



Economic Reform in Syria during the First Decade of Bashar al-Assad's Presidency

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January 2024



Part I: Introduction

1.1. Inheriting Power, Bashar al-Assad Raises Prospects of Reform

Following Hafez al-Assad's death on June 10, 2000, Bashar al-Assad succeeded his father as president. Syrians refrained from openly discussing this succession due to their apprehension of the regime's customary violence that had persisted for almost four decades. There was a collective hope that, unlike his father, this "young man" would bring a more open-minded approach.

In his inauguration speech on July 17, 2000,¹ after winning the presidential "referendum" with a staggering 99.7% majority, Bashar al-Assad vaguely pledged change. Even before assuming the presidency, he had positioned himself as a "reformist." In the initial months of his inherited presidency, there were vague indications of imminent change, particularly on the economic front, where Assad and his regime aimed to implement some reforms. However, he swiftly suppressed the burgeoning Damascus Spring of 2000, a movement that had taken root in every Syrian city and various cultural forums during a brief period when the regime's security services turned a blind eye.

Economic and administrative reform took center stage in government initiatives. Assad aimed to instill hope in the business sector by pursuing economic openness, which spelled material benefits. This strategy endeared him to the middle and upper urban classes, positioning him as the rightful heir to his father's authority. Simultaneously, it served as a diversion from political reform, allowing him to follow in his father's footsteps in seizing power and employing familiar tools of governance.

¹ <https://www.youtube.com/watch?v=dsNwHs9B6RI>

1.2. A View of the Syrian Economy in 2000

Since the mid-1960s, the Syrian economy has been characterized by a significant state presence in key productive sectors, marked by extensive intervention in economic activities and a pervasive influence in public life. Between 1964 and 1969, the state dealt a severe blow to large private ownership,² either through the confiscation of expansive agricultural lands or the nationalization and takeover of industrial and commercial enterprises. The state's control extended across the entire manufacturing industry, the majority of foreign trade, and played a substantial role in internal trade, particularly in oil derivatives, grains, flour, and cotton. Additionally, it maintained authority over the extractive industry, electricity generation, drinking water and irrigation projects, as well as airlines and railway transport, amounting to more than half of the gross domestic product. Underpinning this control was a stringent protectionist system with exorbitant customs duty rates. The state also held sway over the banking sector, adhering to a non-freely convertible exchange system, implementing a multiple exchange system, expanding administrative and productive institutions, enlarging the labor force, and curbing private investment. Despite this overarching state dominance, a modest yet diverse private sector persisted in craft industries, services, agriculture, and other domains. In tandem with its control mechanisms, the state introduced a low-wage system for workers in administrative, service, and economic institutions. In return, it provided a range of goods and services at subsidized prices, encompassing essential items like bread, flour, rice, sugar, tea, and cooking oil, along with free education and healthcare. The state also offered some semblance of protection to tenants, farmers, and workers against arbitrary dismissal, though this protection was largely nominal. Essentially, market economy rules were not freely applied in Syria, with restrictions on entry (investment) into and exit from the market prevalent in numerous sectors.

Prices were not comprehensively determined by supply-and-demand mechanisms; rather, the state played a significant role in setting prices for various goods and

² The initial agrarian reform law was enacted in 1959 during the Syrian-Egyptian Union. The first nationalization initiatives occurred in July 1961 and following the Baath Party's assumption of power in 1963. Additional nationalization schemes were introduced in 1964 and 1965. Notably, these measures were inaugurated with the Syrian government's nationalization of foreign ownership in the electricity sector.



services. Additionally, it imposed taxes on items categorized as luxuries to fund the “price-adjusted fund.” Wage policies in the private sector were closely linked to the state’s overall wage policies. The state’s economic influence extended to a broad service sector, encompassing approximately 250 companies and establishments. Unfortunately, most of these entities incurred substantial losses, which were ultimately shouldered by the state treasury. This economic control was further exacerbated by the state’s complete dominance over the media, the absence of political involvement in public life, and the stifling of public freedoms, particularly in terms of organization and expression.

Despite the limited economic openness following Hafez al-Assad’s assumption of power in 1970, efforts were made to expand private sector opportunities in the mid-1980s due to the economic crisis in Syria. Subsequent measures included the issuance of Investment Law No. 10 in 1991, partial economic openness around the time of the Madrid Conference, and the commencement of Syrian-Israeli peace negotiations, which eventually faltered. Despite these partial measures, the Syrian economy continued to grapple with severe centralization, weak market economy mechanisms, and the absence of many institutions. While it did not exhibit the characteristics of a Soviet-style “socialist economy,” the small private sector remained a significant part of economic activity, employing approximately 78.6% of Syria’s labor force (3,652,947 employees out of 5,459,563) in 2002 and contributing to about half of the GDP.³ However, the public sector’s performance was lackluster, and the government relied heavily on oil production. The latter increased from the second half of the 1980s until the second half of the 1990s, after which it declined again. Gulf aid resumed after Hafez al-Assad joined the international coalition against Saddam Husain in Kuwait, marking a shift from its cessation during Assad’s support for Iran in the Iran-Iraq War (1980-1988), where Iraq was ruled by the other faction of the Baath Party. Despite these economic infusions, the funding was insufficient for a large army, an expansive secu-

³ See the Statistical Compilation for the year 2003, Table 3/5 and Table 3/13 issued by the Central Bureau of Statistics, Damascus.

rity apparatus, and an enlarged bureaucratic government, especially with the state committed to providing free education, healthcare, and certain goods at subsidized prices. Consequently, growth rates plummeted to the extent that in some years, they were lower than the population growth rate of 2.45% per annum, and in certain years, they were stagnant, particularly in the second half of the 1990s.

The fragility of the Syrian economy is evident through various indicators. “Between 1970 and 1997, total production surged by 120.6 times at current prices and 4.5 times at constant 1995 prices, highlighting the substantial impact of inflation during that period.”⁴ Another noteworthy indicator is the composition of Syrian exports, with manufactured goods comprising a mere 12% of total exports, while raw materials constituted a staggering 81% for that year.⁵ A further analysis of the net domestic product in 2000, when compared to current market prices, reveals that agriculture contributed 25%, with 30.3% of the labor force still engaged in primitive labor-dependent agriculture. In contrast, industry and mining made up 29% of the overall output, employing 13.7% of the labor force.⁶ The bulk of this output was attributed to mining, constituting 20%, while the manufacturing industry accounted for only around 9%. This distribution of output and labor force points to a vulnerable economic structure.

The third indicator underscores the prevalence of high poverty rates in Syria. “In 2003-2004, about 2 million Syrians (11.4% of the population) could not obtain their basic food and non-food needs. Using higher expenditure poverty line, overall poverty in Syria rises to 30.1 per cent, representing almost 5.3 million individuals.”⁷

Conversely, the early 1990s marked the collapse of the socialist bloc, prompting a global shift towards a free-market economy and privatization. Emerging from this transformation were new elites, offspring of senior government officials, who amas-

4 Aref Dalila, “Public Sector in Syria: From Protection to Competition,” A talk given in Arabic in the Tuesday Economic Forum, Damascus, 2 May 2000.

5 Statistical Compilation for the year 2003, Central Bureau of Statistics, Damascus, Table 4/9.

6 See the 2002 Statistical Compilation, Central Bureau of Statistics, Damascus, Table 16/33, and Table 8/3.

7 <http://cbssyr.sy/Poverty%20in%20syria%20EN.htm>



sed substantial wealth through what Ibn Khaldun described as a “combination of power and commerce.” These elites now sought to extend their business ventures into sectors that were formerly under the exclusive control of the state, thereby hindering private investment.

The convergence of these factors heightened the imperative for economic reform and the shift from central state control to a free-market economy. This demand was not only driven by economic necessities but also by the substantial interests of influential circles. For Bashar al-Assad, this situation presented a prime opportunity to position himself within Syrian society and among its influential classes. He sought to forge alliances and secure loyalty throughout his envisioned extended tenure.

Below, I will provide a concise yet vivid account based on my personal experience in the economic reform committees. Following this, I will delineate the overarching characteristics of the Assad regime’s approach to reform.

Part II. My Experience in Economic Reform Committees

2.1. Prelude to My Experience in Economic Reform

Here, I will provide an authentic depiction of the regime's approach to economic reform in the initial years of Bashar al-Assad's leadership. Drawing from my personal experiences, the papers and reports in my possession, notes I documented at the time, and my own notebooks, I will also reference numerous articles, reports, and studies I published between 2000 and 2005. This timeframe was marked by a heightened focus on the subject of economic reform. Despite the abrupt cessation of public discourse on the matter afterward, my fascination persisted, prompting me to continue writing about it. The Syrian Society for Economic Sciences' Tuesday Economic Forum played a pivotal role in shaping this ongoing interest, with the issue being a central theme in its weekly seminar sessions at the Cultural Center in Mezzeh, Damascus, during the initial four to five months of each year.

