

## Business Networks in Syria

Stanford Studies in Middle Eastern and Islamic Societies and Cultures

# Business Networks in Syria

**THE POLITICAL ECONOMY  
OF AUTHORITARIAN RESILIENCE**

Bassam Haddad

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For Asmahan, the endless fountain and a rock for so many



“They say ‘no one sleeps hungry in Syria.’  
This is true, but we can do better than that.”

—**Young Syrian cab driver**  
**January 2011**



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## **PREAMBLE**

### An Arab Spring for Syria?

AS I WRITE THESE LINES, Syria is engulfed in antiregime protests, spanning nearly its entire territory; the two largest cities, Damascus and Aleppo, have experienced the least turmoil. Hundreds of protesters have been killed, and thousands have been injured or detained.

Though the protests are ongoing, it is difficult to assume or even imagine they would result in a scenario similar to that of Egypt and Tunisia, where the head of the regime departs or resigns in favor of an outcome that, by and large, sustains the institutions of the regime. An all-out civil war similar to that in Libya is possible only if external factors become increasingly involved. At this point, in May 2011, it seems the regime is gaining the upper hand by violently crushing the uprisings, knowing full well that many if not most Syrians have refrained from taking to the streets largely because of fear of the unknown: for many, the regime's departure or fall may result in a vacuum of sorts that might be filled by a more undesirable alternative, including sectarian strife, external intervention, or an all-out war of reprisal. Thus, the question for most Syrians is not whether they would like to see a less repressive regime but whether they think such a change is likely under these local and regional circumstances. The complexity of the Syrian situation is evident, but can be overestimated by those who favor the status quo for one reason or another.

In this book, these recent and ongoing events will not figure explicitly except when certain facts have been altered, such as the literal elimination of the hitherto pivotal post of Deputy Prime Minister for Economic Affairs, which was occupied before March 2011 by Abdallah al-Dardari (this is a sign of a reversion to more public-sector friendly policies). Completed in January 2011, the analysis herein comports with the unfolding events by way of a number of warnings against the perils of "continuity without change" in the political sphere. More pertinent is the analysis of how elite economic networks, combining political and economic actors, have for decades undermined even the semblance of

equality and productivity in the Syrian economy in favor of the few. The deleterious outcome of this largely informal nexus of economic power came increasingly at the expense of the largest segments of Syrian society, which continue to be disenfranchised both politically and economically. Thus, the reservoir of discontent in Syria runs much deeper than one might think on the basis of the modest number of protesters we have witnessed, for there are always other considerations made by citizens before taking to the streets, as suggested above. Fortunately for the regime, unsavory actors regionally and globally have once again played an unintentional role in keeping it afloat.

I will leave the reader with no scenarios or predictions, as this is not my role. Suffice it to say that structural factors dealing with the relationship of state, society, and market will outlive any social force, or regime, that remains standing. It is these factors to which this book has been devoted over its fifteen years of research and preparation, and with which researchers will grapple endlessly, irrespective of the political form of rule.

## PREFACE

DAMASCUS IN JANUARY 2011, where I wrote these lines, is a different city from its earlier incarnation in 1991. It is brighter, taller, and sprinkled with ostentatious exhibits of consumerism. There are far fewer portraits of the president adorning buildings and billboards and far more portraits of parliamentarians, entrepreneurs, and entertainers. The economic reforms of the father, Hafiz al-Asad, and his son and successor in 2000, Bashar al-Asad (henceforth Bashar), have certainly changed the face of Syria, not least since 2005 when Bashar introduced the notion of Social Market Economy, in which market arrangements are officially tacked on to older quasi-socialist arrangements.

Under the surface, these transitions have been in process since the mid-1980s when Syria's state-centered economy nearly collapsed. The officially sanctioned private sector moguls have since replaced the state and public sector strongmen of yesterday in the storefront of Syria's polity. These moguls publicly and proudly boast of their private investments in a country where holding a dollar bill in public was a daring act just a few years ago. Newly acquired wealth is ubiquitous, in restaurants and cafés, on the street, and in village villas that line mountaintops and tower over earlier twentieth-century structures. Real estate in Damascus is now among the most expensive in the world, certainly making the top-ten list. Yet, various internet sites (for example, Facebook and Amazon) are still banned; independent parties are prohibited; and parliaments continue to act as rubber-stamp institutions—albeit in a more polished manner than their counterparts in the 1970s and 1980s. More urgently still, most Syrians are finding it harder to make do with just one job. The juxtapositions of the new face of Syria for the few with the realities of economic and political marginalization for the many are not lost on visitors who choose to wander out of the compelling shine of Damascene consumerism.

This book chronicles the state-business networks that have dominated economic policy changes since the late 1980s and diminished the country's

economic productivity and developmental potential. As state-centered economies faltered in the 1970s and 1980s, the Syrian leadership along with a host of other developing countries started to shift alliances from labor to business. This alliance building began informally and was gradual. Initially, networks of bureaucrats and capitalists consolidated around public sector patronage. Subsequently, these networks embraced private business initiative in the late 1980s, 1990s, and early 2000s. Maturing privileged ties combining state officials and business actors represented themselves (not the state qua state nor the larger business community) and exercised a disproportional influence on policies of economic change, shaping the parameters of reform and development. In presenting the Syrian case, this book argues for the analytical imperative of examining networks as a method to understand political-economic outcomes that cannot be reduced to state or class power.

The post-2005 changes underwritten by Bashar's consolidation of power in that year might hold conditional promise. For the first time in decades, Syrians have a unique opportunity to fix the economy, strengthen and democratize Syria's polity, and stave off unprincipled external actors seeking an emasculation of its power. The question is whether the Syrian leadership has the administrative capacity and the political will to take the necessary risks that accompany the expansion of political freedoms and the inclusion of all local stakeholders in economic decision-making. Admittedly, Syria's tough neighborhood may simultaneously make it potentially costly to take such risks and provides excuses for maintaining the status quo. Before the ongoing uprisings (at the time of writing), the current leadership was sufficiently consolidated and popular to take such risks. This moment might well have passed, and it remains to be seen to what extent the regime will be able to pull itself together if indeed it weathers the protesters' storm. In any case, if economic fortunes continue to decline in the coming years as a result of growing unemployment, dwindling oil production, or devastating drought, the discontent that sparked the uprisings will deepen. For the time being, the undying dictum "change within continuity" is the order of the day, with varied doses of change or continuity depending on the time, place, and issue. One discernable outcome of the current uprisings is that the regime's leadership is now able to see the cost of more continuity and less change. What the regime might do with this realization remains to be seen; it would be a fool's errand to try and second-guess its preferences—these preferences were sufficiently obscure under almost three decades of "stability" before the uprisings.

