This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at http://www.bti-project.org.


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Executive Summary

Since the beginning of unrest in Syria, the lack of reliable data particularly on economic developments has made it difficult to come to precise assessments about the country’s current situation. However, it is clear that the two-year conflict within Syria has taken a heavy toll on society and infrastructure. According to U.N. sources, more than 60,000 people have lost their lives in the clashes. The war, in combination with international and bilateral sanctions, has dragged the state-dominated economy into the deepest crisis since Bashar al-Assad’s post-2000 economic reforms.

The regime has lost control over vast parts of the territory, mainly in northern Syria. The only areas in Syria as yet little by fighting are those near the coast. Elsewhere, the void after the withdrawal of governmental forces has been filled by local self-governance initiatives. But since “liberated” areas remain subject to air raids, the humanitarian situation especially in the north is dire, and deteriorated further due to the exceptionally hard winter of 2012.

The population’s support for the revolution is split along multiple cleavages of a political, religious and ethnic nature. The business classes too have been split between those supporting or opposing the regime, and others who have remained neutral. Destruction throughout the country has severely hurt business capacities and economic development.

The conflict has become increasingly militarized, and while no side seems able to prevail militarily, no political solution acceptable to both sides had been proposed as of the time of writing. However, both regime and opposition figures have hinted at the need to arrive at a political solution. The conflict has drowned out all other policy initiatives, created conditions under which economic reforms cannot be further pursued. Political reforms offered by the Syrian regime at the end of March 2011 with the aim of ending the uprising, including the lifting of martial law, were
perceived by the protesters as “too little, too late,” and as addressing only elements of the political process rather than the system itself.

History and Characteristics of Transformation

The constraints on a liberal transformation in Syria are rooted in its recent formation as a modern state. The post-independence rise of radical nationalism and populism among the middle class and peasantry destabilized the semi-liberal oligarchic regime, deterred investment and paved the way for the Ba’thist coup of 1963. This initiated a period of “revolution from above” in which nationalization of big business and land reform demolished the economic power of the old oligarchy and gave the Ba’th state control of the levers of the economy. The 1970 rise of Hafiz al-Assad to power ushered in the consolidation of the regime. Assad concentrated power in a “presidential monarchy” achieved by balancing the army, the Ba’th party, a largely Alawi-staffed security apparatus and a new state-dependent private bourgeoisie appealed by limited economic liberalization. Additionally, a combination of repression, institution building, patronage and foreign policy legitimacy consolidated the state as a whole.

The exhaustion of Syria’s statist strategy of development forced the regime to embark on several waves of “infitah,” or economic opening. However, these did not achieve sustained momentum, as pressures for reform were periodically relieved by rent windfalls from oil revenues and foreign aid. While Syria’s first infitah in the 1970s largely helped to recycle oil money, under the second infitah, beginning in the mid-1980s, the private sector was accepted as a partner of the public sector. The private sector’s share in production output, current investment, foreign trade, employment and GDP met and then exceeded that of the public sector. Intermarriage and business partnerships between the largely Sunni bourgeoisie and the state elite, dominated by the Alawi security forces, generated a “military-mercantile complex” that served as the core of a new upper class. The state initially pursued a policy of balance between the bourgeoisie and its earlier lower- and middle-class constituencies, steering a middle course between a populist statism and a decisive turn toward market capitalism that would risk social stability. The regime’s built-in resistance to full liberalization has gradually been overcome, however. The ruling Ba’th party institutionalized populism, but has declined into a patronage network largely excluded from real policymaking power. Once the main source of public revenue, the public sector’s share of the economy has declined in recent years; in response, the regime has moved to increase its tax extraction capacity (though this declined precipitously following the continuous loss over territory after the beginning of the revolution). The government is reneging on the “social contract” under which regime legitimacy was once contingent on state provision of subsidized food, jobs and supported farm prices. The regime’s patronage capacity now depends more on granting market monopolies than on access to state resources. The move to a market economy depends on a private bourgeoisie with the confidence to invest and ultimately replace the public sector. While this is constrained by the absence of rule of law, a crony capitalist class fostered by the regime has grown in strength. This new politically connected class has continued to act in a rent-seeking manner, exploiting state-
granted import monopolies and contracts that would be threatened by competition in a more open and transparent market. However, market measures have deepened, and the needs of investors prioritized. This crony capitalism requires limited political liberalization, but not the rule of law or democratization. Syria claims to want to follow the Chinese model, but the influx of Gulf-state capital investment into the tertiary sector and the continuing limited capacity for industrial exports have led many to see the regime slipping instead toward the Dubai model. While the Syrian revolution erupted as a popular uprising on political grounds and with freedom as the core demand, criticism of the government’s crony capitalism was raised as early as the first protests in Dara’a.
The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