My insight into economic reform efforts stems from my active participation in government committees specifically established to address economic reform. I diligently monitored all aspects related to this issue; however, the reports generated by these committees never saw the light of day. Additionally, I played a significant role in engaging in discussions through various mediums such as media, forums, and conferences during those years. Over several decades, I authored and published numerous articles, studies, and reports on economic and administrative reform in Syria. During that period, I served as an expert in technical assistance projects offered by the European Union for Syria under the Euro-Mediterranean framework. I held positions as a member of the Ministry of Economy Advisory Council and a five-year tenure on the Communications Board of Directors. I presented multiple policy papers to various Syrian official bodies at different levels, either directly or through participation in seminars, conferences, and extensive writings in Syrian and Arab media outlets, all focused on economic and administrative issues before the year 2011. This extensive involvement provided me with a profound opportunity to gain insights into the landscape of economic reform in Syria.



This account goes beyond being a mere testimony detailing my observations and involvement. Instead, it serves as a platform for presenting my vision and analysis. I support my perspective with concrete evidence, including figures and data, official reports from the Central Bureau of Statistics, and multiple reports from reputable international organizations.

Drawing upon personal experience provides the researcher with a unique understanding compared to an outsider. However, this can compromise objectivity, particularly when the researcher is embedded within the context and phenomenon under investigation. Objectivity demands that the researcher perceive reality disinterestedly, avoiding the imposition of personal desires and preventing the projection of biases onto reality, which may lead to erroneous conclusions. When personal biases and preconceived beliefs unduly influence the research outcomes, the intellectual and scientific integrity of the endeavor is compromised, transforming the research into mere propaganda.

In research methodology, this concept is termed researcher reflexivity. It involves the researcher conducting a critical examination of their attitude and position concerning the research subject. This process includes a rigorous self-assessment of objectivity to ensure that personal beliefs, political opinions, and value judgments have not unduly influenced the research results.

Given that a substantial portion of the data relies on my personal account regarding the activities of committees, whose meeting minutes, reports, and programs remain unpublished, the question of the objectivity of this account becomes even more pertinent. It is undeniable that every human being, researchers included, is inevitably influenced to some degree by their inclinations and biases, whether favorable or unfavorable. Individuals tend to readily accept information that aligns with their predispositions, affiliations, and loyalties, while instinctively rejecting anything that contradicts them. This inclination is akin to a judge recusing themselves from a trial when a participant is a relative. Researchers are not exempt from such predispositions. However, acknowledging the significance of objectivity can mitigate the impact of these biases and prejudices on the researcher's work.

To bolster the objectivity of my study, I have exceeded the allotted space to pre-

sent figures, data, and documented details pertaining to reform procedures and their impact. Even prior to 2011, during my time in Damascus, I had published numerous articles, reports, and studies that offer substantial support for the conclusions outlined in this paper.

2.2. Experimenting with Management by Objectives

My direct involvement with economic reform in Syria commenced shortly after the initiation of the “Management by Objectives Experiment”⁸ in 1999, marking the initial phase of the regime’s charm offensive aimed at portraying Bashar al-Assad as a prospective reform-oriented leader. During this period, I closely monitored the progress of the short-lived experiment through Mr. Mahmoud Salama, who was appointed by Bashar al-Assad to oversee it and requested my collaboration. In my role, I contributed to the preparation of memoranda and reports detailing the experiment’s advancement and the challenges it encountered. I also proposed ideas for its development. For instance, I drafted an internal circular for trade unions addressing the management by objectives experiment, dispelling prevailing misconceptions regarding issues like the separation between the economic and social aspects of companies’ operations, and the termination of workers. At Mr. Salama’s request, I compiled a list of topics for inclusion in Bashar al-Assad’s upcoming speech (as Mr. Salama informed me later). Furthermore, I prepared a study on enhancing and implementing the management by objectives experiment. Envisaged to reform the public sector, this proposal was presented to Bashar al-Assad, who, as confirmed by Mr. Salama, intended to discuss it with the government.

8 “Management by objectives” is a management approach characterized by the establishment of specific goals at various levels. These levels may include the strategic level, the annual plan for the entire organization, individual department plans, and even objectives for each employee. The fundamental principle of this approach is that the organization’s and its employees’ activities are guided by the pursuit of these objectives. Management performance is then evaluated based on the degree to which these objectives are realized. Peter F. Drucker, in his 1954 book *The Practice of Management*, is credited with founding this school of thought, and it was Drucker who coined the term “Management by Objectives” (MBO).



Subsequently, Mr. Salama and I delivered a collaborative lecture at the Tuesday Economic Forum (Cultural Center in Mezzeh, Damascus, 1 February 2000). During the session, Mr. Salama addressed the experiment, while I provided a critical analysis of it. Notably, Bashar al-Assad, who had not yet assumed power, was in attendance.

The experiment's hasty conception, insufficient study, lack of seriousness, and superficial nature were stark. In essence, it was hastily "cooked." Formalized by Decision No. 781, dated January 17, 1999, issued by then Prime Minister Mahmoud Al-Zoubi, this decision ran afoul of numerous laws and legislative decrees, superseding any prime ministerial decisions. This naturally hindered implementation, notably because the decision incorporated the principle of transferring powers from the state, represented by the government as the owner, to the company's management. Attached to the decision was an explanatory memorandum by the prime minister, outlining the general principles, powers, and ultimate goals of the experiment. The memorandum delegated decision-making authority to the company's administrative and executive board, while maintaining a hands-off approach to arbitrary oversight. A two-year timeframe was stipulated for the implementation and evaluation of the experiment before full rollout. Four governmental industrial companies were selected for the experiment: the Arab Medical Company (Thameco) in Damascus, the General Company for Glass and Ceramic Industries in Damascus, the General Company for Modern Industries in Damascus, and the General Company for Thread Manufacturing in Hama.

The experiment, which lasted less than two years, faced a premature demise as its foundational flaws became apparent. Beyond the impracticality of its application, it flagrantly violated numerous laws and legislative decrees, beyond the authority of the prime minister to overrule – constituting a critical Achilles heel. Furthermore, the experiment remained tethered to the Minister of Industry, Ahmad Nizam Al-Din, who disapproved of it due to its constraints on his extensive executive powers to intervene in corporate affairs. The experiment's overseers were deprived of essential resources, lacking budgets, offices, headquarters, and sufficient staff. During the implementation phase, the experiment clung to the outdated management practices, tools, mindset, and work traditions of the past. Existing directors retained their

managerial positions, perpetuating the status quo. In practice, the executive board was denied the flexibility mandated in the decision, and lingering issues such as cumulative losses, an inflated workforce, and employees simultaneously working for the ruling Baath party, unions, or other entities while being paid by these companies were left unresolved.

The experiment met an abrupt end, mirroring its impromptu conception. Following his removal from the experiment's leadership, Salama assumed the role of editor-in-chief at Al-Thawra Daily, aiming to infuse the publication with a new, slightly more open spirit. In line with this vision, Salama actively sought contributions from opposition figures, successfully publishing essays by well-known dissenters like Michel Kilo and Aref Dalila. Salama held a genuine belief, as documented in my notebooks, that Bashar al-Assad possessed an open mind and a desire for change. Describing Assad as a source of hope, Salama often emphasized the internal struggle within him – a dialogue between the security and institutions men. Salama envisioned that, ultimately, the institutions man would triumph, freeing Assad from the constraints of the old guard. In contrast, lawyer Zuhair Al-Khani, a former minister of economy in the 1970s, gave me a different perspective. "The old guard regularly convened with division commanders, forming an alliance against Bashar. Despite Assad's control over forces around Damascus, including the Republican Guard and Defense Brigades, he lacked influence over remote divisions."⁹

Salama's destiny unfolded sooner than anticipated, as he was abruptly ousted from his positions at the General Administration of Al-Thawra Foundation and as the editor-in-chief of Al-Thawra on May 9, 2001. Without ceremony, he was placed at the disposal of the Prime Minister, leading to profound disappointment on his part.

9- Bashar al-Assad successfully navigated the resistance from the old guard and ousted established division commanders like Shafiq Fayyad, Ibrahim Safi, Adnan Badr Hassan, and others who, due to their perceived lack of threat, were not removed by his father from power. These senior officers found it difficult to salute the young leader who abruptly assumed the presidential role, especially considering their involvement in installing his father in the presidential palace in 1970. Prior to his death, Assad Senior had dismissed influential figures such as Major General Ali Duba, the head of the Military Intelligence Division, Izz Al-Din Nasser, head of the Federation of Trade Unions, and General Hikmat Al-Shihabi, the chief of staff. Abdel Halim Khaddam, although practically sidelined, was kept in his nominal position as "Vice President of the Republic" because Assad Senior needed him in the intricate succession game. Khaddam played his part as directed by his master but found it challenging to serve as a subordinate to the younger Assad. Consequently, he defected and sought refuge in Paris.



