

المركز العربي للأبحاث ودراسة السياسات
ARAB CENTER FOR RESEARCH & POLICY STUDIES
(Doha Institute)



www.dohainstitute.org

Research Paper

**The past decade in Syria:
the dialectic of stagnation and reform (Part 1 of 5)**

Muhammad Jamal Baroutt

Doha, October- 2011

Series (Research Papers)

Contents

<i>THE PAST DECADE IN SYRIA:</i>	
<i>THE DIALECTIC OF STAGNATION AND REFORM (PART 1 OF 5)</i>	
<i>THE CRITICAL LEGACY IN AN UNCERTAIN AND TUMULTUOUS GEOPOLITICAL ENVIRONMENT</i>	6
<i>THE CHALLENGE OF GROWTH AND OVERCOMING STAGNATION: INCREASING THE SIZE OF GOVERNMENT</i>	7
<i>SOCIO-POLITICAL ACTORS' TRENDS: THE LOST OPPORTUNITY</i>	9
<i>FORMATION OF A BUREAUCRATIC CAPITALIST CLASS</i>	10
<i>- THE POWER OF THE BUREAUCRATIC CAPITALIST CLASS</i>	11
<i>AUTHORITARIAN LIBERALIZATION: LIMITED POLITICAL REFORMS</i>	13
<i>STATE AUTONOMY</i>	15
<i>EXPULSION OF THE BUREAUCRAT ADVOCATES OF 'CORRECTIVE MEASURES': THE KHADDAM ISSUE AND CHANGING THE RULES OF THE GAME</i>	17
<i>INSTITUTIONAL REFORM OR DEVELOPMENTAL LIBERALIZATION: THE 10TH FIVE-YEAR DEVELOPMENT PLAN</i>	21

Since February 2011, protests and demonstrations have erupted in Syria, some of them organized by young activists who have used various tools, such as local contacts or social media networks, while others were spontaneous rallies. These events have taken place in small towns of about **100,000 inhabitants** and in some large urban centers in both coastal and inland areas, while the largest cities, those with more than 1 million inhabitants, have remained untouched by the unrest. The most violent episodes have taken place in peripheral cities, such as Deraa, then Douma, which suffer primarily, especially Deraa and the cities in Rif Dimashq, from multidimensional marginalization, oppression by local authorities, and repression by an arbitrary central government, with limited benefits from economic growth. These cities suffer low human development indicators, high rates of unemployment and poverty, and high age-dependency. However, the common feature that these protests share with Damascus youth movements is that the people involved are in the 15-24 age group, or the extended 15-35 age group, who are the most vulnerable groups and take initiatives more than any other. These groups suffer the highest unemployment rates, and include new youth groups which interact with “the winds of revolution” sweeping other Arab countries.

The current protests in Syria broke out in Deraa, which has the country’s second highest population growth rate. This explains the increase of the population density in urbanized areas to about 300 persons per square kilometer and high urbanization pressures on land resources, with the urbanized area forming 79 percent of Deraa’s total area. The population and urbanization pressures are particularly acute in Deraa as it is considered the metropolitan center of the region. This also explains the expansion of its slums, now constituting 12 percent of its total area¹, and the increase in social mobility, which is, according to Karl W. Deutsch (a leading American political scientist), a social case characterized by a change in geographic location (internal migration) and occupational status on the one hand, as well as rapid interaction of ideas, their dissemination and intensive connectivity on the other².

Human development indicators in Deraa are similar to the low and worrisome indicators prevailing in the eastern parts of Syria (e.g. Raqqa, Deir al-Zor, and al-Haskeh, as well as the rural area east of Aleppo). Due to the scarcity of public and private development projects, Deraa is among the governorates with the highest flows of long-term circular migrations, due both to low rates of agricultural return for small and micro plots of land, and to fragmented land parcels caused by inheritance laws. Unemployment has increased because of the fall in crop production

¹ Barout, Jamal, (main author), Syria 2025 Project: Population projections and potential spatial transformations in the coming two decades, (Arabic), Damascus: United Nations Development Program and State Planning Commission, 2007, pp. 235-238.

² Abu Salih Adnan, Dictionary of Sociology, (English-Arabic), Amman: Dar Usama for Publishing and Distribution and Dar Almashriq Althaqafi, 2006, pp. 134-135.

caused by the filling in of groundwater wells with soil (a violation of the law) and rising costs associated with increasing fuel oil prices due to privatization. Thus, the growing labor force can no longer be absorbed except by internal or external migration. This is accentuated by a dropout rate for basic education that has risen to 4 percent, whereas the national average rate is 2.8 percent. These dropouts join other job seekers and are often employed in the informal sector. Such problems are exacerbated by early dropouts from basic education among girls and their early marriage, as not less than 30 percent of girls are married before eighteen, compared with the national average of 11 percent, which automatically increases both the total fertility rate and the marital fertility rate. Nevertheless, the local social fabric, including important forms of solidarity and co-operation, provides relative protection against vulnerability, marginalization and lack of social security.

It is true that the community of Deraa is quite civilized and very urbanized, with the rapid urbanization process having dismantled traditional tribal bonds; however, these bonds are still rather strong and sturdy during calamities, and capable of mobilizing others. Such community bonds enhance social solidarity and cohesion. Thus, based on its human development indicators, Deraa is an underdeveloped community with limited resources, a high unemployment rate, especially among youth, high age-dependency rates and limited opportunities for migration in recent years, which was the traditional crisis outlet. According to the ranking of Syrian governorates by human development indicators and poverty rates, Deraa is classified among those eastern and northern rural areas facing many obstacles in a harsh development process. High poverty and unemployment rates there, in addition to the weak social safety net, are combined with scarce and ineffective activities in the fields of charity, development and advocacy.³ In the entire governorate of Deraa, there are only ten organizations, with few branches, at a time when the development process and economic liberalization measures require an enhancement of the non-governmental role, the mitigation of negative effects of the transformation to a market economy and at least partial compensation for the weakness of the social safety net.

Like the protests in other Arab countries which have been swept by the winds of change, youth in Syria have formed the backbone of rallies and demonstrations. Peaceful protests led by the new youth began with demands for democracy and local and national development, all symbolically expressed in the chants for “freedom”, as well as some conservative cultural demands. However, the ever-accelerating pace of dramatic and tragic events revealed the

³ Advocacy groups include individuals who are active in advocating civil rights, the environment, women’s issues, marginalized groups and others.

enormous resentment and deep sense of frustration that had accumulated over the years. These became explosive, opening up various possibilities, including national unity leading to democratic transformation, comprehensive socio-economic and political/institutional reform, and ethnic and sectarian fragmentation. At a certain point, foreign actors might intervene, directly or indirectly, to achieve objectives unrelated to the aspirations of youth movements for democracy and development, or they might even settle geopolitical accounts with the Syrian regime and its regional role, in addition to other possibilities which have yet to be identified.

