

<https://blog.en.erste-am.com/2015/09/25/refugee-crisis-no-way-around-comprehensive-solution/>

The refugee crisis: there is no way around a comprehensive solution

Gerhard Winzer



©  Fotolia.de

The current refugee crisis is immense. Estimates expect more than a million people to apply for asylum this year in the European Union; i.e. we are talking about 0.2% in terms of total population. This would suggest that the immigration can be handled if all the countries cooperate.

Structural whip

Much like other crises in the past, the current one highlights the structural weaknesses of the European Union. The necessary institutions necessary to ensure the long-term existence of the Union are not yet in place although much has been achieved already. The crisis works like a structural whip, forcing the EU to institutionalise coordination on an ad-hoc basis.

In the short term

The immediate challenges are relatively easily solved. Distribution, registration, (legal) transport, shelter, food and water, and administration have to be sorted out and provided. If even that is beyond acceptance, chaos and a deterioration of the humanitarian crisis are looming on the horizon. There is no escaping a comprehensive and coordinated approach. Overall and in the long run, this is about keeping the humanitarian “costs” as low as possible.

In the medium term

The medium-term challenges are significantly more difficult. They affect mainly the immigrants’ willingness to integrate, and the willingness of the local population to aid said integration. Only if immigrants are integrated – as opposed to assimilated – successfully will short term costs turn into long-term benefit in terms of monetary units. Here, too, we need an overall

package that contains investment in human capital (education, language abilities, skills), healthcare, public services, and living space. The long-term benefit is based on the comparably low average age of the migrants and the positive net tax effect (in a long-term perspective). This would help mitigate the demographic problem of the EU, where the ratio of retired people to working population has been growing rapidly.

Benefits

Therefore an active approach to the refugee crisis would be beneficial from numerous points of view. It limits humanitarian costs. It represents investment in future consumers. It increases the working population. From an economic point of view, stimulus generated on the spending side meets an increase of supply of labour force. In the medium term this supports both total output and the public budget (albeit only marginally).

Risks

Of course there are risks, mainly with regard to the potential decline in social, political, and governmental cohesion. This will be more profound the less comprehensively a strategy is formed and implemented in dealing with the refugee crisis. Anti-immigration and anti-EU parties would be picking up support.

Conclusion

In order to mitigate human hardships and to cap demagogical forces, we will all have to work together. We are reminded that the basic human rights apply always, even if they are not being acted upon. Also, migration will come with positive human effects in the medium term.

Legal disclaimer

This document is an advertisement. All data is sourced from ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH and ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. unless indicated otherwise. Our languages of communication are German and English. The prospectus for UCITS (including any amendments) is published in Amtsblatt zur Wiener Zeitung in accordance with the provisions of the InvFG 2011 in the currently amended version. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH and for ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. pursuant to the provisions of the AIFMG in connection with the InvFG 2011 and regarding ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. published in Amtsblatt zur Wiener Zeitung or at the web site www.ersteimmobilien.at. The fund prospectus, Information for Investors pursuant to § 21 AIFMG and the key investor document/KID can be viewed in their latest versions at the web site www.erste-am.com or www.ersteimmobilien.at or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the key investor document/KID is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com or www.ersteimmobilien.at. This document serves as additional information for our investors and is based on the knowledge of the staff responsible for preparing it at the time of preparation. Our analyses and conclusions are general in nature and do not take into account the individual needs of our investors in terms of earnings, taxation and risk appetite. Past performance is not a reliable indicator of the future performance of a fund.



Gerhard Winzer

Gerhard Winzer has worked at Erste Asset Management since March 2008. Up until March 2009, he was Senior Fund Manager in Fixed Income Asset Allocation; he has been Head Economist since April 2009.

He holds a degree from a polytechnical college and studied economics and business at Vienna University with a special focus on financial markets. He holds a CFA charter and participated from 2001 to 2003 in the doctoral programme for finance at the Center for Central European Financial Markets in Vienna.

From July 1997 to June 2007, he worked in research at CAIB, Bank Austria Creditanstalt, and UniCredit Markets & Investment Banking. His last position was as Executive Director for Fixed Income / FX Research and Strategy. He was responsible for research on asset allocation at Raiffeisen Zentralbank (RZB) in Vienna from July 2007 to February 2008.