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The Economic Effect of Refugee Crises on Host Countries and Implications for the Lebanese Case

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I. ABSTRACT

The contemporary refugee crises across the Middle East, Asia, and Africa have captured the world's attention. Much of the existing discourse has focused on the humanitarian and security implications that this crisis will have, specifically for developed regions such as the European Union. This paper, on the other hand, seeks to explore this issue through a purely economic lens, focusing instead on the economic impacts that refugees have on the countries that receive them.

Through exploring the existing academic and popular literature around historical and contemporary case studies, this paper has identified some of the key positive and negative economic effects that refugee crises can have on the host country. On the positive side, refugees can be a boon to the host country by (1) spurring long-term investment (2) filling needed demographic gaps (3) integrating effectively into the labor market (4) becoming productive economic consumers and producers and (5) by increasing bilateral trade with the country of origin. On the negative side, refugees can be a burden to the host country by (1) straining public and private services (2) causing physical and economic overcrowding and (3) increasing societal strife and the potential for civil conflict.

The paper then turns to the contemporary refugee crisis in Lebanon by examining the relevance of these aforementioned positive and negative effects to the Lebanese case. Along the way, the paper provides policy recommendations that can be employed in the Lebanese case to amplify the positive benefits of refugees while mitigating the negative consequences.

Ultimately, the paper hopes to use past refugee crises as an instruction point for how Lebanon can cope with its current crisis. By learning from past examples and applying existing literature to the current crisis, it is this author's hope that the refugee crisis can be an eventual boon to the Lebanese economy.

II. RESEARCH OBJECTIVE AND HYPOTHESIS

The objective of this research is twofold. First, the paper seeks to synthesize existing academic and popular literature and case studies in order to present a holistic picture of the economic benefits and detriments that refugee crises can have on host countries. While the paper does not presume to tackle every conceivable facet of this discussion, it does seek to provide an overview of some of the most salient and relevant issues on both sides of the conversation. Second, the research turns to the contemporary refugee crisis in Lebanon. At this stage, the paper examines the relevance of existing academic literature to the Lebanese case. The paper also briefly proposes broad policy responses for the Lebanese case that may serve to magnify the positive economic impact of refugees while mitigating the negative consequences. In this way, the entirety of the research seeks to establish a theoretical framework—grounded in historical and contemporary case studies—through which policymakers and scholars can analyze the current crisis in Lebanon.

III. RESEARCH TARGET & SIGNIFICANCE

The issue of refugee crises is a particularly significant topic in today's geopolitical climate. As the world faces its most extreme refugee crisis in over 60 years, the international community has begun to take note. The issue has gained incredible traction at all levels of society. Policy makers in Europe and the United States have had to rethink strategies and adapt to a sudden influx of people, and international publications such as the New York Times and Wall Street Journal have brought the issue to the attention of millions of average citizens around the world. The topic is as contentious as it is relevant; many see refugees as threatening their

very livelihood, while others appeal for compassion and humanity for the over 60 million displaced persons.

As this is such a relevant and contemporary issue, the target audience is very wide. This paper targets popular readers, development scholars, and policymakers. It will be especially relevant for individuals with an interest in developing regions (particularly the Middle East) as the paper examines the contemporary Lebanese case. Within that subset, however, the target audience includes those people who have an interest in the economic side of these crises. Much of the popular discourse in the media focuses on humanitarian issues (and understandably so), but this paper seeks to address the economic components and effects of refugee crises, and attempts to do this through an unbiased lens.

The target audience will be expecting to see a fair and balanced perspective of the issues. The economic impact of refugees on host countries is certainly debatable; there are advantages and disadvantages, and both sides of the argument have valid points. The audience will be expecting to see historical case studies that illustrate and provide evidence for the aforementioned arguments. Additionally, refugee crises don't occur in a vacuum, but rather are heavily impacted by the underlying social and political fabric of a country. In this sense, the audience will expect the analysis of the current Lebanese crisis to incorporate these components into the broader economics-centric discussion.

Although a substantial portion of the paper is devoted to a review of the existing literature and a qualitative analysis of case studies, the audience will also expect a degree of data to support the approach and claims. This refers to the literature review portion of the paper as well as the contemporary analysis and Lebanese-specific part of the paper. Finally, the audience will expect the extrapolation of the historical case studies as a way to provide policy guidelines

to contemporary issues. This requires careful execution so as to not make generalizations based on the past, and to also realize that past examples, although informative, are vastly different from current ones. To this end, the audience will expect a clear delineation of differences in country-specific context when using the historical case studies to apply theory and history to the current situation in Lebanon.

This research is well-suited to add to this debate because it is being written at a time when refugee crises have gripped the world. This research also adds to the discussion in that it devotes a large portion of examination of the issues to the perspective of a developing country (Lebanon) rather than a developed one. Additionally, most research focuses specifically on one region, time, or crisis. By taking a more comparative approach, the paper is able to take the interplay of multiple historical and contemporary examples and use them to provide a framework through which to comment on and analyze the current crises. Furthermore, existing research does not synthesize both the advantages and disadvantages of refugees from an economic perspective, nor does existing research apply this kind of synthesis to the current Lebanese case. By examining both sides of the issue across time and regions through a qualitatively-driven and data-supported approach, the paper seeks to deliver a holistic view of the topic and equip readers with a framework through which they can knowledgeably confront and understand the current crisis, particularly in Lebanon.

IV. METHODOLOGY

To answer the aforementioned questions, the paper primarily employs a qualitative approach, although a degree of quantitative data will also be utilized. From a qualitative perspective, the paper will draw heavily on case studies and historical and contemporary

examples in order to take a comparative approach in explaining and identifying the effect that refugees have on the nations that receive them. Particularly, the case study approach (and the identification of the relevance to the current crisis in Lebanon) will allow for the exploration of why specific positive or negative effects may be magnified in some cases and not others. Solely focusing on discussions of this issue can cause the reader to be bogged down by generalities that, although often making intuitive sense, lack historical evidence. For example, those who might argue that an influx of refugees has a negative effect on host countries might say “refugees cause overcrowding in the host country.” While this explanation may be intuitive, it is also simplistic. I hope to examine past case studies and research in order to bridge the gap between generality and reality in order to qualitatively explain (if this is a valid point on the negative side of the argument) the manner in which overcrowding manifests itself, how that affects the broader economy, whether that argument has relevance for the Lebanese case, and the potential implications for policy. These conceptual, qualitative explanations will also require a degree of quantitative backing as well. As the paper is discussing economic impact, quantitative metrics (for example, GDP figures, money spent on infrastructure development, wage data, and employment data) will be employed to give more clarity and evidence to conceptual claims (e.g. if the conceptual claim that refugees depress wages is true, wages data would be a useful supporting piece of evidence). This quantitative component—although not at the level of sophistication of regression analysis and not primary data in nature—will be useful in both the historical and contemporary parts of the paper.

V. LITERATURE REVIEW

The modern world is one of constant change and upheaval. For many in the Global North, this change is characterized by dramatic advances in technology and progressive policy reforms. But for still many more, the story is a markedly different tale of survival. Today, the world is confronting its worst refugee crisis since World War II (Sengupta 2015). Facing political turmoil, violence, and war, over 60 million people have fled their homes in search of safety and with hope for a better future (Graham 2015). As these refugees pour over the borders of Iraq and Syria, pile onto smuggling boats in Libya and Burma, and flee to neighboring lands from Yemen and Somalia, they have captured the world's attention.

Currently, much of the popular and academic discourse has addressed the moral and humanitarian components of refugee crises (Barakat and Zyck 2015; Huysmans 2002; Isquith 2015; Nawyn 2012; Sazak 2015). Accordingly, whether due to mounting international awareness and pressure or humanitarian compassion, many developed regions, such as the United States and the European Union, have boosted their capacity to receive refugees (Schwartz and Troianovski 2015).

