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Socioeconomic background of the Syrian revolution

The Syrian uprising against political repression, corruption, poverty and social inequality since March 2011, has surprised not only the dictatorial ruler in Damascus, but also the entire world. People in Syria themselves can hardly believe that they could finally raise their voices and protest against the almost 40-year-old dictatorship. The Syrian regime, which is one of the cruellest ruling authoritarian regimes worldwide, has succeeded in eliminating all opposition movements and tightening its grip on political and economic power by nepotism and clientelism since 1973. Still, many questions are rightly raised about the political, economic and social dynamics behind the uprising developments, as well as on the moment of the uprising. This regime is in power since the early 1970s, so why the uprising now?

To answer these questions, this paper will first review the political economy of Syria prior to 2011 and then analyse the socioeconomic effects of the economic reform programme of Bashar al-Assad between 2000 and 2011.

Political Economy of Syria (1970-2011)

After Hafez al-Assad, the father of the current Syrian president, came to power through a military coup in 1970, he immediately changed the constitution of 1950 and replaced it with the constitution of 1973 declaring Syria a “socialist state with a planned economy” and the Ba’th party “the leader of state and society”. In order to ensure his control over politics, economy and society, Hafez established a loyal network within the government sector, the Ba’th party, the intelligence services and the armed forces. While adaptation of the “Socialist State Model” enabled the regime to monopolize the economy, a strong personality cult of al-Assad dominated

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the public life. Portraits of the president and his family were to be seen not only in government offices, streets and market places, but also in private institutions and houses. As a socialist state,

Syria also followed a strong social policy covering almost all sectors, among others public health and education systems, fuel and food subsidies, state-controlled market prices and subvention for crucial agricultural and industrial products.

To win the loyalty of the bourgeoisie, who were afraid of a new wave of nationalisation, Hafez al-Assad forged partnerships with it, guaranteeing its business by making the private sector an important element in the economic development process in Syria (Hinnebush 1994, Wils 1997). Nonetheless, the state sector remained the main economic actor through public enterprises and the central planning system. The public enterprises operate in different industrial, agricultural and service sectors and enjoy a monopoly over the production and marketing of many products (e.g. cotton, cement and oil).

The era of Hafez (1971 to 2000) hardly witnessed liberalization efforts. His openness policy, the so-called “Infitah”, was a kind of strongly controlled economic liberalization in favour of certain business and political elites (Kienle: 1994, Perthes: 1994). The only two notable achievements in this period of time are: the Investment law No 10 in 1991, which aimed to increase the role of private sector in the economy; and the signing of the agreement on the Great Arab Free Trade Area (GAF-TA) in 1997. On the political front, Hafez had brutally eliminated all opposition parties that posed a serious threat to his rule, in particular the Muslim Brothers and the Communist party. In addition, he forbade the establishment of non-government organisations outside of the Ba’th party.



When Bashar al-Assad came to power after the death of his father in June 2000, he promised in his inaugural speech to reform the economy, to fight corruption, modernize the institutions, rebuild civil society, establish political pluralism and insure free opinion. Therewith Bashar became the white hope of a wide range of the Syrian population. However, Bashar's promises were empty words, with the exception of economic reforms, which were a good opportunity to redistribute the wealth to the advantage of al-Assad's family, its relatives and loyal guards creating a new economic elite (see Haddad 2011).

In order to encourage civil society, the government reactivated the NGO law from 1958 and drafted a new one. Accordingly, the number of NGOs increased to 1400 in 2011. However, this quantitative positive development did not reflect an improvement on the ground, since NGOs were under strong state control exerted through intelligence services (Said 2012). The single political movement next to Bashar's call for political pluralism was the "Damascus spring", an initiative of a number of intellectuals, academics, scholars, jurists, artists and political activists calling for more freedom, civil society, removal of emergency law and for ending the monopoly of the Ba'ath Party. Weeks after signing a declaration "Damascus declaration", almost all its members were detained by intelligence services or banned from leaving the country. The young president created his own personality cult, which he had himself criticised at the beginning.

