



POLITICAL ECONOMY OF EUROPEAN REFUGEE CRISIS

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ABSTRACT

A humanitarian crisis is steeped in politics and economics with far reaching implications. The refugee crisis that the European Union is facing right now has been dominating the world news as there is an interplay of proxy wars, terrorism and the eventual forced displacement of millions of people from across unstable states. The situation has reached a magnitude where the region is embroiled in a crisis that sees no immediate or straight-forward solution. In the current era of globalization and dynamic international relations, understanding the structure of EU, interactions between institutions, governments and the fourth estate is extremely vital.

This paper is an attempt to analyse two major factors involved in the cause and consequences of the refugee crisis – Politics and Economy. The paper analyses and suggests factors to be taken into consideration for better economic integration of refugees. It also examines the consequences on international and domestic political front of certain European countries. An evolved understanding of the effects on host countries' response will be facilitated by this paper.

KEYWORDS: Political Economy, humanitarian

INTRODUCTION

The current refugee crisis being faced globally is the largest since the Second World War ended. The unprecedented scale of this crisis has resulted from violent conflicts, persecutions and destabilization in countries across continents, largely in the Middle East, Africa and Central and South Asia. There are many refugees who are fleeing even to seek protection from lower level violence in countries such as Pakistan and Nigeria (Kingsley, 2015). The undertaking of this paper concerns with the crisis faced by the European Union due to the influx of forcibly displaced people largely from Syria, Iraq, Afghanistan, Eritrea and other conflict-ridden countries. For the purpose of this research therefore, the term 'refugee' will be preferred over terms such as 'migrants' and 'asylum seekers' which are nuanced in purpose and legality. The number of refugees has been substantially rising each year since 2011 after the gradual increase during the Arab Spring. In 2014, refugee flow increased drastically and the volume of forcibly displaced people in world reached 59.5 million towards the end of 2014 as per the United Nations High Commissioner for Refugees (UNHCR), which is the highest since the Second World War.

With a lot of debate around the semantics of terms such as 'Refugees', 'Migrants', 'Asylum Seekers' and limitations imposed by Refugee Convention 1951, Dublin Regulation, Schengen Area and EU asylum policies, it is becoming increasingly difficult for the refugees escaping to resettle. With its capacity, international responsibility and proximity to the crisis, Europe is considered to be obligated to handle and contain it. There have been similar situations in the past but the current crisis is starkly differentiated in

terms of the scale and abruptness, origin and profile of refugees as well as the diverse migration routes being taken which has further made it difficult to formulate effective integration policies and asylum systems to combat the monumental issue (OECD, 2015).

The European Refugee Crisis raises several issues in its cause as well as consequence. Moreover most European states are themselves struggling on the economic front and have not fully recovered from the financial and debt crisis. The refugees as well as smugglers are today very well equipped with easily accessible communication technologies and new routes are emerging every day accelerating the movements from affected areas (OECD, 2015). Geopolitics in the region compounded with economic and policy-level struggles currently characterizes the refugee crisis in Europe.

The consequences of this crisis are manifold. On the political front, this crisis has exposed the lack of consistency in the EU policies and regulations making burden-sharing of refugees extremely difficult. Many revisions in the policies have taken place to accommodate and further more are to be expected in the near future considering this is not a short term emergency but a humanitarian crisis of global scale. This entails an effective regime for refugees and asylum seekers as well as addressing the issue of imbalanced crisis exposure and gains across EU states as per existing regulations to ensure efficient policy reform. Political interests at national and EU levels will be critical for such a settlement which poses a risk of opt-outs and side-payments as well.

The impact on economy needs to be thoroughly examined with respect to specific countries and the future of refugees as well as host nations as the large influx can drastically change economic situations in the near future based on the steps taken by host countries to integrate the refugees. Although there has been a similar volume of consistent flow of migrants into certain EU states, the current state of affairs suggests a supply shock which will affect almost all countries further complicated by the diverse mix of refugee composition and skill.

Moreover, there is rising anxiety in the European countries of coping with the huge number of refugees as they fear adverse impact of their already struggling economies, infiltration of terrorists and suffer from xenophobia to protect their European identity. Political implications are also existent in terms of the ruling Governments in European nations and their inclinations in order to gain favourable public opinion.

