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Master's Thesis

The impact of refugees on host countries: A case study of Bangladesh under the Rohingya influx.



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Author:

Emese Laura László

Supervisor:

Johannes Dragsbæk Schmidt

Abstract

People fleeing their home due to persecution or war is not a new phenomenon, however the large number of forced migrants in today's world creates new challenges and a rather negative attitude toward refugees from the host countries. The international refugee regime assists to tackle refugee situations around the world, however despite its help, the host countries, which themselves are in most of the cases developing countries, tend to struggle to provide both to the refugees and their own populations. From this view, the aim of this thesis was to examine the economic impact of refugees on a developing country. A case study has been chosen, namely the Rohingya refugee influx into Bangladesh from August 2017, to examine whether the host country's increased dependency on the developed countries is the reason for the negative economic impact of the refugees.

This thesis uses critical theories, such as the World System Theory, critical migration - and IPE theories, which emphasize, that the driving force of international relations and politics comes from economic inequalities. These theories are helping to find answers for the reason for the negative economic impact of Rohingya refugees on Bangladesh. The study applies a quantitative method to analyse the impact of the Rohingya refugees on the economy of Bangladesh, complemented by a qualitative literature review. The data analysis includes the assessment of changes in the GDP of Bangladesh, the Government's revenue and how much it spends on assisting the Rohingya refugees, the amount of international aid helping the Government to tackle the crisis, the balance of international trade of the country and the effects of refugees on local wages and commodity prices.

The conclusion has been drawn, that the Rohingya refugees are indeed mean an economic burden to Bangladesh and increase the country's dependency on international aid. An external shock, like this refugee crisis, hinders the country's development and makes it more vulnerable to the donor countries. The connection however, that the negative economic impact is only due to the countries already dependent nature on the developed world is difficult to prove. Furthermore, currently without the donor countries Bangladesh most probably would not be able handle the crisis.

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1 Introduction

The phenomenon of people fleeing their homes as a consequence of persecution, war or other conflict has always existed. The international community started to take this phenomenon seriously due to the I. and II. World Wars, which caused huge number of people escaping their home countries. During this period, the international refugee regime was created based on a treaty and an international organization, to assist and protect these vulnerable people and find solutions for them. The treaty was the 1951 Geneva Convention and Protocol and the created international organization was the United Nations High Commissioner for Refugees (UNHCR), responsible to help millions who had fled or lost their homes.

The treaty was significant, because it established a body of law concerning international migration and it formulated a legal definition to the term refugee. According to this document a refugee is someone who is "...owing to wellfounded 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 or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it." (UNHCR Convention and Protocol Relating to the Status of Refugees, Article A (2): 14).

It is important here to distinguish this term from the term asylum seekers because these are often used interchangeable, however legally they are different. According to the Oxford Dictionary, asylum is the protection granted by a state to someone who has left their home country as a political refugee. The institution of asylum developed together with international human rights. In 1948, the General Assembly of the United Nations incorporated the institution of asylum into the Universal Declaration of Human Rights, stating that everyone has the right to seek and enjoy asylum from persecution. A forced migrant who arrived in a country and applied for protection is an asylum seeker until the refugee status is granted for him. Every country has its own procedure to evaluate the request of the asylum seeker and decide to grant the refugee status or not. In case the request is denied, because the person

found not to be a refugee, the asylum seeker is asked to leave and return to his home country (Dauvergne 2012).

As it was mentioned above, the Convention grants protection, establishes human rights, obligations and responsibilities relating to refugees. Among others it includes right to receive identification and travel documents, right to work, freedom from discrimination, access to education and to the courts, the right to own property and freely choose a place of residence.

The Convention also contains an important principle, namely the principle of non-refoulement. It means “that no one shall expel or return (“refouler”) a refugee against his or her will, in any manner whatsoever, to a territory where he or she fears threats to life or freedom.” (UNHCR Convention and Protocol Relating to the Status of Refugees). It is important to mention that Bangladesh did not sign the Convention and the Protocol, however the principle is considered as customary international law, therefore it is binding for all States (UNHCR 2011).

Even though it was a significant achievement to create a general definition for refugee, as the world politics changed over the years, the understanding of the term had to change as well. The UNHCR’s mandate expanded to address a broader range of people, therefore what we understand under the term refugee also broadened to include people fleeing from human rights violations (outside of the category of persecution), survival migrants, such as people fleeing from environmental disasters or state fragility. Furthermore, it also includes internally displaced people (IDPs) (Betts and Loescher 2011).

IDPs are people “who like refugees, flee conflict and persecution, but remain in their country of origin” (Betts and Loescher 2011), in other words they flee their homes but do not cross international borders. They might seek safety in another town, nearby village, other settlements or even in forests and fields. Even though IDPs are not under international law, because their country and their government are responsible for their protection, the UNHCR provide assistance to them (USA for UNHCR 2017).

1.1 Problem formulation

First, the situation of refugees was considered as a temporary issue and the receiving Western countries welcomed refugees due to their depleted manpower and labour shortages. However, as a consequence of the Great Depression in 1931, already at this time, the problem of undertaking refugees in host countries which cannot even support their own people came forth. The experience of economic recession by the receiving countries in the 1970s further enhanced their perception of refugees from the developing world as a threat to the economic and political stability (Barnett 2002).

Since the Cold War, political and ethnic conflicts are forcing huge amount of people to cross borders; in 1974 the UNHCR counted 2.4 million refugees, by 1984 this number changed to 10.5 million and by 1996 it grew to 27 million refugees, internally displaced persons and asylum seekers (Barnett 2002). According to the recent data of the UNHCR, as of June 2017 65.6 million people are forcibly displaced worldwide due to different reasons (Edwards 2017), but the attitude of the receiving societies towards them are rather negative.

There are a number of studies available on the causes of forced migration, its impact on the refugees, moreover theories on the impact of voluntary migration on the host countries are accessible. However, theories are less available upon the impact of forced migrants on the receiving countries. One interested in handling a refugee crisis may intrinsically focus on the most effected and vulnerable actors of it, the refugees. Nevertheless, the massive influx of refugees deeply affects the host country and the local population as well. The writer of this paper finds it equally important to consider the effects of the refugee influx on the host countries, because in many cases the refugees have to stay for a long period of time. It is seen, that their living will only be sustainable if their presence does not undermine the living of the population in the host country. Therefore, the aim of this paper is to examine the impact of refugee influx on the receiving country.

The case of Bangladesh and the Rohingya refugee crisis has been chosen to examine the impacts of the influx, as this refugee crisis is considered one of the world's fastest-growing refugee emergency today. As stated in the Oxford Dictionary an arrival or entry of large

numbers of people or things is an influx. From this definition, we can conclude that an influx is determined by the number of people entering, compared to the population of where they enter. Even though the term influx already carries the arrival of a large number of people, the UNHCR often talks about mass or large-scale influx of refugees. In their perspective, large-scale influxes include refugees (meaning those under the 1951 Convention and 1967 Protocol) and persons in fear of external aggression, occupation, foreign domination or events seriously disturbing public order. UNHCR declares that a mass influx can only be defined in relation to the resources of the receiving country, however it specifies the term as “a significant number of arrivals in a country, over a short time period, of persons from the same home country who have been displaced under circumstances indicating that members of the group would qualify for international protection, and for whom, due to their numbers, individual refugee status determination is procedurally impractical.” (UNHCR 2000).

In relation to the current case, it can be said that an influx occurred, since a significant number of Rohingyas (more than 647,000) escaped to Bangladesh only over the period of four month. Even though this amount of population movement did not significantly change the population size of the origin - and the host country, its ratio considerably affects the local population.

The situation of the Rohingyas is cumulatively disadvantageous because they are not only refugees, but a stateless minority, therefore the international attention is focused on their situation. As reported by the UNHCR in June 2017, there were 10 million stateless people in the world, who are not the citizens of any country, hence they do not have access to basic political, economic, social and other rights. This number refers to stateless persons understood under international law, meaning those “who are not considered as nationals by any State under the operation of its law” (UNHCR STATISTICS 2018). Notwithstanding that the Universal Declaration of Human Right declares that every person has the right to have a nationality, people can become stateless for many reasons such as sovereign, legal, technical or administrative decisions or mistakes (USA for UNHCR 2017).

Concerning the current case, the Rohingya is called refugee in the literature but also characterized as a stateless Muslim minority of Myanmar due to the systematic withdrawal of

their rights and the Citizenship Act in 1982, which fundamentally excluded them as citizens of Myanmar.

In August 25, 2017 violence erupted again in Myanmar's Rakhine state between the Rakhine Buddhists and the Rohingya Muslims. The Rohingya exodus began when Buddhist troops started burning Rohingya villages and killing civilians as a response to state media reports about the killing of 12 security officers by Rohingya militants (UNHCR staff 2017). Between August 25, 2017 and January 7, 2018 more than 647,000 Rohingya has fled (UNHCR 2018) from the persecution in Rakhine state to the neighbouring Bangladesh. The large number of refugees fleeing to Bangladesh under such a short period of time is outstanding, and the fact that the refugee influx in 2017 was not the first time the Rohingyas have fled to Bangladesh raises the question how the country can cope with the high amount of stress, even though it is a reoccurring situation.

Despite the non-governmental - and international help, Bangladesh faces difficulties in providing shelter, food, water and sanitation, clothes and aid in fighting with diseases erupting in the refugee camps. In spite of the effort of the Bangladeshi government and the present international community, the refugee camps in Bangladesh generally suffer from bad humanitarian conditions and are not designed as a long-term solution.

Since impact is a broad phenomenon, this paper is envisaged to give a picture upon the impact of Rohingya refugees on the economy of Bangladesh, considering its status as a Least Developed Country by the United Nations, hence having its own development challenges, and the emergency humanitarian assistance they receive from developed countries. Therefore, the following research question has been formulated:

1.2 Research question

Why does the refugee influx affect the economics of the host country negatively in the case of Rohingya refugees in Bangladesh?

Acknowledging that the focus of this paper is quite broad, sub-questions have been identified to narrow down, and give further guide to the research.

