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Investment and Neoliberalism in Syria

Linda Matar and Ali Kadri

1. Introduction

This chapter examines investment performance in Syria prior to the 2011 uprising, as well as the policy options debated during the devastating post-uprising war period. The chapter also provides a synopsis of the neoliberal reforms that were enacted between 2000 and 2010, under the rule of the present government (2015). These reforms consisted of lifting price controls and reducing tariffs, amending investment laws, unifying official and market exchange rates, removing subsidies, and opening up trade and capital accounts. The regime transformed the economy from state-controlled to a market-oriented economic structure; all the while, state institutions remained firmly in the hands of the ruling merchant–military class. Driven by the objective laws of growth under capitalism, the ruling class was keen to change from a state bourgeois class (which controls the means of production through its control of the state) into a private capitalist class that individually owns the means of production. Naturally, the state bourgeoisie promoted the sort of private sector-led activity that agreed with their private interests. Speculation in the real estate market, monopolising the telecommunication sector and going around the law to seize public assets for private use were landmark characteristics of the makeover. Distinct from the import-substitution policies during the Ba'athist era of the 1960s and 1970s, which emphasised the protection of national industry, openness under personally commandeered institutions led to resource divestiture away from industry. The usurpation of resources from the working class precipitated a crisis in capital accumulation, as evidenced by the aggravated social hardships prior to the uprising of 2011. However, what triggered the uprising against deteriorating social conditions was the triad of the fall

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of the fear barrier, the loosening grip of the ruling class on the state and the perception that a viable alternative was possible. It is one thing for social conditions to worsen, but wholly another that sets off the avalanche of social change.

The crisis of capital accumulation is a social crisis, as it relates to the way society organises its production, consumption and distribution to sustain itself. Its foremost manifestations are the decline in quality and rate of investment, and deterioration in the level of capital stock. In a measure no different to that which occurred elsewhere, the Syrian ruling class, engrossed in the neoliberal fever sweeping the planet, used the ideology of the free market to restructure society's resource mechanisms towards their pockets. Instead of rising productivity, efficiency gains and better allocation, by the end of the neoliberal reform process nearly half the Syrian working people were effectively idle. Although many countries in the developing world have structurally adjusted under the advice of the IFIs, few ended up in a war condition that is as horrific as that of Syria. In hindsight, the overdetermining geostrategic and regional context in which Syria is situated makes the course of war somewhat inevitable. In other words, there is an international balance of power, determined by the degree of imperialist hegemony over a region to which Syria belongs. Apart from the strong economic and military cooperation between Syria and Russia, Syria's port of Tartus hosts the only Russian naval base on the eastern Mediterranean. A revolt that could potentially swing Syria away from the Russian camp would strengthen the US-led imperialist side. What was at play once the uprising had shaken the security of the state is more than just bread-and-butter reforms in Syria.

There are two interrelated perspectives that would help us penetrate the depth of the subject of capital accumulation in Syria: its history and class structure. Its historical course, muddled by war and instability, is – all on its own – not conducive to healthy growth. However, in the historical course itself, the way classes *qua* social relationships are structured defines the interface between accumulation policy and outcome. A ruling class drawing its wealth from the industrial development of national economy, more often than not (as evidenced in Syria's early socialist periods), engenders positive developmental outcomes. A merchant–military class swayed by the prospects of safer returns on their dollar investments abroad and absorbed by affluent consumption styles produces inequitable development. This tersely defines the class difference between Arab socialism and neoliberalism.

