

Massimiliano Trentin, Ph.D Candidate in History of International Relations, University of Florence, Department of “Studi sullo Stato”.

Section 10. IPE and Developing Countries.

Setting Priorities. Syrian Nationalism Facing World Interdependence.

This paper aims to shed light on the political-economy of Syrian nationalism within the changing international context from a historical perspective¹.

1. Cold War Competition and Struggle for Development.

Middle East politics have always proven to be quite paradoxical. On the one hand, it has been one of the regions most impacted by foreign interventions. On the other hand, it is reputed to be extremely "insensitive" to global changes, as both old and new Orientalists point out its inherent intractable peculiarity².

In fact, far from being an "exception", regional dynamics have always interacted with international ones. When the United States and the Soviet Union tried to set the bipolar competition as framework for world politics, its implementation in the Middle East had to contend with the rise of Arab Nationalism, which struggled to set the agenda in international negotiations too. Indeed, Cold War rivalry had an impact on Arab states as much as it integrated both with regional conflicts and the quest for economic development, at least up to the end of the sixties³.

After relatively “freezing” the European and Korean battlefields in the mid-50s, Cold War competition spread all over the so-called Third World during the high phase of Decolonization. Once the defence of their nearest allies was assured, much attention was played by Washington and Moscow over the future orientation of the new independent states. Their national security and

¹ This paper is part of the current Ph.D research-project on the political and economic relations among Syria and East and West Germany from 1963 to 1972. I would like to thank Prof. Marta Petricoli and Prof. Rizkallah Hilane for their active support and useful suggestions.

² E. Said, p.201; J. Beinin, *The Working Class and Peasantry in the Middle East: From Economic Nationalism to Neoliberalism* p.103; M. Kramer p.5; B. Lewis, p.98.

³ R. Hinnebush *The International Politics of the Middle East*, p.52; O.A. Westad, p.3-4, 396, 399.

economic development soon became a main Cold War battlefield. Major Third World leaders soon realized the risks but also the opportunities of such global competition. The risks related to the fact that their own interests and priorities would be jeopardized by the superpowers' ones. Nevertheless, once they consolidated their political independence, they could well exploit the bipolar competition in order to extract the best possible offers. The Bandung Conference in 1955 and later the Non-Aligned Movement tried to set the common framework for the orientation of these emergent States⁴.

NIC's priorities concerned national security and economic development which soon became the main battlefield for Cold War in the so-called Third World. Nevertheless, such global common issues translated differently in every single region. In the Arab Middle East, security mainly related to the unresolved Arab-Israeli conflict, as well as to state control over centrifugal forces.

Development was mainly conceived in the framework of Western experiences and models, so that modernization was equated with industrialization, central state building and mass education. Debates and political conflicts arose over which models should be taken as suitable references for domestic features. On the one hand, conservative and liberal élites related to the Western European ideological framework which proved unsuited to local social needs and claims. On the other hand, the radical nationalists often lacked knowledge or expertise on economics once they came into power⁵. Accordingly, "politics and security come first", with the result being that they often delegated scientific and vocational training to their foreign political partners. More often than not, these were Socialist States which were eager to contribute to regime-building processes. Only on a later stage did national scientific centers and institutions expand and become more autonomous. Although the Ba'th founders claimed to have found an "Arab way" to capitalism or socialism, no consistent plan or systemic program was elaborated in the economic sphere⁶.

However, the signs of structural changes occurred in the seventies. On a global scale, the capitalist West entered a major restructuring process where trade, productive *delocalization* and development aid were rationalized according to the comparative advantages Third World states were eager to offer: the so-called *business-friendly climate*⁷. In the meantime, the socialist bloc entered stagnation and increasingly focused on relations with the technologically advanced West⁸.

⁴ O.A. Westad, p.86, 97.

⁵ PA AA B36 IB4 125, Botschaft BRD Damaskus, Bericht über die Unruhen in Hama, 16 April 1964. The FRG ambassador labels the Ba'thist economic policies as "die pragmatische Politik des improvisierten Sozialismus"; M. al Imady, former Syrian Minister of Planning and Economy, interview with the author, Damascus, 3 June 2006.

⁶ R. Hilane, p. 183, 207, 235; M.Abdel Fadil, p.107; A. B. Zahlan, p.76.

⁷ G. Arrighi, p.87, 153, 351; S.Amin, "Crise, Socialisme et Nationalisme", p. 198; E. Di Nolfo, *Dagli imperi militari agli imperi tecnologici*, p. 345.

⁸ S. Lorenzini, p.137.

Such economic changes in the “divided North” had deep repercussions in the developing South and fostered existing cleavages.

The Arab world experienced the shift from unitary pan-arabism to intergovernmental pan-arabism centered on existing nation-states, as well as the rise in power of conservative Gulf monarchies. “Fierce” but poor States like Syria had to rely on capitals from the latter, whereas oil-rich Iraq enjoyed its “golden age” and challenged the regional order⁹. Eventually, they both reshaped their “sovereignty” according to a changing international context where the West and its allies took back the offensive¹⁰.

2. “Defensive Modernization”: the Syrian Way to Development.

Since its independence in 1946 the Syrian political system has always been surrounded by a “penetrated” regional context where the fragility of the nation-state structure was proportional to the degree of interdependence on external forces. A small economic system which struggled to recover from the external imposition of borders over the traditional trade routes and markets; rising nationalist movements which faced territorial occupation and foreign-sponsored military coups; finally, the widespread presence of sub- and transnational ideologies are just but a few examples.

The quest for modernization of an economically backward State has been often related to the role that Syria played in Arab politics. Beyond the rhetoric of “Arab Socialism” and “Revolution” the Ba’th Party embarked on a process of political and economic development which deeply restructured Syrian society and could be labeled as “Defensive Modernization”. “Modernization”, since Bath’ists and other “progressive” allies wanted to develop a viable national economy based on industrial production and integrated into a regional market which could later enter the world economy with more bargaining power. Accordingly, such goal could be attained only through mass mobilization of every economic and human resource, which implied the search for suitable models of social organization too. The “industrial North” offered two competing models: the market or the planned economy, the multiparty or the hegemonic-party model. Rather than adopting either model, a mix of corporatism and hegemonic rule took place under the Ba’thist regimes. The policies were “defensive” for two main reasons. First of all, “progressive” forces viewed the contemporary international division of labor as the main cause for underdevelopment so that only a partial protection from international competition could diversify and strengthen national economic

⁹ N.Ayubi, p.196, 215, 447.

¹⁰ C. Tripp, “The Foreign Policy of Iraq”, p.173; W.L. Cleveland, p. 463, 523.

structures and satisfy domestic social needs. Secondly, “national security” was conceived both as a defence from external threats and as a domestic tool for central power consolidation over centrifugal forces¹¹. National security and regime-consolidation were thus among the main priorities of Syria in both foreign policy and in their quest for economic modernization.

Beside the rethoric of both camps, the relationship among the European States and Syria followed the traditional structure between an “industrialized core” and a “dependent periphery”¹². The Arabs provided cheap natural resources, cheap labor-force and some low-added value manufactures. They asked for European markets opening and financial credits in order to import machinery and to benefit from managerial and vocational training. The Germans looked for natural resources and export-markets for manufactures and technology. The terms of trade favored the holders of the means of production, who went on to acquire major surpluses in their balance of trade¹³.