In fact, indications that Syria was entering a so-called “arc of crisis” emerged separately between 2001 and 2004, through clashes between Suwayda’s bedouins and its urbanized population (which never stopped throughout the early 20th century); between Ismailis and Alawis (which were recurrently recalled in the collective unconscious memory with its inherited traditional legacies expressed in latent confessional/sectarian conflicts); and between Arabs and Kurds in the city of Al-Qamishly, characterized by high ethno-national tension . The March 2004 events in Al-Qamishly were the most serious and acute of these crises. There were many different socio-economic, cultural, ethnic and political factors leading to these events, reflecting what can be defined as the geopolitical impact of the US-led occupation of Iraq and its impact on the Syrian social space. This space has been characterized historically by its ethnic and cultural diversity. Nevertheless, some new forms of peaceful protest emerged in Syria between 2001 and 2004, such as the workers’ sit-in because of delayed payment of salaries, a rally organized by public transportation drivers in front of a governorate building in protest against unjust administrative decisions, and the gathering of slum inhabitants against forced evictions or the removal of illegal construction. As for the new phenomenon of rallies, it is worth mentioning that these were confined to youth protests, activists of the newly formed democratic committees, and some democratic opposition parties demonstrating in front of court premises during the trial of some activists.

The fallout theory may explain some causes of the recent events in Syria. However, this theory has its limitations in interpretation as well as its risks in generalization. The fallout theory cannot be applied without an internal context. In addition, this theory should take into consideration the similarities of Arab authoritarian economic-socio-political regimes. This means that impact is but a catalyst for existing similarities.

Indeed, for multiple reasons, all Arab countries face potential unrest similar to that on the Tunisian scene. The majority of these countries are reaping the benefits of the so-called “demographic dividend” or window of opportunity, in which the growth rate of the people of working age (15-65 years exceeds the growth rate of the total population, even if the output per worker does not change (Bloom and Williamson 1997), while the economic supply, with its

limited ability to absorb such numbers, generates tension between large demographic supply and limited economic demand, thus increasing unemployment rates and causing socio-economic marginalization. Such a large increase in the workforce may turn either into a gift, which accelerates economic growth rates, or a curse, with low labor demand and limited job opportunities. The demographic window may lead to either a “green orchard” or a “wasteland”.⁴

Thus, the Tunisian case is latent in each Arab country. The authoritarian development pattern in police states or semi-police states is another common cause for the eruption of revolutions and socio-political tensions in Arab countries, leading as it has to widespread corruption among cronies and relatives of leadership figures. This situation distorts economic liberalization and replaces it with an oligopoly, fomenting monopolistic competition instead of a real market economy, and causing the relationship between state and society to be dominated by authoritarian structures and security apparatuses instead of laws. Moreover, a decrease in demand will result, when combined with an expanding workforce, in unemployment and its consequences, distortions of development effects in various provinces, and a growing “North-South” divide within a single country.

Syria shares such characteristics with all Arab countries; hence, the occasional differences are of no significance. To understand deep-rooted internal factors behind the protests, it is necessary to examine their origins, explore their *modus operandi* and look at the evolution of their indicators and aspects. The complex development approach, which links growth to development without being confined to a strictly economic approach, allows the understanding of such factors in the long term and to the assessing of their potential. The nature of economic science itself requires overriding economic approaches. Despite the predominance of the quantitative trend in this science when tackling social sciences and humanities, economics is not limited to neutral objective analysis. Economic science should include the normative aspect too, which depends on humanitarian, social and political functions, such as the social welfare function, to understand the nature of economic activity and policies. Therefore, economists rarely offer one single unanimous prescription for all problems.⁵

⁴ For more information about the concept of population and development perspective, see *Population and Development: The Demographic Window of Opportunity in Arab Countries*, New York, ESCWA, 2005, pp. 7-12. For more information about employment and unemployment rates and the rise in youth unemployment, see the *First Arab Report on Employment and Unemployment in Arab Countries*, (Arabic), Cairo, Arab Labor Organization, 2008, pp. 441-468.

⁵ Sukkar, Nabeel, *Economic Reform in Syria*, (Arabic), London, Riadh Al-Rayes for Books and Publishing, 2000, p. 12.

The development approach allows a determination of the share of internal factors in contributing to the current snowballing turmoil. The effects of the “structural economic adjustment process”, according to International Monetary Fund (IMF) terminology, have been characterized in Syria in the past decade by an accelerating pace of privatization, affecting not only the economy but all social, political and cultural spheres. The structural adjustment policies re-formulate such spheres and engender profound changes in the relations linking *power* to *authority*. In this sense, the effect of a structural economic adjustment process is not restricted to economic variables (such as budget deficit, debt size and others), where the impact may be justified, as it also encompasses social and political parameters, especially in the early stages of the process, leading to negative effects which jeopardize the security and safety of large sections of society.

To understand such factors, it is necessary to distinguish between economic growth and development, since high growth rates do not lead necessarily to socio-economic development unless they are linked to policies which are not constrained to quantitative development, but aim to achieve sustainable qualitative development. Growth does not lead, on its own, to development, but it is a necessary prerequisite. It is possible to know when growth leads to sustainable development by answering the following questions. What has happened to absolute poverty? What has happened to unemployment? What has happened to income distribution?⁶

In an attempt to provide potential answers to such problematic questions, it should be stated that all Arab countries are similar in this context, with relative differences which do not affect the problem’s core. This may explain the sweeping winds of change in these countries, thus defeating several myths, especially those related to development, such as “Egypt is not Tunisia” and “Syria is neither Tunisia nor Egypt.” The institutional socio-economic policies pursued by these countries are all based on a single development model, namely authoritarian economic liberalization. Syria’s adoption of this model was belated, compared with other Arab countries, because of governance-related reasons. Instead, between the late 1980s and the mid-1990s, Syria pursued the path of the second selective liberalization in the country’s socio-economic history,

⁶ For the concept of comprehensive development see:

- Sachs. I., *Inclusive Work for All*, in *International Labor Review*, Volume 143, 2004/1-2.

- *A Fair Globalization: Creating opportunities for all*, World Commission on the Social Dimension of Globalization, International Labor Organization (ILO), Geneva, 2004

- *Report on the World Situation 2005: The Inequality Predicament*, United Nations, Department of Economic and Social Affairs, New York

which may be termed the second economic reform phase, according to the concept of economic reform as defined by international institutions. The first partial liberalization took place during the early 1970s because of political and economic reasons, though the political aspect was more dominant, having been linked to the program of the late President Hafez al-Assad, who ascended to power in November 1970 after leading the Corrective Movement. This program was linked to an opening toward the Syrian cities and absorbing their role in the Corrective Movement's policies. Beginning in the late 1990s, economic policy in Syria underwent the third liberalization phase, which was characterized, according to IMF terminology, by a transformation from a cash stabilization policy to a comprehensive socio-economic and political restructuring process. The problem with the liberalization approach consists of describing and analyzing the impact of this process on the current unrest in Syria, where development, democratic, political and cultural claims are intertwined.

The critical legacy in an uncertain and tumultuous geopolitical environment

When Syrian President Bashar al-Assad came to power in 2000, he inherited precarious socio-economic and institutional conditions and unresolved social problems of considerable complexity, flexible when examining their socio-economic and political nature and hard when tackling their complex geopolitical nature. These difficult problems exploded during the past decade, especially in its first half, with the continued sanctions against Iraq and its occupation, the outbreak of the July 2006 war between Israel and Lebanon, the criminalizing of the Palestinian intifada and its repression as well as the larger Israeli aggression against the Palestinian people. The eruption of such challenges can be understood in terms of the chaos theory, namely that the chain of events in the Middle East does not follow any predictable rules, but usually unfolds as surprises, leaps and political earthquakes.