2. The metamorphosis of the state bourgeoisie

Syria never recovered from the economic crisis of the mid-1980s. First, the sharp drop in aid flows from the Arab conservative countries, following the drop in international oil prices in 1986, had a negative impact on the Syrian economy – pushing the balance of payment into deficit. Secondly, Syria increased its expenditure on the military – after the 1973 Arab-Israeli War and especially after the 1979 Camp David agreement – rather than on developmental and infrastructural projects. Whereas external aid during the early 1970s was pumped into industrial projects, it was later used to finance military expenditure during the period between 1979 and 1981. But the primary cause of the turnaround was that the regime adopted policies that diverted resources to low productivity sectors, such as tertiary economies and private construction. The five-year plan (1980–1985) reduced government expenditure on imports and allowed only for the completion of unfinished investment projects from the 1970s. The average rate of mining and manufacturing dropped from 45 per cent of gross fixed capital formation (GFCF) in the late 1970s to 30 per cent in early 1980s, and further to 23 per cent in late 1980s (Central Bureau of Statistics of Syria, Statistical Abstract, 1980, 1987, 1990). The building of new military establishments and institutions (the Ministry of Defence and the Military Housing Establishment) raised investments in the dwelling and construction sector. Private sector investments in construction and real estate totalled S£1.5 billion during the early 1980s, whereas those in industry amounted only to S£70 million (Seifan, 2009, p. 30). As a result, the basic infrastructure was not rehabilitated, the productive resources were not enhanced and production levels fell. Then came the fillip of the mid-1980s crisis: the foreign exchange rate crisis as a result of a massive smuggling operations of the Syrian pound in the mid-1980s, carried out by sections of the nomenklatura, which caused a severe depreciation in the Syrian pound that simultaneously increased consumer prices by 498.3 per cent during 1980–1989 (World Bank, various years).

This economic restructuring, away from modern industry, persisted up until the 2011 uprising. Real GDP was growing at the rate of 5.5 per cent per annum during the 1990s (World Bank, various years). This was mainly attributed to the production and export of light oil. Since 1985, the economy has never escaped crisis. In the late 1990s, GDP per capita at constant prices grew at – 1.2 per cent (Central Bureau of Statistics of Syria, *Statistical Abstract*, 2010). The highest growth rate of per capita income of 6 per cent was attained in the 1970s (World Bank, various years) when the import substitution industrialisation (ISI) policy was still effective. One ought to note that the state deficit of this period (1970s) was minimal, while foreign debts to the Soviet Union were provided at concessional rates, and were later written off.

In the 1980s, public sector wages increased by 300 per cent, while retail prices rose by approximately 600 per cent from their 1980 level (Perthes, 1992, p. 43). Available national figures – likely distorted – on poverty show that it hovered at a double-digit level (14.3 per cent in 1996–1997). Low real growth rates per capita, low job creation and nominal wages that did not keep pace with prices were the norm well into the 2000s.

According to Hinnebusch (1995), economic reforms in Syria had always been determined by the political calculations of the state bourgeoisie rather than by economic considerations. Although this is a misleading statement that flies in the face of the fact that the state bourgeoisie fattened itself to financial obesity, the class in power often used it to conceal its drive for accumulation. However, Syria's transition from a state-led to a market-oriented economic structure cannot be explained without referring to regional and international developments. Two successive military defeats in the wars of 1967 and 1973 against Israel and, more importantly, the ideological defeat of the Soviet project in 1990, paved the way for the reversal of the progressive reforms of the socialising Ba'athist regime. This combination of changing historical currents, the change in the class-based interests of the state bourgeoisie and the rise of laissez-faire ideology set the ground for the regime's *volte-face* that followed.

We should consider briefly how the state bourgeois class, mainly composed of Ba'athist military officers, assumed power during the 1960s. Via a coup d'état against the group that deposed Gamal Abdel Nasser in 1961, the Ba'athist military officers wrested control of the state apparatus. Under President Atassi's leadership – he also happened to be a hero of the Algerian liberation war – further socialist reforms expanded the nationalisation and land redistribution introduced by Abdel Nasser between 1958 and 1961. Workers and peasants were the main beneficiaries of the radical macroeconomic strategies – mainly nationalisation, progressive land reforms and other populist measures – that were enacted during the Ba'athist regime (Hinnebusch, 1990). The Ba'athists exercised tight control from above without allowing working-class political participation. Because this revolution from above had stopped halfway without fully supressing the capitalist elements in society – persistence of wage labour and appropriation of surplus value while keeping sections of the private sector intact – and inhibiting working-class participation in politics, counter-reforms followed as soon as Hafiz Assad ascended to power by coup in 1970 (that is, prior to the wave of neoliberalism that swept the planet as of 1980) and reintroduced more private sector rights in the 1971 constitution.