Economic reform policy and its socioeconomic impacts

A few months after Bashar became president, the government issued a large number of decrees in order to open up the economy to the private sector and liberalize foreign trade. Accordingly, private banks, universities and insurance companies were allowed in Syria after more than 30 years of state monopoly. The foreign trade sector, which was one of the most restricted systems worldwide until 2000, also witnessed fundamental changes. For example, Syria signed bilateral free trade agreements with several Arab countries and Turkey, concluded the negotiating of a Syrian-European Partnership and applied twice for membership in the WTO. More importantly in this regard are the unilateral tariff reductions, the removal of import bans on a large numbers of

products, the simplifying of costumes duty structure and computerization of customs clearance. Last but not least, Syria made remarkable efforts to improve the investment climate and attract foreign investors by simplifying the administrative procedures to set up a business, unifying the multiple exchange rates and eliminating restrictions on access to foreign currencies to finance imports, reforming the taxation system and reopening the Damascus stock exchange in 2009 after it had been closed for 40 years. The IMF positively reported these liberalization measures in Syria (IMF 2007 and 2010). The IMF estimated the growth of non-oil GDP at 6-7 % in 2007, the contribution of the private sector in the non-oil GDP at more than 80 % and unemployment below 10 % due to job creation driven by private investment. Moreover, an increase in the living standards of Syrian citizens and 1½ million Iraqi refugees was reported, despite of the large demand shock through the Iraqi influx and inflationary pressures (IMF 2007).

The promising average growth rate of 5.1 % in the period between 2000 and 2010 does not necessarily mean a positive socioeconomic development, which depends largely on income distribution policy. Barout (2011) argues that the economic growth rate is a "quantitative" measure only, while development represents a "qualitative" one. The increasing poverty and unemployment rates in Syria in the same period confirm this claim. A UNDP study on poverty in Syria in the period 1996-2004 showed that about 30 % (5.3 million people) of the Syrian population fell under the upper poverty limit and 11.4 % (ca. 2 million people) fell under the lower poverty limit. Almost 62% of the poor people live in rural areas, in particular in the Northeast region (Idleb, Aleppo, Al Raqqa, Deir Ezzor and Hassakeh). The growth in Syria was not a pro-poor growth, since inequality in Syria has increased in the same period (GINI Index rose from 0.33 to 0.37). While the poorest 20 % of the population in Syria accounts for 7 % of total expenditure in Syria, the richest 20 % consumes more than 45 %. Poverty among illiterate, uneducated and unemployed people is bigger than elsewhere (El Laithy and Abu-Ismaïl 2005, pp. 7-9). An update study in 2007 disclosed that the poverty rate had reached 34.3 %, whereas the population who cannot obtain basic needs had risen to 12.3 % (Barout 2011). Moreover, the Third National Report on the Millennium Development Goals in Syria 2010 stated that poverty in Syria did not decrease, despite policies



to reduce poverty having been undertaken since 2000 (Sara 2011). Simultaneously, Syrian's Human Development Index in 2012 was at 0.63 only, ranking the country 119th out of 187 countries and placing the country under the regional average.

Unemployment, which is correlated with poverty, has also increased since 2000. Due to lack of transparent data about employment, there are different assessments about unemployment in Syria. Official statistics claim that unemployment in Syria decreased from 12.3% in 2004 to 8.1 % in 2009. However, unofficial sources estimated the unemployment in Syria at 16.5% in 2009 (Barout 2011). According to a UNDP study on poverty, the unemployment rate had reached 16.4 % in 2003 and unemployment was concentrated among youth, who made up 24 % of the total of unemployed. Sara (2011) in his study mentioned that the unemployment rate in Syria was estimated at 14 % prior to the protest movement in spring 2011. The escalation of poverty and unemployment in recent years intensified social inequalities and increased "bad" social phenomena such as child labour, consumption of alcohol and drugs, as well as family and sexual violence. As a result, people became increasingly unsatisfied, upset and angry, and that is an important motive for their participation in the protests against the regime, which is responsible for the worsened situation (Sara 2011).

