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**LEFT TO ITS DOMESTIC DEVICES: HOW THE  
SYRIAN REGIME BOXED ITSELF IN**

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## Left to its Domestic Devices: How the Syrian Regime Boxed Itself In

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**Summary:** Seasoned observers of Syria's political economy have learned not to make much of apparent political changes there. This lesson holds today, but with a twist. Five years after the death of al-Asad senior, hopes, proclamations, and a series of promised 'springs' have gone unrealised. Economically, Syria's growth has been lagging, with an increasingly narrowing window of opportunity in terms of its dwindling (known) oil reserves and the dearth of higher skills within the labour market. While stable, Syria's political institutions are stagnant

Seasoned observers of Syria's political economy have learned not to make much of apparent political changes there.<sup>2</sup> This lesson holds today, but with a twist. Five years after the death of al-Asad senior, hopes, proclamations, and a series of promised 'springs' have gone unrealised. Economically, Syria's growth has been lagging, with an increasingly narrowing window of opportunity in terms of its dwindling (known) oil reserves and the dearth of higher skills within the labour market. While stable, Syria's political institutions are stagnant, including the slightly refurbished ruling Baath party, which continues to rule by reshuffling elites, not by restructuring the polity. Perhaps the most troubling part of Syria's predicament is the seemingly invisible but actually growing wave of unprecedented social poverty in its recent history.

Such a dismal state of affairs is not foreign to Syria's political elite, nor is it of proportions that are beyond the wherewithal of the new but awkwardly maturing and re-consolidated leadership. What has changed rather decisively is the world around Syria's cocoon. Violent regime change in Iraq, a humiliating loss of Syrian control in Lebanon and a strident Israel emboldened by a duplicitous 'war on terrorism', all have combined both to isolate Syria and diminish its regional sphere of influence by denuding it of hitherto powerful foreign policy tools. To make things seemingly intractable for Syria, the US administration, backed by Congress, insists on continuing an unprincipled anti-Syria campaign whose reference point remains elusive. The tenor of these domestic, regional and international developments is unmistakably clear: Syria is left to its domestic devices, where the regime is most vulnerable. This predicament does not bode well for the newly consolidated regime, unless, of course, it elects to risk turning its domestic vulnerability into power for most Syrians by decisively restructuring and decentralising itself. In the absence of unforeseen dramatic developments, the Syrian regime today finds itself in a dilemma between appeasing or surrendering to external forces (the US, the EU, Israel) in order to preserve itself, and compromising its domestic power by gradually becoming one power centre among others. Does the Syrian regime have the maturity, skill and will to exit this

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<sup>2</sup> Portions of this article appeared in *Middle East Report*, 236, fall, 2005.

curious dilemma? Can the regime simultaneously manage the domestic, regional and international crises it finds itself in? Judging by the final outcomes of the recent 10th Baath Regional Conference, one ought not to hold one's breath.

### **How the Syrian Regime Boxed Itself In**

Today's Syria finds itself bereft of various foreign policy tools it enjoyed for the past thirty-odd years, both regionally and internationally. Between 1970 and 1990, the Syrian regime relied on a role it played well in the context of an international configuration coloured by the Cold War. With the dissolution of the Soviet Union in 1990, it relied on a regional role that it also played well in the context of a unipolar world, beginning with its participation in the US-led coalition in 1990. At the turn of the 21<sup>st</sup> century, with the changing political climate(s) discussed above and after a series of EU disappointments with Syria regarding conditionalities for economic cooperation, the Syrian regime was left with a lone front on which it could rely: the domestic one. And this is where the regime has historically been most vulnerable. This vulnerability was also of its own making, as it was largely a function of a regime survival strategy that was based on preventing the ascendance of a social force as an alternative power centre.

By the middle of the 1990s, the Syrian regime reached social, economic and institutional dead ends. By 'dead ends' I do not mean paralysis. Simply, it refers to the necessity of taking a detour of sorts, usually a less efficient detour that preserves the security of the regime while gradually reducing its political choices. In this sense, the Syrian regime is not paralysed. Nonetheless, because of the simultaneity of domestic dead ends –social, economic and institutional– the Syrian regime is in the throes of a structural crisis today.

### **Social and Economic Dead Ends**

The Syrian regime has antagonised nearly all its possible social allies, leaving itself with no broad social sectors that it can effectively mobilise to serve its own ends. Labour, capital, the peasantry and the Islamists have all been alienated as potential and effective regime allies.

First, labour and the peasantry were mobilised in the 1960s. Although these sectors suffered a minor blow when the pragmatic leader Hafiz al-Asad came to power in 1970, they remained the most privileged social sectors until 1985, when labour laws and other assorted regulations began to shift against them. It is noteworthy that this shift coincided with both the last regional Baath conference (until 2000) and the last five-year plan issued by the ministry of planning, signalling the effective, even if unofficial, dropping of deliberate socialist development.

It is no secret that the Islamists and the traditional urban business community have been the quintessential adversaries of the Baath in Syria. They have suffered major blows since the coming of the Baath to power in 1963 (the business community suffered the wrath of the UAR starting in 1958 –with the exception of the years 1961-63 when the liberal separatist movement regained power–). First, the business community and its landed allies were disempowered by a series of land reforms and nationalisations in the 1950s but more dramatically in the 1960s, stopping just short of harming the interests of the middle peasants (whom al-Asad viewed as allies) and the petty bourgeoisie who did not ostensibly possess big capital.

Even the petty bourgeoisie's interests were trampled on by the dramatic oil-fuelled expansion of the public sector after 1973. This coincided with al-Asad's attempt at rapprochement with select sectors of the old bourgeoisie, allowing them renewed economic rights as part of the erratic liberalisation measures taken at the time. Both processes wrested much business and productive potential from the petty bourgeoisie, many of whom were either well connected with the Muslim Brotherhood or were themselves radicalised/Islamicised by previous crackdowns on traditional quarters of the *suk* or market. These quarters were more prevalent in Hama, Aleppo and Homs. The civil unrest and the subsequent literal crushing of the Brotherhood in 1982 have hardened the conflict between the Baath and the Islamists.

In this fashion, the Syrian regime alienated the three most populated groups or sectors in Syrian society, leaving the new rentier bourgeoisie, or the new capitalists, as their only allies by the mid-1990s. The new business sectors lack social legitimacy at the moment, and have not yet managed to escape from under the shadow of the state. In the meantime, these new business actors are tied to the regime through what can be called economic networks and do not serve as a stable social base for the regime. Rather, they assist in providing some foreign exchange and jobs.

The rentier bourgeoisie, however, was divided between those who supported the current leadership and those who supported the Baathist hardliners. By 2001, the schism had compelled a further re-concentration by Bashar and his supporters of the economic spoils, as well as of the commanding heights of the economy that are outside the public sector (for example, the telecommunications business and installations). This re-concentration has deprived the Syrian economy of better growth rates in the past five years, a period that follows another five years of economic stagnation in the country.