As the grimmer end of the “new face” confronts Syria, for many—some say most—the more things change, the more they stay the same. Some have seen their fortunes diminish alongside the gradual but persistent attenuation of public welfare provisions since 1991, the year that heralded the policy of “economic pluralism,” *al-ta’addudiyya al-iqtisaadiyya*. Economic pluralism officially recognized the legitimate role of the private sector alongside the stalwart public sector that had dominated Syria’s economy since 1963. The slashing of subsidies continued until December 2010, interrupted only by the Tunisian and Egyptian revolts, prior to the eruption of protests in Syria in March 2011. Cuts in subsidies were coupled with an undying hope that neoliberal trickle-down economics will carry the day while the private sector takes care of business. Yet, even with renewed investment initiatives, all statistics point to the inability of the private sector to absorb the more than 250,000 new job seekers per year. This is especially true given that the drought of recent years has produced an equal number of forced urbanizations per year. The trend is not likely to subside, as rainfall has steadily decreased. Any political economist with intellectual integrity and a desire to see Syria prosper is troubled by this predicament, irrespective of political context or personal political views. I am certain that the top leadership is deeply troubled by this environmental state as well—though other deeper and perhaps existential concerns occupy Syria’s strongmen at the time of writing. But this is all the more reason to understand the patterns of the past and open the door for sustainable development from which everyone benefits. I do not offer solutions herein but rather their prerequisite: a diagnosis of a pattern of development that fell considerably short of meeting Syria’s potential.

Finally, though most analysts hope that Syrian decision-makers will spend more time focusing on how to create a better future for all Syrians and less time sanctioning critics, they are not naïve about the broader political context. Writing critically about Syria is tricky, but not because it is difficult to criticize the Syrian regime—for it has come a long way in tolerating criticism over the past decade, notwithstanding its responses to the uprisings. Rather, while Syria’s domestic politics legitimately attract ample critique, and more so today than ever, there are various political actors in the region and internationally who will exploit such criticism to problematic ends. A band of unsavory neoconservative actors in and around the United States’ administration, for instance, lobbied to strike or invade Syria in 2005 on grounds as faulty and deceptive as those that led to the invasion and devastation of Iraq and Iraqi society. An entire think-tank industry promotes similar ends for reasons that have nothing to do with

the well-being of Syria and Syrians. In stark contrast, all analysis of Syria's domestic political economy in this book proceeds from an independent political-economic perspective and not from the perspective of any external actor, not least the United States' foreign policy or its supporters and allies. I hope that the contributions of this book, notwithstanding its imperfections, will be of some use to those who have the best interest of Syrians, and sound political-economic analysis, in mind.

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completed this work without her continued support. And I must thank Nadya Sbaiti and Lisa Hajjar for last-minute edits and revisions.

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## Business Networks in Syria



## INTRODUCTION

### Economic Reform and Network Analysis

AFTER A TWO-HOUR INTERVIEW on the Syrian private sector's relations with the state, the interviewee—a well-informed manager at the Ministry of Industry in Damascus—gets up, walks around his mahogany office desk, sits directly opposite me, leans forward, glances toward the office door to make certain it is firmly shut, and says: “It's true; this regime helped the private sector grow, but it will never tolerate a strong private sector. *I am under your control when I am a twig in your hand, but not when I become a palm tree.*”<sup>1</sup>

The government official was referring to the growth of the private sector in the early 1990s. For the first time in three decades, its share of new net investments was nearly double that of the public sector.<sup>2</sup> In Damascus, then and now, the operative thinking is that the state needs the urban-Sunni-dominated private sector but is wary of its potential strength. In 1961, the then-ousted urban-based liberal parties were able to mount a coup and recapture power, ending three years of state-centered economic planning under the United Arab Republic, which had united Syria and Egypt in 1958. When the rejuvenated Ba'ath reversed what it called the liberal “Separatist Coup” after an even shorter stint in power, in 1963, it did so under the more radicalized rural-minoritarian leadership, which vowed never again to allow for such reversals. This episode was preceded by several others that colored urban-rural relations of conflict and exploitation. For several decades, if not centuries, the dominance of urban-Sunni society had not been challenged in that manner. With the 1963 coup of the Arab Socialist Ba'ath Party, urban-Sunni dominance of the Syrian polity ended, ushering in a new era in which the political helm was to be dominated by rural-minoritarian social forces. The antagonism was now reversed, but the mutual mistrust persisted.

Given this political antagonism and social mistrust between the political and economic elite, the Syrian regime strove to find ways to make business relevant without allowing it to convert its material wealth into political power. Thus the Hafiz al-Asad regime, representing the more pragmatist wing of the Ba'ath party,

## 2 INTRODUCTION

brought parts of the private sector “back in” beginning in the early 1970s, albeit initially through the back door and informally. Informal and crony-like state-business networks mushroomed henceforth, giving rise to what is called the “new rentier bourgeoisie” in Syria, and to a pattern of economic change that left developmental imprints on Syrian society that show to this day. Misallocation of resources and the proliferation of nonproductive, non-labor intensive, but lucrative business ventures and practices ultimately dominated Syria’s economy for decades on. Syria’s promising resource-based potential (human and material) became official rhetoric for public consumption, or a story that is told by dissidents, former exploiters, and emerging nationalist critics alike.

In the process, the Syrian regime maintained its security, but at a high economic and developmental cost that was passed down (along with the leadership of the Ba’th party and the country) to Asad’s son, Bashar. This inheritance landed on Bashar’s shoulders at a time when the Middle East was sinking into intensified conflict and war, complicating what was already a very late reentry into the global economic system.<sup>3</sup> The legacy of entrenched state-business networks poses a tremendous challenge for the new leadership’s proclaimed desire for economic progress and modernization, though the horizon is not as bleak as it had been under Bashar’s father. This legacy of entrenched economic networks—its nature, dynamics, impact, and unintended consequences—is the analytical narrative that this book addresses.

This study of the Syrian case seeks to explain prolonged economic stagnation marked by costly developmental outcomes in one of the most durable authoritarian regimes in the Middle East and the developing world. The “winner” in Syria, and much of the rest of the Middle East, has been a set of exclusionary state-business networks that have been able to skew the benefits of economic change in their favor. The “loser” is the average consumer (especially workers in the public and informal sectors) and, indeed, the health of the overall economy, as state officials and their business cronies misallocated resources and mismanaged policy change by subordinating a semblance of economic rationality to a political logic of regime security.