Such a relationship fit well in the contemporary international division of labor. A highly industrialized core could circulate its goods at competitive prices all over a lightly industrialized Arab periphery whose local production was threatened and where distribution of wealth was more relevant than production.¹⁴

Since the late fifties, however, new voices in the Third World advocated for a different international division of labor, which would support industrialization in the South. More equitable terms of trade and long-term agreements were supposed to provide the necessary capital for technology and knowledge transfer as well as import-substitution-industrialization would stimulate domestic production and consumption and facilitate later the export of high-value added goods into the world market¹⁵.

In such a context the Socialist States offered their cooperation mainly providing the much needed means of production and vocational training for the expanding state-led sectors¹⁶. The terms for the agreements were quite favourable for the developing states and neared those advocated during the UNCTAD Conferences¹⁷. Western European states continued to offer a market for imported commodities and some manufactures but their share in technology-exports relatively

¹¹ MfAA/C 1358/75, Botschaft der DDR Damaskus, Gesprächnotiz mit dem Vorsitzenden der Internationalen Abteilung der Ba'ath Partei, 3 December 1971; H. Bozarslan, p.80, 146; R. Hinnebusch, *Syria, Revolution from above*, p.10, 115; R. Hilane, p.153; S. Amin, *Irak et Syrie, 1960-1980*, p.136, 147; W. Cleveland, p.314, 385.

¹² W. Hansen, p.13.

¹³ W. Hansen, p.13; S. Taqi, p.5.

¹⁴ S. Taqi, p.5.

¹⁵ G. Corm; p.12, 52, 106; A. Richards, J. Waterbury, p.21; G. Balcet, p.85.

¹⁶ B. Schulz, p.220.

¹⁷ S. Lorenzini, *Due Germanie in Africa*, op. cit. p.102.

declined: first, because of the traditional lack of capitals and hard-currency; secondly, because the political conditions western States attached to financial credits were no more acceptable for the new nationalist élites. On the whole, the socialist bloc provided an alternative market for technology purchase so that international competition in the Third World became more fierce.

If such was the international division of labor, Syria and Iraq were among the developing countries that sought to overcome it through maximized mobilisation of their own resources and exploitation of every line of fracture among industrialized countries¹⁸. The Cold War rivalry provided a good occasion since every camp provided at various degrees the much needed technological and organizational resources they looked for.

3. “The Liberal Fifties”.

All along the “liberal fifties” the main sources of domestic political conflicts arose from security and economic issues.

On the one side, the Arab-Israeli conflict was widely considered as evidence of the conservative nationalists’ inability to defend Arab independence from “external” interference and clamorous defeats stroke a heavy blow on their legitimation. On the other side, vested interests prevented social mobility and opposed economic redistribution of national wealth. Conservative élites tried to find solutions in the framework of liberal policies, supporting the domestic private sector and foreign direct investments along Us and Western European advice¹⁹. Meanwhile, regime-building was made along the parliametarian systems, and national state institutions slowly extended all over the countries. However, the economic structure of the private sector was mainly based on trade and local manufacture, which could not absorb the increasing unemployment on their own. Nonetheless, Western capitalist states supported such political-economy and often enjoyed oligopoly over trade and economic cooperation with these states²⁰.

Conservative and liberal ruling classes were challenged by new political forces advocating both radical social changes, such as agrarian reforms and industrialization, and stronger confrontational attitudes towards Israel and its allies. Syria was paradigmatic for domestic

¹⁸ V. Perthes, *The Political Economy of Syria under Assad*, op. cit. p.23.

¹⁹ R. Hilane, p.154, 162; P.W.T. Kingston, p.99.

²⁰ OAPD, *Rapport 1963-1964 sur l'économie syrienne*, Damascus, 1965, p.71, 260; M.K. Zubeide, p. 65, 70; A.A. Malek, p.134, 278.

instability, military coups and political radicalization which eventually led to the merger with Egypt from 1958 to 1961²¹.

Since there was no hegemonic force in the domestic political spectrum, everyone tried to get an external support providing neighbouring countries or transnational political forces the opportunity for interference. Meanwhile, the rising tide of socialist and radical Arab nationalist parties turned to be irreversible and favoured political and economic cooperation with the so-called “socialist camp” headed by USSR.

The fifties witnessed the gradual emergence of socialist states as commercial or political partners too. Particularly from 1953 and 1955, Soviet international activism supported newly-independent states and tolerated non-alignment and neutralism as a counterbalance to western presence in the Third World. Indeed anti-imperialism and national sovereignty provided the political principles for Soviet penetration in the Arab world. The socialist presence dealt mainly with military, industrial and infrastructural projects, which fit well with the priorities of nationalist forces²². Some liberal nationalists too came to see socialist cooperation as best suited for their necessities, at least as far the aforementioned sectors were concerned. As well as other non-aligned states which extracted maximum advantages from bipolar rivalry, Syrian conservative governments and Ba’thist regimes gained favourable economic agreements and technological aid along with military support from the “socialist camp”.

However, the political balance was fluid and no political force stood out as predominant or hegemonic. Eventually the pan-arabist Ba’th Party emerged in 1963 in Syria and in 1968 in Iraq as the predominant nationalist force at the expenses of local communists, liberals and islamists. The alliance between civilian and military Ba’thists proved sufficiently strong to subdue other political forces and to enforce hegemonic rule over both countries²³.

²¹ T.G.Fraser, op. cit. p.50, 77; B.F. Saunders, op. cit. p.5, 87; D.W. Lesch, op. cit. p.4, 210. See also, P. Seale, *The Struggle for Syria*, op. cit.

²² E. Di Nolfo, *Storia delle Relazioni Internazionali 1918-1999*, p.886; P. Ramet, p.14; O.B. Smolansky, p. 25.

²³ MfAA/C 489/73, Generalkonsulat DDR Damaskus, Zur Entwicklung der Syrischen Arabischen Republik, 16 December 1965; SAPMO-Barchiv, DY30 IV A2/20 816, Generalkonsulat DDR, Bagdad, Information. Die politische Entwicklungen in Irak, 31 October 1967; PA AA B36 IB4 252, SIBRD Damaskus, Telegramm, Neue Entwicklungen in der Ba’th Partei, 14 April 1966. Since Syria and Iraq broke off diplomatic relations with Bonn in 1965, FRG diplomatic missions (Schutzmachtvertretung für Interesse der Bundesrepublik Deutschland, here SIBRD) were hosted by the French embassies; J. Devlin, p. 218, 302.

4. The Ba’thist Formative Years: 1963-1970.

On 8 March 1963 the Ba’th Party seized power in Syria by a military coup. The reaction by conservative forces and the so called *Souq Bourgeoisie*, that is trade merchants and petty manufacturers, followed soon. Clashes within the main cities, economic boycott and capital outflow characterized the first years of Ba’thist governments²⁴.

The main economic concern was the lack of capitals for the military and social programs which should have consolidated the regime. The Ba’th Party was indeed far from being a mass organization and was threatened by competitive forces from both its right and left.

Facing resistance from private sectors lead by urban merchants and landlords, the Ba’th Party gained support from peasants, workers, public employees and the army, which became its main social constituencies. Among other reasons, the centralization and expansion of the public sector have been subject to the regime’s need to enlarge and to consolidate its “social base” too, that is to expand or to limit its autonomy from the private bourgeoisie.²⁵

The Ba’thists reacted with large nationalizations of the main productive sectors. From April 1964 to July 1965, textile factories, extractive industries and foreign trade were put under state control in order to block capital outflow toward Lebanon and Europe²⁶.

