



Change and Stasis in Syria: One Step Forward...

Author(s): Bassam Haddad

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Change and Stasis in Syria

One Step Forward . . .

Bassam Haddad

Since the collapse of the Soviet Union, observers and citizens of Syria have anticipated a political shake-up that would transform domestic realities and set the country on a new political and economic course. Such anticipation was not groundless: Syria's geostrategic context in the early 1990s seemed ripe for regional peace agreements and domestic economic reforms. Yet despite signs of change in Syria's domestic and foreign policies between 1990 and 1995, the anticipated shake-up now seems elusive. What *has* changed is the formal-legal status of individuals and groups within Syria's business community who were closely (though informally) associated with the regime prior to the 1991 advent of "economic pluralism" (*at-ta`addudiyyah al-iqtisaadiyyah*). This was the official development strategy rejuvenated in 1991 to legitimate the private sector's compromised role.¹

Did the regime make some minor changes so that everything would stay the same? Or have observers and citizens of Syria overestimated the regime's ability to maneuver in the face of significant structural and political obstacles? Against the backdrop of economic stagnation, actual and potential changes in Syria have been eclipsed by social and political challenges.

Signs of Change

Events in Syria over the past year represent a microcosm of the decade. Stasis persists despite such significant developments as a major reshuffling in the army and security ranks in late 1998. This, no less than President Hafiz al-Asad's March 1999 "inauguration" address and the November 1998 parliamentary elections,² portended significant political changes.³ Less than two weeks after Asad's address, new activity was evident in regional diplomacy and economic cooperation. By late March, Syria had established or resumed diplomatic relations and/or economic cooperation with Turkey (after icy relations and saber rattling in late 1998), Jordan (after a

four-year hiatus) and Iraq (after a 19-year break).⁴ Syria recently made diplomatic overtures to Iran and the Arab Gulf countries in a bid to bolster its regional role.

Closer to home, Ehud Barak's election as Israel's new prime minister seemed to promise a resumption of the Syrian-Israeli peace talks, stalemated since 1996. The Syrian government—and public—expect significant economic aid and investments from the European Union (EU) pending a peace agreement. Domestically, Syria's Lebanese "gate" will become busier given recent Syrian-Lebanese agreements eliminating customs duties on most locally produced goods by 2002.

Related to these prospects for regional peace and external trade agreements are domestic expectations concerning an overhaul of the banking system, further liberalization of the exchange rate, creation of a financial market to attract large and small capital investments and the reform of investment laws as well as Syria's notoriously contradictory economic laws and regulations.

A selectively tolerant atmosphere of openness about social and economic issues has engendered broader and freer public discussion. This openness has been buttressed by an anti-corruption drive led by Bashaar al-Asad, son and heir-apparent of the Syrian president. Bashaar was increasingly visible in 1998-99; he is associated in the local and international press with Syria's modernization drive in communications, information technology and economic development.⁵

After the Address⁶

Syria-watchers understand the weight of President Asad's public pronouncements: They do not simply frame policies, but also catalyze new initiatives or revitalize neglected ones. More significant for political and economic reform, Asad's words can legitimate unusually courageous or critical public statements. Recent independent lectures and mini-conferences held throughout Syria,⁷ as well as articles and statements by independent economists and intellectuals published in the official media, demonstrate this point.⁸

Bassam Haddad, a Ph.D. candidate in political science at Georgetown University, recently conducted field research in Syria supported by a fellowship from the Social Science Research Council on "State-Business Relations in Syria: The Impact of Economic Networks on Policies of Economic Reform, 1987-1999."

“Management by Objectives”

In accord with President Asad's address and Bashaar's initiative, the government launched a new program to revitalize the public sector by granting productive enterprises a margin of freedom and independence according to economic rationality. Syria's public sector desperately needs an overhaul. During its initial phase, this new initiative—"management by objectives" (*al-idaarah bil-ahdaaf*)—applied to only four out of more than 80 public industrial enterprises (excluding trading, construction and service enterprises). Relative independence at the management level and the introduction of incentives and rewards are expected to increase productivity, improve quality, enhance competitiveness and give managers some freedom to establish relations and sign contracts with local and foreign interests, as well as to "make decisions on production, administration, and financing, but within the boundaries of the plan set by the given company."⁹