From Egypt to the former Soviet republics, socialist and socialist-leaning states have brought business back into the political-economic equation. The broader historical context in many postcolonial settings such as Syria and Egypt is the social conflict that shaped the consolidation of populist rule.<sup>4</sup> Nearly everywhere, this transformation has been highly politicized, for it has fostered a new business class growing in the shadow of the state. The Syrian case displays

a similar pattern but with a twist: the relationship between politicians and capitalists is scarred by deep-seated historical antagonism and mistrust. The division in the 1960s between the rural-minoritarian political leadership and the Sunni-majoritarian business community persisted through patterns of promotion and (s)election that, with few exceptions, preserved the social homogeneity of those in power. This was not carried out as an affirmation of sectarianism, as will be discussed in Chapter 2. Rather, it was a regime's response to security concerns where the overlap of sect, region, community, and class intensified the modal political antagonism between a populist regime and the putatively exploitative business class in postcolonial societies. Hence, in the Syrian case, bringing business back in to rejuvenate or propel the economy was viewed in zero-sum terms, whereby empowering business was viewed as empowering the urban-Sunni community over and against the rural-minoritarian leadership. Alternatives to official or formal (re)incorporation of the business community had to be sought. In countries largely enjoying social-communal homogeneity between politicians and capitalists, such as Egypt in 1974, the regime faced far less of an impediment as it brought business back into the political-economic equation.<sup>5</sup>

Syria's legacy of state-business mistrust produced a particular form of state-business cooperation—that is, selective and informal economic ties (networks) between state officials and private actors—that spawned its own exclusionary economic institutions and tailored policies.<sup>6</sup> Buttressed by a constant flow of external rents (from oil and aid), these economic institutions had a significant influence on patterns of economic change beginning in the late 1980s. Lacking an alternative to the vision of a centrally planned economy, the state's day-to-day intervention in the Syrian economy was highly influenced by a narrowly defined set of interests.

The import of the Syrian case for the study of the politics of economic reform is considerable, if only because state-business relations have not been at the forefront of this field of inquiry. The analysis here proceeds from a comparatively informed perspective of similar cases and also sheds light on a broad range of topics, including questions of agency (for example, what kinds of actor influence policy outcomes?), the relationship between economic and political change (does private sector expansion really have a political impact?), the impact of (mis)trust on institutional development (as opposed to the other way around), and the merits of adopting the analytical tools of economic sociology (networks) in explaining political-economic outcomes, especially in contexts where a substantial portion of transactions occurs in the informal realm.

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Though the case of Syria is not unique, it has important specificities, as the data reveal throughout this book. The time period under study stretches back to the 1960s but begins formally in 1970, when the pragmatist wing of the Ba‘th party captured power, and ends in 2005. However, it wasn’t until 1986 that the top leadership internalized the need for reform as a result of a severe foreign exchange crisis. The year 2005 ends the period under study because it denotes two developments: first, it refers to the year when Bashar al-Asad consolidated his power at the helm, a process that started after his father’s death in 2000 when the legacy of Hafiz al-Asad’s leadership remained apparent in theory and in practice. Second, and as a result, the year 2005 represents the first official and public expression in four decades of a desire to move away from a state-centered economy and *toward* a mixed economy where market forces play a more significant role. Proceeding from a more solid base of leadership and control, President Bashar al-Asad announced the adoption of a Social Market Economy during the Ba‘th’s tenth Regional Command Conference in June 2005. Henceforth, more genuinely representative business institutions began to emerge, signaling a break in the economic governance structure in Syria. Economic networks persisted, albeit in a more narrow yet effective form.

### **THE CHANGING FACE OF SYRIA’S ECONOMY AFTER PROTRACTED STAGNATION**

#### **Opportunities, Constraints, and Legacies**

For the period between 1986 and 2000, most analysts of Syria’s political economy have lamented the absence of any real movement away from the stagnant state-centered economy, established and institutionalized with the rise of the Ba‘th in 1963. After the death of President Hafiz al-Asad in 2000, however, developments in the financial sector have given analysts something to write about. Between the emergence of the first private banks (in 2004), the establishment of holding companies (in 2007), the launch of the Damascus Stock Exchange (in 2009), and the establishment of new joint business associations in 2010, a new reality seems to be setting in. Alongside these changes, the regime also made a bold rhetorical commitment in 2005 regarding the adoption of Social Market Economy,<sup>7</sup> an odd combination of central planning and market forces. The question, however, is whether these developments are the start of an earnest reform trend or merely a regime security measure or are simply a new storefront for existing networks of privilege. Though new opportunities

loom on the horizon, the historical legacy of economic change and development poses serious constraints.

Since 1986, when Syria began gradually to dismantle its command economy, the pattern of economic change has been erratic, producing severe economic and developmental costs, notwithstanding spikes in economic growth. The culprit for the most part has been unbridled and unproductive rent-seeking that produced egregious misallocation of resources. Though these costs were largely offset at the time by external rents from oil and Syria's geostrategic role, they became too high for an economy with an increasingly inefficient public sector and a largely stunted private sector. Moreover, both the public and private sectors were incapable of producing added value commensurate with population growth.

As laid out in the tenth Five-Year Plan drafted in 2005, Syria must achieve 5 percent GDP (gross domestic product) growth during the 2006–2009 period and 7 percent by the start of 2010, population growth kept under 2.1 percent, in order to meet its basic economic goals.<sup>8</sup> While the Central Bureau of Statistics has announced that Syria achieved 7 percent growth in 2008, external organizations such as the Oxford Business Group and the IMF estimate growth in 2008 at roughly 5 percent, while population growth remains between 2.5 and 2.7 percent.<sup>9</sup> In fact, real GDP growth continued its decline from 2005 until the time of writing.<sup>10</sup> Though the global economic downturn had much to do with this decline after 2008—which Syria weathered better than most of its neighbors—it does not fully explain the general trend.

The reasons for such uphill economic struggles lie in the period of prolonged economic stagnation between 1994 and 2005. During the last half of the 1990s, the Syrian economy took a steep downturn, both in terms of GDP growth and, more so, in per capita income.<sup>11</sup> And though GDP growth resumed slowly and erratically after the lowest point in 1999, per capita income growth actually slumped to unprecedented and sustained negative levels until 2004, reflecting not just economic but developmental woes.<sup>12</sup> It is these developmental reversals that distinguish Syria's prolonged economic stagnation and the outcome to be explained in this book. Unless the pitfalls of that period are avoided in the emerging political economic equation since 2005, the future of economic growth and development in Syria will remain grim. Historically, analysts addressed such developmental problems and solutions in various ways. The more refined perspectives eschewed the question of whether states should or should not intervene and focused instead on “getting state intervention right.”