LITERATURE REVIEW

Genesis and Rise of the Refugee Crisis

The 1951 United Nations Convention states the definition of 'refugees' as someone who "owing to well founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group, or political opinion, is outside the country of his nationality, and is unable to or, owing to such fear, is unwilling to avail himself of the protection of that country" (UNHCR, 2010). It also spells out the international rights of refugees. The current European refugee crisis has exposed the weakness in the architecture of EU as an institution, similar to the financial crisis that began in 2008 (Novotný, 2015). Despite ratification of the Refugee Convention by 145 countries, the treaty has been ratified only by a handful excluding most in the Middle East, South East and Southern Asia. This results in limited rights for refugees and even lack of legal recognitions as refugees (Amnesty International, 2015). Turkey, Lebanon, Jordan, Egypt and Iraq, which are the nations hosting maximum number of refugees right now are amongst them. Historically, there have been flows of refugees which match the current EU refugee crisis in numbers as well as in terms of human, political and strategic consequences. Past events such as expulsion of German speaking people from Central and Eastern European countries post World War II, the partition of India in 1947, Nakba catastrophe of Palestine in 1948 and Afghanistan's Soviet invasion in 1979 resulted in forcibly displaced people at a comparable scale and tempo of the ongoing crisis. Even for Europe, the refugees of Yugoslavia secession from 1992 up till 2001 had elements common to this crisis; in 1994 there were around 1.5 million refugees from Bosnia, 0.9 million from Kosovo in 1998-99. In both cases, there were certain differences – Refugees from Bosnia were huge in quantity but the influx was gradual and hence comparatively manageable while from Kosovo, the surge of refugees was sudden but modest and it was

assumed that this situation was temporary till the war ended. There is thus no precedent in terms of flow of refugees of the current scale from Middle East, Africa and Asia in Europe. Moreover, this exodus will continue at the same pace save for some temporary deterrents such as high winds, cold weather or rough seas and as there is almost no likelihood for the conflicts and wars to resolve any time in the near future and can be considered permanent in nature when it comes to resettlement of the refugees(Heisburg, 2016).

The European Union Refugee crisis is largely based around immediate East and Southern Europe where displaced people from Syria, Iraq, Somalia, Eritrea and Afghanistan are fleeing long drawn war and conflict. The aggravation of this refugee crisis is attributed to the unparalleled forced displacement with increasing human right violations, overburdening on host countries and the policies across countries as well as that of the European Union (EU) which make legal and safe entry extremely difficult for those seeking refuge (International Rescue Committee, 2015). Presently, majority of the refugees are being hosted by developing nations such as Turkey, Lebanon, Jordan, Egypt, Iraq and Pakistan. The Central Mediterranean route was adopted by most refugees in 2014 to cross over to Europe and due to growing number of refugees also taking the Eastern Mediterranean route the inflows have only grown since. The capabilities of migrant and refugee smugglers of quickly adapting to changing circumstances is reflected in the smooth changes in the composition and routes used for refugee movements(Amnesty International, 2015).

Reports of Current Statistics and Situation

The sudden rise in the number of refugees specifically in the summer of 2015 has been due to several causes. Antonio Guterres, the UN High Commissioner for Refugees attributes it to worsening of living conditions in the middle east host countries due to overflow of capacity and a harsh reduction in the humanitarian aid from international community to approximately 4 million refugees residing in the camps there (Novotný, 2015). Almost a third of Syrian refugees were taken off the food voucher programme as the World Food Programme reduced food assistance by 40% (Nielsen, Winter may not deter new refugee arrivals in EU, 2015). All the European union member states except for Netherlands decreased contributions within first six months of 2015, with a few of them with no contributions whatsoever (Nielsen, Six EU states slash food aid for Syria refugees, 2015). An emergency council was convened on 23rd September 2015 and the head of states pledged to raise the funding amount for the UN undertaking and the World Food Programme by about 1 billion euro (European Commission, 2015). When it comes to refugee camps in the Middle East, the conditions across countries and regions too varies significantly. It has been reported by the European Commission (EC) and certain eye witnesses that the conditions in the camps in Turkey are quite good with the facilities for health and education and offer food security to the refugees (European Commission, 2015). However, in stark contrast are the refugee camps in Lebanon and Jordan. The situation there is so terrible that refugees rather consider returning to the insecurities of their home country than bear the impoverished, bleak condition with uncertain prospects of future at the camps (John & Shaheen, 2015). Instances of refugees being psychologically damaged with no assistance at these camps in Jordan and Lebanon are quite a few and this includes children. These countries are not well equipped to cope with the inundating flow that the crisis has created and receive inadequate funding. The catch here is that even in Turkey, of the more than 2 million refugees registered, only around 3,00,000 are sheltered in camps which is a meager 15 %. The remaining 85% are spread throughout various cities in Turkey. These refugees who are not housed in camps are the ones seeking to head for Europe. This is because they are primarily middle class people from Syria who stay in villages and cities in Turkey in comparatively better conditions. These Syrians aiming to move to Europe do so due to a loss of perspective (European Commission, 2015). According to the rules, they cannot legally work in these three major host countries Turkey, Lebanon and Jordan. (Novotný, 2015)