For decades, the Syrian government enjoyed an effective monopoly on the use of force over its territory, based on a complex system of intelligence services, security forces and military units that competed with and balanced each other. Armed militant actors used to challenge the state’s control only locally and in isolated incidents. Conflicts from and in neighboring countries spilled over to only a limited degree, even after the absorption of about 1 million Iraqi refugees after the 2003 Iraq War.

This situation has changed with the beginning of the Syrian revolution, which started as a peaceful movement but has become increasingly militarized. Several hundred groups acting either under or outside the umbrella of the Free Syrian Army (FSA) have been winning ground since summer 2011.

By December 2012, large parts of northern Syria were under their control. They had taken over most of the military bases across Syria, and engaged the Syrian army even in core strategic areas such as Aleppo and Damascus in heavy fighting.

The “liberation” of territories, however, has often meant only that there were no governmental forces left on the ground. Through frequent aerial bombardments, the regime has continued to kill people and destroy or damage the infrastructure in these areas. In addition to the violence, government services and the distribution of resources to these areas have virtually ceased.

In many of the liberated cities and villages, local coordination committees (LCC) and local administration committees (LAC) have tried to fill the gap left by governmental institutions. However, territorial fragmentation, checkpoints and difficulties in telecommunications have prevented the establishment of larger administrative entities so far.

There have been efforts to establish a unified military council comprising the majority of armed groups. The FSA is heterogeneous, and as long as the infrastructure does
not improve, technical difficulties will be an additional hurdle in maintaining a chain of command. To date, there has been little horizontal coordination between different groups claiming affiliation with the FSA, while dozens of other groups are fighting independently of any connection with the FSA.

The challenge presented by militias is not the only limiting factor to the state’s loss of monopoly on the use of force: It has also voluntarily hired “shabiha,” armed gangs that are killing and looting in a more ruthless way than are governmental forces, and which are not under the formal control of any state entity.

Though Syria has long been considered an artificial state, the majority of the country’s citizens accept and support the dominant concept of a Syrian nation-state. One exception is the Kurdish constituency: The Syrian constitution defines Syria as an Arab Republic, thus failing to acknowledge the large Kurdish minority and other, smaller non-Arab segments of the population.

Using an arbitrary census as its means, the Syrian government in 1962 deprived a number of Kurds of their citizenship, an issue that has caused conflict ever since. The Syrian government’s neglect of the northeastern Kurdish areas has additionally weakened Kurdish identification with the system and the state.

The Kurdish population has been divided with respect to support for the revolution. Meshal Temmo, a charismatic Kurdish leader who supported the revolution, was assassinated in 2011. While some Kurdish parties clearly support the revolution, the position of the strongest and best-armed Kurdish movement, the Democratic Union Party (PYD), is less clear. Considered to be the Syrian arm of the Turkey-based Kurdistan Workers’ Party (PKK), it has been suspected of taking part in repressing the revolution by violently controlling Kurdish areas, while officially having joined the Syrian National Council (SNC), an opposition coalition acting in exile. This ambivalence is explained by suspicions that there is no consensus among the Syrian opposition to grant Kurds stronger rights in a post-Assad Syria; hence, the majority has maintained some distance with respect to the revolution and the opposition.

Though none of the Kurdish parties has officially asked for separation, many Kurdish groups have openly called for autonomy within a future Syria, and have begun to lay the groundwork for this through the establishment of a nascent regional government.

