

Syria

Status Index (Democracy: 1.2 / Market economy: 2.1)		3.3	Management Index		2.3
System of government	Autocracy		Population	17 mill.	
Voter turnout	97 %		GDP p. c. (\$, PPP)	3,280	
Women in Parliament	10.4 %		Unemployment rate	8.9 % (2000)	
Population growth^a	3.1 %		HDI	0.685	
Largest ethnic minority	>6 %		UN Education Index	0.70	
			Gini Index	n. a.	
Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

1. Introduction

After the inauguration of Bashar al-Asad as president of Syria in July 2000 numerous Syrians and foreign observers expected the revival of economic and political reforms that had been initiated by his father Hafiz al-Asad in the late 1980s and early 1990s but then run out of steam. After a brief period of political decompression and some new measures of economic reform in 2000-2001 developments are again marked by regression and stagnation, raising important questions not only about the new president's intentions and capacities to reform but also more generally about the nature of political and economic change in Syria that escapes current assumptions about more or less inevitable trends towards the emergence of fully fledged market economies and democracies.

2. History and characteristics of transformation

The relatively short history of Syria as an internationally recognized independent state has been marked by numerous, sometimes radical and abrupt changes affecting both its political regime and system (here and below, the notion of 'political regime' refers to the domain governed by the rules laid down by the central or dominant power in the land whereas that of 'political system' includes politics outside that domain, whether or not feeding into the political regime; the notion of 'regime' without epithet refers to the ruling group and its internal organization). After the departure of the last French troops in 1946 constitutional arrangements put in place

by the French in the 1930s and 40s survived only for some three years. During this period Syria constitutionally was a liberal democratic republic with an institutional framework largely inspired to an extent by the 3rd republic in France. In its actual workings the political regime and system nonetheless differed sometimes substantially, be it only for the dominant role played by landed and propertied classes and their attempts to restrict wider political participation.

Three successive military coups in 1949 ushered in a period of seesawing between advocates of ultimately class-based liberal democracy on the one hand and advocates of unelected government with sweeping powers, at least partly incorporating and catering to constituencies hitherto excluded from decision-making. Over time various balances were struck between more or less participatory forms of government that only with numerous caveats may be seen as balances between democracy and authoritarianism.

Leaving out the short-lived merger of Syria with Egypt in 1958 known as the United Arab Republic (UAR) and its collapse with Syria's 'secession' ('infisal') in 1961, the period of seesawing ended with the 1963 coup that definitely brought to power officers from a social background unconvinced by the merits of liberal democracy as it was practiced in Syria. Together with their civilian allies and largely through the Ba'th Party they established a form of authoritarian revolutionary rule that borrowed some of the institutional features of 'democratic centralism' known from the Soviet Union.

Simultaneously the economy that in spite of some étatist features had been private sector based was reorganized into a command economy with a dominant public sector. Larger enterprises involved in manufacturing, trade, transport, banking and insurance were nationalized. In addition, public spending was increased to expand the country's infrastructure and production capacities through the construction of ports, roads, irrigation and electrification schemes including the Euphrates high dam. A land reform entailed substantial redistribution of agricultural land. Unlike in the USSR and Eastern Europe, small scale private capital remained however exempt from nationalizations and indeed an important source of output.

Affected by difficulties that have also affected similar economic choices elsewhere (for instance in Egypt) Syrian 'socialism' was in deep crisis after the Arab defeat in the 1967 war with Israel. The rise of Hafiz al-Asad, a Ba'thi officer involved in the 1963 coup, coincided with a degree of economic 'opening' ('infitah') that was pursued more vigorously once he had taken full control in 1970 and in particular after 1974 when largely imported oil money could be mobilized to meet Syrian needs. Thus

private capital was allowed to thrive in various sectors, in particular trade, real estate and services.

In order to incorporate additional political forces Asad embarked on limited political reforms such as the reopening of a representative assembly, the legalization of a few political parties that became the junior partners of the Ba'th in the rather symbolic Progressive National Front (PNF), and a new constitution. Interrupted by the violent conflict between his regime and Islamist opposition groups political reform along these lines was revived and pushed a little further in the early 1990s.