The European Union, Migration Policies and Current Refugees

A large number refugees arriving in entry countries after crossing the Mediterranean want to travel to Northern and Western countries for better opportunities and security and to reunite with their families.

This too, is not always a matter of choice but the lack of services and opportunities rendered by large inflows make it unaffordable to stay. The migration authorities for European Union have so far not been successfully able to maintain the distinction amongst migrant that identifies them with the special status of forcibly displaced political refugees or the irregular but usual economic migrants. Frontex, which is the control agency for EU borders, had claimed to have detected around 1,53,000 irregular migrants from January to June 2015. This indicates a rise in the same by 149 percent as compared to the same duration in the year 2014 where the number stood at 61,500(Peter, 2015).

In the first five months of 2015, about fifty thousand refugees were found to be attempting to cross the Serbia-Hungary border which was an increase by 880% over the same period the previous year. These were reported by Frontex to have been because of migrants from Kosovo who due to the “reopening of Hungarian asylum centres in July 2014 were encourage to move towards to the EU by rumors spread by facilitators” (Frontex, 2015).

The European Union is in several ways a ‘loose confederation’ for immigration and asylum related policies. This means that there is a common guiding policy but there are also national level policies and the member countries apply either of these as per their own discretion. In the Charter of Fundamental Rights referring to the Geneva Convention, the EU does grant the right of asylum as per a clause (Novotný, 2015). The 28 member nations of the European Union do not seem to agree on how to manage this sudden and large influx of refugees which are also accompanied by economic migrants. There is a clash of national and supranational interests, coalitions in ruling Governments pander to vote bank politics before elections and by-elections and the arbitrary domino effect of various EU states’ responses (Matthee, 2015). Additionally, the common asylum policy of EU governed by the Dublin Regulation requires the first member state where the refugees arrive to be entirely responsible for processing their asylum claim which means that those who reach Greece and Italy would either have to stay there or proceed further illegally. (International Rescue Committee, 2015) Those being returned from other states on applying for asylum there, often called ‘Dublin returns’, have remained blocked in these two nations in worsening conditions for a long time (Case of M.S.S v. Belgium and Greece, 2011). Austria for instance has halted processing of asylum request in order to pressurize other EU member countries to extend more support to absorb refugees. Germany and Finland earlier sent irregular migrants back to Greece if they has entered the EU through it as is compliant with the Dublin Regulation, making them ‘Dublin Returns’. After complaints from Greece about the issue, they have discontinued that (Matthee, 2015).

Through the Lisbon Treaty, a majority voting system was put in place for immigration and asylum issues instead of the earlier veto power owned by the members. This veto principal in fact had been maintained until 22 September 2015 when the vote in Council of Justice and Home Minister took place (Novotný, 2015). There is immense amount of legislation at the EU level but the clauses (article 78, 79 and 80) on common immigration in the 2009 Lisbon Treaty are vague and mostly aspirational with statements such ‘the European Union shall develop a common policy on asylum...’. Each member state has their own safe countries list from which applications for asylum seekers are accepted and is not common across the EU with legal channels severely restricted. The cracks between the member states that followed have already fractured EU’s hopes of any immediate unified approach. Thus, the lack of institutional stability and readiness of EU makes the scope of creating common policies for asylum even more complicated (Novotný, 2015).

