

authority varied considerably across groups and over time. Differences in the pattern of state policy toward various social groups hinged in part on whether U.A.R. authorities sought to exclude and disorganize them, as was the case with landlords, or to integrate and reorganize them along corporatist lines, as with peasants, workers, and, to some extent, capitalists. At the same time, as Egyptian officials struggled to cobble together a viable Nasserist coalition in Syria, they manipulated state policies and regulatory arrangements to reflect the political demands of the moment. In general, peasants, workers, and landlords were more thoroughly constrained and controlled by the state than were capitalists, while labor's status as a source of organized opposition and communist influence led U.A.R. authorities to use a significant degree of coercion in restructuring trade unions. In the case of peasants, the regime had a much greater degree of unobstructed organizational space in which to work, and coercive reorganization was not the order of the day. Despite these differences, however, each group emerged from the union considerably changed, and Syria as a whole emerged with the instrumental and institutional foundations of a populist authoritarian state more firmly in place.

### Reorganizing Syria's Economy and Society

From the outset of the union, Egyptian authorities sought to impose an entirely new economic regime in Syria, reflecting a set of distinct but interrelated objectives. One goal was to form a common market between the two countries, removing barriers to the flow of capital and goods, while increasing protection from goods originating outside the U.A.R.<sup>22</sup> Another was to reorganize relations of production in the countryside as a means for achieving the "elimination of feudalism" and the integration of peasants into a market economy. A third was to restructure and unify the representative organizations of business, landlords, and, most of all, labor. Egyptian authorities also sought to redirect the focus of the Syrian economy from agriculture to industry and to emphasize the primary importance of industrial expansion. Syria's economic development as a whole was to be coordinated through greater reliance on centralized economic planning. Finally, because the state was the vehicle for carrying out these programs, an Egyptian-style centralized state apparatus was introduced in Syria.

22. *ESE*, 1959, 1:1.

along with legislation unifying bureaucratic practices in the two regions of the U.A.R.<sup>23</sup>

Egyptian authorities believed that many of these efforts required only that the reforms introduced into Egypt after the Free Officers' coup of 1952 be extended to Syria.<sup>24</sup> Other changes, reflecting the novelty of the union and shifts in Nasser's political thinking, would require modification of both Egyptian and Syrian practices. But they all operated to advance the underlying objectives of Nasserist officials: centralizing power, restructuring relations between the public and private sectors in Syria, breaking the autonomy of powerful social classes, fragmenting pre-U.A.R. interclass coalitions, embedding classes in direct vertical relationships with the state, and institutionalizing a populist, state-led model of economic development.

### *The Politics of Trade Regulation under the U.A.R.*

These objectives are clearly visible in Egyptian efforts to achieve economic unification and to gain control over Syrian trade.<sup>25</sup> As a fundamental tool for integrating the economies of Syria and Egypt, import and export policy, along with the regulation of foreign exchange, became the leading source of conflict between Egyptian officials and Syrian bureaucrats and businessmen. Moreover, these conflicts extended to a range of issues beyond economic integration. They encompassed Egyptian attempts to direct Syria's import substitution regime, to use import policy to enforce austerity measures following disastrous harvests in 1958, and to reform tax policy—an issue of considerable controversy in the preunion period. Overall, such measures were intended to bring the coordination of the Syrian economy more closely under the regulatory control of state institutions.

President Nasser himself inaugurated the process of economic integration that would continue throughout the life of the union. During his first visit to Syria as president of the United Arab Republic in early March 1958,

23. One of the earliest complaints against the union came from Syrian civil servants who not only found themselves under the direction of Egyptians but also had their pay scales reduced to Egyptian levels. See "Manifeste du General Syrien Afif al-Bizri, 10 Mai 1959," *Orient* 10 (1959), pp. 265–16.

24. Petran, *Syria*, p. 128. Petran's account of the union is distorted by her obvious Syrian sympathies and by a number of factual errors. But she reflects quite well the feelings of Syrians regarding the arrogance of Egyptian authorities and their ignorance of conditions in Syria. Barakat also reflects these feelings in "Opinions sur la politique."

25. For an overview of integration measures, see Chafic Akhras, "L'intégration totale et rapide des économies Syriennes et Égyptiennes," *EfSPA*, no. 44 (August 1961), pp. 26–35.

**Table 10.** Syrian imports from and exports to Egypt, 1955–1963 (in millions of Syrian pounds)

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Imports	6.82	8.34	14.3	25.5	41.8	52.5	67.6	3.22	12.5
Exports	5.17	9.03	31.8	16.6	68.4	60.9	42.7	5.25	0.4

Source: Maktab al-Dirasat al-'Arabiya, *Etudes sur la Syrie économique, 1963* (Damascus: Bureau des Documentations Syriennes et Arabes, 1964), table 100.

Nasser signed Presidential Decree no. 1, unifying the postal and telecommunications tariffs of the two newly formed provinces.<sup>26</sup> Following this visit, Syrian and Egyptian officials began discussions on the full reform of customs arrangements. In early September a presidential decree was signed calling for the complete economic unity of the two regions. It exempted from customs duties locally produced products exchanged between Syria and Egypt, except for a few commodities such as tobacco and salt, whose marketing was controlled by the state. Initially, duties were also retained on Egyptian industrial products, whose prices were 25–50 percent higher than foreign equivalents.<sup>27</sup>

Subsequent legislation continued to reduce trade barriers between the two regions of the U.A.R. On December 24 the Central Ministry of Economy in Cairo announced measures exempting commodities exchanged between Syria and Egypt from import licenses and eliminating a tax levied by Syria on such permits. By June 1959, the Egyptian paper *Al-Ahram* reported that suppressing import permits had considerably increased Syrian-Egyptian trade.<sup>28</sup> The next year, in July 1960, Nasser signed a presidential decree exempting from taxes Syrian products destined for export to Egypt.<sup>29</sup>

These measures were effective in expanding Syrian-Egyptian commerce (Table 10). They even generated a positive balance for Syria in Syrian-Egyptian trade during two successive years. But they nevertheless provoked opposition from Syrian businessmen and landowners, who found themselves facing new competition, especially from Egypt's strong textile sector. Cheap Egyptian exports of finished goods cut deeply into unprotected Syrian markets. According to Petran, "Many [Syrian] textile companies were reduced to operating at much below capacity, while the annual reports of Egyptian textile firms revealed they had disposed of large surplus stocks

26. *COC* 37 (1958), p. 174.

27. Akhras, "L'intégration totale," p. 28.

28. *Al-Ahram*, June 5, 1959.

29. *COC* 43 (May–August 1960), p. 209.

in Syria."<sup>30</sup> In response, Syrian industrialists mobilized to oppose the new U.A.R. trade regime, publicizing their complaints in the Syrian press, which was less restricted than its Egyptian counterpart, and organizing meetings with bureaucrats and politicians.

In taking their complaints to the Ministry of Economy, these businessmen were following a long-standing pattern of lobbying state officials. Yet Syrian capitalists were no longer insiders, and Syrian officials were no longer the exclusive arbiters of economic policymaking. Egyptians occupied every cabinet portfolio related to the economy in the central U.A.R. government. And Syrian politicians who held important economic posts in the Executive Council for the Syrian Region, such as Ba'thist Khalil Kallas, were unlikely to view business concerns with much sympathy. As a result, despite frequent meetings between business delegations and Syrian politicians, there are few signs that these activities altered the determination of Nasser and Egyptian authorities—who in any event faced countervailing pressures from Egyptian capitalists—to keep Syrian markets as open as possible to Egyptian investments and exports. Syrian businessmen and landlords had slightly more success when they went directly to Cairo to plead their case or intervened with senior Egyptian officials in Damascus.

Import policy was not the only arena where efforts to achieve economic integration incited Syrian opposition. In October 1958, Egyptian economic officials announced plans to unify the currencies of the two countries, replacing Egyptian and Syrian currency with a common Arab dinar. This too was intended to facilitate trade between the two regions of the U.A.R. Syrian businessmen, however, were persuaded that such a move would completely submerge the local economy, diluting local control over monetary policy and budgets and rendering obsolete such institutions as the Syrian Central Bank, which were seen as more responsive to the concerns of local business than institutions located in Cairo or the Egyptian banks that had moved into Syria at the start of the union. They also feared that unification would bring with it restrictions similar to those limiting the exportability and convertibility of Egyptian currency. As the value of the Egyptian pound declined by over 40 percent against the Syrian pound during the first year of the U.A.R., Syrian officials and businessmen had good reason to worry that currency unification would increase budget deficits by raising the costs of imports.<sup>31</sup> Acting on these concerns, a delegation of business leaders met with the president of the Syrian Executive Council on October 28 to express reser-

30. Petran, *Syria*, p. 143.

31. Mohammad S. Nablusi, "Problems of Integrating the Monetary Systems of Egypt and Syria under the UAR Regime, 1958–1961," *Middle East Economic Papers*, 1961, pp. 61–77.

vations about currency unification and to request a clarification of policy.<sup>32</sup> Despite repeated assurances from Syrian officials that unification would not proceed, rumors to this effect persisted, provoking capital flight and the decline of foreign exchange reserves.<sup>33</sup> Other trade-enhancing measures were tried in place of currency unification, but Syrian capitalists were not reassured and continued taking their money out of the country.<sup>34</sup> Eventually, in an effort to control currency speculation and capital flight caused by persistent rumors of unification, the central government of the U.A.R. essentially nationalized foreign exchange operations in Syria.<sup>35</sup>

While Syrian businessmen sought ways to slow or reverse the opening of trade relations with Egypt, they also fought the closure of Syrian markets to other, more profitable trading partners which followed the imposition of Egyptian-inspired tariffs, trade restrictions, and licensing requirements on non-U.A.R. goods. Businessmen also contested the bureaucratization of trade and the dramatic expansion of state intervention in both foreign trade and in Syrian domestic markets. Although the rationale for many of these innovations was sound—to help reduce Syria's trade deficits and to ameliorate the hardships resulting from protracted drought and poor harvests—they nonetheless provoked some of the sharpest conflicts in the U.A.R.'s brief history.

Beginning in 1958 and accelerating in 1959, Egyptian authorities introduced a wide range of structural and institutional changes in the economic management of the U.A.R. Price and supply controls, which had been applied selectively in preunion Syria and were hotly debated in the Syrian parliament, were extended to a larger number of commodities. Some of the new controls were a response to temporary shortages and were later removed, but the institutional apparatus created to implement them remained. These included the Ministry of Supply, Ministry of Industry, and a new coordinating body, the Economic Organization, which were established in 1958, as well as an additional bureau of planning created in February 1959. Reinforcing the regime's interest in industrialization, the

32. *ESE*, 1958, pt. 2, p. 13. Some business opposition may also have stemmed from a desire to perpetuate the "unrealistic" exchange rate "fixed by the two central banks [that] provided Syrian exporters with windfall profits" (Nablusi, "Problems," p. 70).

33. Rumors of currency unification were refuted several times by Khalil Kallas, minister of the economy of the Syrian region, to little effect. As late as July 1960, the governor of Syria's central bank, 'Izzat Tarablusi, again had to disclaim such rumors (*COC* 43 [May–August 1960], p. 210).

34. According to the IMF, Syria's gold and foreign exchange reserves decreased from a high of \$69 million in 1957 to only \$35 million in 1961. International Monetary Fund, *International Financial Statistics* (Washington, D.C.: IMF, December 1963), p. 252.

35. This policy was implemented in February 1961 (*ESE*, 1961).

Ministry of Industry drafted plans for the formation of the Industrial Bank, which opened in 1959. Five-year plans were prepared for industry, agriculture, and the economy as a whole. Other state institutions that earlier operated largely in support of the private sector gradually expanded their capacity to regulate or manage private sector affairs.