Sub-questions

- *How did the Bangladeshi government and the international community on site respond to the Rohingya refugee influx in 2017?*
- *How does the Rohingya refugee influx influence the Bangladeshi economy in terms of its GDP and budget, local wages, prices of commodities and the balance of international trade?*

Hypothesis

The negative economic impact of the influx of Rohingya refugees and the humanitarian response comes from the increased dependency of Bangladesh on the developed countries.

1.3 Flow of argument

To help the reader to get an overview of how the paper is constructed, the flow of argument is presented here. **The first chapter** of this paper introduces the context of the problem, which ends with the formulation of the research question and the hypothesis. In addition, the introduction chapter contains the description of different terms related to the refugee influx. It is seen that the clarification of the terms used throughout the paper is important at the beginning in order to avoid misinterpretation. **The second chapter** presents the research methodology. It includes the research design, the scientific point of view of the author and the method used for data collection. This is followed by the theoretical concepts in **the third chapter**. This section presents the chosen theories, which will be applied to the studied case, namely from International Relation Theories the World System Theory, and in connection to that, within the field of International Political Economy, the Marxist ideology. Furthermore, relevant studies upon the economic impact of refugees is presented. **The fourth chapter** continues with the short historical background of Bangladesh and its current status in the world. It also introduces how Bangladesh deals with the refugees and the history of Rohingya

refugees in the country. In **the fifth chapter** the collected data is presented and analysed through the lens of the theories. The aim of this section is to find answer to the research question and see whether the stated hypothesis is valid. At the end of this paper, in **chapter six** the conclusion from the analysis of the empirical data is drawn. In the conclusion the research question is answered, and the validity of the hypothesis is revisited. The chapter also discusses the outlook for the future of Bangladesh with the Rohingya refugees.

2 Methodology

In this chapter the reader is introduced to the methodology of this study, the authors scientific standpoints and the method for data collection. The purpose of this chapter is to explain the approaches that are employed in this research and explore the factors that are influenced the paper.

2.1 Research design

Research design helps to create structure before the data collection and the analysis and a flow to the research itself. According to David de Vaus (2001) “The function of a research design is to ensure that the evidence obtained enables us to answer the initial question as unambiguously as possible.” This means that the research design is also crucial to answer the research question in the most accurate way.

The author started the research by examining the Rohingya refugee crisis. Having found that 2017 was not the first year the Rohingyas had been forced to flee their homes in Rakhine state of Myanmar, the author took an interest to investigate further this issue. Since there is a lack of comprehensive research upon how the influx of Rohingya refugees affect the countries hosting them, especially Bangladesh where most of the Rohingyas escape, the author seeks to focus on the impact of Rohingya refugees on Bangladesh, and within that, their economic impact. Thus, the research question, *‘Why does the refugee influx affect the economics of the host country negatively in the case of Rohingya refugees in Bangladesh?’* has been formulated with sub-questions mentioned in the previous chapter in order to guide the research. The research question is explanatory in its nature because it seeks to examine a “Why” based question, the reason behind the negative economic effect of the refugees.

David de Vaus warns, that finding the evidence that is consistent with the theory is easy based on the vastly accessible data. However, one “should be sceptical of the evidence, and rather than seeking evidence that is consistent with [the] theory...should seek evidence that provides

a compelling test of the theory” (De Vaus 2001). The researcher either tries to eliminate rival explanations or tries to disprove the hypothesis.

In order to answer the research question a deductive approach is undertaken. The process of deduction is shown in Figure 1.

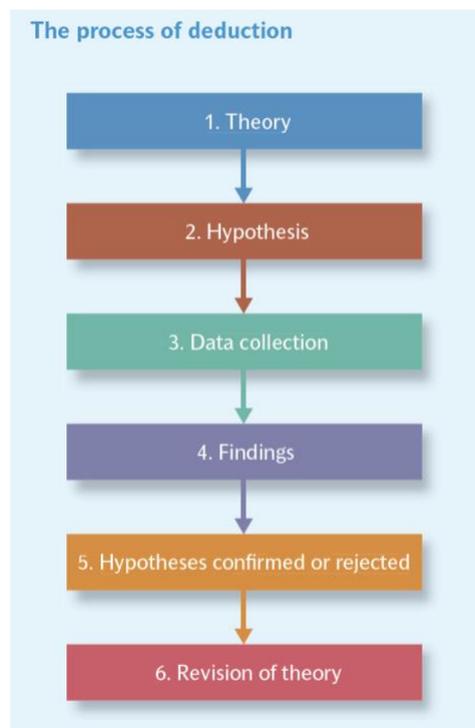


Figure 1 The process of deduction (Source: Bryman 2012).

Deductive research is “[when] one start with a theory, which then generates hypotheses...which are then subjected to the test of hard facts and only accepted if they survive the ordeal” (Héritier 2007 in Porta and Keating 2008). Taking into consideration what is known about a specific phenomenon, with the help of a theory the researcher deduces one or more hypotheses and then empirically tests whether it is applicable. This also means that from a general point of view through observation particular results are obtained. The strategy employed in this research is the observation of a case study, namely Bangladesh under the 2017 refugee influx.

In this case it is assumed that the cause of the negative impact of Rohingya refugees on Bangladesh is rooted in their development status. Hence, the hypothesis of this paper is: “The

negative economic impact of the influx of Rohingya refugees and the humanitarian response comes from the increased dependency of Bangladesh on the developed countries.”

One of the limitation of the applied approach is that starting the research with a theory and then testing it can make the researcher overlook the individuality of the examined case. Therefor it is important to be critical with the evidence and avoid generalisation. Nevertheless, the author found deductive approach more feasible considering the time frame and the available resources.

2.2 Philosophy of Science

The author’s world view and personal values influences the research both in terms of the methodological approach, the applied methods and the obtained results. Hence, it is important to present the ontological and epistemological stance taken by the author. Figure 2 shows the four levels of this process.

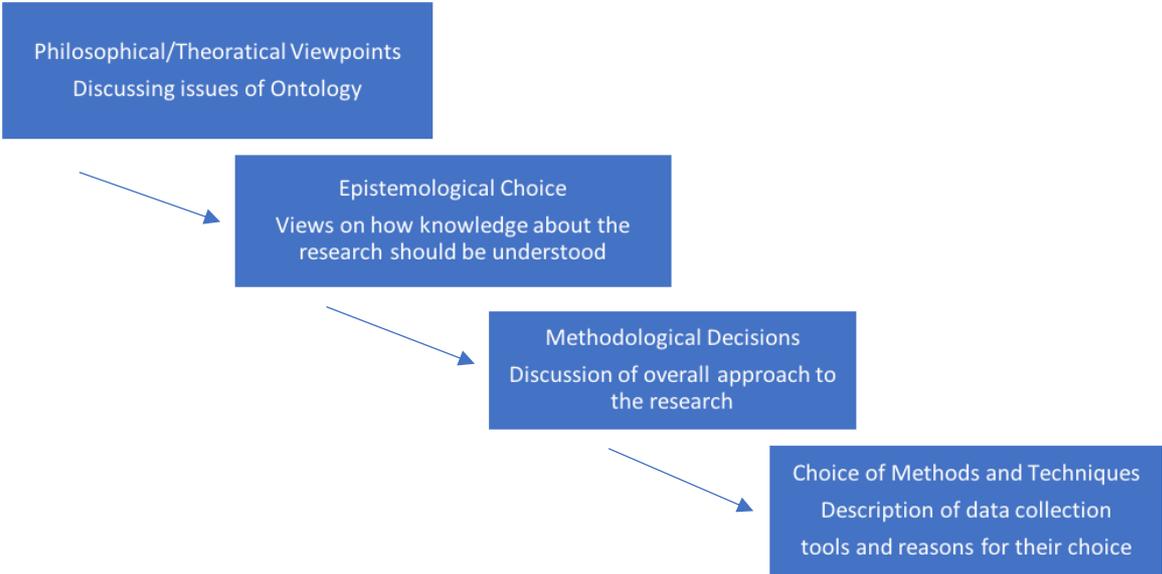


Figure 2 The process of philosophy of science (Source: Kuada 2012)

Ontology answers the questions what is real and what is existing. The ontological stand point, with other words the nature of social entities or the relationship between the individuals and their environment, considered in this paper through the lens of objectivism. Objectivism “implies that social phenomena confront us as external facts that are beyond our reach or

influence” (Bryman 2012) and therefore the phenomena is independent from the social actors. This means that human beings are not constructing the meaning, but things and meanings are independent from them. The reality seen by the author is objectively constructed, and the observable facts give input to the causes and effects of certain phenomena, similarly as in natural science. In regard to the present case, the author pursues to analyse the effects of the Rohingya influx on Bangladesh by objective measurements, instead of examining the perceptions of human beings upon the reasons behind the economic impact of the influx.

Epistemology examines the nature of knowledge, what can be accepted as knowledge and the researcher’s relationship with the research. The epistemological position of the author is positivism, which means that “the researcher can be separated from the object of his/her research and therefore observe it in a neutral way and without affecting the observed object” (Porta and Keating 2008). This means that the researcher needs to stand back to avoid influencing the gathered data and therefore to obtain objective measurement. This is in accordance with the topic of this paper, because the author has no influence on the reasons behind the negative impact Rohingya refugees cause to Bangladesh.

2.3 Methods and data collection

In accordance with the philosophical viewpoint of this paper and the topic’s economic nature, quantitative approach is followed to answer the research question, because “if you want to test specific hypotheses or find numerical answers to specific elements in your research questions you may strongly consider using quantitative data collection methods” (Kuada 2012). On the other hand, any finding, that does not come from a statistical or measurable source, could be characterized as qualitative. The qualitative data is used as supplementary, whenever quantitative data are not available, or the qualitative data can be utilized better.