Nevertheless, government still lacked financial resources and sufficient managerial competence to run such sectors and bankruptcy was not far off. The state-led “import-substitution-industrialization” was widely meant to counterbalance the foreign dependency but many obstacles opposed its fulfillment: limited size of the national consumption market which was increasing but not still sufficient for scale-economies; growing technological dependency due to machinery and spare parts imports are just but few examples²⁷.

One more question involved the increasing diversion of many resources to the military and security sectors. The latter point made it really difficult to allocate resources for economic development and stand as more evidence of political-military interests’ priority over development and industrial growth in the Middle-East²⁸.

Western states did not support the Ba’thist regime and preferred their traditional allies among conservative forces. The socialist states immediately offered their support to the Ba’thists and provided economic agreements and advantageous financial credits. Once the Ba’thists got rid of

²⁴ MfAA/C 489/73, Jahresbericht 1963 and 1964; PA AA B36 IB4 53, Botschaft BRD Damaskus, Bericht. Die politische und soziale Unruhen, 17 November 1964.

²⁵ A. al Ahmar, Assistant General Secretary Ba’th Party, interview with the author, Damascus, 17 august 2006.

²⁶ PA AA B36 IB4 202, Botschaft BRD Damaskus, Bericht. Die finanzielle Lage Syriens, 10 May 1965; OAPD, *Rapport 1964-1965 sur l’économie syrienne*, Damascus.

²⁷ A. Richards, J. Waterbury, p.28, 40.

²⁸ V. Perthes, *Dynamiques Régionales*, p.32.

domestic opposition, the GDR sent to Syria advisors for the Finance and Planning Ministries in order to supervise their reform along the new economic projects²⁹. Their contracts were prorogated until 1969 or 1972 at the latest. As previously noted, the Ba'ist regime seemed to grant the two Germans specific sectors for cooperation. The nationalists wanted to leave the previous economic relations with Bonn untouched, and stressed the temporary nature of nationalizations³⁰. They still asked the BRD for credits, and projects started before their coup were not interfered with, at least until the “radical” Ba'thists got the upper hand within Party struggle in February 1966. The latter supported revolutionary movements at home and against the conservative Arab regimes, as well as they advocated for a clear-cut choice for socialist cooperation against the capitalist one.

For a short but decisive period, from 1966 to 1970, the so-called “radicals” took control of the Ba'th party.

They believed in “socialism” as the suitable social and economic model for development and the Ba'th Party was to be the force leading Syria to them. They “radicals” stood in contrast to the traditional or “pragmatist” wing of the Pan-arab party which always considered Marxism and socialism just as functional theories for the development of productive forces and not worth for themselves³¹.

From such a perspective national economy structures were reorganized along the state-led sector and followed the *Non-Capitalist-Road* (NCR) to development model. The latter was the official development theory endorsed by the Soviet Union in 1961 and was meant to offer a model for those progressive regimes facing economic difficulties. The NCR advocated the primacy of politics as necessary precondition. They considered the control of the state apparatus as necessary to ensure accumulation of capital. Socialist theory was particularly keen on supporting the consolidation of “strong state”. In fact, once “progressive” forces of the National Liberation Movement had seized power, they should defend it from attacks and boycotts of domestic conservative forces, which were the so-called “natural” allies of western imperialism³².

²⁹ MfAA/C 527/73, Botschaft DDR Damaskus, Ministère du Plan de la RAS, Envoi des Experts étrangers pour le Ministère, 20 December 1965; MfAA/B 1208/75, 3 AEA, Bericht über Tätigkeit der Berater der DDR in der SAR 1968-1972, 4 October 1972; SAPMO-Barchiv, DL2 VA 7338, WTZ-Abkommen zwischen DDR und SAR, 17 October 1965; DL2 367, Protokoll am WTZ Abkommen von 1965, 11 February 1967; OAPD, *Rapport 1963-1964 sur l'économie syrienne*, Damascus, 1965, p.102; H-D. Winter, p.13; A. al Ahmar, interview with the author, Damascus, 17 august 2006.

³⁰ PA AA B66 IIIB6 B6 425, Botschaft BRD Damaskus, Gespräche mit Beamten des AA Syriens, 25 March 1965; PA AA B66 IIIB6 B6 483, SIBRD Damaskus, Information, and 25 July 1965; PA AA B36 IB4 205, SIBRD Damaskus, Gespräche mit Beamten des AA Syriens, Damascus, 21 February 1966.

³¹ J. Devlin, p. 218, 302.

³² W. Graf, p.46.

The NCR advocated the predominance of state-planned economy since it would grant better mobilization and allocation of scarce resources in order to improve the “original accumulation” of capital for further investments.

From a practical point of view, the NCR fit much better with the social and political trend in Syria during the sixties and in fact it was generally adopted once the “radical Ba’thists” grasped power.

The Soviet bloc emerged as the leading partner for the infrastructure and security build up. As a junior partner in the Soviet camp, the German Democratic Republic was particularly active in Syria as far as electrification projects, vocational training, and ministerial restructuring were concerned. Payments agreements were based on “buy-back” deals: they forestalled a partial or total repayment in the form of resultant products stemming from “complete plants” which have been installed with the help and credit granted by socialist states³³.

The military and political defeat against Israel in 1967 (*Nahda*) prompted the Ba’thist regime to choose between two main strategies to rally up public support for national unity and the struggle against Israel: on the one hand, to focus all the resources for a viable economic development which would be the basis to improve national defence and to stand up against aggressions; on the other hand, to focus primarily in the military build-up to counter Israeli policies. The regime made no clear choice since internal factions were too divided to find a common ground. Incertitudes and struggle for power in the ruling élites led to contradictory policies both at the economic and foreign levels. The very close relationship with the Socialist States and the implementation of the NCR came at odds with the more liberal or conservative attitudes of the military and the remaining private sector. The final showdown came in 1970 when one Party-factions embarked Syria in supporting the Palestinian guerrilla in Jordan, whereas the another one, led by Defence Minister H. al Assad, withdrew Syrian forces.

4. “The Assad Era”

The rise in power of general Hafez al Assad in November 1970 was a major event in Syrian politics. Since then, Bath’ists gradually gained the hegemonic control all over the country and

³³ B. Schultz, p.223. For GDR-Syrian Agreement on Scientific and Technical Cooperation, see SAPMO-Barchiv, DL2 VA 7338, Protololle, Vereinbarungen und Abkommen zwischen DDR und SAR, 1965-1988.

reconciled the urban bourgeoisie with the provincial nationalist élite³⁴. The Prof. R. Hinnebusch arguably labelled his regime as “Populist Authoritarianism”³⁵.

Assad labeled its liberal economic policy *Corrective Movement* to stress his opposition to the previous one. Domestic production was protected by increasing subventions but foreign direct investments were dearly welcomed through tax-exemption and other facilities³⁶. Hafez al Assad awarded western oil companies for exploration projects in the Euphrat Valley despite strong opposition from left-wing allies in the National Progressive Front³⁷.