By the late 1980s, the Hafiz Assad regime had initiated counter-reforms that departed from the import-substituting strategies of the preceding Ba'athist period. The state bourgeoisie, whose wealth through the state rose and whose class-based proclivities became more entrepreneurial, grew more distant from the middle class and the workers, and grew closer to the still surviving commercial bourgeoisie. They pushed for economic liberalisation, which culminated in the promulgation of investment reforms (notably Law 10 of 1991) aimed at promoting private sector activities. Investment liberalisation was allegedly crucial for revitalising the private sector after so many years of being suppressed by the state. Investment reforms were the doorway that enabled the state bourgeoisie to formalise their informal hold on property and to transform themselves from controllers to owners of the means of production. With the accumulated wealth that they had amassed through their indirect control of the state during the Ba'athist phase, the state bourgeoisie undertook their own private investment projects, either alone or in partnership with the new commercial bourgeoisie. During the socialising Ba'athist period, the state bourgeoisie increased their private wealth through the control and management of state properties. As noted by Sadowski (1985), they charged substantial commissions on waived licence requirements, lifting administrative procedures and providing priority access to commercial bourgeoisie, who presented their bids on public tenders to supply equipment for different business ventures in the state-controlled sectors such as industry, agriculture, construction and transport.

The class in power during the latter stages of Hafiz and Bashar rule decided not to build upon the ISI achievements and reversed the statist policies that had retained resources in the national economy. Deficiency in national productive capacity followed suit and imports of necessities began to rise. Shortages in capital equipment, as the state neglected technology (tools and machinery) imports and veered towards consumables imports, subdued industrial expansion. In the few years prior to the uprising, the wealthy urban tycoons were themselves the actualisation of state bourgeoisie. As these property-owning individuals exploited economic reforms in the interest of short-term profiteering, they depleted the economy of the resources that would be needed to boost productivity in the future. Their business ventures in telecommunication, duty-free and retail projects, private banking (under Bashar), real estate and other services went unchecked, and immense private wealth was amassed. It was estimated that 5 per cent of the population controlled more than 50 per cent of the economy (Perthes, 2004). It follows that the social force deciding on investments no longer nested within the bureaucracy of the state, as during the previous Ba'athist phase, but became an amalgam of military officers and businessmen. These make up the new voracious manifestation of a capitalist class, hiding behind defeatism in order to neoliberalise.

3. The full gamut of neoliberal reforms

By the mid-2000s, the ruling class introduced vast free market liberalisation measures that amounted to a similar policy to the shock therapy introduced into post-Soviet Russia in 1990. The Bashar regime did not start with institutional reforms that could have empowered state institutions (police, judiciary, legislative, private property and other regulatory bodies), that, in turn, could have paved the way for a somewhat even playing-field market economy. Instead, it decided to put aside the institutional rationalities and accelerated economic reforms that were introduced during the Hafiz rule; but this time due to advice from the IFIs.

The endorsement of neoliberal policies was coupled with sidelining the Ba'athist constituency that had previously played a key role in consolidating the regime (along with bureaucracy and the security apparatus). As argued by Hinnebusch (2015), because the Bashar regime opted to side with the new commercial bourgeoisie instead of the old Ba'athist guard, it lost its rural social base of support, which became predisposed to anti-regime mobilisation. In the words of Hinnebusch (2015, p. 44), 'the party's precipitous decline both as an instrument for fostering ideological conformity and as patronage network left the regime increasingly susceptible to Islamic counter-mobilization'. As mentioned, this is an accurate reflection of the facts; however, the regime did not neglect its Ba'athist support base by choice. The retrenchment of the state from social services and the retreating public sector were the reasons why the Ba'ath could no longer furnish the privileges and patronage to its constituency it did under statist policy. Even if the regime had maintained its Ba'ath social support base, under neoliberalism the crunch on state finances and the diverting of resources to the new rich would necessarily curtail the role of the party.