No less important than the expansion of state regulation, official directives were much more rigidly enforced under the U.A.R. than during preunion regulatory regimes. In 1959, compliance with economic regulations was redefined as a matter of state security, largely in response to the frustration of Egyptian officials with the creativity shown by Syrian capitalists in avoiding them. In October of that year, President Nasser signed a decree establishing a state security court in each province, along with a network of supreme state security courts. Both were to be under military control. These tribunals were given the power to impose harsh military penalties for violations of company law, tariff regulations, supply regulations, laws governing the obligatory declaration of profits, restrictions on the withdrawal of capital from the U.A.R., and laws governing the regulation of banks and insurance companies.<sup>36</sup>

In the interest of reducing Syria's trade deficit, preserving foreign exchange, and, not least, redirecting trade toward Egypt, Egyptian officials also introduced a more extensive regime of import restrictions. The import of luxury goods was prohibited, and an enormously complex set of rules, requirements, and taxes governing other imports was put in place.<sup>37</sup> Whether intentionally or not, the effects of these restrictions were reportedly greatest for countries with which Syria had a positive balance of trade.<sup>38</sup> Not surprisingly, Syrian merchants, industrialists, and civil servants were strongly opposed to implementing the byzantine regulations imposed by U.A.R. officials. They developed numerous forms of resistance, both formal (lobbying) and informal (smuggling), thereby frustrating attempts at economic integration.

Initially, however, Syrian officials took up the problem of import regulations as a test case for reasserting local authority over economic policy-

36. *COC* 38 (1958), pp. 181–82. Like other institutions created during the union, they remained in place, with their powers intact, after the union collapsed.

37. According to a contemporary American account of these changes and the Syrian response, Damascus newspapers reaching Beirut record a growing protest by industrialists, businessmen, farmers and labor union leaders against the attempted imposition on the former free economy in Syria of strict controls imposed by the Revolutionary Council in Egypt since 1954. The latest was against the imposition of stricter controls on imports of so-called luxury goods. These make the importation of anything worth more than \$300 impossible except for a favored few large operators" (Hailey, "Syrians Souring on Egypt's Curbs").

38. *ESE*, 1958, pt. 1, p. 3.

making. In June 1958, Syrian customs officials, disturbed by what they perceived to be the union's infringement of Syria's economic autonomy, unilaterally reimposed tariffs on a number of Egyptian goods.<sup>39</sup> President Nasser chose to regard this apparently modest act of defiance as a challenge to his personal authority in the broadest terms, capable of undermining Egyptian control over the Syrian region and threatening the entire unification project. He summoned the two Syrian vice presidents of the U.A.R., Akram al-Hawrani and Sabri al-Asali, to Cairo to reassert control of the central U.A.R. government over policymaking in the Syrian "province." At Nasser's urging, the central cabinet concluded that economic policy would henceforth be decided only by the central legislature, not by regional bureaucracies. This meant not only transferring power over economic policy to legislative bodies located in Cairo, far from the influence of Syrian business circles, but also subjecting it to a legislative process that was thoroughly dominated by Nasser himself.<sup>40</sup> Ultimately, the Syrian decrees were rescinded. Nasser was able to strengthen his popular appeal by contrasting his actions with the profiteering behavior of Syrian businessmen, thus conveying the impression that he had acted to lower the cost of consumer goods in the Syrian region.

Yet just as integration with Egypt caused dislocations in a number of economic sectors, so too the protectionist regime contributed to inflationary pressures, commodity shortages, and the erosion of Syria's foreign exchange position. Syrian consumers reacted to import restrictions by hoarding commodities and driving up their prices. Syrian traders likewise sought to manipulate the new regulations to satisfy local demand, and a brisk trade in import licenses was created. In the process, they forced Egyptian authorities to engage in convoluted regulatory maneuvering in a vain effort to improve business compliance. These conflicts continued throughout 1958 and 1959, even though improved cotton harvests in the latter year reduced pressure on the local economy. During 1959 Egyptian authorities introduced a new wave of "austerity policies" in the form of

a series of uninterrupted restrictive measures, the only goal of which was to limit the flow of imports in order to remedy the growing deficit in the commercial balance. But the importers, fearful of a complete halt of imports . . . hastened to import new quantities of products, placing new weight on the growth in the volume of imports. The authorities took recourse in a new

39. Decision no. 248 of the Conseil Supérieur des Douanes (*ibid.*, pt. 2, p. 6).

40. For details on this incident see Osgood Caruthers, "Syrian Challenge Fought by Nasser: Arab Leader Moves to Bar Tariff Increase Imposed by Damascus Officials," *New York Times*, June 10, 1958, and *Middle East Journal* 12 (Spring 1958), p. 190.

method by establishing a regime of taxes on requests for import licenses. This measure, having been proven equally without utility, was replaced by a new regime fixing three months during each year for presenting requests for import licenses. This regime was later modified to extend the period . . . to six months. But this time as well the regime was abolished and the former normal regime was re-established.<sup>41</sup>

Some of these policies were apparently introduced, modified, and then withdrawn all in the course of a few days. After the "normal" trade regime was reinstated, the availability of imported items increased and their prices fell. Nonetheless, perhaps because Syrian consumers lacked confidence that "normalcy" would persist, imported goods continued to disappear from store shelves.<sup>42</sup>

Conflicts over Syria's integration with Egypt and the introduction of wide-ranging import restrictions can be interpreted, in part, as resistance to foreign (albeit Arab) economic control. As anti-Egyptian sentiments spread, the social conflicts that dominated Syrian politics between 1946 and 1958 were not resolved but overlaid by a growing Syrian nationalism that targeted Egypt and provided a common enemy for social groups that nonetheless remained deeply divided. Such conflicts can also be understood, however, as part of an evolving relationship between the private sector and the state. And in this sense the resistance of business factions to Egyptian-sponsored reforms suggests their unwillingness to accept the subordination of private sector activities and priorities to state-defined notions of economic necessity, the general good, and the appropriate boundaries of state intervention.

Even though the role of the state had expanded considerably before the union and become a serious source of political tension, the experience of the union substantially deepened the adversarial quality of state-business relations. The union accelerated the transformation from state guidance of the private sector in a basically market-oriented economy to direct state control of a mixed economy in which markets were increasingly restricted. That it was Nasser who oversaw this process, through Egyptian institutions and Egyptian officials, obscured, however, the significant extent to which the populist ideology, statist norms, and organizational apparatus of the union period were institutionalized within Syria itself.

To pose the transformation of Syria's political economy under the U.A.R. in such sharp terms, however, does not capture the real ambivalence that shaped Nasserist relations with either Egyptian or Syrian capitalists. Even

41. *ESE*, 1958, pt. 1, p. 3.

42. *Ibid.*

while U.A.R. officials were constraining the autonomy of the Syrian and Egyptian private sectors and asserting their authority to make economic policy, Nasser recognized the importance of the private sector's participation in the economy, particularly its efforts to deepen the process of industrialization.<sup>43</sup> Nasser's declaration of principles at the founding of the union had guaranteed the security of private property, and he initially dismissed the possibility of achieving his economic goals through nationalization of private assets. The private sector was not, at first, a target of the more rigid corporatizing efforts such as those directed at labor, and the concerns of businessmen received uneven but occasionally solicitous attention from Egyptian officials, if not from Nasser himself. Nasser was, in fact, more responsive to Syria's business elites and their political allies than to other social or political groups, including labor.<sup>44</sup> This was not entirely an economic calculation. In part it reflected Nasser's judgment that the bourgeoisie represented a useful political counterweight to the Ba'ath and the communists and that organized sectors such as labor required tighter control to purge them of Ba'athist and communist influence. Nasser also was not averse, apparently, to letting the Ba'ath take the blame for dislocations caused by the U.A.R.'s economic policies.

As a result, state policy toward the private sector was an ambiguous, if not contradictory, mix of incentives and sanctions, coercion and encouragement. Nasser's initial tolerance of Syrian businessmen and his responsiveness to their concerns were highlighted during a congress of Arab Chambers of Commerce in Cairo in December 1958. Nasser had invited the Syrian delegates to meet with him while they were in Cairo to discuss their grievances about the union. At the time—only several months after the union had been established—they were inclined to blame their problems on the excesses of Ba'athist ministers and Egyptian bureaucrats rather than on Nasser himself, at least publicly. They presented Nasser with a lengthy

43. Nasser frequently referred to the importance of the private sector, in the context of a controlled economy. In one speech, Nasser cited as one of the leading causes of the U.A.R.'s economic development "the harmony between private capital and public capital, harmony which is clearly evident in many of the large projects which have been undertaken with the mutual cooperation of public capital and private capital." Gamal 'Abd al-Nasser, "Speech at the Opening Session of the General Congress of the National Union, July 9, 1960," *Majma'at khulaf wa-tashrihat wa-bayanat al-ra'is: Fabrayir 1960-Yanayir 1962* (Collected speeches and proclamations of the president: February 1960-January 1962) (Cairo, United Arab Republic: Maslahat al-Islamat, n.d.), 3: 199.

44. In the early months of the union, for example, at approximately the same time that a delegation of Syrian landowners was in Cairo to argue against extending Egypt's land reform law to Syria, leaders of the union representing Iraqi Petroleum Company workers were dismissed for rejecting the imposition of government control over union affairs, including collective bargaining (Hailey, "Syrians Souring on Egyptian Curbs").

Table 11. Capital formation in Syria by sector, 1954-1964 (in Syrian pounds, 000)

Year	Private sector	Public sector	Total
1954	294,467	39,252	333,719
1955	289,317	58,845	348,162
1956	305,353	69,227	374,580
1957	205,810	60,450	266,260
1958	235,313	84,120	319,433
1959	—	—	—
1960	—	—	—
1961	270,500	195,300	465,800
1962	456,100	173,100	629,200
1963	445,700	165,900	611,600
1964	373,600	151,400	525,000

Source: Syrian Arab Republic, Wizarat al-Takhtit, Muḍiriya al-Ihsa', *Al-Majmu'a al-Ihsa'iya al-Suriya* (Syrian statistical abstract) (Damascus: Government Press, 1954-67).

memorandum setting out their criticisms and requesting the "curtailment of state intervention, assurance that economic legislation enacted for the Syrian Region should be designed to increase economic prosperity, and that certain legislation should be enacted gradually so as not to harm the Syrian economy. Finally, it asked for a clearly stated UAR economic policy that would define the role of the state for businessmen."<sup>45</sup>

Like any politician facing angry constituents, Nasser promised to do everything he could to resolve the delegation's complaints, though it is not clear whether he gave them anything more than a sympathetic hearing. In the event, 1959 was marked by a dramatic increase in state intervention and rising business discontent, and the chambers continued to mobilize businessmen to press for the elimination of import regulations. Capitalists in Aleppo and Damascus, often described as competing elites with little in common, worked together to restore the more liberal trade regime of the preunion period.