Quite interesting is the fact that the Syrian relative economic liberalization occurred after the socialist camp decided to reform its domestic production toward consumption goods and hoped to exploit trade surpluses with the Third World to pay for western technology imports³⁸. The Socialist camp official policy now preferred payments in hard currency, no more long-term agreements nor the “clearing” system³⁹. The Syrian regime reacted by opening the national market to western bids and select the best offers. Indeed, now Damascus could enjoy the huge capital inflow from the Gulf states. On the whole, it seemed to be quite successful since the GDR didn’t modify so much the favourable terms granted in previous agreements⁴⁰.

Assad’s regime capitalized its geostrategic position in the region in order to extract the much needed military, financial and technological cooperation. Since the national economic system had not produced enough resources to finance all the Ba’thists’ projects, the State recovered them from

³⁴ H. Batatu, *Syrian Peasantry*, p.191, 204; P. Seale, *Asad. The struggle for the Middle East*, p.142, 169; V. Perthes, p.134, 203, 267; I. Zaim, former Minister of Industry, interview with the author, Damascus, 24 September 2006, A. alAhmar, interview with the author, Damascus, 17 august 2006.

³⁵ “Populist authoritarian regimes embody a post-decolonization state-building process strategy adopted by nationalist élites which face simultaneous external threat and internal instability. These regimes, artefacts of the early stages of state building, led and supported by elements of the small middle class, and initially based primarily on command of the military and bureaucracy, face the challenge of winning legitimation for their power among the mass public. New entrants to the international system at the bottom of the world power hierarchy and on the “periphery” of the world capitalist system, they also seek to consolidate independence through state led “defensive modernization”. (...) Insofar as PA regime uses its concentrated power chiefly to attack the old dominant classes while seeking legitimacy through egalitarian ideology and the political incorporation of middle and lower strata, it is arguably “populist”, that is, an “authoritarianism of the left” which challenges rather than defend the traditional, privileged status quo”, R. Hinnebusch, *Syria. Revolution from above*, p.2.

³⁶ Ibid. SAPMO-BArchiv, DL2 376, Ministerium für Aussen und Innendeutschen Handel, Konzeption für Verhandlungen, 23 April 1970; DL2 373, Botschaft DDR Damaskus, Bericht über handelspolitik Syriens, 18 October 1972. PA AA B66 IIIB6 B6 622, SIBRD Damaskus, Telegramm, Damascus, 21 January 1971, V. Perthes, p. 49, 207;

³⁷ Y. Feysal, former General Secretary of the SCP-Feysal, interview with the author, Damascus, 7 September 2006; SAPMO-BArchiv, DY 30 IV B2/20 86, Botschaft DDR Damaskus, Information über Gespräch mit Genossen Feysal, Damascus, 11 April 1972, PA AA IB46 557, SIBRD Damaskus, Telegramm, November 1972.

³⁸ H-D. Winter, p.15.

³⁹ A.G. Frank, p. 12.

⁴⁰ SAPMO-BArchiv, DL2 VA 7338, Protololle, Vereinbarungen und Abkommen zwischen DDR und SAR, 1965-1988, H-D. Winter, interview with the author, Berlin, 28 January 2006.

abroad⁴¹. Some sort of “triangular system” of funding gradually emerged as one of the main features of Syrian political-economy under Assad’s rule: financial investments came from the Gulf States, technological and military assistance from the “socialist camp”, whereas export markets for Syrian raw products laid in both sides of “Cold War Europe”⁴³. From the first eighties on, Syria began to exploit the rich oil fields near the Euphrat Valley, whose production was mainly diverted for export to Europe in order to gain hard currency and to pay for increasing imports. Syrian “rentier” features however differed quite a lot from the Gulf States’ ones: in fact, Damascus never enjoyed nor suffered from one major source of rent; on the contrary it developed a “diversified network” of rent sources.

On the regional level, despite ideological divergences, the long-standing containment of Israel and its pragmatic secularism gained to the Ba’thist regime the support of many Gulf States. On the one hand, Gulf Monarchies got legitimated for their support of an Arab state in the “front line” against Israel; on the other hand, Hafez al Assad’s realism helped in containing the most radical secular forces spreading all over the region in the ‘70s, particularly in Palestine and Lebanon, preventing conservative states from internal subversion. However, major divergence of interests came along with the Iraq-Iran war from 1980 to 1988⁴⁴. In fact, Damascus sided with the Shi’a Revolutionary Iran against the Ba’thist Iraq, which got supported from the Gulf Monarchies. Syrian priorities always focused on the conflict against Israel and believed that revolutionary Iran could be a major asset to contain Tel Aviv regional ambitions. Capital inflow to Syria from the Gulf Monarchies was sharply reduced and was only partly replaced by Teheran aid and oil-shipments⁴⁵.

On the international level, Syria still enjoyed the support from the “socialist camp” and Moscow in exchange for naval bases in Lattaqya and its standing opposition to the US pro-Israeli policy in the region⁴⁶. In the meantime, France, Italy and Western Germany still remained the main trade partners and gradually came back as important technology exporters as long as Damascus could enjoy high hard-currency reserves.

For sure, such process led Syria toward industrial modernization and rising living standard for citizens but it also paved the way for economic foreign dependency since financial and

⁴¹ For the debate about “Rent” in the Middle East see more on H. Beblawi and G. Luciani, op. cit. and Ghassan S. op. cit.

⁴² S. Amin, p.134, 145.

⁴³ S. Taqi, *About Dependence*, p.5; R. Hilane, “The Effects on Economic Development in Syria”, p.55.

⁴⁴ See J.M. Goodarzi, *Syria and Iran*.

⁴⁵ Ibid.

⁴⁶ SAPMO-Barchiv, DY30 3658, Büro W. Ulbricht an Generalkonsulat DDR Damaskus, Gespräch mit syrischen Verteidigungsminister 19 July 1967; Botschaft DDR Moskau, Telegramm, 11 July 1969; DY30 2488, Büro E. Honecker, Zk der SED an Botschaft DDR Damaskus, Aufzeichnung. Nahost-Politik, 3 November 1973; DY30 A 2/20 871, Botschaft DDR Damaskus, Aktennotiz, 19 November 1969. See P.Ramet, op. cit.

technological flows have steadily increased their importance in national budget and balance of payments. For example, financial resources from Gulf states stopped or was greatly reduced both because of 1986 oil prices' downfall and because of Syrian support for Iran. Consequently, the 1980-1988 period was one of great distress for Syrian economy: financial hardship was to be dealt with through social austerity, drastic Syrian pound devaluation, gradual opening to the private economic sector and efforts at broader economic relations with the "socialist camp", too⁴⁷.

The very Ba'thist hegemony had to face "mortal" challenges, too⁴⁸. In fact it had to face out the Israeli invasion of Lebanon in 1982, the contemporary Muslim Brothers' bloody revolts and declining economic productivity with little resources.

All these events combined paved the way for major changes in the very regime structure in the following decade.

As well as in other "peripheral" countries, Syrian economic development experienced in the '70s turned out to be more reliant on "distribution" than on "production", since foreign political rents were increasingly needed to sustain development policies⁴⁹. Naturally clientelism was one but a way to distribute resources among the regime's constituencies⁵⁰.

The Syrian "defensive modernization" case stands for some sort of balance between world-system dependency for peripheral countries and autonomous or self-sustaining economic growth.

After near half a of century industrial modernization and nation-state consolidation have been partly achieved as well as a complex balance of power with Israel which combined nationalist principles and pragmatic policies. However the price was high. The priority accorded to security and defence issues diverted huge resources to the military sector, increased external economic dependency and helped the regime to develop into a so-called "populist authoritarianism".