Despite his close ties with Bashar al-Assad and friendship with Major General Assef Shawkat, Salama harbored the mistaken belief that he would play a more significant role. However, Major General Bahjat Sulaiman, the head of the Internal Security Branch of State Security, emerged as his nemesis and orchestrated his removal. Salama, a moderate individual with no adversarial stance towards the regime, and though not a member of the Baath Party, had previously served two terms as a member of the People's Assembly. In the aftermath of his removal, he often voiced his disillusionment to me, stating with a heavy heart, "They can't even tolerate someone like me!" Tragically, Salama passed away on October 6, 2001, succumbing to a heart attack while swimming in a pool at a friend's villa in Yafour, near Damascus.

2.3. The 18-Member Economic Reform Panel

In September 2000, that is, two months after Bashar had assumed power, he established a committee to analyze the Syrian economy. This committee, known as the Committee of 18, comprised 18 economic experts and businessmen. Some notable members included Aref Dalila, Rizkallah Hailan, Tayseer Raddawi, Ayman Abdel Nour, Ali Kanaan, Rateb Al-Shallah, Abu Al-Huda Al-Lahham, Ghassan Qallaa, Muhammad Al-Atrash, Kamal Sharaf, Muhammad Mar'i, and others whose names escape me at the moment. I also served as a member. Muhammad Al-Husain was appointed as the Committee's Chairman because he had been elected as a member of the Baath Party Regional Command during the Baath Party Ninth Congress on June 18, 2000. This conference, held one week after the death of Assad Sr., aimed to pledge allegiance to Bashar al-Assad as his father's heir. Al-Husain, previously an unknown university professor, had no prior involvement in economic or public affairs, nor had he made noteworthy publications or contributions before this appointment.

Intrigued by the potential actions of this young leader, the establishment of the Committee of 18 sparked interest not only within Syrian circles but also in some Arab and foreign media. This marked the first instance of a committee composed of individuals outside the state apparatus working on an economic reform plan. This was particularly noteworthy given the shift in the official press and media landscape, which, at that time, was characterized by its exclusively official nature. There was a

noticeable shift toward more open language, with the term “change” gaining prominence. The regime’s media machinery even adopted the expression “change first.” Once Bashar al-Assad was unequivocally confirmed as president, the terminology shifted from “change” to “reform.” However, state institutions quickly abandoned the term “reform,” opting instead for “modernization and development.” Ultimately, the process of modernization and development unfolded in a manner that primarily served the business interests of the regime’s close allies, particularly the Makhlof clan.

No official decision was made to establish this committee, and its objectives were not outlined in any document. However, during the inaugural meeting, Muhammad Al-Husain asserted that the committee had been formed with the explicit awareness and approval of President Bashar al-Assad. The genesis of the committee can be traced back to Dr. Aref Dalila,¹⁰ who initially proposed the idea during his meeting with Bashar al-Assad in September 2000. Subsequently, Assad forwarded the concept to the Baath Party Regional Command. Unfortunately, when the idea gained approval, it had undergone significant modifications, losing its original intent.

During the first meeting, the committee’s chairman, Muhammad Al-Husain, initiated the discussion by presenting a modest working paper. However, the meeting lacked a clear definition of the committee’s purpose, its assigned tasks, overarching guidelines, a specified timeframe, or a structured work plan. When I inquired about these fundamental aspects, Al-Husain mumbled a response and continued to listen to the views of those in attendance. The meeting unfolded in a disorganized manner, lacking preparation. There was no expectation for anyone to present a formal paper or any structured material. In essence, the discussions resembled casual conversations in a café.

10- Professor Aref Dalila, a distinguished Syrian academic and economist, garnered acclaim for his bold criticism of the Syrian government’s economic policies, his resolute stance against corruption, and his advocacy for increased freedoms. In March 1998, he faced arbitrary expulsion from Damascus University as a consequence of his outspoken opinions. Subsequently, in September 2001, he was arrested once more for expressing his views and received a ten-year prison sentence. He served seven years before being released. Post-2011, he shifted to an opposition stance against the regime and eventually relocated to the UAE.



Needless to say, every economic reform initiative must formulate a fresh strategy outlining the primary path for transitioning from a centrally controlled economy, where the state holds a predominant role, to a market-driven economy fueled by private sector engagement. This shift entails embracing supply and demand dynamics, facilitating freedom of market entry and exit, and allowing price determination through market-driven mechanisms. Therefore, the committee should delineate the prospective roles of the state in terms of its economic, administrative, and social functions, as well as specifying the roles of the local, Arab, or foreign private sectors. Additionally, it should address labor policies, income distribution, tax and monetary policies, protection and investment policies, and other relevant factors. These guidelines will then serve as a framework for the designated team. A comprehensive reform program should address these key issues by examining various scenarios, highlighting the strengths and weaknesses of each, anticipating their social implications, and proposing strategies to mitigate or compensate for potential challenges. Subsequently, these findings should be presented to the economic and political leadership, empowering them to take the necessary actions deemed appropriate. These measures will serve as the guiding principles for the reform program, outlining the steps for implementation. The reform program necessitates thorough diagnostic and evaluation studies at both comprehensive and sectoral levels, which would provide the foundation for building effective reform programs. However, none of these crucial steps were undertaken

Over several months, the Committee of 18 held weekly sessions, sometimes meeting more than once a week. These gatherings took place in an apartment owned by State Security in the Abu Rummana neighborhood. Major General Bahjat Sulaiman took charge of overseeing the committee and its outcomes. Assigned by Hafez al-Assad to supervise the training of Bashar al-Assad, Sulaiman played a pivotal role in forming the first Miro cabinet in March 2002. The committee worked over the course of several months, addressing specific sectors of the national economy in one or two sessions. During these discussions, participants shared their perspectives. Following each session, a member would be tasked with preparing a paper or study on the reform of the discussed sector to present to Muhammad Al-Husain. I, personally, was assigned to conduct a study on the agricultural sector. To supplement the limited studies and information available, I tapped into my network of friends, par-

ticularly those employed within the government. My previous connections within the Syrian Communist Party proved valuable in obtaining unpublished data, reports, and insights from experienced state workers. Notable contributors included Dr. George Soumi, who worked in the Agricultural Research Center of the Arab League and later Minister of Irrigation; Engineer Maan Dawood from the Ministry of Irrigation; Haneen Nimr, Director General of the Cereals Foundation; Agricultural Engineer Attiya Al-Hindi, former director of the FAO project in Syria; Dr. Dawood Haido, Director of the Oil Marketing Office in the Prime Minister's Office; and Engineer Raafat Al-Kurdi, Director of the Fuel Corporation (Sadcop) and former Minister of Transportation. Furthermore, I engaged in discussions with a number of farmers and utilized the agricultural report from the Syrian Communist Party, along with previous reports presented at the Tuesday Economic Forum and other sources. It's worth noting that during that period, the internet was not a reliable source of information in Syria, making the process of obtaining relevant data an arduous challenge.

Before the year ended, the committee successfully concluded its tasks. In the final meeting on December 24, 2000, as per my notes, two colleagues and I requested the distribution of the comprehensive report among committee members for review and feedback. Regrettably, Muhammad Al-Husain opposed this, asserting the need to "align" the report with the directives of the Regional Command. Consequently, the Committee of 18 disbanded without deliberating on the papers crafted by its members or the envisaged "reform blueprint." Al-Husain and his associates incorporated the individual studies conducted by committee members into a single study. Despite contributing nothing to the study, he denied committee members access to the document, designating it as strictly confidential, even to those who had authored it. This peculiar aspect was one of the bizarre quirks of the committee, and to date, there is no information available about the outcomes of its efforts.

2.4. Industrial Sector Reform Committee

In the spring of 2001, Prime Minister Mustafa Miro established the Public and Private Industrial Sector Reform Committee, with the Minister of Industry as its head. The committee, comprising 35 members such as Nabil Sukkar, Ayman Abdel Nour, Ammar Bakdash, Jamal Al-Qadiri, Muhammad Summaq, Noha Shoq, and



others (whose names escape me now), represented relevant ministries, trade unions, chambers of industry, and the Progressive National Front coalition. Unfortunately, the committee lacked competent and experienced individuals. I figured that approximately ten out of the 35 members possessed practical expertise, while the remaining 25 were mostly party members and bureaucrats, offering limited value to the committee. Two sub-committees were formed, addressing the public and private industrial sectors separately. Fuad Al-Lahham and I were enlisted as consultants for the Public Industrial Sector Committee. Syria, at that time, had around 98 major industrial establishments and companies, employing hundreds of thousands of workers, many of which were operating at a loss and burdening the state budget.

The committee lacked both a clear agenda and a functional mechanism. Additionally, it did not receive any studies or information related to the sector it was tasked with reforming. Furthermore, there were no strategic visions or overarching guidelines defining the state's role, along with its new economic, investment, and social policies, thereby leaving the committee without a comprehensive framework for its work.

