was overtly being groomed as if to carry on an Asadian dynasty. Yet Syria is a republic, and Bashar has no party or military seniority or popular stature in his own right which would entitle him to the presidency. As such, his father must attempt to create an alternative power base for him by purging his potential rivals and giving him experience at the top. He has been appointed commander of the Presidential guard, has presided over an anti-corruption campaign and assumed authority over Syria's relations with Lebanon. He was depicted as a new broom, overtly appealing to the youth of Syria's educated middle class. However, while the Alawi barons may rally around him to preempt Rifat al-Asad's enduring ambitions, Bashar may end up a front man for a junta; this could be no more than a temporary solution.

The prospects for a peaceful succession without sectarian strife and Lebanonization have been advanced by the Sunni-Alawi alliances and the modus vivendi between state and bourgeoisie which incremental liberalisation has fostered. To the extent the regime elite constitutes, together with the private sector, a new class with a stake in the state, it could perhaps preserve stability in a succession crisis. But the sectarian cleavage and a lack of political confidence on the part of the bourgeoisie means that the regime-bourgeoisie alliance remains unconsolidated.

Nevertheless, a deepening of political liberalisation could actually widen the forces with a stake in the stability of the state and, indeed, succession may, itself, provide the conditions for such a deepening, namely competition between rival elites for the support of civil society. There are already signs of this: thus, the two main apparent rivals for succession, Bashar and Rifat al-Asad have both tried to project a liberal image. The winner may need (like Egypt's Sadat) to strike alliances beyond the regime (Alawi-army-party) core, notably with the business class, and will wish to stimulate the economic growth needed to consolidate his position: this may well require concessions of further autonomy to the bourgeoisie and to civil society. Such a scenario could propel the regime either toward a limited political liberalisation for the bourgeoisie (as in post-Nasserist Egypt) or alternatively toward a broader more inclusive democratisation. But nobody can guess whether Syria's fragile institutional framework could accommodate such expanded participation without a descent into praetorianism.

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Chapter 6

THE POLITICAL ECONOMY OF DEVELOPMENT

This chapter examines the regime's policies, their explanations and their consequences by looking at rural reform, industrialisation, and economic liberalisation.

I. RURAL REFORM AND DEVELOPMENT UNDER THE BA'TH

A. Agrarian policy

The Ba'th's policy of rural development was driven by several conflicting imperatives. The party came to power committed to an agrarian reform which would create a "socialist" agricultural sector based on state-led development, state farms and peasant co-operatives. Its ability to deliver a more equitable and productive agrarian sector was a key to its legitimacy among its putative rural constituency. However, a major practical challenge was posed by land re-distribution to peasants which, in alienating landlords and investors who had hitherto been the source of production requisites and investment, left a gap which the state had to fill if production was to be sustained. When Asad came to power, however, he inherited an agrarian sector in stagnation: unfinished cooperatization meant the state was failing to fill the gap. He therefore sought to placate landlords and investors and revive the private agricultural sector. Not only were landlords encouraged to invest on their reduced post-land reform holdings, but the vast state lands in the scarcely populated Jazirah, on which the state lacked the resources to either resettle peasants or create state farms, were now rented out to agrarian entrepreneurs. Thus, the bourgeoisie, formerly regarded as a bankrupt hostile class, was being made a partner in agrarian development. The state, in the meantime, would concentrate on organising the small peasant sector and reserve its investment for the newly reclaimed and irrigated lands in major hydraulic projects such as the Ghab and the Euphrates Basin. Agriculture would, thus, have dual private and "socialist" sectors (ABSP 1965; 1972b).

However, the exact boundaries between them became a matter of debate among policy makers in the seventies. Party apparatchiki and East bloc educated technocrats wanted to consolidate and expand the socialist (state-co-operative) sector at the expense of the market while Western educated technocrats resisted, advocating selective liberalisation. For several reasons, the statists recovered the initiative in the seventies. Consolidation of small holdings through cooperatization was essential to prevent their absorption by a resurgent bourgeoisie and a consequent loss of the regime's political base to a still powerful and rival social force. Public sector import substitute industrialisation required state control over agricultural raw materials such as cotton while the state's provision of basic foodstuffs to its urban constituency required state marketing of grains. Party officials, impressed by the supposed aim of Western states to use a "food weapon" to counter the Arab oil weapon, sought the control over planting decisions that would give food self-sufficiency.

In addition, party apparatchiki and ministerial bureaucrats were acquiring a stake in the expanding new agrarian bureaucracy. The institutionalisation of ideology in the party was unmistakable in the constancy with which it pushed socialist-like solutions in agriculture, particularly cooperatization, and in its abiding distrust for private sector "feudalists" and merchants. As recently as the 1985 Eighth Regional Congress, the Regional Command's Peasant Office pushed to have production co-operatives set up on newly irrigated land in the Euphrates valley, continued to promote the expansion of state marketing into new fields such as fruits and vegetables, and proposed fixing the prices of machine services and transport in agriculture instead of leaving them to the free market (Hinnebusch 1989: 41–2; Munathama 1975; ABSP 1975: 37–50).

The etatist drive generated resistance. Peasants sometimes evaded the state crop rotation plan. States farms were failing and could not be used to replace private investors on the dry lands in the Jezirah. In the Euphrates Basin, the state was pouring enormous investments into hydraulic projects where returns were slow and meagre. By the eighties, resource constraints were empowering liberals who wanted to subordinate ideology to economic practicality. They won a watershed victory when state-private joint ventures were approved in agriculture which, in effect, meant turning state lands over to investors on a permanent basis. Given the division among state elites, the agrarian bourgeoisie and the peasants could use the regime's need for investment and cooperation to blunt further bureaucratic intervention made in the name of agrarian socialism (Hinnebusch 1989: 42–48; Musallim 1983: 104–05).

No decisive choice between state and private strategies was ever made: rather, a mix of state, co-operative and private tenure forms

crystallised. Agrarian policy expressed a pragmatic "muddling through," zigzagging under the competitive influence of statists and liberalizers, peasant and bourgeoisie. Yet, in defending a co-operative and state agricultural sector, the regime continued to block the bourgeoisie from reasserting control over the bulk of the agrarian surplus which in part is retained by the peasantry, in part extracted by the state itself.