The human rights element inherent to refugee crises is relatively more clear-cut. But a broader academic discussion has been developing around the following question: what are some of the economic effects—both positive and negative—of the sudden influx of refugees on host countries? These economic questions are particularly important to a country like Lebanon, where Syrian refugees now make up over 20 percent of the population (Richard 2014).

Before these effects can be analyzed, it is important to distinguish refugees from other types of migrants. The United Nations, via the 1951 Refugee Convention, defines a refugee as someone who “owing to a 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” (“The Refugee Convention, 1951”). The key point here is movement out of fear and necessity, rather than, say, economic opportunity. This definition has also been expanded by many to include violence and war (rather than simply fear of persecution), famine, and natural disaster (Stark 2004). Scholars have further delineated the difference between refugees and migrants by looking at size of the group and nation of origin. In particular, refugees are noted for typically moving as a part of a larger group of people rather than as individuals; they also generally come from relatively less developed economies (Stark 2004; Cortes 2004). With these definitions in mind, the paper now turns to examining the economic impact that refugees have on host countries.

Positive economic impacts

Refugees can often bring positive economic impacts to the countries that receive them. The existing literature discusses a number of ways in which this can occur, five of which are discussed below.

First, provisions designed and implemented explicitly for refugees can often lead to broader utilization by the host country’s population. In Uganda, which saw an influx of refugees from Kenya, Rwanda, Sudan, and the Democratic Republic of the Congo in the late 1990s and early 2000s, this can be seen in the education sector. Specifically, schools built explicitly for refugee children have served local students—who might not otherwise go to school at all—as well. The presence of refugees ensures enrollment stability, thereby helping to keep the schools open and functioning for all children; this in turn encourages continued investment and can improve the educational infrastructure of the country and boost long-term economic productivity

(Dryden-Peterson and Hovil 2003). Aside from educational institutions, governments and international aid organizations may, because of the crisis, often invest in other infrastructure developments (such as medical clinics, housing developments, and roads to access refugee camps) that can be maintained and used for the population at large when the refugee crisis subsides (UNHCR Baseline Survey 2003; Zetter 2012). These temporary structures—originally built to support refugees—can persist beyond the crisis and bolster the host country’s infrastructure and development prospects. In this sense, these short-term negative economic shocks that refugees provide to the system can give way to a longer-term positive economic outcome.

Second, it is also important to consider the demographics of the refugees themselves. Many of the factors that drive refugee crises—especially war or terrorism—are relatively indiscriminate to class. Because of this, refugees can often come from skilled and educated backgrounds (UNHCR Baseline Survey). In South Africa in the early 2000s, for example, only 3 percent of refugees were unemployed prior to fleeing their home versus 24 percent once they arrived in South Africa; it would not have been unheard of for someone who was a lawyer or engineer in their home country to be forced into homelessness in South Africa (UNHCR Baseline Survey). Similarly, in the 1990s, Jewish refugees from the Soviet Union who settled in the United States were highly skilled and often more educated than Americans, leading to quick economic integration, high labor force participation rates, and high average incomes (Gold 1994). More recently, this phenomenon can be seen in Canada, where 77 percent of refugees arrive with a university or vocational degree (Ouellet, Warmington, and Yu 2007).

When examining the current refugee crisis, the demographics of the refugees continues to be an important determinant in the ultimate economic impact that they will have. Due to the

contemporary nature of the crisis, data is scarce on the skill and education level of refugees. However, with Syrian refugees in Europe, researchers have found that the proportion of refugees with higher education was comparable to the local population (21 percent vs. 23 percent) (Aiyar et al. 2016). Given that refugees are often skilled and underemployed, they may—if given the opportunity via proactive policy—possess the capacity to boost their host nation’s economic output (Bodewig 2015). Intuitively, as skilled and educated workers, they may also integrate more easily into the formal labor markets of more developed economies. However, a limiting factor is the transferability of qualifications that often necessarily come with skilled occupations; licenses, certifications, and other credentials recognized by the refugees’ nation of origin may not be recognized by the host nation. This process, particularly in highly developed countries such as the United States, can be a time-consuming and expensive proposition (Rabben 2013). In the US, the result has been underemployment for roughly half of the skilled refugee populous (Hall et al. 2011); naturally, when scientists are driving taxicabs and doctors are working in restaurant kitchens as a result of lacking proper certification, the potential economic boon they could provide to the host nation is blunted.

Another demographic factor to consider is the age of refugees. In this sense, the situation of the European Union with respect to the current refugee crisis provides an illustrative snapshot of a situation in which refugees have the potential to be an enormous economic asset. Eurostat estimates that 81 percent of refugees seeking asylum in the EU in 2015 were younger than 35 and 55 percent were between the ages of 18 and 34 (Desilver 2015). To Europe, these comparatively younger refugees could help alleviate an increasingly bleak demographic crisis. Nations in Eastern, Southern, and Central Europe are facing a precipitous population shrinkage, lower fertility, and aging citizens (Mounk 2012). For example, Germany—a country often at the

center of discussions regarding refugees—is expected to lose 20 million citizens and have one third of its population older than 65 by 2060 (Mounk 2012). An aging population threatens to weaken economic activity through, among other things, a smaller labor force; the EU countries need only to look to present-day Japan for evidence (Canon, Kudlyak, and Reed 2015).

Additionally, pensioners and other dependents of social programs rely on a steady base of workers paying into and supporting the program. For countries—whether in the EU or not—who face these kinds of daunting demographic issues or social program shortfalls, refugees may represent a significant economic opportunity.

Third, labor market disruptions, although often viewed as a negative, may be positive. The oft-cited view that refugees will drain the economy by taking jobs that would've otherwise been taken by locals may be driven more by rhetoric than fact. In reality, refugees often take jobs that native citizens are unwilling to take, such as in construction or low-wage agriculture (Karasapan 2015). For example, researchers in southern Turkey found that 40-100 percent of Syrians who lost their jobs blamed their outcome on the influx of Syrian refugees to the region (Orhan and Gundogar 2015). However, the authors noted that the perception of many Turkish business leaders was that “Syrian refugees are not stealing jobs from the locals; rather, they are filling needed positions for unskilled labor” that the local Turks were not (Orhan and Gundogar 2015). Further, refugees do not necessarily concentrate in and compete for one specific type of job; rather, they pursue a multitude of diversified employment opportunities, and competition is therefore diffused (Betts, Bloom, Kaplan, and Omata 2014). However, when refugees do drive out competition for lower-skilled jobs, it can push natives (particularly younger and more inexperienced workers), by necessity, into increasingly specialized jobs and lead to long-run wage increases for natives on average (Foged and Peri 2014; Del Carpio and Wagner 2015).

Essentially, the authors find that the increased competition doesn't hang native workers out to dry, but rather forces them to develop a set of complementary—and usually higher skilled—contributions to the labor force. Further, the authors found that these wage increases and movement toward more skilled labor for natives was not accompanied by an increase in unemployment for these low-skilled native workers (Foged and Peri 2014).

Despite these findings, conventional wisdom suggests that, invariably, some lower-skilled workers will see drastically dampened wages. However, a study by the Bank of England and Oxford University found that a 10 percent rise in immigrants led to only a 2 percent fall in wages (Nickell and Saleheen 2015). It is worth noting, however, that this study looked at immigrants as a general population rather than refugees specifically. Of course, the ease with which labor market integration occurs has a significant effect on the economic consequences for a country and its workforce. For example, the IMF estimates that successful labor market integration for current refugees in Europe could boost EU GDP by 0.5 percent and GDP in the most heavily impacted host countries (e.g. Germany) by up to 1.1 percent (Aiyar et al. 2016). What constitutes “successful” integration is another question, one which can be driven by policy decisions and which this paper will discuss in further detail in later sections.

