 39 refugees per 1000 of the population, respectively (Siebert 2002).

The History of Immigration

After World War II, West Germany absorbed a huge number of refugees from the former German territories and also from Eastern Germany, until the wall was built in 1961. In 1949, the year of the foundation of the Federal Republic of Germany, 7.9 million refugees were living in West Germany. Considering the population of 48 million this means a ratio of 16 per cent. In East Germany this ratio was even 19 per cent, with 3.6 million refugees living among a total population of 18.8 million. Between 1950 und 1961, 3.8 million people migrated from East to West Germany, while only 400 000 moved in the other direction.

Immigration of foreigners into Germany started already in the late 1950s when German industry recognized a shortage of labor and when Germany began to attract foreign workers, first from Italy and then from Spain, Greece, Turkey and Portugal (first immigration wave). Formal agreements were signed with the emigration countries (Italy 1955, Spain and Greece 1960, Turkey 1961, Portugal 1964). In this first immigration wave, the German Labor Office actively recruited foreign workers in the Mediterranean countries. This was a demand pull migration where the initiative came from Germany as the immigration country. The foreign workers manned the assembly lines in the car producing firms or other enterprises of the German export industry, and on Sundays the Italians and Spaniards would use the railway stations as the piazza or plaza that they were so much used to in their home countries. At first, only the workers came. Eventually, they brought their wives and families, or they married a German girl. They joined the local glee club or excelled in the towns' sport team. Many immigrants created their own business and nowadays an Italian Pizzeria or a Turkish Kebab stall can be found in every German town.

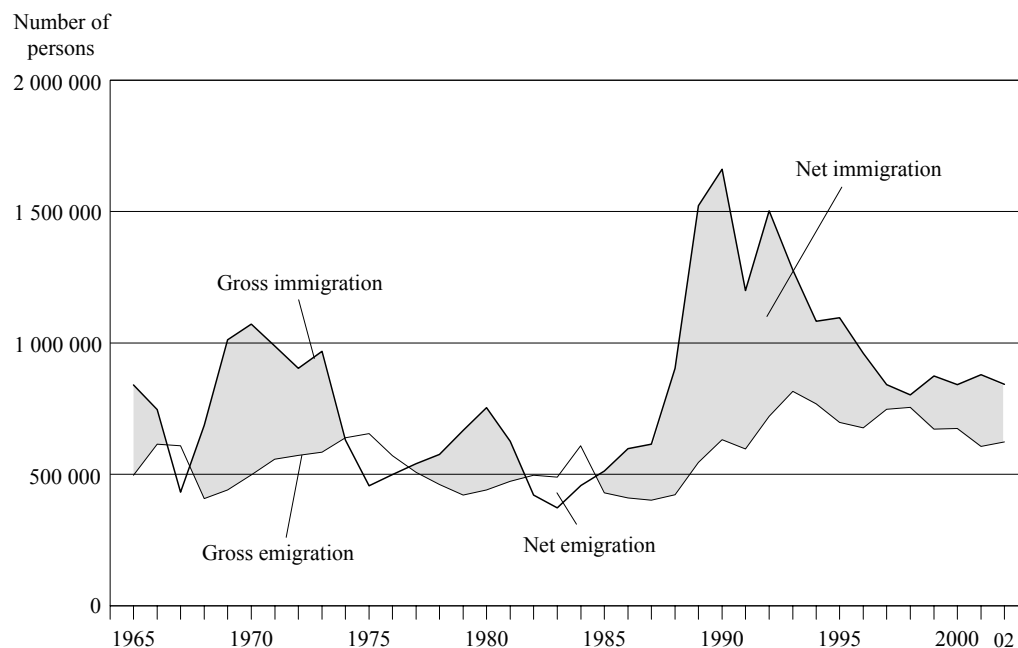
After the first immigration wave in 1958-1966 there was a second immigration wave in 1968-1973 prior to the oil crisis (Figure 1, Table A.1 in the appendix). In the two waves, the number of foreign workers increased from 127 000 to 2 600 000. Only in the recession of 1966-68 was there a temporary stop for new foreign workers; existing contracts were not prolonged. It can be said, that the foreign workers acted as a buffer in this recession, as they were the firsts to be laid off. With the economy gaining pace again, the demand for labor rose and attracted new immigrants. When the immigration surged and when at the same time the first oil shock hit the German economy with the consequence of a major recession, a recruitment stop was enacted in 1973. Since then, workers from non-EU countries are allowed to immigrate only when an employer can demonstrate that he cannot fill a position with the labor force existing in Germany. This has to be certified by the Labor Office. Family members are allowed to follow to Germany except children older than 18 years; this age limit was reduced to 16 years in 1981. The initial demand pull migration had changed to a supply side driven migration where the initiative now came more from the migrant instead of from Germany as the immigration country.