B. Bureaucracy and agrarian development

The agricultural development strategy of the regime was at heart bureaucratic. It would be supervised by technocrats and co-ordinated through planning from above; if there was a problem or a need, a new ministry or "general organisation" was created to deal with it.

State planning was to translate the party's goals into concrete policies and programs. The Higher Planning Council, an inter-ministerial body headed by the Prime Minister, was backed by technocrats in the State Planning Commission who drew up a state investment plan, identifying projects and allocating budgets. It attempted, often unsuccessfully, to co-ordinate the proposals of the various arms of the bureaucracy, each of which sought to expand its jurisdictions and programs. In practice, projects were sometimes added to the plan by a powerful minister or party politician without benefit of any feasibility study – especially in the mid-seventies when the rival arms of the state apparatus were scrambling to claim a chunk of the Arab oil wealth pouring in; for example, a paper pulp factory in Deir ez-Zor imposed by the Ministry of Industry against the opposition of the Planning Minister became an expensive white elephant. And the party apparatus promoted ideologically inspired but costly projects, such as the Euphrates Basin land reclamation project, showpiece of Ba'thist agrarian socialism (Hinnebusch 1989: 48–60; Arudki 1972: 171–78: Keilany 1970).

Although the investment plan was legally binding in theory, in practice, ministries regularly fell well short of their targets partly because of unrealistic goals, partly due to technical problems such as the gypsum encountered in the Euphrates basin; or owing to shortfalls in Arab financial assistance caused by political conflicts; or because of bureaucratic malco-ordination or contractor mismanagement. In the absence of sufficient data and expert analysis, follow-up sessions of the Higher Planning Council typically failed to pinpoint responsibility for failures and degenerated into efforts by officials to defend their ministries (Hinnebusch 1989: 53–56).

Planners also produced an agricultural production plan which set targets for key crops, crop rotations tailored to various regions, and the levels of inputs and credit needed to reach these targets. The plan was enforced through price policy (raising or lowering of state purchasing prices for crops), linkage of state credit to crop delivery and by licensing of farmers. To cultivators, the production plan was often an unwelcome constraint which put the "needs" of the country as projected by planners over their wishes and which they sometimes sought to evade (Hinnebusch 1989: 51–3).

Responsibility for implementation of the production plan was fragmented. While the Ministry of Agriculture and Agrarian Reform (MAAR) was in charge of agricultural production, the Agricultural Bank, and crop export agencies such as the cotton marketing agency, were subordinated to the Ministry of Economy and Foreign Trade, while the Ministry of Internal Trade regulated market prices for agricultural goods and the Ministry of Industry controlled the food, textile, and sugar firms which bought and processed crops and the industries which produced farming inputs such as fertilisers.

Co-ordination was supposed to be achieved through the Higher Agricultural Council (HAC), a body chaired by the Prime Minister and including the heads of these agencies. Often however, "each ministry acts as if it were an independent interest in conflict with the others," frustrating co-ordination of the several functions which had to be done simultaneously "since delay in the performance of one leads to a chain of bottlenecks in the performance of others" (Hilan 1973: 113).

The Ministry of Agriculture and Agrarian Reform, central to day to day implementation of agricultural policy among farmers, suffered from endemic weaknesses, beginning with leadership. Ministers were often either politicos lacking qualifications or had overly short tenures; as such, the Ministry was led by a handful of permanent deputy ministers having either political clout or agronomic expertise. The Ministry was run with far too little delegation of power, overburdening the minister and his deputies, to whom 29 department heads reported: decision-making was therefore sluggish and initiative by subordinates discouraged.

Mission performance was also enervated by corruption, a submerged struggle between rival clientalist coalitions of high officials and supplier agents over control of the contracts and the commissions at stake in it. When commissions dictated the choice of projects, cost-benefit rationality was sacrificed. Licenses to export livestock to the lucrative

markets in the Gulf or to import agricultural machinery and the right to rent extensive state lands at low prices were prized plums which agricultural authorities could distribute to clients.

Low salaries, especially in senior positions, encouraged corruption, a brain drain, and an obsession with bonuses and allowances which depended on individual connections. Inflation, in reducing the real salaries of senior ministry officials by 64% from 1974 to 1979 and further in the mid-eighties, was the major threat to the integrity of the public service. The irony is that the government's deficit financing contributed to the inflation which debilitated its own capabilities.

Reflective of its ambitious mission, the ministry had a complex division of labour. Its multiple departments included budgeting, accounting, contracts, personnel matters, planning & statistics, agricultural input delivery, plant protection, research, quality control, marketing, agricultural extension, agricultural secondary schools, animal husbandry, range management, and agricultural machinery. At the governorate (*muhafazat*) level, an agricultural director (*mudir zira'i*) on the staff of the governor co-ordinated field offices corresponding to certain of these central departments. His staff agronomists were supposed to be specialists consulted by agronomists working in the field; but there was too little communication between agronomists at various levels. Too many were mere "protectors of the rules" rather than expediters of task performance and technical experts devoted much of their time to enforcing regulations. There was insufficient housing and transport to keep local-level agronomists mobile and in the field. There was also a severe scarcity of technically competent personnel: the university agronomy faculty did not attract the very brightest students, faculties and facilities were inadequate, and training provided little practical experience; farmers often discovered they knew more than the recent agronomy graduates sent to instruct them (Hinnebusch 1989: 76–86: Arudki 1972: 234–36; Musallim 1983: 145–49). Thus, the efficiency of the state apparatus failed to keep pace with its functional and structural expansion. Remarkably, it nevertheless achieved, although at significant cost and after substantial delay, many of its major objectives.