Institutional dead ends follow largely from social and economic ones. Economically speaking, the Baathist regime attempted to rejuvenate institutions in the late 1980s, and has been attempting unsuccessfully to create new ones. Examples of the former are the Chambers of Commerce and Industry, which became primarily the dealing quarters for well-connected economic networks. Examples of the latter, including a stock market and well-functioning fiscal and monetary institutions, are plans that are still sitting on the shelves of various ministries (with the minor exception of a few private banks that remain crippled by an inhospitable environment for investment). Politically, the challenge is even more insurmountable. In sum, there has been little, if any, attempt at institutional restructuring in the political sense since the consolidation of al-Asad's power in 1974 (except that the locus of power and authority shifted from the party to the army, and, finally to the security services by the mid-1970s). Such restructuring, including institutional restructuring, is not likely to be voluntarily adopted in the absence of a serious regime crisis in which fundamental reforms become the lesser evil.

### **Back to Basics: The Baath Will Remain the Ruling Party in Syria<sup>3</sup>**

In the meantime, amidst internal and external pressure on the Syrian regime, we have a return to basics: the Baath's 10<sup>th</sup> Regional Conference, held in early June of 2005,

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<sup>3</sup> According to Ibrahim Hamidi, perhaps the most informed and incisive journalist in Syria today, 'the message that the Regional Baath Conference wanted to send at the end of the conference to public opinion, the opposition and foreign actors, especially America, is that the Baath party will remain the Ruling Party in Syria'. See 'The Exit of the "Old Guard" from the Regional Command and the Central Committee', *Al-Hayat*, 19 June 2005.

represents internal house-keeping and a preparation for a major entrenchment. It constitutes the apparent consolidation of Bashar's regime at a time when external and internal hostility coincided for the first time since the 1960s. In fact, very little has been said about foreign policy,<sup>4</sup> as President Bashar al-Asad<sup>5</sup> emphasised that 'any decisions or recommendations made during the conference should express our internal needs only, in isolation from any other considerations aimed at pushing us in directions that contradict our national interest or threaten our stability'.<sup>6</sup>

The conference was not without some positive, if insufficient, developments. Expanding public space and encouraging political participation was a recurring theme of the conference. There were for the first time serious recommendations 'to review the Emergency Law, in place since 1963, with an eye towards narrowing the scope of state security matters'.<sup>7</sup> A new 'political parties law' is likely to take effect soon,<sup>8</sup> but Article 8 of the Constitution, designating the Baath as the 'leader of state and society', will remain untouched. When asked about the reason why the controversial Article 8 will remain unmodified, a high level official, reiterating a well-known reply, said that it is an 'external request' made by non-Syrian interests.<sup>9</sup> Not unrelated to the speculation around Article 8 are the various party proclamations during the conference regarding the need to 'reveal' the intentions of the ex-patriot opposition and the Muslim Brotherhood in particular on the account that they are not true 'nationalists' and are being supported by actors hostile to Syria.<sup>10</sup>

In various interactions, formal and otherwise, President Bashar emphasised the separation of governmental authority from the party 'considering that the party does not own the state';<sup>11</sup> that it is necessary 'to redefine the relationship of the party to political power, and not to be enmeshed in daily politics, and to move away from office work and focus on interacting with the masses'.<sup>12</sup> The Baath's share of the forthcoming cabinet posts will be limited to ten.<sup>13</sup> Nonetheless, it was stipulated towards the end of the conference that the Prime Minister and the Speaker of Parliament have to be members of the Baath's ruling body, the Regional Command, creating an obvious contradiction between proclamations and practice and eliminating the possibility that a high-level executive such as the Prime

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<sup>4</sup> However, peace will remain Syria's 'strategic choice', and the regime will work to enhance its bargaining position. See *Al-Hayat*, 7 June 2005.

<sup>5</sup> Henceforth Bashar (as opposed to al-Asad or Bashar al-Asad), as he is usually referred to in the local, regional and international press.

<sup>6</sup> See 'al-Asad Calls on Baathists for Recommendations Emanating from Domestic Needs', *Al-Hayat*, 7 June 2005.

<sup>7</sup> See 'Clearing the Way', by Ibrahim Hamidi, in *Syria Today*, June 2005, p. 19.

<sup>8</sup> See 'al-Asad Draws the General Lines for the Ruling Party's Conference Decisions,' *Al-Hayat*, 7 June 2005. For more details on the new parties law, see 'Syria's Baathists Loosen the Reins,' by Sami Moubayed.

<sup>9</sup> See 'The Syrian Baath Recommends Uncovering the Ex-Patriot Opposition and the Muslim Brotherhood,' *Al-Hayat*, 10 June 2005.

<sup>10</sup> Most outstanding of such ex-patriot opposition parties is the Reform Party, based in Washington DC, and run by Farid Al-Ghadri who is often likened to Iraq's Ahmad Al-Chalabi because of the role he might play in future US-sponsored scenarios and because of his connections to various neo-conservative think-tanks and spokespersons, including the *Foundation for the Defense of Democracies* (Washington D.C.) headed by Clifford May. For more information, consult some of the Middle East-related literature and the official brochure issued by the foundation. For the Baath party officials declarations, see *Al-Hayat*, 10 June 2005.

<sup>11</sup> See 'The Baath Conference: Exit the Symbols of the Old Guard . . . Enters Bashar al-Asad's Team,' *Al-Hayat*, 10 June 2005.

<sup>12</sup> 'al-Asad Calls on the new Baath Command to Redefine the Relationship of the Party to Political Power,' *Al-Hayat*, 13 June 2005.

<sup>13</sup> See 'Damascus: Al-Utri's Government to be Changed after Less than a Month,' *Al-Hayat*, 8 June 2005.

Minister may be an independent.

It was also suggested that the Regional Command of the Baath party be dissolved and replaced by the 'Party Command'. Hence, President al-Asad would become the Secretary General of the Baath party, not the Regional Secretary. This would facilitate the dissolution of the National Command of the Baath party in the near future.<sup>14</sup> Though this suggestion has not materialised, it is likely to do so in the future. In any event, the membership of the Regional Command was dropped from 21 to 15. The speculation before the Conference over changing the slogan of the Baath party, and even the name, also failed to materialise. But it is not insignificant that there were forces calling for replacing 'unity, freedom, socialism' with 'democracy and social justice', and the name from 'The Arab Socialist Baath Party' to 'The Baath Party', thereby toning down the socialist identity of the party and introducing the magic word 'democracy'.<sup>15</sup>

### **The Nitty-Gritty**

It is no secret that Syria's strongmen are those at the helm of the security services (the General Security and Military Security services, each of which has its own branches and their heads) and the heads of the Republican Guard. Changes and 'replacements' at that level tell a more direct story as to jockeying for power and shifting power centres than hundreds of pages of Baath party proclamations and memoranda. One week after the Conference's end and the ousting of the 'old guard' from the Regional Command, Asef Shawkat (Bashar's brother-in-law) was confirmed as Head of Military Intelligence,<sup>16</sup> perhaps one of the most sensitive and powerful positions in Syria today. Manaf Tlas, son of former Defence Minister Mustafa Tlas, and Bashar's brother Mahir, are the effective heads of the Republican Guard, perhaps the most potent fighting force in Syria. The implications here might appear clearer than they are, for the close family relationship of such individuals to Bashar does not guarantee loyalty, as the history of struggle for power in Syria instructs us. More important for the time being is the evident 'clearing of the way' that has taken place within the most significant coercive institutions in the country since al-Asad senior's death.<sup>17</sup>

Perhaps the most visible development of the Regional Baath Conference is the replacement within the Regional Command (RC) of what remains of the 'old guard'<sup>18</sup> with a 'new'

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<sup>14</sup> See 'al-Asad Calls on the New Baathist Leadership to Redefine the Relationship of the Party to Political Power,' *Al-Hayat*, 7 June 2005.