Their campaign met with temporary success toward the end of 1959, much to the displeasure of Ba'athist leaders, who chafed at the consideration shown to businessmen by U.A.R. officials. Syria's failure to implement its share of U.A.R. industrialization programs, together with the continued opposition of local businessmen to economic integration, prompted Nasser to dispatch a key aide—Chief of Staff of the U.A.R. Armed Forces and Vice President Marshall 'Abd al-Hakim Amr—to Damascus in October 1959. His

45. John Devlin, *The Ba'ath Party: A History from Its Origins to 1966* (Stanford: Hoover Institution Press, 1976), pp. 136-37.

brief was to pull the Syrian economy into line and to tighten political control.<sup>46</sup> According to a contemporary Syrian account sympathetic to business interests, the opposition of capitalists to import restrictions was the main problem confronting Amr when he arrived in Syria.<sup>47</sup> Displaying a pragmatic orientation toward the economy, Amr immediately began discussions with business representatives and local technocrats to find ways to address business grievances. As a result of his meetings with local economists and with delegations from the Chambers of Industry, Commerce, and Agriculture, Amr took up the complaints of business groups and introduced a number of decrees liberalizing Syria's import regime. The Chambers of Commerce were accorded most of the credit for Amr's conversion, limited though it was, to economic liberalism.<sup>48</sup> Prices of imported goods dropped, and their supply increased.

Amr's responsiveness to the demands of Syrian business interests, however, exacerbated the decline in the relations between the Ba'ath Party and the U.A.R. regime. Together with the more repressive political atmosphere he introduced, including harsher suppression of Syrian trade unions and the eroding authority of Syrian ministers resulting from Amr's presence, economic "liberalization" led to the final break between Ba'athist ministers and the central U.A.R. government. By the end of the year, Minister of Economy for Syria Khalil Kallas was the sole remaining Ba'athist regional cabinet officer. Vice President and Minister of Justice Akram al-Hawrani; Minister of Culture Salah al-Din Bitar; Minister of Social Affairs for Syria 'Ahd al-Ghani Qanut; and Minister of Agriculture for Syria Mustafa Hamdun had all resigned their posts.<sup>49</sup>

46. Marcel Colombe, "La mission à Damas du Maréchal Égyptien 'Abd al-Hakim Amer," *Orient* 12 (1959), pp. 27-35.

47. *ESE*, 1959, pt. 1, p. 3.

48. The story of Amr's meetings with business groups was reported in *ibid.* as follows: "A very important meeting was held between Marshall Amr and the executive ministers, on the one hand, and the representatives of the Chambers of Commerce, Industry and Agriculture, and with local economists, on the other hand. This initiative of Marshall Amr entailed frank discussions between businessmen and economic authorities, notably in the commercial sector. These exchanges of viewpoints . . . convinced the authorities of the necessity to make the import regime more flexible, the country having become accustomed to a liberal [trade] regime."

As a result of this meeting, "a number of decrees [were published] easing the restrictions on imports and reducing or even eliminating customs duties on certain consumer goods. It is true that the currency yielded by the export of cotton has helped with this accomplishment, but it is above all the result of the initiatives taken by the Chambers of Commerce of Damascus and Aleppo and the stagnant condition of the markets which dictated these measures."

49. *Middle East Journal* 14 (Spring 1960), p. 199. Agriculture minister Hamdun had been a special target of landowners for the zealotness with which he pursued the expropriation of landed estates.

The encounter between Amr and the Chambers of Commerce over trade liberalization underscores an important aspect of the broader business-state relationship under the U.A.R. Through their political opposition, their active noncompliance, and their critical economic position, businessmen in Syria were able to slow progress toward economic integration. They frustrated the unification of Syrian and Egyptian currencies, and fought other Egyptian schemes for subordinating the Syrian economy to Egyptian needs.<sup>50</sup> The mobilization of business interests, combined with the dependence of the regime on private sector capital, contributed to the preservation of business influence and autonomy. At the same time, however, business resistance to the rise of state capitalism stiffened Nasser's resolve to strengthen state regulatory institutions and further to reorganize and exclude business interests.

Despite some limited victories, therefore, the power of Syria's capitalists and, to an even greater extent, the agrarian elite diminished significantly as a result of the union. As the meetings with Nasser and Amr suggest, conflicts over economic policy took place in a state-centered environment in which the private sector occupied an unambiguously subordinate role. Although they retained some influence through their capacity to resist regulation, capitalists could not define the overall course of state action or state policies. Local ministries and the economic bureaucracy in general had become less congenial, forcing Syrian businessmen to petition Cairo for redress of their grievances or to call on Egyptian officials in Syria to plead their case. Economic activities that formerly had been only moderately regulated, such as distribution, pricing, or foreign exchange, had become more tightly controlled.

In addition, the gains secured in negotiations with Amr were not lasting. By early 1961, U.A.R. officials had begun to reimpose and even tighten controls over trade as a prelude to the socialist decrees introduced in July, particularly the regulation of Syria's foreign exchange operations. These measures intensified the cycle of conflict between business and state officials. More important, however, Nasserist policies brought an end to the state-private sector partnership in the making of economic policy that had characterized much of the preunion period. This shift had important consequences: it linked the declining ability of businessmen, bankers, and landowners to influence the direction of development with the notion that the state actors, representing the welfare of peasants and workers, should set economic priorities and determine economic policy.

50. One of these was a plan to transfer Egyptian peasants to the less densely populated agricultural regions of Syria. Like currency unification, vocal Syrian opposition made this a non-starter (*ESE*, 1958, pt. 1, p. 21).

## Corporatism and Countermobilization

From the start of the union to the beginning of 1961, the reorganization of Syria's private sector stopped short of outright nationalization. But from February 1961 to the end of the union in September, Egyptian officials shifted to a more radical form of restructuring that included the nationalization of leading economic sectors and accorded the state direct responsibility for capital accumulation, industrialization, and foreign trade. Restructuring the private commercial and industrial sectors in the U.A.R. during the first of these periods followed two interrelated but distinct paths, both of which were advanced through legislative means. One involved redefining the relationship of business to the state, excluding capitalists from processes of economic policymaking, tightening controls and licensing requirements on business, and regulating investment decisions. The second involved changes in the operation and management of firms, setting additional limits on the autonomy and authority of capitalists. In both cases, the changes introduced during the union were inspired by populist and statist notions concerning the social functions of wealth and the need to direct the affairs of business to advance specific social purposes defined by the state. At the same time, they were also intended to disorganize the commercial and industrial bourgeoisie by fragmenting its control of business, restricting its access to and control of capital, and breaking the social networks that defined Syria's economic elite. These changes produced a significant shift in the balance of economic power in favor of the state, small investors, the commercial petite bourgeoisie, the rural middle class, and, to a lesser extent, labor—in other words, the constituent elements found in many populist authoritarian coalitions.

This process began in the first months of the union, even while Nasser reassured the private sector that it would remain independent and worked to gain its participation in his ambitious development program. In April 1958, a law for the organization of industrial production was passed that required state authorization for an industry to be started, closed, or modified. These requirements were already in effect, but the new law also set a limit of 10 percent on corporate profits and fixed the prices of primary materials.<sup>1</sup> With regard to the management of joint-stock and limited liability firms, which constituted the largest private sector enterprises, other new laws limited the powers and benefits of company directors, required worker representation on boards of directors, and imposed new requirements on the distribution of profits. A decree passed in August 1958 stated that no individual could serve on more than two company boards and limited payments to directors to twenty-five hundred Syrian pounds annually, far less than the lavish fees (as much as fifty thousand pounds) that had been paid to board members in the past.<sup>2</sup> In April 1959 another decree was issued which restricted boards of directors to no less than three and no more than seven members, though it permitted a director of one firm to serve on as many as four boards.<sup>3</sup> In May 1960, banks and insurance companies were prohibited from making loans or advancing credit or guarantees to members of the board or to board members of firms to which they provided financial services. In July 1961, Nasser's socialist decrees required that two out of the maximum of seven board members had to be workers' representatives, elected by secret ballot for one-year terms.<sup>4</sup>

These measures should be understood in light of the prevailing corporate structure in Syria, in which interlocking networks of family members tended to dominate company boards. Only a minority of joint-stock companies could be considered truly public firms, in the sense that share ownership was dispersed beyond a small network of family and friends. The vast majority of firms identified as publicly owned joint-stock companies were run for and by a small circle of investors drawn from one or several families or from interrelated social networks. As I noted in Chapter 2, some 76 percent of 159 joint-stock firms started between 1951 and 1961 had ten or fewer founding investors. In this setting, the new restrictions represented a direct and potent challenge to bourgeois control of the large industrial and

1. COC 38 (1958), p. 222.

2. *Al-Ahram*, August 12, 1958. These measures were strictly enforced. In Egypt, several Belgian firms were nationalized after repeatedly violating, among other things, the limits on directors' salaries.

3. Decree no. 66, passed in April 1959 (*ESE*, 1959, 2:6).

4. COC 46 (May–August 1961), p. 285.

commercial sectors. They effectively dismantled the various mechanisms perpetuating that control: the crosscutting representation of elite families on company boards, insider relationships with banks and insurance companies, and a largely unregulated environment with regard to the distribution of profits, the level of directors' benefits, the private use of corporate assets, and investment decisions.

Such decrees had explicitly populist and statist objectives. They were meant to protect small investors and workers at the expense of the small number of families who dominated the industrial and commercial sectors. As one business journal noted, restrictions on the size of boards of directors were intended "for the advantage of small investors and capitalists who are now able to benefit from the profits of companies to the same degree as large businessmen. In addition, a new generation of young people will introduce themselves onto the boards of directors and bring them a new dynamism."<sup>5</sup> Such regulations increased the accountability of private sector management to the state and enhanced state control over the allocation and use of private capital. Given the primary position of private capital in Syria, this effectively expanded the state's command over the national economy as a whole.

These regulations shed important light on how the gradual expansion of commercial regulation set about undermining elite social networks, diluting the private sector's capacity for collective action, reallocating resources from the largest investors to smaller shareholders and workers, and, above all, transferring control of capital from the private sector to the state. Laws governing the management and structure of private sector firms represent instruments through which the U.A.R. regime institutionalized state power and undermined private sector autonomy, as evidenced in the pattern of conflicts described earlier. Nonetheless, it is important to recognize that Nasser's overall project envisioned not the demise of capitalism in the U.A.R., but the formation of a distinctive form of capitalism resting on a populist-industrializing and state-led strategy of development.<sup>6</sup>

5. *ESE*, 1959, 1:6.

6. Ba'athist politicians were acutely aware of the capitalist character of Nasser's strategy and sharply critical of the 1961 decrees. According to Abu Jaber: "The party charged that such a step was a transfer of capital from private hands to bureaucrats. This amounted to nothing more than state capitalism and in the eyes of the party this could not be called socialism. Such laws placed the economy in the hands of bureaucrats and made the state the sole mover and mainspring of the economy" (Kamel S. Abu Jaber, *The Arab Ba'ath Socialist Party: History, Ideology, and Organization* [Syracuse: Syracuse University Press, 1966], p. 60).

### Agrarian Reform and Reconstruction of Syria's Rural Political Economy

A similar pattern of growing state intervention and control was visible in the reorganization of the agrarian sector. Yet there were important differences between Nasser's relationship with business and his approach toward large landowners. While Nasser was prepared to make room in his ruling coalition for what he called the "patriotic bourgeoisie," his tactics toward "rural influentials" was more consistently exclusionary. Landlords, like capitalists, developed strategies to mitigate the effects of state policy and to preserve a measure of control over the countryside.<sup>7</sup> Yet opposition to "feudalism," along with efforts to incorporate but demobilize the rural middle class, were cornerstones of Nasserist policies in the late 1950s and early 1960s.<sup>8</sup>

The residual power and autonomy of large landowners in Syria presented serious obstacles not only to the consolidation of Nasser's authority but also to what Syrian capitalists themselves saw as the rationalization of agricultural production—that is, breaking landlords' control over rural labor and production, and transferring capital from the agrarian sector to industry and the state. It was primarily against the rule of the notables, therefore (and on behalf of the rural middle class), that Nasser directed his efforts at populist mobilization, state intervention in the agrarian economy, and the restructuring of landed interests.