Due to time and resource constrains, it was not possible to collect primary data, hence the research is based on secondary data, which means that the data analysed was not collected by the author but others. The advantage of using secondary data is, that plenty is available, and it is highly accessible, however these features could also cause problems. The credibility

of different sources were carefully treated without forgetting the possibility of bias. Academical books, articles, journals, statistical websites and official reports were prioritised, however online newspapers were also used, when the searched information was not available elsewhere. Most of the sources were reached through the AAU library or from online databases, such as Humanitarian Responses, UNHCR, World Bank, reliefweb, the website of the Government of Bangladesh and search engines, like Google Scholar. One of the limitation of analysing secondary data is, that secondary data is a subject of interpretation of the primary data, therefor it can be misleading.

Even though secondary data is highly available, one of the problems that occurred during the data collection was, that relevant data was not yet available, or it was not detailed enough for this research. One example for this is the change in GDP during the period of the Rohingya refugee influx. Unfortunately, the GDP of Bangladesh is only available yearly, until 2017. Since the current influx of Rohingya refugees occurred from August 2017, the available GDP data could not give input on the refugees' impact on the economy.

Another limitation of the data collection that occurred, was language barrier. In most of the cases, the websites of the Government of Bangladesh contain statistical data in English, however data upon the refugees or the budget is available only in Bengali. Since the author is not able to read in Bengali and does not trust translating websites these data were not included in the analysis.

Furthermore, had there been more time and resources to prepare this thesis, it would have been valuable to visit the refugee camps in Bangladesh and/or conduct interviews with representatives of the organizations and officials on the field.

3 Theory

The purpose of this chapter is to connect the impact of refugees on the host country to its economic development. With the general knowledge of International Relation (IR) theories, and after research of theories upon the causes of forced migration and the impact of (voluntary) migration, the conclusion that there is a lack of principal theory in forced migration studies upon the economic impact of refugees has been drawn. Therefore, in order to create a theoretical framework for this paper, critical IR theories connecting to forced migration, as well as aspects of voluntary migration theories upon economic impact will be utilized. Furthermore, existing studies on the topic will give more practical guidance for the analysis.

3.1 Critical Theory

Critical theories include neo-Marxist approaches, the Frankfurt School, and post-structuralist approaches, from which a neo-Marxist approach, namely the World System Theory will be used in this paper. The point of departure of the neo-Marxist theories, is the belief that capitalism is the major driving force in world politics. In this sense the goal of capitalists is to extract surplus value of domestic labour, and when that is not possible anymore find opportunities internationally for applying their capital.

World System Theory builds on this notion and suggest that wealthy countries exploit other countries' labour force in order to develop. World System Theory also declares that the relation between states is hierarchical, based on their position in the global division of labour (Betts 2009). Based on the world economy Immanuel Wallerstein divided the world into Core countries, Semi-peripheric countries and Peripheric countries.

The Core (or the Centre) stands in the middle of this system, as those countries which accumulate capital. Among others, the Core is characterized by advanced technology, industrialization, urbanization, financial dominance and access to natural resources. Furthermore, it attains a certain level of dominance over the world-economy, which the Core utilizes to create and maintain the rules of the market. This position allows it to achieve a

higher yield of accumulated surplus and influence over the markets and policies of the Periphery. (Wallerstein 1974; So 1990).

The Periphery on the other hand is the opposite of the Core. The periphery is the sum of underdeveloped countries exploited by the Core. It is less industrialised and urbanised, because its development was interrupted by colonialism, and its entrance into the world-economy was thus unequal to that of the Core. Since the Periphery cannot compete with the Core in providing services and producing manufactured goods, it focuses on the export of agricultural products and natural resources. In addition, weak institutions, little financial power and low educational level are its features, which makes them dependent on the Core. (Wallerstein 1974; So 1990).

Since these are not rigid structures there is space for a shift through a middle category, the Semi-periphery. Due to its technological level, Semi-peripheric countries are able to supply the Core with (semi-finished) manufactured goods, through exploiting the natural resources of the Periphery.

The world view and the connection between these three categories is illustrated on Figure 3. It can be seen, how the Periphery and the Semi-periphery provides resources to the Core, while the Core sell them manufactured goods. Hence, the Core exploits the Periphery and the Semi-periphery by exporting them the goods that were made from their resources on a higher price, which includes the added value of manufacturing.

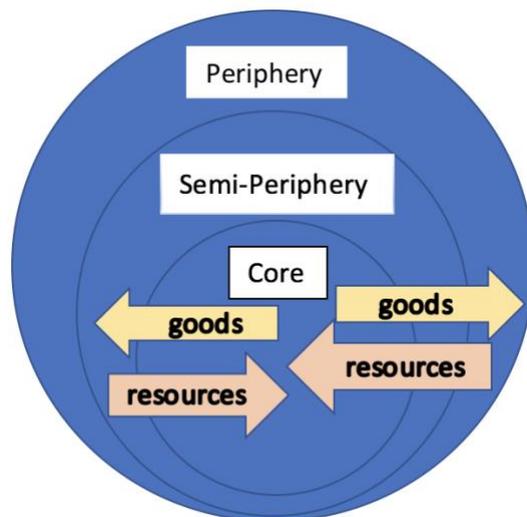


Figure 3 World System Theory - world view

At the beginning, World System Theory was concerned with internal migration, but from the mid-1970s it widened its nexus to international labour migration. It also gave ground to historical-structural theories of migration. These theories emphasise that individuals do not have a choice in migration, because they face economic and structural constraints, due to their inclusion into the global political-economic system. Migration is seen as a way to mobilise cheap labour for capital and hence deepening the unequal development of poor and rich countries.

Betts (2009) in his analysis derives two core elements from the Critical Theories, which can be utilized in forced migration studies. 1) "The labels and categories of forced migration themselves represent and uphold power relations" (Betts 2009), under which he means categories like 'refugee' or 'asylum seeker'. These categories are defined at the beginning of the paper and it can be seen that these terms are closely connected to the United Nations. Betts argues that these labels are not neutral and has been created with a purpose. In this context the role of UNHCR in the creation and dissemination of the hegemonic knowledge which serves the Northern states was also examined. 2) "The nation-state should not be taken as the unproblematic starting point for analysis". (Betts 2009). The analysis of forced migration should not exclude non-state or transnational actors. The neo-Marxist approaches to IR goes even further and states that "a purely state-centric approach risks ignoring the role of the international political economy in shaping the politics of forced migration." (Betts 2009).

Betts (2009) suggests, that since most of the forced displacements occur and remain in the South, it is worth to look for the reasons in the broader context of the international political economy (IPE) and the North-South relation. This division is similarly to the categories of World System Theory, as the North is the Core and the South is the Periphery. IPE is an area of International Relations, which recognises the connection between global economy and world politics. It focuses among others, on development, migration, trade, globalization and the North-South relation. The degree and type of integration of states into the global economic system defines their “economic relations [which] affect inter-state politics, and reinforce inequalities and hierarchies between [them].”(Betts 2009). Even though this distinction is not adequate, due to the fact that nowadays many Southern countries are highly integrated into the global economic system (for example China, Japan etc.), this label captures elements of forced migration such as the states’ ability to protect their border and citizens from abuses, and whether they are predominantly sending or receiving countries from a migration point of view.

The critical IPE approach also examines the causes, consequences and responses to forced migration. In order to understand the impact of refugees, it is worth to look at the cause of their escape. The easiest way to connect global capitalist economy to forced migration, is through the occurring intra-state conflicts, which according to the critical approach is caused by underlying economic inequalities and competition for resources. Economic inequalities are fostered by the global economic connection, through maintaining dependency on the export of primary products, introducing structural adjustment processes and imposing democratisation. Similarly, Castles (2003) identifies the structures of the global capitalist economy as the main causes of forced migration. He also adds that humanitarian responses only treat the symptoms and not deal with the causes.

As for the responses, Betts bases his argument on the work of Mark Duffield (2001), who found humanitarian and development assistance as part of a Northern hegemonic strategy to engage in the transformation and subordination of the South and contain possible trans-boundary spill-overs (Betts 2009). He concludes that humanitarian responses often have mixed motives, which sometimes not altruistic, but still it is currently the best possible way to alleviate the suffering of many.

3.2 Existing studies of the economic impact of refugees

According to the World System Theory international migration increases the dependency of peripheral countries to generate capitalist surplus for the Core countries. This suggests, that the combined impact of the refugees and the humanitarian response results in increased reliance on imported goods and external aid from the core countries, decreased trade surplus and weakened local markets.

There is a debate among scholars whether refugees have an overall negative or a positive impact on the host's economy. Many took interest in investigating how the massive influx of refugees' influence supply and demand, both relating to products and the labour force, and their effect on wages and prices. The issue is examined from different angles, and there are many factors, which has to be taken into consideration, but existing studies on the economic effects of refugees serve as a useful point of departure.

Trade and Prices

There are three possible ways refugees affect prices. In most of the cases, high number of displaced people have an increasing effect on basic commodity prices. This is shown for example by Whitaker (2002) in Tanzania and Alix-Garcia and Saah (2009) concerning Rwanda and Burundi. However, studies also show, that the presence of refugees can decrease prices, as Enghoff et al. (2010) found it in Kenya, where the prices decreased by 20% in areas with refugee presence. It is also possible, that refugees do not have significant impact on prices, declared by Landau (2003) in his study on Tanzania. Some of the underlying causes of change in prices are explained in the following.

Jennifer Alix-Garcia and David Saah (2009) examined the impact of refugee camps on the prices of nearby markets. According to their study, the source of aid given to the refugees defines the price trends. If the aid comes from foreign supply, the market prices might decrease, while the domestically produced aid can increase prices. The increased population raises the demand for products, which leads to price increases, that are greater the closer is the market to the refugee camps. They emphasise, that humanitarian aid can ease the

increased demand for goods with a downward effect on prices in case of foreign aid, but upward pressure can be created on prices if the aid is provided from local sources. However, the supply might not be able to fully adjust to the raised demand, because of limited substitute goods, high transaction costs and infrastructural difficulties, which can easily increase prices. Overall, Alix-Garcia and Saah identify the aid given to refugees as a bigger factor than the presence of refugees, concerning their impact on market prices.