Socioeconomic deterioration

There are many reasons for the socioeconomic deterioration in Syria since 2000. On the one hand, Syria had to face several external challenges: the large influx of Iraqi refugees in 2003, international pressure due to Hariri's murder in 2005, global financial crises and international economic stagnation since 2007, increasing international food prices in 2008, a drop in oil production and reserves since 2005 and the drought that affected more than 200,000 families (up to one million people) in 2007/2008, most of them herders and subsistence farmers in the north-east of the country (UN 2008). On the other hand, the autocratic political regime, corruption and clientelism hampered a transparent implementation of economic reforms, increased social injustice and raised political and economic pressure on the middle and low-income classes.

The most important effects of the financial crises are the increase in unemployment due to the closure of a large number of small and medium industrial enterprises and a drop in foreign transfers from the Gulf States by 50 %. The drought disaster not only brought about an upsurge in poverty in rural areas and affected the agricultural production and food prices, but it also increased the pressure on big cities owing to the migration of more than 210000 people (Barout 2011). However, the Syrian government has neither dealt with these problems successfully nor adopted adequate social policies in order to counterbalance the negative effects of the neoliberal economic reforms.

In line with economic reforms and the transition process to market economy, Syria has followed two main reform courses, which have negatively affected the poor and lower middle classes: subsidy and tax reform. As a socialist state, Syria subsidized a large number of products and controlled the prices of numerous goods through an administrative pricing policy. In 2006 fuel and agricultural input subsidies alone made up more than 15 % of the GDP (IMF 2006). As a result of the subsidy reform, prices of many petroleum products increased in 2008: gas oil (diesel) from 7.3 to 25 Syrian £/liter; fuel oil from 6 to 9 Syrian £/liter; kerosene from 22.7 to 40 Syrian £/liter and gasoline from 36 to 40 S£/liter (IMF 2009). These subsidies were very important for a large part of the population, particularly in rural areas.

The government also started a tax reform from 2004. The reform efforts focused on introducing new indirect taxes and restructuring the income tax. According to Decree No 61 in 2004 and Decree No 51 of 2005, a tax on consumption expenditure, which is a kind of sales taxes, was introduced. It covers a large number of goods and services, including basic foods such as oil, fat and even baby milk. It amounts to approximately 10 % of the prices in restaurants and cafes in addition to 5 % administrative fees. Taxes on luxury consumption expenditure were also imposed on luxury goods and services, for example on cars and telecommunication (mobile and land lines). These indirect taxes became an important element of the state revenues (almost 15 % of total revenues in 2010, see Central Bureau of Statistics 2010). However, they drove the prices and inflation (15 % in 2008) up and put pressure on middle class consumers (Barout 2011). Even so, the government continued with this line of tax reform by drafting the law of Value Ad-



ded Tax in 2009, which was recommended by the IMF. Income tax was restructured by raising the minimum income tax and increasing the top income tax (over 75000 SP) from 20 to 25 % (IMF 2010). Still, fraudulent tax returns, corruption and inadequate tax collection remain the big challenges.

The 10th five-year plan 2006-2010

In order to keep the socialist character of the state and in accordance with Ba'th ideology, the government in its 10th plan (five year plan 2006-2010) officially adopted the German Model "Social Market Economy", in which social policy will be considered along with market economy. Its goals focused on the reduction of poverty and unemployment, improvement of human development and strengthening of civil society. The government established a number of funds and institutions to support low-income families and improve employment rates, such as the Agricultural Support Fund, that aims to distribute aid to farmers in cash and replace the input subsidy for the agricultural sector, which was 10 billion S£ in 2009. The government introduced an additional tax break for the farmers of the regions effected by the 2007 drought, and planned to increase the purchasing prices of their agricultural yields (IMF 2010). Moreover, there are the National Programme to Reduce Poverty in 2008; General Commission for Employment and Project Development in Syria in 2009, which replaced the Anti-Unemployment Commission in 2007, and the Social Support Fund to provide financial assistance to low-income families (Sara 2011). Due to corruption and clientelism these social measures have not had a great effect on the ground.