A 2007 investment Legislative Decree No. 8 (Decree 8) was enacted to replace the old investment reform Law 10 of 1991, and become the main legal framework behind investment operations. Supposedly in order to promote more private investment, Decree 8 removed the remaining state controls on private investment, and allowed investors to purchase and own the land on which the investment project was taking place. This encouraged Gulf investors to place their newly acquired funds, which were earned from the oil windfall of the 2002–2008 oil boom, in the real estate sector, because speculation on real estate offered high and quick returns over the short or medium term (Barout, 2011, pp. 55, 56). With rising income inequality and dipping real wages, working people could not have egged on the real estate market. As was occurring throughout the region, oil-provided liquidity from the Gulf raised speculation on real estate and pushed prices up, driving a real estate boom in Syria during 2002–2010. The monetary stance of the Central Bank shifted towards maintaining a steady exchange rate, relaxing capital movement, raising the interest rate to curtail capital outflows and issuing credit to meet speculation demand. It was a class-based monetary policy: inflating the assets of the rich and meeting their transaction demand with a steady flow of Syrian pounds fixed against the dollar. The loss of sovereignty over monetary policy was such that, in the five years prior to the uprising, the dollar could be used in the local market instead of the Syrian pound, and national reserves were being lowered to support national currency conversion.

Housing prices increased by 30 per cent every year during 2003–2006, while in 2009, they increased by 40 per cent compared to their 2008 prices (Seifan, 2011, p. 5). Similarly, the sales and rental price of office space in central Damascus increased significantly in 2009, with the average rental cost rising by 24 per cent in the third quarter of 2009, compared to that of 2008. Meanwhile, the sales price of retail space increased by 40 per cent in the third quarter in 2009, compared to the same period in 2008 (The Syria Report, 2010b). According to Cushman & Wakefield, an international real estate consultancy firm, the 2009 retail rents in Damascus were the third highest in the Arab region. Damascus was more expensive than Cairo, Amman, Manama, Doha, Riyadh, Muscat and Dubai, but cheaper than Beirut and Kuwait City.

Just like its predecessor (Investment Law 10), Decree 8 failed to boost productive investment. The state failed to provide subsidies and tax concessions to industrial projects that could have channelled economic resources into modern sectors (high capital output ratio) with the potential for economies of scale and global competitiveness. Legislative

Decree 8 served to broaden private ownership – including the ownership of land – and, as is customary for market reforms under uneven power platforms, met private as opposed to social ends. The real estate boom played a crucial role in enriching the Syrian bourgeois class, but it was harmful for those with inferior incomes. Because the income of workers could not cope with the increase in rental prices of property, they were prohibited from obtaining decent housing (UN, 2009).

Prior to the free market takeover, import-substituting policies and state-sponsored employment programmes absorbed nearly all those reaching working age. Although the products of industry were of lesser finish and quality than European goods, they satisfied local demand and promoted a synergy between technology growth, productivity and an upskilling of labour. The problem, when adopting the free market precepts, occurred at the time the economy opened up: the level of national technology and productivity were lagging vis-à-vis international levels. Instead of gradually selecting which technology to improve from the national industry and bolstering its competiveness, the new reforms were imposed in such a way such that, in due course, nearly the whole of the home-grown technology structure would have to be scrapped.

Neoliberalism threw the baby out with the bathwater, so to speak. The reason is simple: the ruling merchant–military class, being more merchant than military, had a knack for quick profiteering from commercial activity via co-opting the state as opposed to industrial entrepreneurship. The flux within society from geopolitical pressures and lost wars, especially the demise of the Soviet Union, had an impact on the articulation of the ruling classes in Syria. Tangentially, it was not ISI policies that went wrong or had run their course; it was the class in charge of development that had changed. This class restructuring is the result of imperialist-sponsored aggressions that mainstream social science either obscures or from which it shies away.

