

# Addressing the Refugee Crisis: Opinion piece in Gulf Business, Oct 2015

*This article appeared in the print edition of Gulf Business, October 2015. Click [here](#) to download the print version.*

## **Open the Gates**

### ***Conflict and refugees are an opportunity not an exercise in crisis management***

The Middle East has witnessed multiple conflicts in the past 20 years. The wars in Syria and Yemen are yet 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, 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 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 some eight million Syrians are internally displaced. There about 4.08 million registered Syrian refugees as of September 15 2015. 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 GDP loss for Lebanon is 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 to 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 Organization for Migration estimates, 473,887 migrants and refugees have reached Europe by sea as of September 15 2015. Some 81,649 people legally entered Macedonia by land, declaring an intention to later claim asylum. Frontex, the EU's border agency, released data on people entering and leaving the Western Balkans. In Q2 2015

alone, some 52,200 people were detected crossing in or out of the region illegally. The media have 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.

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 in receiving countries and technological progress. The United States is the prime example with European migration in the nineteenth century and after World War Two transforming North America. The influx of mainland Chinese into Hong Kong transformed it into an Asian powerhouse. In more than 40 per cent of the start-ups in Silicon Valley, one of the co-founders is an immigrant. Steve Jobs who gave us Apple and the iPhone is the son of Syrian migrants. Lebanon thrived in the 1950's and 1960's 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 nineteenth century waves of migration were arrested by the two world wars and never picked up the same pace. International economic integration took more 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 about the same as 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 big golden lining. It is an opportunity to address Europe's demographic crisis and rapidly aging population. Europe should follow the example of Germany to open its doors to refugees in order to spur economic growth and invest in infrastructure. The continent should use the influx of refugee 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 contributes to its 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 European Union's economic growth, foster innovation and lead to better integration of Mediterranean countries with Europe, a strategic policy objective of 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 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 conflict stops. Generations should not be lost in camps that can become 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 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 and reform 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.