Once again, though to a far larger extent, the aim was to incorporate private sector business people who this time had played a far more important, indeed crucial, role in overcoming a new economic crisis, that of the mid-1980s. After 1991 economic policy focused on the mobilization of additional domestic as well as foreign (in particular Arab) and expatriate private investments, though with limited success. Economic reforms soon stalled and were only partly revived after the death of Hafiz al-Asad and the advent of his son Bashar in 2000.

Since 1990 one third of seats in parliament have been reserved for 'independents' who are however thoroughly screened by the security forces. Many independents are active in the private sector and enjoy close links with the regime. The other two thirds of seats remained in the hands of the PNF with its inbuilt majority of the Ba'th Party, itself dominated by the regime. More importantly, the armed and other 'security' forces remained under regime control and indeed the latter's mainstay. The rapid vote of constitutional amendments enabling Bashar al-Asad to assume the presidency upon his father's death eloquently illustrate actual power relations in Syria. Over the 1990s also civil and human rights were respected a little better than previously, a number of political prisoners were released, others tried in court instead of simply being held without charges, etc.

The period of relative political decompression, sometimes referred to as the 'Damascus spring', and attendant hopes for additional political reform that followed Bashar al-Asad's enthronement ended in disenchantment less than a year later. Although the human rights situation has not deteriorated to what it was before the late 1990s, peacefully acting opponents and critical journalists have again been arrested.

While Syria has undoubtedly undergone significant economic and political change since independence, such change has resulted neither in a fully fledged market economy nor in the end of authoritarianism. Similar to other cases of crony-capitalism the private sector remains by and large dependent on the regime, numerous representatives of which have become major entrepreneurs or unavoidable partners.

To the extent that political change occurred it has not weakened the regime. Rather developments since the 1970s confirm the need to distinguish between transformation and transition. In spite of private sector growth and more moderate market growth the Syrian economy has not turned into a liberal economy. Nor have the relative and selective improvement of representation and the moderately growing respect for other liberties brought Syria closer to democracy.

3. Examination of criteria for democracy and a market economy

3.1. Democracy

Political change described above cannot in any way be interpreted as a transition to democracy, the beginnings of such a transition or a 'blocked' transition. Political parties legalized in 1972 and the PNF remained under tight regime control. Nor did the larger exercise at selective incorporation of non-regime forces in the 1990s in any sense affect the actual distribution of power. In a sense, representation was (moderately) improved but without a concomitant increase in participation.

3.1.1 Political organization

(1) *Stateness*: Generally Syrians accept the borders of their state more readily as legitimate today than they did a few decades ago. Ever since its creation by the victorious European powers after World War One and the collapse of the Ottoman Empire the Syrian state has been seen as an 'artificial' construct of imperialist divide-and-rule policy aimed at weakening the Arabs. However, from the mid-sixties and in particular under Hafiz al-Asad continued Arab nationalist rhetoric was accompanied by a degree of Syrian-centered nation-building that reinforced acceptance of state borders. The process may be least evident with regard to Lebanon, but continued Syrian presence there is mainly due to strategic and material interests.

Government administration is impressive by its size but far less so in terms of internal organization, education and training of its staff, 'state capabilities' and efficiency. Most problematically, 'from above' the administrative apparatus is subservient to regime interests as opposed to state interests; at the same time it is frequently colonised 'from below' by local, kin or other special interests.

The Syrian constitution explicitly rules out certain types of discrimination. It grants protection to all religions, insists on equal rights for men and women and more generally establishes the equality of all citizens before the law. However, it remains

mute on language, race, and sexual orientation. Various clauses refer to the Arab character of Syria thus implicitly questioning the status of Kurds. Only Arabic is official language. The equal status of all religions is relativized by provisions requiring the president to be a Muslim and considering Islamic law as a main source of legislation.