Fourth, refugees can boost growth by serving as productive consumers and producers in their host country (Betts, Bloom, Kaplan, and Omata 2014). From a consumer perspective, refugees possess enormous purchasing power due to their sheer volume (Betts, Bloom, Kaplan, and Omata 2014). Consequently, many local producers see refugees as a significant new consumer market for their products. Tanzania, for example, has seen many of its local farmers “export” their food surpluses to the considerable number of refugees from Rwanda and Burundi that the country hosts (Verwimp and Maystadt 2015). Specifically, the influx of refugees from

Rwanda and Burundi in the late 1990s caused food demand and prices to increase, thus benefiting local farmers (Alix-Garcia and Saah 2010). Similarly, in Uganda, researchers have found that refugees play a critical role as consumers for local Ugandan producers; studies showed that 68 percent of refugees in rural settlements bought goods from Ugandan producers, while 97 percent of refugees in Kampala (Uganda's largest urban area) bought goods from Ugandan producers (Betts, Bloom, Kaplan, and Omata 2014). The authors note that even economic activity among refugees in settlement areas and camps can have positive trickle-down effects for local producers further up the value chain from final consumers. Specifically, 80 percent of urban refugees noted that Ugandan producers were their most important suppliers (Betts, Bloom, Kaplan, and Omata 2014). For example, a wholesale beverage company may distribute to multiple storefront locations in a refugee settlement. While the refugees operating this storefront are producers within the context of the local settlement economy, they are also wholesale consumers for the local Ugandan businesses. This positive demand shock can lead to increased employment and boost the productive capacity of the host nation (Zetter 2012).

From a producer perspective, studies have found that refugees are more likely than natives and other types of immigrants, on average, to become small business owners; this in turn has ripple effects on local employment—not just for refugees, but for citizens of the host country as well (Gold 1988; Chmura 2013). For example, in the aforementioned Uganda study, refugee entrepreneurs in urban areas employed local Ugandans for roughly 40 percent of their workforce (Betts, Bloom, Kaplan, and Omata 2014). Another example of this phenomenon can be found in the Eastleigh district of Nairobi, Kenya. Following the onset of the Somali civil war in the early 1990s, hundreds of thousands of refugees fled Somalia for neighboring Kenya (Lindley 2007). The UNHCR estimates that today, some 60,000 Somali refugees are living in the Eastleigh

district (Lindley 2007). As a result of this influx of residents, Eastleigh transformed from a primarily residential neighborhood to a burgeoning business and shopping district that has helped form the center of Nairobi's economy (Lindley 2007). Commercial and housing investment picked up in order to accommodate the growing populous, but much of the development was driven by, rather than for, the refugees. For example, many of the refugees took to running small businesses; in many cases, families resumed tradecrafts and enterprises—import/export businesses, restaurants, lodging, small shopping stalls, cafes, kiosks, exchange services, transport services, etc.—that had been destroyed or abandoned as a result of the war (Lindley 2007). Similarly, but from a broader—and more concretely quantitative—perspective scholars have found that the Dadaab refugee camp in Kenya has had a positive economic impact on the surrounding community to the tune of \$14 million per year (Enghoff et al. 2010).

Another example of the productive capacity of refugees has manifested itself in Pakistan. Due to the Soviet invasion of Afghanistan in 1979, hundreds of thousands of Afghans fled their homes for neighboring Pakistan. Today, Pakistan hosts over 1.5 million refugees, which the UNHCR notes is the “largest protracted refugee population” in the world (“2015 UNHCR Pakistan profile”). Purely from an entrepreneurship and production capacity, these refugees have come to develop and dominate the Pakistani trucking and transportation markets over the past 35 years (Zetter 2012). More recently, the US war in Afghanistan has led to a massive growth in military and humanitarian supply lines (Aikins 2013). Naturally, the Afghan refugees, having an understanding of both regions as well as a hold on the industry, have capitalized on this growth. The refugees' productive capacity then, in turn, can boost the economic activity of the communities in which they live: as mentioned, this entrepreneurial activity of refugees can lead to increased employment opportunities for citizens of the host country.

This idea of economically productive refugees was strengthened in research by Christopher Bollinger and Paul Hagstrom, who, using data on refugees in the 1990s in the United States, found that refugees were less likely to be considered “poor” by official standards than other immigrant groups (Bollinger and Hagstrom 2011). Similarly, compared to other immigrant groups, refugees have been found to work longer hours (by 4 percent), earn more income (by 20 percent), and take more business risks, all critical tools in establishing productive businesses (Cortes 2004). Language skills of refugees tend to be a particularly contentious and politicized issue; Cortes (2004) also finds that refugees—vis-à-vis other immigrant groups—develop better local language skills (by 11 percent). Ultimately, refugees’ ability to develop local language skills can help ensure that they become the productive consumers and producers hypothesized in the studies above. Specifically, one researcher found that Iraqi, Bosnian, and Afghan refugees in the 1990s in Australia that had developed English language skills, perhaps unsurprisingly, had a significantly higher chance of being employed and economically productive than their counterparts who did not develop local language skills (Waxman 2001)

Fifth, refugees may increase bilateral trade between their host country and their country of origin. This may be particularly pronounced in “protracted refugee situations”, which the UNHCR defines as at least 5 continuous years of living in the host nation (Ghosh 2015). This bilateral trade effect can most clearly be seen in literature discussing immigration. Specifically, immigrants take with them to their host country a knowledge of and wealth of relationships within their country of origin. A number of authors have found that this personal linkage, compounded on a large scale, can increase trade and therefore be beneficial to the host country (Gould 1994; Lewer 2008; White 2007). It is easy to see, then, how this may also apply to a particular category of immigrants such as refugees. This is, of course, tempered by the fact that

refugees leave their country of origin for very different reasons (war and persecution) than economic migrants, and existing relationships (or desires to conduct business) in the country of origin might be nonexistent due to these extenuating circumstances (Ghosh 2015). Still, researchers examining refugees in Canada and the United States have found that refugees have a small positive (albeit less than non-refugee immigrants) effect on trade outcomes (White and Tadesse 2010; Head and Ries 1998).

Negative economic impacts

Refugee crises may also bring negative economic consequences. Although this view is commonly heard in political punditry, existing academic literature has also identified many mechanisms in which these consequences occur, three of which are discussed below.

First, refugees can strain the services systems of host countries. These strains occur in the task of processing and receiving refugees as well as integrating them into the host country. Examples of expenses include housing, healthcare, education, food, water, and utilities (Aiyar et al. 2016). Understandably, the quality of a specific service may go down as it becomes strained to accommodate more people. For example, in Turkey, increases in Syrian refugees have been associated with declines in quality of education and healthcare services (Goksel and Ozturkler 2015). Similarly, in Europe, the IMF estimates that refugees will cost EU countries nearly 0.1 percent of GDP on average (Aiyar et al. 2016). The heavy amount of literature (on the 1990s Balkan crisis, for example) that discusses “burden-sharing”—the cooperative process of one state taking responsibility for refugees that would usually fall under the purview of a different, but currently resource-strained, state—also suggests that this public service strain is a serious and relevant concern. (Suhrke 1998; Shimizu and Sandler 2002; Hartley and Sandler 1999; Barutciski and Suhrke 2001). Similarly, in today’s crisis, those countries facing the largest strain

from refugees (for example, Turkey, Jordan, and Lebanon) have called upon the international community for more support and diffusion of financial responsibility (Lowe 2016; “In Jordan...” 2015). And while this paper earlier highlighted that some public expenditures may strengthen the long-term infrastructure of a country, this does not come without the short-term cost, namely increased taxation to pay for the project as well as the opportunity cost of foregoing other potential investment opportunities (Zetter 2012).