C. *Agrarian policy in action*

1. **Land Reform:** The centrepiece of the Ba'th's agrarian project was land reform which it took two decades to complete but otherwise carried out with reasonable success. First begun under the UAR, albeit

under a Ba'thist Ministry of Land Reform and briefly reversed under the separatist regime, it was sharply accelerated under the radical Ba'th. Land re-distribution was largely finished by 1970 although co-operatization would not be fully completed until the end of the seventies. The reform radically transformed agrarian structure: it much reduced the great estates, checked the forced proletarianization of the peasantry which had threatened village life, and broadened and consolidated the small holding sector. The outcome was a mixed small peasant and medium capitalist agrarian structure.

Table 3 gives a very rough indication of the impact of the land reform on land distribution. But data taking account of differences between irrigated and non-irrigated holdings allows a more precise adumbration of agrarian stratification at the completion of the reform (Hinnebusch 1989: 112–116).

1. At the top, were the big landlords and entrepreneur-renters, about 1% of holders, who still controlled a fifth of the land. However, the land reform accelerated their transformation from pre-capitalist "feudalists" into agrarian capitalists. To maintain their incomes on reduced holdings, formerly absentee landlords started to invest in advanced technology, such as sprinkler irrigation, improved seeds and mechanised harvesters. Thus, the reform resulted in the replacement of large but extensively cultivated estates with smaller but more intensely cultivated capitalist farms.

2. Below the larger landlords was a thin stratum of "rich peasants" and, around the large cities, urban investors making up barely 3% of holders, which controlled more than 10% of the surface. They might be manager-cultivators hiring labour, or might rent or let their land out to a sharecropper. While big landlords, rich peasants, and urban investors together made up only about 4% of holders, they controlled almost a third of the land and 37% of all agricultural machinery in 1970.

3. Below them was a relatively secure, prosperous and entrepreneurial middle peasant stratum amounting to over a third of all owners and

TABLE 3 PRE- AND POST-REFORM AGRARIAN STRUCTURE

	Pre-Reform		Post-Reform	
	% Pop.	% Owned land surface	% Pop.	% Owned land surface
Large (100+)	1.0	50.0	0.5	17.7
Medium (10–100)	9.0	37.0	15.3	58.7
Small (-10)	30.0	13.0	48.0	23.6
Landless	60.0	0.0	36.1	0.0

Sources: Hinnebusch 1989

commanding a half of the land surface. These self-sufficient middle peasants (owning 2–10 hectares (ha.) irrigated or 10–50 ha. dry land and not employing the labour of others except seasonally) could avoid off-farm work and had the resources for land improvement.

4. Next down, were small peasants, representing nearly 62% of owners but controlling only 18.2% of the agricultural surface. The better off upper half of this stratum (peasant owners of over 1 ha. irrigated, 3 ha. rainfed land), had a strong personal attachment to the land, some independence and lived a decent peasant life. They were, however, unlikely to be very prosperous, individually they lacked the resources to much increase production and, under-employed, they or their sons might leave the land at least temporarily to accumulate some petty capital. The poorer half of the small peasants (owners with less than 1 irrigated or 3 rainfed hectares) were compelled to seek supplementary off-farm income.

5. At the bottom of the stratification system were the "landless:" tenants, sharecroppers and wage workers. Most renters and share-croppers received about half of the income that a landowning family would receive on an equivalent size farm, so the average tenant probably ranked with the poorest stratum of the peasantry. They also often lacked the resources and motivation to improve their holdings. Finally, the low income and insecurity of agricultural wage workers put them at the very bottom of the agrarian structure, earning a third to a half of the income of small holders in the seventies.

In eschewing a more thorough equalisation of land holdings and permitting the preservation of medium-sized estates, the regime failed to make enough land available to wipe out landlessness and consolidate a secure small peasantry. The stark fact was that, even after land reform, if landless agricultural workers, tenants, sharecroppers, and peasant holders with so little land that they could not support themselves on it without supplementary work are added together, these poor peasants made up about half of Syria's peasantry in 1970. Poverty remained a fact of life in the post-reform Syrian village (Hinnebusch 1989: 116).

But agrarian reform did consolidate, between the richest and poorest peasants, a stratum made up of middle peasants and the viable half of the small holders, who together constituted about two-thirds of land holders and about two-fifths of the agrarian population. This stratum's control of around 60% of the land arguably made it the strongest social force in rural Syria, replacing the once dominant landed magnates. These, as well as poorer peasants were, moreover, incorporated into state supported co-operatives. By 1981, over two-thirds of the agriculturally-dependent rural population or between seventy and eighty percent of all eligible holders (those owning no more than 8 ha. irrigated and 30 ha. non-irrigated land, plus sharecroppers and renters) and by 1983 about 85% of all peasant families (including wage labourers) were at least nominally in co-operatives (Hinnebusch 1989: 177). This was of no little consequence for the political economy of the regime: as against claims that the Ba'th merely represented the rich peasantry, this data suggests it consolidated a political base among Syria's substantial mainstream middle peasantry.

2. **Co-operatives:** It was the co-operatives and the agrarian bureaucracy linking them to the state which made land reform viable. Co-operatives provided the framework by which the state delivered production loans and agricultural inputs (seeds, fertilisers), services (mechanised plowing and harvesting, crop protection) and innovation to small holders, while also imposing the agricultural plan and the facilitating the compulsory sale of strategic crops to the state. This system gradually replaced the landlords and money lenders who had formerly lived off "empires" of peasant debtors or used foreclosure on debt to acquire ownership of small holdings. In delivering services and blocking such land reconcentration, the co-operatives stabilised the small holding sector. By facilitating state marketing of crops, they excluded landlords and merchants from mechanisms of surplus extraction and capital accumulation, but, by contrast to many other similar regimes, state marketing in Syria was not generally used by the regime to extract a surplus from peasants and indeed provided them with stable support prices.