The new initiative's primary objective is to grant administrators independence from the constraining web of government officials and interests that interfere with the functioning of public enterprises, often irrationally and illegally. In practice, however, administrators' independence is limited by committees that monitor their progress—committees appointed by the very individuals and interests that the initiative is intended to circumvent.¹⁰

Despite Syria's more tolerant atmosphere and the regime's relatively self-critical stance, domestic economic and political policies are hardly commensurate with the magnitude of existing problems. This is nothing new in Syria; the regime has earned a well-deserved reputation for cautious and circumspect movement generally, particularly on the domestic front. The speed and direction of movement is not always a matter of official will, nor simply an index of President Asad's scrupulously sober mode of evaluating and maneuvering. Various political and socioeconomic factors also dictate extreme caution, thus rendering any change, whether domestic or diplomatic, a risky undertaking.¹¹ Yet Syria's recent economic downturn and the health of the president remind the regime that time is not an inexhaustible luxury.

Is 1999 a “Decisive Year?”

A mood of patience tinged with frustration suffuses Syria today. Since 1994, economic downturns have accompanied a rise in the cost of living relative to largely stagnant wages. Although inflation subsided in 1997 to 2.2 percent, workers must hold down two or three jobs simultaneously to cover basic living expenses. Across Syria's socioeconomic spectrum, there is a growing sense that the current stagnation cannot persist. Many prominent non-governmental sources in Syria, particularly academics and business people, speculated that 1999 could be a decisive year. Such judgments were prompted by Syria's continuing economic stagnation coupled with a

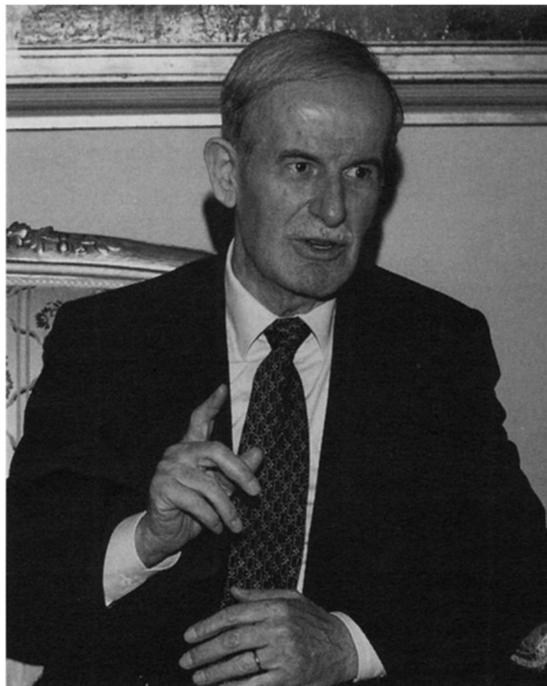
perceived power struggle following the reshuffling of ranks in the military and security apparatuses in 1998-9. Although these judgments were imbued with an exaggerated sense of urgency, the fact remains that, without some fundamental internal changes or new forms of external support, the Syrian economy is likely to deteriorate even further.

The State of the Economy

The Syrian economy enjoyed steady growth in the post-Gulf War period. Aid from Gulf countries resumed, a new investment law went into effect and oil finds and exports increased. Public spending for various infrastructural projects and social services had resumed, more jobs and foreign exchange were

generated, the Syrian pound was relatively stable and the private sector's share of capital formation, production and exports grew to levels not seen since 1963.¹² Reports claiming a 6-7 percent growth of the Syrian economy proliferated in local and international publications. In retrospect, much of that growth turned out to be temporary and numerical, not structural and enduring. As the economy grew in the early 1990s, corruption and back-door deals between public officials and members of Syria's business community grew even faster, turning developmental opportunities into rent-seeking. Consequently, economic "growth" peaked in 1994 and started to decline thereafter.¹³

Today's deteriorating economic conditions reveal the real effect of illusory economic "growth," which dramatically declined to 1.3 percent in 1997, judging from relatively optimistic Syrian government statistics.¹⁴ However, figures calculating the net domestic product at factor cost show a negative economic growth rate of 4.4 percent for



Syrian President Hafez al-Assad.