Internally Syria remains divided along regional, religious, family and - to an extent - linguistic cleavages. Attention has generally focused on religious divides, in particular between Alawites and Sunnis. Personal status matters remain largely governed by rules specific to the various faiths. Access to sensitive positions in the armed forces and 'security' apparatus remains restricted to Alawites such as the Asads. However, at closer inspection apparently religious divides often boil down to regional and kinship divides. Excessive interpretation of societal divides in terms of religion is favoured by the fact that Druze, Ismailis and Alawites largely live in areas where they form the majority population. The visibility of such internal divides has diminished after their climax in the late 70s and 80s, partly because Sunni and Christian entrepreneurs managed to benefit from economic liberalization and therefore allied themselves with the regime.

(2) *Political participation:* Political participation remains entirely disconnected from elections and formal modes of representation. Since the 1990 general elections one third of seats in the unicameral parliament may be contested by so-called independents candidates who are however thoroughly screened by security agencies. The remaining two thirds are reserved for candidates fielded by the PNF, one half of the total number of seats necessarily going to the Ba'th Party. Moreover, half of the total number of deputies need to be peasants or workers. The change in the electoral law reflects an attempt to enlarge the regime's basis in society rather than an attempt at political liberalization or democratization. Also, the changes introduced in 1990 have not been followed by additional measures to widen representation or participation. The March 2003 elections will confirm previous results.

The Ba'th Party is the only party with an administrative and mobilizational apparatus; as the dominant party it enjoys numerous constitutional privileges. However, rather than a ruling party it is an instrument of the regime. Parties other than those in the PNF remain illegal. Parliament has been the forum for some lively debates on economic issues and censured individual ministers but never actually challenged regime policy. Deputies who unwisely transgressed the red lines found themselves stripped of parliamentary immunity and in prison. Even the - extremely rare - vote of no-confidence in an individual minister amounts to no such challenge as the cabinet is no more than an implementing authority.

Constitutionally, sweeping powers are vested in the president whose ultimate strength derives from support by the armed and 'security' forces. The chains of command in these forces are dominated by officers closely linked to presidents Hafiz and Bashar al-Asad. What we refer to as the regime consists largely of the president and these officers. Presidential elections are in fact referenda in which the voters endorse the single candidate who is officially chosen by the Ba'th Party; in actual fact he is chosen by the incumbent himself. The centrality of the president appears not least in the remarkable speed with which parliament after Hafiz al-Asad's death lowered the constitutional minimum age for president from 40 to 34 years, the then age of his son Bashar.

Interest representation and aggregation outside parliament, the PNF, and other regime dominated organizations such as the official trade unions is impossible. Private voluntary organizations cannot legally exist in Syria. During the Damascus spring Syrians used the term 'civil society' to refer to numerous debating clubs that sprang up spontaneously and a few other coordinated initiatives involving concerned citizens. In the meantime these activities have been stopped by the regime.

(3) *Rule of law:* With the legislature and the judiciary dominated by the regime constitutionally as well as effectively, there is no separation of powers that is the precondition for the rule of law. Indeed rule making, law enforcement and the administration of justice are ultimately the preserve of the regime and the president. The absence of an independent judiciary allows 'security' forces not only to enforce but also to transgress the law. For the same reasons, corruption is rampant; persecution is selective and generally politically motivated.

Since the 1990s repression has been eased in various respects. A large number of political detainees who in some cases had been held for decades without charges were released, exiles could return on certain conditions, and torture was less generally used. In various cases charges were finally brought and trials held. International human rights organization were occasionally allowed into the country to meet official representatives. Largely due to its increasingly precarious international situation after the demise of the Soviet Union the regime proceeded to a degree of judicial window dressing that it considered unavoidable to obtain a minimum of European and US sympathy and support vis-à-vis Israel.

After the brief domestic thaw following the advent of Bashar al-Asad opponents have again been arrested. Various trials have resulted in prison sentences, others are under way. It remains practically impossible to sue the government or regime representatives, a fact that also deters domestic and foreign investors who are less well connected than others.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: The regime has been unchallenged domestically ever since it crushed its armed Islamist opponents in the early 1980s when the shelling of Hama led to some 10-30,000 civilian casualties. In order to prevent subsequent such challenges it has combined continuous repression with symbolical policies of Islamization. Regime stability has been highlighted by the swift and smooth transfer of powers from father to son in 2000. While stability continues to rest to a large extent on repression (whose efficiency obviously does not depend on the excesses routinely committed in the 1980s), strong rhetorical support for the Palestinian case and principled policies towards Israel and the US also created considerable domestic legitimacy.