The reorganization of domestic political coalitions in Syria that was carried out by U.A.R. officials—controlling but encouraging the private industrial sector while repressing and marginalizing the largest landowners—had important consequences for the coalition of land and capital inside Syria. It weakened the structural dependence of the bourgeoisie on the agrarian sector and thus diminished the weight of agrarian interests in the political calculus of capitalists. As a result, capitalists, not the landed elites, led private sector opposition to the union, and their strategies reflected the priority they attached to commercial and industrial, rather than agrarian, concerns. At the same time, Nasserist policies explicitly aimed to create new structures of dependency between business and the state. The outcome of

7. Following Marshall Amr's arrival in Syria, a five-member commission was established to correct "excesses" in the appropriation of land. The committee, established in response to the complaints of landowners, was seen as a dramatic turning point in the process of agrarian reform. The measures introduced by Amr were hailed by landowners as creating a spirit of justice and equity in the process of land reform (*ESE*, 1959, 1:21).

8. Leonard Binder, *In a Moment of Enthusiasm: Political Power and the Second Stratum in Egypt* (Chicago: University of Chicago Press, 1978), pp. 363–6.



these conflicting processes—declining dependence on the landed elite and expanding state control over the private sector—sharpened business-state tensions throughout the last months of the union.

Agrarian reform measures introduced into Syria during the U.A.R. consisted of three interrelated programs: legislation regulating the relationship between agricultural laborers and landowners; legislation governing the ownership and use of private and state domain lands and directing the economic organization of peasants; and measures reorganizing agricultural production under state control. Legislation protecting the rights of peasants, regulating their working conditions, and ensuring a fair division of harvests between landowners and sharecroppers had been debated numerous times in the Syrian parliament during the 1950s, but landlords had shown themselves to be highly adept at undermining efforts to improve the living conditions or broaden the political and economic rights of peasant farmers.

The formation of the union not only accelerated the process of agrarian transformation but also dramatically altered the political context within which reform was carried out. Placing agrarian reform under the auspices of the centralized political institutions of the U.A.R. severely eroded the capacity of large landowners to impede the restructuring of agricultural property rights. As a result and despite continuing high levels of inequality in landownership, union officials made considerably more progress in the actual redistribution of land between 1958 and 1961 than had any Syrian government since independence.

The first problem to be addressed following the creation of the U.A.R., as part of an overall agrarian reform program, concerned peasant mobilization and the expansion of peasants' rights. On September 4, 1958, the government promulgated an agricultural relations law (Law 134) that was designed to strengthen the position of sharecroppers and agricultural laborers in their relations with landowners.<sup>9</sup> Several days later the Ministry of Labor and Social Affairs announced the formation of a commission to organize re-

9. This bill and other reform measures are described in great detail in Badr al-Din al-Siba'i, *Al-Marhala al-intiqaliya fi Suriya: 'Ahd al-wihda, 1958-1961* (The transitional stage in Syria: The union period, 1958-1961) (Beirut: Dar Ibn Khaldun, 1975), pp. 64-127. It is also discussed in 'Abd al-Hadi 'Abbas, *Al-'Ard wal-islah al-zira'i fi Suriya* (Land and agrarian reform in Syria) (Damascus: Dar al-Yaqitha al-'Arabiya), pp. 262-74. See also Salah M. Dabbagh, "Agrarian Reform in Syria," *Middle East Economic Papers*, 1962, pp. 1-15; Bu 'Ali Yasin, *Hikayat al-'ard wa-al-fallah al-Suri, 1858-1979* (Story of the land and the Syrian peasant, 1858-1979) (Beirut: Dar al-Haqaiq, 1979); Bichara Khader, "Propriété agricole et réforme agraire en Syrie," *Civilisations* 25 (1975), pp. 62-82; Ziad Keilany, "Land Reform in Syria," *Middle Eastern Studies* 16 (October 1980), pp. 209-24; and Akram S. Shakra, "Land Reform in Syria," Ph.D. diss., University of Oklahoma, 1966.

lations between peasants and landlords and to oversee the implementation of the new law. The law regulated working conditions, especially for women and adolescents, set hours of work, and introduced the principle of minimum wages for paid laborers and an equitable division of harvests for sharecroppers. It obligated landlords to honor both oral and written contracts, established collective bargaining mechanisms, and contained provisions for workers' compensation, health, housing, and employment services. This law also provided for the arbitration of disputes and for state supervision of labor contracts, wage agreements, and benefits.<sup>10</sup> Finally, the law extended important organizational rights to peasants, permitting them for the first time in Syrian history to form syndicates and bargain collectively with landlords. Two categories of peasants—sharecroppers and agricultural laborers—were acknowledged and organized through separate associations. Initially, no mechanism existed for joining them in a general federation, but by 1960 all peasants were required to become members of a newly formed Peasant's Union. Law 134 also acknowledged the right of landlords to form their own syndicates.<sup>11</sup>

Compared with the legislation proposed by Ba'hist legislators before the union, Law 134 imposed far sharper restrictions on the forms of collective action permitted to members of peasants syndicates. It also extended state authority through an impressive regime of constraints and corporatist controls. In some respects these were similar to the restrictions imposed on Syria's industrial workforce by the 1946 labor law.<sup>12</sup> Like trade unions, peasants syndicates fell under the general authority of the Ministry of Labor and Social Affairs, which had extensive control over their activities. Perhaps most important, however, were restrictions prohibiting the members of these syndicates from engaging in any activities that could be regarded as political, ranging from demonstrations to the kind of organized party politics that were denied to all Syrians under the U.A.R. In contrast to the pro-

10. For example, minimum wages in a given area were established by committees headed by a representative of the Ministry of Labor and Social Affairs; they included representatives from the Ministry of Agriculture and the Ministry of Labor, a landlord elected by the landlords syndicate in the area, and a peasant representative chosen the same way ('Abbas, *Al-'Ard*, p. 266).

11. Neither the official statistical abstract nor the more thorough data published privately by the Maktab al-Dirasat al-'Arabiya include figures on the number of peasant and landlord unions formed as a result of this law or on their membership. On the structure of peasant unions formed under the Ba'ith and the similarities with their predecessors, see "Watha'iq: al-ithad al-'am lil-fallahin fi Suriya" (Documents: The general federation of peasants in Syria), *Dirasat 'Arabiya* 2 (1965), pp. 93-111.

12. Al-Siba'i offers a chart comparing the provisions of the 1946 labor law with the 1958 Agricultural Relations bill in *Al-Marhala*, pp. 88-99.

visions of the 1946 labor law and the peasant protection bill proposed by the Ba'ath, the Agricultural Relations Law also denied peasants the right to strike.

Through these provisions, Law 134 significantly weakened the economic autonomy of landlords. It reduced the arbitrary quality of their power and their ability unilaterally to regulate economic relations with peasants. It established a welfare-style support system for agricultural workers financed largely by the landlords themselves. By offering collective bargaining to peasants, regulating work hours and conditions, and compelling landlords to honor labor contracts, Law 134 extended ministerial authority and resources to help eliminate the inequalities that had perpetuated the impoverishment of peasants and their submission to landlords. But the law also brought peasants firmly within the embrace of the state and ensured that neither the collectivization of rural labor nor their integration into popular organizations would enhance their political autonomy. The incorporation of peasants into the regime's ruling coalition produced substantive gains in peasant welfare and income, but it followed a thoroughly corporatist design, thus underscoring the regime's authoritarian and state capitalist character.

Moreover, although the Agricultural Relations Law introduced a new set of personal rights and administrative procedures into the countryside, it did so without tackling the larger question of rural property rights. The law began to transform tenant and lord into employee and employer, but it did not address the crucial issue of landownership or attempt to deal with the political and economic consequences of Syria's highly unequal pattern of land distribution. Significantly, the organizational rights of peasants and the question of rights to land were broken apart by union officials and handled as two separate concerns. Property rights were therefore addressed in a separate bill, drawn from the Egyptian land reform law of 1952.<sup>13</sup> This law set limits on individual and family landownership, founded the Agrarian Reform Institute to oversee the expropriation of excess holdings and their distribution to peasants, and established guidelines for the compensation of landlords and for the sale or rent of expropriated land to peasants. In October 1959, the regime extended these reforms to include state-owned land, providing for the distribution of state lands to peasants at no cost.

Perhaps most important in terms of the reorganization of Syria's rural political economy and the effort to link rural classes directly to the state, recipients of either private or public land were required to join state-

13. Law no. 161 of September 27, 1958.

Table 12. Landholdings in excess of ceilings established under Law 161 of 1958, by province and number of owners (land areas in hectares)

Province	Irrigated	Nonirrigated	Noncultivated	Total	Owners
Damascus	5,996	37,545	31,384	74,925	146
Homs	2,335	115,803	5,197	123,335	201
Hama	6,663	82,987	2,528	92,178	250
Latakia	1,174	5,554	—	6,728	51
Idlib	8,256	90,724	2,577	101,557	612*
Alleppo	4,653	145,845	10,512	161,010	—
al-Rakka	30,820	231,098	43,158	305,076	879
Deir al-Zor	13,147	24,932	17,241	55,320	—
Hasaka	19,463	554,410	6,017	579,890	1,063
Suwayda	—	1,791	—	1,791	11
Der'a	1,606	31,976	8,251	41,833	27
Total	94,113	1,322,665	126,865	1,543,643	3,240

Source: Syrian Arab Republic, Wizarat al-Takhtit, Mudiriya al-Ihsa', *Al-Majmu' al-ih's'aiya al-Suriya* (Syrian statistical abstract) (Damascus: Government Press, 1959).

\* Combines number of landowners for Idlib and Aleppo. Deir al-Zor is combined with al-Rakka.

sponsored agricultural cooperatives.<sup>14</sup> These compulsory economic associations were administered by the newly created Agrarian Reform Institute under the auspices of the Ministry of Agrarian Reform.<sup>15</sup> Their general function was to ensure that individual peasants received the capital and technical support necessary for the efficient exploitation of their land. Cooperatives were given privileged access to agricultural loans, seeds, and livestock and were exempted from import duties on agricultural machinery. An additional rationale for the creation of these cooperatives, however, was to reduce the possibility that the agrarian social order which prevailed prior to the union would reestablish itself following reform.<sup>16</sup> Without the structure of cooperatives, it was feared, cash-poor farmers would simply revert

14. The legal foundations for such cooperatives had been established earlier, in Law no. 91 on July 8, 1958. For an overview of the cooperative movement in Syria and the text of relevant legislation, see Office Arabe de Presse et de Documentation, *Les cooperatives en R.A.S.* (Damascus: OPA, n.d.).

15. Most cooperatives were formally affiliated with the Ministry of Agriculture, with a smaller number affiliated to the Ministry of Agrarian Reform. How control over cooperatives was allocated among ministries is not clear. See Syrian Arab Republic, Wizarat al-Takhtit, Mudiriya al-Ihsa', *Al-Majmu'a al-ih's'aiya, 1962* (Statistical abstract, 1962) (Damascus: Government Press, 1963), table 18.