5. The Liberal Consensus and the Search for Funds.

The world consensus about liberal economy during the '90s influenced middle-east domestic politics through gradual but continuous processes toward free-market economy. The end of the '80s was a quite hard time for the middle eastern economies because of industrial stagnation, high inflation and growing unemployment. State-led sectors were to be seen as no longer efficient

⁴⁷ See v. Perthes, *The Political Economy of Syria under Assad*, op. cit.

⁴⁸ See P. Seale *Assad. The Struggle for Syria*, op. cit.

⁴⁹ S. Amin, *Irak et Syrie*, p. 78.

⁵⁰ V. Perthes, *The Political Economy of Syria under Assad*, p.181. See V. Perthes ed. *Arab Elites*, op. cit.

to sustain the regimes so that the latter decided to hand over the most profitable economic monopolies to the privates.

For security reasons Syrian regime felt it needed to expand its political constituency to the private sector bourgeoisie in order to prevent it from any political claims for greater autonomy. This cooptation strategy was meant to satisfy the interests of trading-bourgeoisie by handing over privileged economic positions and monopolies in exchange for political support. The sectors involved in such process were telecommunications, building, tourism and import-export trade⁵¹. Far from being self-sustaining, those sectors' dependency from state support diverted many resources from the basic production and transformation sectors which were already facing infrastructural and labour downfall.

Much as in other cases all over the so called Third World, the '90s sanctioned the end of social centrality and political role of labour-class and peasants in favour of business classes⁵².

The previous "triangular system" of funding lasted until 1991. The Soviet Union's fall involved the end of technological and military assistance whereas the 1991 Gulf War sanctioned the US hegemony in the Gulf⁵³.

The threat to be isolated from major regional events and the related economic processes forced Damascus to a major reappraisal of previous alliances. Its participation to the 1991 Gulf War against Iraq provided Syria with a free-hand to take control of Lebanon, to get the financial support from the Gulf monarchies back and to take part to the Arab-Israeli negotiations at the Madrid conference in 1992. The Ba'thist regime succeeded in recovering the resources and rents it needed for its survival⁵⁴.

Three other "rent" sources have to be mentioned all along the '90s. First of all, the hegemony over Lebanon made the Syrian establishment an ultimate partner in the reconstruction business: Damascus's authorities in Lebanon exploited both the clientelist networks they built during the civil war and their power-broker role in order have a share in the main projects and contracts; the Syrian workforce has been one of the major participant in building reconstruction because of low wages and strict discipline imposed by Syrian authorities; eventually, Lebanese banks provided privileged safe-haven for Syrian capitals.

⁵¹ Ibid. See also, E. Kienle e P. Seale, *Contemporary Syria, Liberalization between Cold War and Cold Peace*, p.96, 137.

⁵² See J. Beinin, op. cit.

⁵³ H. Zadeh, p. 252.

⁵⁴ S. al Taqi, op. cit. R. Hilane, "The Effects on Economic Development in Syria of a Just and Long-Lasting Peace", p.32.

Secondly, the discovery of new oil fields and a much better exploitation of the Deyr er Zor region provided the State with a standing source of income.

Finally, international sanctions and embargo over Iraq proved to be quite lucrative for Syria: national oil production was added to the Iraqi oil smuggling through the old Kirkuk-Banias pipeline since the latter was sold both to domestic and foreign markets under the Syrian label, just as many other Iraqi neighbouring States did. The Iraqi national market represented another great business for Syria since its cheap products were highly competitive and took advantage from Iraqi production shrinkage. Import-export flourished along the traditional trade routes from the Mediterranean sea to Aleppo and Mossul⁵⁵. The hardship affecting Iraqi society and the related business opportunities led the young Syrian President Bashar to renew political contacts with Baghdad and to sideline the historical rivalry affecting their relations since decades⁵⁶.

Once again, the Ba’thist leadership managed to get sufficient differentiation of resources to stay in power and lead Syria toward some sort of more economic opening while it granted a minimum of social services for the impoverished masses. The path toward economic liberalization mostly favoured the growth of a dependent business society working under regime’s tutelage at the expense of its other constituencies⁵⁷.

As a matter of fact, the so called economic *infithah* (opening) has been complementary to the public sector wages’ block for over a decade and the containment of trade union’s influence. In the framework of state-led economy and corporative system, labour trade unions had provided the Ba’th with its main political constituency and a standing driving force for economic planning. Already toward the end of the ‘80s, their role was shrinking in favour of the Chamber of Commerce’s representatives⁵⁸.

The process of Syrian integration in the free-market world economy has been slow and cautious since decision-makers were and still are well aware of the current economic fragility which cannot face out international competition. On the whole, the liberalization process has resulted from the regime’s will to work out a viable solution to its shrinking economic performance mainly because prolonged stagnation could strike a fatal blow to the Ba’thist power and galvanise political opposition. The examples of the former USSR or Rumania and the political and social chaos they experienced in the ‘90s is quite clear in their mind. Coupled with international pressure to improve

⁵⁵ Interviews with Syrian businessmen and European Commission officials, Damascus, Summer 2003 and 2005 and 2006.

⁵⁶ See E. Kienle, *Ba’th vs. Ba’th. The conflict between Syria and Iraq 1968-1989*, op. cit.

⁵⁷ See V. Perthes, “The Private Sector, Economic Liberalization and the Prospects of Democratization”.

⁵⁸ V. Perthes, *The Political Economy of Syria under Assad*, op. cit. p.215, 259.

private sector role in the economy, the Ba'th leadership decided to support the latter once it was sure that such social force would not pose a threat to its survival. Consequently, foreign and domestic capital inflows were dearly welcomed. Nevertheless the Ba'thist regime still has not worked out the major dilemma affecting Syrian economy; that is, the unbalance between "distribution" and "production" sectors⁵⁹.

6. Succession in Power in a Hostile Regional Context.

The death of President Hafez alAssad in July 2000 and the subsequent rise in power of his son Bashar marked the beginning of a new stage in the ongoing process of change in Syria.

The new young President was recalled from Great Britain where he studied to take over his father's legacy, after his elder brother died in a car accident. He was immediately portrayed by national authorities as the "bridge" between his father's legacy of political stability and the reforms needed to revitalize the Country. Faced with huge popular expectations, Bashar al Assad spent his first five years at the presidency trying both to balance the different regime's factions and to build his own network of privileged relations in every key-sector, that is the army, the secret services, the private and public economic sectors⁶⁰.

The need for popular legitimacy led the presidency to tolerate the widespread diffusion of political debates during the so called *Damascus Spring* in 2000. At the popular level the regime was harshly under fire because of its corruption, inefficiency or political standstill but at the same time, the new presidency was still held in respect. On the one hand, Bashar al Assad has capitalized on his father's legacy as a source of stability and legitimacy but on the other hand he has been recognized as not having the charisma and the personality needed to provide a strong leadership.

However this season was then repressed by security services since it was accused of breaking through the well-known regime's "red lines": criticisms of the presidency, abolition of the 1963 emergency law and eventually the inclusion in the political system of the main opposition force, that is the Muslim Brotherhood⁶¹.

Up to 2005, his presidency has been more concerned in balancing the different interests representing the regime than elaborating and implementing a particular national project⁶². Actually,

⁵⁹ S. alTaqi, op. cit.

⁶⁰ V. Perthes, "The Political Economy of Syrian Succession", p. 45; See V. Perthes ed. *Arab Elites*, op. cit.

