

Refugee Crisis Will Test a European Economy Under Pressure

Resettling the refugees fleeing Ukraine could cost \$30 billion in the first year alone, and the permanent integration of millions of people would reshape Europe's economy.

Women arriving with their children could move relatively quickly into jobs as long as day care and schools are available.

By Patricia Cohen Photographs by Cristian Movila

Patricia Cohen, who covers global economics, and the photographer Cristian Movila reported from the Romania-Ukraine border.

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Nearly everyone who crossed the Danube on the open-air ferry from Ukraine and landed in the frostbitten Romanian port city of Isaccea on a recent morning had a roller bag and a stopgap plan. One woman planned to join her husband in Istanbul. Another was headed to Munich, where her company has its headquarters. Others were meeting brothers, cousins, in-laws and friends in Paris or Sofia, Madrid or Amsterdam.

And then, they hoped to go back to Ukraine.

"I need to return," said Lisa Slavachevskaya, who traveled with her 10-year-old son and 5-year-old daughter from Odessa. "My husband, my mother and my grandmother are there." She said she planned to go home in a month.

Whether such quick turnabouts are possible is one of the many uncertainties hanging over Europe's fastest-growing refugee crisis since World War II. No matter how the catastrophe in Ukraine ends, the costs of helping the millions of Ukrainians fleeing Russian bombs will be staggering. Some early estimates put the bill for housing, transporting, feeding and processing the flood of humanity at \$30 billion in the first year alone.

"This is a humanitarian and medical emergency in the next weeks," said Giovanni Peri, director of the Global Migration Center at the University of California, Davis.



Tania Uzunova with her three children on a ferry headed to Isaccea in Romania.

What happens over the next few months will determine if Europe will face the additional costs of a massive resettlement that has the potential to reshape the economic landscape.

European economies are still recovering from the pandemic and coping with stubborn supply chain shortages and high inflation. As costly as it will be to provide short-term relief to families temporarily displaced by the war, over the long term the expense of integrating millions of people would be much greater and put immense strain on housing, education and health care systems. While a giant influx of workers, particularly skilled ones, is likely to increase a nation's output over time, it could intensify competition in the job market. Roughly 13 million people were unemployed in the European Union in January.

"It is uncertainty that now dominates the economic calculation," Mr. Peri said.

More than three million refugees fled Ukraine in less than three weeks, according to the U.N. International Organization for Migration, and millions more are likely to follow as the war rages on.

Officials, migration experts and economists say it is too early to say whether most displaced Ukrainians will end up staying.

That is a stark contrast to 2015, when 1.3 million migrants from the Middle East and North Africa escaped to Europe after years of war and terror, seeking asylum because they feared persecution. Return was not an option.

So far, officials say, relatively few have asked for such protection. Of the 431,000 Ukrainians who have crossed into Romania, for example, only 3,800 have asked for asylum. Indeed, many winced at the “refugee” label.



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“I don’t consider myself a refugee,” Evgeniy Serheev, a lawyer, said through a translator as he waited to cross into the northeastern Romanian town of Siret. But with his wife, three children and their bags crammed into one of hundreds of cars inching toward the border, he acknowledged that he looked the part.

The urgent humanitarian and moral case is compelling on its face; the economic argument can be harder to make. Most research, though, over the long term shows that working refugees can help economies grow, expanding a nation’s productive capacity, paying taxes and generating more business for grocery stores, hair salons, and clothing and electronics stores. That was what happened in Germany after 2015 when it took in more than a million refugees, most of them from Syria.

“Economically speaking it was a net positive,” said Ángel Talavera, head of European economics at Oxford Economics.

But countries face significant initial costs.

The European Union last week pledged 500 million euros, or \$550 million, in humanitarian support, but it will have to put up more. “European governments are going to blow the budget,” said Claus Vistesen, chief eurozone economist for Pantheon Macroeconomics. This latest drain comes on top of an extraordinary amount of public spending over the last two years to battle the coronavirus pandemic.

The sudden need for more housing, fuel, food, health care services and more is going to further exacerbate supply shortages. “Inflation is going to go up, up, up,” Mr. Vistesen said.