16. "Assigning [financial and technical support] functions to co-operative societies was bound," Akram Shakra notes. "The old system involved more than the narrow relations between owner and sharecropper that were connected with the farm production process; it established a whole social and political pattern. New organizations are needed not only to take the place

**Table 13.** Land expropriated and distributed in Syria, 1959–1963, by type and number of new owners (land area in hectares)

Year	Expropriated				Distributed			New owners	
	Irrigated	Nonirrigated	Noncultivated	Total	Irrigated	Nonirrigated	Total	Family	Individual
1959	11,577	326,042	179,211	516,830	33,230	3,504	36,734	2,636	14,319
1960	8,680	146,375	12,513	167,568	20,903	2,445	23,348	1,632	8,897
1961	9,219	118,249	35,730	133,198	7	3,523	3,530	249	1,355
1962	2,347	43,664	3,817	49,828	4,379	88,006	92,385	6,507	34,921
1963	3,970	44,142	2,333	50,445	840	64,170	65,010	3,548	20,096
Totals*	35,793	678,472	233,604	917,869	59,359	161,648	221,007	14,572	79,588

Source: Syrian Arab Republic, Wizarat al-Takhtit, Murdiriya al-Ihsa', *al-Majmu'a al-ihs'aiya al-Suriya* (Syrian statistical abstract) (Damascus: Government Press, 1959–64).

\* Totals in Table 13 may be inconsistent with figures in Table 12, which could reflect changes in the agrarian reform laws over time or the inclusion of state domain lands in Table 13.

to their previous status as sharecroppers or laborers if traditional patterns of indebtedness and peasant labor were allowed to reassert themselves. The cooperatives also provided a vehicle for ensuring that the regime's agricultural policies actually were carried out.<sup>17</sup>

Managing the affairs of peasants became especially important as state officials began to reorganize and control the details of farm production, especially for Syria's largest cash crops, such as cotton. Almost simultaneously with the laws restructuring labor relations and landownership, a number of decrees were issued to bring Egyptian and Syrian agricultural practices into closer conformity, standardize agricultural practices, reduce fluctuations in yields, improve crop management, and, not incidentally, create new opportunities for Egyptian investors to profit from Syrian agriculture. These decrees resembled measures which had been introduced in Syria during the 1950s but were, as in other cases, much more rigorously applied under the U.A.R.

The most important of these regulations was Presidential Decree no. 222, signed by President Nasser on November 15, 1958, for the "purpose of reorganizing the entire 'cotton economy' of Syria," the largest economic sector, Syria's largest source of foreign exchange, the center of organized labor, and a crucial supplier of raw materials to Syrian industry. Though rarely taken into account in histories of this period and not typically viewed

of the old set-up but also to lead the peasants towards higher productivity." Shakra, "Land Reform," pp. 93–95. See also Office Arabe de Presse, *Les cooperatives*, pp. 46–49.

17. Yasin, *Hikayat al-ard*, pp. 55–56.

in the context of agrarian reform, the effects of Decree 222 would be hard to overestimate. In many respects, the cotton economy formed the backbone of the national economy. Deepening state intervention in this sector contributed to the erosion of the structural ties that bound industrial and commercial capitalists directly to the agrarian elite. By virtue of its impressive scope, Decree 222 played a significant role in restructuring the balance of economic and political power in the countryside, constraining the autonomy of private cotton growers and expanding the reach of state institutions. The decree covered

growing, selection of seeds, supervision of cotton seeds and fibre trade, reorganisation of ginning and pressing, supervision of cotton-fibre exports, setting up of two arbitration committees in Aleppo to study disputes between Syrian exporters and spinners abroad, etc. . . . Under this law the Minister is authorised to fix a minimum price for the purchase of cotton, so that the government will be obliged to buy at this price all cotton remaining unsold at the end of the season.

. . . [T]he U.A.R. has decided to make use of the Egyptian financial organisations which are experienced in cotton affairs. Thus the Misr Bank and the Banque de Caire are to increase their branches in Syria from 7 to 11 and 6 to 8, respectively; these branches will step up their storage facilities and develop cotton loans to the maximum. In addition, the "Société Misr pour l'égrenage du coton" and the "Société Misr pour l'exportation du coton" are studying the possibility of forming two new Syrian companies of similar type with Syrian-Egyptian capital.

. . . Furthermore, the Syrian Cotton Board is to be considerably expanded and transformed into a cotton department.<sup>18</sup>

One of the "new Syrian companies" referred to here was formed shortly thereafter by precisely this coalition of Egyptian banks, Egyptian textile firms, and Syrian investors. In July 1959, the Arab Company for Cotton Trade, Ginning, and Export (al-Sharika al-'Arabiya li-Tijara wa-Halj wa-Tasdir al-Aqtan) was founded with capital of £53 million. Bank Misr was the largest single investor (£575,000); the two Egyptian firms noted in the above quotation each contributed £500,000, while the largest Syrian in-

18. *Middle East Economist* [henceforth cited as *MEE*] 2 (February 1959), p. 3. The *Middle East Economist* was published in Cairo between 1958 and 1964 and had several different names, including the *African and Middle East Economist* and the *Middle East Economist and Cotton Reporter*. I refer to it throughout as *MEE*.

vestors provided much less, £S175,000 each.<sup>19</sup> But the scale of Egyptian participation in this firm was an exception. As a rule Egyptian investment in Syria remained limited. Syria never became the center for Egyptian capital that Egyptian business leaders and officials had hoped it would. Domestic capital continued to dominate, even in the textile sector. With the elimination of tariff restrictions on the import of Egyptian goods, it was apparently more profitable for Egyptian textile manufacturers to export finished goods to Syria than to invest in local processing or manufacturing facilities.

The measures introduced during this period represent a considerable deepening of agrarian reform. Yet they were by no means comprehensive, and bureaucratic inefficiency and the resistance of landowners frequently diluted their effects. By the end of the union only half of the land subject to expropriation had actually been seized by the state, and no more than 8 percent of expropriated land had been distributed to new peasant owners.<sup>20</sup> With an agricultural workforce estimated at over five hundred thousand people in 1960, the number of peasants who became small landowners (about eighty thousand by 1963) constituted only 16 percent of this population.<sup>21</sup> Some lands seized from landlords were returned after 1961, though less than has frequently been assumed.<sup>22</sup> And, according to Keilany, the reforms initially brought about decreases in agricultural efficiency and productivity, even while they produced important gains in social equity.<sup>23</sup>

19. Included among the Syrians who took part in this enterprise were the family of Khalid al-Za'im, a firm owned by the Harbali family, and Sa'id Bubus, a leading Syrian businessman involved in a large number of enterprises. Syrian Arab Republic, *Al-Jarida al-Rasmiya* (Official Gazette) 21 (July 16, 1959), p. 4284.

20. Of the 1.54 million hectares subject to expropriation, some 817,596 had been seized by 1961, and 63,612 hectares actually distributed. Syrian Arab Republic, *Wizarat al-Takhtit, Mudiriya al-Ihsa', Al-Majmu'a al-ihs'aiya, 1961-63* (Damascus: Government Press, 1963-65). For a different estimate, see "Trois ans de réforme agraire en province Syrienne," *EFSPA*, no. 43 (July 1961), p. 50.

21. However, these figures understate the amount of land made available to peasants as a result of reform. In both 1961-62 and 1962-63, about 500,000 hectares of expropriated land were rented to some 28,000 tenants. An additional 677,000, 137,000, and 29,632 hectares of state domain land were rented to almost 40,000 tenants from 1961 to 1963, respectively. From 1960 to 1962, almost 135,000 hectares of state domain land was distributed to about 9,000 new owners. Adding in these figures suggests that agrarian reform had a much larger impact than is usually acknowledged. Syrian Arab Republic, *Al-Majmu'a al-ihs'aiya, 1963-66*.

22. Data on land returned by the secessionist regime after the collapse of the union show that 29,962 hectares were returned to their owners (almost 50,000 hectares were expropriated that year), representing only about 3 percent of the total seized up to that time. It is possible that large landowners regained use of their lands through extralegal means, but most expropriated land remained under state control (*ibid.*, 1962, p. 408).

23. Keilany, "Land Reform in Syria," p. 213. See also Chafic Akhras, "La coordination entre les critères économiques et sociaux dans l'organisation de la propriété agricole, avec une référence spéciale à la Syrie," *EFSPA*, no. 53 (May 1962), pp. 22-43.

These factors aside, the consequences of the agrarian reform laws should not be underestimated. Within the first year of the union, a wide-ranging reorganization of Syria's rural economy had begun that greatly expanded the scope of state intervention in the countryside. New institutions and forms of collective organization were created to break down existing patterns of political and economic association among peasants and landlords and put both under the direct mediation of state agencies. Agrarian reform began to institutionalize more clearly specified property rights, individual rights, bureaucratic procedures, and administrative norms. The 1958-59 reforms thus significantly accelerated the expansion of the agricultural bureaucracy, the collectivization of Syrian agriculture, and the reallocation of rural income and property from landowners to peasants.<sup>24</sup>

Agricultural production was for the first time integrated into an overall economic development program, with a five-year agricultural plan setting out investment and production objectives. Moreover, in contrast to the intense and well-organized opposition that greeted Nasser's attempts at economic integration or currency unification, agrarian reform met with little organized resistance. Prior to the union, landlords had actively participated in collective action designed to thwart the implementation of land reform. By 1958, landowners were still fighting the regime over how agrarian reforms were to be implemented, but their ability to thwart the process of reform itself had been sharply diminished by the shift of political power to Cairo, by the further strengthening of state institutions, and by widespread popular support for reform.

### Restructuring Interest Associations

The regime's efforts to reorganize and control the associations that had represented the interests of landed élites since the days of the French Mandate also undermined the position of landowners.<sup>25</sup> While much attention

24. C. Vanzetti, "Impressions on a Syrian Agricultural Cooperative," *A Series of Lectures on Agrarian Tenure in the Mediterranean Basin*, vol. 2 (Beirut: Institute of Rural Economics, 1964). Vanzetti estimates that peasant income rose at the cooperative he studied from preunion levels of £S450-800 per year to around £S2,500 per year. Keilany, "Land Reform in Syria," p. 216, provides data showing that Syria redistributed a higher percentage of its total cropland through reform (40.5 percent) than did Iran (30.5), Egypt (15.4), or India (2.5) but was exceeded by Mexico (53.1) and Taiwan (43.7).

25. For example, in May 1958 the Chambers of Agriculture convened in Latakia to discuss the newly proposed agricultural labor law. For the first time in the history of the chambers, the meeting was presided over by officials from the Ministry of Agriculture, which at the time was headed by a Ba'thist, Mustafa Hamud.

has been focused on the repression of political parties in Syria under the U.A.R., the efforts of union officials to impose corporatist and authoritarian structures extended well beyond the realm of parties to encompass a broad range of interest groups and professional associations. Here, as in other areas, Nasser's objectives were only partially defined by the need to overcome potential opposition. He was also guided by a conception of the role of interest groups which, even by the late 1950s, viewed corporatist associations as an integral tool in suppressing social conflict and in the construction of an organic relationship between state and society.<sup>26</sup>

As in the case of agrarian reform, Nasserist officials drew heavily on Egyptian models in reorganizing Syrian associational life.<sup>27</sup> Their general framework involved putting previously independent associations under the control of a ministry or other state agency and setting limits on their freedom of collective action and access to state authorities. Ministerial supervision extended to a wide range of matters, including group membership, the appointment of leaders, and financing. At the same time, Egyptian authorities centralized representative functions within one overarching association in each sector.<sup>28</sup>

Restructuring in Syria was notable for the speed and scope with which corporatist measures were introduced. Rather than take up the reorganization of labor, business, peasants, and landlords each in turn, Nasserist officials sought to deal with these groups more or less simultaneously. Moreover, with the exception of labor, which had a history of corporatist-style development in preunion Syria, the measures introduced under the U.A.R. represented the first serious effort by a regime to impose state authority over the affairs of business and agricultural groups. Indeed, as noted in previous chapters, the reverse was more typical of the preunion period, with state policy subordinate to the interests of business, banking, and agricultural associations, all of which were heavily represented on state planning agencies and had substantial influence within the state bureaucracy.