While the co-operatives made the small sector reasonably productive, they failed to realise the ideals of socialist agriculture: to organise the collective investment and common production processes thought needed by the regime to overcome land fragmentation. Peasants lacked enough confidence in the co-operatives to cede individual management of their land, partly because family rivalries destroyed trust, partly because of the government's use of the co-operatives as instruments of control: for enforcing crop rotations and for imposing collective responsibility for credit repayment. As such, the co-operatives provided no "socialist" alternative to capitalist mechanisms of accumulation and investment. However, they did encourage entrepreneurship among middle peasants and were arguably generators of a petty peasant capitalism. They were, moreover, supplemented by an array of supportive bureaucratic

organisations created to carry out specialised policy tasks, including the Ghab and Euphrates Basin administrations, the General Organisations for promoting production of cattle, poultry, and fish, and similar bureaucracies for the delivery of fodder and of seeds and for the spread of agricultural mechanisation. These organisations filled some of the gap left by the entrepreneurial inertia of many co-operatives (Bakhour & Sabbagh 1979; Hinnebusch 1989: 147–63, 171–206; Bianquis 1979; Juma 1972: Metral 1984).

3. **Bureaucratic Performance, Socio-economic Outcomes:** Aside from land reform, the performance of the state agricultural bureaucracy was mixed: it contributed to increased production and productivity but often at considerable cost in waste and inefficiency. The production plan reduced unnecessary fallow, stabilised wheat output by concentrating it in good rainfall areas and diversified the crop mix. The state's planning, credit, and input system advanced the regime's control over production of strategic crops, notably cotton, sugar beets and wheat, essential for export earnings, agro-industry and food security, while also guaranteeing producers stable, if not exactly lucrative markets. But state marketing agencies seemed incapable of effectively organising the delivery of fruits and vegetables to public processing factories. The Ministry of Agriculture initiated a score of useful innovations, from orchardization to seed and animal improvement, advancing agricultural intensification and mechanisation with considerable success, although the dismal performance of the research and extension apparatus prevented the derivation of maximum benefit from this effort (Hinnebusch 1989: 123–170).

Major resources were invested in land reclamation and irrigation although this effort, as well, was plagued by considerable waste and inefficiency. The Ghab irrigation project, long "sick" from incompetent state management, finally transformed an area of desolation and urban dominance into a viable peasant community with a certain prosperity (Metral 1984). The much more ambitious Euphrates project was, in an arid country which has reached the limits of extensive expansion, a natural next step in agricultural development and could reproduce the Ghab outcome. But it has been a costly drain on the state's limited resources and a strain on its modest management capacities. The state's massive investment in irrigation and reclamation did not decisively relieve Syrian agriculture of its crippling dependence on unreliable rainfall, in large part because advances in irrigation were partly cancelled out by increased salinity owing to inadequate drainage. But it consolidated and gradually expanded the irrigated sector (Sainsaulieu 1986; Hinnebusch 1989: 207–252).

Land reform, cooperatization and state intervention in agriculture had several positive social and economic consequences. Land reform, in enhancing the independence and potential for initiative among middle and viable small holders while forcing greater investment by landlords on their reduced holdings, created an agrarian structure more conducive to sustained growth than the old one and at the cost of only temporary declines in production during the implementation process. The co-operatives provided crucial support to land reform beneficiaries and peasants generally. The state's delivery of services, credit, and investments in irrigation and land reclamation probably put more resources into agriculture than it extracted. The public sector also developed sectoral interchanges which stimulated agriculture: industry provided inputs, markets and employment opportunities while the construction sector provided hydraulic public works and the transport infrastructure needed to integrate village and market. Overall, state activity stimulated enough development to permit peasants to diversify their resources and strategies: many, taking advantage of new opportunities for off-farm income and of state credit and inputs acquired the resources to significantly intensify production (Hinnebusch 1989: 294–301; Bakhour 1984; Keilany 1980).

As a result, there was a continuous increase in agricultural production from the mid-seventies through the eighties. Growth in agricultural per capita output despite a decline in the agricultural work force indicated that agriculture was being brought to support a growing non-agricultural population. This growth was not, however, enough to overcome a chronic deficit in the agricultural balance of trade. And, for better or worse, state-dominated agriculture did not become an effective mechanism for extracting a surplus from agriculture to sustain industrialisation. Partly for this reason, growth in agriculture translated into a significant rise in the rural standard of living (Hinnebusch 1989: 253–283; USDA 1980).

D. State and village: the political consequences of agrarian reform

The Ba'th's drive to enhance state capabilities in agriculture generally succeeded. Land reform demolished traditional interests resistant to state penetration and cooperatization institutionalised state linkages to peasants. The effect of this state intervention in the village was to pluralize power there, breaking the former dominance of the landed oligarchy over the peasantry and bridging the urban-rural gap which long kept the village encapsulated and depressed. Of course, the regime's bureaucratic penetration and regulation of agriculture had costs for peasants. There were conflicts of interest between their desire for independence and the bureaucracy's drive for control.

Yet, peasants were not so powerless as before. The village had acquired access to national power it never previously enjoyed. Alliances between agriculture ministry bureaucrats and local party and peasant union leaders pushed for higher producer prices. Clientalism supplemented this corporatist interest articulation when individuals who moved up in the national power structure used their position to help out kin in the village. The potential for official arbitrariness was diluted by the plurality of authorities – party, peasant union, and ministry officials – who took decisions in committees and by the recruitment of rurals into the local bureaucracy. Many peasants found ways to evade, even manipulate the state: a son would join the local party, a bribe would sway an official; patronage was "democratised" at the local level as public goods were diverted and laws bent to favour locals. Finally, officials could not afford to alienate peasants who could ultimately leave the state/co-operative sector and opt for private patrons and markets; indeed peasants utilised both state and private networks as it suited their interests (Metral 1984; Hinnebusch 1976; Seurat 1979).

II. BA'THIST ETATISM AND IMPORT SUBSTITUTE INDUSTRIALISATION

A. The leading public sector

The Ba'th development model enshrined the public sector as the "leading" sector which would dominate strategic industry, power, foreign trade and infrastructure. The state would lead the industrialisation of the country required to build an economic base of national power. In fact, by 1970, the public sector had become the core of the economy and the state development plan and investment budget were its main source of expansion: thus, gross fixed capital formation in the public sector grew from 170 million S.P. in 1963 to 1,262 million in 1976, while in the private sector it grew from 355 million to only 655.2 million (World Bank, 1980, v. 4, p. 48). The state regularly accounted for more than 60% of gross fixed capital formation. In 1984, public industry employed a third of the labour force in industry but produced 78% of gross industrial output (SAR 1989: 77, 170–71, 508).