Another approach to the examination of economic impact of refugees, is used by Taylor et al. (2016) by focusing on the form of aid. Their study is based on whether the provided aid to refugees is in cash or it is in-kind aid. They argue, that the aid provided in cash to refugees creates more positive income spill overs in the host country's economy, than if the aid is provided in-kind. The reason for that could be, that trade with a specific product is limited since there might not be demand for that specific product. In case of in-kind aid, refugees tend to sell their ration, but usually they gain less than the local retail price, due to the transaction cost of converting food products to cash. This negatively affects the demand, hence the spill over effect will be lower.

Overall, cash makes it easier for refugees to engage in economic activities outside of the camps, and by increasing trade and businesses, they also increase the total real income of the host country.

Labour market and wages

The influx of refugees logically means increased labour supply, which cause decrease in wages in regard to low skilled jobs. However, local skilled labour can enjoy benefits from the increased international presence a refugee crisis entails. Furthermore, in case refugees arrive to an area, where there is a gap in the labour supply, they can take part in the local labour market without any negative impact on wages (Sood and Seferis 2014).

According to Ruiz and Vargas-Silva (2013) the main determining factor is the degree of substitution between refugees and locals, concerning the examination of the impact of refugees on the labour market. By substitution, they mean language skills and educational

background, which make refugees able to create competition in the host labour market. Furthermore, since the increased amount of people raises the supply on the labour market, and refugees tend to undertake work even with lower wages, generally wages are decreasing.

Ruiz and Vargas-Silva differentiate between agricultural workers and producers in their analysis, conducted in Tanzania. According to their findings, the agricultural workers experience a negative impact, because of the increased competition, while producers could exploit the increased supply of labour and the increased demand for products from the refugees. At the same time, skilled workers also profited, due to the expanded job opportunities, provided by international - and national organizations, while self-employed people encountered competition, hence became affected negatively (Ruiz and Vargas-Silva 2013).

It is worth to consider the concept of Dadush and Niebuhr (2016), upon the job market mismatch. According to this study, refugees understand the importance of finding a job, in order to avoid dependency on humanitarian aid. However, often they encounter obstacles from the host country, by denying their access to work, permit to move and interact with people and businesses outside of the camps. This is a response of the host government for the increased supply of workforce on the labour market, causing fall in wages. The increase in investments could be a response to the increased supply of workers from the actors of the market, but investments tend to occur slowly, hence governments rather limit the movement of refugees or deny their work permit. If the refugees' ability to contribute to the society is limited, and they cannot be integrated into the local labour market, they either become dependent on humanitarian aid or become part of an informal labour market. Informal markets are outside of the sphere of the state, without taxation and with exploitation and abuse of workers, therefor it can carry poverty and security issues as well.

A large demographic shock causes mismatch in the supply and demand of public services and housing as well. Fiscal constraints and exchange devaluation can be introduced in case the investments cannot keep up with the demand. In addition, Dadush and Niebuhr (2016) highlights the impact of refugees on the public services and infrastructure, which are barely able to satisfy the need of natives in developing countries. They found, that the type of

settlement defines the degree of impact. If refugees live in camps financed by international organizations, such as the UNHCR, they do not create as big of a burden, as they are using the public resources and facilities. Similarly, to Taylor et al. they conclude upon the importance of government policy on integration of the refugees, both in regard to their impact on the economy, social coherence and security.

To quantifiably measure the economic impact of refugees, the chosen theory and the existing studies give a guideline upon the variables to be tested, hence the following are selected for the analysis of this paper.

- Gross domestic product (GDP), is one of the main indicators to assess a country's economic growth and development. It includes the market value of final products and services in a period, therefore it is useful to assess changes in GDP in the period of the refugee influx.
- Budget of the Government of Bangladesh, to examine the cost of care for refugees.
- International humanitarian aid is giving insight to the amount of cash and goods, brought into Bangladesh.
- Change in commodity prices, based on the studies are showing almost immediate impacts on the host country's economy, hence it is a useful variable.
- Labour market and wages are indicators also based on the existing studies, which can project the effects of the refugee influx on the local population and economy.
- International trade is important according to the theories applied in this paper in order to inspect the extent of dependency of Bangladesh on the developed countries.

4 Background and Historical Overview

Before the analysis of the economic impact of Rohingya refugees on Bangladesh, a short background and historical overview is given to the reader. The chapter will contain a brief presentation upon the formation of the independent Bangladeshi state, its current economic status as a developing nation, as well as the environmental and social challenges the country is facing. The purpose of this chapter is also to demonstrate how Bangladesh fits into the world, perceived by the World System Theory as Peripheric country. Furthermore, the history of the Rohingya is also discussed in this section, in relation to both Bangladesh and Myanmar.

4.1 Overview of Bangladesh

Bangladesh is situated in Southern Asia, at the confluence of the Ganges - and the Brahmaputra River systems. The 148,460 square km sized country is bordered by India, Myanmar and the Bay of Bengal. An estimated of 157,826,578 people live in Bangladesh as of July 2017, making Bangladesh one of the world's most densely populated country. The population's 98% are belonging to the Bengali ethnic group, and 89.1% of them claimed to be Muslims (CIA 2018).

According to the United Nations, Bangladesh is one of the 47 Least Developed Countries (LDCs), which means the country is considered to be "highly vulnerable to economic and environmental shocks and have low levels of human assets" (UN 2018). Bangladesh is ranked 139. among the countries of the world with a Human Development Index (HDI) of 0.579, according to the United Nations Development Programme. The country's GDP (purchasing power parity) was an estimated \$686.5 billion in 2017, while it had 7.1% of GDP real growth rate (UNDP 2018).

Even though an average 6% of economic growth per year can be seen in Bangladesh since 1996, almost half of the population still works in the agricultural sector, growing rice. The country's garment export and the remittances sent to Bangladesh from abroad are

significantly contributing to the country's economic growth. Remittances come from the notable amount of labour migrants from all around the world.

However, in spite all of these, Bangladesh is a developing country with widespread poverty, growing inequality, poor infrastructure and working conditions, insufficient power supplies and high vulnerability to external environmental shocks, such as floods and cyclones. In addition, the country faces major public health issues in forms of different diseases, like tuberculosis or pneumonia.

According to the World System Theory, the difference between Core and Peripheric countries is due to colonization. The territory of Bangladesh was part of the British colony between 1757 and 1949. In this period the territory contributed to the Industrial Revolution in Britain, while the territory itself suffered deindustrialization and famines. In 1947, the British left the area, with the establishment of East and West Pakistan on both sides of India. Bangladesh became an independent country in 1971, as a result of the Pakistani civil war – also known as the Bangladeshi Liberation War – which ended with the separation of the former East Pakistan (Bangladesh) from West Pakistan (Pakistan).

Soon after its independence, a period of military coups followed. Even though democracy was restored in 1990, the political situation is still volatile. Nothing shows this better than the evolved political crisis around the 2006 election. Political antagonism between the Bangladesh Nationalist Party led government and the opposition (Awami League) accumulated into a boycott of the electoral polls, a blockade hindering the election, leading to the declaration of state of emergency. Since 2014, – in her third cycle – Sheikh Hasina from the Awami League fulfils the position of Prime Minister (BBC 2018). Nevertheless, the relation between the government and the opposition is still fragile, which gives little hope for peaceful elections in 2018. In connection with the political situation, it can be said that Bangladesh faces challenges with good governance and corruption in a fragile democratic system.

Security issues and international disputes are making it more difficult to establish a peaceful and working system in Bangladesh. Firstly, several terrorist groups (such as al-Qa'ida together with al-Qa'ida in the Indian Subcontinent or Islamic State of Iraq and the Levant) operate in

the country, most of them with the aim to create an Islamic state in Bangladesh. Secondly, Bangladesh is considered a transit country of illegal drugs coming from the neighbouring countries. Lastly, until recently, the country was having border disputes with its neighbours, Myanmar and India (CIA 2018). The relationship between Bangladesh and Myanmar is rather fragile and since the summer of 2017, in the centre of this relationship is the issue of the Rohingya, who fled from Myanmar to Bangladesh.

In regard to the international relations of Bangladesh, it is worth to mention here its position toward asylum seekers and refugees. Bangladesh has not signed the Refugee Convention (1951) and its Protocol (1967), the fundamental documents giving international legal framework for protecting refugees (Mohammad 2012). The country has not ratified the Convention relating to the Status of Stateless Persons (1954) and the Convention on the Reduction of Statelessness (1961) either.

Furthermore, in Bangladesh there is no specific domestic law or national policy, regulating the procedure upon protecting refugees, therefore decision making is delegated to the administrator at district and sub-district level. In the absence of a comprehensive law, the municipalities' regulations based on the Foreigners Act of 1946, considering refugees as foreigners. The following Acts are also helping the authorities to establish procedures upon entry, stay and exit:

- Registration of Foreigners Act 1939
- Passport Act 1920
- Bangladesh Citizenship (Temporary Provision) order 1972
- Extradition Act 1974
- Naturalization Act 1926 etc.

Even though, there is no international law binding Bangladesh, in the past, asylum seekers were granted prima facie – based on the first impression, lasting until it is proven otherwise – refugee status by the Government through executive orders. (Mohammad 2012).

4.2 Forced migration in Bangladesh – The Rohingya influxes

History has its limits, consequently there are contradictory tenets about who are exactly the Rohingya. Some say, they are an ethnic group, others consider them as Bengali Muslim migrants, again others believe the Rohingya identity is nothing else, but a political construction. Without going into deep in the history of Rohingya, we can state that Muslims has been living in Rakhine state for centuries (Saha 2017).

Rohingyas are Muslims living in today's Rakhine state, in Myanmar, close to the border with Bangladesh. The area was called Arakan state before, while the name of the country was Burma. Arakan was under Muslim rule for more than three centuries, until 1784, when the Burmese conquered the area, resulting in many Rohingya fleeing to the district of Cox's Bazar (Ullah 2011) and Chittagong (Bahar 2010).