Norbert Schiller

the same period. The decline continues in 1999, especially when we consider the drop in oil prices (the source of 60 percent of Syria's foreign exchange and exports). Ecologically, last winter's scant rainfall directly affected the agricultural sector, which accounts for more than 30 percent of the Syrian economy.

Macroeconomics of Economic Troubles

Syria's economic stagnation is rooted in official as well as informal economic and fiscal policies and decisions that have undergirded incentives for liberalizing the national market since the early 1990s.¹⁵ On the one hand, this includes shifts in government spending and investments that benefited a growing rentier stratum interested in making short-term commercial investments.¹⁶ On the other hand, austerity measures in the 1990s aimed at controlling inflation and stabilizing the Syrian pound by raising taxes and keeping wages down. Such policies have been detrimental to the working and lower-middle classes, as well as to job seekers. If the social victim was the lower classes, the economic victim was Syria's productive sectors. Hindered by bureaucratic red tape, contradictory laws and regulations and antagonistic commercial interests, Syria's productive sectors experienced an even sharper drop in activity.¹⁷ Public and private investments have been slashed since 1995, bringing Syria to a financial standstill in 1998-9.¹⁸ In 1998, the government endured its first balance of payments deficit since 1989.¹⁹ This is nowhere more evident than in Syria's mounting social challenges.

Social Challenges

The most striking socioeconomic development is a steady decline of wages vis-à-vis prices, especially public sector wages. Public sector employees' purchasing power is increasingly dismal. While prices continue to rise, wages remain constant—and insufficient. Syria's economic liberalization, though painfully slow and closely controlled, has widened this gap, thus exacerbating social polarization. Virtually every imaginable consumer item is available in Syrian stores today. But most of these items are beyond the reach of the average civil servant earning a paltry 3,000-4,000 Syrian pounds each month (the equivalent of \$60 to \$80)—which is not enough to cover the most basic living expenses.²⁰ Yet up until 1995-96, public sector employees could manage, because the private sector was employing an increasing share of the labor force.

As economic slowdowns continue, however, the private sector cannot absorb so many new workers. In fact, many private sector firms have downsized their workforces in order to offset losses and position themselves in a time of uncertainty. Private sector wages, considered relatively high in the early 1990s, are now falling relative to prices of imported consumer goods.

Unemployment remains high and is not likely to shrink in the near future, since 220,000 people enter Syria's labor market every year.²¹ Heightening the unemployment problem is the return of increasing numbers of laborers from both the Arabian Gulf and Lebanon. Legal reforms in Lebanon have made it harder for several hundred thousand Syrians to find convenient employment next door. Syrians employed in the Gulf are returning home as host countries implement reforms to offset their own growing economic hardships. Previously, migrant workers' wages supported entire families. The job-generation problem will only intensify given Syria's high rate of population growth and its relatively young population (60 percent of Syria's populace is under the age of 21).

So where are these dependents and the growing army of unemployed workers to turn? Most have looked to their nuclear or extended families for assistance, but such support systems cannot endure these hard times. Others have chosen the route of protest, such as during the December 1998 demonstrations against the US/UK military strikes on Iraq. The unprecedented magnitude of these demonstrations not only reflected public anger about double standards and foreign aggression against another Arab country, but also bespoke widespread social frustrations in the absence of non-governmental channels through which to express discontent.²²

Reforms vs. "Sharks and Dinosaurs"

Although some claim that Syria's successful skirting of a profound economic crisis in the mid-1980s means it can do so again, today's stagnation reflects a dramatic drop in effective demand resulting from the Syrian economy's ailing productive base, not the supply shortages of yesterday. Reversing Syria's 1986 crisis necessitated selective liberalization and minimal changes in distributional coalitions. Conversely, today's economic ills require comprehensive reforms and the dismantling of existing distributional coalitions, including co-opted labor and (more importantly) select groups within the business community. Such fundamental change requires a firm political will at the highest policy levels. Until such reforms are implemented, however, the average Syrian consumer remains easy prey for what some Syrian economists call "sharks and dinosaurs"—well-connected business tycoons and their official protectors, the former being the creation of the latter, if not their actual offspring.