Starting in 2000, Syria began to open up its market to trade and investment in an effort to integrate with other regional and international economies, and boost bilateral trade and investment. Syria also substantially reduced customs on its black list – known as the 'negative list' of commodities as they had high tariffs levied on them – from 3,000 items to a mere 100 by 2007. These items formed part of the supply-line of the security structure of the state, given that Syria is officially in a state of war with Israel. Trade liberalisation and the lifting of state protection had exposed the Syrian industry to unfair challenges. Syrian industry required modernisation to be able to compete internationally (Abdel Nour, 2000). It was actually impossible for Syria to suddenly compete in a global market, given the technological gap between foreign and local production, so the policy of trade liberalisation was actually a death sentence on the country's national industry. Experimentation with openness for the purpose of testing whether these industries would actually be able to cope with competitiveness from abroad was not a path that the Syrian economy could afford to follow. As a result, trade liberalisation led to a dislocation of productive resources and to the closure of many local manufacturing plants, especially those located in the suburbs of the main cities – where the protests initially started, igniting the uprising and leading to the civil war.

The pricing system moved away from the social or capped pricing of basic commodities, towards free market pricing. Price liberalisation was introduced without pre-ensuring sound social safety nets, which had detrimental social implications. The lifting of price controls on basic commodities, such as milk, vegetables and other essentials, permitted merchants with ties to the regime to abuse their privileges and raise their mark-ups. Although possibly the most doctored data is Syrian data, officially the general price level increased by 73 per cent during 2000–2010 (WDI, various years). Because of the phasing out of fuel, power, diesel and fertiliser subsidies, the price of food (meat, cereals, fisheries, fruits and vegetables) increased by 38.2 per cent in the period between 2006 and 2010. The price of electricity, gas and other fuel oils rose by 102.3 per cent during the same period. This pushed the general index up by 29.1 per cent during 2006–2010 (Central Bureau of Statistics of Syria, 2011).[1] The increase in nominal wages in the late 2000s was not able to correspond with the increase in the prices of basic commodities, and the purchasing power of workers and peasants was reduced. In addition, the severe drought throughout 2006–2010 forced many farmers to cultivate less land or abandon their farms altogether, as they were not able to finance the rising costs of production.

The private banking law was promulgated in 2001, allowing the establishment of private banks for the first time, after 40 years of a state-controlled banking system. Six private banks were established: Bank of Syria and Overseas (BSO), Bank BEMO, Bank Audi, the International Bank of Trade and Finance, Arab Bank and Byblos Bank. Their combined deposits were estimated at US$30–50 million at the time of privatisation, which then increased to US$3 billion in 2007 (Moubayed, 2007). Initially, there was a restriction on foreign ownership of bank shares. Syrian nationals or companies were required to own a 49 or 51 per cent of bank share. The ruling elites and the commercial bourgeoisie, such as Rami Makhlouf, Nader Qalai, Issam Anbouba and Samir Hassan – rather than competitive market bidders – turned out to be the major shareholders (The Syria Report, 2010a). The activation of private banking was crucial for the state bourgeoisie. It enabled them to easily transfer their money deposits outside the country. Previously, during the 1970s, they had to smuggle in their wealth and store it in Lebanese private banks (IMF, 1975, p. 102).

During the Bashar regime, the private bank credit was limited to usury-like transactions and did not finance industrial and developmental projects. Loans were given out on the basis of collateral against a new investment project, rather than on the financial performance or achievement of the project. Because they failed to provide finance to long-term investment, the Syrian private banks therefore proved to be similar to the shallow financial institutions of most Arab countries, in the sense not only that lending operations are conducted on a short-term basis, but that they require huge collateral and guarantees.

The neglect of productive sectors by state policies was accompanied by a shift in private and state banks' lending operations from development investments to short-term commercial activities (Kanaan, 2000, p. 128). The average of total local bank credit furnished to agriculture and industry accounted for only 12 per cent and 7 per cent respectively during 2008–2010. This is compared to 51 per cent to the commercial sector (Central Bureau of Statistics of Syria, 2011).

There was enmity between merchants and industrialists during Syria's transition from state-planned to market-oriented economy. Because the private banking sector did not extend credit to industry, when the state funding dried out, tensions rose between the banking sector and the industrialists as well. The industrial sector gradually lost its political clout as the state bourgeoisie became commercially inclined. In this tension, it became obvious that the winners were the merchants, including the private financiers.