### Getting State Intervention “Right” for Whom?

Peter Evans’s work *Embedded Autonomy: States and Industrial Transformation*<sup>13</sup> examines how states successfully promote industrial transformation: how they intervene and manage the economy, what kinds of ties they develop with the private sector, what kinds of policies are formulated, and how they are implemented. The Syrian regime has managed to avoid all such lessons. Unlike in East Asian countries, the web of public-private ties that obtains in Syria has resulted in a dismal outcome for development in general and state intervention in particular: it has led to the penetration of state bureaucracy, to the erosion of the state’s administrative capacity, and to a serious drop in economic productivity. So far, it is the consumer who has paid the price. For the Syrian regime, the criterion for the “right” state intervention was not economic rationality, or growth. Rather, it was regime security: its maintenance and decisional autonomy vis-à-vis broader strategic issues. But not all political rationalities, including that of regime security, produce homogeneous outcomes. Regime maintenance in countries like Egypt, Tunisia, Jordan, Morocco, and Algeria produced some variation in economic and developmental outcomes, despite some structural similarities. Thus, the focus on state intervention and the response of the business community bypasses the more effective locus of economic decision-making, namely, the informal web of relations between the political and economic elites, that is, economic networks.

In virtually all developing countries,<sup>14</sup> and perhaps beyond,<sup>15</sup> relations between the state and business have taken the form of what can be called economic or policy networks that may or may not operate through formal institutions. The impact of such networks on economic growth and development can be more or less detrimental or positive depending on the conditions of their emergence, their internal dynamics, and their relation to the broader institutional and social context.<sup>16</sup>

Notwithstanding the potential for reductionism,<sup>17</sup> the stress in political-economy literature on the resilience and policy impact of economic networks in developing countries is well founded and well documented.<sup>18</sup> I posit that the effects of the maturing economic networks—combining capitalists and bureaucrats/politicians—in Syria in the late 1980s became evident in the economic, regulatory, and fiscal policy reforms of the late 1980s and 1990s, and after the presidential succession in 2000. The foreign exchange crisis of 1986 marks the acceleration of economic networks’ consolidation and influence, albeit at an informal level until 1991, when these networks came to dominate the official institutional ex-

pression of the “private sector” under the rubric of the government’s reform policy, *al-ta’addudiyya al-iqtisadiyya* (economic pluralism). The role of privileged economic networks<sup>19</sup> in bringing about economic and fiscal change henceforth can be analyzed through the examination of the institutional and social contexts within which these networks emerge and on which their sustenance rests. Although such networks have influenced primarily middle- and lower-range policies,<sup>20</sup> their ability to bypass or manipulate laws and regulations has significantly widened their reach and allowed them, intentionally or inadvertently, to shape general developmental change in idiosyncratic ways that have been detrimental to economic efficiency and productivity.<sup>21</sup> What is peculiar here is that these economic downturns were neither desired nor intended by the state, the business community, or the participants in these networks who represent the primary beneficiaries of the reform process. Economic decline was largely a result of a preoccupation with regime security on the one hand, and the related rampant rent-seeking that was misdirected by a widely penetrated and incoherent bureaucracy, on the other.<sup>22</sup> The proximity of these networks to decision-making bodies, and the participation of decision-makers and top officials in the networks, made rent-seeking and rent allocation an extremely efficient process during the past quarter century. This book does not assume that state-business relations or networks have not been treated before. However, a review of the literature on the political economy of reform reveals a dearth of focus on agents of change that are not part of a traditional research canon. State-business relations in general, and networks in particular, are such agents that for the most part escaped both state-centered and society-centered approaches dominating the discussion on reform outcomes.

### **STATE-BUSINESS RELATIONS AND ECONOMIC REFORM: A CONVERSATION WITH THE LITERATURE**

Despite an increase in published research on the topic, literature on state-business relations in late-developing countries, and certainly in the Middle East, remains scattered and so far not sufficiently cumulative to develop an identifiable discourse and a series of shared propositions. Moreover, a substantial portion of the literature cuts off for the most part the dominant political logic that pervades such regimes from the ensuing economic reform processes. Thus, we witness excessive attention to details regarding changes in economic policy as an indication of progress, rather than an indication of these regimes’ adaptation to a changing world,<sup>23</sup> domestically and internationally. Some way lies ahead, empirically and

analytically, before research on state-business relations in populist-authoritarian regimes catches up with its counterpart in newly industrialized countries (such as Japan, South Korea, Singapore, Taiwan) as well as some developing countries (Brazil, Argentina, Chile). Reviewing the general literature on state intervention and the politics of economic reform and their correlates is a good starting point.

### **Getting State Intervention Right**

The literature on development in the 1980s and 1990s emphasized the variable of state intervention in explaining developmental successes (for example, East Asian tigers) or developmental failures (some Latin American and sub-Saharan countries) of all sorts. Getting state intervention right emerged as the key to a productive management of developing economies. This statist emphasis is premised on the contention that the state in such countries is the institution most capable of collective action and collective mobilization of resources to shoulder the project of development.<sup>24</sup>

However, getting state intervention in the economy right has proved a formidable task in countries wracked by social struggles and institutional incapacities such as postcolonial nationalist constraints, class struggles, or penetrated bureaucracies. Nonetheless, not all developing states fared similarly or failed miserably: Zaire, a classic predatory state, fared much worse than Turkey; and Argentina fared better than both Egypt and Syria. Taiwan and South Korea fared better than all the above, despite recurring economic boom-and-bust cycles among the above.

Developmental state theorists delved into the middle levels of analysis to explain the state's ability to intervene effectively in the economy. Robert Wade and Chalmers Johnson emphasized the insulation of decision-makers from other social forces and, in some cases, the suppression of representative institutions.<sup>25</sup> Theda Skocpol and Peter Evans emphasized the importance of a coherent and competent bureaucracy that is able to formulate policies independently of particularist pressure groups.<sup>26</sup> Louis Putterman and Dietrich Rueschemeyer warned of excessive state power where there is a dearth of state capacity, for "if a state's capacity to act coherently and effectively is very limited, it is a prescription for disaster to assign major policy tasks to it."<sup>27</sup> Furthermore, if this situation occurs in an authoritarian context, it results in grave developmental consequences for which the state cannot be held accountable. Yet most developing states are or were authoritarian and have possessed a weak capacity for coherent action.

Although these arguments seem to point to necessary preconditions for proper state intervention anywhere, they seem to involve a hidden tautology or, alternatively, lack explanatory power. From where does state capacity come? From where does its ability to mobilize social sectors, gather appropriate information, and provide a hospitable and lucrative investment environment come? Moreover, why would the state elite be interested in collective goals as opposed to their narrow self-interest, and conversely, why should the business community make risky, long-term productive investments or cooperate with a largely insulated bureaucratic system run by an unaccountable or uncontested executive? Ultimately, under what conditions would reciprocal cooperation between the state and the business community—a cornerstone for long-term development—be perceived to be too costly for the political elite? These are the sorts of questions I shall try to answer using the Syrian case.