Increasing material hardship resulting from economic stagnation and decline has been contained by the same combination of repression and emphasis on external threats. Finally, emigration also contributes to stability in the short and medium term, even though in the longer term its effects on the economy may entail political instability.

(2) *Political and societal integration*: Though less visible than in the 1980s, societal cleavages nevertheless remain clear cut and sometimes stark. There is little trust across these divides and intermarriage remains the exception to the rule. However motivated, Bashar al-Asad's marriage with a Sunni wife certainly has a symbolical dimension whose effectiveness can only be assessed in some time from now.

Economic decline has rather reinforced vertical divides in society, individuals falling back on their families, wider kin and on religious charities. Increasing interest-based links between Sunni and Christian business people on the one hand and their Alawite counterparts and 'protectors' on the other may but need not entail closer personal and family relations. If they do, such relations will most likely be limited to a small class of people.

For decades decision-making structures at all levels have been non-democratic, though sometimes embellished by democratic appearances. In families, in schools, at the workplace and in public affairs consultation is the utmost concession under basically paternalistic or outright authoritarian procedures. The vast majority of Syrians have not been exposed to any democratic practice. Under these conditions the spontaneous emergence in 2002 of self-governing debating clubs and other grass roots initiatives was an impressive if short-lived development.

3.2 Market economy

While Syria's first 'infitah' in the 1970 largely helped to recycle oil money (remittances, pipeline royalties, grants, investments and a growing but modest domestic production of crude oil and crude derivatives), the second 'infitah' of the mid-1980s and 90s had a more profound impact on the economic organization of the country. The failure of the command economy based on a poorly managed dominant public sector whose shortcomings were palliated by direct strategic rents from the USSR and Arab states, largely indirect oil rent, and the informal economy led to increasing reliance on the domestic private sector and the search for expatriate and foreign capital.

The private sector was no longer seen as the icing on the cake but as the driving force supposed to pull the economy out of its crisis. From the late 1980s onwards the share of the private sector in production output, current investment, foreign trade, employment and GDP outgrew and then exceeded that of the public sector. Public sector reforms were introduced to enhance productivity and competitiveness but no actual privatization of public sector companies was attempted. As previously private sector growth occurred largely according to the logics of crony-capitalism, strongly biased in favour of regime protégés; for this very reason it failed to entail concomitant market growth.

3.2.1 Level of socioeconomic development

The economic reforms of the late 1980s and early 90s which were largely copied on stabilization and adjustment policies advocated by the World Bank and the IMF contributed to growth and to significant temporary improvements of external and budgetary imbalances, even though the credibility of statistical sources is questionable. They also contributed to substantial income rises and capital accumulation benefiting private sector entrepreneurs.

However, conspicuous consumption, capital flight and the definition of the rules of distribution by a regime eager to incorporate private business as a junior partner severely limited trickle-down effects. In distributional terms the gap widened primarily between haves and have-nots, but also between the earners of wages and salaries in the private sector on the one hand and the public sector on the other.

The economic downturn from the mid-1990s did nothing to ease the lot of the majority of Syrians. The recent revival of economic reform, for instance the partial opening of the banking sector to private capital, may have beneficial effects for

growth but these depend heavily on global economic developments and regional political risks such as the future of Iraq and the conflict between Israel and the Palestinians. In the light of what happened in the 1980s and 90s their distributional effects may again be rather limited, perhaps even negative.

3.2.2 Market structures and competition

The growth of the private sector relative to the public sector and public sector reform has not entailed the commensurate growth of markets as mechanisms for resource allocation. In various domains the public sector still has monopoly status or privileged market access, in other cases such advantages have been transferred to private companies or newly conceded to them. All sorts of licences and authorizations governing economic activity are granted by administrations fully dependent on an unaccountable regime. Even the creation and expansion of companies under the 1991 law encouraging private investment remained highly dependent on non-transparent official approval.