<sup>15</sup> Interview with a middle level Baath Party functionary who participates in 'ideational discussions' at various party headquarters, Damascus, 2 August 2005.

<sup>16</sup> Shawkat was assigned this post in February 2005 when his predecessor, Hassan Khalil, retired, but is now firmly in the saddle.

<sup>17</sup> For the past five years, strongmen that are either opposed to Bashar or not part of his 'team' have been gradually either replaced or 'retired.' They include former Chief of Staff Ali Aslan, his deputies Abdul Rahman al-Sayyad, Farouq Ibrahim Issa, Ibrahim al-Safi, Shafiq Fayyad, Ahmad Abdul-Nabi, the head of the Political Security branch of the Intelligence service Adnan Badr Hassan, and the Head of Military Intelligence, Hassan al-Khalil.

<sup>18</sup> The most significant or visible among such personalities are both vice-presidents, Abdul-Halim Khaddam and Muhammad Zuheir Masharqa, former Defense Minister Mustafa Tlas (who is not at odds with Bashar), Assistant Secretary General of the Baath party Abdallah al-Ahmar, Assistant Regional Secretary of the Baath party Sulaiman Qaddah, and former Head of Parliament Abdul Qader Qaddura, and the notorious former Prime Minister Muhammad Mustafa Miro. It is notable that even recent members who joined during the 9<sup>th</sup> Regional Command Conference in 2000 were also removed, reflecting the drop in membership from 21 to 15 and/or their replacement by a more tightly knit Command. Among such apparent Bashar loyalists are Majid

team.<sup>19</sup> Khaddam ‘resigned’ as Vice President and as a member of the Regional and National Command Council(s) after sensing the isolation of the ‘older’ Baathists.<sup>20</sup> This completes the process of paving the way for Bashar that started in June 2000. The new team is made up of both older and younger generation Baathists who are most distinguished by their proximity to the current leadership, and not necessarily by their skill, competence or experience. It is said that such a team is significant not for what it will likely do for Syria, but what it will not do: in contrast with the outgoing members of the RC, the new members will not obstruct decisions made by the country’s top leadership. In and of itself, this is a double-edged sword. On the one hand, this makes for a less erratic domestic, economic and foreign policy. On the other hand, the new RC leadership lacks vision and, many say, competence. Which way the sword will strike is yet to be determined. If this is a short-term fix for former ‘trouble-makers’ or opposition from within, then it is likely that it will facilitate a transition to a more fortified and potentially able decision-making process in the future. However, if the kind of intra-Baath complacency that we are likely to witness shortly is the desired end of this manoeuvre, then it is probable that Syria will return to square one, where the leadership re-approaches a stifling absolutism of sorts. In any event, the conditions surrounding this leadership, locally, regionally and internationally leave little room for the sustenance of such a formula, bringing us back to Syria’s principal dilemma today.

Institutionally, Bashar and his most immediate allies have been seeking to consolidate the new regime by embarking on a tricky game: on the one hand, they needed to firmly control and preserve the structure of executive authority by strengthening the party and governmental institutions and, on the other, in the short term they had to manipulate the same authority structure and institutions that would allow them to limit the ‘personal’ power of potential adversaries in the long run. This is a not a strategic choice among many: Bashar needed, and needs, the Baath party. Hence, selective reinvigoration of some of the party’s roles was the only rational choice in the absence of the kind of charisma and, perhaps, cult, that characterised and surrounded al-Asad senior. The gradual revival of the party in 1998 after years of relative decline<sup>21</sup> has served its intended purpose during the Baath’s 10<sup>th</sup> Regional Conference.

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Shadoud, Ghiyab Barakat, and Walid al-Bouz. Regional command members can only serve two terms, a rule that is intended to prevent certain figures from re-joining the Command by law.

<sup>19</sup> The new team includes new faces that do not have a high public profile, but also includes seasoned actors like former head of the Baath’s National Security Council Mohammad Said Bkhitan, who is now Deputy Secretary General of the Baath party, and former head of General Security Hisham Ikhtiar, who is now the head of the Baath’s National Security Council. An odd development was the removal of Bahgat Sulaiman, Bashar’s confidant and mentor, from his post as head of the internal branch of General Security. Suleiman is by no means part of the ‘old guard,’ and his sidelining is an indication of some tension within Bashar’s new team.

<sup>20</sup> Khaddam’s ‘exit’ was not insignificant. As perhaps the second visible icon of the Baath regime after Hafiz al-Asad, the nature of his exit—which was not ‘honorable’—speaks of an end of an era. The circumstances surrounding this incident are telling of a story little discussed, namely, that Khaddam and others among the ‘old guard’ had formed an informal alliance aimed at ‘saving’ the regime from the current leadership’s blunders in Iraq and Lebanon. Interview, anonymous, Damascus, 28 July 2005. For the official story, see *Al-Hayat*, 8 June 2005.

<sup>21</sup> The last Baath Regional Conference was held in 1985, signaling, among other things, a movement away from the party and towards the personal authority of Hafiz al-Asad. That trend had to be reversed in order to legitimize the ascendance of Bashar through the ranks of the real power structure. The Baath party was the natural vehicle.



Another change is the increasing reliance institutionally on the security services as indicated by the shifting membership in the Regional Command. Historically, the RC used to include the Chief of Staff and the Minister of Defence. After the recent conference, these posts were replaced by posts for two members of the security services. One may speculate about the significance of this shift, but it is unmistakable that, institutionally, the security services continue to gain authority since they began to heavily infiltrate power in the early 1970s. Furthermore, the institutional clout of the army, especially after the pull-out from Lebanon, has been downsized.