For methodological reasons, I find myself concerned with “flexible” socio-economic challenges and “hard” geopolitical challenges in light of their effects on the solutions and methodologies which sought to address them. As for the “flexible” challenges, there was a structural crisis. Indicators of such a flawed and distorted situation emerged at various socio-economic and political levels, especially in 1999 and 2000, when the late President Hafez al-Assad was almost totally debilitated by poor health and thus unable to carry out his official responsibilities. During that time, the political regime was entering its final phase, with its outdated mechanisms, its institutional inertia, the hardening of the role of its upper and middle bureaucratic elites, the spread of corruption at all levels of its apparatuses, and the weakening of the bases of its socio-political contract which is behind the social approval or satisfaction with the ruling regime. This situation raised complex and thorny issues regarding the regime's ability to renew itself, or even

its desire to do so, as well as its capacity to adopt new approaches and allow the regime and Syrian society to overcome their heavy structural crisis.

The challenge of growth and overcoming stagnation: increasing the size of government

At the purely economic level, which constitutes the core of the flexible challenges, President Bashar al-Assad inherited a stagnant economy with an inability to provide job opportunities for young generations entering the labor market, high unemployment rates, and a growing informal sector. The economic growth rate declined following the relatively high growth undergone by the Syrian economy during the second liberalization phase, which witnessed a rapid expansion of 7.33 percent in 1991-1996 before dropping to about 2.15 percent during 1997-2003, then to zero and negative growth in 2000⁷ due to the abstention of the private sector from investing, and the indirect implications of the 1997 Asian financial crisis for the rentier sectors of Syria's economy. This crisis continued until 2000, with oil prices falling from USD 20 per barrel in 1996 to less than USD 9.50 in 1998, before rebounding to USD 17.50 in 1999.⁸ This fluctuation negatively affected Syria's revenues from the foreign sector, which was financing its public budget as well as its development projects.

During the past decade, the average real economic growth rate was about 2.38 percent lower than the population growth rate during the same period, which was considered high for both the Arab region and the world. The population growth rate in Syria ranks 23rd in the world, below 18 least-developed countries in sub-Saharan Africa.⁹

In spite of the absence of consistent criteria for the relationship between population growth and economic growth rates, it is assumed that, within the framework of growth linked to development, the real economic growth rate under the socio-economic and political conditions in Syria (during the period when the development process outcomes achieved previously have decreased) should not be three times lower than the population growth rate. This means that the economic growth rate should not be less than 7 percent or 8 percent, which was the rate achieved by the Syrian economy during the 1970s (1971-1980, due to the mobilization of resources and

⁷ Muhammed Jamal Barout (main author), Survey of Macroeconomic Developments and Analysis of Their Basic Trends in Syria (1970-2005) and Future Prospects, Damascus, United Nations Development Program and the Office of the Prime Minister, 2007, p. 211.

⁸ Ibrahim Alisawi, The Egyptian Economy in Thirty Years, Cairo, Third World Forum and Egypt 2020 Project, Academic Bookshop, 2007, p.182.

⁹ Muhammed Jamal Barout (main author), The Status of Syria's Population, First National Report 2008. Damascus, the Syrian Commission for Family Affairs and the United Nations Population Fund, 2008, p. 85.

aid provided by the Gulf countries, estimated to be around USD 1.5b-, when it reached 10.5 percent annually. This rate was quite high compared with the Gulf countries,, whose economic assistance constituted a major cause of the growth of the rentier economy in Syria or, more precisely, the secondary rentier economy, with the primary rentier economy being the source of financial aid from oil-exporting countries. During that phase, the Syrian economy achieved full employment. Indeed, its high growth rate required additional workers to compensate for Syrian migration, especially to the Gulf countries, which reached the unprecedented rate of about 10.8 per one thousand.¹⁰ Because of this high migration rate, the development process lost highly skilled and middle-level professional managers who were badly needed. On the other hand, the volume of remittances, which have a direct positive impact on economic growth, increased, thus improving both growth and the human development levels of the families benefiting from them.

While facing the challenges remaining from the stagnation phase, the Syrian government found itself compelled in 2001-2005 to adopt development intervention means since the private sector refrained from investing, raising unemployment to 16.2 percent of the workforce.¹¹ As a consequence, the distribution of income as a share of GDP decreased, as noticed in some indicators, including the decrease in the share of salaries and wages in GDP which went down from 43 percent in 1996 to 38 percent in 2003.¹² Therefore, the ninth five-year plan (2001-2005), which was designed by development experts headed by the late economist Issam Al-Zaem, allocated 69 percent of its investments to the public sector and 31 percent to the private sector, and set an ambitious program to expand employment opportunities and fight unemployment. Thus, increasing the size of the public sector, or the so-called size of the government, which is measured by the GDP share of both current public expenditure and actual public investment reflects the extent of the state's development role in socio-economic activity and demonstrates its type.

¹⁰ Barout, *Ibid.*, 68.

¹¹ Survey of Unemployment, Damascus, State Planning Commission, 2003. (Limited Distribution). A survey to assist the Unemployment Alleviation Commission set up under Law No. 71 of 2001. Some SYP 50 billion were allocated to this program for 2002-2006. The Central Statistics Bureau estimated the unemployment rate at that time at 11.7 percent according to its definition of unemployment. On the other hand, the aforementioned commission adopted a broader definition of unemployment covering open unemployment and shortage of financing. Syrian and Arab definitions of unemployment are known to be inclined to reduce the number of unemployed to create a false impression about the strength of the economy. This definition is an indirect, misleading and politicized tool.

¹² Jawdat Abdulkhaliq, *Macro Policies to Alleviate Poverty in Syria*, Background paper for the 10th five-year plan, 2004, p. 4. Compare with: *Analysis of Syrian Macro Economy*, Damascus, State Planning Commission, 2005, pp. 23-24.

Within such development directions, the Syrian government increased its size from 24.6 percent of GDP in 1997 to 30.5 percent in 2000, and to 33.66 percent in 2004,¹³ benefitting from rising oil prices during the period from USD 24 per barrel in 2000 to about USD 36 following the US occupation of Iraq in 2003.¹⁴ Moreover, it increased its investment in infrastructure, especially in the transportation sector, which represents a major productive service sector, with spending on transportation four times higher than during implementation of the eighth five-year plan (1996-2000),¹⁵ constituting the development basis of this sector's growth rate and its contribution to GDP, which reached 10 percent in 2010.

Socio-political actors' trends: the lost opportunity

During his swearing-in ceremony President Bashar al-Assad attempted to adopt an institutional reform approach in order to exit the crisis. This approach launched a large-scale, qualitative social-political dialogue, raising all questions on the problematic of transformation from the pattern of plans and policies formulated by the comprehensive central planning model to a market economy model, and from the authoritarian structure governing state and society to a democratic structure. Within this context, a movement of cultural-political forums flourished, with its activities focusing on the priorities of democratic transition in what became known as the "Damascus Spring". Intellectuals led this movement, especially leftist intellectuals and leftist nationalists, whose awareness had been growing rapidly since the mid-1980s, shifting from traditional nationalism and leftism to democracy. In general, they welcomed a transfer of power and bet on the support of the young president whose promises of openness offered hope of rejuvenating public political life and creating a new public space.