The same applies to private investment in the banking sector under recent legal changes. Taxation is equally selective and discriminatory. There is no stock exchange. More recent changes to tax laws and the investment law remained limited. In the absence of an independent judiciary and indeed the separation of powers markets and competition are severely biased in favour of regime protegés.

3.2.3 Stability of currency and prices

Over the 1990s the regime took measures to unify the three exchange rates that applied to different types of transactions. The Syrian pound nonetheless continued to depreciate vis-à-vis the US dollar and other major currencies. At the relatively realistic 'rate of neighbouring countries' one US dollar was worth 46 Syrian pounds in 1996 and 1998 (a multiple of the previous artificial official rate); in 2001 one US dollar was worth 51 Syrian pounds.

The Syrian central bank enjoys no independence from government and therefore from the regime. Consumer prices rose heavily in the late 1980s and early 90s but in the latter part of the decade inflation fell to less than 10 percent annually; more recently perhaps to 0 percent (World Bank).

Public debt is high but its rise is limited by the reluctance of foreign creditors to provide additional resources. Total public and publicly guaranteed debt stands at

roughly US \$ 22.5 billion at present. Some US \$ 16 billion of the total are owed to the successor states of the USSR for military equipment; negotiations under way may entail forgiveness of some 80-90 percent of the amount (World Bank).

3.2.4 Private Property

Property rights are defined by law and in the constitution. However, the absence of the rule of law and the unaccountable nature of government often relativize these rights considerably. The days of outright nationalization or sequestration of property are long gone but numerous more subtle methods are applied to erode the rights of regime opponents and competitors of regime protégées.

3.2.5 Welfare Regime

In line with its emphasis on socialism that often sits uneasily with the private sector oriented growth strategies since the late 1980s, the regime maintains social and welfare policies introduced after the 1963 coup such as insurance and retirement schemes for public sector workers and employees, officials and especially military officers. The latter benefit from more far-reaching entitlement schemes.

Basic health care exists for the majority of the population and state education is free. However, these schemes have been largely eroded over the last fifteen years because of a substantial decrease in funding. Those able to pay are pushed towards private medical care inside and outside the country. Similarly, they complement state education with private lessons and prefer foreign universities to local ones. Those unable to pay suffer in terms of health, life expectancy and formal education.

Open unemployment amounts to 8.9 percent of the labour force according to official sources for 1998 but is no doubt far higher in reality. There is also significant underemployment. Moreover, most wages and salaries fail to cover anything beyond most basic needs. The definition of poverty lines and corresponding head counts are no less problematic in Syria than elsewhere because of their ultimately arbitrary character and numerous methodological shortcomings.

3.2.6 Strength of the economy

The rate of growth rose with the economic reforms of the late 80s and early 90s to between 7 and 10 percent annually, then fell to less than 5 percent in second half of

the 1990s. It stood at no more than 2.5 percent in 2000, rising to 3.5 percent in 2001. However, population growth stood at 2.7 percent in 1997 and at 2.5 - 2.6 percent in 2000 and 2001. Since the mid-1990s GDP per capita (PPP in current US dollars) has stagnated, possibly decreased (World Bank / UNDP). Foreign direct investment rose from some US \$ 70m in 1990 (prior to the new investment law) to some US \$ 170 in 1993 (after) and US \$ 250m in 1994 but then continued to decline, amounting to no more than US \$ 80m in 1998.

On the Human Development Index (HDI) Syria reached 0.691 in 2000, thus ranking 108th (out of 173 countries); it had reached 0.580 in 1980, 0.634 in 1990 and 0.665 in 1995 (however, UNDP caveats as to comparability over time apply).

Regional conflicts such as those in Palestine and in Iraq, draughts, economic policy making and domestic political factors such as the absence of the rule of law had and continue to have an impact on economic performance. Though often negative, the impact of the above factors may also be positive, for instance as far as contraband trade with Iraq or Lebanon is concerned. The decline in the oil price in the mid-1980s and continuously low prices (until the recent new Iraq crisis) were a major limiting factor that indeed precipitated the 1980s economic crisis. Decreasing aid from the USSR from the mid-1980s and Russian attempts to recover some of the heavy military debt yet another one. The wider question, however, is that of the prospects of third world countries at large which are far from reassuring generally.