### **The Balance Sheet: Completing the Transition, But to What?**

At the risk of stating the obvious, the transition of power from al-Asad senior to al-Asad junior that began in 2000, and perhaps earlier, is now complete. This does not mean it is impervious. Nonetheless, the intra-Baath tension and the erratic nature of decision-making that characterised the last five years is not likely to reappear for some time. The evident 'political' winner is Bashar and his team, including the al-Asad family and their innermost circle. The evident 'political' losers<sup>22</sup> are the 'old guard', or those who opposed his ascendance, beginning with the former powerful Chief of Staff, Hikmat Shihabi, who 'retired' in 1998 after he made public his distaste for the prospect of Bashar ruling Syria, and ending with Vice President Abdul Halim Khaddam –with a handful of very powerful, but now 'former,' security service and military officials in between–.

Digging a little deeper below the surface one finds that the decisive break was not made only with the 'old guard', but with the regime of Hafiz al-Asad, an empirical development that cannot be translated publicly into words in Syria's political climate today. Bashar was indeed al-Asad senior's choice to succeed him, but it is questionable whether al-Asad senior wanted Bashar to change the regime itself. What is not academic about this point is that with the changes of the past five years came a change in the political, economic and foreign policy decision-making approach, style and content, a change whose contours are still being drawn.

Whether it is the handling of the American invasion of Iraq and its aftermath, the Lebanon 'file' after the withdrawal of Israel from the south of the country or dealing with the US 'war on terror', which linked Syria with 'terrorist' groups within and in Lebanon, the current Syrian regime's performance has contributed to its own isolation, which is nonetheless aggravated by the US's unprincipled campaign against that country. It is not that the regime of al-Asad senior did not contribute to boxing itself in domestically, but the regional front had always been the arena where it could compensate for what many would consider the inevitable centralisation within. It is arguable that the current Syrian regime lost its autonomy vis-à-vis some of its foreign policy tools by making such tools organic to the regime: eg, in the past, the Palestinian and Lebanese resistance movements were used from a distance to prop up the legitimacy of the Syrian regime. Today, these tools have been absorbed by the regime as part and parcel of its own legitimacy, thereby losing its own independence from these groups and allowing itself to be more liable for their own decision-making and potential blunders. In a climate where the US, Europe and Israel require no hard evidence to condemn Syria regarding a host of infringements and allegations (for purposes far beyond Lebanon), such loss of autonomy can bring Syria

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<sup>22</sup> The qualification 'political' is intended to distinguish between itself and the 'economic' winners, for much of the old guard are enjoying sizeable fortunes in and outside Syria. It is not a coincidence that their fortunes are, for the most part, left alone by the current leadership. It is a rational choice.



many unwanted and unneeded simultaneous crises and blows. In sum, one might caution against extrapolating from the above to the common view in many Syrian circles that al-Asad senior would not have brought the country to the current isolation and potential stand-off: structurally, the regime has been, and still is, willing to pay nearly any price to maintain its own security and the dead end was always in sight. Simply, al-Asad senior was likely to have delayed the inevitable a bit further.

The breathing space that the regime recently afforded itself by clearing the way for a less conflictive decision-making process is an opportunity to embark on irreversible domestic decentralisation that would herald the era of putting development ahead of both regime security and external demands. The most probable alternative in today's climate of an adventuristic and aggressive US foreign policy is to informally concede to external powers and submit gradually but surely to demands that are likely to compromise the well-being of the Syrian people while maintaining the security of the regime. Independent voices within Syria, as well as observers (hostile and friendly alike), will not bet on the former scenario. The same scenarios unfold in the case of the country's political economy.

### **State of the Economy**

The state of Syria's economy remains dismal and it is unclear whether the deliberations within the recent Baath Regional Command Conference reflect the required level of seriousness and sophistication<sup>23</sup> that is needed to deal with the simultaneous crises that confront the regime. Optimists continue to debate whether this or that proclamation or liberalisation measure is likely to improve the state of the Syrian economy as though the missing part is a 'good plan'. The announcement by the Chief of the State Planning Commission last year that Syria will adopt the principles of a market economy by 2010 also brought relief to optimists.<sup>24</sup> Recently, the announcement at the Baath Regional Conference that Syria will adopt a 'social market economy'<sup>25</sup> was well received among those who saw a fundamental obstacle to growth in Syria's state-run semi-socialist economy. But what about the elephants in the china shop? Syria's economy is encumbered by a number of short- and long-term challenges, developmentally, economically and, most intractable, politically.

Syria's economy stagnated between 1996 and 2004, with an estimated average growth rate of 2.4%.<sup>26</sup> Today, population growth is at 2.7% cent while economic growth is hovering at

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<sup>23</sup> According to various independents, including outspoken critic of the regime, Michel Kilo, the discussions within the Baath Conference were largely disingenuous and reflect ossified mentalities that are not sufficiently aware of the real dangers of this stage in Syria's modern history. Interview with Michel Kilo, Damascus, 26 July 2005.

<sup>24</sup> See 'The Chief of State Planning Commission Announces a Detailed Vision to Transfer Syria to a Market Economy in 2010,' *Al-Hayat*, 16 April 2004.

<sup>25</sup> Heated debates surrounded the adoption of the term 'Market Economy' as the designation of the new Syrian economy during and prior to the conference. The term that was finally adopted is 'Social Market Economy,' reflecting the desires and power of those who do not want a sudden transformation (even discursively) and those who do not want to compromise workers' rights. The debate was not only political, but also ideological, as witnessed in the Economic Sciences Association meetings throughout the months prior to holding the regional conference. For more on the debates, see *Economic Sciences Association* series #18, papers and responses by Ghassan Yousef, Ilyas Nijmeh, Jihad Muhammad, Issam al-Zaim, Mikhail Awad, Thamer Qarqoot, Burhan Ghalioun. Much of the debate revolves around the importance of the national economy, the role of the state, the importance of competition, and the dangers of being engulfed by global capitalism.

<sup>26</sup> Interview with former Minister of Industry and current President of the Tuesday Economic Sciences Association, Issam al-Zaim, Damascus, 26 July 2005.

around 2.4%,<sup>27</sup> spelling disaster for development in Syria. Economic growth had reached 3.4% in 2003, but that was considered a one-off event, not structural growth, reflecting both the sale of Iraqi oil through Syria and the subsequent rise in oil prices as a result of the Iraq war. In 2004, economic growth dropped to 1.7%, reflecting the danger of depending on various forms of oil rents.<sup>28</sup> Oil production reached 591,000 barrels per day (bpd) in 1995 but declined to 450,000 bpd in 2005. For the first time in 30 years, Syria will become a net importer of oil by 2012.<sup>29</sup> The good news for the Syrian regime is that the rise in natural gas production is likely to compensate for a substantial part of the decrease in oil production. Gas reserves are estimated at 240 billion cubic meters.<sup>30</sup> Much depends on the transit revenues that Syria will receive from the Arab Gas Pipeline 'linking Egypt with Turkey and Eastern Europe'.<sup>31</sup> Ultimately, rent income from oil or gas will only buy time. It is issues of unemployment, poverty, investment and dilapidated public sector firms that require immediate attention.