A role was preserved for the private sector in trade, construction and light industry. In the 1970s, the public and private sectors each accounted for roughly half of NDP. However, anti-capitalist ideology and public sector competition peripherialized the private industrial sector, diverting its resources abroad or into tertiary or speculative activities and keeping it on a small scale: thus, 98% of the 40,000 or so private manufacturing enterprises employed less than 10 workers (World Bank, 1980, v.4: 54, 166). Nevertheless, some small private factories protected from foreign competition thrived in fields such as knitwear, shoes and food processing by importing modern machines and buying supplies from the public sector (Longuenesse 1978; 1979). Despite two waves of economic liberalisation in the 1970s, this structure remained essentially unchanged through the eighties for, although liberalisation allowed handfuls of capitalists to enrich themselves as agents of foreign firms or in construction, tourism, black-marketing and importing, they invested little in industrial enterprise (SAR 1989: 77, 170–171).

The public industrial sector was, however, afflicted with bureaucratisation and politicisation which deprived it of dynamism. Planning authorities could not impose a coherent plan against ministerial empire building and political patronage. Overcentralization allowed plant managers little operational authority to enhance efficiency. Low pay, political appointments and rapid turnover meant a lack of quality experienced managers. There was a scarcity of technical staff since once they acquired expertise and experience in public industry, they moved to the higher paying private sector. Workers were seen by managers as negligent, obsessed with personal benefits, and unwilling to cooperate in solving problems. They were unmotivated because low wages forced many to work second jobs and wages were tied to seniority, not skill or productivity. Because wages for skilled workers were higher in private industry, they tended to leave public industry, making it the refuge of the unskilled. Excess labour was also typical because of a state policy of maximising employment, the use of the public sector to provide political sinecures, or because of obsolete equipment (SAR 1973; Odeh 1977; Daqqaq 1977).

Similar problems existed in matching output to markets: firm managers had little freedom to adjust to changing market conditions and export agencies were habituated to a bureaucratic rather than a merchandising orientation. Low export capacity meant bottle-necks in access to foreign exchange, spare parts and raw materials, and many plants operated at low capacity as obsolete, under-maintained equipment broke down.

The financial performance of public industry was weak. Firms' plans concentrated on the volume of production, not profitability. There was little control of costs, "big gaps" in accounting, and hardly any cost-benefit analysis which could measure the efficiency of different operations or investments. Factories tried to simply mark up prices sufficiently over costs to give a 10% return on investment. But social policy often dictated otherwise: some industries such as fertiliser, textiles, and sugar often had to sell their product at prices near or below cost, resulting in low profits or losses. Apparent profitability in public manufacturing (whether as a percentage of sales or assets), hovered around the 4–7% range in the 1968–1975 period (World Bank v 4: 1980: 180–181).

The result was that industries were, at best, able to self-finance machinery replacement and some modest modernisation. But the surpluses of the public industrial sector were insufficient to finance major upgrading or building of new plants. Major investment had to be financed by external loans and aid or internal deficit financing. In short, the public sector failed to become an engine of capital extraction and accumulation which could drive industrialisation and substitute for private entrepreneurship.

B. The limits of public resource mobilisation

The central vulnerability of the Ba'thist political economy was that neither public sector accumulation or taxation produced sufficient resources to finance the state's many commitments. Taxation only accounted for about 25% of state revenues. Domestic resource mobilisation only covered about 2/3 of total public expenditures on government, defence and development into the eighties (World Bank 1980, v. 4: 48; Clawson, appendixes 4 & 5). Indeed, development plans always expected to substantially rely on external financing, especially as Arab oil money became available; thus, during the expansionary seventies, Syria's ambitious 4th Five Year Development Plan (1976–1980) actually only expected public sector surpluses to finance 54% of investment and of this much was to be provided by Syria's oil revenue rather than the profits of its industry (World Bank 1980, v.4: 101).

Underlying this vulnerability was Ba'thist Syria's inability to mobilize sufficient savings to support high rates of investment. In the sixties (1963–67) savings (11.4% of GNP) covered a larger proportion of investment (13.6% of GNP) than later but the regime could only mount relatively modest investment efforts. In the seventies and eighties when a big investment drive got underway, the gap between it and savings widened precipitously: between 1973 and 1986 savings covered barely one-half of investment (Hinnebusch 1995b: 310; World Bank 1980, v. 2: 18; SAR 1989: 480–81; SAR 1984: 564).

The consequent deficits in government operating and investment budgets were filled by a combination of aid or credit. Arab transfers made up a large proportion of total financing, growing from about 13% in the early Ba'th years to nearly a quarter of the total in the eighties. The remaining gap was filled by deficit financing or foreign borrowing. Deficit financing varied from an average 6.6% of the total government budget in 1966–1976 to a high of 22.5% in 1976 when Arab aid temporarily dipped (Hinnebusch 1995: 309–10). External borrowing (e.g. from suppliers) also helped fill the gap. Overall, Clawson estimates that although Syria earned $25 billion in exports from 1977–88, (1989: 14–17) balancing its trade deficit depended on receipt of some $20 billion in civilian aid ($14 billion of it grants) and $10 billion in worker's remittances.

C. Economic growth and decline

For a substantial period, notably in the seventies, the Ba'th state enjoyed economic expansion. Overall economic growth rates were a respectable 3.7% per capita per year from 1965–1986, better than the 2.6% average for middle income LDCs. Indeed, until the eighties the growth rate was better than the pre-Ba'th era average of 4.6% (1953–63). Though the sixties were a period of structural instability, growth was nevertheless a respectable 5.5% of GDP yearly. In the seventies, oil money backing dual public and private engines of the economy drove an impressive economic expansion: real GNP grew 8.2% in 1970–1975 and 6.8% in 1977–1980. A wave of public sector import-substitute industrialisation was combined with a boom in private light industry and construction fuelled by state expenditures (World Bank 1980, v. 1: ix; Clawson 1989: Table 1; SAR 1989: 491; SAR 1991: 485).