The question of political will entails the issue of agency: What economic groups/sectors are influencing and benefiting from current arrangements? To what extent have informal, public-private rent-seeking networks benefited from the pace, content and scope of Syria's gradual reforms of the past dozen years? Big business²³ with close ties to the government has been the clear winner²⁴ during these years of arbitrarily heterodox and inconsistent adjustment policies. This loose-knit group—and its protectors in officialdom and beyond—have delayed economic recovery at the struc-

tural and fiscal levels.²⁵ One pressing challenge for any Syrian leadership will be the dismantling of this network linking officials and big business, or alternatively, the reworking of this relationship so that it affirms and enforces *collective* goals. It is crucial to note that these networks pre-date the “official economic liberalization” of 1991. Thus, networks of cronies attained an advantageous position in the domains of production and commerce once the door of Syria’s national market squeaked open. Without reforms, future economic opportunities are also likely to fall into the laps of the individuals in these networks.

Another obstacle is the state’s administrative capacity, a necessary tool for any reform program. Syria’s administrative capacity—encompassing personal expertise, technology, bureaucratic coherence, specialized monitoring and extractive agencies—has diminished over the last dozen years, measured minimally according to relative consonance/dissonance between policy formulation and implementation. This diminishing institutional capacity has been widely acknowledged, even in the president’s inaugural address:

Developing the state’s agencies and institutions has become a persistent necessity and a national responsibility, so that the gap between the others and us does not expand, and so that we can be efficient partners in various political and economic developments in the Arab nation and the world.²⁶

Private interests’ penetration of decision-making bodies, and the ensuing rent-seeking networks that have developed, have blurred the boundaries between state and society. The result is widespread corruption: the compromise of public office for private benefit.²⁷ Syrian public discourse emphasizes the moral and economic dimensions of corruption more than its bureaucratic and administrative ramifications. The solution to corruption, and to administrative incapacity generally, is not just a matter of putting a morally-upright person in the right place. Over the years, the rules and regulations that bind various bureaucracies, agencies and administrative bodies, horizontally as well as vertically, have been so profoundly compromised that not even the best person or team could ameliorate the state’s administrative capacity in the short run. Serious bureaucratic renovation is required if Syria is to make ample use of its considerable human and natural resources. Rent-seeking networks exacerbate administrative incapacity and hinder the restoration of integrity to the relatively legal-rational framework informing Syria’s bureaucracy. It is important to note that Syria’s experience in this regard echoes that of many lower middle level income late developing countries (LDCs).²⁸

Syria watchers have become as cynical as Syrians themselves have about possibilities for change. Whereas “change” has been promised or discussed for decades, Syria’s structures and agents have remained largely unchanged. Yet, although the *players* have not changed, their roles and po-

sitions in Syria’s political economy have. It can even be argued that Syria owes part of its stability over the past 30 years to a particular factor: strata formation, or more precisely, strata reorientation, i.e., the formation of new social groups by (and within) the state and their subsequent reorientation from politics to business. Although fundamental changes have not yet occurred in Syria, they can only be hastened by the country’s continuing economic deterioration. The very players who have delayed fundamental economic reforms will soon be compelled, by the force of their socioeconomic location in a world of globalizing markets, to spearhead solutions and to effect change and “liberalization.” Generational change within the ruling elite is likely to serve as a catalyst in that direction.

Syria’s Regional Role

Finally, the Syrian regime’s current global constraints must figure into any equation of domestic change and reform. The regime’s old style of rule will have to give way to courageous innovations if stability is to be maintained. Such innovations would have to include the creation of more effective opportunities for participation in the political and economic processes. But even that, it seems, depends on external factors, primarily the peace process, on which Syria has pegged both its hopes and status-quo “rationalizations.” Future Syrian-EU economic cooperation agreements are also likely to temper the speed and substance of Syria’s economic (and perhaps political) reforms. In other words, despite the marked emphasis on domestic factors in President Asad’s fifth inauguration address and the country’s economic stagnation, catalysts for genuine change in Syria are still tied to regional and international politics, or, alternatively, are presented as such.