Neoliberalism or Bad Governance?

Neoliberal reform policies are proven to effect' the social inequality and escalation of poverty and unemployment. Nonetheless, this is not the sole factor behind the revolution in Syria. The autocratic and corrupted political system as well as bad governance have hindered transparent implementation of the reforms and consolidated nepotism and clientelism (see e.g. the reports of the World Bank: 2009). As a result, economic liberalisation in Syria has been only a "selective" and "state-controlled" one, which has advantaged the president's family, officers, government members and well-connected businessmen (see Haddad 2011). For instance, opening

segments of the telecommunication market to the private sector should be possible for all private enterprises theoretically. However, the president's cousin Rami Makhluף is the only private entrepreneur who has been allowed to establish the first mobile phone company and to monopolize the mobile phone market for years. The state has protected his monopoly by not giving permission to other providers. The strong links between the economic elite and decision makers have led to designing economic laws which are neither efficient nor rational from an economic point of view. Presidents' families and political elites control the economy more and more by using their political power and the "Partnership-principle". In accordance with this principle, investors and businessmen should share their profits with the political elite in order to be allowed to operate in the country. Otherwise, they will not get any investment permit or the intelligence apparatus may threaten them. These manners explain why investment-friendly laws have failed to attract large investments to countries like Syria. Neither the tax facilities nor the state subsidies could overcome the high black taxes, "profit-sharing" or insecurity due to dependency on personal relations (Said 2011).

Corruption and the lack of transparency represent some of the most influential factors accounting for the failure of economic reforms. According to Transparency international world corruption index in 2011, Syria was ranked 129 out of 182 countries. Corruption as an informal barrier escalates the negative influence of neoliberalism on income distribution. For instance, the removal of formal barriers on trade and investment (taxes, customs duties and fees) disadvantages the state's revenue. The expected increase in investments due to this procedure was supposed to create jobs and raise income taxes. Hence, the replacement of formal barriers by informal ones would reduce the state's revenue and redistribute the income informally to the advantage of corrupted officers and public servants. Similar to this mechanism, corruption has influenced the distribution of social advantages. In the context of social policy, members of the Ba'th party, officers in the military and intelligence services as well as the government's members are more privileged than anyone else. Therefore, the main obstacle of such reforms and laws in Syria is their on-the-ground implementation.



Moreover, the economic reform strategy lacks compensation programmes for damaged industries and inadequate social aids for affected groups of the population. After the market opening with Turkey, dozens of textile and clothing small fabrics in Aleppo and Damascus closed, as a result of increased competition. The government did not offer small businesses any technical or financial support either before the market opening took place or thereafter (Barout 2011).

Furthermore on-going authoritarianism and absence of political reform have played a crucial role in the continuous protest movement. The Syrian regime did not plan any political reforms to reduce the corruption of the political elite. In the era of Hafez, a wide range of the population took advantage of the improved socioeconomic infrastructure and socialist policy, in particular in the rural areas. During Bashar's era, very many people, regardless of their political affiliation, have suffered from both economic and political pressure. Thus, people's dissatisfaction was increasing, even among some middle class groups, who were complaining of the corruption and the informal tax that they have to pay to the intelligence services to get so-called "Security Permission". Instead of responding to these just complaints of the people, the regime ignored them and increased the political repression.

Last but not least, the way in which the regime dealt with the protest wave led to it escalating. It seems that the regime has made the decision to repress the protest movement brutally by involving the military, which is not an independent institution as it in Egypt. However, if the Syrian regime hadn't repressed the protesters brutally but had agreed to share power and undertake serious political reforms in the early period of the uprising, a political transition process might have been possible.

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Vormerken!

Sechzehn ägyptische Autorinnen und Autoren hat die Berner Journalistin Susanne Schanda befragt: über Selbstzensur und Zivilcourage und über die Bedeutung der Intellektuellen für den gesellschaftlichen Wandel. Auch die Veränderung des Leseverhaltens und die öffentliche Debatte der vergangenen Jahre (auch schon vor der Revolte) werden thematisiert.

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