When economic activity picked up again, a third immigration wave took place in the late 1970s and 1980. But again after this surge and again after a recession, that of 1982, and also ten years after the immigration stop, a new law was introduced in 1983 with the attempt to limit immigration by providing an inducement to return to the home country.

Germany has experienced a fourth wave of immigration in the late 1980s and the early 1990s before and after the fall of the iron curtain. In contrast to the other migration waves, this was freedom migration of people wanting to be free from the dictate by the state (before the wall had fallen) and migration to seize

new opportunities that became available when the wall had gone. Gross immigration peaked in 1989 with 1.5 million, in 1990 with 1.7 million and with 1.2 million in 1991 including immigration from East to West Germany. Net immigration reached 0.98, 1.03 and 0.6 million in these years, respectively. When the migrants from East Germany and other Germans from the previous communist countries, for instance those whose parents had settled in parts of Russia, are excluded from these numbers, net immigration into West Germany was considerably lower; for instance, in 1989 only 329 000 foreigners came. Thus, the fourth wave was to a large part driven by Germans. Concern arose that besides the freedom seekers, who came right before or after the fall of the iron curtain, and besides the group who were truly prosecuted in their home countries, a new type of migration had arisen, social welfare migration. There were indications that a number of migrants had discovered that they could participate in the benefits of the German welfare state, for instance receive social welfare payments. Thus, after the fourth surge in immigration, again after a recession and another ten years later than the last law attempting to reduce immigration, an asylum law was passed in 1993 limiting the benefits provided to asylum seekers (see below). The new law speeded up the procedures for asylum applications, and severely limited the access to the asylum system by requiring that applicants who passed through safe third countries en route to Germany had to apply for asylum there, not in Germany. Since Germany is surrounded by safe third countries, the only ways for asylum seekers to enter Germany were by air or by sea. The new regulation was intended to limit welfare migration.

Figure 1: Immigration, Emigration and Net Immigration, 1965 - 2002



To sum up, there is a pattern in past immigration. Immigration picks up when the economic conditions in Germany seem promising. Of course, other aspects like the fall of the wall also play a role. After each surge of immigration, Germany has initiated laws in 1973, 1983 and 1993 attempting to limit immigration. Moreover, immigration has responded to the recessions. After each recession except for that of 1992, there was a net emigration (Table A.1). After the 1992 recession, net immigration went down to 47 000 in 1998.

The Integration of Foreigners

To what extent foreigners are integrated into the German society is a point that is heavily debated. Admittedly, an evaluation of this issue depends on one's personal orientation, among other things. Looking at anecdotal evidence, some groups of foreigners are well integrated into the German economy. Thus, many

people from the Mediterranean countries who still live in Germany are active as small entrepreneurs in the service sector, running their own barber shop, restaurant or, as can be increasingly observed of the Turkish community, their fruit and vegetable store or their IT shop. As a matter of fact, Germany's restaurant menus would be dull without the Mediterranean specialties. Many positions of German industry would be void if they were not manned by foreigners. In addition, the children of immigrants have entered the German universities with quite a success, although they are still underrepresented when considering the share of immigrants in the total population. Moreover, some of the immigrants have moved into the agglomerations where they help to reduce the bottlenecks in the labor market, especially in occupations that Germans are no longer prepared to accept.