⁶¹ A. George, op. cit. p.30, 156.

⁶² Interviews, Damascus, summer 2003, 2005.

economic liberalization has resented many of the regime's power circles because of the competition of the new ones related to the presidency⁶³.

Anyway, the *infatih* of the state-dominated economy has so far gradually begun to take shape. The slow economic growth and the rapid increase of unemployment put great pressure on decision makers to speed up the pace of economic reforms. With an increasing budget deficit, the main challenges Syria faces could be summed up as following: to stimulate growth and employment; to diversify the economic structure and to reduce reliance on oil revenues; to undertake comprehensive reforms to rationalise and improve the quality of the public sector; and last but not least, to improve the health and education system.

European States like France, Great Britain or Germany accorded to Bashar Al Assad great political credit for his reformist outlook and his ability to implement economic and political liberalization. In fact negotiations over the *Association Agreement* between Syria and the EU in the *Barcelona Process* were speeded up. However the *Damascus Spring* repression made clear the fact that economic liberalization would not imply a parallel process in the political system: people should realize that the Ba'th Party was still in power and able to lead the country.

In the meanwhile, G.W. Bush Jr.'s election in 2000, the 9/11 events and the following Afghan and Iraqi wars deeply affected the Middle-East where the Syrian leadership was building a peculiar balance of power with the neighbourhood. In less than three years, the Syrian Ba'thist regime has found itself surrounded by a hostile environment and its traditional foreign policy tools have been called into question. Contrary to the long tradition of mutual search for a pragmatic *modus-vivendi*, the so-called "constructive engagement", Washington embarked on a containment policy toward Damascus when it endorsed the "Syria Accountability and Lebanon Sovereignty Act" (SALSA) in December 2003 and passed it on the 11th of May 2004. Despite minor direct impact on the Us-syrian trade, much concerns arose about the influence that sanctions could have on Us allies. If Washington has tried to impose some sort "containment" policy to Syria, its actual implementation is both the result of US direct actions and of contemporary independent events⁶⁴.

The *Association Agreement* settlement between Syria and the EU has been widely considered in Damascus as a strategic goal. In fact Syria is one of the few Mediterrean states without such agreement, despite the EU is by far the most important trade-partner. Technical obstacles concerning the regulatory transition from the state-led economy to the free-market one

⁶³ V. Perthes, *Syria under Bashar al Assad*, op. cit. 33, 62. Interviews with the author in Damascus, Summer 2003, 2005.

⁶⁴ R. Hinnebusch, *Defying the Hegemon*, op. cit.

and domestic struggle for power among Ba’thist factions have slowed down the negotiation path⁶⁵. Nevertheless, they almost came to a definitive conclusion by the beginning of 2004 when two major events froze them.

Contemporary to the much-discussed *Broader Middle East Project* sponsored by the US administration, European partners entered a new condition into negotiations: the Syrian weapons of mass destruction program. Syrian diplomacy was ready to engage officially but in the framework of a comprehensive regional dealing including Israeli nuclear and Wmd arsenal.

The killing of former Lebanese PM R. Hariri in February 2005 led the French authorities to a U-turn in their “delicate” relationship with Damascus: Syrian military withdrawal from Lebanon was considered as a binding step in order to resume negotiations. Once supportive of the young President Bashar al Assad, French diplomacy has turned to be quite disappointed because of his reform implementation slowness and the cautious way in dealing with the regime’s so called “old guard”⁶⁶. Faced with expanding US hegemony in the Middle East, Paris has been eager to reassert and consolidate its influence in Lebanon and Syria and considered Bashar as unable to protect its interests⁶⁷. In such a context the 1559 resolution draft was elaborated by French diplomats at the United Nations with the primary aim to get the Syrians out of Lebanon. Paris found in Washington a staunch supporter as it added the clause related to the militia’s disarmament: that is, Hizb’allah and the Palestinian factions⁶⁸.

Despite opposition and delays, Syrian leadership has considered so far the EU agreement as essential for its survival for three main reasons: on the one hand, it would provide a much consistent legal framework for economic and financial trade; on the other hand, it would boost reformist stand advocating economic liberalization. In October 2001, Syria also formally applied for membership of the World Trade Organisation (WTO). Although the accession process in Geneva is currently in progress, Syria’s ambition to join the world trade body facilitated negotiations of the trade-related parts of the *Association Agreement*, since the same economic reforms are needed both for WTO accession and for the *Association Agreement* with the EU. Eventually it is seen as a way-out from political containment applied by the US and its regional allies⁶⁹.

Since autumn 2006, many European states supported the idea to resume negotiations for the eventual settlement of the Association Agreement in order to get Syria out of political isolation and to detach it from increasing Iranian influence.

⁶⁵ E.U-Siria Strategy Papers e National Indicative Programs, 2002-2004 e 2005-2006.

⁶⁶ International Crisis Group, *Syria after Lebanon, Lebanon after Syria*, op. cit.

⁶⁷ Ibid.

⁶⁸ See F. Leverett “Different Roads to Damascus”, p.87.

⁶⁹ G. Habash, Deputy Minister of Economy and Trade, interview with the author, Damascus, 10 July 2006.

6.1 Syrian Domestic Debate over Reforms.

Since his rise in power, President Bashar al Assad had to balance between two main political trends, that is the “reformist camp” advocating for gradual but structural reform of the Ba’thist regime and the so-called “old guard” defending the system of power inherited from the late Hafez al Assad. The Ba’th Party should be considered as a big recipe for different trends and political views often contradictory in their social constituencies and interests but formally unified under the presidency’s leadership. One main feature dividing the two camps is the linkage between foreign politics and domestic economy: that is, how to set national priorities in the present world system.

For the supposed to be “reformists” the worrying economic situation needs the state to focus all its resources upon the smooth transition to free-market economy and the restructuring of the main productive forces. Foreign policy issues, Israeli dossier included, should be subordinated and functional to economic recovery and development. The latter should not be allowed to undermine the gradual integration into the world economic system; on the contrary, domestic economy recovery is considered essential to face the challenges posed by Israeli economic strength and technological superiority. Here again, the traditional trade-off between military and civilian priorities is the main issue at stake. However, such position does not explain which role Syria should play in the world economy: that is, one fully integrated but relying on domestic productive forces or one mainly dependent on foreign capitals and exports. Such long-term strategies involves many crucial questions like unemployment, industrial sector restructuring, import-export legislation over which the same business community is divided. The private and public industrial sectors advocate a very gradual liberalization in order to face better international competition whereas trade and telecommunication sectors support a major opening of domestic market to international investments⁷⁰.

As far as the “old guard” is concerned, they believe that foreign policy still play an essential role in safeguarding the regime. No minor compromise should be settled from eventual dealings with the US or Israel and power-politics and military balance are still required to counter the latter’s *regime-change* strategies. As a consequence, they consider essential regime’s control over national resources and productive forces since they do not really trust the independent private sector which could side with foreign powers⁷¹. Despite claims of independence, they often support the present status-quo where a complicated mix among inefficient state-led sectors, clientelist monopolies and minimum social welfare set the game rules.

⁷⁰ Interviews with the author, Damascus, summer 2005 and 2006.

⁷¹ Ibid.