In the foreseeable future none of these factors will substantially change, except for a short-term increase in the price of oil due to the current Iraq crisis. In the medium term Syria will also have to replace revenue from its own crude production that is likely to come to an end in less than ten years. Whether gas production will fill the gap remains to be seen. Syria is also likely to be increasingly short of water.

3.2.7 Sustainability

Deteriorating public education and health services, the negative impact of public sector shrinkage on female labour participation and continuous censorship work against social inclusion and equality, innovation, problem solving capabilities and growth. With few exceptions no scientific research is conducted in the country. Environmental considerations have been largely absent from economic planning and economic activities. While serving some interests, the absence of the rule of law and government accountability deters numerous investors. Regional political and growing global disenchantment with emerging markets in general reinforce domestic economic retrenchment and its social consequences.

Moreover, the international dimension of regional conflicts and general unease about globalization as it is visible in the third world at large reinforce societal cleavages in Syria. Islamists interpret the Palestine issue and certain types of social change in terms of Western attacks on, or corruption of, Muslim interests and therefore push for the increasing respect of what they consider Islamic values, a trend that inevitably alienates Christians. At the time being these factors conspire to render growth less rather than more sustainable.

4. Trend

The limited political transformation that has taken place in Syria does not indicate any trend towards democratization; there has been no significant widening of political participation or strengthening of positive liberties. Rather it should be seen as an example for the adaptation of an authoritarian regime to new constraints and opportunities. In the domain of negative liberties, that is civil and human rights, some progress has been made since the mid-1990s that remains visible even after the end of the Damascus spring. However, this progress is far too limited to be effectively used by actors advocating democratization. In particular, censorship and the impossibility to create associations independent of the state prevent any such attempts.

While more substantial, economic transformation has nonetheless failed to replace the old command economy with a market economy. It has resulted in the emergence of a specific combination of public and private sector activities that certainly tips the balance in favour of the latter but continues to privilege the regime and its protégés. Rather than a step towards the emergence of a fully fledged market economy these changes are constitutive of a new type of economic regime known from other countries in the third world that is unlikely to develop into a real market economy.

Table: Development of socioeconomic indicators of modernization

	HDI	GDI	UN Education Index	Political representation of woman^a	GDP p.c. (\$, PPP)
1998	0,665 (1995)	0,847	0,95	10 %	3,471
2000	0.691	0,875	0,95	10 %	3,556

^a Share of female Members of Parliament in % after the parliamentary elections of 1996 and 2000.

Table: Development of macroeconomic fundamentals (1998–2002)

	1998	1999	2000	2001	2002 (2/4)
GDP growth in %	-	8	-2	2.5	3.5
Export growth in %	-	2	8	21	-
Import growth in %	-		7	11	-
Inflation in % (CPI)	-1	-6	0		-
Unemployment in %	8.9	-2	-	-	-
Budget deficit in % GDP	-5,0	-	-1,3	-	-

Sources: Worldbank: WDI 2002; Worldbank: Country summaries.

5. Transformation management

Regime policies and other developments summarized and analyzed have certainly entailed a transformation of sorts affecting the economy and the political system - a transformation that however should not be seen as either aimed at, or resulting in, the emergence of a liberal democracy and/or a fully fledged market economy. Rather the objective has been to limit change to issues and areas where it contributes to the survival of the regime and where it furthers the latter's material interests. Unintended consequences and developments escaping regime control notwithstanding, the management of change has hitherto been successful, partly thanks to circumstances favorable to regime objectives. Difficulties may, however, be of a different order in the future and throw into question past such successes.