### **Politics of Economic Reform**

Systematic research on the politics of economic reform typically focuses on one of the following themes and topics: (1) reform strategies,<sup>28</sup> (2) reform politics/dynamics,<sup>29</sup> (3) reform outcomes,<sup>30</sup> and (4) developmental implications/consequences. As the available literature suggests, a large number of factors must be investigated to understand the causes and consequences of what is called economic reform. Perhaps the most notable of such factors is the relationship between power and capital, or state and business. This nexus speaks to all four themes: it addresses the impact of capital on reform strategy; the relational dynamics between state, capital, labor, and community; the readiness of capital holders to invest, as well as the choice and target of investment; and finally, the alternative or latent strategies of capitalists and other social forces related to them.

The principal problem, however, remains that state-business collaboration has not been taken up vigorously as an object of study. It is usually considered a residual category that is referred to or implied in discussing broader processes or strategic contexts.<sup>31</sup> Thus, the explanatory import of state-business collaboration has not been sufficiently tapped into, notwithstanding some research on newly industrialized countries. Even that literature did not consider state-business collaboration an object of study: it regressively pointed to this relationship by way of explaining successful industrial transformation.<sup>32</sup> A particular type of state-business collaboration was considered conducive to industrial transformation. Nonetheless, the relations between state and business—how

do they form and develop? what structures such relations?—broadly remained an implicit, not an explicit, object of study.

### **State-Business Relations**

At the turn of the century, when putative linkages between economic and political restructuring did not materialize, the focus began to shift to more deep-seated investigation into histories, legacies, cultural traits, and globalization factors that explain the absence of such links. It became clear that labor did not, and remains unlikely to, pose a serious threat to reforms that continue to gore its interests, largely because of its weak organizational capacity and lack of autonomy.<sup>33</sup> The research focus began to shift from the subversive potential of losers in the process of reform to the tendencies of winners (business and the political elite) to hijack such processes in the pursuit of noncollective goals.<sup>34</sup> With this empirical and research development, the preoccupation with linkage gave way to a more specific and focused emphasis on different types of economic reform patterns, their institutional and coalitional basis, and their likelihood of success in stabilizing economies and making them more productive.<sup>35</sup> State-business collaboration emerged as a key factor, not only in explaining the success of reform, transition, and transformation but also as a probable site of rent-seeking and corruption, an area that harbored a potential path to economic failure.

### **Rent-Seeking and Corruption**

From the rational and public choice literature came progress on issues such as corruption and rent-seeking. The dominant postulate was that, when they can, capitalists and bureaucrats collaborate and/or collude to form distributive networks that shift the allocation of resources away from collective—that is, socially efficient/optimal—targets to themselves.<sup>36</sup> Maxfield and Schneider assert that healthy government-business relationships should be collaborative, but not so much that they degenerate into unproductive rent-seeking activity.<sup>37</sup> Such formulae led to the Washington Consensus type of antidote: cut off rent from the root, that is, from government, by encouraging the breakdown of centralized economies and the establishment of market-oriented economies. However, problems persisted for a variety of reasons, including the narrow and depoliticized neoliberal conception that the government is the sole source of economic rent. As the experience of most developing countries has shown in the 1980s, the 1990s, and the 2000s, the process of economic reform itself has often generated far larger opportunities for rent.<sup>38</sup> Indeed, Lucas explains that

“government officials support public-private partnerships in order to enhance the capacity of the state.”<sup>39</sup> In Syria the gain is twofold as *many* of these political elites are part of the economic networks of rent-seekers, and thus have no motivation to create a fair playing field for the private sector proper. More analytically rich is the literature that reconceptualizes the process of economic reform as one where rent-seeking patterns are simply restructured and where reform is more about “reregulation” rather than deregulation of market relations.<sup>40</sup>

Despite the marked improvement that recent literature on state-business relations<sup>41</sup> exhibits over the older indirect treatment, there still seems to be a missing component: how do we account for agency? The question of agency has not been tackled adequately in much of the reform literature, including some of the literature that examines state-business relations as an explanatory variable. What has been lacking is a conceptualization of agency, or actors, that helps us explain the contradictory outcomes of reform processes and the messy split between overdetermined categories of winners and losers.<sup>42</sup> The fact that winners sometimes cut across traditional class, sectoral, and/or ethnic categories compels us, at least in the Syrian case, to reexamine what we take to be the unit of analysis vis-à-vis the actors involved. The move from rigid categories like incumbents, bourgeoisie, and bureaucrats to distributive coalitions in the mid- and late 1990s in Latin America is a positive step in that direction.<sup>43</sup> However, more needs to be done to hone our conception of such coalitions and whether they are indeed “coalitions” rather than more loosely related, cross-cutting economic networks.

### **Economic Networks: Early Analysis**

The question remains as to whether and when state-business collaboration, a seemingly inevitable outcome in the era of globalization, will degenerate into unproductive collusion or, alternatively, the kind of rent-seeking arrangements that are detrimental to economic productivity and efficiency. Despite the partial neoliberal influence on the early literature on economic networks, the focus on this topic and dynamics therein is a significant step toward a more empirically accurate conceptualization of state-business relations. This literature suggests that types of economic networks are correlated with particular performance outcomes. Those state-business networks that enjoy higher levels of trust, transparency, information exchange, credibility, and reciprocity promote a positive case of collective collaboration and outcomes. Conversely, state-business networks that lack trust between capitalists and bureaucrats de-

generate into collusive networks that undercut the possibility of collectively productive outcomes by promoting particularist interests.<sup>44</sup>

Most studies in this subfield draw on cases from Latin America and East Asia.<sup>45</sup> Less represented even in political-economic literature on developing countries are late-developing countries (LDCs), such as Syria, which ostensibly represent cases of state-business collusion marked by collectively costly outcomes. What needs to be researched further are the institutional, legal, and social conditions that give rise to, and sustain, collusive relations between “bureaucrats” and “capitalists” in such cases and how, under such conditions, economic networks influence patterns of economic change in unintended ways.