The decreasing standard of living of the Syrian population is alarming, with ever-increasing rates of poverty that have reached monumental proportions. In 2003-04, 30.1% of Syrians, (5.1 million) were below the poverty line, with 2 million unable to satisfy their basic needs.<sup>32</sup> Unemployment today is at 20%, by most estimates, with at least 300,000 new workers entering the job market each year.<sup>33</sup> According to former State Planning Commission chief and current Deputy Prime Minister for Economic Affairs Abdallah al-Dardari, an average annual growth rate of 7% will be necessary to provide employment for job seekers.<sup>34</sup> Where will it come from?

With dwindling oil income, Syria's public and private sectors must do the heavy lifting. In an environment of international hostility towards Syria, and where the EU Partnership Agreement with Syria is pressuring for a fast transition from a public- to a private-sector oriented economy as a pre-condition, the Syrian regime found itself moving faster and compromising more than it wanted to. According to al-Zaim, Syria conceded discursively more than it needed to towards the end of 2004 in order to effect such agreements, presumably because of their economic potential.<sup>35</sup> In this atmosphere, al-Dardari confirmed Syria's impending transition to a market economy at a time when Syria lacks

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<sup>27</sup> See 'Troubling Numbers in Syria Require Immediate and Substantive Treatment,' an Interview with former State Planning Commission Chief, Abdallah al-Dardari, conducted by Ibrahim Hamidi, *Al-Hayat*, 1 December 2004; Interview with former Minister of Industry, Issam al-Zaim, Damascus, 26 July 2005.

<sup>28</sup> Ibid. According to al-Zaim, government statistics show higher level of growth for 2004.

<sup>29</sup> There is no consensus regarding the remaining number of years in which Syria would benefit from its oil reserves. See Nabil Sukkar, 'Threats and Opportunities,' *Syria Today*, p. 20. For more optimistic numbers which point to either 2015 or 2020 as the critical years, see 'Another Perspective on the Drying up of Oil and Contracting with International Companies,' *Al-Iqtisadiyya*, Issue 205, 24 July 2005, p. 21.

<sup>30</sup> See interview with al-Zaim.

<sup>31</sup> See 'Threats and Opportunities', Sukkar, p. 20.

<sup>32</sup> For a detailed study of poverty in Syria, see *Poverty in Syria: 1996-2004*, United Nations Development Programme, June 2005, 'Executive Summary', pp. 1-6.

<sup>33</sup> Interview with al-Zaim. See also Sukkar, 'Threats and opportunities'. p. 20.

<sup>34</sup> See 'Troubling Numbers in Syria Require Immediate and Substantive Treatment'.

<sup>35</sup> See Interview with al-Zaim. After fits and starts, President Bashar created a new team to speed up a signing of the agreement with the EU in 2004, presumably to fight Syria's isolation imposed by the United States. By that time, the EU had added new pre-conditions, including calling for eliminating WMDs, starting with Syria (this was supported by the United Kingdom, Holland, Germany and France). Still, the Syrian team included 'services' in the list of sectors to be liberalised, and at a faster pace, as a way to expedite the signing. The latter was not made public. Ultimately, the EU withdrew its promises after the death of Lebanese former Prime Minister Rafiq al-Hariri. This extended episode reflects the dilemma Syria is in and points to a potential pattern of behaviour in the future.

even a modicum of the institutional, legal and labour market environments necessary, probably to satisfy EU demands.<sup>36</sup> In the plans, therefore, the public sector would have to be overhauled, a political nightmare for a regime such as Syria's, where that sector takes on a number of systemically necessary political and social functions. Privatisation according to a plan of eliminating failing public sector firms and refurbishing struggling ones might work only if the top leadership is willing to compromise the non-economic functions that the sector serves. More importantly, the plan would fall to pieces in the absence of a private sector capable of employing at least half of the job seekers each year (150,000 to 200,000), a figure that is well beyond the existing capabilities of a private sector that remains confined in its overwhelming part to small firms.<sup>37</sup>

### **Regime Security Reigns: State-Private Sector Relations as a Case Study**

The growth of the private sector in Syria was erratic in the 1990s due to various factors discussed elsewhere by this author.<sup>38</sup> Since 2000, private investment grew slightly only because of the dramatic drop in such investment between 1996 and 2000. The most recent figures place the private sector's contribution to capital accumulation at only 34%, after years of supposed support and promotion of private sector growth.<sup>39</sup> Obstacles to private sector growth remain both political and structural, having to do with the political role that the public sector plays in servicing the regime's economic power and social legitimacy. Beyond that it is notable that part of the problem has been the failure of existing public, and new private, banks in financing the growth of the private sector.<sup>40</sup> As a result, new entrants into the private sector remain few. By contrast, the already existing private businessmen and the public-private networks to which they belong are expanding at a steady pace as they are faced with little or no competition from potential entrants who lack financing. These big business groups worry not about liberalisation or lack thereof at this point: they are mostly concerned with the sustenance of the current formula within which they are accustomed to work. For a more vigorous economy and perhaps judicial accountability, one might have to wait until these individuals or networks find a contradiction between further capital accumulation and the existing formula. For the time being, this completes the circle by making future economic plans regarding EU partnership as an exit from Syria's economic and perhaps political woes incommensurate with the political and institutional requirements for such a move. Several questions present themselves at this juncture: how did the regime both benefited from and contain the private sector thus far? What are the limits of such a strategy and what has the cost been to the Syrian economy? The regime's relations with the private sector historically, but in the

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<sup>36</sup> See 'The Chief of State Planning Commission Announces a Detailed Vision to Transfer Syria to a Market Economy in 2010', *Al-Hayat*, 16 April 2004.

<sup>37</sup> More than 90% of private sector firms employ less than five workers. See Amer Kharbutly, 'The Role of Organisations Promoting Private Sector Growth in Syria', in the 40<sup>th</sup> Anniversary of the Economic Sciences Association papers, Damascus, 30 July 2005, p. 7-9.

<sup>38</sup> See 'Syria's "Private" Sector: The Politics of Stunted Development', in *The Economic Price of Regime Security: Mistrust, State-Business Networks, and Economic Stagnation in Syria, 1986-2000*, dissertation submitted by this author to the Department of Government, Georgetown University, Washington DC, May 2002.

<sup>39</sup> See 'The Role of Organizations Promoting Private Sector Growth in Syria', p. 7.

<sup>40</sup> See Muhammad Ghassan Qalla, 'The Private Sector, Cooperation Challenges, and Free Trade Zones', in the 18<sup>th</sup> *Economic Sciences Association Series*, Damascus, 15 February 2005, Paper #6, p. 4. For a more detailed study of the low levels of private sector bank loans by sector, see Issam al-Zaim, 'Arab Economies: Obligations, Modes, Goals, and Particularities', unpublished study presented to the Algerian Economic Studies Association, Algiers, 11-12 May 2005, p. 77.

1990s in particular, provide valuable insights, notwithstanding the changes mentioned above regarding the style of rule.