The crucial question of clientelist monopolies and networks is common to both camps since it is strictly related to the “distributive” economic structure⁷². In fact, both factions have their own clients and interests networks which struggle to increase their influence in decision-making processes. Nevertheless the two “camps” are not clearly defined and do not coincide with generational cleavages or formal affiliation to the Ba’th Party.

A crucial step in Syrian political life has been the X Ba’th Party Congress held in Damascus from the 6th to the 9th of June 2005. It was called by President Bashar for two main reasons: first of all to show the world and Syrian population Ba’thist readiness to face major challenges; secondly, it was assumed to be the final showdown for the factions’ struggle. As a matter of fact, the congress was more important for the debates and general trends it aroused than for radical or impressive changes.

The official message conveyed to the nation and to international observers has been the Ba’th Party willingness to lead the country toward an independent path of reform. Reform and stability might be the two congress’ key-words, since the party portrayed itself as the only viable force to implement reforms without destabilizing society⁷³. The Chinese model was often recalled for its success in opening the economy to private actors without undermining the party’s political hegemony.

Quite interesting has been the debate over the possibility to resume negotiations with Islamist forces, like the Syrian branch of Muslim Brotherhood. As a matter of fact, what is at stake now between the Ba’th Party and the Muslim Brotherhood is the political hegemony over the middle-class, particularly the one linked to the private sector’s activities.

All along the ‘60s, ‘70s and the first ‘80s, Islamists were supported by Syrian merchants, the so-called *Souq Constituency*, and manufacturing private sector located in center and north of the Country. In line with their interests, they advocated a liberal economy painted with “Islamic values”. On the contrary, the Ba’th Party constituency was still composed of peasants, workers, public employees and the army. Even for such a reason, it conceived public sector’s growth both as a viable development strategy and as a tool to limit the bourgeoisie’s power. Here again security concerns tended to take the upper hand.

Nowadays both forces have adopted liberal political economy strategies and focus upon the private sector for economic growth. What distinguishes the Islamists from their secular counterparts is the fact of legitimizing such model with religious dictates to justify its social repercussion⁷⁴. The

⁷² S. Taqi, op. cit.

⁷³ S. Moubayed, op. cit.

⁷⁴ K. Pfeifer, op. cit.

current alliance among religious minorities composing the Ba’thist regime has faced the islamist trend with containment at the social level and repression of any political expression.

Currently Syrian Muslim Brotherhood leadership in exile has allied with oppositional groups in Europe and in the Us and it has publicly endorsed the *regime-change* agenda. It is worth noting that among the so-called oppositional forces, former Vice-President Abd al Halim Khaddam hoped to play a major role. However its past record of strict alliance with the late President Assad made him quite an improbable reform-minded supporter. He is rather well-known for his stake in clientelist networks with Lebanon, the Gulf States and some European governments.

Obviously, since then no more compromises are foreseeable. Quite interestingly, Damascus gained legitimacy and support from different islamist forces in the region affiliated with the Muslim Brotherhood because of the Syrian stance and support for Hizb’allah in the last war against Israel in summer 2006. National cleavages concern islamist forces too.

As far as the economic issues are concerned, Congress’ conclusions just ratified what was evident since a decade: that is ,the Syrian drive towards free-market economy. Final recommendations supported the adoption of *social market economy* as a basis for structural reforms. Again, German models for economic development are officially endorsed in public discourse, even if reality drives more towards China rather than Germany.

The main features of such a model are the close integration and cooperation between public and private sectors, State’s direct intervention only in national strategic sectors and support to the most disadvantaged social segments.

The reference to the *social market economy* might be considered as a formal compromise among different Party’s factions. As a matter of fact, it stand as a major success for the reformist and liberal wing of the Party which has been well represented in the State’s Planning Commission since the ‘90s. More than a decade of gradual transition towards free-market economy in a semi-industrialized country found its institutional recognition and the latter should be useful to overcome the standing resistance in some public sectors, administrations and private monopolies.

It is noted that in semi-industrialized peripheral economies, such drives often consists in dismantling basic and intermediary industries because of the hard international competition which they cannot face on their own. In such contexts investments liberalization and related delocalization processes often relate to low-added value activities and might worsen the increasing technological and knowledge gap if not balanced by adequate “development clauses”⁷⁵. Only major fiscal concessions or business protection might induce foreign capitals to invest in heavy or advanced

⁷⁵ R. Hilane, former Consultant of the Syrian Council of Ministries, interview with the author, Damascus, 9 July, 2005, Jamil Qadry, former SCP-Bakhdash member, interview with the author, 17 August 2006, Damascus.

activities whose profits are usually required to be saved abroad, anyway. A certain balance between high and low-added value activities should be found according to present national needs, like energy security and unemployment⁷⁶. Previous foreign experiences risk accentuating the “distributive” features of Syrian economic structure with a rise in transit trade which would not be matched by a parallel increase in national production and exports.

So far, in the Syrian case free-market opening has privileged the growth of service and trade sectors which otherwise have been the main receipts of state’s funding and support⁷⁷. On the contrary, industrial sectors have languished for a long time both because of the absence of any rational planning and because of lack of funds. Only industries enjoying privileged and protected positions, have kept on with their business⁷⁸.

Current supporters of economic liberalization seem to follow a reform path based on trade development, advanced services and small and medium manufacturing. All those have been funded mainly by public sector reduction⁷⁹. Even if privatization processes or industrial dismantling are not on the public agenda, talks and rumors are spreading in the business-reformist circles. However it is not clear whether and how reformists would address the issues related to big foreign corporations whose competition could shake the domestic market and production⁸⁰.

Relatively poor in natural resources and capitals Syria is experiencing an increasing income gap. With a 30% unemployment and still high growth rates, transition from the public sector dominance to the private one could pose heavy social problems for the regime at least in the short-medium term⁸¹.

A relevant issue is going to be the political consequences involving the dismantling and privatization of social services since such drive would certainly favor religious networks already providing them. It is well known that Islamists, as well as other religious institutions, took great power and influence thanks to their social activities. In such perspective the very nature and existence of public social services has become another political battlefield⁸².

⁷⁶ I. Zaim, former Minister of Industry, interview with the author, Damascus, 5 July, 2005, 24 September 2006.

⁷⁷ G. Habash, interview with the author, Damascus, 10 July 2006.

⁷⁸ R. Hilane, former Consultant of the Syrian Council of Ministries, interview with the author, Damascus, 9 July, 2005.

⁷⁹ Madian ‘Aly, member of the Center for Strategic Studies of the University of Damascus, interview with the author, Damascus, 10 July 2006.

⁸⁰ Doubts were cast at public meetings and conferences with European economic experts in Damascus, June 2006, K. Zubeide, former consultant at the Syrian Council of Ministers, interview with the author, Aleppo, 19, 20 September 2006, Nabil Khoury, Director of PIESD: planning institute for economic and social development, interview with the author, Damascus, 2 July 2006.

⁸¹ Samir Seifan, private consultant, interview with the author, Damascus, 24, July 2006.

⁸² A. Bakhdash, General-Secretary of the SCP-Bakhdash, interview with the author, 2 September 2006, J. Qadry, former SCP-Bakhdash member, interview with the author, 17 August 2006, Damascus.

Great emphasis has been attributed to the role and resources of Syrian expatriates all over the world. Their capitals inflow, migrant's remittances and management competence are thought to be a relevant source of income for the economy⁸³.