26. Robert Bianchi, *Unruly Corporatism: Associational Life in Twentieth-Century Egypt* (New York: Oxford University Press, 1989), pp. 79–80, notes as “a key innovation of the 1960s” attributes of Nasserist thought that can be traced to the union period, if not earlier. These include Nasser’s “elaboration of an organic vision of society and an explicitly syndicalist path of political development. Throughout the decade Nasserism became increasingly identified with a comprehensive system of functional representation that was portrayed as the key instrument for ‘melting’ traditional class antagonisms into a new era of class collaboration.”

27. *Ibid.*, pp. 72–73.

28. For example, the Syrian Chambers of Industry became the group representing the interests of industrialists to the state and in negotiations with labor unions. See ‘Abd al-Hamid Malakani, “Dawr munathammat ashab al-‘aml fi tanmiya ‘alaqat al-‘aml wa-tanmiya al-idara” (On the role of employers organizations in the development of labor relations and administration) *Al-Sina’a* (Industry) 36 (January 1982), pp. 6–30.

The emergence of a relatively uniform structure for the organization of various interests should not obscure the important differences that remained between them or between the Egyptian and Syrian regions.<sup>29</sup> Within a general framework, Nasser’s approach to the restructuring of Syrian associations reflected the varying position of different groups in his larger economic project and in his efforts to build a relatively inclusive populist coalition. Yet his policies also underscored the risks inherent in offering a coherent and organized voice to interest groups with their own political and economic agendas. In general, labor gained significant economic benefits from Nasserist policies, but it lost many of its most important and hard-won political rights. Business associations, such as the Chambers of Commerce and Chambers of Industry, underwent a rather modest degree of reorganization, retaining their role as leading representative associations, though their autonomy was curtailed. Chambers of Agriculture were more thoroughly reorganized. The landed elites who had dominated them were forced aside, and the organizations were brought under the close control of the Ministry of Agriculture. Despite the avowedly populist rhetoric that accompanied Nasserist policies, therefore, the balance of associational autonomy versus corporatist control favored the position of business groups over others, particularly the agrarian elite and labor, which were perceived as the two greatest obstacles to the hegemony of Nasser’s populist-industrializing system of rule.

Beginning in September 1958, just before passage of the major agrarian reform laws, Nasser signed a presidential decree dissolving the Chambers of Agriculture in Syria, citing them as “ineffective” and “not reflective of current agricultural conditions.” On October 19, the Ministry of Agriculture appointed the governing boards of new chambers in the various provinces.<sup>30</sup> From then on, the Ministry of Agriculture became the leading force directing the affairs of the agricultural chambers. In February 1960, the ministry created a Union of Chambers of Agriculture whose mandate was to coordinate agricultural affairs in general, not just represent the interests of landowning elites.<sup>31</sup>

Although the Chambers of Commerce and Industry retained considerable control over their leaderships and over their relationship with the state, they too were subject to a certain degree of restructuring. In May 1959

29. Even following the creation of the union, associational affairs in Egypt and Syria were not always governed by a uniform set of laws or regulations. In early 1959 Egyptian Chambers of Industry were reorganized, and a network of provincial industrial boards were created to “protect professional interests and encourage industry.” Syria’s Chambers of Industry were not affected by these changes (*MEE* 3 [February 1959], p. 3).

30. *ESE*, 1958, 2:9.

31. *Al-Jumhuriya*, February 5, 1960.

Nasser's office issued a decree giving the Chambers of Commerce authority to represent the interests of the business community to the state, providing for public sector representation on their boards of directors—alongside a majority of elected directors—and requiring them to oversee the affairs of the Chambers of Industry while the latter were being reorganized.<sup>32</sup> These changes transformed the Chambers of Commerce from organizations that had played an important role in economic policymaking before the union into semi-independent administrative agencies whose influence over policy was now sharply curtailed. And these inroads only presaged what would become a full-fledged restructuring of the chambers after 1963. As the Ba'th leadership moved toward the consolidation of a populist authoritarian system of rule, the chambers' influence continued to decline, to the point that by 1970, Syrian economist Yahya Arudki dismissed them as "irrelevant" given the economic changes of the previous ten years. To play a meaningful role, he argued, they would have to be revised in light of the "requirements and necessities" of an economy on the path to socialism.<sup>33</sup>

Reorganizing Syrian labor confronted U.A.R. officials with a different set of problems. Nasser's relationship with Egyptian unions had been ambivalent; he recognized their importance as sources of support but also their potential to become mobilized and articulate bases of opposition. In the years following the Free Officers' coup of July 1952, Nasser continued the trend begun under the monarchy of incorporating the union movement into the regime's ruling coalition, integrating unions into the state apparatus, and suppressing their capacity for autonomous collective action.<sup>34</sup> At the same time, however, a labor law passed in 1952 provided Egyptian workers with significant organizational incentives and preserved a measure of union independence. By the time of the U.A.R., Nasser and his associates had apparently resolved some of their earlier uncertainty over how much the state should intervene in and direct labor affairs, and they began to develop a much more cohesive system of corporatist controls. It was this more cohesive system that Egyptian authorities exported to Syria in the early months of the U.A.R.

Syrian workers, however, encountered these changes from the vantage

32. *ESI*, 1959, 1:5. The Chambers of Industry were first affiliated to the Ministry of Economy and in 1958 to the Ministry of Industry.

33. Yahya 'Arudki, *Al-Iqtisad al-Suri al-hadith* (The modern Syrian economy) (Damascus: Wizarat al-Thaqafa wal-Irshad al-Qawmi, 1972), 1:376. He makes a similar assessment of the Chambers of Industry (2:269).

34. On the history of the Egyptian labor movement up to 1954, see Joel Benin and Zachary Lockman, *Workers on the Nile: Nationalism, Communism, Islam, and the Egyptian Working Class, 1882-1954* (Princeton: Princeton University Press, 1987).

point of an organizational trajectory very different from that of their Egyptian counterparts. In contrast to the erosion of political rights experienced by Egyptian trade unions since 1952, the legal authority and political influence of Syrian unions had been expanding steadily since passage of the landmark 1946 labor law. Aside from periods of military rule in the early 1950s, the unions had retained and made extensive use of the right to strike. The rapid increase of Ba'th Party representatives in parliament after the 1954 elections greatly enhanced the voice of labor within parliament. This is not to suggest that unions were unregulated. In earlier chapters I have emphasized the extent to which they operated under the supervision of the Ministry of National Economy and the Ministry of Labor and Social Affairs. Yet Syrian unions had retained a relatively high degree of autonomy in the crucial area of collective bargaining. Under the progressives who were elected to the leadership of the two major federations after 1954 (including a number of Communists), unions used this authority to mount an increasingly militant campaign of strikes and protests against factory owners. This experience stands in sharp contrast to Egypt, where by early 1953 "most of the forces favoring a trade union movement independent of the regime had been stripped of their positions in the unions, and by the end of the year, virtually all of the most important communist labor leaders were in jail."<sup>35</sup>

Egyptian officials therefore confronted a Syrian labor movement that, though vulnerable to corporatist restructuring, was still more autonomous and politically mobilized than its counterpart in Egypt. Syrian unions were resistant to further state encroachment, opposed to Nasser's purge of leftist and communist union leaders, and concerned to protect their right to strike, to engage in political activity, and to bargain collectively. These circumstances led Nasser to adopt a heavy-handed approach to the reorganization of Syrian labor, though his first efforts in this direction were nonetheless ad hoc.

Almost immediately after the formation of the U.A.R., the regime abrogated the right to strike. The government then moved to increase state control over unions in strategic economic sectors, particularly those under Communist control. In May 1958, leaders of the Iraqi Petroleum Company Workers and Employees Union (IPCWEU) were dismissed and the union dissolved after it had rejected efforts by the new regime to impose government control over collective bargaining.<sup>36</sup> Since its formation in 1956, the

35. *Ibid.*, p. 435.

36. Foster Halley, "Syrians Souring on Egyptian Curbs: Business Men, Farmers, and Others Protest against Loss of Freedom," *New York Times*, May 1, 1958.

IPCWEU had been headed by a Communist, 'Umar al-Siba'i, who had also won election to the Executive Committee of the General Federation in 1957. Targeting the IPCWEU as the first union to be brought to heel and forcing the removal of al-Siba'i established the U.A.R. regime's determination both to bring the trade unions under control and to eliminate communist influence within them.

In addition, Nasser picked a senior Ba'hist, Mustafa Hamdun, to head the Ministry of Labor and Social Affairs (he later became minister of agriculture), an appointment that greatly enhanced the Ba'ath Party's influence over the trade union movement and strengthened its position among workers. It also let Nasser use the Ba'ath to remove their mutual communist rivals from both local unions and national federations. In September 1958 a Ba'ath Party list narrowly won election to the Executive Committee of the General Federation of Trade Unions: its victory was secured when the Ministry of Labor prevented thirty-six unions not under Ba'ath control from voting.<sup>37</sup> Tal'at Taghlabi, a leading figure in the Progressive Federation of Trade Unions, became president of the new Executive Committee.<sup>38</sup>

Within a year, however, a more encompassing approach to the reorganization of Egyptian and Syrian labor had been developed (the Uniform Labor Code of 1959) and was passed into law, along with an innovative social security law.<sup>39</sup> The new labor code replaced the existing Syrian union structure—many small local syndicates affiliated with twenty-six industrial or regional federations and two national federations—with a more narrowly hierarchical structure closely controlled by state authorities. According to an official announcement, some sixteen hundred syndicates in the two provinces were to be merged into thirty-seven general federations representing a total of 6 million workers. There would be no more than one federation in each province for each registered profession, and only one national federation. As was already the case under existing Syrian law, the Ministry of Labor and Social Affairs was given broad authority to regulate the formation of unions, the election of union directors, and the use of union funds. The law expanded state power significantly, however, by placing state officials in control of the process of collective bargaining.<sup>40</sup> Nasser

37. This follows Tabitha Petran, *Syria* (New York: Praeger, 1972), p. 140.

38. Willard A. Behing, *Pan-Arabism and Labor*, Harvard Middle East Monographs no. 4 (Cambridge: Harvard University Press, 1960), p. 114.

39. The legislation is reprinted in full in *COC 40* (May–August 1959), pp. 287–322. On its impact in Syria, see al-Siba'i, *Al-Marhala*, pp. 300–314. See also Petran, *Syria*, pp. 140–42.

40. *COC 40* (May–August 1959), pp. 287–322. Under the law, state officials mediated between syndicates and employers in firms with over fifty workers and took direct charge of bargaining in smaller firms. The law allowed for conciliation commissions to resolve disputes.

supported the law in large part because it strengthened state control over Syrian trade unions. According to Bianchi, union restructuring had proceeded slowly in Syria owing to concerns that it might enhance the power of unions relative to the state: "Nasser finally agreed to proceed with the plan only when Syrian police officials assured him that the new corporatist unions had greatly simplified the task of political surveillance in their region of the United Arab Republic. By consolidating union activity in a handful of big federations, the Syrians explained, the new labor law had eliminated many of the local nesting areas that served as the traditional refuges of Ba'hist and communist troublemakers."<sup>41</sup>

As broad as they were, these organizational changes represented only part of the corporatizing consequences of the Uniform Labor Code. The new law codified earlier restrictions on strikes and on union political (or religious) activity. It gave government agencies a number of important functions, such as setting minimum wages, in which unions had previously played a role. Fines were introduced as penalties for "breaches of discipline defined by employers, a system hitherto virtually unknown in Syria."<sup>42</sup> Protections against arbitrary dismissal were weakened.<sup>43</sup> Beyond this, the code required all union members to join the National Union (NU), and candidates for union offices needed the NU's approval before they could run for election. Syrian unionists mobilized to oppose the Uniform Labor Code and the growing power of the NU over Syrian workers but met with stiff opposition from the regime. In January 1960, union representatives convened a trade unions congress in Damascus to protest the erosion of workers' rights. According to Petran, participants in the meeting "demanded the right to strike, an end to unwarranted dismissals, amendment of the Labour Code, liquidation of National Union control, and a 10 percent increase in the minimum wage. . . . Many of the union leaders were arrested. The Executive Committee of the General Federation, which had been handpicked by the Ba'ath in September 1958, resigned in protest. This action reflected both the pressure of workers from below and the fact that the Ba'ath's coop-

presided over by civil servants. See also the table comparing Syria's 1946 and 1959 labor laws in al-Siba'i, *Al-Marhala*, pp. 306–14.