5.1 Level of difficulty

Substantial political and economic transformation is unlikely in Syria, as this would endanger the political, and perhaps even physical, survival of the regime and the interests that are tied to it in a system of "crony capitalism." Thus difficulties arise primarily as a result of the regime's own interests and its unwillingness to reform. Further, Syria does not show the usual signs that are usually associated with the transformations from an authoritarian regime and statist economy to a participatory system and market economy. The Syrian economy has not developed beyond import substitution, along with agriculture and extraction of raw materials. The importance of ethnic and religious cleavages has lessened, but they remain relevant.

Civil society is a weak and relatively new phenomenon; the bureaucracy is overstaffed and inefficient; participation and respect for the norms of the rule of law are very limited. These aspects appear nevertheless less important for political and economic transformation than the lack of internal political counterweights to the regime and the chance to live indefinitely from state incomes.

5.2 Reliable pursuit of goals

The key objectives of regime survival and (regime) welfare obviously need to be reconciled with a number of constraints.

Domestically, the regime needs to foster a constituency on which it can rely not only under normal conditions but also and especially in times of crisis. This constituency needs to be cultivated and catered to in terms of its needs and expectations. Ever since the economic crisis of the late 1980s the regime has considered the private sector as its main support in society, thus replacing step by step the 'workers and peasants' who still enjoy a privileged status under the constitution.

However, 'socialist' rhetoric and minimal guarantees for social justice have been maintained in order not to lose support among the groups that had been the traditional mainstay of the regime. So far the shift from one to another constituency has been successful and neither entirely alienated the ones nor too much disappointed the others. Both sides are constantly reminded that economic policies are subordinate to 'national' interest, an argument that never fails to cut ice in Syria. The erosion of the cost of living of workers as well as limited economic reform beneficial to entrepreneurs are both explained as consequences of the ongoing conflict with Israel and more generally of a hostile global order dominated by the USA and Israel.

Private sector representatives are all the more ready to live with such limitations and restrictions as their position has constantly improved since the mid-1970s and indeed never been as strong since the mid-1960s. The two successive infitahs have enabled a sizeable minority of Syrians to make money. The electoral reform of 1990 has moreover enabled them to be elected to parliament and to better represent their economic interests.

At the same time, the regime has been careful to avoid any spill-over effects of such relative liberalization. The economy remains highly regulated, to the extent that enough sticks are available to selectively beat private sector representatives whose bodies of collective representation also remain truncated. Politically, the incorporation of non-regime representatives is limited to one third of the seats of a

largely powerless parliament. Neither economic nor political change has endangered regime dominance. Internationally, the regime needs to demonstrate a degree of respect for political participation and human rights in order to be an acceptable interlocutor for the US and European states. Regular elections and the electoral reform of 1990 help, even though their limitations are obvious. The same applies to the partial improvements in the human rights record. Again the regime treads a thin line between concessions absolutely necessary to please vital sources of support and limitations to avoid any uncontrollable dynamic of liberalization.

The same holds true for the partial progress in the realm of human rights. In this area, too, the regime walks a fine line between conditions that are clearly decisive for support from important sources and limitations of things that could lead to an uncontrollable dynamic of liberalization. As has been seen, this question is even more important after the fall of Saddam Hussein than before, although as fear of Islamist powers takes away North American and European appetites for regime change, the Syrian regime wins more breathing room.

Generally these regime policies aiming at system survival through limited change have been successful so far. In the long term, however, the question arises whether such carefully managed economic and political openings will be sufficiently convincing for domestic and foreign actors to play by the rules the regime wants to set. Capital flight, brain drain, cronyism, lack of foreign investment and diplomatic support may affect economic development to an extent incompatible with regime consolidation or survival.

5.3 Effective use of resources

Economic and human resources have not been allocated efficiently if efficiency is measured in terms of economic growth, human or sustainable development. However, resources have been allocated - and squandered - in ways that have contributed to regime consolidation. Indeed one could argue for instance that private sector growth beyond the limits imposed by the regime (that is growth of those parts of the private sector that are independent of the regime and its representatives) might have resulted in the emergence of competing centres of economic power that almost inevitably wield a degree of political power (or leverage) and that such a development could have reduced regime autonomy or even affected its survival.