During the liberalisation phase, the Central Bank reduced the interest rate for the first time, in 2003, after holding it constant at 7 per cent for 22 years (Central Bank of Syria, *Quarterly Bulletin*, various years). The Central Bank gave private banks with the option to set their own rates on bank deposits (The Syria Report, 2008). The vast spread between the official rate and the private lending rate was exploited by financiers with ties to the regime. Interest rate reduction did not stimulate investment, as evidenced by the steady investment rates (WDI, various years).

Policymakers perceived employment generation and poverty reduction to be by-products of the neoliberal paradigm and its associated profit-based resource allocation mechanism. That is true if one takes into account the people thrown into informal poverty employment and the higher rates of stunted growth in children (UNICEF, 2013). Overlooking the social side of market-driven economic reforms trapped the majority of Syrians in poverty. Rising unemployment and job insecurity were attributed to the long-term contraction in the traditional manufacturing sector. Given that Syria is at war, this weakening of the social front in terms of working-class security and industrial productivity weakened the country's national security. In hindsight, it looks as though, the Syrian bourgeoisie has committed political suicide. The Syrian regime in charge of development was unaware that it belonged to a financialised social class that cut across the Syrian border. This is so because as trade and capital accounts opened and Syrian currency was exchanged and held in the Dollars, the dollar-value became the common denominator that objectively united the interests of the US financial class with the Syrian financial class. However, for the US-led financial class, geostrategic position and the war economy is one of the principal drivers of growth and profits and the making of war in Syria becomes an end in itself (Foster, 2003). Syrian economists estimated the unemployment rate to be 16.5 per cent in 2009 (Barout, 2011). Poverty rate was 34.3 per cent in 2010 (representing 7 million people) (Al-Laithy and Abu-Ismail, 2010: 17). In rural areas, it reached 62 per cent. With subsidies on fuel lifted, agricultural input prices rising to world levels as trade in these items was freed, and investment in agriculture and its infrastructure hitting new lows, the farmers suffered from these 'reforms'. The effects of droughts were no longer transient. The lack of dams and reservoirs, and the reliance on artisanal wealth that depleted the water table, in addition to changes to land tenure laws practically reversing the socialist-era land reforms, put farmers under pressures unseen before. It was no surprise then that the spark of the uprising was rural – mainly in Dera'a, Idlib and Douma.

4. The deepening crisis

Capital is a social relation that creates the necessary condition by which it privately appropriates socially produced wealth (Fine and Saad Filho, 2004). Capital accumulation is the means by which social classes relate to each other in the process of production, exchange and distribution to produce commodities. Capital accumulation remains the fundamental dynamic of capitalism and the capitalist class since its inception (Bottomore, 1983, p. 272). A crisis of capital accumulation is the failure of the social class in charge to reproduce the necessary social conditions for increased production and growth. Under capitalism, accumulation crises manifest themselves in crises of overproduction.

The Syrian investment rate, the quantitative measure of growth in the fixed capital formation, remained volatile and low for many years. Its highest plateau was achieved in the years between 1976 and 1980 at an average of 33.1 per cent (WDI, various years). The increasing trend of the investment rate during the 1960s and 1970s was driven by growing industrial investment. Not only did public investment contribute to the bulk of total investments (more than 60 per cent) each year during 1975–1979, but a decomposition of investments for these years shows that mining and manufacturing constituted the highest share (absorbing 45 per cent of investment for the period between 1974 and 1979) (Central Bureau of Statistics of Syria, 1987). This period fell under the ISI programme, whose aim was to establish economic independence by enhancing the economy's productive capacity. External aid and geopolitical rents, which were forthcoming in the mid-1970s, were channelled to finance productive investments. Industrial output grew at an average rate of 11.6 per cent per annum during 1970–1978. This is compared to only 5.6 per cent during 1960–1970 (Chatelus and Schemeil 1984, p. 254). Local production, especially textiles and clothing, expanded to the former USSR and East European markets. Unlike the case of East Asia, Syria could not sustain the competition from abroad because the state bourgeoisie itself forfeited its commitment to national industry.