The other side of the integration story is that foreigners are concentrated in the larger cities; here they can continue with their original customs, and for many there is no need to learn German. Here the lives of the natives is most affected, partly they are driven out. An example of the problems is that in some larger cities classes in schools have a majority of foreign pupils so that teaching cannot be done adequately in German. This reduces the employability of these pupils in the labor market later on, both of Germans and of foreigners. Admittedly, Germans with low income feel the competing uses with foreigners most strongly, because they are economically closer to the situation of the immigrants. This refers to the education of the children, to housing and to some extent also to jobs. People with higher income can avoid the competing use to a large extent. It is therefore not surprising, that open signs of xenophobia have been most pronounced in East Germany where income per capita is low and unemployment is high, even if the proportion of foreigners is actually much smaller than in West Germany.

Looking at macroeconomic data, foreigners have a larger proportion in the age group between 15 to 64 years, namely 12.0 per cent in West Germany (December 2000⁴) relative to their part in the West German population of 10.4 per cent. They have a relatively lower proportion of 8.4 per cent of those employees who have to pay social security contributions which again is lower relative to their share in the German population⁵. This may partly reflect that some of them are self-employed. Other figures indicate that the foreigners are not well integrated into the labor market: Their unemployment rate, i.e. the unemployed foreigners in relation to the work force of foreigners, in West Germany is 18.4 per cent (August 2003), double the rate of Germans in the West; in East Germany the rate is 39.1 per cent, in Germany as a whole 19.9 per cent. They account for 17.4 per cent of all the unemployed in West Germany, much more than their share in the population. Their proportion of the long-term unemployed is 16.7 per cent in West Germany and 11.1 per cent in Germany as a whole (September 2002); all unemployment percentages are higher than their share of the population. Finally, their share in the recipients of social welfare benefits is 22.1 per cent (December 2000). In addition to the 595 000 foreigners receiving social welfare (December 2000), 430 000 persons obtain benefits according to the law of asylum seekers.

This poor integration of foreigners into the labor market reflects the fact that the lower segment of the German labor market, so important for immigrations in order to get an economic hold in their new environment, has dried up because an informal floor of income is provided by the government. Whereas in the United States an immigrant is forced to earn his living in the labor market having not too many outside options relative to accepting the market clearing wage, an informal minimum wage that exists in Germany does not exert the same

⁴ Own estimate.

⁵ In June 2002, the percentage was 7.2 per cent.

pressure to really enter the labor market. Thus, clearly Germany does not have a labor market adequate for an immigration country. And whereas in the Anglo-Saxon world an immigrant cannot rely on a gracious welfare system as a fall back position in terms of governmental programs, this is different in Germany once the foreign worker has officially entered. This raises the issue of welfare state migration, i.e. of a migration that explicitly or implicitly is driven by the difference between the net wage at home and the welfare benefits provided in Germany.

In order to reduce this incentive, social welfare benefits were eliminated for asylum seekers since 1994. According to a specific law, they are provided with housing instead of financial support, they are given coupons for food and articles of basic need and a small pocket money. However, once these persons are granted asylum, their status changes and they can receive social welfare benefits. They are allowed to work if an occupation cannot be filled with a German or an EU worker. It is normal that legal battles are fought in the administrative courts on the question whether the status of asylum applies. When the process of asylum seeking takes longer than three years, they are entitled to receive social welfare benefits. Since these trials take time, the welfare benefits may be obtained more or less automatically. Asylum seekers admitted in another EU country cannot automatically receive asylum support just by moving to Germany. Whereas this aspect of immigration was changed, the rigidity of the low segment of the labor market has not been addressed.

Actual rules for immigrants from non-EU countries

Immigrants from non-EU countries who want to come to Germany need a permit to stay and a permit to work. There are several different forms of permits

to stay in Germany. During the procedure of asylum seeking, applicants are given a very restricted permit of stay. Furthermore, there are special permits for students, allowing them to be in Germany. During the time of their studies, they are also allowed to work with certain restrictions. There is a permit restricted in time and there is an unlimited permit to stay. This permit is given only within very strict conditions are fulfilled, the applicant has to have lived for at least eight years in Germany and must have a regular job, sufficient to finance his living. Work permits are generally only given, when it can be shown that a certain job cannot be filled with a German citizen. Persons who have a permit for an unlimited stay do not need a work permit. The family of the foreigner is allowed to follow him (or her) to Germany. He has to prove, that he is able to finance the living of the family in Germany and has sufficient housing space. There are exceptions in cases of humanitarian reasons. Moreover, for non-EU citizens a few possibilities to work in Germany have been created in the context of treaties limiting the total number of guest workers per year from specific countries. This applies especially to seasonal workers in the agricultural sector.