However, this expansion had several flaws which sharply limited its sustainability and impact. First, a great deal of the massive public investment did not produce a sufficient corresponding expansion in production. Thus, in 1971–76, the Incremental Capital Output Ratio (ICOR) in public industry was 5.14 ($5.14 of investment capital for every $1 of new output) compared to 2.28 in the private sector. Overall investment efficiency in the economy steadily worsened in the eighties, slipping from an ICOR of 3 in 1971–1976 to 10 in the 1980s. This was

due to poor management, to the long gestation of many large projects, notably big irrigation schemes, and to the numerous bottle-necks, power breakdowns, and foreign exchange scarcities which reduced the capacity of new plant (World Bank v 1: 63; Clawson 1989: 36).

Second, although several five year plans (1971–80) gave priority to investment in crash industrialisation or to consolidating earlier industrial investments (1981–85), statist development failed to create a self-sustaining industrial base. Industry was diversified, but the import of capital intensive turn-key plants and the failure to build a machinery industry meant intensified, not reduced dependence on and vulnerability to external market forces (Perthes 1995: 25–44). The industrialisation drive failed to structurally transform the economy (whether measured by the proportion of GNP contributed by industry or the labour force employed in it) which continued to be dominated by agriculture and trade in the nineties.

Third, Syria's over-dependence on external resources and credit or domestic deficit financing had costs and vulnerabilities. It fuelled inflation which damaged the purchasing power of the large segment of the population on fixed incomes – the regime's own constituents – while the chief beneficiaries were speculators and traders. Then, when oil prices – hence export revenues and aid received by Syria – dropped, especially dramatically in 1986, the vulnerability of this strategy was exposed. Various economic imbalances greatly worsened in the second half of the eighties. Balance of payments deficits reached around a billion dollars in 1987 and half that in 1988. A $4 billion civil debt and a $15 billion military debt to the USSR was accumulated. Repayment became a burden and Syria fell into arrears on interest payments. A foreign exchange crisis became chronic – e.g. at the end of 1986 there was only $144 million in the treasury or two weeks worth of imports (Perthes 1992b; Hinnebusch 1995b: 312).

The regime responded with austerity measures which initially deepened the crisis in the late eighties. The engines of growth shut down: the state budget, the major source of productive investment in the economy, was flat for years, but defence took up to 50% of it. State factories closed for lack of parts and materials and from power shortages, resulting in an industrial depression. In agriculture, a growing scarcity and cost of inputs squeezed peasant incomes. The plummeting value of the Syrian pound, commodity scarcities, and government spending resulted in inflation running from 50–100% at the end of the eighties.

All this resulted in the stagnation of GDP after two decades of significant growth; growth rates fell from 4.7% in 1980–83 to a negative 2.9% in 1983–87 (Hinnebusch 1995b: 311–312). Given rapid population growth of over 3% per year, this translated into a painful decline of 15% in per capita income. This, coming after a period of continual expansion, amounted to a crisis worse than that which contributed to the fall of the *ancien regime* (SAR 1989: 490–91; Perthes 1992b).

D. *The exhaustion of the Ba'thist statism*

The exhaustion of growth, far from being merely conjunctural, was built into the regime's state building and development strategy. Its economic policy was less a "state capitalist" effort to maximise accumulation, than one which put economic development in the service of state building. Import substitute industrialisation, viewed as essential to national power had, in itself, built-in limits and in Syria it increased dependency on imported machinery, parts, and financing without developing a strong export sector, making trade deficits chronic. This was aggravated by the inefficiencies of the public sector, which, in turn, were a symptom of a more general sacrifice of economic rationality to the political logic of state building. Thus, the regime's initial redistributive "inclusionary" strategy fostered consumption at the expense of accumulation. Asad's drive to build a maximum sized coalition required patronage rewards for a wide range of actors which dissipated resources. The state bureaucracy was used to create employment and the Ba'thist "democratisation" of patronage widened the net of corruption from a few families to a larger portion of the population. On top of this, the Arab-Israeli conflict added another layer of "overcommitment" by the state. It dictated the diversion of public resources which might otherwise have gone to economic development into a massive military machine. The creation of the instruments of power – party, army, bureaucracy, resulted in bureaucratic over development straining the state's economic base.

At the same time, the Ba'thist model discouraged alternative sources of development. Protection of the regime's populist constituency – co-operatized peasants, public sector workers – constrained private sector capital accumulation. Partly owing to the lack of business confidence, much private enterprise took the form of real estate speculation and import-export operations which widened consumption rather than commodity production. The on-going struggle with Israel, in depressing investor confidence, channelled private investment into short-term speculative ventures, and made Syria ineligible for foreign private investment on an serious scale. Syria's front-line status in the Arab-Israeli conflict did make it eligible for massive Arab aid but this, in relieving the regime of the urgency of choice between development and defence and easing pressures for economic reform, merely postponed a serious attack on the root of the problem.

The economic troubles of the late eighties did, however, put growing pressure on the state to alter its strategy. The fiscal crisis forced the regime into austerity measures which, in cutting populist welfare and investment expenditures, amounted to a certain withdrawal of the state from its core economic responsibilities; as the state withdrew, it encouraged a revival of the private sector to fill the gap. Moreover, as the state economy stagnated, a semi-illicit economy developed, based on the smuggling of commodities and foreign exchange and often financed by remittances of Syrians abroad. Austerity also generated a greater receptivity toward free enterprise among the Ba'th's constituents who, previously dependent on state patronage, now had to diversify their resources by setting up petty businesses. It was in these conditions that the regime began to move away from statism and toward economic liberalisation (Perthes 1991, 1992a).

III. THE POLITICS OF SELECTIVE ECONOMIC LIBERALISATION

Economic pressures did not mechanically dictate liberalisation but were mediated through a policy process in which contending interests sought to shape the outcome while the top elite sought to contain the crisis and calibrate the extent of economic liberalisation according to the changing balance of costs, benefits, pressures and opportunities.

