Schengen’s economic impact

Putting up barriers

A permanent reintroduction of border controls would harm trade in Europe
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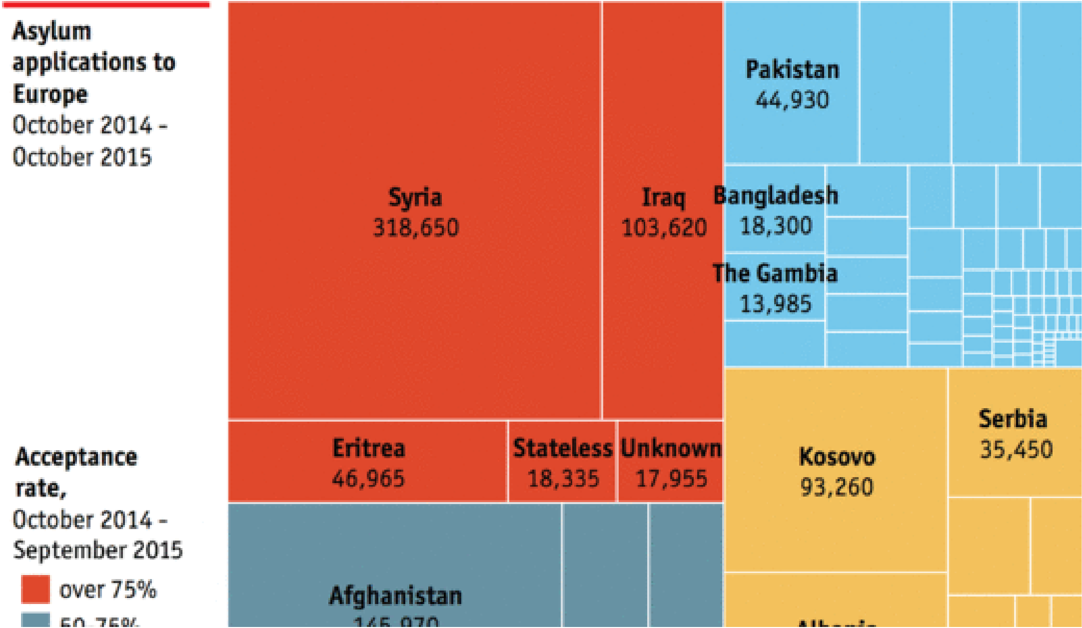
LONG lines of lorries once blotted the chocolate-box alpine landscape of the Brenner Pass, an important road link between southern and northern Europe. The Schengen agreement, which came into effect in 1995 and has now abolished border controls between 26 European countries, kept those lorries moving. But where trucks go, so do refugees. To stem the flow Austria, Denmark, France, Germany, Norway and Sweden have temporarily reintroduced controls. Others have increased spot checks in border regions.

Open borders ease the flow of exports as well as individuals. Every year people make 1.3 billion crossings of the EU’s internal borders along with 57m trucks carrying €2.8 trillion ($3.7 trillion) of goods. As well as speeding the passage of Greek olives and German dishwashers, borderless travel allows hotels in the east of Germany to have their sheets cleaned in Poland, where wages are lower, and workers in Italy to commute to Switzerland (also in Schengen though not in the EU), where wages are higher.

Reintroducing controls such as checking passports and searching lorries is mostly an irritation, though the costs are mounting. A strategy unit of the French government estimates that in the short term border checks within Schengen would cost France €1 billion-2 billion a year by disrupting tourism, cross-border workers and trade. If Schengen collapses the economic consequences would be more serious, it says: curtailing the free passage of goods permanently would amount to a 3% tax on trade within Schengen. The overall effect of hampering cross-border activity would reduce output in the Schengen area by 0.8%, or €110 billion, over the next decade.

Not only will money have to be found to patrol long-abandoned frontiers. Around 1.7m Europeans cross a border to get to work and in some regions as much as a third of the workforce makes this trip daily. Malmo in Sweden and Copenhagen, the Danish capital, have in effect become one big city. Border controls at the bridge that connects them add around 30 minutes each way. A nuisance could become a deterrent to cross-border employment, reducing job opportunities and the pool of labour employers can draw upon.



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The greatest pain will be felt by exporters. Over a third of road-freight traffic in Schengen crosses a border. Delays are creeping up. Around Salzburg in Austria lorries now sit for up to three hours before getting into Germany. Strict EU rules dictate that such waiting times still count as hours behind the wheel for drivers, who are obliged to rest when they hit an upper limit. If waiting becomes a permanent feature DSLV, a German association of shippers, puts the direct costs at €3 billion a year for the EU as a whole, based on a one-hour delay for every lorry.

Businesses likely to suffer most include those with perishable goods, such as fruit, vegetables and fish. Others will pass on costs. Suppliers will need to store extra inventory across the continent to ensure customers get deliveries on time. The German chamber of commerce says that once indirect costs, such as renting storage and the impact on transit-trade with non-EU countries, are taken into account the extra costs for Germany alone could run to €10 billion per year.

Calculations of potential costs depend on what happens if Schengen disappears: will spot-checks merely increase or will countries reintroduce border posts with barriers and barbed wire? Many firms, particularly those used to sending goods to non-Schengen countries such as Britain, may adapt swiftly to stricter border checks. Far worse than the direct costs to trade, says Guntram Wolff from Bruegel, a Brussels-based think-tank, would be the signal that European integration can go into reverse.