The green-card law was an attempt to open up immigration for qualified people and to give the political discussion on immigration a different focus. The idea is to attract qualified people. The law also allows students of information and communication technology from other countries to take a job after they have passed their exams and received the German diploma. IT-experts from non-EU countries can use a simple mechanism to obtain a work permit for Germany. Basically the only condition is that the employer has to guarantee to pay a salary of more than 39 600 euro to the IT expert; if the employee has no university degree, the employer has to guarantee a minimum salary of 51 000 euro. It was intended to attract 20 000 employees with the green card system with an option to employ 10 000 more in case there would be even higher demand, but effects of the law have been disappointing. Until June 31st less than 15 000 people

applied for a green card. One reason for the poor reception of the green card is the burst of the IT bubble in the last years, which diminished the demand for IT engineers. Furthermore, the green card was limited to a stay of five years in Germany and other restrictions applied that were not really competitive to other countries looking for talents (e.g. the wife of the employee was allowed to start a work in Germany only two years after moving here). Initially it was intended to limit the green card mechanism until June 2003, when it should have been replaced by a new migration law. As this law is still in the parliamentary process, the green card mechanism was prolonged until the end of 2004.

Free Movement in the European Union

Citizens of EU member states are free to choose the country where they want to work. The free movement of people is one of the four basic freedoms of the European Union besides the free movement of goods, services and capital. It includes the right to take residence for persons, the free movement of workers and the right to establish business everywhere in the European Union, i.e. the right of establishment. In addition, the free movement of services implies the free movement of workers if services are embedded in persons. Discrimination based on nationality is to be abolished. The free movement of people also applies to citizens of the European Economic Area (Switzerland, Norway and Iceland) who are free to work in Germany.

A citizen of the European Union has the same entitlement with respect to the social security systems as a German. In each of the insurance systems, the same preconditions apply to a citizen of the EU as to a German. For instance, to receive unemployment benefits requires that contributions have been paid at least for twelve months of employment within the last three years. In health

insurance, coverage starts with the first day of insurance, this means with the first day of work. Foreign students have to become members of a public health insurance. This also applies to accident insurance for accidents at the work place. Pensions require a minimum of fifteen years' contributions. EU citizens seeking a job have the right to be in Germany for three months, provided they have health insurance. This three month rule is under scrutiny by the European authorities.

With respect to social welfare, the basic rule is that neither EU citizens nor asylum seekers receive social welfare just because they came to Germany. This also holds for citizens of states with some type of privileged access such as the United States, Japan and Cyprus. EU citizens and citizens of a country with privileged access can only obtain social welfare if they have to rely on it for reasons which are outside of their control, for instance if they are laid off when they were previously employed, and if they already live in Germany.

A more complex issue is the free movement of asylum seekers within the European Union, for instance of boat people who come to Italy and then want to move on to Germany. Asylum seekers have to apply for asylum in the country where they enter the European Union while minimum standards with respect to procedure of the asylum application are sought. During the procedures in which asylum is granted, the asylum seeker is restricted in his spatial mobility, usually limited to the district of a country where he applies. Asylum seekers who have been granted the right of asylum in a specific country, in principle have the right of free movement. However, like for nationals of third countries who legally reside in one member state, rights and conditions under which they can reside in another member state are still to be defined. Like EU citizens they cannot automatically receive social welfare just because they came to Germany. Since

the right of movement differs for asylum seekers and for those to whom the status of stay has been granted, a member state of the EU can be affected by the asylum policy of another member. Therefore, there is an attempt to either harmonize procedures in this area or not to cede national instruments with which the flow of asylum seekers (and also those who have been granted the right to stay) can still be influenced nationally. While the EU member states respect international rules on asylum, asylum policy is subject to unanimity according to the EU Treaty. According to the Treaty of Amsterdam, the procedure of co-decision with qualified majority will apply to this issue as of 2004, if agreed upon unanimously by the heads of state. If the Convention is passed, member states will retain the right to set national entry levels for third country nationals.