Second, and related to strained services, is the issue of overcrowding in the host nation. When hundreds of thousands of refugees arrive in a concentrated area, disease can quickly break out (Caldwell 2015). The UN has reported that overcrowding has turned refugee camps—in South Sudan, for example—from a welcoming refuge to a squalid encampment teeming with outbreaks of Hepatitis, cholera, malaria, and jaundice (Sinha 2012). This has immediate negative economic effects, but can also have long-term economic effects by negatively impacting maternal and early childhood health (Baez 2011).

In line with this idea of a lack of physical space, refugees may also crowd out natives in local economic markets—from food to housing—and distort prices (Hatton and Williamson 2003). Turkey, for example, has seen dramatic increases in rental prices for housing as a result of the refugee crisis (Orhan and Gundogar 2015). In some cases, unscrupulous—but opportunistic—landlords have kicked out lower income Turkish tenants in favor of Syrians, many of which may have a higher willingness and capacity to pay (Orhan and Gundogar 2015). Additionally, while the aforementioned study of refugees from Rwanda and Burundi in Tanzania showed that an increase in food prices benefitted local producers, it hurt local net-consumers of food, often requiring them to rely heavily on food aid from organizations such as the UN World Food Programme (Alix-Garcia & Saah 2010).

Further, overcrowding can lead to environmental degradation, which has become a serious concern in areas faced with a large influx of refugees. The UNHCR concedes that refugee-affected areas may face increased issues of “deforestation, soil erosion, pollution, and depletion of water resources” (“Refugees and the Environment” 2001). Jayna Smith notes that these environmental consequences also have spillover effects, stating that “In a refugee situation, excessive damage to the environment not only causes deterioration of refugees' welfare but also leads to competition with local communities over scarce resources” (Smith). This idea of competition can lead to a toxic “us against them” mentality, which is the kind of social strife that the next paragraph of this paper seeks to address.

A third concerning implication for refugee crises is the disruptive negative economic impact that can emerge as a result of societal strife and potential civil conflict. On a broader level, refugees may increase the potential for internal conflict and war in the host nation (Salehyan and Gleditsch 2006). For example, in the Horn of Africa, famine-driven refugee crises have often led to conflicting tribal and ethnic groups confined to a small geographic area (Salehyan 2008; Bakewell 2007; De Lary 1990). On a smaller scale than all-out war, refugees can create social tensions, especially in cases where the refugees have distinct religious, political, or ethnic identities from the citizens of the host country (Tornkvsit 2015). This has been seen most recently in Sweden—a fairly homogeneous nation—through the torching of refugee shelters (Traub 2016).

Aside from the refugee-native dynamic, societal strife grow between factions of the native population over how to deal with the refugees. This can most recently be seen in the case of the European Union, where countries like Sweden and Germany have adhered to more of an open door policy, while some, like Hungary, have completely closed off their borders (Traub

2016). This has resulted in a lack of burden-sharing that has frustrated the more open countries. In the process, these countries have violated the multilateral Schengen Agreement for a “borderless” Europe, potentially undermining the very credibility of the European Union as a unified institution (Traub 2016). As a perennially divisive issue, refugee crises are liable to cause this kind of social strife no matter where they occur. Even in countries where the refugees have roughly similar (*vis-à-vis* the above Sweden example) identities to the citizens of the host country, resentment, and sometimes even violence, may still surface among the natives. For example, Peshawar, a Pakistani city located near the border with Afghanistan, is home to thousands of Afghan refugees. Fleeing the Soviets, the Taliban, and the American war, these refugees have settled in nearby Pakistan. However, despite the close geographic proximity, shared languages, and similar religious backgrounds, Afghan refugees have been subject to police brutality, discrimination, and lack of access to basic medical resources. They’ve also faced backlash and blame for Taliban attacks, such as the 2014 shooting at a Peshawar school that killed over 130 schoolchildren (Abid 2015; Saifi and Botelho 2014). This potential for—and realization of—conflict and hostility can destabilize a host country and prevent meaningful economic development from gaining any traction: the World Bank estimates that any kind of extended civil conflict can deprive a developing country of up to the equivalent of 30 years of GDP growth (World Development Report 2011).

Clearly, refugee crises can bring about a number of positive and negative effects to the countries that receive them. The key to responding to the current crisis is to take lessons from the past and present and employ policy tools that amplify the benefits that refugees have been shown to bring while mitigating the negative consequences. While no two countries or situations are the same, lessons can certainly be gleaned from the past. By discovering how countries benefitted

and suffered from refugee crises and taking the appropriate scholarly research into account, host countries, like Lebanon, can equip themselves with the potential to turn a seemingly devastating situation into a relatively more positive one for all.

VI. OVERVIEW OF LEBANESE CASE AND POLICY IMPLICATIONS

To date, the majority of media coverage of the world's refugee crisis has been centered on Europe (Caryl 2016). This attention paid to the European crisis is by no means unwarranted; the hundreds of thousands of refugees pouring into Europe will have far-reaching political, social, and economic ramifications for the continent for years to come. However, an equally important—albeit less discussed—epicenter of the crisis lies closer to the source. Specifically, the UN estimated in 2010 that the vast majority of refugees—just over 80 percent—were hosted by developing countries (“New Report”). As this paper has noted, refugee crises tend to be created and exacerbated by conflict; as the majority of conflict happens in the developing world, it is not surprising, then, that the most impacted countries tend to be neighboring developing countries as well (Sesay 2004). That trend has only continued in the current crisis. Not only do developing countries host the most refugees on a pure volume basis, but they also seem to carry a comparatively larger resource burden. This burden can be measured in a number of ways, one of which is the ratio of refugees to per capita GDP often employed by the UN (“Economic and Social Impact” 2004). In 2015, for example, only one European country (Turkey) was among the top fifteen most burdened by refugees according to this metric (Caryl 2016). Another telling—and perhaps more intuitive—measure of burden is the number of refugees per 1,000 people. On this metric, only three European countries (Turkey, Sweden, and Malta) ranked in the top fifteen, while developing countries closer to the source in the Middle East and Africa (Lebanon, Jordan, Chad) ranked at the top (Caryl 2016). This burden on developing countries is perhaps most

pronounced in the case of Lebanon (defined by the UN as a developing country), which today has just over 200 refugees per 1,000 inhabitants, more than double that of the next highest country (Jordan) (“Statistical Annex” ; Caryl 2016). Put simply, with 1.3 million registered refugees (and many more unregistered), over 20 percent of the population of Lebanon are refugees, the vast majority of whom have fled the ongoing conflict in Syria (“2015 UNHCR Lebanon Profile”).

Such an enormously high concentration of refugees means that Lebanon has been—and will continue to be—heavily impacted by refugees. Viewed through the lens of the positive economic impacts outlined previously in this paper, Lebanon has a unique opportunity to capture the economic value-add of the refugee population. Alternatively, viewed through the lens of the negative economic impacts outlined previously, Lebanon will be more susceptible to the deleterious effects that refugees can cause. At this stage, the paper turns to examining how the previously outlined positive and negative economic effects have impacted—and may continue to impact—Lebanon. Throughout, the paper will examine a number of policy approaches that can be employed to enhance the positive economic benefits while mitigating the negative ones.