These forums attracted members of the middle class, in addition to youth, to the field of public action after a long period of abstention, constituting a democratic training workshop. Had the institutional reform options been pursued, they would have led to the establishment of new democratic parties free of the radical coup d'état mentality which characterized the thinking of cultural and political elites. If these promises had been kept, they would have led to the rejuvenation of political life and a maturation of modern public opinion in which all forms of socio-political interaction were expressed to constitute the nucleus of opposition political parties and organizations that would have been governed by the rule of law. However, the Syrian political leadership, including the security leadership, have halted this movement, harassed and

¹³ Barout, Survey of Macroeconomic Developments, op.cit. p. 255.

¹⁴ Ibrahim Alisawi, op.cit. p. 182.

¹⁵ Barout, Survey of Macroeconomic Developments, op.cit. p. 255.

arrested its cadres, and brought some of its members to court. This cultural and political movement became active when the Syrian leadership was divided over its position, until it suspended all the forums in September 2001, with few exceptions, such as Jamal Al-Atassi's Democratic Dialogue Forum, which constitutes a cultural facade for the opposition National Democratic Assembly that was later banned. The political leadership, which included some influential officials, was unable to tolerate such forums and their potential political basis, despite the inauguration speech in which the president pledged to respect diversity of opinions and to institutionalize the process. The swearing-in speech mentioned this openness in light of traditional totalitarian exclusion mechanisms in place for many years. The non-fulfillment of these promises constituted a lost opportunity to renew political life and to stimulate societal participation.

The conflict among advocates of liberalization, advocates of 'corrective measures' and advocates of development: emerging actors and declining ones

While political openness came to an end, the door remained quite open for economic, administrative and institutional reforms, which were even given priority. Within this context, the previous controlled polarization regulated by the late President Hafez al-Assad (on the eve of the second liberalization process) between advocates of liberalization, or liberal economists, and traditional advocates of "corrective measures", re-emerged. To understand the change in socio-economic and political actors in the past decade it is necessary to address this polarization.

Formation of a bureaucratic capitalist class

A large public sector was formed in the 1970s, a decade which saw average annual growth of some 10.5 percent. The Syrian economy was known for its rentier and distribution features, which were used by the political elite for the expansion of its network of socio-economic and political clientele, as well as for the development of containment and control mechanisms. All social classes and strata benefited to various extents from this dual nature related to the development pattern in the oil-exporting Gulf Arab countries. Syria joined this pattern indirectly through assistance provided by the Gulf countries. Within this context, a capitalized bureaucratic class grew while positioning itself at the top of the bureaucratic, political, military and security sectors, which basically come from the middle and poorer classes. This class was described in leftist literature as a "bureaucratic bourgeoisie" allied with a "parasitic bourgeoisie". The parasitic bourgeoisie is supposed to include businesspeople who work as subcontractors for the public sector or as middlemen in foreign trade contracts in which commission constitutes a large proportion of total value. These two terms have been mainly developed in communist writings. The bureaucratic bourgeoisie, or capitalized bureaucracy, is intended to mean that its establishment was an outcome of its appropriation of state apparatuses. This class used to "own"

the state through its appropriation of its apparatuses, thus it developed its capital through the use of “emirate” as an entrance to “trade”, according to Ibn Khaldun terminology¹⁶. Through an extremely greedy plundering of public funds, this class acquired a large share of the fruits of the high economic growth¹⁷, and this share was part of the funds invested in pompous and luxurious projects. Sons, in-laws and followers constituted another part of those savings in clientelist, authoritarian and despotic networks. This is directly revealed through the presence of these people on market investment lists or other forms of partnerships and facades, with the actors running the “restricted” markets¹⁸ controlled by the state bureaucracy. According to social science terminology, that means that this class has enjoyed a new and private economic source of power, which enhances both its ability to develop client networks, and its power to command, ban, reward and punish. This dominant authority is the major determinant of social power.

B- The power of the bureaucratic capitalist class

The interests of some poles of the capitalized bureaucratic class, or the upper bourgeoisie bureaucracy, clashed with the policies of Dr. Abdul Raouf al-Kassem’s government (1980-1987) for various reasons. Immediate interests, or clientele interests, affected by al-Kassem’s policies (which were supported by the president) were the common factor for those reasons.¹⁹ As a result,

¹⁶“Businesses owned by responsible and organized merchants shall eventually surpass those owned by wealthy rulers”, Ibn Khaldun, *Muqaddimah* 2: 272-73 quoted in Weiss (1995) p.30.

¹⁷ The economic growth rate in the 1970s, which reached 10.5 percent, was believed to be the highest ever achieved by the Syrian economy in its contemporary history. It was higher than the gross economic growth rate in the Arab world in the 1970s, which was 7.9 percent per year. It was higher than those in Saudi Arabia and the Gulf Arab countries which were providing aid to Syria, as their average growth rates were 8 percent and 9 percent per annum respectively. Economic growth in Syria during that period was the highest in the whole Arab region (*Survey of Macroeconomic Paths*, p. 93.) Compare with: Saad Eddin Ibrahim (editor), *Society and the State in the Arab World: Arab World Outlook Project*, Arabic, Beirut, Center for Arab Unity Studies, 1988, p. 308.

¹⁸A *restricted market* is a market which does not allow for a free-floating exchange rate, such as a region whose exchange rate is heavily controlled by the government and only partly influenced by general economic variables.

¹⁹ Abdul Halim Khaddam’s extremely hostile attitude towards al-Kassem was a reaction to the latter’s opposition to Kaddam’s sons’ involvement in a deal for the burial of nuclear waste in Syria. The state security apparatus was resentful of al-Kassem because he suspended competitions to recruit civil servants. High-ranking officials were also angry at him because he tightened the regulations banning the use of government and military vehicles outside official working hours and reduced fuel allocations. Al-Kassem saved 15 percent of fuel consumption by government vehicles. Top generals in the military became his deadliest foes because he rejected a construction project on a large area of agricultural land in Damascus, as its underground water basin was at risk of depletion or destruction. With the support of the president, al-Kassem made *Al-Thawrah* daily newspaper publish an investigative report covering the project. Some generals involved in the project responded by exerting pressure on him and threatening him with dire consequences (personal interview with Muhammed Khairawadi, editor-in-chief of *Al-Thawrah*. Khairawadi confirmed to the author the authenticity of Mahmoud Sadiq’s narrative. Compare with: Mahmoud Sadiq, *A Dialogue on Syria*, no date, no location mentioned p. 222 and pp. 228-229. General Tlas’ stance

such elites heaped tremendous pressure on the late President Hafez al-Assad to get rid of al-Kassem's government, which led him to dismiss it in 1987. He appointed al-Kassem, for demographic balance, as the president of the National Security Bureau at the Regional Command of the Baath Party and appointed the engineer Mahmoud al-Zubi as the prime minister. The long life of this government – until 1999 – expressed the stagnant role of the elite and the formation of a dominant and corrupt political bureaucratic class. Three of its members were accused of being involved in major corruption deal and were sentenced to prison. A major function of this government was the application of selective liberalization policies and measures in order to attract private sector investment to exit the severe economic crisis in the 1980s, to provide imports to alleviate constraints facing the supply of goods, to activate the public foreign trade institutions and to meet the requirements of the “clearance” program to set off Soviet military and economic debts with Syrian goods (goods for debts).