Since foreigners from EU-15 countries make up one quarter of the all immigrants and only 2.5 per cent of the population, this group in no way can be regarded as representing a policy issue. Language barriers and cultural differences do represent a strong home bias in the European Union limiting the spatial mobility of workers. However, some people fear that the 2004 enlargement of the European Union will lead to mass migration from the new member countries to the West. I consider this unlikely. The systematic reason is that the migration of people depends — among other factors — not only on actual, but also on expected income differences and on expected opportunities for employment (and therefore also on unemployment). It is true that actual income differences between the accession countries and the EU are still high. Poland reaches 40 per cent of the EU per capita level of GDP when purchasing power parity is used (Eurostat estimate for 2003). For Hungary the relative level is at 59 per cent, for the Czech Republic at 61 and for Slovenia 75 per cent. In contrast, Bulgaria only reaches 27 per cent and Romania 26 per cent of the EU level. When GDP per capita is compared in current prices and nominal exchange rates, the Czech Republic is even at only 30 per cent, Hungary at 29

and Poland at 22 per cent of the EU average (Eurostat data for 2002). However, some regions in some of the accession countries now already reach income levels that are not too far off from the EU average or are even higher. Thus, the region of Prague is at 115 per cent of the EU level, Bratislava at 99 and the region Közép Magyarország in Hungary at 72 per cent (in current prices). For people in these areas, on average emigration is unlikely to pay.

Moreover, it is not current income differences and actual differences in unemployment rates that drive migration but expected income and employment gaps. In migration decisions the future stream of income is compared to the costs; the present value of the additional income in future periods net of migration costs must be positive. Therefore expectations on future income play an important role. If people expect that the income gap will be levelling in over time they tend to stay at home. In a model with uncertainty, for instance with a Brownian motion on future income, the option value of waiting is a relevant variable. If the option value of waiting is positive, people will stay at home. Of course, we know from many empirical studies that convergence takes a long time; nevertheless the expectation of convergence implies a positive option value.

Moreover, looking at the German experience with immigrants from the Mediterranean countries, immigration surprisingly occurred in the late 1960s and early 1970s, way before the enlargement of the community took place in the eighties. Immigration from Greece, Spain and Portugal reached its maximum in 1970 with 2 persons per thousand of the German population. As a matter of fact, there was negative emigration from these countries in the period after southern enlargement. Of course, it can be argued that southern enlargement is not a relevant analogue, because historically people have not migrated from the south to the north, except for the tribes of the Angles and the Saxons from northern

Germany to British isles, whereas migration from the East to the West was more normal. But if there would be a strong urge to migrate from the East to the West, it is surprising that net immigration to Germany from the seven major Middle and East European countries (Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia) has been less than 20 000 per year since 1995; this is about one person per four thousand of the German population. In 1993, a year after the recession, net immigration from these countries was negative, in 1994 it was slightly negative. Admittedly, a free movement of people did not exist during that period but determined people are likely to develop an infinite imagination to overcome legal hurdles. In all these arguments, the official numbers have to be regarded with some caution. It is estimated that the number of illegal and seasonal workers from Central Eastern European Countries in Germany is several times the amount of the official data. Empirical evidence shows that especially on building sites, in agriculture and in the catering branch there is a lot of illicit work.

From these analytical considerations and the past empirical experience the tentative conclusion is that we will not see a major wave of immigration from the new EU-members except in the event of a political shock, for instance if a major political risk arises from Russia. Moreover, there is an interim period of up to seven years in which the free movement of people for the new EU-members does not yet apply. Finally, the very low-income countries like Romania and Bulgaria from which migration is most likely will be admitted to the EU only at a later stage, probably in 2007.

Since 2000 there is a new nationality law in Germany. Foreigners with eight years' legal residence in Germany will be granted a right to nationality, on condition that they can support themselves financially and have no criminal record. Furthermore, there are eased conditions for foreign spouses of Germans.

Children of foreign parents who are born in Germany will receive German nationality automatically if at least one parent was born in Germany, has its legal residence since the last eight years in Germany or has an unlimited residence permit. This introduces the “*ius soli*” into the German nationality law which so far was based on the “*ius sanguis*”.