On the one hand, the extent, depth and rapidity of economic liberalisation were constrained by the interest of the regime and its core constituencies in maintaining a major role for the state in the economy. First, the power elite, recruited through a socialist party and a sect which used the state as a ladder of advancement, had a powerful stake in statism. This was reinforced by the corruption of elites who were enriched on smuggling or payoffs to evade bureaucratic regulations. Those who normally would bear the costs of liberalisation – public employees, workers – were part of the regime coalition while the beneficiaries – the bourgeoisie – was a historic rival on which the state could not afford to become excessively dependent. The regime's precarious legitimacy rested, in part, on providing welfare and economic opportunity for the popular strata in its original constituency and political logic required it protect its worker and peasant base from the encroachment of a revived bourgeoisie. In addition, the potentially dangerous urban mass, susceptible to bourgeois-backed Islamicism, had to be placated with cheap food and jobs. Moreover, the public sector had to be protected as the state's main revenue base; public sector surpluses, amounting to around 10% of total GDP, financed more than a third of all state expenditures and this could not readily be replaced by easily evaded taxes on the private sector (Hinnebusch 1995b: 309). Finally, the army's priority claims on economic resources as long as the conflict with Israel persisted, dictated continued state control over the economy.

On the other hand, variations in economic pressures and opportunities periodically altered the cost-benefit calculus of policy makers. After 1986, mounting resource scarcities seemed to give the regime no alternative to liberalisation; but the beginning of production in new high quality oil fields combined with a break in the bad weather for agriculture which plagued the country in the eighties, provided some relief from the tightening economic noose on the regime at the end of the decade. Syria's 1990 stand against Iraq in the Gulf war was rewarded with large payments from Saudi Arabia and the Gulf states which gave the regime further breathing room (Hinnebusch 1995b: 313). But shortly thereafter the collapse of Soviet and Eastern bloc markets removed any alternative to fuller integration into the world capitalist market. With the seemingly permanent stagnation of oil prices, further influxes of Arab Gulf money into Syria looked likely to take the form of private investments rather than state aid. At the same time, the state began to perceive opportunities from economic liberalisation: there was considerable hidden local capital as well as private capital accumulation held abroad by Syrians or by Syrian expatriates which, under more liberalised conditions, might be invested in productive enterprise in Syria.

However, economic liberalisation, to be economically effective and politically unthreatening, required the emergence of a reconstructed bourgeoisie on good terms with the regime and prepared to invest and to push for liberalisation. In the late eighties, the state-connected wings of the Syrian bourgeoisie saw opportunities to profit from selective liberalisation but wanted continued protection and a role for the state as a source of contracts and monopolies. Moreover, the bourgeoisie as a

whole remained largely commercial and rent-seeking, its industrial wing weak and unable to substitute for the public sector (Bahout 1994; Perthes 1991, 1992a; Hinnebusch 1995b: 313–15; Hinnebusch 1997: 251–2).

The rough balance at the start of the nineties between rising forces for economic liberalisation and weakened but entrenched interests opposed to it, allowed the top elite some autonomy to shape economic policy according to its own changing ideologies and interests. Under Asad, the parameters of economic policy were always framed by raison d'etat: just as statism was partly a function of bipolarity and Soviet aid, and his early liberalisation measures, of the need to repair national unity in preparation for war, so the disappearance of Soviet power and the contraction of Soviet aid, technology and markets meant an international political economy hostile to etatism. Although Asad was unwilling to promote the complete unravelling of the statist system he had helped construct, selected economic liberalisation, in further co-opting the bourgeoisie, could enhance his autonomy of the party, army, and Alawi jama'a and hence his ability to accommodate Syria to post-Cold War globalization.

By 1990 an elite consensus had consolidated around the desirability of controlled economic liberalisation (Heydemann 1992). Once powerful socialist ideological resistance to liberalisation was dissipated by the embourgeoisment of the elite. Crucially, the climate shifted in favour of liberalisation as business partnerships developed between the private sector and the children of the political elite, who increasingly felt themselves, as their fathers never had, to be part of the bourgeoisie and who were confident that economic liberalisation would work for them. The exhaustion of the public sector and the collapse of communism put remaining party ideologues on the defensive. The ideological insistence on the public sector as the "leading sector" increasingly gave way to acceptance of private investors as full permanent partners in development.

Nevertheless, there was also a pragmatic consensus that liberalisation had to be selective and carefully controlled. A Soviet-like collapse of the statist system before a market was in place had to be avoided. Because the private sector was believed to be mostly interested in short term, low risk, high profit enterprise, the public sector had to continue to invest in strategic industries. While the private sector would be encouraged to specialise in production for export, the public sector would continue to meet basic popular consumption needs. The public sector would not be privatised but it had to be reformed and made more profit driven

(Sukkar 1994). This strategy, it was thought, would diversify the country's economic base, minimise risk and enable the top elite to continue balancing between the bourgeoisie and the regime's bureaucratic and plebeian constituencies.

Within these parameters, the extent and pace of liberalisation was determined in good part by bureaucratic politics: an intra-regime competition between liberalising "technos" and statist "politicos." (Hinnebusch 1997; Perthes 1995: 203–271). The technos were relatively strengthened by the declining credibility of statism; moreover, Asad, in pushing the party from its monopoly of policy making while giving business semi-institutionalised access to policy makers, reshuffled the deck in their favour. The liberal wing of the elite was led by technocrat-ministers such as Muhammed al-Imadi, the Minister of Economy and Foreign Trade, the most consistent and effective advocate of greater liberalisation. Party apparatchiki and trade unionists defended state regulation of business and the public sector as essential to the "social contract" in which mass political loyalty was contingent on a state guarantee of a minimum level of welfare. This was, however, no sharp cleavage: Imadi was no free market ideologue and, having been educated in 1960s development theory, affirmed the need for a state role in the economy. The party was not uniformly hostile to liberalisation and welcomed private sector investment as a source of jobs and foreign exchange.

Liberalisation came in two waves. In the late eighties, state constraints on the private sector were significantly reduced; notably, as public sector import monopolies were dismantled, the private sector share of foreign trade widened rapidly. Joint public-private companies, most developed in tourism and agriculture, generated common interests between state and private elites; while the state retained a share of assets and some control in these companies, management was in private hands and the companies were exempt from state planning and regulation (Hopfinger 1990). According to a leading private businessman, this approach, avoiding the opposition of the trade-unions, was Syria's special road to privatisation.