### **Strategic Regime Relations with the Private Sector<sup>41</sup>**

While its strategy shifted slightly in 1970, the Syrian Baath regime has related to the private sector as a whole through the prism of security since its assumption of power in 1963. All along, the regime would give only moderate concessions to the private sector as a whole or dole out ‘magnanimous’ privileges to a select few therein for the purpose of preserving its autonomy at the macroeconomic level. Such tactics occur(ed), no doubt, at the expense of the health of the economy. Another notable but less visible expense, and one which the regime incurs in the first degree, is that with the economic price that the regime must pay to preserve its decisional autonomy and, ultimately, its security, comes another administrative cost: its decreased capacity to run the economy, precluding its prohibitional and punitive power. Though administrative costs can be averted in the short and medium term by increasing oppressive measures and dependence on external sources of income, they eventually come back to haunt regimes when rent dries up, a prospect that the Syrian regime will have to contend with in less than a decade.<sup>42</sup> Until such a time, it is unlikely that the regime would voluntarily change its strategy in dealing with the private sector, a strategy that is now more than three decades old.

Directly after the ‘Corrective Movement’ of 1970, the new Baathist regime under Hafiz al-Asad was less ideologically inclined, more pragmatic politically, far more careerist, and, most important, outward looking. The regime recognised its social and political vulnerabilities: it was a radical rural-minoritarian regime largely cut off from the rest of Syrian society by virtue of its own radicalism that had polarised the country for half a dozen years; it was in charge of an embattled state that had suffered a grave defeat only three years earlier at the hands of Israel; it ran an ailing economy that was not likely to receive support from conservative Arab states; and, most significantly, the Syrian regime of 1970 rose at the expense of the party<sup>43</sup> and, to a great extent, the army, supported primarily by the security apparatuses and ‘special forces’ that warring regime strongmen were busy setting up in the late 1960s. By turning to the conservative Arab states for external support and to the equally embattled but still threatening remnants of the traditional bourgeoisie at home, the Syrian regime sought not to create new dependencies,

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<sup>41</sup> Portions of this section are drawn from this author’s dissertation, *Networks, and Economic Stagnation in Syria, 1986-2000*, submitted to the faculty of the Graduate School of Arts and Sciences of Georgetown University, 2002, Chapter 2, ‘The Politics of Stunted Private Sector Development’.

<sup>42</sup> Oil rents, constituting more than 60% of Syria’s foreign exchange and supporting most public sector investments, are likely to dry up as the oil wells do by 2010. See the Syrian weekly *al-Iqtisadiyyah*, article by Izz al-Din Juni, ‘Oil, the Lifeblood of Development and Industrialization in Syria: World Prices Substantially Influence Oil Exports’, vol. 27, 30 December 2001.

<sup>43</sup> Interviews with former public sector workers who abandoned state employment for jobs in the private sector or abroad in the late 1970s and early 1980s. These former ‘employees’ were radical Baathists in their youth in the early 1960s and were disillusioned when the regime cast the party aside before, during and after the ‘Corrective Movement’ took place in 1970. They had access to mid-level regime inner circles that were in charge of financial operations intended to give the security apparatuses more leverage and more funds at the expense of the Baath party, which, by then, was a ‘mere mobilizational tool for the countryside’. Though such accounts carry in them a deep injury of sorts, which contributes to some exaggeration, they are shared broadly by nearly all members of the older generation of Baathists who either terminated their work with the state, were themselves terminated, or are still working with the state for near subsistence living, refusing to move up in rank so as not to be implicated with the kind of state operations to which they object. These individuals, including those from whom the quotes were derived, are to remain anonymous.

but rather to become truly independent of all social forces at once. Shortly after the 1970 coup, it reduced its dependence on labour at home, substituting that dependence with rapprochement *vis-à-vis* parts of the private sector; it pushed the party aside as the leading authority within the state sector and replaced it (not officially) by a refurbished security apparatus; and it moderated its radicalist regional stance by re-establishing relations with the Arab Gulf states, particularly Saudi Arabia, and the less radical post-Nasir regime in Egypt, while at the same time sending signals to both the Soviet Union and the United States that Syria was open to new opportunities and allies.

Turning to the oil-rich Arab states was not intended to heal recent wounds inflicted by the former Salah Jadid regime's fiery rhetoric towards conservative Arab states. Rather, it was intended to capitalize on much needed potential aid in the form of direct financial assistance, oil deals and/or investments.<sup>44</sup> As both the contemporary history of Syria and the available statistics make abundantly clear, such aid and investment soon became Syria's lifeblood for the development of its politically charged public sector and, thus, its economic autonomy. It was the mixture of the regime's external source of income or rent and the legacy of mistrust *vis-à-vis* the business community that determined to a large extent the nature of its relationship with the private sector as a whole.

Given the long-standing animosity and the preoccupation of the regime with its security and its decisional autonomy, it was disinclined to offer the private sector any legitimate representation or allow it to erect its own expressive institutions independent of state control and scrutiny. Instead, until 1973 when foreign aid swamped Syria in the aftermath of the bilateral October war against Israel, the state preferred to keep the once thriving private sector under control. Alongside this preference, the regime attempted to create a new bourgeoisie in its own image, but it was encumbered by the turbulent events of the 1970s and early 1980s.<sup>45</sup> The first 12 years after the 'Corrective Movement' were largely consumed by war –1973 with Israel, 1976-82 with the Islamists, 1976 on with various factions in Lebanon, 1982 with Israel– and thus internal social alliances were fluid and *ad hoc*. Social forces did not really begin to coalesce until the end of that period, when, ironically, Syrian civil society was dealt a decisive blow.<sup>46</sup> In the meantime, the regime continued to toy with the idea of creating 'real' allies in the private sector. Proponents of such an attempt were drawn more from circles close to, and including, the former president's brother, Rifat, rather than those close to Hafiz al-Asad himself, who was preoccupied with Lebanon, Israel and a host of regional issues.<sup>47</sup> The regime embarked on what Volker Perthes calls the 'first *infitah*',<sup>48</sup> by moderately liberalising imports on the one hand and giving special privileges on the other, but only to a select few whose loyalty was either purchased or guaranteed through mutual deals binding them to the state. Such deals

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<sup>44</sup> Interview with a former official at the Commercial Bank of Syria, Damascus, 8 March 1999. Syria was then desperately looking for economic exits and social stability. The regime knew, according to this former official and to other interviewees on the question of the 1970s coup, that it could not survive without a revived economy *and* a reduction in social polarisation, which would bring about the kind of social peace that 'a regime like that of 1970' could not afford to lose.

<sup>45</sup> Interview with an economics professor working as editor of a Syria-based Palestinian publication sponsored by the public sector, Damascus, 20 April 1999.

<sup>46</sup> See Raymond Hinnebusch, 'State and Civil Society in Syria', in Augustus Richard Norton (ed.), *Civil Society in the Middle East*, Brill, Leiden, 1995.