Another debate, though perhaps more active among academics than among policymakers, asks whether members of the Syrian government are planning to split the northwestern coastal area of Syria off to establish an Alawite state. However, it is questionable whether this state would be able to sustain itself, and its chances for political survival would likely be slim. The rest of Syria would lose its access to the sea, which would deal a blow to the Syrian economy and might lead the rest of Syria to reject this entity on economic as well as political grounds.
The Syrian revolution has catalyzed a strong nationalist feeling among parts of the population. One reason for this is that the rebels feel they have been abandoned by the international community and take pride in their achievements. The fact that local administration has been kept functioning in places has also contributed to identification with the revolution’s achievements and to the feeling of belonging to the “new Syria.” At the same time, minority groups’ fears of revenge or of being overruled by a majority with different values than their own have an adverse effect on unity.

The Syrian government, while always underlining the secular nature of the state and highlighting the religious diversity of the population, has had an inconsistent approach toward religious issues. The constitution states that the president has to be Muslim, congruent with the fact that 90% of Syria’s population is of Islamic faith. Other than that, it does not contain religious references, as the regime has aggressively tried to remove religion from the political sphere. In addition to the regime’s position toward religion, the regime has highlighted the diversity of the population and has presented the first lady, a Western-educated businesswoman, as a symbol of its own modernity.

Observers have traditionally pointed out that no other period in Syria’s modern history saw the construction of a similarly high number of mosques as under Hafiz al-Assad’s rule. However, Hafiz al-Assad also brutally clamped down on an Islamist-driven uprising in the early 1980s, while at the same time co-opting the Sunni business elite in Damascus and parts of Aleppo. Since the period of Hafiz al-Assad’s rule, the regime has cultivated an “official” Islam that has remained largely within its political control. Bashar al-Assad continued the strategy of co-optation while making concessions to the more conservative religious circles by allowing soldiers to pray. To boost his Islamic credentials – contested not only as secular president but also by belonging to the Alawite sect, which is not considered Islamic by some – he also made public visits to mosques on important religious holidays.

Syria has supported the U.S. led war on terror, arguing that its experiences in the 1980s had made it the first nation to be hit by Islamist terrorism. At the same time, the Syrian regime allowed the influx of foreign Islamist fighters into Iraq from 2003 on and allowed sheikhs including the late Abu Qaqa in Aleppo to make public appeals for this kind of activity.

In the course of the revolution, it has become obvious that the Muslim Brotherhood remains the best-organized group in the political opposition outside of the country. On the ground, Brotherhood-affiliated groups have not participated as widely in the fighting as other Islamist fighters. These Islamists have been very vocal but it is not clear how much political clout they might have if the regime were to fall. Part of their

No interference of religious dogmas
popularity is due to the fact that Qatar and Saudi Arabia have been providing these groups with resources.

Over the course of 2011 and 2012, the state has increasingly lost its ability to maintain law and order. While still providing some basic services in the areas under its control, it has no control over large parts of the populated areas of the country. It has not designated safe areas for citizens, and by continuing its repression of the rebellion by attacking infrastructure it has limited all citizens’ access to services.

More than 60% of the hospitals in Syria have been destroyed. Since the beginning of the revolution, medical personnel have not been able to offer services to all citizens, because at an early stage, the regime ordered the arrest of hospital patients suspected of being opponents.

In order to prevent communication among citizens and with the rest of the world, the Syrian regime cut all Syrian Internet connections for several days at the end of November 2012. At the same time, landlines and mobile phone networks were also severely limited. After both were reestablished, the shortage of electricity, often available for only two hours a day in Damascus, continued to hamper Syrian citizens’ interactions and access to information.

By the end of 2012, transportation not only through the country but even through the relatively unaffected Damascus had become a serious problem. Checkpoints and the lack of security decreased the citizens’ ability to move freely. The deliberate burnings of harvests, killings of cattle and bombardments of bakeries have also caused poverty and starvation.

In the liberated areas, newly formed administrative bodies have tried to keep up some services, negotiate with governmental bodies for electricity or establish field hospitals. Severe shortages of water, food and diesel fuel for heating haunt all Syria, however.