The Future of Immigration Policy

Germany seems split on the issue how much integration it wants to have in the future. It is fair to say that so far there is no consensus on what the benefits and the costs of immigration are, or to put it differently, which weight to assign to immigration and which to integration. In addition, it is not clear which role asylum policy should play in relation to immigration policy. Thus, in the case of Germany the interest of the immigration country itself is not yet clearly defined. This means that the type of immigration, the methods of immigration policy and the total number to be admitted are open.

Several interdependent aspects are relevant for this discussion. One is the aspect of help to the immigrants versus contribution to Germany as an immigration country. Some see immigration as simply providing an option for the immigrant. They are prepared to take in not only political asylum seekers but also people that are persecuted in their home country for sexual reasons. Especially the churches see immigration as a way to help others and are willing to be more generous towards immigrants from poor countries and towards asylum seekers, neglecting that the immigrants to Germany cause a serious drain in their home countries. They do not seem to see a problem in the absorption capacity. Others stress the necessity that the immigrants actively contribute to German economic activity. In their argument, the interest of the immigration country plays a larger

role. This implies an explicit immigration policy aiming for talented and productive immigrants. Another aspect is integration. Some are prepared to have more of a multicultural society. They consider immigration an enrichment of Germany's life by different ethnic backgrounds, for that reason they also are prepared to take in not only political asylum seekers. Others stress the necessity to integrate the foreigners, to require from them to learn German and to demand a preparedness from the immigrants' part to take over basic values of their new country, for instance those of the Constitution.

I start from the premise that asylum policy and immigration policy have to be considered as intellectually separate issues even if it will prove difficult to disentangle the two aspects in practice. In both areas, the total number of immigrants and the methods to be used to determine who can come have to be chosen.

With respect to asylum, the right of asylum, i.e. accepting people who are prosecuted in their home countries, is one of the basic elements of the German Constitution, being a result of German history. Asylum policy has to specify under what conditions asylum seekers can enter Germany. These conditions will then determine the number of refugees coming in as immigrants. Even with the best intentions, a country cannot possibly accept all the refugees of the world. It cannot grant a legal right to come to each person prosecuted in the world; there must be some limit on the immigration of asylum seekers. A method must be found by which welfare migrants must be separated from asylum seekers. This is an issue which traditional immigration countries in the 19th century did not have to solve; it is also not a problem in countries like the United States today, where immigrants have to find their way through the labor market, for instance the illegal immigrants from Mexico.

With respect to immigration separate from asylum, it seems acceptable that a country defines its own interest. A minimal condition for immigration is that the immigrants who come will not cause economic problems. They should have a high labor productivity or be able to develop it and they should not be characterized by a higher risk of unemployment than the native population. A more far-reaching approach is an explicit immigration policy with the goal of migration policy to explicitly attract the most qualified in order to enhance the country's human capital, effort and entrepreneurial spirit. The immigration aims for the higher segments of the world's labor supply curve. If the highly qualified are attracted, labor productivity is raised and economic growth is stimulated. Such an immigration policy would not be hindered too much by the non-functioning lower segment of the German labor market because it would aim for the qualified (the low segment remaining nevertheless important as a safety valve when too high expectations of the migrant do not materialize). In this approach, the economic interest dominates and humanitarian aspects, stressed by the churches, become less important; they have to be taken care of by asylum policy.

Germany cannot define its requirements from the immigrants unilaterally. Since immigration is a decision where the interest of the immigration country and the interest of the migrant must come together, it is necessary to be attractive to the foreigner, especially to those with a high qualification. The immigration country has to establish conditions so that dynamic and productive people are attracted. In this concept, countries compete for the talents of the world. Signs of xenophobia, regulations involving long waiting time, difficulties for the family members to come or inhuman bureaucratic conditions, for instance for scientists, are all counter productive. Germany also has to make sure that its own talents do

not leave. An important condition is to have a competitive and attractive university system so that a brain drain is prevented.

In such an approach, a credit point system in selecting migrants as used in the immigration policy of the United States and Canada is an appropriate method if the credit points relate to such criteria as productivity, human capital and knowledge of the language. This procedure considers at least some of the properties behind the demand curve for immigration. There is, however, the risk that in such a bureaucratic approach social criteria will be introduced under the German setting and there is the danger that the administrative courts will play a large role. Therefore, economists favor to auction off the immigration rights, thus moving along the demand curve of the immigrants. Part of the expected immigration gain has to be left to the migrant, but part of represents revenue for the immigration country. Minimal requirements in terms of productivity and training can be used in order to prevent that money alone can buy the immigration ticket.