Liberalization success or failure heavily depends on many variables. First of all, the maintenance of clientelist networks and monopolies both in private and public sectors. Secondly, the monopolies' performance in front of international competition. Thirdly, the result of the internal power struggle among different regime's factions and its interaction with society.

7. "Closing the Ranks": the Israeli-Lebanese War in 2006.

Until the end of 2006, steady pressure for boycott and *containment* from Washington and Paris has increasingly isolated Syria both at the international and regional level. Isolation means here that two of the main capital sources are facing high constraints: European aid and technology transfer have been put on hold, mainly because of French staunch boycott; Gulf states financial support faces distress too, since Syria is an ally of Iran and staunch supporter of Hizb'allah in Lebanon politics, as far as the Lebanese dossier is concerned. Relations with Jordan, Saudi Arabia and Egypt soared as President al Assad directly accused those Arab regimes to sideline with Washington and Israel during the war in Lebanon. On their turn, those Arab states accused Syria to align too much on Iran, which supposedly represents the major challenge to the regional balance of power. Though Gulf capitals still flow in Syria, incertitudes over future developments have endangered the investment climate, as Syrian private businessmen suggested⁸⁴.

Nevertheless, ruling elite seems determined to face external threat, waiting for a shift in the regional balance of power to its favour. In the meantime, official policy could be labeled as *Closing the Ranks*. That means to rally up all the domestic forces which could be reliable to stand against foreign intervention, as well as to control those forces which could side with foreigners in order to undermine the regime⁸⁵.

On the one hand, the presidency and its closest network of security services have called nationalist leftist forces to join the regime, as much as the President addressed directly Syrian population for mobilization. Trade Unions and leftists in the National Progressive Front have been rallied up to counter external and domestic pressure, in exchange for resuming their bargaining-role

⁸³ Dardari, Abdullah (2005), *Planning Ahead*, interview in Syria Today, June 2005 and 2006.

⁸⁴ Interview with syrian businessmen, Damascus, summer 2006.

⁸⁵ R. Hinnebusch, "Defying the Hegemon", op. cit.

in economic planning⁸⁶. More than before, a direct link between the young President and Syrian people has been established, since his anti-imperialist stance in the recent Lebanese war actually reflected deep popular distrust for Israeli and US policies. Though anti-western sentiments were running high, wide majority still believed in a negotiated settlement with Israel as the only way to get rid of the conflict. The question is whether the regime will be able to master and control such radicalization or opposition forces will take the upper hand.

On the other hand, ruling elite has applied constraints over the private sector, since it was not deemed to be so much reliable in the current situation. Actually, Syrian business community could not be labeled just as one-sided with foreign capital since interests and stances over liberalization projects are much more differentiated⁸⁷. In such hostile regional context, the regime thinks that relinquishing its hold over economy could be a major asset for foreign pressure. So that, major projects for privatization of state-led industries and state monopolies have been put on hold, whereas major resources have been allocated for reforms and improvement of State management⁸⁸. The very same projects for banking sector liberalization have been slowed down or changed in order to privilege domestic capital rather than foreign one. In fact past and recent analysis have shown that the main investments on industrial and infrastructural projects come from domestic capitals or Syrian expatriates' capitals rather than foreign ones⁸⁹. The latter concern mostly telecommunications and real estate sectors as well as natural resources exploitation which still remain under state control. Accordingly, ruling elite feels no hurry to relinquish its last grip on economics and to face popular resentment, just when it needs popular mobilization for survival.

In such a way the presidency has diluted the liberal programs championed by the current Deputy Prime Minister Dardari who has its main power-base in the Ministry of Planning and Economy and is widely supported by the European Union advisors. Though still supporting major liberal reforms in economics, the presidency balanced the different and plural trends in the country according to the security challenges the regime has to face. Once again, security issues prove to be the major guide-lines and priorities for nationalist élites in the Middle East⁹⁰.

Quite interestingly, such overall shift has been justified with general references to the current Chinese or Russian models of development rather than the usual European ones. Beside rethorics, the emergence of new models of capitalist development and global integration is

⁸⁶ J. Qadry, interview with the author, Damascus, 17 august 2006. See also

⁸⁷ I. Zaim, interview with the author, Damascus, August and September 2006.

⁸⁸ J. Qadry, interview with the author, 21 September 2006, S.alTaqi, interview with the author, Damascus, 20 August 2006.

⁸⁹ See *Outline of the 10th Five Year Plan*, Issue on *Productive Sector*.

⁹⁰ R. Hinnebusch, "Defying the Hegemon", op. cit.

increasingly providing points of reference for those States and forces which try to secure domestic priorities without denying integration in the global economy.

Conclusions.

Since independence in 1946, relations with the outside world have always been one major source of concern for Syrian nationalist forces. The very same rise in power of Ba’thist forces has been marked by the need to conciliate Pan-arabism with the State-building process that occurred within the much rejected boundaries inherited from the colonial past. Recent literature and personal field-research about Syrian political-economy widely suggest the constant tension between structural dependence on foreign exchanges and the struggle to secure economic autonomy.

Syrian political and economic élite have always looked carefully abroad in order to find models and experiences which could fit well with national priorities. During the “global Cold War”, socialist states provided a suitable experience for Syrian regime since state-building process and national sovereignty were the main goals to reach. Security goals got the upper-hand over economic ones and economic strategies have always been functional to political independence. Accordingly, since the seventies, the Ba’thist regime set up a peculiar international network of assistance which linked domestic economy to both the regional and international levels. In the Cold War framework, socialist states provided weaponry and most of the technology and infrastructure, the gulf states supplied capitals for investments in exchange for both Israeli and radical secular forces containment as well as western capitalist states remained the main trade partners.

In the nineties, the very need for capitals and technology draw Syria toward the European Union and the gulf states with the very approval of Washington after Damascus had participated to the 1991 US-led Gulf War against Iraq. Partial domestic liberalization occurred, too. However, Syria never applied international structural adjustment programs since they knew they would affect domestic balance of forces and undermine the complex network of interests which lay at the foundation of the Ba’th Party regime. International pressure for liberist economic reforms never ceased and found receptive ears among some regime’s constituencies.

As the young President Bashar al Assad took power in 2000 strategic planning actually moved towards free-market economy in order to let Syria become a major trade hub between Europe and the gulf states. However the current convergence between domestic resistance and external threats prevented such projects to be fully implemented.

On the one hand, domestic political balance has imposed much caution in order to overcome traditional suspicion and overt resistance from popular sectors which the Ba’thist regime still needs to preserve national integrity and its survival. On the other hand, the collapse of Syrian-Israeli peace negotiations, the US-led Iraq invasion and steady pressure for *regime-change* in Damascus reoriented national priorities to traditional security concerns. *Closing the ranks* has meant forging new alliances with popular social segments and political forces which support more steadfast attitudes toward foreign pressures. In exchange, top ruling-élite have agreed to smooth major privatizations and liberal reforms, whereas to boost State intervention in “strategic” economic sectors, such as industry, natural resources, education and health. At least for the time being.

Nowadays, since regime survival is much at stake, the Chinese model of economic liberalization and political centralization is finding many receptive ears. Until very few years, links with the European market represented the strategic goal, now “diversification” among old and new economic centers are the much trumpeted guiding line to move Syria into the global market.

On the whole, the recent period has witnessed attempts to match regime stability and structural reforms suitable to the globalization process. Nevertheless, like in the past, external security concerns are more likely to be at the root of current national policies, rather than domestic pressure for reforms.

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