<sup>47</sup> It is notable that in the 1970s it was not only the regime that had its gaze outward, but also major segments of Syrian society, excluding the Muslim Brethren. Interview with economic professor/editor cited above, Damascus 20 April 1999. See also Anoushirivan Ehteshami and Raymond A. Hinnebusch, *Syria and Iran: Middle Powers in a Penetrated Regional System*, Routledge, Keegan and Paul, London, 1997.

<sup>48</sup> See Volker Perthes, *The Political Economy of Syria*, I.B. Tauris, London, 1995, p. 50.

were either in mixed sector ventures that split capital and management between the state and private businessmen, or in more under-the-table schemes that, retrospectively, could hold private businessmen accountable.

Strategically, the situation persisted throughout the 1970s and the early 1980s, but the inflow of capital in 1973 combined with the lack of economic expertise and entrepreneurship of both regime personnel and their historic allies in the countryside and among labour, necessitated the escalation of rapprochement with the private sector. In any case, state-business relations that existed between 1970 and the late 1980s remained largely informal, with the exception of some notorious cases that have been overemphasised by analysts because they are among the few who were visible and accessible (others are either not known to ‘researchers’ not doing fieldwork or are in too sensitive places for them to be a researcher’s subject of discussion).<sup>49</sup> Though these cases were extant, the majority of businessmen working with, or in the shadow of, the state and its personnel remained faceless for more than a decade. Only in the late 1980s did we witness the emergence of relatively more visible relations between the regime and individuals in the private sector, usually through patronage relations associated with the Chambers of Commerce and Industry and the rejuvenated parliamentary elections beginning in 1991. Even then, it was difficult to link state officials and businessmen, especially for ‘outsiders’, ie, those who must take what is observable from afar at face value. The protégés of security service strongmen in the Chambers, for instance, are quick to condemn the hold the state has on the economy,<sup>50</sup> naturally leading the ‘uninitiated’ to conclude that they are rivals.

### **Creeping Ambivalence towards the Private Sector in the Late 1990s**

In the 1990s, the strategic situation was slightly different, if only because of the growing state-business alliance. While in the 1970s, for instance, the only conspicuous ‘representative’ of the private sector, a man by the name Tahsin al-Safadi, would gather the courage to ask for a reduction in inspection campaigns by the Ministry of Supply, today, business ‘representatives’ are members of Parliament and Board members at the various Chambers, supported by political power and able to make policy recommendations at high level institutions connecting the state to the business community.<sup>51</sup> While this image accords best with particular individuals connected to regime strongmen through established economic networks, it does not apply to the interactions and strategic relations between the state and the private sector as a whole. What is important in this regard is that, despite the regime’s suspicion of the private sector in general, it can no longer reverse the

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<sup>49</sup> See articles on Syria’s private sector and/or business community in Eberhard Kienle, ed., *Contemporary Syria: Liberalization between Cold War and Cold Peace*, British Academic Press, London, 1994.

<sup>50</sup> Interviews with individual businessmen in the Chambers of Commerce who are beholden to regime officials through joint businesses started under Law #10 of 1991. It is not that these businessmen are all equally beholden to the regime or their partners therein: some sincerely dislike their partners, but appreciate prosperity far more –not to mention their reputations, which they must protect by paying lip service to private sector independence–.

<sup>51</sup> Interview with Mahmoud Salameh, a high-level government bureaucrat who coordinates relations between the public industrial sector, the private sector and labour. He was a driving force behind the public sector reform project initiated in 1998, *al-Idara bil-Ahdaf* (Goals-Oriented Management), which gave public sector managers in the textiles industry (as a trial period) more decisional leverage and autonomy *vis-à-vis* government agencies that traditionally scrutinise and interfere with public sector firms. See his ‘Goals-Oriented Management: Where To?’ [*al-Idara bil-Ahdaf: ila Ayn?*], Paper nr 3, 2000 Conference Series, Economic Sciences Association, Damascus, 1 February 2000.

growth of the private sector and is far more dependent on it for investment, job generation and foreign exchange procurement than it has ever been since 1963. However, the regime can do much to prevent the conversion of the private sector's new-found economic power into political power. Besides establishing relations with select businessmen in the form of networks that undercut collective action among private sector businessmen as a whole, the regime has been able to create a structure of incentives that makes it irrational for private sector members to come together either for doing business in large groups or for organising against the state. In addition to the regime's low or, often, zero tolerance for independent organisation, it has at its disposal the law as a tool that could incriminate virtually anyone doing business in Syria with any substantial amount of capital. The fact that laws, decrees, rules and regulations have been piled on top of one another for more than half a century now –with the nullification of but a few– has rendered most mundane business practices subject to prosecution.

The general effect of the state's strategy in dealing with social forces generally since 1970s has led to the kind of atomisation that is hardly conducive to subversive collective action, even if the will and the means are within sight. Though this grim picture was slowly changing beginning in the late 1990s, especially after the former president's death in 2000, private businessmen working with substantial capital prefer to 'work alone' so long as the state is 'leaving an area of freedom to do some business', which it increasingly is.<sup>52</sup> Nonetheless, according to insiders who are privy to intra-regime discourse, there is a creeping ambivalence among regime strongmen toward the private sector.

The regime's historical ambivalence towards the private sector, let alone its revived prosperity, is evident in the snail's pace at which the government moves in formulating and implementing liberalising economic policies of any sort and magnitude. This is basic politics in Syria: where you have a regime that does not want to give up or share any of its political control, its preferences shrink dramatically, especially when paranoia is fed by deteriorating economic conditions and an impending succession. The regime is caught in a dilemma governed by three bitter facts: it needs the private sector for generating foreign exchange and jobs, it is unwilling and unable to share power safely, but the private sector's economic power –eg, share of GDP, investments, employment generation, exports, international connections and know-how– is growing, however imprecisely measured, as a direct result of the regime's rational (self-interested) but slow retreat from the economic sphere. Thus, the optimal outcome for the regime given its security preferences is to have the private sector grow to save the economy but not sufficiently so to threaten the balance of power between state and business.

Formally, the state began in the late 1980s to mobilise particular members in the private sector into the formal political process through participation in the defunct people's council, through election onto the boards of Chambers of Commerce and Industry, and through representation in the Guidance Committee that links the private sector to the state. Essentially, private money is left in private hands so long as it does not encroach upon the regime's domain, ie, politics. Otherwise it becomes 'public' money and is seized by the regime through the selective invocation of laws and regulations that 'must' have been transgressed by big business practices in a context of purposefully contradictory legislation. Hence the regime's rationale in keeping in place such outdated laws and regulations which often are in direct conflict with both the spirit of liberalising economic

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<sup>52</sup> Interview with a businessman working in the newly established sector of the food and processing business, which the state monopolised until the early 1990s, 16 August 2001.



policies and new legislation. Most new economy-related legislation and decrees in Syria do not cancel previous legislation, leaving no legal shield for inadvertent ‘transgressors’ operating on the basis of the new law.<sup>53</sup>

Private sector members are not unaware of the regime’s calculations described above and have no intention of giving off signs that may cause any of the regime strongmen’s eyebrows to rise. They act and speak timidly. The behaviour of business candidates during the campaigns for the people’s council reflects such caution. So does their intentionally submissive attitude in dealing with government officials and with the media. Somewhere deep inside –which can be inferred from extended conversations with big business– many businessmen in Syria belittle the regime’s intelligence and some assume that their observable statements in praise of the regime’s triumphant stands and policies are taken by the regime to be genuinely expressive or as ends in themselves rather than being means to other unshared ends, ie, to curry favour with the regime. In fact, both parties are aware of the political game the other is playing, even if they are not cognisant of the fact that their own opportunism is transparent. The regime, however, is at an increasing strategic disadvantage as it is playing a positive sum game with the private sector at a time when the opportunity cost of the private sector is very low.