The majority of committee members were frequently absent from most meetings, and even those who did attend often limited their involvement to discussions, departing without taking on any assigned tasks. This was a gracious gesture on their part, as the committee, on account of its enlarged composition, included individuals with outdated mentalities lacking relevant experience beyond repeating learned and practiced concepts, clinging to obsolete ideas. Fortunately, this allowed a smaller, more open-minded team, including myself, Fuad Al-Lahham, and a few colleagues, to carry out the substantive work. Over several months, we proposed ideas, developed concepts, and formulated and modified texts. Ultimately, this small team successfully completed the formulation of foundational principles and standards for the reform of the public industrial sector, providing the groundwork for the subsequent executive reform program. In establishing these foundations, the committee relied on two fundamental principles:

First Principle:

- A. Government industrial companies, within the public industrial sector, ought to undergo a systematic evaluation conducted by experts using a scientific method. Following this evaluation, the public sector companies should be classified into three distinct categories:
- **The first category** comprises strategic companies that the state intends to retain due to various political, social, and economic considerations. Examples include oil companies, power generation entities, grain silos, mills, bakeries, and similar entities. It's important to note that the number of companies falling into this category is relatively limited.
 - **The second category** encompasses companies that, while not deemed strategic, possess the capability to compete in the market and generate profits. Examples include cement companies, Al-Sharq Clothing Company, water bottling companies, beer and alcoholic beverage production companies, and similar entities. The number of companies falling into this category is also limited.
 - **The third category** comprises companies that lack both strategic significance and the ability to compete effectively in the market. Examples include clothing manufacturing companies, food manufacturing companies, pencil and match companies, and various other entities. This category is characterized by a relatively large numerical representation.
- B. The state should make a decision to retain companies falling under the first and second categories, implementing the reform program for their enhancement. Simultaneously, it should opt for liquidation, not privatization, for the companies in the third category. Moreover, ownership of the sites and buildings of some of these companies should be transferred to other government agencies capable of utilizing them for alternative purposes. Alternatively, the state may choose to sell these premises through public auctions to the private sector, especially considering the escalated market value of many of these sites and buildings. Another viable option is for the government to invite the private sector to participate in the ownership of certain sites and buildings.



- C. The state ought to utilize the funds generated from the liquidation and sale of companies to finance and foster the development of other companies it has chosen to retain.

Second Principle:

The authority vested in both establishments and the ministry should be delegated to the executive management and the company's board of directors. This delegation aims to provide sufficient flexibility for market operations and decision-making processes related to investments, acquisitions, sales, contracts, employment, and the management of surplus labor. The implementation of a system for monitoring, evaluation, and accounting, based on outcomes, ensures that decision-making powers are entrusted to the company's management rather than being concentrated in the hands of the minister. This shift is motivated by the recognition that numerous executive decisions crucial for a company's flexible, efficient, and successful operation were previously under the jurisdiction of the minister, the economic committee, and the prime minister. Unfortunately, this arrangement often led to bureaucratic constraints that hindered effective work.

The reform program encompassed guidelines regarding policies on wages, salaries, rewards, and incentives. The objective was to endow government-operated companies in a competitive market with a level of flexibility akin to that of the private sector. This mirrors the approach adopted by government sector companies in developed countries.

The proposed ideas and reform program were met with wrath from the government, the minister, and the directors of the various establishments concerned. This opposition stems from the fact that the program strips them of their bureaucratic powers, which have historically impeded effective work. The reorganization implies a shift in decision-making authority away from the general director of the establishment and the minister. Procurement contracts no longer require their approvals, and the allocation of funds no longer necessitates the endorsement of the economic committee in the Council of Ministers. Furthermore, they lose control over determining the winners of foreign tenders, thereby eliminating one of the most significant

channels of corruption in Syria.

The Committee of 35 yielded no outcome. Abdel Halim Khaddam¹¹ called in several committee members, including Nabil Sukkar, Ayman Abdel Nour, Husain Al-Qadi, and Muhammad Summaq, and reprimanded them for the proposed program. Khaddam's alignment with Bashar al-Assad in opposing this kind of reform was evident in this action.

2.5. February 25, 2003 Economic Reform Committee

In June 2001, the government released the "Draft Economic Reform Program in Syria," authored by Muhammad Al-Husain, then a member of the Baath Party Regional Command and the Minister of Finance. This proposal was put forward to public debate. During that period, I authored multiple articles in Syrian newspapers discussing the program. At the request of Dr. Rateb Al-Shallah, the President of the Federation of Chambers of Commerce in Syria, I also helped draft a memorandum on behalf of the Federation, which he submitted to the Prime Minister. However, like other reform initiatives, this memorandum was swiftly overlooked and forgotten.

On February 25, 2003, Prime Minister Mustafa Miro convened a meeting with approximately 20 Syrian economists and several ministers, including Muhammad Al-Husain. The meeting, which lasted for several hours, resulted in the formation of a seven-member committee tasked with developing a comprehensive economic reform program. I served as a member of this committee alongside individuals such as Dr. Khaled Abdel Nour, Muhammad Summaq, Elias Najma, and three others whose names I no longer recall. Notably, no specific directives or studies were provided to guide our work. However, Prime Minister Miro instructed various ministries to cooperate with us and furnish all necessary information and resources. Over the

¹¹ Khaddam staunchly opposed both economic and political reform, demonstrating a clear hostility towards democracy. His views are elucidated in his 2003 book, *The Contemporary Arab Order: Reading Reality and Foreseeing the Future*, published in Arabic by the Arab Cultural Center in Morocco. Khaddam emerged as a prominent adversary of the Damascus Spring. During a lecture at the University of Damascus on February 25, 2001, he vehemently criticized the Damascus Spring and democracy, issuing a warning against the potential "Algerialization" of Syria. Khaddam went on to accuse activists in the Damascus Spring either of being naive or serving as agents of Israel and neo-colonialism. Notably, Khaddam accumulated significant wealth during his tenure alongside Hafez al-Assad.



subsequent months, the committee held weekly meetings, diligently working towards the formulation of the economic reform program. By May 2003, we had successfully completed the initial version of the program's directions and foundations. I still possess one of the draft copies from that time. It's worth noting that Dr. Khaled Abdel Nour and I approached our mission with a heightened sense of responsibility, perhaps influenced by our non-state worker and non-Baathist status. In contrast, the other five committee members were employees of state institutions and members of the Baath Party. They, being more familiar with the regime's stance on reform, may have viewed the task differently.

The finalized reform program document comprehensively addressed a broad spectrum of economic reform topics. It alternated between serving as a strategic document that outlined amendments to the key directions of the prevailing economic policy and an executive document detailing specific actions. The document conducted an in-depth analysis of the contemporary Syrian economic landscape, presenting key indicators such as production, output, investment, consumption, and foreign exchange. Additionally, it provided sector-specific indicators for various economic and service sectors, along with statistics pertaining to population, housing, labor force, and income distribution. Special emphasis was placed on delineating the roles of the public and private sectors. The document also featured indicators for education, health, employment, media, culture, social affairs, and the social dimensions of the reform. Within its framework, the document established clear goals, initial points of action, and reference point (the Baath Party Regional Command remained the exclusive reference point). The projected time frame for the implementation of the reform was estimated at 7 years.

Subsequently, I conducted a thorough evaluation of the program and forwarded my findings to Dr. Ghassan Habash, the Deputy Minister of Economy, given that the Ministry of Economy was tasked with overseeing the program. In my assessment, which I can still reference from a copy, I highlighted that the document fell short of qualifying as a robust reform program. It seemed to be caught in a dilemma between serving as a strategic framework and an executive program. Furthermore, it lacked clear delineation of its relationship with the five-year plan and the general budget, both integral components of the national economic strategy.

While the document outlined several target indicators across various sectors and specified a growth rate target of 6%, it lacked a robust connection to critical economic factors. The specified growth rate wasn't firmly tethered to key elements such as investments, savings rates, growth in capital formation, inflation rates, price increases, average per capita income growth rates, export and import growth rates, trade balance status, balance of payments, budget growth rates, and others. Addressing these aspects would have necessitated a more extended timeline and a more comprehensive effort than the committee had at its disposal. Consequently, the outlined goals became insufficiently specific and challenging to measure. Furthermore, the document inadequately addressed the potential impact of the reform program on social policy.

The document lacks a clear definition of the state's socio-economic role. It fails to emphasize the importance of diminishing the state's economic involvement in various sectors, minimizing interference in executive economic management, and curbing rentier activities. Instead, it should encourage productive activities, lift restrictions on private sector operations, and foster an environment conducive to growth, thereby facilitating comprehensive support for productive investment. While maintaining a crucial role in education and medical services, the state should explore innovative approaches to sustain its social policies. These approaches should aim to reduce significant inefficiencies, prevent the intertwining of economic and social aspects, and avoid the loss of economic precision.