2 | Political Participation

Even under normal circumstances, national elections for the parliament and referendums for the presidency have not been free, fair and equal. In addition, the Syrian parliament had only a rubber-stamp function, with the task largely of confirming the government’s policy.

All elections and referenda, whether parliamentarian or presidential, returned rigged results and were conducted without any international observation. As the worst outcome, Bashar al-Assad’s nomination referendum in November 2000 ended with an overwhelming but scarcely credible 97.29% favorable vote.
In parliamentary elections, the majority of the seats was reserved for the National Progressive Front (NPF), consisting of the Ba’th party and some small affiliates. Independent candidates could run but without advertising their party affiliation. The Syrian parliament has only a rubber-stamp function, however.

The Syrian regime decided to hold parliamentary elections on 7 May 2012, even though at this point of time it was already clear that large parts of the population would not be able to participate due to the lack of security, particularly in the cities of Homs, Hama, Deraa and in the province of Idlib.

These were the first elections according to the new constitution. The newly established Popular Front for Change and Liberation (PFCL), led by Jamil Qadri, competed and won five seats. While the PFCL considers itself to be an opposition party, this view is not shared by the protesters. As in previous elections, the overwhelming majority of the seats were taken by the National Progressive Front (NPF), an alliance that includes the Ba’th party. The NPF has historically been allocated two-thirds of all parliamentary seats with the remainder going to unaffiliated independents.

While in earlier years, elections or referendums served to disguise authoritarian rule, the parliamentary elections and the referendum held on the reformed constitution during the revolution have served rather to cover up the disintegration of the regime’s political power.

While some power struggles followed the death of Hafiz al-Assad in 2000, his son Bashar consolidated his position by 2005. Under the framework of the Ba’th ideology, the government (council of ministers) was officially accountable to a (formally) elected parliament. In Syria, though the Ba’th party was not officially the only party, the Syrian constitution granted it a “leading role” in state and society. In reality, the government answered more to the president and the mukhabarat (security police) than to the parliament.

The Ba’th party’s role in the recruitment of politicians has declined since Bashar al-Assad took office, but he has not implemented more democratic or transparent political processes, and merit-based promotions have remained the exception.

A smaller coalition of oppositional parties called National Democratic Rally, operating under the leadership of Hassan Abdul Azim, was not technically legal but was tolerated. The same holds true for a number of Kurdish parties.

Among the theoretically ground-breaking reforms under the first pressure of the revolution, the Ba’th party’s leading societal role was eliminated from the constitution. This was approved through a referendum on the constitution on 26 February 2012.
Martial law, in effect since 1963, was not supposed to be applied except in actual times of war. Nonetheless, it remained in place until President Bashar al-Assad announced its lifting in March 2011 (though it has continued in practice). Among other provisions, the martial law forbids any meetings of more than three people. This was often not followed to the letter, but in other instances was used as a legal basis for the suppression of suspicious activities.

Parties outside the NPF were illegal but tolerated; their candidates were allowed to run as independents in parliamentary elections. Only the Muslim Brotherhood remained explicitly banned after the uprising in the early 1980s.

The formal lifting of the state of martial law has not played a role in Syria’s current environment. Ever since the revolution started, the Syrian government has acted as if it was not bound by any law.

People have nonetheless taken to the streets, and even after 20 months of a violent repression, every day there are still tens if not hundreds of protests.

Before the revolution, freedom of expression in Syria was limited. Government control extended to Internet activism as well as to the print and broadcasting media. Tacit attempts to allow some independent magazines to exist in the early 2000s were soon ended, and only formally independent media remained. Publications deemed nonpolitical or sympathetic to the regime, such as the economic magazine Al-Iqtissadiya, were tolerated.

During the revolution, people have utilized their freedom of expression and media far more extensively. They have raised demands publicly, expressing these in broad and creative ways, including through the active use of Internet platforms. Kafranbel, a village in northern Syria that was hardly known before, became widely known for its satiric slogans and caricatures. The Syrian government responded by hitting Kafranbel particularly hard. Revolutionary newspapers emerged in a number of cities, most prominently in the cities of Daraya and Zabadani close to Damascus.