5.4 Governance capability

Syria's policies indicate a significant degree of adaptability and to an extent even subtlety. The regime has been able so far to respond to major challenges to its own existence and welfare. Such responses have repeatedly been brutal in the past but not exclusively so. The first infitah in the 1970s already indicated an understanding of regime consolidation through softer means. The economic policies and the selective limited incorporation of some constituencies since the late 1980s are better illustrations of the same.

The analysis of political developments and policy choices remain partly shaped by ideological considerations, but not necessarily more than in other countries that claim to have transcended the age of ideology. Arab nationalism shapes policies largely as a factor that rationally needs to be taken into account in order to limit opposition. The more serious limitations are those resulting from the information and training gap between decision makers in a third world country such as Syria and their counterparts in Europe and the USA.

5.5 Consensus-building

Aware of the red lines drawn by the regime whose potential ruthlessness nobody ignores even today and moreover deeply suspicious of policies associated with the former imperialist powers in the Middle East and even more so with what is seen as American neo-imperialism the vast majority of Syrians defends nationalist inspired foreign policies that include the return of the Golan and a Palestinian state; a strong public sector and a regulated private sector that prevent the country from losing independence and policy-initiative to special interests possibly linked to foreign powers; and what is seen as the defence of the social achievements of the revolution.

Only private sector representatives themselves tend to publicly defend a greater role for that sector but never one that might collide with the independence of the country vis-à-vis foreign or global forces. As to political change, there are certainly democratic forces in the country, but they are dispersed, small, and presently without any clout.

5.6 International cooperation

Syria is a member of the UNO and other intergovernmental organizations; it is a party to numerous international treaties and conventions and presently negotiates an

agreement of association with the EU within the framework of the Barcelona process. Like its counterparts elsewhere the Syrian regime attempts to use these instruments and fora to further its own interests.

Syria has only had minor dealings with the World Bank and never applied for IMF support; its macroeconomic stabilization programme in the late 1980s and other economic reforms were copied on programmes developed by international financial institutions but implemented without their participation. Syria participated in the Madrid conference in 1991 and subsequently began to negotiate a peace treaty with Israel.

International cooperation remains subordinate to regime interests and sometimes to considerations of Arab nationalism; the latter should, however, not be overemphasized.

6. Overall evaluation

Referring to the conclusions already drawn under item 4 (see above) it is obvious that Syria has experienced a degree of economic and political transformation that however must not be viewed as a transition to democracy or a fully fledged market economy. Economic and political reforms have been tailored to the needs of regime survival and the welfare of its representatives. These objectives certainly entailed a degree of economic and political 'opening' that remained however selective and limited to an extent imposed by these very objectives. The management of change has been largely successful, avoiding uncontrollable spillovers that would have favored transition to democracy or the emergence of a market economy.

7. Outlook

Little change should be expected in the short and medium term. Only in the longer term constraints referred to under 5.2. may be expected to have an impact on regime policies. However, the potential further economic decline of Syria in the absence of more far-reaching political and economic reform need not inevitably result in the creation of a more ambitious reform agenda. To the contrary, it may also result in the stiffening of regime positions, the erosion of the achievements of previous reforms, etc. Much will depend on where the regime sees its advantage and how it will define it.

Obviously external factors will also play their part. Seen from Damascus the defeat of Saddam Husayn's regime in Iraq in spite of all animosity towards that regime exposes Syria to the same dangers that it faced in the period of the Cold War, in particular at the time of the Baghdad Pact in 1955. Syria and in particular its regime will see itself entirely encircled by imperialist forces. Under conditions described earlier this is not necessarily a situation conducive to further reform; at the same time Syria may lose (semi-illegal) foreign trade receipts amounting to 10-20 % of its GDP.

At present it still seems unlikely that the USA and the UK will attempt to bring democracy to Syria manu militari, a policy that perhaps events in Iraq will soon show to be ill-advised anyway. What is certain, however, is that if things go well in Iraq any potential demonstration effect will remain ineffective as long as there are no counter-powers in Syria that can challenge the regime. Such powers are nowhere to be seen at present. Petitions like those of the years 2000 and 2001 should not be misinterpreted as obvious manifestation of such forces.