41. Bianchi, *Unruly Corporatism*, pp. 78–79. Similarly, Muhammad, *Al-Ihraqa al-qawmiya al-'Arabiya fi Suriya* (The Arab nationalist movement in Syria) (Damascus: Dar al-Ba'ath, 1987), p. 387, criticizes Nasser for "transforming all of the syndicates into sectors formally affiliated with the intelligence and propaganda organizations."

42. Petran, *Syria*, p. 141.

43. This was one of the issues addressed during the subsequent secessionist regime. Decree no. 49 of 1962 gave workers new protections against dismissal. See Malakani, "Daw' munaqamat ahab al-'aml."

Table 14. Occupational background of National Union local council members in Damascus

Category	Number
Civil servants	90
Free professions	62
Businessmen	59
Educators	32
Peasants	18
Senior civil servants	18
Students	7
Retired	5
Large industrialists	4
Large landlords	2
Workers	2
Unemployed	1
Total	300

Source: Najah Muhammad, *Al-Haraka al-qawmiya al-'Arabiya fi Suriya* (The Arab nationalist movement in Syria) (Damascus: Dar al-Ba'th, 1987), p. 418.

eration with the Nasser regime had drawn to a close."<sup>44</sup> Field Marshal Amr installed a new union leadership and integrated unions even more closely into the NU.

The erosion of labor autonomy at the hands of the NU was already sufficient to provoke conflict. But the composition of its leadership, at least in the local Damascus council, suggests yet another source of tension. Of the three hundred members of the Damascus council, the NU itself identified only twenty as workers or peasants, while ninety were described as civil servants; sixty-two as professionals; fifty-nine as businessmen; and four as large industrialists. Only two were large landowners, which demonstrates the extent to which this group had been marginalized as a result of the union's agrarian reform policies. Ma'mun Kuzbari, a Syrian lawyer and businessman with close ties to the former military strongman Adib al-Shishakli, served as the head of the National Union's Damascus council. The list of council members by occupation (Table 14) indicates that the NU was not the most likely vehicle for building Nasser's socialist society or representing the interests of labor. National Union control over trade unions meant, in effect, giving business and state-bureaucratic interests a privileged position in the determination of labor policy.

By the end of 1960, labor had largely been brought under the control of the state bureaucracy. Elections to the Executive Committee of the GFTU

44. Petran, *Syria*, p. 141.

held in January 1961 were uneventful, with a slate of approved candidates returned without open conflict. Essentially, under the rhetoric of building a socialist cooperative society, the U.A.R. regime had succeeded in its attempts to incorporate and demobilize the Syrian labor movement. Labor's capacity for autonomous collective action had been effectively undermined. As al-Siba'i emphasizes, the labor laws enacted under the U.A.R. were fundamentally compatible with the regime's industrializing orientation. They meshed well with the "organic" sense of labor's relationship to production that was part of Nasser's vision of a populist-industrializing system of rule, even if in practice this system strengthened the capacity of employers to hire, fire, and set wages.

In addition to these immediate consequences, the legacy of the U.A.R. period was crucial in the development of state-labor relations both during the brief, tumultuous secessionist period from 1961 to 1963 and under the Ba'th after 1963. Despite several important changes of the 1959 labor law (including some modifications associated with the July 1961 socialist decrees that raised worker representation on company boards and gave workers the right to a quarter of the profits of private sector firms), it has continued to provide the essential framework for the organization of Syrian labor until the present. Its provisions were reinforced during the secessionist regime and further expanded by the Ba'th. The Uniform Labor Law thus represents one of the most important examples of the way in which Nasser's corporatizing efforts were later appropriated to consolidate the populist authoritarian system of rule constructed by the Ba'th after 1963.

Indeed, the repression of labor and peasants reflects one of the central ironies of Nasser's efforts to build a populist authoritarian coalition. Those sectors he sought to integrate, including peasants and workers, had first to be contained. This led him, at least in Syria, to place the most wide-ranging corporatist restrictions on precisely the groups he looked to for support. With regard to the large landowners, Nasser's strategy was more consistent. Because he desired their political and economic exclusion, Nasser thoroughly restructured the associations that represented large landowners, marginalizing their members. Their land, the material base of their power, was appropriated by the state, effectively eliminating them as obstacles to the deepening of capitalism in the countryside, the reallocation of agricultural income, and the integration of peasants into the ruling coalition and the expanding market economy.

This is not to suggest that the landed oligarchy and its political influence were totally destroyed. But for the first time in the twentieth century, the balance of rural power was decisively changed. As a result of the reforms of the U.A.R. period, rural notables have never subsequently been able to



dominate the rural economy or rural politics and, by extension, the politics and economy of Syria as a whole. In this sense, the structural features of Syria's economy which supported the political and economic power of landowners and which played such an important role in the postindependence struggle for Syria were permanently undermined by the institutional and regulatory changes introduced during the union.

### Business against the State: Collapse of the U.A.R.

Corporatist restructuring during the first years of the union succeeded in weakening the ties that had bound Syria's capitalists to the landed oligarchy, but it was less successful in incorporating capitalists into a new system of dependency organized around the state. Nasser's approach to the reorganization of business was marked by a higher degree of ambiguity and contradiction than his approach to any other social group. Nasser's view of businessmen as (at least potentially) a "patriotic bourgeoisie," along with the importance he attached to industrialization and to the usefulness of capitalists in his conflict against communists and the Ba'ath, led him to regard the Syrian business community as a necessary participant in his economic and political reforms and to preserve a greater measure of autonomy for the private sector than for labor, landowners, or peasants.<sup>45</sup>

Despite the complaints of business leaders and the common perception that state intervention led the private sector to disengage from the economy during the union, this sector enjoyed something of a revival under the U.A.R. regime.<sup>46</sup> Of the 109 Damascus-based, private sector, joint-stock and limited liability companies whose formation was recorded in *Al-Jarida al-Rasmiya* from 1950 to 1961, almost 40 percent (forty-three firms) were founded in the three years between 1958 and 1961, a number exceeded only by the fifty-six firms formed in the boom years between 1950 and 1954. When Syria's first five-year plan was introduced in November 1958, the public sector was expected to contribute two-thirds of the required capital (£\$1.72 billion), compared with the private sector's £\$1 billion, over the five years.<sup>47</sup> Yet in the first year of the plan the private sector invested

45. Certainly the Ba'ath and its supporters argue that the core of Nasser's economic policy was defined by the "appeasement of the bourgeoisie to encourage it to employ its money, especially in the area of industry, since Nasser concentrated his attention on raising the level of industrialization" (Muhammad, *Al-Haraka*, p. 393).

46. For their part, some Syrian businessmen saw their activity as a nationalist plan to "frustrate Egyptian efforts to sabotage Syria's industrial development" (Petran, *Syria*, p. 138).

47. Muhammad Diab, "The First Five Year Plan of Syria—an Appraisal," *Middle East Economic Papers* (1960), pp. 13–23; "Résultats définitifs de l'exécution de la première année du plan de développement économique et social, 1960–61," *EFSPA*, no. 56 (August 1962).

111 percent of its allocated amount (£\$170 million), whereas the public sector failed to meet its quota, providing only 78 percent of its allocated £\$362.6 million. As an additional sign of public confidence in the Syrian economy, local investors heavily oversubscribed when shares of the newly created Industrial Bank were made available to the public. Initially, the bank was expected to have paid-in capital of £\$12.5 million, with the state providing 51 percent of the funds. Ultimately, over £\$18 million in shares were sold before the subscription drive ended.<sup>48</sup> Moreover, the creation of the Industrial Bank significantly increased the amount of capital available to the private sector. It lent £\$48.8 million for eighty-two projects in its first year.<sup>49</sup>

Judging from these data and reinforcing the impression conveyed in Chapter 2, the long-held picture of a Syrian private sector that had exhausted its resources by the late 1950s, thereby compelling state institutions to assume a leading role in the country's economic development, needs considerable rethinking. Just as questionable is the conventional image of a Syrian private sector that responded to the formation of the U.A.R. by halting its economic activity and withdrawing its capital from the country. Clearly, Syrian business elites pursued a much more complex and sophisticated strategy than has previously been recognized in responding to the combination of risk and opportunity presented by the U.A.R. Withdrawal of capital from the country was one part of this strategy; mobilizing to resist Egyptianization and to undermine the regulatory grip of the union was a second; exploiting Egyptian resources whenever possible was a third; and continuing to invest in sectors that received the support and encouragement of the Egyptian authorities was a fourth.

Moreover, although these figures suggest that Nasser's interest in preserving a basis for private sector participation in the economy was successful, at least in Syria, the private sector's capacity to undermine Nasser's economic program—through noncompliance, capital flight, smuggling, and the growth of an informal economy—eventually persuaded him that he had been betrayed by the business community and that tighter controls were needed. He responded with the Socialist Decrees of July 1961, a series of executive rulings that imposed new restrictions on the distribution of corporate income and the management of private sector firms, introduced a new tax system with a top rate of 90 percent on earned income (while the com-

pp. 53–58. See also Theodore de Chadarevian, "Situation de l'industrie Syrienne en 1959," *EFSPA*, no. 29 (May 1960), pp. 46–60; Walid Niazi, "Progrès de l'industrialisation dans le cadre du plan quinquennal d'industrialisation de la Syrie," *EFSPA*, no. 45 (September 1961), pp. 65–72; and *Industrial Development in Syria through Economic and Social Development Plans* (Damascus: Office Arabe de Presse et de Documentation, 1977).

48. *MEE* 2 (February 1959), p. 53.

49. *ESE*, 1959, 1:1, 7.

mercial and industrial tax rate fell from 49 to 17 percent), and culminated in the wide-scale nationalization of industry, banks, and insurance companies.<sup>50</sup> The nationalizations were instituted in three separate decrees: Law 117 fully nationalized some companies, Law 118 nationalized others at the level of 50 percent, and Law 119 set a limit of £5100,000 on private ownership of shares—holdings in excess of that amount were sold to state agencies in exchange for public sector bonds paying 4.5 percent interest over fifteen years (and regarded by most investors as worthless). Altogether some seventy-seven firms were completely nationalized in Syria, but only three were industrial concerns. Among them was Syria's largest company, the United Industrial and Commercial Corporation, or Khumasiya group, with more than three thousand employees. Twelve firms were affected by Law 118, and another twelve, by Law 119.<sup>51</sup>

Nasser's reasons for introducing the 1961 decrees are a matter of some controversy. After the break with Syria, he himself said he felt betrayed by the behavior of Syrian businessmen and their opposition to his economic programs. Whether he really did is open to question, but it is plausible to suggest that private sector resistance to his division of economic labor led Nasser to rethink whether a cooperative private sector–public sector relationship was possible after all. Abdel-Malek argues that the decrees stemmed from Nasser's desire to secure the grip of the dominant military group through the expansion of the public sector.<sup>52</sup> Waterbury supplies a number of interpretations: Nasser's ambition to consolidate his control over industrial and commercial capitalists (Nasser's "persistent drive for hegemony"), his need to overcome the critical shortage of capital that was hampering economic growth, and the failure of the private sector to fulfill its share of the five-year plan (though it had done so in Syria).<sup>53</sup> Binder also mentions

50. On the new tax rates, see "Summary of Events," *EFSPA*, no. 44 (August 1961), pp. 21–23. Not all the measures were applied to Syria, such as Law no. 133, which reduced the workweek from forty-eight to forty-two hours without decreasing wages. The measures are discussed in Anouar Abdel-Malek, *Egypt: Military Society* (New York: Random House, 1968), pp. 131–57, and in John Waterbury, *The Egypt of Nasser and Sadat: The Political Economy of Two Regimes* (Princeton: Princeton University Press, 1983), pp. 73–82.