These considerations do not yet specify how many immigrants should be accepted per year, how immigration fits into a policy of an aging society, to what extent immigration should depend on the labor market situation and the business cycle and which concept of integration is applied to those already in Germany and to those to come. With respect to the total number, the green card arrangement has set a limit of 20.000. But the green card was only seen as temporary solution, which should be replaced by a comprehensive reform within a couple of years. The Immigration Commission has discussed a number of 20 000 workers, which, together with their families, would amount to 50 000 persons per year. This would be 0.5 persons per thousand of the population. It seems to me that this figure is too low taking into account the perspective of an aging society and the experience of immigration in the last five decades.

Germany has had a net immigration of 10 per thousand of the population in the peak year of 1970 in the second immigration wave, 5 in 1980 in the second wave and 16 in 1989 and 1990 in the third wave. Since the mid 1990s, the ratio is 2,5 per thousand. The average for the period 1965-2002 is 3.9 per thousand.

Immigration policy has to be integrated into a European dimension. Since immigrants into the EU member states also have the freedom of movement, Germany's foreign population will depend on the immigration policy of other EU countries. If the requirement of unanimity that exists for the movement of people from third countries and for asylum seekers so far would be exchanged for a qualified majority in the new Convention as of 2004, an independent immigration policy would not be possible.

The new immigration law, passed by the Bundestag in March 2003, has not been accepted by the second chamber, the Bundesrat. How strong the emotions are on this issue, is shown by the fact that the voting procedure in the Bundesrat had to be examined by the Supreme Court that ruled the procedure as unconstitutional. Modification of the planned law are needed to get the approval of the Bundesrat. When this manuscript was closed, the law had not yet been passed.

Table A.1: Immigration, Emigration and Net Immigration, 1965- 2002 (in thousands) ^a

Year	Emigration	Immigration	Net Immigration	Total Population	Net Immigration / Population in per cent
1965	496	840	344	58619	0,59
1966	614	746	132	59148	0,22
1967	609	432	-177	59286	-0,30
1968	408	686	278	59500	0,47
1969	440	1012	572	60067	0,95
1970	498	1072	574	60651	0,95
1971	557	988	431	61280	0,70
1972	572	903	331	61697	0,54
1973	584	968	384	61987	0,62
1974	639	630	-9	62071	-0,01
1975	655	456	-199	61847	-0,32
1976	571	499	-72	61574	-0,12
1977	507	540	33	61419	0,05
1978	461	576	115	61350	0,19
1979	421	667	246	61382	0,40
1980	441	753	312	61538	0,51
1981	473	625	152	61663	0,25
1982	496	421	-75	61596	-0,12
1983	489	372	-117	61383	-0,19
1984	608	457	-151	61126	-0,25
1985	429	512	83	60975	0,14
1986	410	598	188	61010	0,31
1987	401	615	214	61077	0,35
1988	422	904	482	61450	0,78
1989	545	1522	977	62063	1,57
1990	632	1661	1029	63254	1,63
1991	596	1199	603	79984	0,75
1992	720	1502	782	80595	0,97
1993	815	1277	462	80930	0,57
1994	768	1083	315	81422	0,39
1995	698	1096	398	81661	0,49
1996	677	960	283	81896	0,35
1997	747	841	94	82053	0,11
1998	755	802	47	82030	0,06
1999	672	874	202	82087	0,25
2000	674	841	167	82260	0,20
2001	606	879	273	82441	0,33
2002	623	843	220	82537	0,27

^a Until 1990 West Germany only; from 1991 Germany; figures in 1000 persons.

References

Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Zwanzig Punkte für Beschäftigung und Wachstum, Jahresgutachten 2002/03, Metzler-Poeschel, Stuttgart.

Siebert, H. (2002). Der Kobra Effekt. Wie man Irrwege der Wirtschaftspolitik vermeidet, 2. Auflage, DVA, Stuttgart-München; erschienen als Taschenbuch bei Piper, München, 2003.