As reviewed by Amsden (1989) and Wade (1990), the now-developed East Asian states selected key industrial sectors and specific private enterprises, and provided them with financial subsidies, state-sponsored technological know-how and tax breaks. Amsden (1989) describes South Korea as a 'guided market economy', in which the priority to industrialise preceded all other market considerations. The state intervened and distorted prices by introducing reduced rates of interest on long-term credits and conditional subsidies. The latter promoted the desired levels of investment in strategic sectors. Likewise, Wade (1990) supports the argument of 'getting the prices wrong'. He agrees that the governments of East Asia built the industrial nucleus by controlling trade and foreign exchange, providing export and tax incentives, and channelling resources into new growth industries whose performance criteria met international standards at a later stage. However, the geopolitical context of a nuclear China and advancing communism prompted the US to boost the cordon sanitaire and the security of its Eastern allies by industrialising them. The case of Syria is exactly the opposite.

Deindustrialising Syria and weakening its security serves the US-led imperial interest in the Middle East.

During the 1980s, the investment rate in Syria dropped off sharply, falling to 15 per cent in 1988, as a result of the fall in geopolitical rents following the decline in international oil prices. After investment liberalisation Law 10 was introduced in 1991, the investment rate slightly increased in the first half of the 1990s, because consumption items were recorded as investment goods in the accounting books (Matar, 2013). The investment rate averaged 23 per cent during 1991–1995, before dropping off to 20 per cent in the late 1990s, a period which was described by the Syrian Planning Commission as the 'lost years'. The average of investments during 2000–2007 was not better than the preceding period, settling at 21 per cent (Central Bureau of Statistics of Syria, 2011). Other countries that witnessed successful industrialisation experiences, such as Singapore, Malaysia, South Korea and Thailand, achieved an average investment rate not less than 30 per cent during the 1990s. In particular, value-added industrial production in Singapore, Malaysia and Thailand grew at an average growth rate of 7.5 per cent, 7.8 per cent and 6.1 per cent respectively during the early 1990s (World Bank, various years). In comparison, Syria's industrial output grew at 2.6 per cent per annum in the 1990s (UNIDO, 2014). Syria's manufacturing output did not exceed 5 per cent of total value-added production in the period between 2008 and 2012 (UNIDO, 2014), and was concentrated in light textiles, agro-food, chemicals and pharmaceutical products (AMF, *Joint Arab Economic Report* 2011). For a developing economy like Syria that suffers from deficient productive capacity, a high investment rate is indispensable for raising productivity, wages and wealth.

Economic liberalisation, which started during the Hafiz regime and intensified later during the Bashar regime, failed to boost investment, especially industrial investment. The average investment rate in Syria during different periods during the 1970s, 1980s, 1990s and 2000s were 28, 24, 22 and 21 per cent respectively (WDI, various years). In the 2000s, private investments remained concentrated in short-term or speculative activity – real estate speculation and service and commercial projects. The investment reform law, Decree 8 of 2007, enabled private investors – especially wealthy merchants – to abuse incentives and conduct profitable short-term investment projects using their linkages to the state security apparatus (Hopfinger and Khadour 1999, p. 66).

Trade openness had an uneven impact on the price system. On the one hand, prices of locally produced industrial products suffered as a result of the lifting of protection and the importing of cheap products. On the other hand, prices of the non-locally produced consumer goods that were initially imported by the state rose as a result of the chartered hold on import licences by merchants. Eventually, the merchant class – who was in control of the market through state licences, monopolies and quasi-monopolies – raised prices, so the beneficial impact of lower imported goods prices to the consumer, following trade liberalisation, was a short-lived phenomenon. By the time of the uprising, poverty was plain to see, but was hidden in the official records.

5. Pernicious policies

In the post uprising period, the conflict itself has become an economic enterprise funded mainly by external sources. Its output is the destructive process and the shifting power landscape, which is the service that is produced in return for the war rent to local landlords. Unless the 'services' that the conflict emits to imperialist players become of no value, the conflict is unlikely to abate. That is the historical contingency one must grapple with when the current crisis in socialist-internationalist ideology is as deep as it is. Talk of future policy and reconstruction at this time – especially if it springs from the mainstream literature – is meant to mislead. Yet some in the opposition to the Syrian regime foresee a swift economic and political transition. As of 2013, the Syrian Centre for Political and Strategic Studies (SCPSS), an American-based think-tank, has already undertaken plans for future monetary and fiscal policies and for economic reconstruction for post-conflict Syria. The salient stance from the opposition calls for further market liberalisation. The SCPSS report calls for Syria to adopt perfect competition and remove the barriers to entry (SCPSS, 2013, pp. 197–198). This language is delusional, even in the most democratic societies. No market is an even playing field with social controls avoiding waste, especially if raising profits by cutting costs are the dynamic of the system. Efficiency, scarcity and competiveness are the product of class balances, but, in actuality, the objective tendency of the market is for a concentration of power and wealth.