### **Institutional Context**

This book is concerned primarily with reform processes in populist-authoritarian regimes that are typically found among postcolonial late-developing countries. Notably, the institutional context of populist-authoritarian rule, with its attendant coalitional arrangements, presented another caveat for research on economic reform as well as on state-business relations in such reforming economies. To be sure, systemic constraints forced “populist” elites to launch reform processes that were invariably informed by the growing neoliberal hegemony. Certainly “modernization and its contemporary incarnation as neoliberalism, has enjoyed long-standing dominance on account of the power of its institutional advocates and the discrediting of interventionist strategies.”<sup>46</sup> Therefore, reformers had to reconcile the neoliberal content of reforms with populist—and often socialist—political economies or find a way to camouflage it.<sup>47</sup> With some exceptions, the literature did not sufficiently specify the linkages between the political logic of populist-authoritarian elites and the dynamics of the reform process. This study addresses such linkages at various levels, with a focus on the relationship between state-business collaboration and the institutional context during different periods.

### **Trust and Institutions**

Lucas theorizes that in developing nations “[business] associations will use their leverage to challenge specific ineffective or exploitative policies.”<sup>48</sup> Business associations are able to accomplish these kinds of feats because they are unified and transparent. However, because Syria’s regime is highly suspicious of the traditional bourgeoisie, or a strong private sector in general, what might have been a powerful coalition of business actors/interests has disseminated into many smaller independent groups with little political power. The lack of

trust that often characterizes the relationship between the regime and the business community in most postcolonial societies has manifested itself not only in the type of informal state-business networks that arose but also in the institutions and associations that emerged.<sup>49</sup>

The dominant literature on institutions and trust addresses the effects of institutions on trust among actors that must operate within those institutions in a strategic context.<sup>50</sup> This book addresses the question of how mistrust among actors that find it in their interest to cooperate impacts the kinds of institutions that they develop, and how, in turn, intra-network dynamics affects both trust and institutional change. In other words, mistrust between the regime and the business community as a whole is itself largely responsible for producing a particular kind of exclusionary institution that ends up exacerbating mistrust. Deepening or prolonging mistrust, however, does not occur automatically. The unintended consequence of internal network dynamics is crucial in understanding why mistrust does not subside, as this research indicates. Furthermore, exclusionary elite recruitment and promotion patterns at the macro level also speak volumes regarding the lack of trust that continues to plague the Syrian polity today.

The contribution of new institutionalist and network literature is most useful. This book adopts these approaches to grasp how a crucial part of informal state-society relations that develops alongside the formal institutional structure ends up subverting both the structure itself as well as the initial intentions of the state elite who promoted such relations. This occurs primarily, but not exclusively, through the impact of informal state-business networks on economic and fiscal policy reform and, more generally, on patterns of political-economic development. To explain how such relationships evolve and unfold, I focus on the impact of state-business networks on the course of economic liberalization in Syria in the years 1986–2005.

## **NETWORK ANALYSIS: A COMPLEMENTARY APPROACH**

### **Networks and Institutions**

To examine state-business relations by focusing exclusively on official organizations and relations in any context is to assume that formal institution building is the actors' preference for maximizing their interests. Often, the "institutions" one is looking for—either those that represent business or those that link the state with business—do not exist. More importantly, to assume that such institutions serve the functions for which they are created, irrespective of the

contexts in which they are lodged, is to look for answers in the wrong place. This is not a dismissal of institutions, and neither is it a call for “Middle East exceptionalism.” It is simply an affirmation of the need to prioritize how power works, whether or not through formal institutions. Analysts often try to squeeze interests and worldviews into formal “representative” institutions (for example, parliaments and associations) or institutions that are marked by corporatist interests (for example, the state). Even in the presence of well-functioning formal institutions, there is a residue of preferences and, potentially, behavior that is not accounted for through reference to formal institutional characteristics. And when such institutions are in short supply, irrespective of the reasons, it would be folly to insist on prioritizing them as objects of study for inferring preferences and understanding behavior. Network analysis helps us capture the fuller scale of such preferences, including the residue that accounts for behavior not always squarely attributable to formal institutional interests and factors. Capturing the interplay between formal institutional and network analysis is one challenge that is taken up in this book.

The concept of economic networks<sup>51</sup> is at the center of this research. I define *economic network* as an informal institutional agency with limited autonomy. The relationship between networks and the larger social and institutional context is considered recursive or dialectical, where networks are both formed and reformed by the context in which they are embedded and, as with other forms of agency, they in turn impact their environment (in this case, economic and developmental processes). Network analysis is not a panacea, however. In the Syrian case economic networks help us explain the exacerbation of economic decline and its developmental correlates, but they do not as an agency cause the decline single-handedly. Other factors are at play, including the regime’s broader political logic, which subordinates economic rationality. The historical legacy that has shaped both the regime’s political logic and its interaction with the business community is addressed in Chapter 2.

### **Networks and Class**

The analytical utility of networks resides in the argument that networks cut across classes, identities, and various corporate interests, bringing together strange bedfellows who might be united by particular short- or long-term goals. It is a concept that allows us to rethink forms of political and social agency and identify the potential for explanatory analysis in the types of *relations between* individuals, not just in the class, cultural, or positional attributes of individu-

als. Instead of having a rigid conception of class or community as our starting point and “[i]nstead of analyzing individual behaviors, attitudes, and beliefs, social network analysis focuses its attention on social entities or actors *in interaction with one another* and on how those interactions constitute a framework or structure that can be studied and analyzed in its own right.”<sup>52</sup>

Though this study emphasizes network analysis as a dominant explanatory variable, it is not mutually exclusive with other approaches, including class. In fact, network analysis can complement them. According to Knoke and Yang, “[a]lthough attributes and relations are conceptually distinct approaches to investigating social behavior, they should not be viewed as mutually exclusive options. Instead, many actor attributes can be reconceptualized as relations among dyads,”<sup>53</sup> or a pair of actors. In this book, the tension is resolved by recognizing the distinction between objective attributes (for example, one’s class position) and the relational frameworks that mediate them. Network analysis constitutes a relational framework that both structures interaction between individuals and influences subsequent economic behavior. As Granovetter and Swedberg assert, “[e]conomic action is socially situated and cannot be explained by reference to individual motives alone. It is embedded in ongoing networks of personal relationships rather than being carried out by atomized actors.”<sup>54</sup>

Class refers to a social-structural stratification to which individuals objectively belong and to which observers may actually ascribe objective interests that may or may not be pursued. However, examining the actual recurring relations between individuals in particular contexts is to elucidate how the interaction itself mediates a variety of positional and structural interests in practice. In other words, network analysis tells us *how* interests—all kinds of interests—were mediated. The *why* is inferred by examining the framework of interaction that characterizes different types of networks.