C- Regulation of polarization between the advocates of ‘corrective measures’ and the advocates of liberalization: role distribution

President Hafez al-Assad adopted a methodology in administration that was based on role distribution. His methodology was inspired by President Jamal Abdul Nasser's experience in distributing roles to major officials within the regime. Abdul Haleem Khaddam, the minister of foreign affairs and later vice president, represented, within the Syrian leadership, the Soviet role, while General Hikmet al-Shihabi represented the Saudi-US role and its policies in Lebanon, Palestine and the region. In light of this methodology, the late president organized the political polarization between the advocates of opening up to the private sector as well as attracting and catalyzing investment and expanding its role within the framework of spontaneous privatization, on the one hand, and the bureaucracy of the state, the party and the security apparatuses on the other. The bureaucratic forces trailing socialist slogans with their maintaining their appropriation of the public sector and its use for their own clientelist interests on the eve of the late president's decision to adopt the path of selective economic liberalization, unlike Egypt, which signed an agreement with the IMF under which the latter gained control of financial, monetary and economic policies. The late president did not set up the polarization approach, but rather

depended on the confrontation between his subordinates and General Basheer al-Najjar, general director of customs, who accused him of smuggling across the Lebanese border. Thus Tlas reacted strongly to Najjar (Sadeq, p.22), although it is possible that Tlas subordinates might have carried out smuggling operations using his car without his knowledge. Tlas was not in need of the profits from smuggled goods. In fact, al-Kassem had waged, as far as he could, an intense campaign against smuggling, especially from Lebanon, which constituted almost 10 percent of Syria's Gross Domestic Product. (Interviews carried out by the researcher with various persons who were eyewitnesses to such events and did not want their names disclosed).

regulated it among the advocates of liberalization and the advocates of “corrective measures” in order to contain both the right and left mechanisms of the political regime. Thus it achieved a sharing of power and managed the various stances emanating from within the regime. The aforementioned mechanism was part of the political system mechanisms developed by the late president, namely the mechanisms of containment/exclusion, who gave priority to containment mechanisms.

Syrian trade unions, the security and political bureaucratic class, and communists affiliated with the National Progressive Front (belonging to both Syrian communist parties) undertook the role of “corrective measure” advocates. Meanwhile, the economic team and the private sector forces represented by the Damascus Chamber of Commerce, whose representatives were promoted to the People’s Assembly (i.e. they became members of the Syrian Parliament), as well as committees issuing economic decisions made by the Rationalization Committee, and some sectors of the Syrian leadership that accepted such a role or felt it was in their interest to perform it, were seen as the advocates of liberalization. The economic forces endeavored to develop spontaneous liberalization into an regulated and controlled liberalization covering banking and credit laws as well as institutions, and paved the way for a small stock exchange. This polarization led to moving from the theory of the central leadership role of the public sector to “economic pluralism” in all public, private and joint sectors. The climax of this transformation was the draft law on investment (Law 10 of 1999), which encountered heated discussion before its approval and enactment as a law similar to that in Egypt, but without Syria’s signing an agreement with the IMF for an Economic Reform and Structural Adjustment Program. This was part of an undeclared approach that was a relatively late simulation of the Egyptian opening-up policies in a mild manner as compared with Egypt in what was known as “the Pharaoh’s Curse Scenario”.

Authoritarian liberalization: limited political reforms

The late President Hafez al-Assad belonged to the generation of national leaders whose experiences, knowledge and behavioral determinants were formed within the framework of the approaches adopted by national liberation movements during the Cold War. He led what were known in Soviet terminology as the authorities of the “people’s democracy” or the “non-capitalist path of development”. However, he adopted a flexible and pragmatic vision free of rigorous dogmatic intransigence. This was reflected in the program of his Corrective Movement, which adopted a vision on political and popular participation in accordance with the political discourse of both allies and opponents of the regime.

The integration of the private sector within the framework of the socio-economic and political control mechanisms in the development process was not unique to this structure. In this context,

the late president was flexible in perceiving the widening of political participation according to the containment/exclusion rule. Therefore, in 1989 he was ready to introduce some political and institutional modernization processes in the mechanisms of his political regime. Yet, he only brought in some limited measures because of both the nature of the regime, on the one hand, and the international as well as regional variables at the same time, on the other. During this year, when the transformation of the world started, Syria broke out of its regional isolation and regained international and regional recognition of its role. This enabled it to overcome the fortress mentality of its internal policies.

The correlation between moving towards the market, on the one hand, and moving towards democracy, on the other, was very weak in that experience, and it was radically different from the transformation pattern which integrated the two in East European countries. The most evident correlation was actually between selective liberalization and the attempt to modernize some mechanisms aimed at authoritarian liberalization. The result of such mechanisms was to constrain the political equivalent of liberalization within limited and controlled domains. The transformation witnessed by the world at that time, particularly Soviet perestroika, enhanced the position adopted by the president. At the first (June 1985) and second (April 1987) meetings between the late President Assad and Soviet leader Mikhail Gorbachev, the latter was enthusiastic and determined to implement his perestroika and glasnost agenda. At their last meeting, held on April 28, 1990, Gorbachev was weak, complaining to President Assad about his position and asking him how he managed to govern Syria throughout that period.²⁰

Under these circumstances, the controlled political reforms pledged by the late president in 1989 were not implemented. Neither the congress of the National Progressive Front nor the Baath Party conference was held. Moreover, the emergency law was not amended. The political forces, which had prepared themselves to be integrated into the regime's containment mechanisms, were disappointed. The party's economic scheme led to nowhere. All reforms were "suspended", awaiting the conclusion of the peace negotiations, which drained the late president. This situation was expected from a regime in which any modernization process depends on the president's resolutions due to his powers, which exceeded the usual powers in presidential systems, and even surpassed those of the Soviet Presidiums. The late president built the leadership center according to the structure of the presidium system that had wide-ranging powers, based on the distinction, not separation, between legislative, executive and judicial authorities, as stated in constitutional

²⁰ The major points in the minutes of the meetings between President Hafez al-Assad and Mikhail Gorbachev in April 1987 and April 28 1990 were kept without classification at the archives of the republican palace in Damascus. The researcher obtained copies of these and other minutes in 2004 for exclusive use in his research before the archives were classified.

law. At the level of the relationship between “the leadership” and “the government”, the Syrian presidential system was based on separation between the political function assumed by the leadership and the administrative function carried out by the government.²¹ The openness was confined to substituting political pluralism with economic pluralism, integrating the private sector’s representatives as “independents” into the authoritarian containment mechanisms in the People’s Assembly (parliament), and expanding the number of members of the assembly in order to enable the “independents” to run as candidates in a free competitive election. While the National Progressive Front maintained its majority “share” or “quota”, a large number of political prisoners were released. It was imperative to recognize the role of the private sector in the light of a new definition of the roles of socio-economic actors. Private sector exports in 1990 rose 43 times compared with the 1985 rate, scoring an unprecedented leap and a surplus in the trade balance after years of deficit.²²

State autonomy

Despite economic liberalization, the two interpretations of the political authoritarian power are insufficient in the Syrian case. These two interpretations are as follows: they explain reliance on the private sector within the framework of the waning of “the state’s autonomy” or the state’s relative independence from civil society. However, another interpretation, one related to the direct rentier characteristics of the Syrian economy should be added, although its external rentier sources are of secondary importance because of the political geography linking Syria to the Gulf countries. Public finances lived on externally generated rents rather than on internal income generated by taxation, which helped prevent a Syrian version of the slogan “No taxation without representation” (raised by American colonists in the 1750s and 1760s as they demanded the right to parliamentary representation in Britain). Therefore, the rentier revenue negatively affects the process of democratization.²³ In Syria, the flow of small oil rents, as well as public finance revenues from strong agricultural exports, are both direct rent exports. Hence, it is normal for

²¹ Kemal Ghali, *Principles of Constitutional Law and Political Systems*, (Arabic), Damascus, the New Press, 1975, pp. 626-627.