After a period of Burmese rule, the British invaded and ruled Burma as a colonized country. Between 1824 and 1948, the British and later Japan kept the country under its authority. During this period Rohingyas have been forced to flee Arakan, due to the spreading of ultra nationalist movements (Bahar 2010). The movements only aggravated when Japan invaded Burma in 1942, giving space to massacre of minorities including Rohingya (Bahar 2010). As a consequence, the Rohingyas were forced to escape to East Bengal (Ullah 2011). The 1945 British reoccupation gave space to the peaceful returning of the Rohingyas, however their situation did not improve as Burma became independent in 1948.

Soon the military took over, which resulted in the dismantling of social and political organizations. Since 1962, the Military Government of Myanmar started systematically to oppress the Rohingya, with different measures, such as the King Dragon operation, with another name, the Nagamin census in 1977. The purpose of the census was to register citizens living in Arakan state. Those were considered citizens, who belonged to one of the national races or whose ancestors lived in Arakan state before the British occupation. As a result, around 200.000 Rohingya were forced to flee the country, looking for refuge in the newly independent Bangladesh. Since this time, the refugees are causing difficulties to Bangladesh,

as the undocumented Rohingyas cannot have access to the refugee camps, and the illegal immigrants creating slums in Cox's Bazar and Teknaf (Ullah 2011).

The situation became more severe as the Citizenship Act was implemented in 1982, and color-coded Citizens Scrutiny Cards were introduced. Different types of citizens received cards with different colours, but since the Rohingya did not fall under any of the established categories, they did not receive a card, and were perceived as foreigners. As a consequence, around 300.000 Rohingya had to flee again to Bangladesh in 1991-92, filling the Nayapara and Kutupalong camp (Ullah 2011).

The next outstanding incident between the Burmese and the Rohingya occurred in 2012, after the alleged rape and murder of a Buddhist Rakhine woman, and as a response to the murder of ten Muslim pilgrims. The clashes caused the escape of nearly 100.000 Rohingya to Bangladesh, which was struggling to take any more refugees. At the same time, Myanmar stated that Rohingyas are not welcomed (Bahar 2010). Another smaller inflow occurred in October 2016. As a result of insurgent activities on the border, 87.000 Rohingya escaped to Bangladesh.

Over time, most of these refugees were repatriated or returned to Myanmar, but it can be seen that the persecution of Rohingyas in Rakhine state in August 2017 is not a unique case, but another step of an ongoing process of Myanmar. The examination of the causes of this internal conflict between the Muslim Rohingya and the Buddhist Rakhine is not the purpose of this paper, however the applied theories suggest, that the underlying cause of the conflict are economic inequalities and competition for resources.

Regarding the current crisis, a repatriation agreement was signed by Myanmar and Bangladesh declaring the repatriation of 1.500 Rohingya per week from January 2018. Due to the lack of safety guarantee for the Rohingyas, the beginning of the enforcement of this agreement has been postponed. Nonetheless, if they would have started it on time, according to the agreement it would take almost 10 years until all the Rohingya refugees currently living in Bangladesh, would move back to Myanmar (Head 2018).

There is a difference in the number of refugees living in the Cox’s Bazar district before the 2017 influx, possible because many of the refugees were not registered. However, the latest Joint Response Plan (JRP) takes the census result of the Bangladesh Bureau of Statistics, which says 303.070 Rohingya lived in Bangladesh, while the Needs and Population Monitoring estimated 213.000 Rohingya, based on their assessment in the Cox’s Bazar district before the influx. In addition to this number, as of February 2018 they counted 671.000 new arrivals with a possible 80.000 more in the near future. The report also includes 336.000 people from the local population, which gives 1.3 million people currently in need of assistance. The most affected area is in the Chittagong division’s Cox’s Bazar district, shown on Figure 4. In the Cox’s Bazar district, the area of Ukhia and Teknaf includes the refugee camps, the two biggest are the Kutupalong - and Nayapara camps, as it is demonstrated on figure 5.



Figure 4 Chittagong division (Source: Wikitravel)

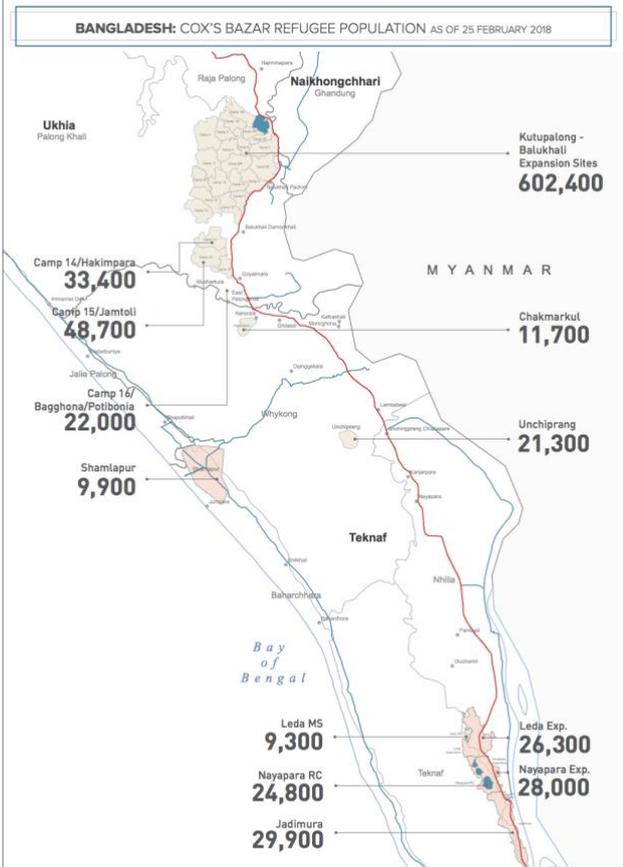


Figure 5 Refugee camps in Cox's Bazar district (Source: JRP)

5 Analysis

In the following section, the collected data will be analysed through the lens of the World System Theory and with the guidance of existing studies on the economic impact of refugees. The aim of the chapter is to examine the collected data, in order to answer, why are the Rohingya refugees have a negative economic impact on Bangladesh. The analysis also covers the Bangladeshi Government's and the international community's response to the influx, and the extent of the economic impact the Rohingya refugees impose on Bangladesh. By applying the theory to the studied case, it is expected to find the reason for the negative economic impact and discover whether it is the dependent status of Bangladesh.

According to the World System Theory, the countries are classified into the following three categories: Core countries, Peripheric countries and Semi-peripheric countries. Since Bangladesh is characterized by the UN as a Least Developed Country, in the terminology of World System Theory would be described as a Peripheric country. From the Critical Theories, Betts derives that the analysis of forced migration should include non-state and transnational actors as well. This applies to the current study, since despite the Rohingya refugees and Bangladesh – represented by its Government – one of the main actor responding to this crisis is the international community. The international community includes the developed countries, therefore it can be perceived as the Core.

According to the Inter Sector Coordination Group, as of May 2018, 75 partners are working in 32 camp/settlements in the Cox's Bazar district of Bangladesh, to help the Rohingya refugees and the local community. From this, 50 are International Non-governmental Organizations (INGO), 13 are National Non-governmental Organizations (NNGO), 6 are UN agencies and the Government of Bangladesh (ISCG 2018). The NGOs have to register at the Government of Bangladesh and after getting permission, they can operate in the camps. Their funding, and the emergency response carried out by the Government and the NGOs are discussed in the next section in comparison to the Bangladeshi GDP and the Government's budget.

5.1 Impact on GDP and Government budget

The nominal gross domestic product of Bangladesh in 2016 was 221.4 billion USD in current USD (The World Bank 2018). According to the Bangladesh Ministry of Finance, the Government revenue in 2017 was 28.64 billion USD in present day's currency and present exchange rate. Conservative estimates place the required aid to provide for the Rohingya refugees at 1 billion USD a year (Ovi 2017), which amounts about 3.5 % of the Government's revenue in 2017. This represents a significant amount to finance and a huge potential burden for a country that is already one of the poorest. This is also confirmed by the Finance Minister, Abul Maal Abdul Muhith, as he said that the Rohingya crisis puts great pressure on the country's economy, furthermore that "Myanmar will destroy Bangladesh's economy this year" (Abul Maal Abdul Muhith in Harmachi 2017). After the crisis evolved, the Finance Minister declared allocation of money to tackle the crisis, however the exact amount of spending from the Government of Bangladesh was not found.

Different ministries however, sought Tk 65 crore (650 million BDT, which equals around 7,664,764.43 USD) from which Tk 50 crore was asked for the rehabilitation of Rohingya refugees at Bhasan Char, Tk 10 crore for safe water and sewerage facilities and Tk 5 crore for the local law enforcement agencies, for example for the military deployed to manage the camps (Byron 2017). A more recent article however, says that Bangladesh was paying 280 million USD to relocate about 100,000 Rohingya refugees to the island of Bhasan Char, as a longer-term solution (Spicer 2018).

In October 2017, 25 agency actors launched the Rohingya Refugee Crisis Response Plan, in which they sought 434 million USD to finance their operations in the camps, between September 2017 and February 2018. The developed nations through international organisations has financed approximately 345 million USD, 77.2% of what was required to provide for the Rohingya refugees. On Figure 6, the ten largest sources of funding to the response plan can be seen, with the most given by the USA and the United Kingdom. From the ten largest source, eight are developed countries or so-called Core countries, one is a private donor and one is the European Commission. This correlates with the notion that Bangladesh is in need of the developed world's aid.