Thus, even if networks are embedded in a social structure with antagonistic class or communal categories, the framework of interaction among individuals constitutes an independent effect on behavior. Broader strategic or class and communal concerns may initially be the *raison d’être* of the emergence of particular types of networks, but the dynamics and interactions within the networks acquire some autonomy in time, and thus merit our attention as objects of study. This is why this book emphasizes state-business networks: neither state nor class interests alone sufficiently explain economic and developmental outcomes. Network relations based in constant and continuing interaction

between individuals breed their own rationality, which is embedded in the dynamics of a given network. A network, in this sense, can be understood as

a regular set of contacts of similar social connections among individuals or groups. An action by a member of a network is *embedded*, because it is expressed in interaction with other people. The network approach helps avoid not only the conceptual trap of atomized actors but also theories that point to technology, the structure of ownership, or culture as the exclusive explanation of economic events.<sup>55</sup>

### **Networks and Trust**

In an important study by Lomnitz and Sheinbaum titled “Trust, Social Networks and the Informal Economy,”<sup>56</sup> the authors discussed a case of trust within social networks made up of individuals whose interests were harmed by post-communist transitions. We can think of these networks as positive instances where trust was a bottom-up conduit for coping, one that produced informal networks of social cooperation and even solidarity. In the Syrian case, we have a different model: the legacy of mistrust between the political and economic elite led the regime to encourage the formation of top-down informal economic networks, combining state officials and private business actors. The purpose in this case was to preserve the regime’s economic security by safely bringing business back into the political economic equation. In the former case, the conduit was trust; in the latter, it was mistrust.

Lomnitz and Sheinbaum defined trust as “the real or effective psychosocial distance between individuals. It is associated with social closeness in the sense of sharing the same categories of expected rights and duties, plus shared values and interests.”<sup>57</sup> The absence of these attributes characterizes the legacy of social antagonism and mistrust in Syria between the rural-minoritarian holders of state power and the historically dominant urban-Sunni business community. Here trust is not understood in a broad cultural sense, as used by Francis Fukuyama or, to a lesser extent, by Robert Putnam, both of whom use trust as a ubiquitous cultural variable that exists to various degrees *in society*.<sup>58</sup> Rather, this research uses trust in the more restrictive sociopolitical or strategic sense; that is, trust *between* social forces or groups, which may be present or absent as a result of historical interaction. The crux of the difference between the cultural and the sociopolitical understandings is simple. The cultural sense of the word refers to the trustworthiness of *all* individuals within a particular context. In the sociopolitical sense, trust refers to the trustworthiness of a particular group

of people vis-à-vis another particular group of people; for instance, between black and white people, or between Sunnis and 'Alawis. In this latter sense, historical factors come into play to create or further a divide, an antagonism, between two (or more) groups or social forces.

Though this mistrust was a principal factor in determining courses of action for the Syrian regime, it was not reflected fully in the interaction between individuals within the emerging economic networks, precisely because of the independent dynamics that developed within. By the same token, mistrust was not completely absent within the networks, nor was it simply confined to communal sentiments. It was also political in nature and figured in other cases like Egypt, even in the absence of a sociocommunal divide between the political and economic elite there. The broader sociocommunal and sociopolitical mistrust in Syria permeated not the form of relations within the networks but the content of deals and ventures made. In short, it manifested itself in shortening the time horizons of investors within the networks, revealing a cautionary business behavior and affirming the dialectical relationship between networks and the broader social and institutional context. In any case, the independent effect of networks was evident in the nature and direction of economic change, which was marked by a distinct emphasis on short-term, nonproductive investments.

As the Syrian, Egyptian, and other late-developing countries illustrate, we often find unlikely partners with putatively opposing interests working within the very same networks, side by side.<sup>59</sup> To this end, Heydemann asserts that

Networks disrupt, undermine, and cut across the categories that appear regularly in the research literature as the principal agents of reform. Networks permit the formation of unexpected coalitions of actors. They promote patterns of bargaining and interaction that appear counterintuitive based on a less flexible reading of the categories that actors are presumed to occupy. Networks, in other words, contribute to environments in which policy reforms take shape as regulatory hybrids, compromise formulas, half-measures, and unwieldy amalgams of seemingly conflicting interests.<sup>60</sup>

This disrupting effect of network analysis is not always easy to discern. The manner in which networks affect the policy environment depends on the particulars of a given case. The fact that networks can serve as both constraint and opportunity for actors is the source of their utility at the analytical level and the difficulty in tracing processes of cause and effect. This volume has benefited from exceptional access that illuminated how network relations

pose as both an opportunity to cooperate and serve mutual interests (of the political and economic elite), and a constraint in the sort of cooperation that takes place between actors in a context of deep historical mistrust.

### **PLAN OF THE BOOK**

The causal narrative discussed at the outset of this chapter informs the basic structure of this book. Chapter 1 is an introduction to the intertwined topics of state, business, and reform. I introduce three important variables that have shaped the context of Syria's political economy: (1) state-business mistrust, (2) the importance of external rent, and (3) the absence of checks on the power of the Syrian regime, a negative variable that is conspicuous by its absence. I situate the explanatory concern within a two-step framework: first, I treat state-business relations as an outcome to be explained, and then as an intervening variable that gives rise to particular economic and developmental outcomes. Chapter 2 grounds the book historically by addressing the roots of state-business mistrust. It is concerned primarily with the coincidence of populist consolidation and attendant social struggles, notably that between the increasingly rural-minoritarian regime and the Sunni-dominated urban business community. The Hafiz al-Asad regime of 1970, its institutional trade-offs and attempts at establishing a cross-class coalition, is more than colored by the preceding legacy of mistrust. Chapter 3 addresses the ensuing state-private sector relations, primarily for the purpose of distinguishing between the corporate interests of a private sector "proper" and the interests of the new economic elite who dominate the economic networks. The institutional context within which the private sector operates is presented as an arena that reflects the interest of privileged networks.

The pivotal climax of this book's argument is presented in Chapter 4, which examines the emergence of state-business networks by tracing the economic windfalls and opportunities that gave rise to the new economic elite between 1973 and the early 1990s. Each period of state-business interaction was characterized by a particular weaving of economic ties between state officials and individuals in the private sector. The entry of "bureaucrats" into the business world in the second stage, and their offspring in the third, changed the face of Syria's business community and anchored economic networks firmly at the center of Syria's political economy. The characteristics and internal dynamics of these networks as well as their interaction with, and impact on, the institutional context are examined and analyzed. Chapter 5 traces the impact of

economic networks on Syria's pattern of economic change since 1986, with particular emphasis on the distinction between official and unofficial liberalization measures. Finally, I examine the developmental consequences of Syria's homegrown liberalization policies, with emphasis on how the nonproductive economic activities of rent-seeking "entrepreneurs" have gravely influenced the economy, the state's administrative capacity, and most importantly, the labor market. In Chapter 6, I trace the impact of economic networks on fiscal change, a case study delineating the influence of privileged economic networks. Once more, the distinction between official fiscal measures and actual fiscal realities is highlighted to demonstrate the ability of well-connected businesspeople to sidestep laws and regulations and enjoy tax exemptions and holidays that far exceed the state's total revenue from taxation. I identify the policy mechanisms and the institutional sites through which a bottom-up redistribution of wealth took place through 2005. In Chapter 7, I conclude the book with a discussion of its empirical and conceptual findings and contributions, and their relevance to similar cases. I close with an analysis of potential breaking points in reference to regimes such as Syria's, where the dispersion of resources and capital accumulation proceed beyond the regime's ability to contain all the consequences.