Nonetheless, it would be rash to assume that prospects for peace and the promise of trade agreements with the EU will soften the regime’s stance vis-à-vis the fundamental principle of exchanging land (the Golan) for peace. Syria’s regional role, particularly its confrontational posture towards Israel, is a consensual and legitimate national interest. This stance underpins Syria’s nationalist credentials as well as the regime’s foreign policy and domestic legitimacy. Although the international media have rightly described Syria as ready to strike a peace deal with Israel, this readiness is not likely to translate into desperation despite economic downturns. The challenge now before the regime is to bring Syria into the regional and international fold by balancing internal and external threats and opportunities,²⁹ but without compromising domestic legitimacy. This regime dilemma is compounded by the much-discussed challenge of “succession.” Most reports on this issue, domestically and internationally, describe or analyze events through the lens of the mid-1980s, ignoring the socioeconomic changes and structural challenges that any future Syrian leadership will confront. Yet, the independent regional effect of the latter challenge is Asad’s renewed unwillingness to agree to a murky peace deal. ■

Endnotes

1 "Economic pluralism" figured prominently in President Asad's inauguration address in 1991 and served thereafter as a catalyst and shield for burgeoning private sector interests. It refers to a national economic development strategy affirming the complementary roles of the public, private and mixed sectors.

2 The role of the Assembly was enhanced in 1990, largely through the regime's efforts to deal with the economic crisis of the 1980s by expanding its social support base. Reactivating the private sector was a cornerstone of this effort. The private sector was also to serve as a complementary economic engine for the generation of much needed foreign exchange and jobs. Thus, the number of representatives grew by one third to reach 250 in 1990, as did the number of independents, i.e., those not belonging to the Ba'th party or the seven National Front parties.

3 The most recent sign of change was Asad's declaration of amnesty in mid-July, which affected hundreds of political prisoners including Communists, Muslim Brothers and Kurdish activists. See *Al-Hayat*, July 13, 14, 19 and 23, 1999.

4 Economic factors constituted an essential part of these rapprochements. See *Al-Hayat's* editorial, "Syria: A New Page with the Neighbors: Politics in the Service of Economics," March 31, 1999.

5 Dr. Bashaar is credited with getting more Syrians connected to the outside world through satellite dishes, email and soon, the Internet.

6 The address is distinguished first by its unprecedented emphasis on domestic matters and secondly because, for the first time since assuming power in 1970, President Asad speaks of administrative, economic and legal shortcomings that must be dealt with promptly. Unlike former "speeches" that resembled a list of accomplishments, this address focused on unfinished work in those areas where Syria trails behind others, i.e., the administration and the economy. To outside observers, this acknowledgement of an existing gap at the highest level may sound unremarkable, but to insiders, it is revolutionary. The word "responsibility" occurs 20 times in the speech. Other key words, *vis-à-vis* prior official discourse, were "modernize," "partnership/participation," "accountability," "dialogue," "democracy," "institutions," "efficient" and "peace." The terminology emphasized in this address reverberated in both official and public discourse after the address.

7 A striking example was the unprecedented openness and courage displayed by academics and business people in the 1999 lecture series organized by *al-jam'iyyah al-iqtisadiyyah* (Economic Sciences Association—ESA), between February and May. Officially a non-governmental organization, the ESA's yearly lecture series represents a microcosm of the kinds of debates that occur privately, both in the official and private realms. According to ESA's secretary, the 1999 series attracted hundreds of lay persons, academics, businesspeople and state officials, including the president of the Syrian Union of Chambers of Commerce and Industry. Only one clear case of censorship occurred concerning a paper on the Syrian government's budget, written by prominent Syrian economist 'Arif Dalila.

8 An indicative manifestation of the new atmosphere of openness in the media was a series of articles published in *Al-Hayat* in May and June of 1999 presenting contending views by academics, business people and government officials about Syria's economic stagnation, corruption, and political future. Spurred by two seminal investigative reports conducted by *Al-Hayat's* editor, Joseph Samaha, on May 14-15, these articles represent a window on the latency of Syria's sociopolitical plurality, where business leaders and critics have begun calling for the establishment of representative parties outside the National Front. These seminal articles were initially prevented from entering Syria, but, on higher orders, the paper was sold everywhere on Syrian soil by May 17.