Economic Impact on the EU

As per (OECD, 2015), in order to fulfill the basic needs of the newly arriving refugees and integrating them smoothly into the labour market, Germany has estimated an added 0.5% of their GDP support per year in 2016 as well as 2017 when such flows are expected to continue. Austria’s projection for expenditure towards refugee support indicates an increase of 0.1% of GDP to 0.15% of GDP from 2014 to 2015 and further to 0.3% of the GDP in 2016. For quite a few years now, Sweden has been consistently offering refuge and support as a host country and has thereby included additional expenditure of 0.9% of GDP per annum in

2016 to sustain and improve refugees' overall integration. Although Hungary closed down its border in Summer 2015, it being significant transit country to move further towards western and northern relatively prosperous Europe has announce additional 0.1% of GDP spending in 2015 to make up for the influx of refugees. The Turkish government which has been hosting majority of Syrian refugees since the conflict outbreak in 2011 had provided assistance worth 0.8% of GDP in 2014. An added funding of 9.2 billion euro, which amounts to 0.1% of EU GDP has been declared by the European Commission in 2015-16 to address refugee crisis (OECD, 2015).

There are several types of expenditure that need to be looked into when considering short term provisions for the incoming refugees. It consists of humanitarian support in terms of food, shelter and basic income assistance during the initial period. The expenditure towards their education with schooling, language training and identification of suitable skill set is considerable in addition to the necessary costs of registering and processing of asylum claims while enforcing returns (OECD, 2015).

In host countries, arrival of refugees has led to an increase in the prices of basic necessities such as food and to an extent that of housing and not on hotel or restaurant prices. This result is modeled on the case of Turkey which validates the notion that the demand of survival goods is majorly affected by refugees. However, the Turkish government does not recognize them as asylum seekers but merely as guests which should be taken into consideration (Emre Akgündü, van den Berg, & Hassink, 2015). Thielemann (2006) argues in the context of burden sharing responsibility for Europe that along with policy harmonization and burden sharing regimes, market based approaches are key to initiate feasible burden sharing initiatives.

The general perception regarding refugees is that they are usually extremely poor which is in fact not true in the present case. The general skill levels are comparatively higher but it also varies across countries of origin and host countries in different migration waves. Even if the refugees are not as educated as the majority population of the host countries, they have employable skills which often are better than the existing migrant population of the host country. Language proficiency, getting recognition for education and professional credibility and providing requisite training are few extremely crucial factors to be considered to integrate them for mainstream economic benefits for destination countries. The demographics have also changed considerably since 1990 which implies weaker competition for new jobs, primarily less skilled, in the market (OECD, 2015).

Another remarkable aspect of this refugee crisis is the distorted proportional share of unaccompanied minors (UAM). They comprised 4% of the total refugee population in 2014 alone and have further increased in 2015. The challenges presented by unaccompanied minors is providing basic education, supervision and shelter as complication are expected to arise in the near future where once they reach 18 and traditional schooling and state guardianship is not an option (OECD, 2015).

A trend which is unique to the current crisis is the distance being travelled by refugees to get asylum in Europe. On an average, there has been a 20% increase in the mean distance travelled between destination and origin compared to 1990s while in countries such as Italy, Austria and Sweden it has gone up by 30% and 50% respectively. This is a clear indication that despite the cost and difficulty that migration or even return might pose, people have the capacity and readiness to pay higher amount to smugglers (OECD, 2015). This too is possibly indicative of the skillset, financial capability and technological access that the refugees have and can be factored in the integration process.

RESEARCH OBJECTIVES& METHODOLOGY

This research aims to asses economic impact and the conditions influencing decisions in the long term and short term based on current proceedings with respect to economic policies and proceedings in the European Union is the second objective of this research. The repercussions on the host countries would be weighed against the current scenario to understand the socio-economic consequences of a humanitarian crisis of this degree.

The research involves latest proceedings as well thorough examination of past events with respect to the scale of crisis, measures being taken and possible outcomes. Owing to these factors, secondary

research methods will be adopted for the purpose of this paper. The sources will be inclusive of but not limited to reports published by UNHCR, European Commission, IMF, Amnesty International, OECD and policy think tanks as well as articles published in diverse journals from across the world. The nature of research subject being current and dynamic, newspapers and online media reports and articles will be used for timely update of the ongoing events. Published papers and books on EU policies, economic impacts of humanitarian crisis, and international polity will be studied for an understanding of the context and evaluation of research questions.