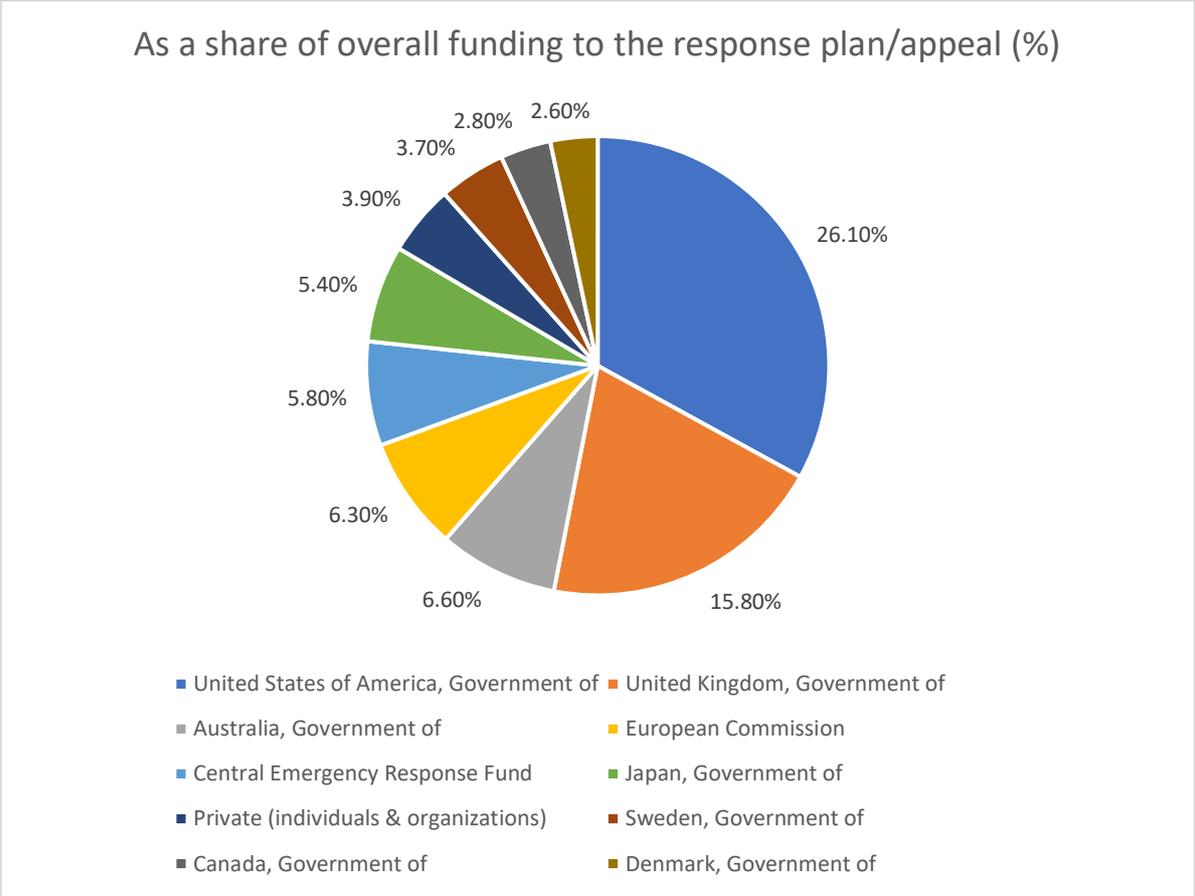


Figure 6 Share of overall funding to the response plan (Source: FTS)

The incoming funding is spent within the following sectors:

- Education
- Food Security
- Health
- Nutrition
- Protection
- Child Protection
- GBV (Gender Based Violence)
- Shelter
- Site Management
- WASH (Water, Sanitation and Hygiene)
- CwC (Communication with Communities)
- Multi sector

As it can be seen from Figure 7, the aid however has not entirely been distributed according to the requirements by each sector/cluster, with overspending on food security and remaining need for aid in others, such as education or health care. If the outstanding amount must be covered by the Government of Bangladesh that could still constitute a significant burden on the country’s budget and would require decreased government spending in other areas, such as development or social security.

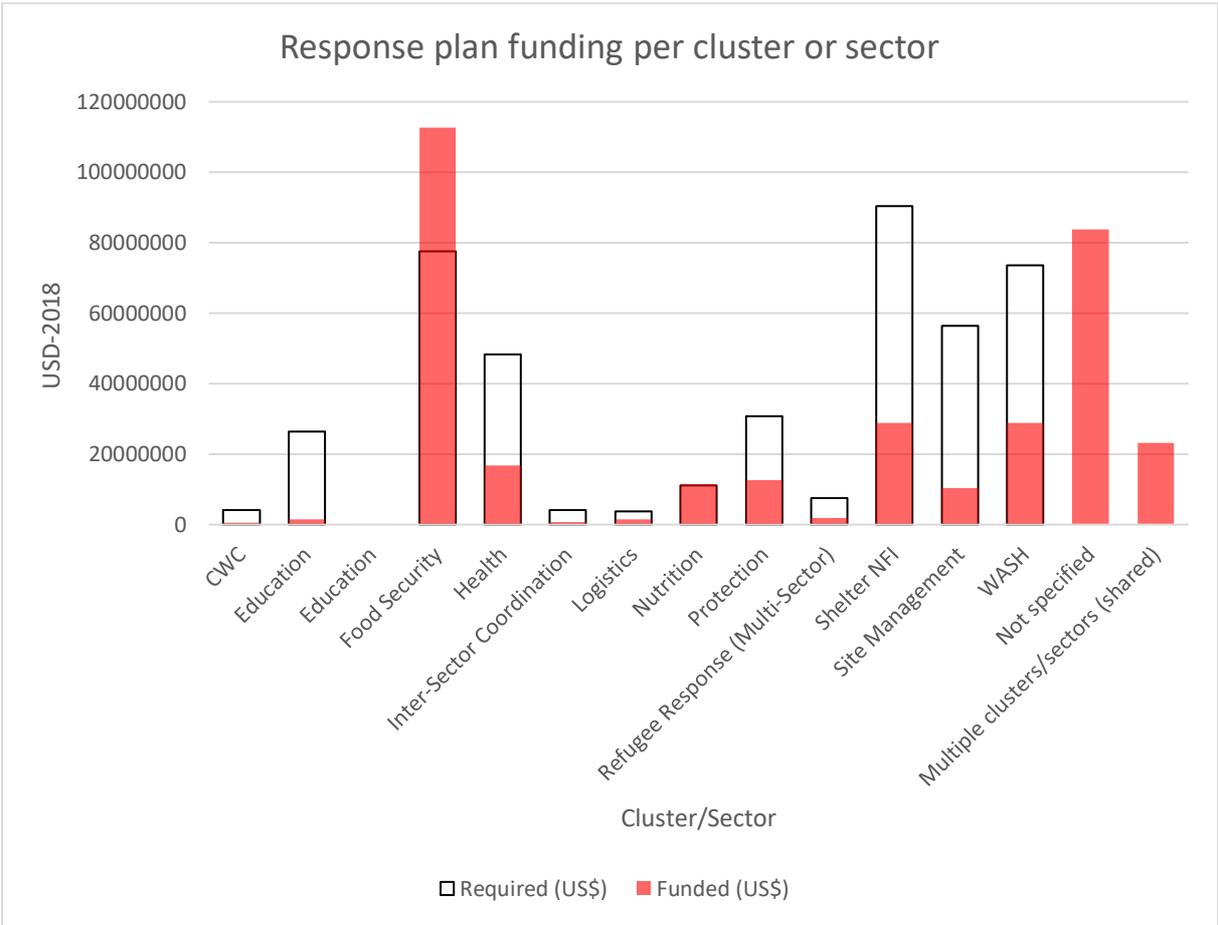


Figure 7 Response plan funding per cluster/sector (Source: FTS)

Since there was no alternative way to stop the humanitarian support until the repatriation of Rohingyas ends – which has not started in January 2018 due to the lack of guarantee for the Rohingyas’ safety – for the March–December 2018 period, the Joint Response Plan (JRP) for Rohingya Humanitarian Crisis had been launched. With the JRP the international community defined the need of 951 million USD, more than double of the need for the previous period, to be able to continue the provision and protection of the refugees and the local community.

The ongoing international aid to Bangladesh until a solution is found to the crisis will represent a yearly influx of goods and money to the country, in value amounting to nearly 0.5 % of the country's GDP, which would again alter the local economy. In the long-term however, the continuous external assistance can have a negative macroeconomic impact resulting in strengthening currency, therefore more expensive export, increased import, less competition and weaker markets. In addition, the external aid is unpredictable, as there is no guarantee that the requested aid will be available in the requested time period, which can cause problems with the budgeting. All in all, long period of external aid to Bangladesh can easily lead to the increased dependency of Bangladesh on the developed countries.

5.2 Impact on Local Wages

The literature suggests, that the sudden influx of mainly low skilled workforce with the ability to substitute the local workforce would put a negative pressure on the wages of the local labour market. The substitution is based most importantly on the refugees' language skills and educational background. The Rohingyas share a religious identity with the people of Bangladesh. Their language is different from Bengali however, it is very similar to the Chittagonian dialect, hence Rohingya refugees are able to understand and speak the language of the Chittagong area. As for their education, they mainly mean a competition for the unskilled labour force. Since the regions of Ukhia and Teknaf are considered the poorest in Bangladesh, half of their population lives from unskilled labour jobs, which means that the outnumbered locals have to face significant competition (Baldwin and Marshall 2018). This is in fact, in accordance with the critical migration theory, which suggests, that migration is a way to move cheap labour. In this sense, the forced migration of Rohingyas resulted in the accumulation of cheap labour.

Even though officially the Rohingya refugees are not allowed to leave the refugee camps or work, due to their language similarity they are able to hide their identity. The local employers also help them cover their identity, in exchange for the cheap work force. The Rohingya refugees mainly undertake work on constructions or in the fishery sector (Bhattacharya 2017), for a considerable cheaper wage (300 taka per day), than the local Bangladeshis (500 taka per day), in order to generate some income for themselves (Baldwin and Marshall 2018).

To understand this potential impact, the monthly change in the wage rate index (WRI) of Bangladesh and specifically the Chittagong district is studied.

The WRI indicates trends and changes in the price of labour in the local market. In the WRI only the hourly or daily rate, paid out in cash or kind to low-skilled labour is included. Salaries and high rate contracts are excluded from this indicator. WRI is calculated based on a weighted average of the rates earned in different occupations from different administrative sectors. The weights are assigned, based on the number of employees in each distinct geographic/occupational category. Then the computed number is normed by division of a base value. The base value is the weighted average of wages calculated by the same methodology but in a different, so called base year. In the present study the WRI has been obtained from the Bangladesh Bureau of Statistics, with the base year being 2010 (WRI = 100).