²² Muneer Al-Hamash, *Industrial Development in Syria and Prospects of Its Renovation*, (Arabic), Damascus, Dar Aljaleel, 1992, p. 91. Compare with Ratib Al-Shallah, *Syrian Trade Surplus: An Ephemeral Event or Constant Improvement?* (Arabic), Damascus, Lectures of the Economic Sciences Association, June 1990, p. 3. However, the trade balance surplus did not positively reflect on the foreign sector’s status, because most exports were shipped to the Soviet Union to repay debts.

²³ Azmi Bshara, *On the Arab Cause: An Introduction to an Arab Democratic Manifesto*, (Arabic), Beirut: Center for Arab Unity Studies, 1st edition, 2007, pp.74-75

rentier revenues to be associated with authoritarian regimes to constitute the foundation of “state autonomy”, i.e. its independence from society.²⁴

The UNDP Human Development Report titled “International Cooperation at a Crossroads” (2005) states that “in the 34 developing countries with oil and gas resources that make up at least 30 percent of their export earnings, half of their combined populations live on less than USD 1 a day. Two-thirds of these countries are not democratic” and suffer from “systemic corruption”.²⁵ Public finances in Syria depend on direct oil rents from its minor oil exports and on the secondary rent represented by the assistance provided by the Gulf countries, which reached high levels during the 1970s in particular. Such information helps in understanding the reluctance of the Syrian leadership to follow up on reform and to develop these reforms in the 1990s, especially after suspending political and institutional reforms.

Touching upon these events is of significant importance in this research, due to their relationship with the unresolved fundamental political problems inherited by President Bashar al-Assad. Within this context came the last and only change attempt carried out in the 1990s, an effort to conduct dialogue with political actors, i.e. with Syria’s Muslim Brotherhood, in 1997 and 1998. The Muslim Brotherhood’s position at the time was part of the other Islamic organizations’ position, which was supportive of the Syrian position on the negotiations with Israel and came in conformity with the Muslim Brotherhood’s patriotic history during the 1948 war, as well as its support for the Fatah movement. The negotiations were conducted with Dr. Hasan al-Huwaidi, the Muslim Brotherhood’s former general supervisor (*muraqibam*) in Syria, and were mediated initially by Turkish Prime Minister Necmettin Erbakan (until he was overthrown) and a number of Arab Muslim Brotherhood leaders. These negotiations were led by Sheikh Ameen Yeken, the Muslim Brotherhood’s former general supervisor in Syria on the one hand, and General Hikmet Al-Shihabi, Syria’s chief of staff on the other. An agreement was reached on the problem of missing persons and on the Muslim Brotherhood’s representation as an Islamic political patriotic party within the National Progressive Front.²⁶ During the above period, the centers of

²⁴ Azmi Bshara, *Ibid*, p. 79.

²⁵ 2005 Human Development Report, *International Cooperation at Crossroads: Aid, Trade and Security in an Unequal World*, New York, UNDP, 2005, pp 124- 125.

²⁶ Personal interview with Amin Yeken in Summer 1997. The researcher points out that he stayed in touch with Yeken until his death. An affectionate friendly relationship emerged between the two. The researcher mediated between him and peasants leaders in his district, on the basis of his close links with the district communist committee, and an agreement was almost reached. Despite the fact that it was an attempt to take command of his land, some of the peasants assassinated him, justifying their act as being the result of a conflict between peasants and landowners, between communists and Muslim Brothers and others. The perpetrators belonged to political parties, but there was nothing which implicated these parties in what was deemed a social issue. In the author’s view, Amin

power were involved in a harmful internal conflict related to the pattern of traditional conflict between elites and expressed through several forms, among them forms of defamation that were unusual in the conflict among the elites of the senior bureaucracy in Syria.²⁷ Soon thereafter, President Hafez al-Assad entered the final stage of his incurable disease and failed to appear at any meeting held by the Syrian leadership or the meetings of the regional command of the Baath Party throughout 1999-2000.²⁸ No other person was able to break the impasse in the negotiations.

During this critical period, when the peace negotiations reached a major stalemate, the president's effectiveness declined due to illness. Instances of corruption were revealed in an unprecedented manner, while the transfer of power process had started in a quiet and stable manner. Dr. Bashar al-Assad emerged as a modern person, proposing reform policies and principles and launching a dialogue with intellectuals and leaders of expatriate communities, with special focus on fighting corruption, demolishing construction built by some senior bureaucratic officials on governmental properties, applying information and technology dissemination programs, and involving Syria in the modern social networking space. In the meantime, security authorities officially banned facsimile machines and confiscated satellite dishes from residential rooftops in public campaigns up to 1998.²⁹ Under the institutional and political status quo, the new president's discourse provided some kind of a promise for Syrian dynamic groups.

Expulsion of the bureaucrat advocates of 'corrective measures': The Khaddam issue and changing the rules of the game

The expulsion of bureaucrats was the basis of the formation of Mustafa Miro's first cabinet (March 1999) as it was the first government to exclude the usual security, bureaucratic and political cadres. In spite of his deteriorating health, President Hafez al-Assad himself supervised

Yeken's assassination was a perfect crime that was committed for personal and expansive interests in Yeken's land; ideology and politics were used merely for mobilization.

²⁷ One of the main forms of defamation was the circulation of a video film showing some ministers in compromising and inappropriate positions leading to the dismissal of Basheer Al-Najar (see Ziada p. 563). At the same time, a long memorandum signed by Naji Alloush, a pseudonym unrelated to the well-known Palestinian author, was spread. The circulated memorandum was written in an aggressive, provocative and rallying tone summing up the view of the advocates of "corrective measures" against the so-called "wolf Mahmoud al-Zubi" and the government's liberal economic policies, threatening to cut off the hand of whoever steals from the public sector described by the memorandum as the "Baath machine" (written memorandum by Naji Alloush kept by the researcher).

²⁸ Personal interview carried out by the researcher with a high-ranking official who was with the late president on a daily basis. For understandable reasons, the author has decided to withhold the official's name for the time being.

²⁹ Observations made by the researcher, during his field work, on the confiscation of satellite dishes in Aleppo.

its formation, in light of his deep resentment of both government and party officials because of widespread and excessive corruption.³⁰ The government was constituted based on a balanced approach combining two trends in both government and leadership developed by the late president, namely bringing together “experts” (high-ranking elderly bureaucrats) and “competent persons” (young reformists and advocates of modernization from new political, professional and technical backgrounds). However, such representation caused embarrassment to major advocates of “corrective measures” who were at the top of the political and trade-unionist bureaucracies, in an apparently “quiet” and “normal” manner. The political system was freed from the most prominent bureaucratic forces impeding the development of the system.