While the document outlined a 7-year duration for the program as a single phase, it failed to specify the recommended pace of reform. It is crucial to avoid a shock-based approach to reform, as evidenced by counterproductive outcomes in Russia and other Eastern bloc countries. By the same token, slow reform also loses its momentum. To manage reform effectively, a time-bound, integrated program is essential—an aspect lacking in the current program. In this context, China's experience becomes particularly relevant.

Addressing administrative reform alone is insufficient. Although it was included as a chapter in the document, this complex and broad topic necessitates comprehensive programs and legislative amendments. The transformation of the Syrian



administration from traditional bureaucratic methods to the principles of modern administration requires structural changes in the role of the state and its institutions.

At that time, I refrained from adding another critique regarding the document's omission of judiciary reform. The judiciary stands as a weak and corrupt sector, marred by interference from security apparatuses. Additionally, the document entirely avoided the topic of political reform, an area deemed off-limits both then and now. It is essential to recognize that economic reform cannot thrive independently; it necessitates concurrent political reform, public scrutiny, media oversight of government and institutional performance, and the resolution of various other detrimental factors.

The program lacked a defined legal standing, as a document crafted by a group of experts holds no significance unless officially endorsed by a body like the People's Assembly and formalized into law. Nonetheless, the Prime Minister forwarded it to the Baath Party Regional Command after incorporating some modifications. Unfortunately, this particular step proved detrimental and ultimately sealed the fate of the program. This is the course of events that transpired.

2.6. Using “Social Market Economy”

The term “social market economy”¹² gained currency in Syrian media after the year 2000. This period saw heightened discussions on economic reform, causing significant apprehension among the general public and leaders of the Baath Party,

¹² The social market economy, known as *Gesellschaftliche Marktwirtschaft* in German, is Germany's distinctive model of a market economy often described as “organized capitalism.” At its core, this economic approach challenges the idea that the market can autonomously regulate itself, recognizing instead the presence of imbalances requiring government intervention. Crucially, this intervention aligns with mechanisms compatible with a market economy. The term “social market economy” was coined by Alfred Müller-Armack (1901-1978), a German economist and politician, who presented a comprehensive theoretical explanation in his 1946 book, *Wirtschaftslenkung und Marktwirtschaft* (Economic Steering and Market Economy). Müller-Armack conceived this framework as an open intellectual method, emphasizing flexibility and adaptability over time. His goal was to establish a connection between the principles of market freedom and social equilibrium, fostering social peace grounded in harmony. Ludwig Wilhelm Erhard (1897–1977), the German Chancellor, is credited as the pioneer in implementing the principles of the social market economy. He initiated economic and monetary reforms in 1948, applying these principles throughout his tenure as Minister of Economy and later as Federal Chancellor. Erhard is rightfully recognized as the true progenitor of the social market economy.

who were staunch advocates of a centralized state with a totalitarian ideology. Consequently, Assad found it expedient to adopt this slogan as it allowed him to convey the impression that the economic reform process would prioritize the social dimension.

At the Baath Party Tenth Congress in June 2005, the slogan “social market economy” was embraced as the chosen approach for economic reform in Syria. Assad perceived in this proclamation a narrative that could resonate with ordinary Syrians, presenting it as a historical synthesis bridging the Baathist social foundations and the evolution of this authority towards the reconstruction of capitalism in Syria. This approach harmonized the market economy with a focus on the social dimension. The formula appeared practical and served as a viable slogan, articulating Syria’s intent to foster private initiative for enhanced investment, job creation, and economic growth, all while accounting for social considerations.

However, the aforementioned conference failed to contribute any specifics to defining this model or establishing its economic and social parameters, which could reshape the Syrian economy and society based on new principles and interests. In the subsequent years, neither the government nor the ruling Baath Party articulated any vision or program embracing the social market economy model. The discourse on the social market economy remained confined to a handful of media articles and television interviews without evolving into a comprehensive framework. Eventually, it faded away as quickly as it had emerged, only sporadically resurfacing in the media.

2.7. Syrian-European Partnership Agreement

The European Union initiated the Euro-Mediterranean Partnership Project, primarily focused on forging trade liberalization and economic cooperation agreements between the European Union, situated on the northern bank of the Mediterranean, and the countries on the eastern and southern banks. Subsequently, countries in the southern and eastern Mediterranean regions commenced entering into these agreements one after another.



Assad initially hesitated to embrace this partnership due to concerns about its political ramifications and potential positive effects on civil society. Syria cautiously entered into what it termed “exploratory negotiations” lasting two years (1996-1998) before official negotiations commenced. However, Assad provided the Syrian delegation with verbal instructions to prolong negotiations without making substantial progress. This approach persisted until April 2003 when the United States invaded Iraq. Fearing the American presence on Syria’s eastern border, Assad perceived a partnership agreement with the European Union as a potential bulwark against American pressure. Consequently, he issued orders to expedite the conclusion of the partnership agreement. Recognizing the inadequacy of the Syrian delegation, comprised of 17 deputy ministers led by the head of the State Planning Commission, the idea arose to include three external experts in the official government negotiating team. This trio consisted of Dr. Sami Al-Khiyami, Nibras Al-Fadhil, an influential advisor to President Bashar al-Assad, and myself, Samir Seifan.

My interest was piqued during the initial round of negotiations in Brussels in the summer of 2003. At this gathering, two sizable delegations convened in an amphitheater-shaped hall, situated on opposing sides. What stood out was the European approach; European participants took turns discussing various economic sectors based on their individual specializations. Their technical delegation demonstrated a clear understanding of their mission. In contrast, the head of the Syrian delegation, who also served as the head of the State Planning Commission, emerged as the sole spokesperson for the Syrian side. Notably, the majority of the other delegation members, comprising 17 deputy ministers, remained silent throughout the discussions.¹³ Exceptions included Atiya Al-Hindi (from the Ministry of Agriculture), Muhammad Al-Shaer, and Walid Al-Muallem, who actively participated. Additionally, the three of us newly added to the delegation contributed to the discussions.

The negotiations proceeded swiftly and effectively this time, driven by Bashar al-Assad’s directive to expedite the agreement’s completion. Playing pivotal roles were Nibras Al-Fadhil, Sami Al-Khiyami, and Samir Seifan, alongside key con-

¹³ An acquaintance of mine once shared a piece of practical advice commonly circulated among Syrian state cadres: “It’s wiser either to keep silent or express very general ideas that everyone can agree on. This is because any incorrect statement you make may be held against you, whereas you won’t be given credit for a correct opinion.”

tributors such as Atiya Al-Hindi, the industrial businessman Muhammad Al-Shaer who spearheaded negotiations and industry liberalization, and Walid Al-Muallem, then Deputy Foreign Minister, responsible for political aspects of the agreement. Our team played a central role in accomplishing the mission. I specifically led negotiations on Appendix Four, delineating conditions for liberalizing service sectors and establishing companies and investments (Right of Establishment). This encompassed various service sectors, including foreign and internal trade, tourism, transportation, communications, construction, banking, insurance, and accounting services. The first iteration of the Syrian-Euro-Mediterranean Partnership Agreement materialized during the negotiation session in Damascus. The culmination occurred with the initialing of the draft agreement at the Sheraton Hotel on the evening of December 9, 2003.

However, for any Euro-Mediterranean agreement to take effect, it needs approval from the remaining 24 European Union countries, in addition to the endorsement from the European Union Commission itself. The agreement does not become effective unless all these approvals are secured. During this process, a snag emerged when Britain raised objections to Article 3 of the agreement, which pertained to weapons of mass destruction. The British requested a more assertive phrasing, prompting an unexpected round of negotiations led solely by Walid Al-Muallem. This additional negotiation phase spanned several months. After reaching consensus on the revised wording and initialing the agreement in the fall of 2004, a new obstacle emerged when the United States objected. The Americans argued that the Assad regime should not be rewarded for concluding the agreement, especially in light of Assad's extension of the term of office for Lebanese President Lahoud and the exclusion of Rafik Hariri. In response, the U.S. Congress enacted the Syria Accountability and Lebanese Sovereignty Restoration Act (SALSRA), No. 108-175, in 2003.¹⁴ This legislative move led to the freezing of the agreement, and both General Aoun and Rafik Hariri had played roles in advocating for the issuance of this law.

In 2008, efforts were made to revive the agreement, leading to updates in some of its chapters, making it ready for signing. However, Assad introduced a secondary pretext, preventing the signing from taking place. In 2010, the Minister of Economy,

¹⁴ <https://www.congress.gov/108/plaws/publ175/PLAW-108publ175.pdf>



Ms. Lamia Assi, took initiative to breathe new life into the agreement. She engaged my office (ADC) to conduct a study examining the potential positive and negative impacts of the partnership agreement on the Syrian economy. Several researchers participated in this study, which concluded at the beginning of 2011. Unfortunately, in March of the same year, the situation in Syria erupted into a crisis.