A systematic review method is adopted for research questions pertaining to political economy and policy. This assesses its impact on wage rates, inflation, employment and GDP based on profile of refugees in terms of education and employable skills with a potential rise in the productive class. It will also help in understanding the effects of the existing economic struggles in the European nations off Mediterranean coasts such as Greece and Italy as well as Western and Northern countries, which are the preferred destinations for refugees, on the response of the economy. Policy analysis for examining aspects related to policy and international organizations are integrated as well.

ANALYSIS:

Economic Impact and affecting conditions

The entry states in Europe are affected the most by the incoming refugees and free movement governing Schengen regulations make it imperative to evaluate the labour market conditions. Countries like Greece and Italy have been embroiled in financial crisis since 2008 and facing unemployment among other economic issues. Meanwhile, some other countries such as Spain, Belgium and Portugal too have debt-to-GDP ratios over 100 percent. It would therefore take longer to make refugees part of formal labour market resulting in slower benefits from their employment and consequently hamper ongoing attempts to revive the already suffering EU economies. When evaluating the economic scenario, it must be considered that the current refugee migration flows are directed towards developed economies such as Germany, Austria, and Sweden for settlement and rest are transit states. Hence, although the point of entry and hence initial period of stay dictates certain measures to be factored for the transit states, long term effects may be considered for such states.

Assessing the macro-economic effects on the host countries, there is initially more aggregate demand with the arrival of refugees than the labour supply they would create with their gradual integration. On immediate basis, the refugees will have to be supported with provisions for basic needs and necessities. Considering more than 80% of them are housed outside camps, they will generate sizable demand for goods and services. Countries will have to account for uncertain refugee influx over the next 18 months at the very least in their budgetary expenses. The unofficial estimate from IMF suggests an increase in average budgetary expenses of 0.05 and 0.1 percent of EU GDP over 2015-16 as compared to 2014. Sweden, Germany, Austria are the UE nations which will account for the maximum expenditure increase (Aiyar, et al., 2016). The Stability and Growth Pact (SGP) under EU allows for member states to take action for a crisis of this scale especially when the EU economy as a whole is undergoing inherent financial changes and they have to accommodate additional refugee costs. The 'preventive arm' provides the flexibility in Medium-Term Objective when there is an "unusual event outside the control of the member state which has a major impact on the financial position of the general government" while the corrective arm considers spending for the crisis as a relevant factor in financial calculations (European Parliament, 2015). Depending on the expenditure for the refugees by a particular state, adjustments are permitted on specific grounds. However, this SGP grant should ensure that this flexibility is implemented for short-term and directed towards supporting the crisis aid.

It is extremely difficult to record or even estimate the total number of refugees coming into the EU as they are coming through different countries and re-register many times as they pass into another member state's territory. The bypassing of legal process of registration in certain countries compound the difficulty already poised by the uncertainty in their duration of stay, constant mobility, varying time-lines of

asylum request processing as per registering country, and distinction between refugees, other migrants and returnees whose request for international protection has been declined. Furthermore, there is a huge gap when it comes to waiting duration for the labor market, legally and otherwise (OECD, 2015).

Relevant education and skill level is critical for this integration but with the irregularity in registering processes, it becomes extremely difficult to obtain accurate information. This is one major step that needs to be taken care of in order to assess the need for developing the refugee's language skills, occupational skills and facilitating required education. Information regarding their level of education, previous occupation and age especially in cases where refugees have had tertiary education could be immediately utilized by host nations if their entry into labour market is simplified. The duration of their dependence on any form of humanitarian aid or social assistance will automatically be reduced.

Further to a streamlined registration and work force compatibility identification process, special induction programs could accelerate this integration process. Successful examples include 'introductory programs' of Sweden which are focused on labour-oriented task measures, language guidance, personalized training and counseling and links it to housing and financial support. Austria can also strengthen its ALMP and training contracts, work placements to capitalize on refugee's existing skills. Denmark, the Netherlands and Sweden also have the provision of temporary agencies in place to facilitate employment for migrants at their current skill levels (Aiyar, et al., 2016).