## **TERMINOLOGY, ANONYMITY, AND DATA**

### **Terminology**

A note on the terms *regime*, *economic elite*, and *reform/liberalization* is in order. Regime is usually defined as the rules that govern the relationship between the ruler and the ruled; state is usually defined as the legal authority over a population in a given territory, and comprises a set of institutions and the personnel that run them. *Regime* and *state* have been largely collapsed into one another in Syria, and can be used interchangeably, because of the absence of separation of powers and the weakness, if not absence, of an independent judiciary. In this book, the word *regime* refers to the broader, fixed rules set by those in power at three levels: top regime leadership (which usually includes the president and his closest aides and family members); top security apparatuses chiefs (including heads of the Republican Guard); and top army chiefs and the most-senior party officials sitting on the Ba'th Regional Command Council. That does not mean that statesmanship is not exercised in certain arenas and junctures, especially in foreign policy. Even domestically, in times of crisis, the regime leaders may snap back into their statesman roles and make difficult decisions that address systemic imbalances. Also important is the category of paraofficials, that

is, close relatives of regime officials, who are recognized in Syria as part of the regime, unless there has been a fundamental break with it, as is the case with Rif'at al-Asad, the late president's brother.

Because of the massive influx of state officials into private business, a further clarification of terms is necessary. In discussing economic actors, I will use the following breakdown: the *new economic elite* refers to all those who, after 1970, possess considerable economic assets, whether they are state officials or private businesspeople. The word *new* here is intended to distinguish new wealth from the old wealth associated with the now-nostalgic category of "old bourgeoisie" in Syria. The *state's economic elite* or *the regime's economic elite* refers to those segments that have an official or paraofficial (close relative) position within the state, government, or ruling party. In the literature on Syria, this segment is sometimes referred to as the "state bourgeoisie." The *private economic elite* or *business elite* refers to the new business elite who are not formally connected with the state. In the literature on Syria, this segment is sometimes referred to as "crony capitalists" or the "new rentier bourgeoisie."

The terms *reform* and *liberalization* are often used interchangeably in the literature, though the term *economic liberalization* describes more accurately Syria's experience until 2005. *Reform* often carries meanings and referents that are more open-ended and that might not obtain in Syria. *Liberalization*, as it will be used in this book, refers more specifically to degrees of retreat by the state from the economic sphere, a movement that might or might not result in what is called structural reforms. Another layer that complicates matters is the meaning and usages of these words in Arabic. *Reform (islaah)*, as opposed to "to form anew," literally means "to fix" or "to make better," which implies that something was initially wrong, thus causing the creation of a "politically correct" vocabulary in the dominant discourse in Syria, at least throughout the 1990s. "Modernizing the economy" has become the preferred usage after 2000. Nevertheless, "reform" and "liberalization" will be used in this book depending on context.

### **Anonymity**

The research in this study is based on numerous field interviews conducted over the past fourteen years, predominantly in Syria. All interviews were conducted by the author, and a considerable number were conducted on the condition of full anonymity, which is understandable considering the subject matter at hand. Some were conducted on the condition of selective anonym-

ity, in which statements could be disclosed without attribution. Whereas it is preferable to disclose specific names at times, I have honored my assurance to protect the anonymity of these individuals, considering their relationships and the contexts in which they find themselves. And though such anonymity raises the level of abstraction in some sections of the book, and admittedly in regard to the networks themselves, it is precisely in those contexts where these individuals wish to remain anonymous. This disclaimer does not preclude disclosure of certain claims and statements by individuals who were generous and perhaps courageous enough to speak out without regard to their own safety. Some of these individuals, who do not happen to be part of the economic networks discussed in this book, have lingered in prison for years and have been released only recently, these including Professor ‘Arif Dalila and industrialist Riad Saif.

### **Data in Syria: Beyond Numbers and Statements**

This research is based on public and private accounts and statistics obtained from the Central Bureau of Statistics in Damascus and from private studies and interviews over a period of nearly two years—including ten months of continuous field research in various Syrian cities in 1998–99.<sup>61</sup> I engaged in some events as participant-observer after having established some connections. Data are primarily drawn from interviews, the national press, official records and statistics released by the various ministries and the Damascus-based Central Bureau of Statistics, university dissertations in the Faculty of Economics, and various public lectures held throughout Syria (primarily Damascus and Aleppo). The data required unpacking, decoding, and sometimes discarding. Although I arrived in Syria at a time when public discourse on economic issues became more pervasive and more open,<sup>62</sup> the tightly controlled political environment meant relying heavily on indirect inference and cross-referencing in order to verify various parts of the data. The data accumulated were of a substantive quality and highly consequential in allowing me to draw conclusions based on inductive methods.

Those who have conducted field research in Syria have been sufficiently prudent not to take data (from statistics, interviews, and speeches) at face value. This caution has led to treating such data with extreme “care,” and using them as an indicator that reflects “trends” rather than “realities.”<sup>63</sup> I shall discuss the reliability of numerical and nonnumerical data and the difficulties in obtaining expressive and sincere information.

Careful researchers would take into consideration that the methods themselves of obtaining the available official statistics lack accuracy and rigor: the Central Bureau of Statistics itself does not have the “real” information. Added to that is the government’s control of the bureau, which translates into various attempts at skewing, distorting, and eliminating obtained information (let alone not attempting to obtain certain potentially controversial data in the first place). Official statistics are therefore both obtained and presented by the bureau in a highly politicized manner.

On the other hand, most numbers given by members of the private sector are inaccurate as well. This is, of course, for fear of revealing wealth that is subject to taxes, or to avoid empowering employees who must be provided for or supported in one way or another. Added to that are the numerous and contradictory laws and regulations that reward or punish on the basis of proclaimed data from the private sector. Private statistics are therefore presented in a highly politicized manner as well. There is no antidote-formula, and there is no substitution for cross-referencing when dealing with data of sorts in similar contexts.