9 Generic text on "Management by Objectives" available at the Ministry of Industry, Damascus.

10 Monitoring committees' members include the Minister of Industry (serving as committee president) and the Secretary for Economic Affairs at the General Federation of Trade Unions (GFTU), a representative of the Ministry of Finance, three "experts" named by the prime minister and another named by the minister of Industry. Many fear that corruption will continue to derail Syria's productivity, not despite, but because of the interference of the Prime Ministry, which seems to have augmented rather than alleviated the problems the initiative was devised to counteract. Similarly, the Central Apparatus for Financial Monitoring is a component of the Ministry of Finance, and therefore not subject to monitoring.

11 Such factors include: an entrenched political elite that has been both an obstacle to reform and a well-functioning instrument of rule; the regime's narrowing social base, which has limited its maneuvering capacity, especially since the late-1970s; age-old Ba'thist suspicion of the traditional business community despite rapprochement by the state during the Asad era; the latent threat of a "radical" Islamist opposition, despite its seeming torpidity and disarray. These factors inform Syria's regional stance.

12 See *Statistical Abstract 1998*, published by the Central Bureau of Statistics, Syrian Arab Republic, "National Accounts," Chapter 16, pp. 516-17, 523.

13 It is important to factor in the effect of the consumer boom after investment law No. 10 allowed for the importation of various previously unavailable products. "Suppressed" demand or lack of supply—or thirst for "consumerism"—during the 1970s and 1980s have altered the micro-economic management of many lower-middle, middle, and upper-middle class consumers. Economic growth between 1991 and 1994 reflected this consumption drive until wages declined relative to prices and soaring inflation after 1994.

14 Signs of the current stagnation are an overall drop in production, a rise of unemployment to unprecedented levels, the shrinking of foreign investments, the drop in real wages, purchasing power and aggregate demand; the shutting of some enterprises established under law No. 10 and finally, the stockpiling of goods in factories and at retail stores. See *Statistical Abstract 1998* pp. 503-63.

15 Investment law No. 10 of 1991 was the last major symbol of economic liberalization, although, it was not modified and supplemented as required and promised. Syrian officials, as well as Dr. Rateb Shallah, President of Syria's Union of the Chambers of Commerce and Industry, attribute this "delay" to the faltering peace process: "The peace process had provided a legal, motivational, and material impetus for forging ahead with liberalization. Liberalization without regional peace, or a transition to a market economy without peace, would render Syria vulnerable to world markets. Syria cannot afford a slip in the value of

its currency without a peace dividend of sorts, without regional stability." Author's interviews, December 27, 1998 and May 9, 1999, Damascus.

16 A stark difference between projected yearly budgets and the government's actual balance of payments throughout the 1990s has led to a deteriorating state of economic affairs. Every year, the Ministry of Finance announces budget surpluses drawn from a 30 percent increase in tax collection over projected figures. What it fails to note, however, is that while government spending on public investment is being slashed by 25-40 percent, current spending on personal luxury commodities exceeds projected figures. See Arif Dalila, "The General Budget: Some Solutions" [*ajz al-muwaazanah al-aamah wa subul mu'alaajatuhu*], Paper No. 9, 1999 Conference Series (Damascus: Economic Sciences Association, April 20, 1999). The paper was informally distributed, but not delivered.

17 For instance, investment law No. 10 conflicts with decree No. 24, which prohibits dealing in hard currency. This is one of the major obstacles that independent business people vehemently complain about. Recently, however, a ministerial and later a parliamentary committee were set up to "study" the possibility of legal reforms to facilitate investment. See *Al-Hayat*, Wednesday, July 21, 1999.

18 Of importance here is the near absence of official investment avenues for small and medium capital. Since the 1980s, but more conspicuously in the "liberalization" years of the early 1990s, this dearth has led to the phenomenon of "*jami'i al-amaal*" (literally, "money collectors/accumulators"), halted by decree No. 8 in 1994. Essentially, these were informal investment avenues arranged by private individuals who rounded up more than 25 billion Syrian pounds, only to flee the country, disappear, or default on returns and/or reimbursements to helpless investors in most instances. High-ranking bureaucrats and academics make strong connections between this phenomenon and the liquidity crisis in the post 1994-5 period. Interview, Damascus, June 1, 1999.