While the argument that refugees bring down the wages in host countries is validated in most cases, policies that lower the minimum wage can be deliberated upon. This flexibility can accelerate integration of low skilled refugees in the labour market. Studies have shown that countries where entry level wages are low, employment protection is comparatively less and the nature of the labour market is less dualistic, there are higher chances of immigrants having better quality jobs and higher employment rates (Aleksynska & Tritah, 2013) (Ho & Shirono, 2015). In several countries such as Germany and Austria, employers are required to prove that they were unable to find a suitable employee from the EU or a recognized refugee before offering the post to an asylum seeker who has work permit. These barriers restrict the available employment opportunities to refugees who until granted asylum are still termed as 'asylum seekers'. Taking into consideration the fact that lowering minimum wage may adversely affect the native labour force and their job opportunities, temporary or restricted adjustments to minimum wages should be reflected upon while delineating wage related policies. This would help refugees overcome the initial barriers and ensure smooth transition over time into the organized and regulated labour market. However, the duration of these benefits and their specifications must be clarified, stated explicitly and enforced strictly to avoid consequent disorder during transition or hampering the work environment due to possible competitiveness with native labour force.

Studies by Beerli & Peri (2015), Farré, Libertad, & Ortega(2011) and Dustmann, Frattini, & Preston (2013) have previously observed the complementarity of migrants and natives' skills in the transient labour market in terms of wages and displacement in Switzerland, Spain and United Kingdom respectively. Angrist & Kugler (2003) support this by stating higher employment protection, barriers to entry in business and rigid wage structure led to higher native labour displacement in the countries which implemented it during the Yugoslavia breakup wars in 1990s.

Self employment is another opportunity for refugees to assimilate into the economic fabric of the EU countries. Simplifying regulatory procedure, cutting down on bureaucratic administrative impediments for start-ups and early assistance have been associated with relative ease of setting up start-ups among migrants. Equal opportunities, access and rights have been further proved to facilitate entrepreneurial outlets in Europe among non-OECD migrants (Aiyar, et al., 2016). According to IMF, microloans disbursed to ethnic minorities and immigrants comprised around 18% of total new microloans disbursed in Europe for the year 2013. Pre loan assistance and access to credit through microfinance would also promote self-employment with a favourable environment.

An important element to assess economic impact with the integration is having the provision of easily accessible financial services such as a payment account to the refugees along with their registration.

This will make it easier for them to gain formal employment and get better avenues of managing their finances. This entails appropriate easing of documentation processes, recognition of the differences in ethnicity, language, literacy levels, religion and other social parameters to help their entry into mainstream financial sphere (Atkinson & Messy, 2015).

Another important factor to be considered when accounting for native displacement, is the financial load built by consequences such as unemployment benefits and lower taxes due to lowered wages. This could be compensated by a relative increment of income through aggregate demand and capital accruing to natives (Borjas, 1995). Conde-Ruiz, Garcia, & Navarro (2008) found that the rapid immigration during the early 21st century led to positive impact on the participation in female labour market in Spain.

Research so far has not indicated any clear relation between the quantity of migrants and their net impact on the financial balance of a nation in terms of GDP at a point with Switzerland and Luxembourg as exceptions (Aiyar, et al., 2016). The studies for the Jordan labour market on the impact of Syrian refugee crisis indicate no negative effect in the formal sector but informal employment has increased. The fiscal cost in 2014 have been approximated to be more than USD 800 million dollars which is about 2.4% of their GDP, of which around 60% were budgetary. In 2013 and 2014, the government spending rose by 1% of their GDP to assist in the settlement of refugees which includes basic humanitarian requirements such as water, health care, security, electricity and education. The Syrian crisis has also stopped the exports from Jordan to Syria which has affected a potential one percentage point grown in their economy in 2013. The pricing of non-tradable such as housing is again pushed up due to the higher demand and inadequacy of supply (Nasser & Symansky, 2014). It must be noted that this was the situation before the flows increased tremendously to Europe in 2015 but Jordan has still been hosting the constant surge of refugees.

This shows that factors beyond just the number of refugees are important to comprehend in order to evaluate the economic situation. The demography of migrants is vital here. Working-age refugees will be able to contribute positively to the economy while younger and elder population could result in weaker financial balance. Thus the cost borne by host states to assist refugees would be higher owing to pension schemes or education investment. Examples include the huge financial cost in 2007-09 for Germany due to high proportion of pensioner immigrants and the difference in negative and positive fiscal contributions by non-Western and Western migrants in Denmark again due to disproportionate pensioners (Hinte & Zimmermann, 2014).

