

BOX 2.1.

Refugees can benefit host economies

With millions of Ukrainians fleeing their homeland and seeking safety in neighbouring countries, welcoming refugees is primarily a humanitarian duty. However, it can also prove to be an investment. In their search for safety, refugees bring with them ideas, skills and grit. Some of them, for example, will go on to start new businesses, leverage their cross-border connections and foster innovation in their adopted homelands.

A recent study focusing on the United States of America found that refugees were, on average, more entrepreneurial than both the native population and people who had migrated to the country for economic reasons.²⁸ Indeed, refugees have been responsible for some major innovations over the years, with examples including Sergey Brin, the co-founder of Google, Jewish German scientists (such as Albert Einstein) who revolutionised science in the United States of America and, a few centuries back, the Huguenot refugees from France who brought textile manufacturing technology to Germany and London.²⁹ Such entrepreneurial behaviour may reflect the considerable tolerance of risk that is shown by refugees when they embark on long, perilous journeys fleeing conflict.

Refugees can facilitate international trade

Refugees' close ties with family and friends in their countries of origin and members of the diaspora in other countries can also help firms to expand across borders.³⁰ For instance, the millions of refugees from Vietnam who were resettled in the United States of America after the fall of Saigon in 1975 played an important role in establishing trade and investment links between Vietnam and the United States of America in the 1990s.³¹ Entrepreneurial refugees established the first long-distance telephone services to Vietnam, as well as the first travel agencies arranging trips to Vietnam. Some 20 years on from the end of the Vietnam War, US locations that had hosted more Vietnamese refugees saw more investment in companies in Vietnam and more bilateral exports. Some immigrants established well-known firms, while others were employed by US multinationals. Than Phuc, for example, was the chief executive officer (CEO) of Intel Vietnam, which invested US\$ 1 billion in a chip-testing facility in Ho Chi Minh City in the 2000s, creating thousands of jobs.

When refugees return home, they take new skills with them

When they return home, refugees can also assist with the development of their countries of origin by taking new skills and connections with them. For instance, when refugees from the former Yugoslavia returned home after years of working in Germany's manufacturing sector, they used the experience gained in Germany to increase productivity and exports in their home countries,³² while Vietnamese returnees were an important driving force behind the establishment of Ho Chi Minh City's tech hub.³³

Investing in human capital

On average, refugees also work more hours, earn higher wages and speak better English than economic migrants.³⁴ To some extent, this is because they tend to be better educated than their compatriots who stay at home.³⁵ Experience of forced migration can also incentivise individuals to prioritise investment in human capital, as they have seen their physical assets be destroyed in conflict. For instance, Poles who were forced to move from eastern to western Poland during the Second World War started investing more in education than compatriots living elsewhere in the country, and their offspring did likewise.³⁶

Refugees' contributions to their new host countries do not always come automatically. The right policies need to be in place to allow refugees to make meaningful contributions to the economic dynamism of their local areas. Evidence from 40 years of refugee policies in Denmark highlights the importance of employment support and language training.³⁷ Access to the labour market (and the structure and future prospects that it provides) also reduces problems relating to violence among asylum seekers.³⁸

In many instances, however, refugees are not granted the right to work, either out of concern that they will compete with domestic workers for jobs or because they are not expected to stay for long. In Türkiye, for example, a lack of work permits drove millions of Syrians into the informal sector; in Colombia, millions of Venezuelan refugees were given visas that were valid for just two years, which made it very difficult for many of them to find jobs; and, in Bangladesh, over a million Rohingya refugees have been confined to camps without the right to work.³⁹

²⁸ See New American Economy (2017).

²⁹ See Moser et al. (2014) and Hornung (2014).

³⁰ See Bahar et al. (2022).

³¹ See Mayda et al. (2022).

³² See Bahar et al. (2022).

³³ See Klingler-Vidra et al. (2021).

³⁴ See Cortes (2004).

³⁵ See Aksoy and Poutvaara (2021).

³⁶ See Becker et al. (2020).

³⁷ See Arendt et al. (2022).

³⁸ See Couttenier et al. (2019).

³⁹ See Hossain et al. (2019).