These newspapers, though produced under precarious conditions, cover all that is happening in their context and of relevance to the citizens in their region. They often conceive of themselves as “guardians of the revolution,” criticizing abuses perpetrated by rebels as well as by the government.

### 3 | Rule of Law

Syria’s constitutionally mandated separation of powers has never been implemented in practice. There is thus no conventional separation of powers, a precondition for the rule of law, and no checks and balances. On an administrative level, interference in other government branches’ functions has been frequent when politically deemed
neces.
The parliament has a mere rubber-stamp function. Deputies who have challenged the authorities have been stripped of parliamentary authority and sent to prison.

There is no independent judiciary in Syria. Over the course of the revolution, the judicial apparatus has been marginalized, with the majority of arrest cases failing to reach the stage of trial.

As Carol Morello reported in a January 2013 Washington Post article, committees of lawyers have formed in liberated areas to take over judicial duties and monitor the human rights practices of the Free Syrian Army (FSA). In some places, Shari’ah courts have been established.

Officeholders breaking the law have generally been prosecuted only for political purposes. Bashar al-Assad has used the granting of economic privileges to consolidate his power.

One of the most prominent demands of the protesters – long before asking for the fall of the regime – was that the wings of the president’s cousin, Rami Makhlouf, be clipped. Makhlouf had become infamous for enriching himself through his monopoly on duty-free shops, his mobile phone company and a number of other businesses. One of the early slogans of the revolution was directed at “Rami al harami” (Rami the thief). However, Makhlouf was only the public face of a more complex web of economic elites connected to the regime who had secured their wealth through access to the political elite and guarantees of government contracts, tax manipulations and monopolies.

While large parts of the population were impoverished as a result of the economic reforms initiated by Bashar al-Assad, members and proxies of the elite were able to benefit and display their accumulated fortunes in an unrestrained way, thereby heightening social tensions. This was particularly true in the urban areas, where many people displaced as a result of the decline in agriculture had moved in search of employment.

The regime also failed to hold those who arrested the children in Deraa and started killing protesters accountable. The revolution gained momentum largely because of the government’s failure to acknowledge the importance of these issues for the population and to deal with them accordingly. Particularly in the first months, it was often termed “a revolution of dignity” by activists.

The Syrian constitution contains provisions ostensibly aimed at protecting citizens and their rights, which earned the regime support among segments of the population because they saw it as a guarantor of security and stability. However, security mainly meant the absence of street criminality. The regime has persecuted dissidents and
reigned through a climate of fear. The all-pervasive role of the Syrian intelligence services has undermined trust among citizens.

By December 2012, there was hardly any place left in Syria that had not been swept into the civil war. The Syrian government’s continuous aerial bombardments of large parts of the country as well as armed conflict in densely populated city centers threaten the physical security of large parts of the population.

Citizens’ rights are systematically violated en masse on a daily basis.

4 | Stability of Democratic Institutions

The Syrian state has relied heavily on institutions. While formally democratic, authoritarian practices have limited their role, particularly in respect to elections. The Syrian government has relied heavily on the army and the security apparatus to counter the challenges of the revolution.

The performance of some institutions has been reshaped since March 2011, most obviously as the army has focused on internal challenges instead of external ones. The “inner circle” of decision-making was affected by an attack in summer 2012 that killed, among others, Asef Shawkat, the president’s brother-in-law and a top security official. However, this group has remained relatively intact and has not experienced major defections. The fact that parliamentary elections and a referendum on the constitution were held in a situation of severe internal turmoil raised further questions about the functioning and legitimacy of the institutions.

In pre-revolutionary Syria, institutions could hardly be characterized as democratic. Through the appointment of economic reformers and technocrats, Bashar al-Assad aimed at improving institutions’ performance and image. The government’s approach of dealing with the Syrian uprising as a security issue rather than as a political one has marginalized any institutions apart from the security forces as the conflict has grown in intensity.

