



**FRANCE STRATÉGIE**

ÉVALUER. ANTICIPER. DÉBATTRE. PROPOSER.

# **The economic cost of rolling back Schengen**

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# Introduction

## Some facts:

- Following the re-establishment of controls at the borders inside the Schengen area in several countries such as Austria, Germany, Denmark, Sweden, Norway, Belgium, France...
- Several severe difficulties have been identified
  - 57 million vehicles a year and 1.7 million workers a day crossing frontiers
  - The Balkans route from Turkey to Germany is becoming very laborious
  - The Oresund bridge between Copenhagen and Malmö
  - ...



# Introduction

- At France Stratégie, we studied the economic consequences of re-establishing permanent border controls within the Schengen Area.
- We mainly focuses on France;
- Two kinds of impacts have been assessed:
  - The short term impacts directly due to time lost at the borders for controls
  - A long term macroeconomic impact mainly due to the indirect induced effect on trade.



# I. Short term impact

## 1) Impact on tourism

France is the world's premier tourist destination :

- 83 million foreigners spending at least one night
- 122 million same-day visitors in 2014.
- Total spending by foreign travellers amounts in France to 2.4% of GDP.

### Assumptions

- A net decrease of same day visitors between 5% and 10%
- A net decrease in overnight visitors from the neighboring countries spending a maximum of two nights in France between 2.5% and 5%

Estimated cost : **between 500 millions and 1 billion euros per year**



# I. Short term impact

## 2) Impact of the increase in commuting time

350 000 French commuting workers that cross the border 2 times a day

217 days per year,

Assumption: controls at the borders increase crossing time by 10 to 20 minutes on average.

Estimated socio economic cost: **between 250 million and 500 million euros per year** for French cross borders



# I. Short term impact

## 2) Impact on freight transport

21,5 million of tonnes imported and 21,7 million of tonnes exported transported by 3 million of trucks each.

Assumption: the time lost by lorries at the border because of the controls between 30 minutes and 1 hour.

The controls at the borders lead to a cost of around 60 million of euros both for imports and exports in the first scenario.

Estimated cost: **between 120 million and 240 million euros per year.**



# I. Short term impact

Total of short term direct cost on the French economy  
**between 1 billion euros and 2 billion euros**



## II. Medium and long term impact of permanent border controls

### 1) Schengen's impact according to the literature

- In addition to the previous effects, other positive impacts of the Schengen Agreements have been identified that act in the long term: (see Ademmer et al., 2015, for a literature review)
- Economic impacts:
  - Effect on trade;
  - Impact on foreign direct investment and higher cross border financial flows;
- Social impacts:
  - Value of freedom and impact on the European project;
  - Effects on security and crime;
  - Raising standards in the less advanced European countries;





## II. Medium and long term impact of permanent border controls

### 2) Estimations (Camilo Umana Dajub and Thierry Mayer)

- According to the estimation results, the fact that **two trade partners** belong to the Schengen Area increases **the trade between them** between 13% and 23%
- The lowest estimation is comparable to a tax equal to 3% of the value of trade flows for every trade flows between partners belonging to the Schengen area.



## II. Medium and long term impact of permanent border controls

### 3) Simulation with the MIRAGE model

Percentage of variation in bilateral trade inside the European Union and the EFTA in 2025

Exporting country	Importing country			
	France	Schengen-EU	EFTA	Non-Schengen EU
France		-11.4	-10.8	1.5
Schengen EU	-11.4	-11.5	-10.5	2.0
EFTA	-13.7	-12.5	-12	6.5
Non-Schengen EU	1.9	1.6	3.2	-0.3



## II. Medium and long term impact of permanent border controls

### 3) Simulation with the MIRAGE model

Variations in GDP due to the reintroduction of border controls in the Schengen Area in 2025

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	$\Delta$ GDP in %
<b>Schengen Area</b>	<b>-0.79</b>
France	-0.50
Schengen EU	-0.86
EFTA	-0.80

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# Conclusion

- Short term direct cost for France:  
Between 1 and 2 billion euros per year
- Long term indirect cost, through trade, for France:  
0.5% of GDP (more than 10 billion euros per year) at the horizon 2025
- Long term indirect cost for the Schengen area:  
0.8% of GDP (more than 100 billion euros per year) at the horizon 2025