Within the new government, Dr. Issam al-Zaeem assumed the application of institutional development concepts to the ninth five-year plan. His approach was in compliance with the one adopted by the advocates of “corrective measures” in holding fast to the role of the public sector, but it radically contradicted them on reforming the public sector and ridding it of the bureaucrats responsible for its limpness and corruption, as well as its productivity decline. Al-Zaeem was an advocate of development rather than of “corrective measures”. In terms of strategy, he was against the application of the IMF’s and the World Bank’s prescriptions, yet he approved the selection and implementation of some of their positive recommendations. In this context, he had no ideological objection to accepting practical ideas on privatization, such as the separation of administration from ownership. This developmental thinking linked to Al-Zaeem was weak and did not manage to turn into a trend. Those who were close to such a trend continued to be confused to some degree because of the bureaucracy of the advocates of “corrective measures” who were still in power.

Possibilities for the success of developmental vision were dissipated when Vice President Abdul Halim Khaddam moved, following Bashar al-Assad’s ascent to power, from sponsoring the economic reform process, supporting proposals for shifting from a centralized economy to a market economy,³¹ and being an element of attraction to the old high-ranking bureaucracy and

³⁰ On the late president al-Assad’s role in changing the government, this was included in his reply to President Clinton’s wish to meet with him and al-Assad’s apology for not being able to do so, because he was busy changing the cabinet. Clinton insisted that his schedule was already full, yet al-Assad insisted that he would not be able to make it on the proposed date set by Clinton, who promised to re-contact him (telephone call between President Bill Clinton and President Hafez al-Assad on March 12, 2000, Archives of the President’s telephone calls with other presidents kept at the republican palace). Al-Assad speeded up the cabinet formation because he was quite sensitive to the claim that he formed the cabinet after meeting with Clinton (interview with a person who declined to disclose his/her name). The above person said that he/she was shocked by the extent of corruption among high-ranking officials as revealed by President al-Assad.

³¹ It was Khaddam who followed up the agreement reached between the late Lebanese Prime Minister Rafic al-Hariri and Syria’s late President Hafez al-Assad in 1987, when Hariri, within his plan to settle the Lebanese crisis, expressed interest in President al-Assad’s concerns related to the deterioration of the Syrian economy at that time.

the bureaucratic advocates of “corrective measures”, especially those related to reform, to becoming one of the most conservative bureaucrats who was warning of the risks of political reform. He led the elimination of the “Damascus Spring”, using the end of the agreed six-month deadline as an excuse, while expressing concerns over the “Algerization” (rise of fundamentalist Islamist movements) of Syria.³² Inside the leadership, he warned against the risks of economic liberalization, driving others to protect themselves with their fears of a market economy. His attitude radically affected the regional command’s views on the adoption of the economic reform program as formulated by the second Mustafa Miro cabinet, and increased the level of fear of reform. This meant that any decision taken by the government was subject to the regional command’s approval.³³

By the end of 2005, the majority of advocates of “corrective measures” and “traditionalists” had grown old and reached the age of retirement or were close to it, yet they tried to form what has been called within their circles a “front” following the examples of “old comrades”, using the protection of the president against dangers threatening him as an excuse. Some leaders of this front approved, consciously or unconsciously, the issues raised by Vice President Abdul Halim Khaddam. However, this front broke up after Interior Minister Ghazi Kanaan’s suicide and Khaddam’s dissent and departure from Syria in 2005, as suspicions rose about his involvement in a coup d’état under the pretext of protecting the regime. This presumed coup aimed to rehabilitate the Syrian regime to bring it into accordance with the new arrangements envisaged to reshuffle the Middle East and was linked to the “Saudi wing” in the Syrian leadership

He offered to assist Syria by financing a study on reforming Syria’s economy. Dr. Nabeel Sukkar, who previously worked at the World Bank, was the mastermind of the project. Sukkar wrote the project’s summary, which he submitted to the Syrian leadership in the form of an analytical and political project applicable to concrete programs in 1987 (personal interview with Nabeel Sukkar in July 2006). Sukkar was among the first methodological pioneers working for the Syrian economy’s reform while adjusting it relatively according to liberal criteria. The project was entitled “Towards an Advanced Socialist Economy”, Damascus, unpublished manuscript, November 20, 1987, kept by the researcher.

³² Khaddam’s campaign was launched at the end of the six-month deadline set for all independent forums and clubs. This position located him, in one way or another, at the epicenter of the senior bureaucracy which feared reform and was opposed to it. President Bashar al-Assad tried to provide the movement with a new impetus, allowing the forums, the clubs and the intellectual movement to resume their activities. However, all these activities were halted with the selective arrest campaign carried out on September 10-11. The September 11 events took place and the high-ranking bureaucracy took advantage of these events to tighten its grip and introduce reforms during the “agony” phase.

³³ Personal interview with Syrian Prime Minister Muhammed Mustafa Miro in Damascus in Summer 2007.

represented by Khaddam, Kanaan and al-Shihabi (though he was retired) in alliance with the late Lebanese Prime Minister Rafic al-Hariri.³⁴

During the years 2001-2005 there were regional and international disturbances in the aftermath of September 11, 2001. Iraq was occupied in March 2003, and the neoconservative group was in charge of guiding the US strategic initiative to reshape the global order, starting with the reshuffling of the Middle East and the “building of nations”. Within this context, Syria was subjected to unprecedented pressures to change its positions on regional issues and plunge into the new American policy in the region. Within this tumultuous context, al-Hariri was assassinated on February 14, 2005, and Syria was accused of having committed the crime. The issue was used as an excuse to evict Syria from Lebanon and to reach an accord within the NATO alliance on Middle East affairs, as it experienced a chasm in the aftermath of the war on Iraq, according to Vincent Nouislee’s analysis.³⁵ This was reflected in the balance of power centers within the Syrian regime when the Khaddam-al-Shihabi-Kanaan plan failed to induce changes by use of pressure through traditional bureaucratic forces, which were still trying to hold on to their influence and access to the president. This failure resulted in a dissolution of the traditional ruling group, and some its members were banned from traveling abroad by the regime itself.³⁶

During the period 2000-2005, the door was open to debate economic reform in a transparent manner. Within the controversy between developmental and liberal trends which were developed by Dr. Issam Al-Zaeem, several committees, diverse in their constitution and ideas regarding economic reforms, were formed. Their suggestions ranged between reform and caution, content with the separation of management from appropriation and the re-structuring of the public sector. During this period all the projects which were suspended in 1992, under the pressure exerted by the advocates of “corrective measures”, were submitted to discussion. These projects were related to the enhancement of the Syrian economy’s liberalization, in an attempt to overcome its structural stagnation and restructure it.³⁷ What was unacceptable in 1991 and 1992 became

³⁴ This alliance may explain the campaign launched in the aftermath of Rafic al-Hariri’s assassination against General Rustum Ghazala, who was General Ghazi Kanaan’s former assistant and successor. The campaign barely touched General Ghazi Kanaan, although the Lebanese politicians opposed to the Syrian intelligence and military presence in Lebanon, or those who became opposed to it, mentioned in their statements all those Syrian officials involved in Lebanon throughout what was known as the period of Syrian “tutelage”.