The Migrants' Fiscal Impact Model by Cully (2012) details out research on the effect of migration, permanent as well as for temporary labour, and is employed by the Australian Department of Immigration and Citizenship to determine for their 8 visa categories. According to this model, it is observed that the impact of humanitarian migrants or refugees is negative for the first ten to fifteen years, chiefly due to spending on assistance during this time slower integration. Post that, as their contribution becomes significant with an effective transition, it turns out to be positive.

The effect of refugees on the native market supply can be divided into the following:

- **Effect on labour supply:** With more people streaming in for the limited jobs initially, refugees with a similar skill set might affect existing employment adversely but this employment displacement will be lower in case of difference in skills, which may seem counterintuitive to the integration perspective. Therefore, informal labour market and low-skilled employment will potentially rise and need to be taken care of with effective steps. This would also prevent lowering of wages with the supply shock.
- **Effect on aggregate demand:** As the inflow increases, so will demand for goods and services. There will be increasing stress on boosting production and overall output to meet these demands which will consequently increase the demand for labour that can absorb this supply shock as well as offset wage related pressures. It might also incentivize investments in the long-term (Peri, 2010).
- **Effect on allocation of resources, product mix and technology:** Depending on the refugee's needs as well as labour input basis skills, the production of goods and service may be altered. This means that

there can be changes in occupations or production technologies with the changes in the composition of labour force and industries. An IMF discussion paper by Aiyer, et al cites an example where after the division of former Soviet Union, high-skilled migrants to Israel boosted their high technology industry with their skills and productivity (Regets, 2003).

The trend of current refugee suggests a sex-ratio skewed towards men and a much younger population, which could lead to a faster integration and positive net fiscal contributions. It must be taken into consideration that exact information regarding the number, skills and demography of refugees is elusive and scarce owing to the rapid mass influx every day and the inability of the current asylum systems to cope with it. The overall impact for each country will vary according to the change in demographic mix by the incoming refugees to their existing composition. Countries long suffering from debt crisis and unemployment will take longer to integrate the refugees into labour market and materialize any positive impact. The choice of countries by refugees and proposed burden sharing amongst EU states therefore must be taken into account for a thorough assessment.

Overall, the financial impact of the refugee surge can be determined largely by their eventual progress in the labour market. This involves a thorough assessment of net fiscal impact measured by weighing the contributions made by refugees such as taxes in the market against costs incurred by the benefits and services availed by them. Their performance which determines this is again a function of their age of entry, skills, and prevalent business conditions as is the case for natives.

Migration policies and national politics

The political challenge in the face of this enormous refugee crisis for Europe is crucial. The people of Europe require convincing that this is not merely a form of financial burden but in fact, an economic opportunity for their aging and otherwise population and thereby, will be an advantage to them in the long run. The gap in this assurance has led to the emergence of ring-wing and populist political parties who have based their campaigns on further feeding the xenophobia and uncertainty towards new migrants. Examples are in plenty with the rise of anti-immigrant proponent parties such as the National front in France, United Kingdom Independence Party in Britain, Golden Dawn of Greece, Alternative for Germany in Germany, the Vlaams Belang in Belgium and the Freedom Party in Austria (Poddar, 2016).

The refugee crisis and potential migrant economic burden was debated as one of the attributed causes of Brexit, although facts suggest a mix of approach towards the crisis. It must be noted that since 1954, the UK is State Party of the 1951 Refugee Convention, which governs its obligations towards refugees and asylum seekers. As its International law still binds the UK, key responsibilities of the convention will still hold. On the other hand, the UK also did not participate in the EU relocation programme which includes the agreement for relocation of 160000 people from Italy and Greece with member EU states. However, by being a part of the UNHCR Resettlement Programme, the United Kingdom has pledged to resettle people from non-EU states and particularly from 20,000 refugees by 2020 from Syria alone. Their Government, further in January 2016 also pledged resettlement of more vulnerable people such as children but this has not been implemented yet. As these pledges are independent of EU membership, these shouldn't have affected or should be affected by BREXIT (Gauci, 2017). The border checks for entry in the UK will not be affected as it was not a part of the Schengen zone that determines passport free travel in certain European nations.