Igor Korolev with his family and their cat, Murka, inside a makeshift shelter in the ballroom of a hotel in Romania.



The Ukrainians were welcomed by Romania with food and shelter. Cristian Movila for The New York Times



Most Ukrainians have been met with care packages and offers of free shelter in Romania.

In the eurozone, inflation is running at 5.8 percent, and Mr. Vistesen said he expected it to rise to 7 percent this year given soaring energy prices. Those are up by nearly a third since last year. For the European Central Bank, he added, it will make the delicate task of balancing the risk of inflation with the risk of recession all the more difficult.

For those living and working in Europe, it will mean less spending power in the short run. If wages don't rise, they will be poorer.

For now, Ukrainians, with strong kinship, cultural and religious ties in other European countries, have mostly been met with care packages and offers of free shelter, transportation and food.

At the border in Siret, volunteers rushed up to Ukrainian families trudging up the road with offers of cups of hot tea and €5 cellphone SIM cards. Organizations, businesses and individuals jockeyed for a spot closest to the checkpoint to be the first to give chicken soup, kebabs, blankets, toothbrushes, stuffed animals and hats.

The government in Bucharest has so far allocated \$49 million to cover the costs. The prime minister, Nicolae Ciuca, said he expected the European Union to reimburse a big chunk of that.

The E.U. has granted Ukrainians immediate permission to stay for up to three years, get a job and go to school — access that migrants from other parts of the globe could only dream of. And some countries, including Romania and Poland, have agreed to allow refugees to receive the same social and health services available to their own citizens.

The Russia-Ukraine War and the Global Economy

Rising concerns. Russia's invasion on Ukraine has had a ripple effect across the globe, adding to the stock market's woes and spooking investors. The conflict has already caused dizzying spikes in energy prices, and could severely affect various countries and industries.



Yet past experience with refugee crises shows that such good will often sours as an influx stretches government finances and social services like education and health care.

There has been an outpouring of sympathy and contributions, but the burden of actually hosting the refugees is lopsided in the extreme. Poland alone has had roughly 1.7 million Ukrainians stream in, and Warsaw's population has swelled by 15 percent.

"We're getting overwhelmed," Rafal Trzaskowski, the city's mayor, said in a news interview. "We can't improvise anymore."



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Clemence Landers, a policy fellow at the Center for Global Development, said a handful of nations were taking on what should be an international responsibility and needed financial help to do so.

Global institutions like the World Bank are an important source of cheap loans, particularly for the poorest European countries, which are hosting the most Ukrainians, argued Ms. Landers, a co-author of an analysis of the refugee crisis' costs.

International financial support can help tamp down the political and social backlash that often follows refugee crisis, she added.

If many of the Ukrainian refugees end up staying longer than they expect, there are reasons to believe that they can be integrated into the economy relatively quickly. Many have a network of friends and family. Their level of education is not that different from some of the host countries. (In Ukraine, the average number of years of school was 11.3 in 2017, according to the United Nations.) And they have a record of employment.

Mr. Peri, at the University of California, said Ukrainian immigrants already in Europe were working in hotels and restaurants and as home assistants for seniors and disabled people, jobs that have been hard to fill in some places.

Despite the widening devastation inflicted by the Russians on Ukraine, few of the people interviewed at the border were ready to start contemplating a long future far from home.



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Not everyone who arrived in Romania will stay; some will head to other countries.

Iryna Karpenko, who was crossing into Siret with her three children, two sisters-in-law and her father-in-law in a blue Toyota van, said they were headed to Bulgaria. They had budgeted roughly €1,500 (\$1,644) per person for a one month stay. In Ukraine, she said, “we have houses, husbands and jobs there.”

Asked what they planned to do once they crossed the border, Ms. Karpenko was about to respond when her sister-in-law Karina Bohatynska piped up from the back seat: “Go back home.”

Patricia Cohen is the Global Economics Correspondent based in London. Since joining The Times in 1997, she has also written about theater, books and ideas. She is the author of “In Our Prime: The Fascinating History and Promising Future of Middle Age.” @PatcohenNYT • Facebook

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