From a labor market perspective, Syrian refugees in Lebanon have exacerbated an already struggling market. The IMF has found that refugees, who in Lebanon work primarily in agriculture, construction, and personal services, are often willing to take significantly lower wages (wages of working Syrian refugees average 40 percent lower than their Lebanese counterparts), work without receiving social benefits, and work longer hours than the Lebanese (Jarmuzek, Nakhle, and Parodi 2014; Masri and Srour 2013). In total, the Lebanese governments estimates that approximately 60 percent of the national labor force is Syrian (Abou Zeid 2014). Further, this crowding-out effect has not yet pushed lower-skilled Lebanese workers to develop

new skills and gain employment as some literature has suggested; an International Labor Organization study found that the increased in labor market supply brought on by the refugees led to increased unemployment and a dramatically more difficult labor market for the Lebanese (Masri and Srour 2013). This is particularly evident in the agriculture sector, where, according to a UN Food and Agriculture Organization estimate, wages have fallen 60 percent due to Syrian refugees (Curtis et al. 2013).

From a policy perspective, there are a number of approaches that the Lebanese government can take. In the Lebanese case, the problem is essentially that labor market integration has occurred at such a rapid pace that it has become closer to labor market replacement. As a result, the government should consider implementing policies that add some protections to native Lebanese workers, while at the same time allowing for some integration of refugees into the workforce. For example, stronger employment protection laws and regulations can help incumbent Lebanese retain their jobs without fear of being suddenly fired for cheaper refugee labor (Aiyar et al. 2016). Additionally, the government could consider enacting a “preferred employee” requirement, similar to those in place in many developed economies. These laws require an employer to demonstrate that a refugee (or other type of immigrant) is only being hired after an offer was made to a native resident or after showing that considerable effort did not yield a native candidate suitable for the job (Aiyar et al. 2016). This places a burden on employers that would give a slight leg-up to Lebanese employees vis-à-vis their refugee peers. Additionally, the majority of the impact of labor market replacement has been felt among poorer Lebanese in the low-skilled and informal labor markets, as 92 percent of refugees are employed without a contract (Masri and Srour 2013). If the government takes steps to

“formalize the informal economy”, increased oversight and regulation in these markets can protect the most vulnerable Lebanese workers (Masri and Srour 2013).

However, while these policies aim to protect Lebanese workers, complementary policies could serve to create new employment for refugees while also preparing them for long-term integration. From a shorter term perspective, the government could consider funding public programs and infrastructure projects that will benefit both local Lebanese and refugees (Masri and Srour 2013). These types of programs—for example, micro-loans—would not only create new employment for refugees, but also generate much-needed investment in infrastructure, which this paper will address in subsequent paragraphs (Masri and Srour 2013). For longer-term integration, the IMF notes that introductory employment training programs can address deficiencies such as “lack of information, poor access to informal networks, lack of transferrable skills and qualifications, and low language proficiency” (Aiyar et al. 2016). Complementarily, the government should employ policies and invest in programs that encourage self-employment and entrepreneurship among the refugee population. By creating policies that create new jobs and encourage self-employment, the Lebanese government can mitigate the replacement effect that is pushing native Lebanese out of work. Further, training programs could also be implemented for local Lebanese; labor supply replacement will inevitably take place, and training native workers to develop new and complementary skills can help them move into higher employment rather than unemployment, as the aforementioned literature has suggested may be possible.

The aforementioned labor market distortions and immense competition on low-skilled labor is due in large part to the demographics of refugees in Lebanon. Namely, refugees in Lebanon are primarily young, uneducated, and employed in informal capacities. The ILO found

that roughly half of the refugees in Lebanon were younger than 18; the same study also found that over 30 percent of refugees are illiterate and 60 percent have not completed primary education (Masri and Srour 2013). As mentioned, 92 percent of refugees are working without contracts while over 70 percent of employed refugees are only temporarily employed, suggesting a predominance of low-skilled labor (Masri and Srour 2013). This suggests that the potential positive impact that highly skilled and educated refugees boosting an economy is far less applicable in the Lebanese case. When faced with the prohibitively expensive cost of simply getting to the European continent—smugglers charge roughly \$3,000, while the per capita income in Lebanon was \$10,057.90 in 2014—some of the refugees with the least skill and education (who are likely also the poorest) often opt to stay close to home (“The Billion-Dollar Business” 2015). Further, while the young demographic profile of the refugees might be a saving grace for the aging populations of Europe, this is less of an issue in Lebanon, where only 12 percent of the population is 60 years or older (compared to 23-27 percent in Germany, Italy, France, and the United Kingdom) (“Aging World” 2016). Furthermore, Lebanon already has considerable slack in the labor market for youth, with youth unemployment at 34 percent and being further exacerbated by the crisis (“World Bank: Lebanon Needs to Create” 2013). This suggests that not only is an injection of youthful workers particularly needed in Lebanon, but that such an injection could conceivably come from the native Lebanese youth.

For policy options with respect to demographics, the Lebanese government can explore a number of options. First, the Lebanese government could consider establishing incentives that encourage high-skilled refugees to come to Lebanon, rather than flee to Europe. For example, universities and hospitals could expand their capacity to take in refugees who were professors, nurses, and doctors in their country of origin. Related to this, the government could consider

enacting policies that lessen the barriers to transferability of credentials and licenses. Second, Lebanon can enact policy that encourages the hundreds of thousands of refugees under the age of 18 to gain education rather than employment. Policies to prevent child labor—whether laws or welfare subsidies to replace the child’s income—serve a two-fold purpose; they prevent children from taking low-skilled jobs that would otherwise be worked by poorer Lebanese, and they create the foundation for these children to become more skilled and productive members of the Lebanese economy in the long term (Masri and Srour 2013). Refugee child labor is a particularly important issue in Lebanon, where children work in the agriculture, construction, and services industries at an alarmingly high rate (“2014 Findings” 2014). Strengthening labor enforcement programs and supporting organizations that tackle this issue is a key step in moving refugee children from employment to education. A recent \$5.3 million UNICEF/ILO joint project to raise awareness, build support for partners, and directly reach children is an excellent example of the projects that Lebanese stakeholders should seek to support (“Tackling Child Labor” 2016).

From a basic services perspective, the current refugee crisis has, as predicted by the literature, caused an enormous strain. As a high-level view, strains on public services are estimated to have cut GDP growth by approximately 3 percent per year, pushed over 170,000 Lebanese into poverty, doubled unemployment, and cost the government nearly \$3 billion (World Bank Study 2013). Essential services such as education, healthcare, waste management, and infrastructure have been struggling to keep up with the large increases in demand, and poorer areas in Lebanon have been hit particularly hard (Masri and Srour 2013). Specifically, it is estimated that 85 percent of refugees in Lebanon live in locations in which 67 percent of the local population is already below the poverty line (“Improving Health Care Services” 2015). In

other words, refugees are being hosted in areas that are already facing immense public services strains to accommodate the Lebanese.

On the education front, the Lebanese Ministry of Education announced in early 2016 that it would accommodate an additional 200,000 students in the public school system as a way to cope with the refugee influx (Abi Raad 2016). To put the enrollment figures in perspective, the entire population of Lebanese children in public schools in 2011, before the Syrian crisis, was 300,000; today, Lebanese schools are faced with an additional 395,000 Syrian children to fit within the existing infrastructure (*Lebanon Humanitarian INGO Forum*). This comes at an extreme cost, as Lebanon guarantees free education to all children. Consequently, the country has been forced to turn to the international community for financial support to the tune of 80-90 percent of all needed funding (Ghanem 2015). To cope with the influx, many schools have been forced to run night sessions of courses (Ghanem 2015). Additionally, many Lebanese officials and teachers worry that the overloaded schools will slow down learning outcomes for Lebanese students; for example, some teachers worry that the language gap (Syrian students learn in Arabic, while Lebanese instruction is done in English or French) is just one example of how Syrian students have been destabilizing the classroom learning environment (Ghanem 2015).