The centrepiece of the second wave of liberalisation was the major new investment law, No. 10 of 1991, which welcomed foreign and private investment in industry, permitted repatriation of profits, waived import duties and taxes and allowed investors to import hard currency outside state channels. Highly progressive income tax rates were slashed (Poelling 1994; Hinnebusch 1995b, 1997).

These initiatives stimulated private sector expansion. In the early nineties – for the first time since the Ba'th took power – private investment significantly exceeded the state investment budget. By 1994, $1.78 billion had been invested in about 474 new firms under Law No. 10 and, by the end of the nineties, investment had reached $9.5 billion. A mini-boom pushed up real growth/year from 4.9% in 1987–89 to 8% over the 1990–94 period (Hinnebusch 1995b: 311, 317). The new private investment was probably not enough, however, to substitute for declining public industrial investment as it was largely confined to the tertiary sector; where private business did invest in industry, it was to set up consumer industries under European license, which could quickly recoup their investments (Perthes 1992a).

The investment climate was arguably not liberalised enough to attract sustained productive investment. Significant constraints remained built into the political system, including continued bureaucratic obstruction, corruption, and punitive currency laws which prevented many businesses from freely acquiring foreign currency needed for the imports on which their businesses depended. The relation of less favoured and smaller businesses to the Alawi barons still resembled the payment of mafia protection money. Private sector industrial growth took the form of a further proliferation of small enterprises owing to fear of government regulation, populist labour law and the absence of financial markets to finance expansion. Long awaited further reforms, notably a private banking sector and a stock market, were not forthcoming. Business confidence remained tempered by fear of post-Asad instability, lack of peace with Israel, and the weakness of rule of law.

By the late nineties, the Syrian economy was again stagnating, as trade deficits turned negative, drought devastated crops, and several international oil companies, unable to reach agreements with the government, departed. Significantly, Egypt, long far behind Syria in living standards, was riding a boom of investment which allowed it to nudge ahead of a still investor-unfriendly Syria in GNP/capita. Syrian negotiations to join the Euro-Mediterranean partnership suggested an awareness that sustained investment flows required further reforms. However, the increasing frailty of the president and the stalling of the peace process paralysed further innovations in economic policy, leaving the bourgeoisie increasingly frustrated as the new century was ushered in.

IV. THE VULNERABILITIES OF POPULIST-AUTHORITARIANISM: PA AS A TRANSITIONAL NEO-MERCANTILIST FORMULA

Late developers like Syria may need a strong state to initiate national development and the pervasiveness of PA in the Middle East in the post-independence period suggests this was a dominant belief among state builders (Waldner 1999). But when state expansion exceeds certain limits, it becomes counter-productive. The use of populism, militarism, and patrimonialism to foster regime autonomy and capabilities over-developed the state relative to its economic base. The neo-mercantilist subordination of economic to political logic meant a crisis of public capital accumulation while the simultaneous diversion of public revenues into private hands fostered a new bourgeoisie in the shadow of the state. As such, authoritarian-populist regimes appear to foster the very conditions and forces which, over the longer term, undermine them and Ba'thi Syria was no exception.

PA regimes cannot wholly ignore the demands of economic rationality, and must, as statism reaches its limits, partly liberalise their economies and stimulate private sector revival. But political rationality deters the radical liberalisation which would jeopardise their statist/populist power base. The regime institutionalises power in social forces which, having established their dominance at the expense of the bourgeoisie, cannot look with equanimity on processes which would most empower this historic rival. Since populist authoritarianism, far from disciplining the masses, taught them they had social rights, full capitalist revival would arguably require a repressive exclusionary strategy which would alienate them and make the regime yet more dependent on the bourgeoisie. Ba'thist Syria exemplified this dilemma.

In the nineties, however, Syrian policy makers still retained enough autonomy to balance social forces and shape a selective liberalisation compatible with the regime's social base and stability. Indeed, Syria seemed to be relatively immune to global pressures for liberalisation. The relative diversification of its economic bases – public and private investment, domestic petroleum and externally donated rent – meant that, while it had to seek a modus vivendi with the bourgeoisie, it retained substantial autonomy of it. It was also able to evade liberalising demands from international economic institutions (Perthes 1995: 6–7). And as long as Syria's regional arena remained one of conflict and insecurity, Syrian elites inevitably put undiminished state power ahead of economic development.

However, if, as seems likely, the state cannot continue to extract sufficient economic resources, it will have little choice but to tolerate further economic liberalisation and as the state comes to depend more on private and foreign capitalist investment, it will have to be more responsive to bourgeois demands. This is bound to have political consequences. It could generate a more overt alliance between the state and the bourgeoisie behind capitalist development, that is, a move toward the conservative bureaucratic authoritarianism (BA) arguably needed to begin rolling back the populist social contract which deters private investment. This is the route Egypt after Nasser has taken, but the likely consequent loss of the Ba'th regime's plebeian social base would make this more risky for it than for Egyptian elites who can depend on a cohesive deferent society. It is also hard to see what ideological project could unite the Syrian elite and the bourgeoisie against the masses. Even the most liberalised version of Ba'thism rejects the inequalities accompanying capitalist development and there is no obvious substitute for Ba'thism which could legitimate continuing authoritarian rule in the service of capitalist development.

On the other hand, as indicated previously, a succession struggle could lead to enhanced political liberalisation in which all social forces, including plebeian elements, acquire greater freedom to defend their interests in the design of the post PA-order. Over the long run, deepened economic liberalisation will generate pressures for rule of law and advance the gradual dispersion of economic power from the state to autonomous groups and classes with the potential to check state power and eventually force greater democratisation.

In either case populist authoritarianism will be superseded. As such, the function of PA regimes may be thought of as mediating, for better or worse, the transition of Middle East states from their fragile under-developed starting points at independence to their reincorporation into the world system – perhaps now better equipped to hold their own – in the age of globalization.