³⁵ Vincent Nouislee, *Dans le secret des présidents*, Paris, Fayard, 2010, pp. 463-481

³⁶ Personal interview conducted by the researcher with a person banned from traveling abroad, whose name was included in a list of about 93 persons and who did not wish to be identified.

³⁷ The advocates of “corrective measures” were the members of the 35-member committee boycotted by the State Planning Commission, then members of the Economic and Social Development Committee, then members of the 18

acceptable in 2000-2005. The acceptance increased in 2006-2010. This was reflected in the increased number of decrees and administrative orders issued during the period 2000-2005, which exceeded 1,200 decrees and decisions aimed at upgrading the business environment, improving the investment climate and drafting legislation such as the Law of Trade, the Law of Companies and the Law of Competition, some of which were enacted later.³⁸

These developments also reflected the extent of change in the roles of both the advocates of “corrective measures” and the advocates of liberalism. The advocates of “corrective measures” became an aging force, while the advocates of liberalism became an emerging force possessing solutions. Advocates of development were the weakest because while they knew what to reject, they did not know exactly what they wanted. Thus, they were unable to distinguish sufficiently between the concept of “independent development” – which had not been developed and remained subject to traditional concepts in addressing both internal and external issues – on the one hand, and the formulation of an institutional development model integrated into the world, guiding the globalization process towards its development requirements according to the rules of its game and seeking to change the rules of this game or attempting to amend them – through South-South cooperation, for instance – on the other.

Institutional reform or developmental liberalization: the 10th five-year development plan

During the critical moments lived by both the “liberalist” and “corrective” trends, while the ideas of the “developmental” trend were emerging, the tenth five-year plan (2006-2010) was formulated as a benchmark to carry out a deep socio-economic transformation process capable of implementing Syria’s transition from a centralized economy to a social market economy and to adopt pro-poor policies, to develop deprived and marginalized areas and to integrate them into the development process. This initiative was formulated based on the vision, policies and strategies emanating from a liberalized model limited by developmental constraints and controlled particularly by approaches of comprehensive institutional reform which can open the door for political reform. The integration of the “institutional approach” into the plan was a

member committee during the period September 18-October 23 2001 Committee which was the Committee for the Formulation of the Economic Reform Program approved by the government and submitted to the political leadership for its political approval (2002). It was preceded by the application of the “management by objectives” experience undertaken by the trade unionist and writer Mahmoud Salama. For further details refer to: Barout, Survey of Macroeconomic Developments and Analysis of Their Basic Trends in Syria (1970-2005) and Future Prospects, op.cit, p. 240 and appendix 1-1.

³⁸ Survey of Paths, op.cit., p. 266, based on the Competitiveness Report: The Arab World 2007, issued by the World Economic Forum. Note: The data of the Competitiveness Report covers Syria in 2005.

major accomplishment in the history of Syrian developmental planning. It was based on linking the liberalization arrangements, necessary to get the Syrian economy out of its stagnation, to the empowerment process. The tenth five-year plan was not affected by the new institutionalism based on proposing “inward development” while confronting the previous duality of internal address/outside address, whose criteria had been developed by the World Bank for the assessment of the development process and its programs. It was only affected by the new institutionalism within narrow limits of how much impact the Syria 2025 Project had then.³⁹ The aforementioned approach was inspired by the Asian growth model, based on giving priority to human development, while using its own institutional components to integrate deeply the liberalization process, empowerment and institution building.

This tenth five-year plan was an unprecedented workshop in which, for the first time, a large number of national and international experts, intellectuals and representatives of organizations were involved. Its procedural aspects were firmly formulated in collaboration with ministries which were not used to being held accountable.⁴⁰ The plan consisted of quite powerful liberalization elements, and its perspectives on liberalization were integrated into institutional and human development perspectives, including civil society’s role in the development process and consolidation of the partnership between the public, private and civil sectors. The draft plan was transparent and available to all. There was a rush to accomplish the draft before convening the 10th regional congress of the Baath Party to approve it.

³⁹ The author managed the Syria 2025 Project, and wrote its major reports. This project identified the main potential scenarios and opened the door for secondary scenarios within another broader project. The development scenario was presented within this context, while as it may benefit from economic reform mechanisms. For more information about a profound and comprehensive analysis of the history of the concept and its evolution in light of the possibility of benefitting from it in restoring the importance of the developmental state in the development process in the Syrian and Lebanese models, refer to Albert Dagher, *What Industrial Policy for Lebanon?, Different Approach to the Role of the State in the Economy* LCPS, Beirut, 1st edition, 2005, (In Arabic) pp. 23-32. On the position of the new trend in developmental thought in Latin America within the new trends in the globalization process, refer to Atif Kubursi, *Sustainable Human Development under Globalization: The Arab Challenge*, New York, United Nations Economic and Social Commission for Western Asia (ESCWA) and United Nations Development Program, 2000, pp.6-7. On the role of the developmental state based on the role of the Asian experience in influencing the earliest signs of the new development theories – called “Endogenous Growth” – as a historical process completely different from what took place in the beginning of the capital accumulation in industrialized Western countries as well as from development models in the Third World in the 1950s until the 1970s, refer to Mahmoud Abdel Fadheel, *The Arabs and the Asian Experience*, Beirut, Center for Arab Unity Studies, 2000, p 224.

⁴⁰ The researcher was involved in this process and contributed to writing some of its background papers. He attended most of its committee meetings and monitored the daily reactions to their discussions as expressed in the inner circles. He carried out his tasks in a professional, scholarly manner. The author claims that his writings in this domain were based on scientific daily knowledge.

However, the draft plan met with strong opposition from multiple trends, each for a different reason. The most serious confrontation was with the government which contributed to its formulation. The ministers withdrew their support for the draft plan, either because it did not meet their wishes (to **keep things the way they were**), it was difficult to implement, or the formulation of an economic reform program was necessary, which confused the regional political command.

When the draft economic plan was submitted to the 10th regional congress of the Baath Party, the economic bureau deleted the institutional reform part. In any event, although the plan was approved, it was soon shelved as a result of the governmental and political conflict that emerged. Instead, even in light of new perspectives on the “Washington Consensus”,⁴¹ the Syrian government applied a set of naive liberal policies’. The liberalization process was used for the purpose of developing a new group, namely the “new businessmen” sector. Reform was reduced to a process rather similar to the “Mexicization” through which Mexico adopted trade liberalization but reaped the worst consequences. This major setback was a new socio-economic turning point.

At the program’s core lie the new businessmen who would adjust the socio-economic policy to serve their own interests. Within the context of such power, the institutional reform project has been reduced to a project of “liberalization” or “Mexicization”, following Mexico’s path in adopting trade liberalization which resulted in the most dangerous phenomenon, representing one of the main roots of the “arc of crisis” phase into which Syria entered. It is the phenomenon of reducing reform to a liberalization process or a semi-“Mexicization” of the Syrian economy. This will be discussed in detail in part two, not only because of its strategic importance in understanding what is taking place in Syria but also because of what may happen during the next two decades.

⁴¹ This was the compromise formulated in the aftermath of the negative results of the privatization and restructuring programs in developing countries. This Consensus set up in 1989 a set of ten relatively specific economic policy prescriptions which constituted the “standard” reform package promoted for [crisis-wracked developing countries](#) by Washington-based institutions such as the [International Monetary Fund](#), the [World Bank](#), and the [US Treasury Department](#).