19 See the American Embassy in Damascus' 1998 Annual Report on the Syrian Economy.

20 According to unpublished government statistics on Syrian living standards in 1997-1998, 90 percent of an average working individual's wage are required to cover 30 percent of basic living expenses. Interview, Damascus, June 1, 1999. Comparatively, in 1985, just over 60 percent of the average wage covered most basic expenses.

21 Syria does not publish official unemployment statistics, but outspoken economists estimated the levels of unemployment at 20-25 percent in June 1999, precluding disguised employment and under-employment. These figures are based on official statistics on the distribution of the actual labor force relative to the growing population and returning migrant workers. For more information, see Sa'id Nabulsi, "Correcting the Problems of the Labor Market" (*Tasheeh al-khalal fi suq al-amaalah*), Paper No. 6, Conference Series (Damascus: Economic Sciences Association, March 23, 1999).

22 Interviews with popular and independent business people and outspoken members of parliament and middle-level party functionaries who were taken aback by the magnitude of the protest. Damascus, January 1999.

23 The reincorporation of new "big business" into political life has proved fruitful for both the private sector and the regime. Out of the 83 independent candidates in parliament, business people represented a plurality with significant financial power. In Damascus, nine of the twenty-nine elected members are well known and (with one exception), well-connected business people associated for the most part with the Damascus Chambers of Commerce and Industry. The distribution is similar in Aleppo, the second largest Syrian city, known for its thriving commerce. Business people's campaigns were by far the most impressive and the most generous, as their budgets were exponentially greater than those of other independent candidates. Little wonder all the prominent business candidates now have seats in the Assembly. Furthermore, although the same percentage of Council seats were occupied by business people in 1998 compared with 1994, many of them have become considerably wealthier and better known as public figures.

24 More specifically, the winners are the appointed and senior officials, the state bourgeoisie and their vertical clients, as well as the upper new bourgeoisie, especially its rentierist segment, and peasants working in subsidized crops (wheat, cereals, cotton). The losers are the petit bourgeoisie, salaried public sector workers, job seekers and the less well connected business sectors (medium sized manufacturing firms relying on local primary resources).

25 The kinds of projects approved by the Higher Council for Investment under investment law No. 10 illustrate this point: The ill-prepared orphan law and its accompanying bureaucratic obstacles (especially for industrialists), as well as its contradiction of other existing laws that prohibit dealing with foreign currency, has driven away potential investors while attracting investors with political connections in search of quick profits. Hence, more than 60 percent of investments under law No. 10 did not go to industry, but to nonproductive and environmentally disastrous ventures in the transport sector. Industrial projects submitted by well-connected individuals were, in most instances, approved, subsidized and protected. In the words of a prominent businessman turned politician: "Law No. 10 is effectively a process of transferring the right to monopolies from the public sector to individuals in the private sector, where none of the benefits are generalized [collectivized]." In nearly all instances, protection of specific private industries is based on economically irrational grounds, where protection, in the best case, does not take into account Syria's comparative advantage in production. Interview, Damascus, January 1999. For a sectoral example of the kind of essentially nonproductive investments, see "Development of the Transportation Sector in Syria and the Actual Investment Policy," Hans Hopfinger and Raslan Khadour, in *Middle Eastern Studies* 35/3 (July 1999), pp. 64-71. Also see Hans Hopfinger and Raslan Khadour, eds, *Investment Policies in Syria [Siyasaat al-Istithmaar fi Suriyah]*, Procedures of the First Syrian-German Forum in Cooperation with the Faculty of Economy (Damascus: Damascus University, 1997).

26 President Hafiz Asad's Inaugural Address, March 13, 1999. The speech was distributed, not delivered, in the Syrian Parliament.

27 For a courageous but "circumvented" account of corruption in the administrative and economic spheres, see Rislal Khaddour, "The Economic Effects of the Phenomenon of Administrative Corruption" [*Al-athaar al-iqtisadiyyah li-zhaahirat al-fasaad al-iqtisadi*], Paper No. 2, 1999 Conference Series (Damascus: Economic Sciences Association, February 23, 1999).

28 See the special issue on "The New Politics of Corruption," in *Third World Quarterly* 20/3 1999.

29 That is, balancing latent, internal Islamist opposition and potential elite schisms with external peace dividends.