Similarly, the healthcare services sector has been increasingly strained as a result of the crisis. Refugees, understandably so, may often require an increased amount of healthcare services due to physical injuries from conflict, injuries sustained during the process of fleeing, and the damaging health effects of living in constantly unstable conditions (“UNHCR Report Says Syrian Influx” 2013). Psychological trauma can also be a pronounced, though often neglected, health issue plaguing refugees (Burnett and Peel 2001). All of this has put a strain on the healthcare system that the World Bank estimates has cost the Lebanese state roughly \$100

million dollars from 2012-14 (Dyke 2014). In Lebanon, the vast majority of healthcare is provisioned by the private sector; only 15 percent of hospital beds are under the provision of the Ministry of Public Health (Dyke 2014). On the private side, hospitals in Lebanon have pushed prices up to cope with the influx of refugees, but as donor funding has dried up, many Syrian refugees have been unable to pay. Rather than turning patients away, many private hospitals have taken losses or become burdened with debt (Dyke 2014). Funding for healthcare is largely provided by private insurance companies, but over 50 percent of the Lebanese population is uninsured and therefore seeks public healthcare options (Dyke 2014). On the public health side, the mismatch in proportions of uninsured patients seeking public health options vis-à-vis public beds available has resulted in overcrowding. For these uninsured citizens, the dramatically-underfunded Ministry of Public Health is expected to cover the vast majority of the cost of care (85-95 percent) (Dyke 2014). Public Lebanese hospitals are not permitted to turn away patients, exacerbating the overcrowding issue and requiring attention and care to be spread-thin among refugees and the substantial uninsured portion of the Lebanese population. All told, the World Bank has estimated that it would require nearly a half billion dollars to return the Lebanese healthcare system to pre-crisis levels of quality (Dyke 2014).

The strain hasn't stopped at education and healthcare; even services as basic as waste management have been stretched thin to the point of neglect. Solid waste is increasing by 30 to 40 percent, leading the Lebanese Minister of Health to declare Beirut as in the midst of a "rubbish health crisis" (Masri and Srour 2013; "Rubbish Health Crisis" 2015), while 92 percent of sewage is flowing untreated into water sources ("Lebanon Crisis Response Plan" 2015). In this case, the public services strain threatens to create a negative feedback loop, where an

inability to control waste leads to contamination and disease, exacerbating existing strains on the healthcare system.

In total, the Lebanese government estimates that the refugee crisis has caused a total economic burden of \$3 billion (Abou Zeid 2014). In this case, these added strains are pouring gasoline on what was already a well-burning blaze: Lebanon has the third-highest debt-to-GDP ratio in the world, trailing only Japan and Greece (“Government Debt to GDP”).

There are a number of policy measures that the Lebanese government can enact to combat some of these difficulties. At a high level, the Lebanese should shift their policy approach toward a more long-term orientation (Francis 2015). This strategy is an approach defined by Mercy Corps, an international aid organization, as a “hybridized relief-development” approach (“Policy Brief” 2014). International aid—which is already at a considerable funding shortfall—will eventually dry up, and short-term fixes without long-term investment is not sustainable. The 2016 Lebanon Crisis Response Plan, put forth by the Lebanese government and the UN, has noted this as one of its three strategic priorities (“Lebanon Crisis Response Plan” 2015). By investing in infrastructure in some of the poorest Lebanese communities and facilities, the Lebanese can see short-term costs eventually transform into long-term improvements in services provisions. This type of infrastructure also expands into improving the capacity and resources of actors within these services industries—teachers, doctors, and more general providers of care—to better meet the vastly expanded demand. Applications of this approach could include, for example, subsidies to the health and education sectors in the form of advanced training for professionals or the creation of additional permanent employment positions. Donors, as the inevitable source of many of these funds, should focus on explicitly giving funding for medium to long term solutions by, for example, having longer funding cycles (“Policy Brief”

2014). At the same time, the Lebanese should seek out multilateral solutions and public-private partnerships to ensure that the immediate provision of services can meet the increased demand. The Lebanese can look to their neighbor, Jordan, as an example of a successful policy approach on this front: the Jordanian and Kuwaiti Red Crescent societies recently partnered to provide \$500 million of free healthcare services to Syrian refugees in Jordan (Francis 2015).

Ultimately, the Lebanese government will still need a substantial amount of financial resources to keep up with increased services demand. Working with the international community and private organizations to secure donor dollars will remain an integral part of any immediate-term strategy. However, how this aid is provisioned and received plays a big role in whether or not long-term capacity can be built. Specifically, the government and external actors should focus on developing partnerships at a local level. The rationale for this approach twofold. First, the national government might not be the most reliable stakeholder to react to immediate services needs. From a political viewpoint, the sectarian nature of the government can ultimately lead to services provisions that are uneven and based not on need, but rather along political or religious lines. Second, the national government has demonstrated a lack of institutional capacity for infrastructure investment. But perhaps more importantly, relying on local partners allows municipalities to identify the solutions that are best for them, and to build capacity and experience to attack these problems for the foreseeable future.

Clearly, Lebanon continues to be particularly susceptible to the previously-mentioned negative economic effects of overcrowding. At the simplest level, Lebanon is incredibly vulnerable to overcrowding due to its small geographic size in comparison with the additional refugees it has taken in. Over the course of the crisis, Lebanon's population density has increased by 37 percent ("Lebanon Environmental Assessment" 2014). This overcrowding has manifested

itself in a number of markets. First, with respect to the environment, the refugee crisis has had negative effects on Lebanon's waste management, water quality, and air quality. Syrian refugees have generated solid waste equivalent to 16 percent of the total pre-crisis national waste output, and spending has increased by over 40 percent to accommodate ("Lebanon Environmental Assessment" 2014). The UNDP estimates that this additional waste will significantly increase the chances of vector-borne diseases in Lebanon ("Lebanon Environmental Assessment" 2014). All in, the additional solid waste effects are expected to cost Lebanon nearly \$200 million ("Lebanon Environmental Assessment" 2014). Similarly, water demand has gone up by 70 million cubic meters, depleting the strained Lebanese water supply ("Lebanon Environmental Assessment" 2014). The UNDP estimates that the economic impact of this environmental stressor to be roughly \$1.3 billion ("Lebanon Environmental Assessment" 2014). Finally, refugees heating their accommodations, traveling on the roads, burning waste, and producing electricity is expected to increase total emissions in Lebanon by 20 percent and cost up to \$2 billion ("Lebanon Environmental Assessment" 2014).

This crowding-out has manifested itself in economic markets as well; the housing market in Lebanon has been particularly impacted. Because Lebanon does not allow camps, refugees are forced to compete for housing with Lebanese. Additionally, as mentioned, the Lebanese have been hesitant to build permanent structures to house refugees out of fear for permanent settlement (Holmes 2015). As over a million refugees have flooded in to Lebanon, the housing stock, which was described by the World Bank as underinvested, lacking basic services, and "in crisis" even before the refugee crisis, has not been robust enough to accommodate them (Fawaz, Saghiyeh, and Nammour 2014). The result has been a crowding out of many poor Lebanese who do not have access to non-existing public or subsidized housing (Fawaz, Saghiyeh, and

Nammour 2014). Additionally, many landlords prefer to lease to Syrian refugees, often due to a higher willingness to pay (Fawaz, Saghiyeh, and Nammour 2014). While this higher willingness to pay may arise from some relatively wealthier Syrian refugees competing with poorer Lebanese for housing, it is often derived from unscrupulous leasing practices. For example, some landlords prefer to rent to Syrians because they can demand up to double the rent in exchange for providing the official rental documents that, as of mid-2015, refugees must provide to authorities to prevent arrest (Holmes 2015).