The partnership negotiations involved the Technical Assistance Project, encompassing study initiatives for the administration and economic sectors in Syria. The project aimed to facilitate economic, administrative, and service reform, enhancing the performance of government institutions. The annual program's value approximated 120-140 million euros and featured numerous projects. I actively participated in several of them, either as an expert or as a partner through my office. Despite the comprehensive and thoughtful solutions presented by a group of international experts in these technical studies, state institutions exhibited a negative stance. The reports generated from these studies were relegated to drawers, and the institutions persisted in their usual operations. This was facilitated by the protective shield of the Assad regime, which deterred reform efforts.

2.8. Syria Project 2025

In March 2000, Dr. Essam Al-Zaim assumed the role of Minister of Planning in the first Miro cabinet. During his tenure, he introduced the concept of the Syria Project 2020, inspired by the Egypt Project 2020. The project's working group convened over a span of three years, concluding in 2003. However, Al-Zaim's ministerial term was cut short in October 2003 when a new cabinet, led by Muhammad Naji Al-Otari, was formed. Notably, Al-Zaim transitioned from the State Planning Commission to the position of Minister of Industry in the second Miro cabinet in December 2001.

After Abdullah Al-Dardari assumed control of the State Planning Commission in late 2003, he revitalized the Syria Project 2020, renaming it Syria Project 2025. Jamal Barout, a specialist in modern Syrian social and political history, was appointed as the project director. Over the next three years, until 2007, Barout led the efforts on Syria Project 2025, engaging a diverse group of Syrian experts in economics, administration, and development for the project's studies and discussions. A

total of 265 Syrian researchers, academics, and specialists actively contributed to the preparation of papers, participation in meetings, seminars, and discussions. The comprehensive report, spanning various sectors such as the economy, services, and administration, was issued in three volumes. I, along with a group of economists, formed the consultants team. My involvement included participation in several sessions and the review of some reports. The primary focus of our efforts was assisting Barout, the project manager, in drafting the extensive report presented in its three parts.

However, the project faced an abrupt termination, and its findings remained undisclosed, a consequence of the objection raised by Abdullah Al-Dardari, the Deputy Prime Minister at that time. The project documents contained a notably candid objective analysis, shedding light on developmental and social shortcomings, as well as imbalances in economic policy, economic performance, and the formulation of economic strategies, exposing their adverse impacts on productivity and returns. This stark contrast to Al-Dardari's reports to President Assad and the Prime Minister, along with his public statements, led to the suppression of the project's outcomes. Regrettably, the extensive effort spanning several years, involving 265 Syrian experts from diverse fields in the humanities, especially economics and administration, was ultimately in vain.

2.9. Other Endeavors

Apart from the aforementioned experiences, there are additional studies, reports, and programs focused on economic, administrative, and judicial reform, all of which have been overlooked. Notably, a French working group presented a report on administrative reform in August 2003, followed by another on judicial reform in December 2004. During the summer of 2003, I participated in a delegation of Syrian economists and administrators who spent two weeks at the French INA Institute, engaging in discussions and activities related to administrative reform. Nibras Al-Fadhil played a key role in coordinating these initiatives with the French counterparts.

In the runup to the Baath Party Congress in June 2005, an economic reform program was crafted in February of the same year. Extensive discussions spanning



economic, administrative, and even political aspects took place, involving participation from opposition figures as part of the preparatory process. The objective was to convey a sense of commitment to reform, yet regrettably, none of these proposed programs were put into action.

In addition to my earlier mention, in 2002, a collaborative study was undertaken by a team from the British company Petrofac, where I served as the director of the group's office in Damascus, and the Australian company BHP. The purpose of the study was to develop the oil and gas sector in Syria, with both companies expressing interest in investing in the sector. The comprehensive study encompassed the development of oil fields, increasing production, enhancing exploration capabilities, analyzing information, improving drilling capabilities, and establishing and managing oil projects—services to be provided by foreign companies. Ayman Asfari, the CEO of Petrofac Group, presented the study to both President Assad and Prime Minister Miro. Unfortunately, despite these efforts, the study was disregarded, and I still have a copy of it.

Part III: The Assad Regime's Approach to Economic Reform

3.1. Bashar al-Assad's Vision for Reform

Assad sought to present himself as a proponent of reform, though political changes were strictly off-limits. In an attempt to project an image of openness, he allowed certain activities that were previously banned in Syria, such as the issuance of social and advertising magazines, the establishment of private exhibition companies, and the operation of private radio and television stations, as long as they abstained from discussing politics. Subsequently, Assad aimed to generate excitement around economic reform. His strategy involved sparking a public debate on various reform ideas and trends, all while avoiding the adoption of a specific strategy or explicit program. Notably, he refrained from using the term “market economy.” This approach was designed to gradually prepare Baath Party circles, state agencies, and society at large to forthcoming changes without explicitly outlining a comprehensive reform plan.

At first glance, the trajectory of economic reform in Syria appears convoluted, lacking a definitive decision or a well-defined strategy. Notably, there is a conspicuous absence of an official document outlining strategic directions for reform and establishing rules and references. The discourse surrounding reform primarily occurs through media channels, characterized more by sensationalism than seriousness. While this may be partially attributed to the modus operandi of the Assad regime and its administrative and political structures, it is important to recognize that such an approach was deliberate. Assad intentionally refrained from publicly endorsing any specific economic reform approach or issuing official documents to that effect. This decision, in my perspective, was a conscious one, and I will next elaborate on this point.

Assad Jr. followed in the footsteps of Assad Sr., adopting a cautious approach by moving slowly around corners to avert the metaphorical “rollover” of the truck. Despite the adage “better late than never,” his steps towards establishing a free-market



economy lacked a clear vision, strategy, plan, or implementation instructions. Gradually, he granted the private sector economic initiative, primarily led by business groups comprised of the sons of senior officials. This move was criticized as steering economic reform in favor of what Egyptian economists termed “crony capitalism.” A notable example is Rami Makhoul, who gained control over key economic activities.

One notable instance of this pattern is the agreement involving two telecom companies handed over by Assad to Rami Makhoul. These companies, Syriatel (owned by Makhoul) and the Lebanese Investcom (owned by the Mikati family), were at the center of the deal. Makhoul discreetly controlled the majority of shares in Investcom Syria, later rebranded as MTN. Riad Saif, a People’s Assembly member, conducted a comprehensive study exposing extensive corruption linked to this deal. He estimated the resulting damage to the Syrian state’s interests at approximately 346 billion Syrian pounds, equivalent to 7 billion dollars. In 2010, Assad introduced Communications Law No. 18 on June 9, 2010.¹⁵ This law entailed the transformation of the General Telecommunications Corporation into a joint-stock company, operating under the Trade and Companies Law. Notably, this was the only government institution converted into a joint-stock company, with the apparent intention of selling a portion of it to Rami Makhoul.¹⁶

3.2. Reform Is a Controversial Issue

Economic reform is a controversial issue, marked by conflicting political contradictions. The scope of reform is economic, yet its outcomes are inherently social. At its core, it is fundamentally a political decision, driven by conflicting interests that negate one another. Each form of reform embodies distinct class, factional, and per-

¹⁵ sytpra.gov.sybeta

¹⁶ It is no secret that in recent years, Bashar al-Assad has, under various pretexts, assumed control of two cellular companies. These entities were subsequently registered under undisclosed names, leading to the confiscation of the fortunes of several prominent Syrian businessmen. These individuals had capitalized on their connections with regime figures and agencies to amass wealth. Assad’s justification for these actions appears rooted in a sense of entitlement: “I am the one who created the opportunity for you to accumulate your wealth, and therefore, I have the right to confiscate it.” For a more in-depth exploration of this topic, please refer to Harmoon Center’s study titled (in Arabic) “The War’s Nouveau Riche Replace Syria’s Old Businessmen” at: <https://2u.pw/vmEGL>

sonal interests that clash and contradict with others, navigating through a landscape governed by technical complexities.

Senior officials had accumulated substantial capital and sought to legitimize its utilization for increased income. They emerged as key proponents of a shift towards a free-market economy, diminishing the state's role in economic affairs. Concurrently, they continued leveraging their influence to redirect water streams to their mills, so to speak.

However, the post-1963 Syrian regime was founded on an “alliance of workers, peasants, low-income earners, and revolutionary intellectuals led by the army,” challenging the established political, economic, financial, and social authority of traditional Syrian families. Hafez al-Assad's constitution, promulgated in 1973, asserted Syria as “a popular democratic and socialist state” (Article 1, paragraph 1). It further specified that the state's economy was planned and socialist in nature (Article 13, paragraph 1).¹⁷ Hafez al-Assad consistently espoused the mantra, “There is no room in this country except for progress and socialism,” emphasizing the predominance of the public sector in leadership.