The refugee crisis also did not in fact affect the UK as most other European nations. As the Gauci (2017) mentions, asylum applications filed in the UK amounted to 9200 which factored for only 3% of total asylum applications in the European Union during the 3rd quarter of 2016. Greece received 12,400 application and Germany, 237,400 which is nowhere near the UK numbers. The fact that the number of incoming refugees in directly affected countries such as Greece far exceed the number of asylum application officially filed also must be considered in this case. Economic support to programmes is one area where Brexit will indirectly affect the refugee crisis. Gauci (2017) also suggests that Post Brexit, unless specific

arrangements are negotiated, in all likelihood the UK will not participate in the Dublin regulation and the FRONTEX operations which engage in preventing smuggling and aid search and rescue operations in the Mediterranean.

The effects on the political sphere were also reflected in the recent French elections of 2017. The two contenders Marine Le Pen and Emmanuel Macron had starkly opposing stands on refugees and migration. The Front National leader, Le Pen's programme elaborated upon prioritizing French people over globalization and Islam called out as two 'evils'. It proposed on reducing legal migration from 200,000 to 10,000 entries per year and stopping of family reunification. Further she proposed suppression of jus soli, the right of place of birth and state medical help. Re-establishment of internal orders by withdrawal from the Schengen zone and discontinuation of naturalization or regularization of irregular migrants was also part of the programme(Wolff, 2017).

Quite contrary to Le Pen, Macron in his campaign defended a liberal immigration policy. His programme focused on better integration of refugees through learning French and local programmes. He also proposed quickening of the asylum request process, thereby not exceeding 6 months and immediate return in case asylum status is not granted. He also put forth a proposal to strengthen European Border Police Force that can enforce better border control in countries of origin and fight against rampant human smuggling. Contrary to Le Pen's hardline approach, Macron's focused on more practical aspects to the refugee crisis despite a background of terrorist attacks such as the one in Cologne. He reinforced his belief in EU by endorsing a 50 billion euro stimulus plan aimed at furthering an open and competitive economy and reduction in unemployment("Immigration and asylum", 2016).

On an international level too, there were huge expectations from the EU-Turkey deals which was like a one for one trade wherein Europe would settle 72,000 Syrians from Turkey and give 6 billion euros along with providing visa-free entry to Europe and restart EU membership negotiations. In return Turkey would take back all 'irregular' migrants from Greek migrants and open its labor market for migrants. Here 'irregular' indicates migrants who have not entered through regular channels(European Council, 2016). The premise of the deal was that "irregular" migrants would be returned if they belonged to a country of origin considered 'safe' such as the Balkans, Tunisia, Algeria and that Turkey itself is to be considered a 'safe third country'. However, this deal too has not really worked due to several assumptions it makes. The capacity to ensure fair asylum hearings is lacking and Turkey is embroiled in internal conflicts, not really remaining 'safe'. This deal also fails to take refugee rights fully into account with asylum detention creating worse conditions during the limbo. The crisis is yet to see a concerted international effort that sustains itself and alleviates the situation for refugees as well as host countries.

CONCLUSION

The European labour market is better equipped than Lebanon, Turkey or Jordan with the capacity to absorb this surge in numbers daily and hence the economic impact would be rather limited. However, there are certain aspects which need to be considered before making these positive conjectures based on the information so far. Foremost is the concentration of refugees in certain countries which are already facing difficulties with their economies and unemployment thereby. Another major yet largely ignored issue is further concentration of refugee inflow within host countries in certain territories based on better labour integration opportunities which would have localized consequences not taken into account yet. Lastly, the refugees in the current crisis are seeking permanent settlement and hence long term assimilation into labour market is vital for any positive impact on the economy in future. Unless they find work, they have to depend on diminishing assistance of the host country which would only worsen their condition while being financial burdens. This makes a comprehensive policy level approach in the European Union imperative in order to coordinate efforts towards a smooth transition of refugees as valuable contributors to the European labour market.

The research establishes the instrumental role of political economy in analysis of a humanitarian crisis of the discussed scale. The interdependence of political, economic and social aspects has proved

helpful in understanding the crisis that EU is facing as an organization and its policy-related implications. The study poses complications owing to the dynamism of the subject and escalation in actions being taken by nations and international organizations as a response to the events taking place at an aggravated pace. Although there is no clear solution to the situation, an attempt to improvise policies can prove useful to a gradual improvement in the refugee's integration.

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