The authoritarian nature of the system has left its imprint on the opposition as well, as it has struggled to establish inclusive and democratic structures. In May 2011, several opposition groups formed the Syrian National Council in Istanbul. At a meeting in Doha in October 2012, the Syrian National Council (SNC) entered the National Coalition of oppositional forces under the leadership of Sunni cleric Mo’az al-Khatib, businessman Riad Seif and well-known opposition figure Suheir al-Atassi. While the coalition was rejected by some armed Islamist groups within Syria, the National Democratic Rally and other smaller groups, it was widely considered the most serious and credible effort to lead during the transitional phase.
5 | Political and Social Integration

The party system is stable but not socially rooted. The dominant Ba’th party has become a hollow body, and its integrative capacities had declined even before the revolution. The Muslim Brotherhood, still banned after the reforms of the party law in 2011, supposedly has excellent networks abroad, but the size of its constituency on the ground is debatable.

The government has pursued a two-track strategy in dealing with the formation of interest groups, alternately engaging in repression and co-optation. When civil society organizations started to emerge after the 2001 Damascus spring, the government countered this by establishing organizations run by government proxies, such as the “Trust” organization under the auspices of the first lady, Asma al-Akhras.

The Syrian government has also tried to control religious interest aggregation through the Sufi Ahmad-Kuftaro Center and the al-Nur mosque, as well as through the establishment of the Qubeissiat women’s organization.

A number of civil society organizations have established themselves during the course of the revolution, from local coordination committees filling the void left by the withdrawal of governmental organizations to political bodies, humanitarian groups and nonviolence movements.

There are no opinion surveys available for Syria, but the persistent protests, despite the government’s violent repression of the rebellion, have shown that a large number of citizens did not support the government’s performance. Socioeconomic factors such as the shrinking middle class and rising poverty levels have contributed to the dynamics of the protests, but the core demands of the revolution have always been political.

However, the opposition is characterized by a lack of unity, and practices within the opposition raise questions as to how a political system aggregating all interests might be achieved.

The societal climate, hitherto depoliticized and characterized by a lack of trust among citizens, has completely changed during the course of the revolution. The dramatic conditions have made it necessary for protesters to cooperate with one another, even if not always in support of the long-term aims of other groups and individuals. This experience, along with the fact that this is the first time in recent history the Syrian intelligence services have been unable to control everything and reach everybody, has fostered a new relationship between many groups. Others, taken aback by seeing or experiencing violence on both sides, have been alienated.
II. Economic Transformation

6 | Level of Socioeconomic Development

Syria’s latest available socioeconomic figures date back to 2010, but given the intensity and impact of the conflict on the country’s infrastructure, they reveal little about the current situation. The lack of current reliable data requires any evaluation to use estimates in order to assess present-day economic development in Syria.

Before the unrest, the Syrian government was in the process of implementing redistributive reforms and a policy of gradually liberalizing Syria’s centrally planned economy. Syria had reached acceptable levels in international rankings such as the UNDP’s Human Development Index, which rated Syria as part of the group of medium development countries (rank 119 in the 2011 edition, with a value of 0.632, as compared to 118th place and a value of 0.631 in the 2010 edition). Similarly, no recent estimates can be quoted concerning general life expectancy, gender equality or income inequality.

It is certain, however, that since the outbreak of conflict, the situation has deteriorated tremendously. The level of conflict has prevented the government from pursuing any fruitful policies and has prompted the government to abandon its economic reforms.

Inflation has dramatically risen, and food prices have gone drastically up, with prices for milk, meat and chicken as much as 300% higher than previously in certain areas of the country.