Large segments of society were apprehensive about the potential adverse effects of the reform measures, fearing a detrimental impact on the various benefits that supplemented their meager incomes. Such concerns arose from the experiences of numerous countries transitioning from a “socialist” system, a term referred to as state capitalism by scholars like Dr. Samir Amin (1931-2018), towards private sector capitalism or a market economy. Historically, this transition didn't result in a developmental leap. Instead, hasty liberalization led to the decline of several productive sectors, a surge in unemployment, and elevated poverty rates, all without compensatory measures for those who lost their benefits. Consequently, this shift primarily benefited a small elite group, exacerbating economic inequality.

The hierarchical structure of the Baath-Assad state's political, unionist, and administrative institutions served as a significant impediment to reform. This structure presented a formidable obstacle as it bestowed both moral and material benefits

¹⁷ <https://aceproject.org/ero-en/regions/mideast/SY/syria-constitution-1973/view>



upon those in leadership positions. The proposed transition to a market economy implies a reduction in the state's role and a curbing of centralization, thereby causing both moral harm (by diminishing their powers) and material harm. This material harm stems from the deprivation of various benefits enjoyed by these groups. Moreover, such a transition is likely to sow division within the ranks of the Baathists and among those employed in state institutions. The potential disruption arises from conflicting interests and the perceived loss of privileges, further complicating the implementation of reforms within this established structure.

Over the span of four decades, Syria has amassed an extensive array of laws and regulations tailored to align with prevailing policies. Alongside this, a culture of work traditions, concepts, and methods has developed to align with the dominant pattern, characterized by the leadership role of the public sector and extensive state intervention. However, any attempt at reform faces significant hurdles, including the inefficiency of the administrative apparatus and the challenge of adapting to the mechanisms of a market economy, as well as effectively managing institutions within such an economic framework. Under the Baath-Assad regime, a culture prevailed within state institutions where employees were conditioned to be followers, executing tasks as directed without encouragement for creativity or proactivity. The regime did not foster a culture of organized scientific work, critical problem analysis, or the evaluation of expected outcomes before decision-making.

The Assad regime has consistently harbored concerns about the growing influence of the private sector and its potential impact on the populace. To mitigate these perceived risks, a strategy has been employed to ensure that business groups led by the offspring of high-ranking officials dominate key private economic activities. Simultaneously, industrialists, who have thrived under protective measures despite challenging working conditions, express apprehension about the prospects of reform and liberalization. They fear the influx of foreign goods and the competitive pressures that trade liberalization might bring.

On this occasion, I will introduce another factor contributing to the existence of improvisation: the absence of thorough study and preparation. The intellectual void deliberately established by the Baath authority extended across various doma-

ins, notably affecting the research sector, particularly in politics, administration, economics, and society. Throughout the Baath-Assad rule, Syria became synonymous with a deficiency in serious economic thought, a condition exacerbated by long-standing issues with tangible and negative repercussions. The paucity of robust economic research was evident over several decades, with only a handful of notable books and research papers addressing the Syrian economy. Seminars, workshops, and television dialogues that could have introduced new ideas or tackled persistent problems with fresh perspectives were conspicuously scarce. The economic intellectual arena seldom witnessed spirited debates on crucial issues. Moreover, Syria lacked reputable centers for economic research and studies, whether at the local, regional, or international levels. Under the Baath-Assad regime, research activity across humanities was stifled, leading to a failure to crystallize distinct economic intellectual trends in Syria. Economists with unique perspectives struggled to emerge, as most adhered to specific schools of thought without fostering creativity. Few Syrian names in economics, administration, and politics achieved recognition on Arab or international stages. Instead of cultivating a distinct Syrian experience, the regime predominantly engaged in unsuccessful attempts to replicate external models. During this period, there was a conspicuous absence of a dedicated scientific journal specializing in economics and related matters in Syria. While the Ministry of Economy published a modest economic journal, it ceased publication in the early 1990s without efforts to enhance its content.

Universities have been almost divested of their traditional scientific function, and research centers find themselves alienated from their intended research functions, having transformed into bureaucratic entities. Within the private sector, there exists a prevalent undervaluation of academic pursuits and scholars. Chambers of Commerce and Industry lack dedicated hubs for information, studies, and research. The Syrian Society for Economic Sciences, in particular, has constrained much of its activities to the weekly Tuesday Economic Forum and has struggled to enhance its contributions. Furthermore, the absence of private scientific economic research centers is notable, underscoring a broader weakness in the spirit of inquiry.

This was the scenario that unfolded at a critical juncture when Syria faced an urgent need for extensive research and meticulous planning. The country was under-



going a transitional phase marked by the restructuring of its economic, administrative, political, and social systems. In this context, there were no universally applicable solutions available globally, and Syria grappled with the challenge of forging its path forward. This deficiency became evident through the limited national contributions to diagnosing the conditions of the Syrian economy and formulating solutions to address its intricate challenges. Currently, the primary studies on the Syrian economy rely heavily on the initiatives undertaken by donors in technical assistance projects, actions by international organizations, and the endeavors of international and some Arab research centers.

Part IV. Reform As It Happened

4.1. Reform on the Ground

During the first seven years of Bashar al-Assad's presidency, a substantial legislative activity unfolded, resulting in the issuance of 416 laws and 492 legislative decrees. Key among these were Private Banking Law No. 28 of 2001 and Law No. 29 of 2001 concerning bank secrecy. Notably, the first private bank, BLOM Bank, was established in Damascus in early 2004. Furthermore, Law No. 23 of 2002 addressed the formation of the Monetary and Credit Council, augmenting the Central Bank's role in monetary policy, leading to the unification of the exchange rates of the Syrian pound. In 2005, Law No. 24 permitted the establishment of banking offices and companies. Simultaneously, Decree No. 15 of 2007 paved the way for the creation of social banking institutions focusing on small and very small financing, although the influence of private banks remained limited. The legislative landscape also saw the inception of the microcredit program under Law No. 71 of 2001, initially named the "Unemployment Control Authority." This program underwent transformation with the issuance of Decree No. 38 of 2006, leading to the establishment of the "General Authority for Employment and Enterprise Development."

Decree No. 43 of 2005 marked the enactment of the law establishing private insurance companies. Despite this legislative move, the insurance market retained its limited scope, and the culture of insurance failed to gain widespread adoption. The Securities Market Law, identified as No. 55 of 2006, was introduced to address market dynamics. In conjunction, tax adjustments were made through Laws 24, 60, and 51 for the years 2003, 2004, and 2006, respectively. Additionally, Law No. 61 of 2004 implemented sales tax on a broad spectrum of goods. Law No. 25 of 2003, designed to tackle tax evasion, was put into effect; however, it struggled to achieve effective implementation.

In the domain of residential and commercial property rentals, the principle of *pacta sunt servanda* became integral to rental relationships following the enactment of specific laws. Law No. 6 of 2001 addressed the rental of residential homes, while



Law No. 56 of 2004 focused on agricultural relations. Additionally, Law No. 10 of 2006 specifically pertained to commercial rents. Concurrently, the landscape saw the establishment of Syrian real estate companies, and the entry of Gulf real estate companies into Syria. However, their impact on the real estate sector remained negligible.

Decree No. 36 of 2001 marked a significant development by permitting the establishment of private universities and facilitating the growth of private education at pre-university levels. As a result, a branch of the Lebanese International School of Choueifat, owned by Rami Makhlouf, was established. It is noteworthy that in 1966, all foreign schools in Syria underwent nationalization. However, amidst this transition, Rami Makhlouf remained the exception, being the only individual permitted to establish a foreign private school.

Decree No. 50 of 2001 brought about significant changes, allowing the publication of weekly and monthly private magazines and newspapers. Under this decree, Rami Makhlouf obtained permission to publish the *Al-Watan* daily, and the *Al Iqtisadiya* newspaper was introduced. Furthermore, Tarif Al-Akhras received a license to publish the *Al-Khabar* economic weekly, while various private advertising companies were also granted licenses. This decree not only permitted the establishment of private companies organizing trade fairs but also paved the way for commercial radio stations with a non-political focus. Private television broadcasting was given the green light, leading to the establishment of Cham and Orient channels. However, tensions arose as Rami Makhlouf attempted to take control of these channels, prompting them to exit Syria.

In 2005, a trade liberalization agreement with Turkey was concluded, coming into force in 2007. The Greater Arab Free Trade Area was established in 1997. Although numerous previously restricted products gained approval for import, and a consumer protection association was formed, its effectiveness remained limited.

The public sector was not privatized; instead, it was effectively frozen. Approximately 50 of its companies underwent a haphazard liquidation process. While public companies were theoretically open to private sector involvement, there was minimal actual participation. Attempts to reform the public sector were unsuccessful, leaving

it as a substantial burden on the public budget and resources, causing significant losses for the state.