By nature of Lebanon being such a geographically small country, the crowding-out issue will continue to be of paramount importance. One policy step to alleviating this issue is to try to lessen the intake of refugees by lobbying the international community for a multilateral approach to burden-sharing. This multilateral approach should include both developed and developing countries. The Kosovar refugee crisis of the 1990s, showed how a unified attitude to dealing with refugees could lessen the strain on countries closest to the source (in that case, Macedonia). Leaders of European Union countries have, as recently as March 2016, met to establish a deal to lessen the flow of refugees (“EU Leader Meet” 2016). However, this approach should be expanded to include all stakeholders, such as Lebanon and other Middle Eastern and Gulf Coast countries. Lebanese stakeholders need to convince their international peers that the refugee crisis is a truly international one that cannot be cordoned off to one country or region. Burden-sharing literature proposes a number of ways to employ the actual policy. For example, a justice-based approach allocates burden based on factors including geographic size, GDP, population, and refugees already in place (Boswell 2003). On the other hand, an outcome-based approach allocates burden based on the consequences to the host country and the refugees, considering factors such as social fit, and capacity to absorb refugees (Boswell 2003). The Lebanese

government, along with its similarly-affected peers such as Jordan, Turkey, and Iraq, should choose what it sees as the most palatable approach for the international community.

If the number of refugees entering Lebanon is not reduced through multilateral cooperation, Lebanon must work with the space it has to expand its own capacity to house refugees. While the legal ban on permanent settlements and camps for refugees is unlikely to be overturned any time soon, the Lebanese government can try to find a middle ground between camps and pure integration into existing communities. One approach, pioneered by the American University in Beirut, is the construction of *ghatas*. *Ghatas* are concrete temporary structures designed by members of AUB's engineering faculty that are a step above the current makeshift shelters that Syrian refugees are forced to live under, but a step below would-be illegal permanent settlements ("Community-Wide Response at AUB" 2014). These structures, which can also be used for other facilities, such as classrooms, can help alleviate overcrowding in the housing and education markets. Additionally, by hiring refugees to construct them, the Lebanese can help alleviate overcrowding in employment markets as well ("Community-Wide Response at AUB" 2014).

In the Lebanese case, the result of the severe strains on basic services has caused donors and international aid agencies to make up the shortfall, rather than the often-inept Lebanese government investing in infrastructure. In 2010 before the crisis, the Lebanese finance minister estimated that the government needed to spend "at least \$20 billion" to improve the infrastructure, no small number for a country whose total economic output in 2010 was roughly \$38 billion (Bayoumy 2010; "GDP at Market Prices" 2016). Lebanon is infamous for its undeveloped infrastructure—spotty electricity, unreliable communications, and undeveloped road networks to name a few—and the refugee crisis has, perhaps unsurprisingly, not suddenly

spurred infrastructure investment as some of the aforementioned existing literature predicts, but rather pushed it under more severe strain (“Refugees from Syria: Lebanon” 2015). The scale and immediacy of the crisis has pushed a reliance on donors rather than through the unpredictable and bureaucratic Lebanese government.

However, a few factors unique to Lebanon also dampen the potential positive benefits of investments for refugees turning into improvements for the host nation as a whole. Specifically, Lebanon, unlike its Middle Eastern neighbors, does not have refugee camps (Rainey 2015). Owed in part to the Lebanese experience with Palestinian refugees, where roughly 500,000 Palestinians have remained in the country, the Lebanese have avoided building any settlements that may become permanent (Rainey 2015). The result is that refugees are integrated into Lebanese daily life. Schools aren’t built for refugees that may one day serve Lebanese, but rather refugees are joining in on existing Lebanese schools; roads aren’t built to access camps; housing complexes aren’t built to accommodate refugees, but rather 40 percent of refugees are living in garages, cowsheds, unfinished buildings, and scattered informal locations (Rainey 2015 and Nelson 2014). Because of the reliance on donor aid and the integration of refugees into existing institutions and structures, it seems that, in the Lebanese case, existing infrastructure is being strained rather than new infrastructure investment serving as a potential long-term boost.

From a policy standpoint, the Lebanese government faces a precarious balance: infrastructure investment that becomes permanent may be good for the country as a whole, but it can also incentivize permanent stays on the part of the refugees, something the Lebanese have explicitly sought to avoid. To find the middle ground, the Lebanese government should seek to strengthen the infrastructure of shared refugee/Lebanese spaces. One successful model of this approach can be found in the Bekkaa Valley region of Lebanon. Close to the border with Syria,

this region is characterized by relatively poorer communities of Lebanese along with a high concentration of refugees (“Lebanon - Supporting Local Economies” 2012). Here, the Al-Marj market serves as a place for refugees and Lebanese alike to sell and buy goods; however, the market was relatively run down, with muddy pathways, no sewage, and unreliable electricity (“Lebanon - Supporting Local Economies” 2012). A UNDP aid program provided funding to strengthen the infrastructure of the market, helping both Lebanese and refugee consumers and vendors. Investments like these do not create new projects for refugees (which could encourage permanent stays), but rather build out and strengthen the capacity of existing Lebanese structures and institutions. A similar approach could be imagined, for example, in the education sector; rather than building new schools for refugees, the Lebanese could invest in existing schools. As the crises subsides, the Lebanese would be left with improved facilities.

While the aforementioned impacts of the refugee crisis on Lebanon are more directly economic in nature, societal strife and civil conflict threatens to have an economic impact as well. From a cultural perspective, Lebanon appears to be better equipped than its European counterparts to handle refugees from neighboring Syria. As neighboring lands, the history of Lebanon and Syria has run deep well before statehood was formalized; shared experiences, from Ottoman rule to the French mandate, has created a tie that has led some to consider the two akin to “rival siblings” (“Sibling of Syria” 2013; Salibi 1993). The two countries share common ethnic and linguistic heritages, as Arabs make up 95 and 90 percent of the population in Lebanon and Syria, respectively, and Arabic is an official language of both (*World Factbook*) There is also significant religious overlap; 87 percent of Syrians are Muslim, while that number is 54 percent in Lebanon (*World Factbook*). These figures are not meant to simplify what is an incredibly nuanced discussion of differences between the two countries (which could be a

research article in its own right), but rather to highlight the similarities that the Lebanese share with Syrian refugees that certainly do not exist in religious and ethnically homogenized host countries in places like Northern Europe.

A potential benefit to Lebanon is that, from a religious perspective, the conflict in Syria has been relatively indiscriminate; Sunnis, Shiites, and Christians have all fled persecution and involuntary conscription from the Assad regime and terrorist organizations, such as the so-called Islamic State, alike (Sedaca 2013). The result is that, although sectarian divides still exist in Lebanon and among these groups, one group has not necessarily gained outsized support as a result of additional refugees.

Despite the aforementioned potential for a relatively more stable integration process, the refugee crisis seems to have exacerbated civil conflict and societal strife by reigniting sectarian tensions among the Lebanese people. In Arsal, a Lebanese border town, Lebanese Sunnis supported hundreds of Sunni Syrian refugees in clashes with Lebanese military (Abou Zeid 2014). Similarly, in Sunni-majority Tripoli, locals have fought with refugees supportive of the Assad regime (“Sectarian Conflict”). As a result of skirmishes like these, many Lebanese have become suspicious of refugees. The Lebanese government has only added fuel to the fire, claiming that militant cells have been embedded in the refugee population, while also imposing curfews on Syrian refugees (Abou Zeid 2014; Holmes 2013). Perhaps unsurprisingly, International watchdog organizations such as Human Rights Watch have documented dozens of attacks by native Lebanese against Syrian refugees (“Rising Violence Targets Syrian Refugees” 2013).