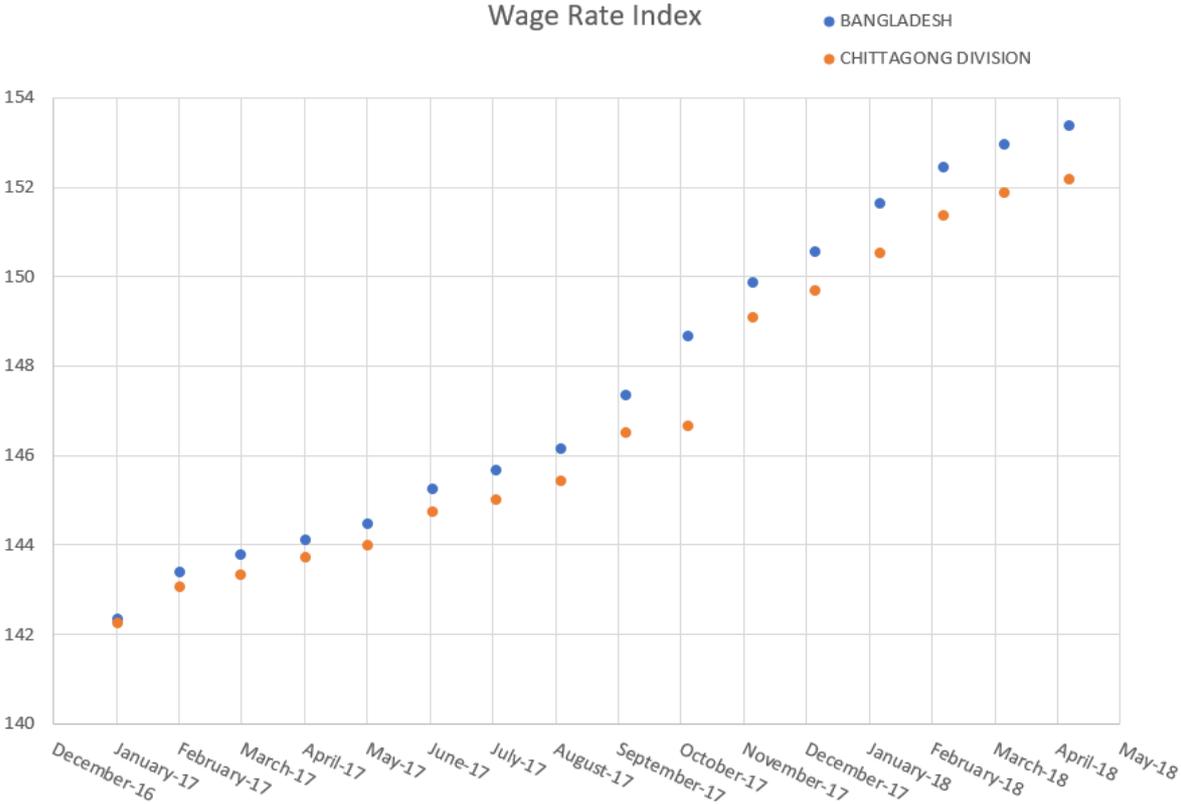


Figure 8 Wage rate index (Source: Bangladesh Bureau of Statistics)

As it can be seen on Figure 8, the tendency in the growing WRI remained the same both on the national level and in the Chittagong division, despite the large influx of refugees starting

from August 2017. This suggests, that the presence of refugees has not altered significantly the local labour market.

This result is probably due to the fact, that refugees are not allowed to leave their designated camps, according to current government policy, therefore they are unable to participate in the Bangladeshi labour market. However, one caveat to this argument, that the refugees may be participating in the illegal labour market. This is in accordance with the findings of Dadush and Niebuhr (2016), namely that when refugees are not integrated into the local labour market they either become dependent on the provided aid or become part of the informal labour market. From the point of view of the country's economy, neither is promising; the first option means increased dependency on foreign aid, while the latter means revenue loss and even the possibility of exploitation and abuse of workers, leading to security issues.

5.3 Impact on prices on the local market

The sudden influx of refugees increases the demand for basic commodities, such as food. According to Jennifer Alix-Garcia and David Saah (2009) the source of aid given to the refugees defines whether the prices of such basic commodities are decreasing or increasing. Foreign aid shows downward pressure on prices, while aid from local sources creates upward pressure on prices. If the supply cannot keep up with the increased demand on commodities, the raising prices would further disadvantage the population of the host country. Another factor emphasised by Taylor et al. is the form of aid, whether it is given in-kind or in cash. Cash makes it easier for the refugees to engage in the local markets, and by their contribution creating positive effects on the host country's economy. In-kind aid tends to stimulate trading the aid surplus on local markets, usually on lower prices than the market prices.

As for the source of aid, we can say that it is a mixture of foreign and local. The UNHCR airlifted and moved by sea emergency life-saving aid, which includes emergency shelters, blankets, plastic sheets, sleeping mats, family, plastic rolls, medicine, kitchen sets, jerry cans and buckets, shelter kits, which include bamboo poles, ropes, shelter-grade tarpaulins and sandbags (UNHCR 2018). This suggest, that most of these items comes from abroad. In contrast, the World Food Programme (WFP) involves the local producers, by which they

believe to boost the economy. After providing emergency rations, in the form of rice, lentils, oil, salt and sugar (WFP 2017), it started to introduce an electronic voucher system, which gives the opportunity to the refugees to select from nineteen products in designated shops the food they wish to eat. Because of security reasons, cash donations are not allowed in the camps (Karim 2018), which means that the refugees do not receive aid in cash, only in-kind.

The trend, that in-kind aid fosters trading with the surplus, often on a lower price than the market price seems confirmed by local newspapers. Since refugees receive the same aid in every month – 35kg of rice, 4.5kg of lentil, 2 litres of soybean oil and 1kg of sugar – but wish to eat other food, such as vegetables or fish, they have to sell their surplus to obtain cash. Often, they sell the aid surplus on half of the market price (Malhotra 2018, Mahmud 2018).

After analysing the sources and types of aid provided to the refugees, to examine the effect and define the impact of refugees on the prices of the local market, the monthly trend of the consumer price index (CPI) was obtained from the Bangladesh Bureau of Statistics.

The CPI is a similar index to the WRI, but this one measures the trends and changes in the price of a set of final commodities and services, representing the market basket of a given group of consumers. It is a weighted average of the selling prices of different commodities, where the weights are assigned according to each item based on its percentage share in the expenditure of an average Bangladeshi household. The final value then related by division by the same weighted average calculated for a base year, in this case 2005.

Consumer Price Index - National Base year 2005 = 100

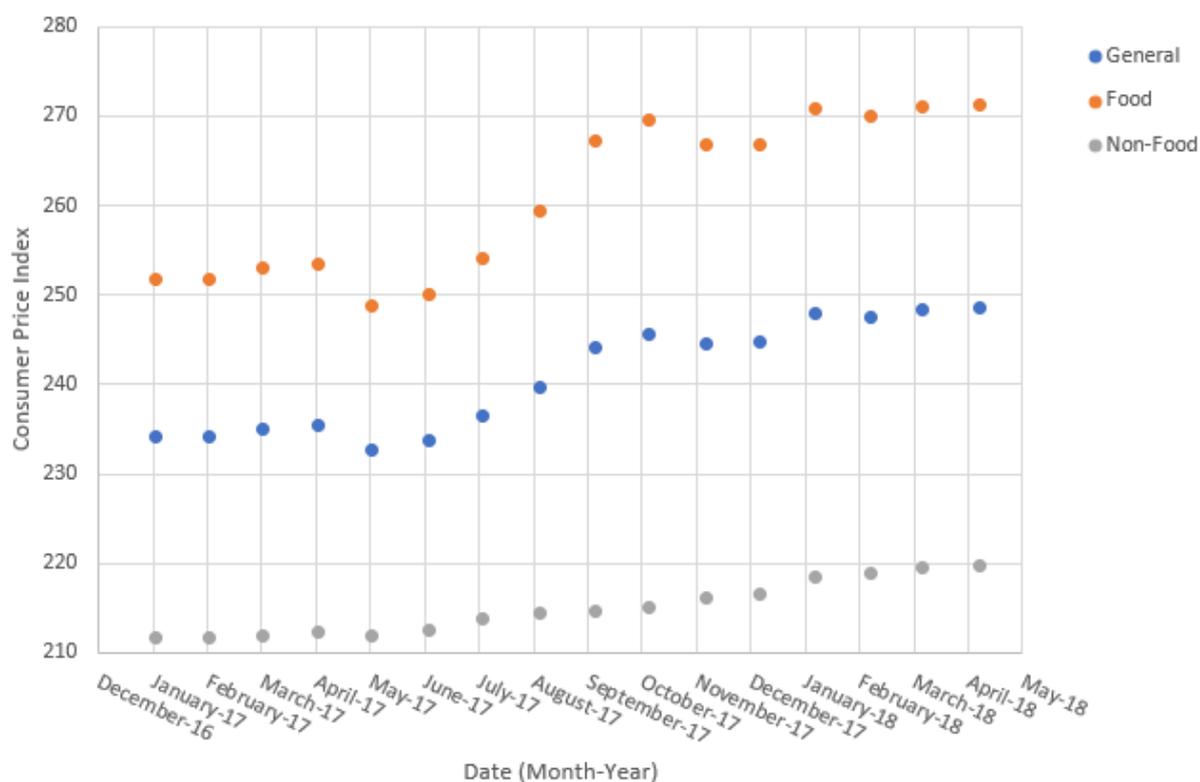


Figure 9 Consumer Price Index (Source: Bangladesh Bureau of Statistics)

As Figure 9 shows, the CPI data is calculated separately for food and non-food items, as well as a general CPI is calculated for all items by the Bangladesh Bureau of Statistics. Looking at the graph, a sudden increase in prices can be seen, starting around August 2017, with the prices reaching a new plateau by Q1 2018. It is also evident from Figure 9 that the increase in the general CPI comes from the increase in the CPI for food items. This increase in the price level of food items coincides with the beginning of the refugee influx in August 2017, therefore there is evidence that the arrival of the refugees created new demand for food items, thereby increasing the prices on the local market.