The problem for the regime is to benefit from private economic initiative without paying a political cost. When the state succeeds, both benefit economically and the state benefits politically in the short run. In the long run, the calculations are likely to change. For big business, the opportunity cost of cooperation in the long run is likely to increase at the time that the regime’s opportunity cost approaches zero, thereby giving leverage to big business assuming a minimum level of tacit organisation or even understanding. For the time being, we remain in the short run, where observable gains remain within the state’s orbit.

#### *Ideology vs Security*

Given the current long-standing economic stagnation, the way out of this strategic dilemma becomes a valuable indicator for gauging the resilience of the regime’s ideological vestiges. Ideologically, the regime is ostensibly firmly against the dominance of foreign capital in the domestic market (this view is entrenched among state sector managers, bureaucrats, most army strongmen and the majority of civil servants including top officials outside the regime’s core). Politically, the regime wants to maintain the status quo –ie, state control over business– against private sector development and growth (this view represents the bottom line for the regime’s core officials, including the former and current presidents, their families and close relatives, and those who have been most loyal to them in the government and army).

There comes a time when the ideological and political preferences coincide, as in the 1970s and much of the 1980s. Especially today, these preferences do not always coincide,

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<sup>53</sup> Examples abound. For instance, consider Law #10, the aim of which was to increase investments, especially those that are labour intensive, eg, manufacturing; however, Syria has not officially proclaimed industrial zones, making nearly all private industries subject to seizure by the state. Most industrialists register their factories under various other terms such as *mustawda` zira`i* (agricultural depot). For more instances of laws and obstacles that render businessmen vulnerable to prosecution, see Riad Saif ‘Exports: Between Dream and Reality’ [*al-Tasdir bayna il-Hilm wa-l-waqi`*], Paper nr 13, 1999 Conference Series, Economic Sciences Association, Damascus, 13 May 1999, and Khalid Abdul Nour, ‘Improving the Industrial Sector’ [*Ta`hil al-Qita` al-Sina`i*], Paper nr 6, 1999 Conference Series, Economic Sciences Association, Damascus, 23 March 1999.

thereby straining the regime's traditionalist discourse and policies and putting them to the test both from the perspective of regime insiders and the general public. Foreign investments and investors do not endanger sovereignty in a real and direct manner, nor do they have aspirations for holding political power –though the political elite would prefer, as in the case of Arab Gulf countries, complacent donor regimes–.

The private sectors, on the other hand, include elements with politically subversive aspirations, and significant parts of the public at large would be more than willing to provide them with support at the appropriate time. In the final analysis, the regime is likely to (further) compromise ideology in favour of realpolitik. This is likely to lead to withdrawal of legitimacy precisely at the time that politically-inclined prominent members of the private sector will gain popularity. The regime would then engage in private political bargaining or pacts with such rising social forces until some institutional compromise is reached in which economic power is effectively shared in various proportions according to the strengths of the parties involved. Such a scenario precludes a process of democratisation and is contingent on the decline of oil and other external rents. Though this scenario is gradually unfolding, often quietly and in an invisible manner, for various reasons discussed herein, it is unlikely that the 'private' component in what is called the private sector is likely to represent an independent force to be reckoned with in the near future. In the meantime, the regime has also lost the opportunity to build both a solid *and* socially legitimate alliance with the private sector as a whole, thus contributing further to 'boxing itself in'.

### **The Bottom Line: The End of Fighting with Slogans**

According to Nabil Sukkar, a seasoned economist and business consultant, 'there is a need for a "Great Leap Forward", not an incremental progression'.<sup>54</sup> More specifically, Syria's economy remains captive to its brand of centralised politics. Exercising economic rationality remains severely fettered by a political logic that prevents the very idea of a comprehensive reform plan, without which most existing incremental measures are ineffective at worst and reversible at best. Problems of low investment, an inhospitable environment, weak judiciary and idiosyncratic state intervention are not economic, but political through and through. According to Issam Al-Zaim, former Minister of Industry, these problems have existed since 1991 when Syria embarked on 'economic pluralism'. Beyond the lack of serious political will to overhaul the Syrian economy, lie three equally challenging obstacles: the entrenched network of beneficiaries from the current system (comprising existing and former state/military officials, their offspring/relatives and powerful businessmen), a decrepit administrative and bureaucratic system, and an insufficiently skilled labour force.<sup>55</sup> It is almost impossible at this point to treat these problems in isolation from one another, requiring once again the kind of political will that would put Syria's development before regime security.

The official line that Syria is under external pressure today that prevents certain measures from being taken at this point because they represent external demands is a false binary opposition. First, it is true that Syria is facing a hostile external campaign, but that has been the case since the early 20<sup>th</sup> century and is not likely to subside at any time soon, with

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<sup>54</sup> Nabil Sukkar, 'Threats and Opportunities,' *Syria Today*, p. 21.

<sup>55</sup> Only 10% of Syria's work force possess a college degree; see Interview with Nabil Sukkar. For more indications regarding Syria's labour force troubles, see the 2005 *National Human Development Report*, published jointly by the UNDP and the Prime Minister's State Planning Agency, Damascus, 2005.

or without the United States. Proper development for state *and* society in Syria, even along nationalist lines, conflicts not with fighting external hostility; on the contrary, it is the most efficient antidote. Rather, it conflicts with the guaranteed security of the Syrian regime as it stands today. The Syrian regime is quickly approaching the point between compromising with these external forces it cautions against, thereby preserving itself in its current form, or compromising with its own people which will inevitably render the regime and the forces behind it one power-centre among others. In the end, it is not a big puzzle, and all indicators point to the contention that it is only a matter of time before we begin to see irreversible movement in one of the two directions, despite proclamations of Arab nationalism, anti-imperialism, anti-zionism and anti-globalisation. These are perhaps worthy concerns in today's unipolar world dominated by an adventurist and often unprincipled super-power and friends. But it is high time that these concerns cease to be an excuse for unleashing the developmental potential of a Syrian society unfettered by particularist regime interest. For better or for worse, the Syrian regime is left to its own domestic devices in determining the next course of action in the absence of intra-Baathist opposition.