4.2. Effects of Economic Reform

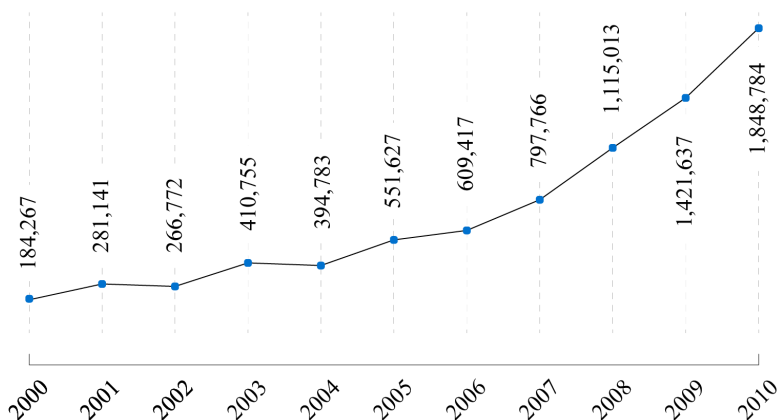
From 2000 to 2010, Assad's approach to economic reform created an imbalance between the basic income-producing sectors like agriculture, industry, and construction, and the income-producing services. The latter encompassed banking, insurance, exchange, the money market, and trade, growing at rates surpassing the basic sectors. The imbalance weakened Syria's economic capacity to generate income, leading to increasingly pronounced harmful effects over time. Economic reform initiatives concentrated on the financial, monetary, and trade sectors, reflecting the influence of an Anglo-Saxon-style neoliberal economic policy.

The reduction of customs duties opened the doors to imports, diminishing protection for the national industry. The agricultural sector suffered, particularly during the drought seasons from 2006 to 2009. The manufacturing industry also declined due to the rushed and poorly planned liberalization of imports, prompting the need for preventive measures to address the ensuing negative effects. Unlike other countries that liberalize trade to boost exports, Syria experienced an ironic outcome – its trade liberalization led to increased imports and a decline in exports.

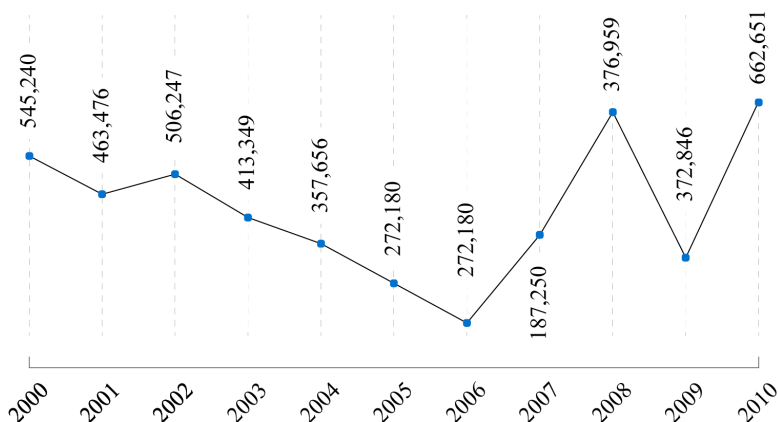
After the free trade agreement between Syria and Turkey was finalized, the overall trade volume between the two countries surged from \$730 million in 2000 to \$1,750 million in 2009. This expansion notably favored Turkey, witnessing a tenfold increase in exports to Syria during that period. Meanwhile, Syrian exports to Turkey maintained a consistent fluctuation, reflecting the same rate as in 2000.



Turkish Exports To Syria US\$ (1)



Turkish Imports From Syria (2)



Source: Samir Seifan, an unpublished study on trade relations between Syria and Turkey

The cooperative housing sector dwindled as an effort to promote private real estate companies. Simultaneously, the transportation and tourism sectors failed to undergo substantial development. Meanwhile, oil production exhibited a consistent decline, dropping from 620,000 barrels per day in 1996 to 385,000 barrels per day in 2010. Faced with an escalating budget deficit, Assad opted to increase the prices of energy carriers, sparking resentment among various segments of the population, including industrialists and farmers, who were burdened by elevated production costs due to these hikes.

The economic reforms resulted in a reduction of the state's share in foreign trade. In terms of internal trade, the state's role has been perennially limited, with the private sector assuming a more prominent position. However, there was a notable increase in the influence of a specific group of businessmen who were the offspring of officials, further impacting economic policy decisions. Despite significant emigration of the Syrian labor force to countries such as the GCC countries, Libya, or Venezuela (particularly from Suwayda), unemployment rates remained stubbornly high,¹⁸ exceeding 16%. Investment rates, standing at about 18% of the gross domestic product, were relatively low, falling short of the 25 to 30% savings rate necessary for robust economic growth.

The implementation of free-market economy measures in Syria primarily favored business groups associated with senior officials' children. Consequently, economic freedom in Syria remained notably weak. In 2010, the country's economic freedom score was below the global average at 49.4, ranking 147 out of 184 countries included in the Economic Freedom Report. Syria's standing in Transparency International's corruption index also remained low, with a 2009 ranking of 126th out of 180 countries. This index assesses the levels of corruption in countries. Similarly, in the Doing Business reports by the World Bank, Syria's position was unfavorable, ranking 137th out of 181 countries in 2009. Despite efforts to open up the economy, significant change proved elusive, and the business climate in Syria remained discouraging. Rather than attracting investment, the country earned a reputation for capital flight. In 2008, total foreign investment in Syria amounted to 77,845,361,000 Syrian pounds, equivalent to only 1.56 billion dollars, with 85% concentrated in the extractive industry (oil and gas). Foreign investment constituted approximately 3.27% of the gross domestic product in 2008, contrasting with 18.36% of fixed capital formation.

The state budget deficit has risen, leading to a decline in services offered by government hospitals, as well as a decrease in the quality of education in public schools and universities. Scientific research sectors, including agricultural research, have

18- According to Table 3/13 in the statistical compilation for the year 2003 by the Central Bureau of Statistics in Damascus, the reported unemployment rate was only 8.8%. However, an unpublished sample study conducted in 2003 by the Unemployment Control Authority, undertaken by a Lebanese company, revealed a considerably higher unemployment rate, surpassing 16%.



not seen growth through collaboration with research institutions in developed countries, missing out on the high added values such partnerships can generate. Syria's scientific capacity lagged behind, and the country remains burdened by significant technological and scientific dependency. Private banks have also failed to contribute positively to encouraging productive investment; instead, they have promoted consumption.

Support for basic commodities, previously subsidized by the state, declined as their prices, particularly for energy carriers, were hiked. These price hikes outpaced wage increases, leading to a surge in poverty rates, reaching 32% of the population living below the upper poverty line (\$2 per person per day), as reported by the UNDP. Interestingly, this report is noted for its sensitivity to the government's stance. Social justice witnessed a decline as the share of wages in the domestic product distribution, representing the return on labor power, decreased. This shift was accompanied by an increase in the share of profits, reflecting the return on ownership, exacerbating social divisions. The drought that affected eastern Syria, particularly between 2006-2009, resulted in the abandonment of approximately 170 villages in the Khabur River area of Hasakah Governorate. The affected population relocated to makeshift tents on the outskirts of cities, with no assistance from the regime. This stark scene exposed the regime's priorities, highlighting its focus on the wealthy classes while neglecting the impoverished, despite their foundational role in production. Numerous articles, investigations, news reports, and photos have extensively covered this issue.

4.3. The Regime's Approach to Economic Reform

Professor Raymond Hinnebusch says: "A radical elite in time exhausts its ideological energies: ideology and charisma must come to terms with everyday, especially economic, realities..., radicals overreach themselves and are chastened by a conservative reaction..., and leadership vigor gives way to self-serving corruption..., especially given the lack of accountability mechanisms in authoritarian regimes."¹⁹

19- Raymond A. Hinnebusch, *Authoritarian Power and State Formation in Ba'thist Syria: Army, Party, and Peasant*. (New York: Routledge, 2021), p. 31.



He further says: “In a statist regime, elite aggrandizement and the corrupt manipulation of state-market interactions tends to generate a new ‘state bourgeoisie’ inside the regime... This may spell a bourgeois recapture of the state and the deployment of state power in the interest of capitalist development.”²⁰

The failure of this type of economic reform to enhance the productive capacity of the Syrian economy, generate more job opportunities, and bring about tangible increases in incomes has had significant social repercussions. This failure is compounded by the fact that economic reforms were directed towards benefiting the rentier business groups associated with the ruling elite. Consequently, it has negatively impacted the living standards of the majority of Syrians. This factor stands out as a crucial contributor to the accumulation of public discontent in the Syrian society, prompting citizens to take to the streets in demand for change. For a more in-depth exploration of this subject, see *Khalfiyyat Al-Thawra: Dirasat Suriyyah* (Backgrounds of the Revolution: Syrian Studies), published in 2013 by the Arab Center for Research and Policy Studies and authored by a group of scholars.

20- Ibid, p. 32.



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