This narrative is further supported by the fact, that the refugee aid is often procured on the local market to save on the cost of transportation and by local newspapers reporting that for example the price of potatoes per kg went up threefold, the price of fish doubled between August 2017 and February 2018 (Baldwin and Marshall 2018).

5.4 Impact on international trade

Based on the World System Theory, the Core countries exploit the resources of the Peripheric countries, in order to accumulate economic surplus. A Peripheric country is characterized by exporting natural recourses and primary products, while importing manufactured goods from the Core countries. This phenomenon complemented with the notion of the critical IPE approach, saying that the global economic system defines world politics, gives ground to examine the international trade of Bangladesh, to see how the country fits into this system and what are the implication of the humanitarian assistance flowing into the country.

Bangladesh has been running on a trade deficit since 1976, mainly due to the low value of exported goods compared to the value of the imported goods. Main import products are petroleum, oil, food items and textile, while the main export items are ready made garments (Trading Economics 2018), which is in accordance with the World System Theory and suggest that Bangladesh in fact dependent on the developed world.

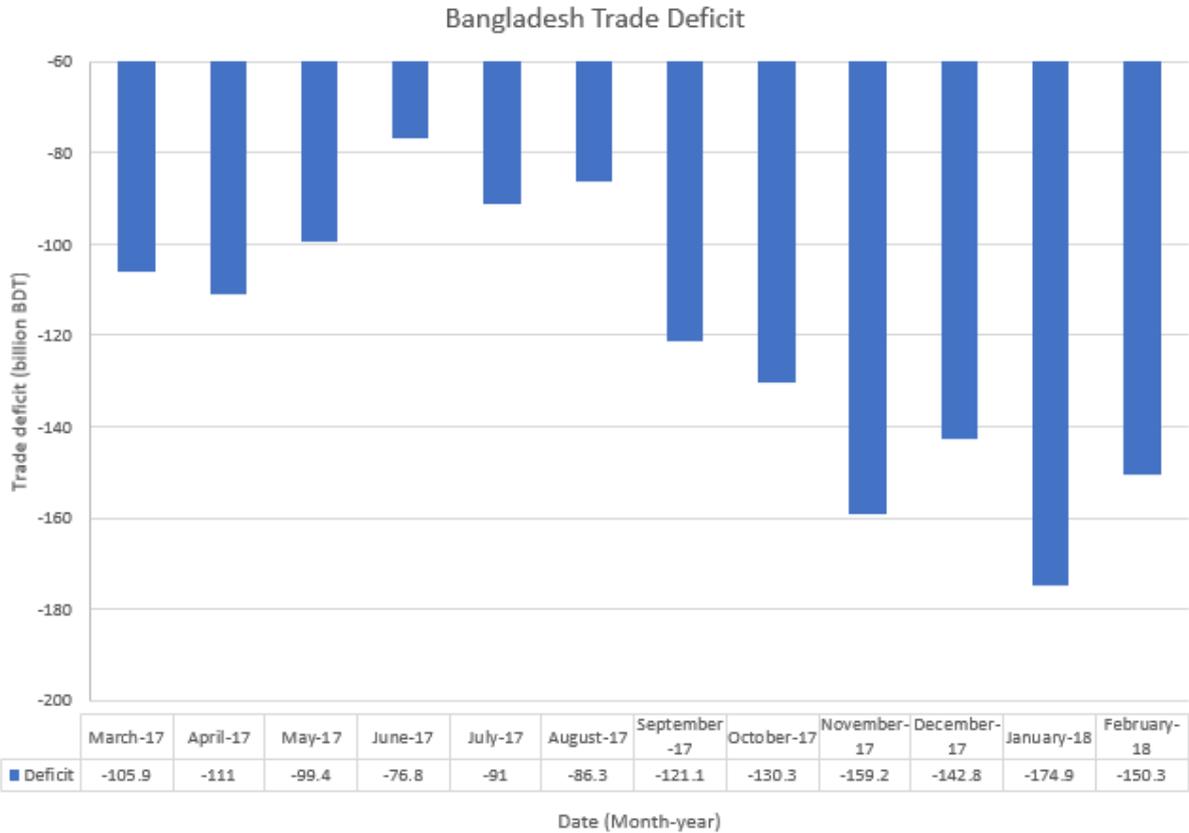


Figure 10 Trade deficit of Bangladesh (Source: Trading Economics)

As it can be seen from Figure 10, Bangladesh's trade deficit has increased considerably since August 2017, however it is hard to attribute this increase to the refugee crisis. According to a local newspaper (Harmachi 2018), the increased trade deficit is due to several factors, for example import of raw materials for upcoming large scale infrastructural projects, an increase in the price of oil, and an increased food import. Of these, only the last one may be connected to the refugee crisis. It is claimed, that the increased rice import is due to the crop losses of the last year's flood, however the timing of the raised food import cannot be seen as a coincidence, since it is exactly when the Rohingya influx started. On the whole, it is hard to conclude that the arrival of the Rohingya refugees had a significant influence on the Bangladeshi cross-border trading based on the collected data, but it can be said that the increased trade deficit predicts the country's increased dependency on the developed world.

5.5 Summary of findings

Thorough the analysis, the changes in the Bangladeshi economy since the Rohingya refugee crisis, from August 2017 were examined with a focus on GDP, the Bangladeshi budget in relation to the humanitarian aid given, commodity prices, wages and the country's international trade. For the examination of refugee related changes in the Bangladeshi economy, yearly data is insufficient since the sought changes occurred between August 2017 and today. Yearly data is not able to show trends on a monthly timescale, therefore data with monthly pointers were needed, which in some of the cases like GDP is not available.

Nevertheless, Bangladesh is already spending a significant amount on the Rohingyas, the estimated yearly cost of the refugees would take 3,5 % of the Government's revenue in the future. The international community requested 434 million USD to help finance the humanitarian crisis in the first six months, which number more than doubled for the second six months. It is clear that Bangladesh is dependent on the international community including the donor countries in financing the creation of habitable conditions to the Rohingya refugees.

Reports show that the Rohingya refugees mean competition on the unskilled labour market, as they undertake work with lower wages than the local population. However, after the examination of the changes in wages, both nationally and in the affected area, the effect of

the refugee influx on the wages is not clearly definable. This could be explained by the fact that officially the Rohingya refugees are not allowed to leave the camps and work, hence their presence on the labour market is informal, which is difficult to prove.

As for the prices, the calculated consumer price index data for food and non-food items, as well as a general index for all items included by the Bangladesh Bureau of Statistics, clearly shows that commodity prices increased in August 2017, due to the considerable increase in the food prices. This is supported by reports, saying that the price of particular food items doubled or tripled since the refugee influx.

In regard to international trade, it was found that the trade deficit of Bangladesh also increased in the examined period, however it cannot be determined if it is due to the refugee influx or the refugees contributed to it. Nonetheless, it can be said that based on the data and the suggestions of the theories applied, Bangladesh tends to increase its dependency on the developed countries.

6 Conclusion

The world faces the highest level of displacement on Earth until today, which not only has consequences for the 65.6 million people who have been forced to leave their homes, but for those countries and communities who host them. Both developed and developing countries are reluctant to host refugees in high volumes and tend to react negatively, by making asylum procedures more difficult and preventing the refugees' integration into the local society. Their reluctance is not groundless, since a mass influx of refugees entails unforeseen effects on the host country's economy, environment and security. However, finding solutions to ease these impacts is necessary, because today trends show, that refugees are not able to return to their homes soon.

The aim of this study was to determine the underlying effects of refugee influx to the host country's economy. The applied strategy was the observation of a case, namely the Rohingya refugee influx from August 2017 to Bangladesh, because this crisis is one of the most fast-growing refugee emergency today. From this case study it was obvious that the refugees cause burden to the Bangladeshi economy, therefore the research analysed the possible explanation for *"Why does the refugee influx affect the economics of the host country negatively in the case of Rohingya refugees in Bangladesh?"*, from a critical point of view. World System Theory and critical IPE theory suggest that the driving force of international relations and politics comes from economic inequalities. From this notion the assumption that the reason for *"the negative economic impact of the influx of Rohingya refugees and the humanitarian response comes from the increased dependency of Bangladesh on the developed countries."*

The extent of the negative impact of refugees on the Bangladeshi economy was determined by examining the scale of emergency response to the crisis from the Government of Bangladesh and the international community on site. In addition, the change in the country's GDP, local wages and prices, and its international trade were under scrutiny. Overall, the examined data showed that the Rohingya refugee influx indeed is a burden to the host country's economy.

The response to the crisis is still ongoing and it has been found that its scale is showing a growing tendency; more and more international - and non-governmental organizations are working together with the Government of Bangladesh in the Cox's Bazar district, and as the data showed the needed financial support is also increasing from 434 million USD to 951 million USD. Bangladesh alone are not able to finance the care for refugees, which is estimated for 1 billion USD per year, equalling 3.5% of the Government's revenue in 2017. The examined data upon changes in commodity prices showed correlation with the increase in price of food items and the beginning of the Rohingya refugee influx. The increased demand for commodities is consistent with the increased import of Bangladesh compared to the period before the refugee influx. Even though it was found that the country's trade deficit increased in the period of the refugee influx, it is not conclusive that the increased import is due to the refugees, however it is likely that they had a role in it.

The applied theories confirm that Bangladesh is dependent and is becoming more and more dependent on the wealthy donor countries, since without their aid it would not be able to handle the refugee crisis and even with all the assistance, it is struggling to provide for the refugees and the local population. However, as to the reason of the negative impact of refugees on the Bangladeshi economy is their already dependent nature difficult to conclude. It is definite that the country's dependent nature is conspires with the fact that external shocks are felt more intensely in the country, but most probably other circumstances are also contributing to it.

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