Similarly, researchers at the American University in Beirut have found that Lebanese have relatively high threat perceptions and tendency toward violent behavior and attitudes

directed at Syrian refugees (Longo 2014). These attacks and the inevitable reprisals have created heightened sectarian tensions that threaten to undermine the already-fragile security situation in Lebanon. This, in turn, threatens Lebanon's tourism industry, which accounts for roughly a quarter of Lebanon's GDP and has seen consistently significant declines since late 2010 as countries within and outside of the Middle East have warned their citizens against visiting (Nader 2013; Cali et al. 2015). Because the refugee crisis in Lebanon is inexorably linked to the deteriorating security situation in Syria, damages to Lebanon's economic prospects (the tourism industry and others) cannot, of course, be solely attributed to the refugee crisis and the aforementioned tension-creating societal effects. However, the US State Department does note security situations in informal refugee encampments, as well as heightened sectarian tensions in its Lebanon Travel Warning ("Lebanon Travel Warning" 2015).

Sectarian issues aside, conflict can also arise between refugees and native Lebanese due to frustration driven by perceptions of who is receiving more support. This paper has outlined some of the negative economic impacts that Lebanese—especially poor Lebanese—have felt as a result of the crisis. However, many local Lebanese feel that the international community and aid organizations have only focused on initiatives that support refugees. For example, many Palestinians who have been settled in Lebanon for decades have a perception that international aid organizations are transferring support from them to newly arrived Syrian refugees (Dahi 2013).

The Lebanese government can explore a number of policies that may help ameliorate the growing civil strife. First, the government should consider earmarking a pre-determined portion of international aid for the local Lebanese population. If such a process isn't allowed by the donor institution or country, the government should match a proportion of the donation. This

decision should be public and explicitly communicated, as it signals to the Lebanese population that they are not being forgotten in favor of newly arrived refugees. Jordan, which also borders Syria, has taken a similar approach by publicly specifying that 20 percent of aid for the refugee crisis will be allocated to the most heavily impacted local communities (Mencütek 2015).

Second, the government can decrease the likelihood of inciting violence by refraining from fear-mongering rhetoric regarding refugees and their ties to extremist organizations, as such rhetoric only serves to inflame tensions and incite violence. Enacting punishments, such as fines or suspensions, for government officials who make any unsubstantiated claims can be a good start to discouraging such behavior. Third, the government can more vigorously prosecute crimes directed at Syrian immigrants in order to send a clear signal that violence and hate crimes will not be tolerated. Additionally, all stakeholders—government actors, private sector actors, international aid organizations, public institutions, and news publications and services—can embark on a public education plan, as focusing only on the negative effects of refugees only serves to fuel animosity toward them. Commissioning research that seeks to study and demonstrate the ways in which refugees can have a positive benefit for Lebanon communicate to the Lebanese population that refugees do not only bring a downside and can help to mitigate this racism. Similarly, embarking on a marketing campaign that shows the mutually negative effects of increased polarization (e.g. lost tourism revenues) can help communicate that unity is a more mutually beneficial economic proposition than division. Finally, encouraging local leaders to hold open, collaborative dialogues with Syrian refugees across the political, ethnic, and religious spectrum can help to foster a spirit of collaboration.

Lebanon has not seen only the negative effects of refugees, however. From a consumer and producer perspective, refugees have provided some of the benefits predicted by existing

academic literature. On the consumption side, refugees have boosted consumer demand by spending wages, aid money, and savings on locally-produced goods and services (Cali and Sekkarie 2015). Specifically, the World Bank estimated that a 1 percent increase in refugees led to a 1.5 percent increase in services exports (Cali and Sekkarie 2015). Additionally, the UN has estimated the multiplier effect of aid to Syrian refugees in Lebanon as a cumulative \$800 million (“Impact of Humanitarian Aid on Lebanese Economy” 2015). Similarly, consumer deposits have flown from Syrian to Lebanese banks (Holmes 2013). On the producer side, Syrian business owners have fled turmoil in Syria for the relatively more stable business environment in Lebanon. Often leaving destroyed storefronts and factories behind in Syria, these refugees have helped a recent surge in entrepreneurial activity and employment in Lebanon and its neighbors (Leigh and Ma’ayeh 2016). In just one example, a Syrian refugee, Abdul Halim al-Attar, utilized an international crowdfunding campaign that raised nearly \$190,000 to support him as seed money to start three businesses that employed 16 fellow refugees (Dearden 2015).

There are a number of practical policy steps that the Lebanese government can employ to boost the positive consumption and production effects that refugees can bring. On the consumption side, the government should pursue policies that encourage spending, thereby tapping into the demand-boosting potential of the refugees. Examples of such a policy could include easing barriers to foreign money transfers, improving access to formal financial institutions, and establishing other incentives to spend within the local economy. On the production side, lowering barriers to entrepreneurship and creating incentives to start businesses can encourage refugees to continue the businesses they ran in their country of origin. The United States, for example, has seen success partnering with and investing in aid programs that provide microloans to refugee entrepreneurs (Leigh and Ma’ayeh 2016). Additionally, following stricter

reforms in January of 2015, refugees in Lebanon have been required to sign official documents guaranteeing that they would not find work (Armstrong 2016). Understandably, this severely limits the capacity for refugees to become producers. Additionally, these regulations have further strengthened the informal economy of Lebanon; many of the Syrian businesses—half of which were started after the crisis—are not officially registered, and employ unregistered Syrian workers (Leigh and Ma’ayeh 2016). In Jordan, restrictions like these have been loosened in multilateral agreements; specifically the EU agreed to grant easier access to European markets for Jordanian goods if Jordan allowed up to 200,000 Syrian refugees to legally work (Laub 2016). By pursuing similar international agreements, Lebanon can create additional demand for its products and services, and refugees can help fill that unmet capacity. A complementary approach is to create special economic zones, specifically designated for refugees, in which refugees can develop working skills to set them on a path of financial independence and self-sufficiency. These zones, which can be described as “industrial parks with low export tariffs” incentivize foreign firms to invest in the area and create jobs (Kingsley 2016). This is an approach that Jordan has begun to embark on as of early 2016; the Lebanese should take careful note of how this strategy plays out for their neighbors.

VII. CONCLUDING REMARKS

Refugee crises are, on the whole, an incredibly complicated proposition. Diverse stakeholders must manage the myriad social, economic, political, legal, and humanitarian implications that come from the mass exodus of millions of people. This paper has attempted to untangle a portion of that web by focusing exclusively on the economic effects of refugee crises, specifically from the perspective of one key stakeholder: the host country.

Through exploring the existing academic and popular literature around historical and contemporary case studies, this paper has identified some of the key positive and negative economic effects that refugee crises can have on the host country. On the positive side, refugees can be a boon to the host country by (1) spurring long-term investment (2) filling needed demographic gaps (3) integrating effectively into the labor market (4) becoming productive economic consumers and producers and (5) by increasing bilateral trade with the country of origin. On the negative side, refugees can be a burden to the host country by (1) straining public and private services (2) causing physical and economic overcrowding and (3) increasing societal strife and the potential for civil conflict.

In examination of the Lebanese case, it is evident that Lebanon has suffered considerably from the three aforementioned negative effects. On the positive side, the Lebanese have only been able to capture substantial value from the “productive consumers and producers” effect. For various idiosyncratic reasons to the Lebanese case, the four other potential positive benefits are not being realized to date.

Moving forward, the Lebanese government—alongside other stakeholders such as the international community, aid organizations, and the private sector—should seek to implement policies that can mitigate the three common negative effects while maximizing the five mentioned potential positive effects. The policy recommendations that this paper touches on are by no means comprehensive or detailed. However, they do prescribe a general framework in which to attack the current crisis. Through this framework, and with a greater appreciation of historical and contemporary case studies across regions and context, it is this author’s hope that the current refugee crisis can—and will—become a boon to Lebanon and other host countries, rather than a burden.

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