51. For a complete list of the companies, see al-Siba'i, *Al-Marhala*, pp. 327–35. For more detailed data on a select group of nationalized firms, see Chafic Akhras, "La dénationalisation des industries et l'économie syrienne," *EFSPA*, no. 50 (February 1962), pp. 40–52.

52. Abdel-Malek, *Egypt*, pp. 131–59.

53. Waterbury, *The Egypt of Nasser and Sadat*, p. 78; Waterbury cites Robert Mabro, *The Egyptian Economy* (Oxford: Clarendon, 1974), p. 128. See also Chafic Akhras, "En marge des récentes nationalisations et mesures de socialisation dans la R.A.U.: Les objectifs économiques de la nation et la recherche d'un système économique et social," *EFSPA*, no. 43 (July 1961), pp. 14–19. Akhras emphasizes the difference in private sector performance between Syria and Egypt, while accepting the view that the decrees were intended to mobilize capital on behalf of the regime's commitment to double gross national product within ten years.

several of these reasons but regards the decrees primarily as an attempt at capital mobilization.<sup>54</sup> While the answer is probably some combination of these possibilities, Nasser was certainly aware of the effect the decrees would have on the autonomy of capitalists, and controlling the private sector was certainly an explicit goal. Perhaps, as Binder indicates, the submissiveness of the Egyptian bourgeoisie after a decade of Free Officers' rule left Nasser unprepared for the degree of opposition he would encounter from Syrian businessmen.

Although the leadership of the Ba'th Party publicly supported the decrees, privately it viewed them as an attempt to enhance the oppressive power of the bureaucracy.<sup>55</sup> On their part, Syrian capitalists saw the socialist decrees not as a decisive break with the past but as an acceleration of Nasser's efforts to force the private sector into submission. Leading Syrian capitalists were still adjusting to the Arabization of U.A.R. banks which had been proclaimed by the regime in late 1959. Only months had passed since foreign exchange operations had been taken over by the state. Rumors of currency unification still persisted, as did capital flight and the expansion of an informal economy based on smuggling and other forms of noncompliance with state regulations. Nonetheless, Syrian capitalists regarded the 1961 nationalizations as different from previous measures in their scope and as abandoning decisively any effort to accommodate private sector concerns. The decrees represented the ultimate proof that Nasser would not honor his earlier guarantees on the protection of private property or the autonomy of the private sector.

An early review of the union published just after its collapse by the editors of *L'économie et les finances de la Syrie et des pays arabes*, a leading business and finance journal, reflects these attitudes. The article is worth citing at some length for the clarity with which it summarizes the perspective of Syrian capitalists toward the union.

Liberal Syria, before its union with Egypt, consolidated its liberalism in its constitution which guaranteed free enterprise and private property; its budget which defined and outlined rather clearly the limits of state intervention, its domain and its nature. [Syria's] economic and monetary institutions, in particular the Council of Money and Credit, the Central Bank, the Economic

54. Binder, *In a Moment of Enthusiasm*, p. 306.

55. See the internal circular "Hawla al-siyasa al-ishtriakiya fi maidan al-khadamat" (Concerning socialist policies in the service fields), in *Nidal al-Ba'th*, vol. 4, *Al-Mu'tamarat al-qawmiyya al-sab'ia' al-uwla, 1947–1964* (The first seven national congresses, 1947–1964) (Beirut: Dar al-Tali'a, 1971), pp. 245–49. In the circular, the Ba'th accuses Nasser of using the socialist decrees to elevate the bureaucracy into a "new class over the people."

Council, guaranteed the free play of private initiative which, side by side with state representatives . . . defined, together, the political economy of the state, closely managing the *evolution* [of its] social and economic order. . . .

[This] arrangement was totally opposed to that of *revolution*, which is characterized by the upsetting of the established order and its replacement by a new order.

The union with Egypt immediately upset this order. Progressively undermined, Syria's economic liberalism was suddenly transformed into central planning, then into state capitalism which replaced the individual in the process of production with a simple mechanism . . . the state.

The last nationalization laws, as with those which redistribute property and revenue, seem to have completely and decisively established this *revolution*. But Syrian liberalism foiled all these plans; Syria renounced a union which had become suffocating for it.<sup>56</sup>

Only two months after the socialist decrees were promulgated, conservative factions of the Syrian officer corps announced Syria's secession from the union. After a brief period of tension during which Egyptian naval and paratroop units were dispatched to Syria, Nasser backed down and accepted Syria's withdrawal in fact, if not in his public policy or rhetoric. The military quickly and uncharacteristically withdrew to the barracks and turned power over to a provisional civilian government composed principally of the same figures who had dominated Syrian politics before 1958. Ma'mun Kuzbari, the attorney and businessman who had recently headed the Damascus Council of the Nasserist National Union, became prime minister (and a focus of Nasser's accusations that businessmen were working against the union from the start), and he formed a cabinet of deputies from the People's and National Parties. For capitalists and the landed elite, the end of the union offered an opportunity to undo the damage of the Nasserist period and to reconstruct a political and economic order more to their liking.

Although Syrian capitalists and landlords apparently did not play a direct role in the military's actions (the events leading up to the secession remain unclear and business-military negotiations were eminently possible), little question exists that the socialist decrees provided an important catalyst for the secession and that it was undertaken largely to preserve the interests of capitalists. Certainly the new regime received strong business support. Moreover, and perhaps more important, the timing of the secession as a reaction to a crisis on the part of bourgeoisie facing regulatory threats from

56. "La Syrie à la recherche d'un régime économique et social," *EESPA*, no. 46 (October 1961), pp. 1-3.

the U.A.R. regime indicates how deeply Syria's domestic political economy had been altered by the tremendous changes made during the union.

Since 1958 the union had survived agrarian reform, which eliminated the largest holdings of the landed oligarchy and began a profound social, political, and economic restructuring of the countryside. The U.A.R. regime was able to incorporate and contain a mobilized and fairly progressive trade union movement and successfully to suppress its opposition to corporatization. Even the private sector had been rather extensively reorganized. In none of these cases did the Syrian military feel the need to intervene, though justification for military intervention had long been present: subordinating the Syrian armed forces to Egyptian command was one of Nasser's first priorities and a leading source of complaints from the Syrian military.<sup>57</sup> Only after Nasser had embarked on his more radical form of populist, statist economic development did the resentments of the military and the resistance of the bourgeoisie coalesce into an opposition capable of breaking the union. That the interests of capitalists had acquired such compelling force while the interests of land and labor had diminished reinforces the conclusion that Nasserist policies had unintentionally enhanced the position of capitalists. By making industrialization the regime's most important economic goal, Nasser thereby made the private sector crucial to its success.

For the Ba'ath, especially the younger and more radical generation of officers and civilian politicians, the secession was seen as nothing less than a bourgeois counterrevolution. Their sense that Nasser "appeased" the bourgeoisie, its resilience in the face of his corporatizing efforts, and its capacity to engage with the military in a successful alliance against the state served as crucial, formative lessons of the need firmly to consolidate the grip of the state over the private sector and decisively to exclude not only large landowners but capitalists as well.

By the end of the union most of the institutions and practices associated with populist authoritarianism in Syria were in place. Redistributive and state welfare policies aimed at increasing the share of peasants and workers in the allocation of national income had been introduced, along with the bureaucratic apparatus needed to implement them, though trained personnel were in short supply. The operations, management, and in many instances ownership of the private sector had been transferred to the state; the public sector had become the leading agent of capital mobilization, even while it drew heavily on the private sector's participation in the task of capital accumulation through savings and investment.

57. Marshall Abd al-Karim Zahir al-Din, *Muhammarat 'an fatrat al-ijtilal* (My memoirs on the separatist period) (Damascus: n.p., 1965), pp. 17-19.

Nasser's approach to reorganizing the U.A.R.'s economy also produced a feature common to Middle Eastern attempts at state-led industrialization. Nasserist policies helped to institutionalize and deepen the breakdown of accommodationist relations between capitalists and the state. This was never taken as far in Egypt under Nasser as it was in Syria between 1963 and 1970. Both countries have subsequently tried to recapture in new forms some elements of the earlier relationship—through economic openings, liberalization, and new efforts to induce the participation of private domestic and foreign capital. But the end of accommodation, however transient, between capital and the state had profound consequences for the organization of politics and the economy in Syria in the years after the rise of the Ba'ath. The ability of business interests to seize the state, mount a counterrevolution, and foil attempts to subordinate it to the public sector taught the Ba'ath important lessons about the costs of building a "soft state." The Ba'athist process of state formation was guided in its early years by a more determined effort to repress the private sector, ensure the domination of capital by the state, and break the autonomy of traditional elites and the new bourgeoisie. It directed similar attention to consolidating a coalition organized around rigidly corporatized and politically demobilized popular sectors. The revolutionary and authoritarian forms of mobilization adopted by the Ba'ath seemed necessary to ensure the survival of the regime as it confronted the old guard. As a result, the Ba'ath Party has found it much harder than the Sadat or Mubarak regimes to build broad-based coalitions, to display flexibility in its now discredited economic policies, or to accept the value of even a limited return to pluralist practices.

Of the other long-standing attributes of the Ba'athist regime that took root during the U.A.R. period, perhaps the most important was the rise of the cooperative movement among rural labor and the reorganization of agricultural production. Achievements in these areas included not only the redistribution of land but also the regulation of agricultural labor relations, the extension of organizational and economic rights to peasants, and the creation of a vast network of state agencies to oversee the process of production in the countryside. The integration of Syria's peasants into the regime's populist coalition through such instruments as the National Union and the National Federation of Peasants was a landmark event in Syria's political development. It began a process which by the mid-1970s had largely ended the historic social and economic marginalization of over half of Syria's labor force.

Also important was the growing role of the state as the agent of political organization in Syrian society. Nasser manipulated associational life to incorporate and contain certain sectors of society—peasants and labor—

while disorganizing and suppressing others, especially the landed oligarchy. As part of an overall effort to centralize power, to restructure relations between public and private sectors, to break the autonomy of social classes, to undermine political and economic coalitions, and to isolate sectors in direct relationships with the state, Nasser developed in Syria a powerful set of instruments, institutions, and ideas about building a populist authoritarian regime. He was not entirely successful, and he paid for his failures with the collapse of an enterprise that had hitherto enhanced his prestige and legitimacy, but the legacy of this period has nonetheless endured. Even the politicians of the secessionist regime that followed the union took a great deal from it: the U.A.R. cast a long shadow over their attempts to institutionalize controlled liberalism as Syria's guiding economic framework. After the union's demise, in the debate over what kind of state a more liberal Syria should try to (re)construct and how it should organize its political economy, the changes wrought by the union stood as imposing obstacles to those who sought to reestablish the hegemony of the private sector.