Markets are social platforms that include value circuits that channel resources to rulers or ruled. There is no market that is free or enslaved: markets simply chart circuits of value or what it takes to reproduce a social formation. Policies and regulations either free the delivery of resources to one class or the other. The outcome of that is determined by the class struggle. The 'Economic Vision for New Syria', to which the

Syrian opposition generally refers, presents no fundamental changes to the macroeconomic policies that were pursued by the Assad regime. The experts behind it are ignorant of the extent of the free market shock therapy to which Syria was subjected during the second half of 2000s. The only reason one would want to free a market that is already free and replace the old rulers is because one wants to take over as the new kleptocrat.

As the fighting continues between the regime forces and Islamist factions, and as each side tries to wrest more territorial control, the war in Syria becomes, anew, a national liberation war that requires odd alliances to repel the imperialist-sponsored Islamist reactionaries. Real Syrians are caught between a rock and a hard place: between a regime that has held the population for ransom against its hollow rhetoric and seized the wealth of the nation, and an imperialist–Islamic state model for whom the drudgery of worldly life is justifiable before the altar of the gods. The calamity of the conflict is doubly serious, because the conflict has built up a momentum of its own and appears unstoppable. But the conflict has an international dimension, as the capture of Syria by the US or its complete collapse tilt the balance of power globally in favour of finance/war-inclined imperialism. From an internationalist standpoint, Syria as state and social formation should be salvaged.

6. Closing remarks

There are few facts that have surfaced about Syria after four years of war:

1. The violence of the Syrian conflict is being fed by the differences between the US–Europe and Russia–China.
2. At the time of writing, the Syrian opposition has come to be dominated by Jihadist groups, which feed off imperialist funding and ambitions.
3. There are probably no strategic resources of significance in Syria, but it is strategically located and its control imparts strategic gains to whichever imperialist power holds it in the end.

The US-led imperialist assault on Syria is serious, relentless and assumes various forms. Although one cannot have access to intelligence operations, one can state with the utmost certainty that it is naive to suppose that imperialism has not seized the opportunity to militarise the peaceful uprising since day one. Social classes cannot be deemed ignorant, but there are definitely sections of the ruling and working classes that are unaware of the historical moment, the balance forces and the unlikeliness of peaceful transition. Sections of the regime thought that the US-led imperialism was interested in the poor prospect of trade with Syria and not in the destruction of the Syrian social formation to bolster its own power position. Sections of the working class estimated that they could seize power peacefully in a country which is targeted by wars of aggression and at a time of collapse in the internationalist socialist movement. Their assessments were wrong and the war is proof of this. But social classes are only subordinately personal, and are essentially impersonal and objective relationships. These latter characteristics of classes imply that imperialism extended itself into Syria's class formation prior to the conflict in the way it (imperialism) abetted neoliberalism, and, post-conflict, in the way it fuelled the war. Classes go through a process of self-generation, sacrificing certain sections of itself and re-engaging others. US-led imperialism (the violent social class), is disposing physically of some of its Syrian partners to possibly emerge stronger. In this calculus, the position of the Syrian working class should be nationalist, anti-Jihadist and anti US-led imperialist first and at whatever cost – any internal aim of wresting state-power should be postponed until national liberation is complete.

Note

1. The actual inflation rate is several times the official rate. Dr Mohammed Jamal Barout, who, for a long time, was a high-ranking state official in Syria, affirms that the inflation rate is the item that is subjected to the worse forms of doctoring by the Syrian authorities, for lowering the inflation rate embellishes the economic performance of the regime (Barout, 2011, pp. 103 and 104).

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