Open the gates

Conflict and refugees are an opportunity, not an exercise in crisis management, writes Nasser Saidi

The Middle East has witnessed multiple conflicts in the past 20 years. The wars in Syria and Yemen are unresolved, while Iraq and Libya are in turmoil – still recuperating from devastating wars. Conflicts lead to the destruction of physical capital and infrastructure, social and human capital, disruption of markets and economic activity. The result is a shift of resources toward violent activities, economic contraction, inflation, large fiscal and current account deficits and a loss of foreign reserves as well as weakened financial systems. The scale of the economic losses and disruption varies significantly across countries. Protracted conflicts have more severe consequences and longer periods of recovery. It took 20 years after the war for real gross domestic product to recover to its pre-war level in Lebanon, seven years in Kuwait and only one year in Iraq – according to a recent International Monetary Fund study.

Displacement, regional migration and spillover effects

One factor is common across conflict-stricken countries; massive internal displacement of people and outward migration and outflow of refugees. The ongoing conflict in Syria is a notable source of instability for the region. It is also a humanitarian disaster. An average of 11 people have drowned trying to cross the Mediterranean every day in 2015 so far, according to the British think-tank Chatham House. There is destitution, trafficking of people and whole generations are being lost due to a lack of education, malnutrition and deteriorating health. The United Nations High Commissioner for Refugees estimates that some eight million Syrians are internally displaced. There are about 4.08 million registered refugees as of September 15. This figure includes 2.1 million Syrians registered by the UNHCR in Egypt, Iraq, Jordan, Lebanon and Turkey. Lebanon alone is hosting some 1.5 million Syrian refugees, representing 30 per cent of its population.

Economic spillovers from Syria to Lebanon, Jordan, Turkey and other surrounding countries have continued to grow with the worsening conflict. The World Bank estimates that the real gross domestic product loss for Lebanon was about 3 per cent per year from 2012 to 2014. But international aid has not been forthcoming to the level required to address the problem. The UN's appeal for the Syrian crisis is still only 37 per cent funded. Lacking funds, the World Food Programme has dropped a third of Syrian refugees from its food voucher programme this year. The international community has failed to address the humanitarian crisis, let alone the economic consequences and underlying political issues.

Short-term costs but long-term benefits

The number of Syrians arriving in Europe seeking international protection continues to spiral, although it remains comparatively low. Only around 10 per cent of Syrians who have fled the conflict have sought safety in Europe. The continent initially tried to prevent refugees but is now opening its doors. According to International Organisation for Migration estimates, 474,000 migrants and refugees had reached Europe by sea as of September 15. Some 82,000 people legally entered Macedonia by land, declaring an intention to later claim asylum. Frontex, the European Union's border agency, released data on people entering and leaving the Western Balkans. In Q2 of 2015 alone, some 52,000 people were detected crossing in or out of the region illegally. The media has focused on the plight of refugees to Europe but neglected to note that the vast majority (90 per cent) of refugees are in developing countries like Lebanon, Jordan and Turkey.

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Europe is tending to focus on the immediate costs and impact of absorbing refugees but neglecting the many benefits of migration. The economic and social contribution of migrants/refugees to economic development across countries and history has been massive and well documented. Migration boosts the working-age population. Refugees arrive with a diversity of skills that contribute to human capital development and technological progress. The United States is the prime example with European migration in the 19th century and after the Second World War transforming North America. The influx of mainland Chinese migrants into Hong Kong transformed it into an Asian powerhouse. In more than 40 per cent of the start-ups in Silicon Valley, in the United States, one of the co-founders

Portrait by **Gausa Viktor Danusovich**

is an immigrant. Steve Jobs, who gave us Apple and the iPhone, is the son of Syrian migrants. Lebanon thrived in the 1950s and 1960s due to the influx of refugees from Palestine, Syria, Iraq and Egypt. Similarly, migrant populations made a massive contribution to building the Gulf Cooperation Council countries.

The 19th century waves of migration were arrested by the two world wars and never picked up the same pace. International economic integration then took the form of trade, capital and financial flows but not labour mobility. Migration policies became selective; favouring highly educated/skilled immigrants to advanced countries. This was a brain drain for developing countries but enhanced productivity, growth and innovation in rich countries. Currently, the number of foreign-born people in a country like the US is still just 12.9 per cent compared to a global average of 13.4 per cent. This is close to Germany's 11.9 per cent but substantially less than Hong Kong's 39 per cent, Singapore's 43 per cent and the United Arab Emirates' 84 per cent. Even if Germany absorbs 800,000 asylum seekers, this would only represent 1 per cent of its population.

Turning the refugee crisis into an economic opportunity

Europe's refugee crisis cloud has a golden lining. It is an opportunity to address the continent's demographic crisis and rapidly aging population. Other European nations should follow the example of Germany and open their doors to refugees in order to spur economic growth and invest in infrastructure. The continent should use the influx of refugees to grow its population, inject new blood into a sclerotic labour force and increase productivity. In addition, the influx would increase consumption and encourage investment to supply new markets, while the immigrant population would contribute to pension and social protection funds. Refugees are typically risk-takers and entrepreneurial, as they face the challenges of setting up and establishing themselves in a new environment. Refugees/migrants can, therefore, contribute to the EU's economic growth, foster innovation and lead to better integration of Mediterranean countries with Europe, a strategic policy objective of the group.

What should be on the policy agenda?

The first priority is to work on resolving the ongoing conflicts. There are no military solutions, only destructive stalemates. Conflict resolution requires concerted international action at the level of the UN Security Council but with active participation and engagement from regional players including the GCC, Turkey and Iran. Secondly, instead of providing military aid to various parties in conflict, massive economic aid should be provided to the countries currently hosting the majority of the refugees: Lebanon, Jordan and Turkey. The aid should be tied to governments undertaking the necessary economic and social spending, and safety net reforms, that will support macroeconomic stability, education, job creation and the integration of refugees. Syria and other conflict countries will take a decade to rebuild once the conflict ends. Generations should not be lost in camps that can become a fertile ground for extremism. Thirdly, planning for the reconstruction of Syria and other war-torn countries should commence with a focus on massive infrastructure spending in order to create jobs. Last, but not least, multilateral dialogue and international cooperation are essential to promote fair, orderly and well-governed labour migration systems to absorb refugees. Specifically, immigration policies in Europe and the GCC need an overhaul to allow the integration of refugees into the labour force. The bottom line is that conflicts and their refugees should be an opportunity, not an exercise in crisis management.

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