The country’s total unemployment rate has increased from about 14.9% in 2011 to 25% at present. The actual number is certainly much higher, however, taking into account that a large share of the population is displaced or has immigrated. The United Nations estimate the conflict’s death toll at more than 60,000 lives, and tens of thousands of people have disappeared. According to the World Health Organization (WHO), 1.2 million Syrians live in refugee or temporary camps, and the UNHCR’s latest figures state that 509,559 Syrians are either already registered or in the process of being registered as a refugee. The need for humanitarian assistance has dramatically increased over the past few months given the large scale of the destruction of homes and infrastructure, the severe deterioration in people’s socioeconomic conditions and the exhaustion of societal coping mechanisms. In 2013, the Syria Humanitarian Assistance Response Plan estimated that 4 million Syrians were in need of humanitarian assistance. The highest-priority needs relate to health care, food aid, shelter, water and sanitation, and education.
### Economic Indicators

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7 | Organization of the Market and Competition

After a decade of loosening market regulations, the state is back to governing the market in order to limit the impact of economic contraction and social hardships in the wake of political upheaval and foreign sanctions. The dramatic fall in revenues from tourism, a major source of foreign currency, as well as the hoarding of dollars and foreign currency flight, has put pressure on the Syrian pound (which is not freely convertible). This depreciation has pushed market prices up and dampened purchasing power for most Syrians. The sharp decline in investment from Arab
countries, which had increased more than sixfold between 2002 and 2007, has exacerbated the economic squeeze. The almost complete collapse of merchandise imports and exports has pushed prices within Syria to insupportable levels.

In December 2012, a bottle of cooking gas reached the astronomic price of $80, and with the systematic bombardment of bread factories, the incidence of malnutrition and even starvation has risen across the country.

Despite efforts to liberalize the domestic market, many aspects of the country’s entrepreneurial framework were weakened by state action even before the beginning of the war. The state dominates many areas of economic activity, and a generally repressive environment marginalizes the private sector and prevents the sustainable development of new enterprises or industries. As a result, many Syrians opt to engage in the shadow economy. The International Labor Organizations (ILO) estimated that the informal sector accounted for about 30% of Syrian employment and around 30% to 40% of GDP in 2010, implying that the formal and informal sectors had roughly equal productivity levels before the war. It can be assumed that this balance has changed in favor of the informal sector since the outbreak of fighting.

Monetary freedom has been gravely marred by state price controls and interference. Opaque regulations drive up the cost of investment and production, and layers of complex non-tariff barriers have added greatly to the cost of trade. In consequence, the Heritage Foundation and the Wall Street Journal’s annual Index of Economic Freedom rated Syria’s economic freedom as “mostly unfree” in the 2012 index, with a score of 51.2, earning it the fourth-lowest ranking in the Middle East and North Africa region.

There have been efforts to establish a more market-driven economic structure, most prominently with the Competition and Anti-Trust Law (Law No 7/2008) of 4 April 2008, but most of these have turned out to be only superficial gestures toward improvement. The persistent state influence in most areas of the economy continues to suppress open market competition, and what opening has taken place has favored a privileged segment of the Syrian political elite. The period of reform in Syria was not characterized by the transfer of assets from the public to private sector; rather, it opened previously closed areas of the economy, such as banking, to private sector investment. During the crisis, the Syrian government has intervened to stabilize the economy, reversing its previous path of withdrawing from an interventionist role. Aerial bombardments and the dismantling of much of the country’s industry and infrastructure have further undermined the Syrian economy. Some 65% of the non-oil national wealth was generated in Aleppo and its region, Syria’s industrial heartland, before the civil war. However, the fighting has forced the closure of most industrial activities that provided work for thousands of Syrians.
The country is also driven by corruption-prone monopolistic practices, which especially benefit Bashar al-Assad’s inner circle. For example, in 2001, al-Assad’s maternal cousin Rami Makhlouf won what was essentially a monopoly over telecommunications and the country’s duty free shops. The billionaire, a symbol of corruption and favoritism, managed to take additional interests in a number of other sectors (e.g., oil, tourism, real estate, media and many more), and has also been a beneficiary of the liberalization process through personal involvement in new banks, the Damascus stock exchange and the granting of exclusive import licenses.

As stated by the World Bank, “international trade in Syria is highly regulated through a combination of tariffs and non-tariff barriers.” Despite a comparatively low average import tariff of 8%, non-tariff barriers make trade with Syria very difficult and cost-intensive. Consequently, imported goods are about 17% more expensive on the domestic market than on the world market.

Foreign trade has also declined due to the EU, U.S. and Arab League sanctions. The sanctions are primarily aimed against President Bashar al-Assad, the security establishment and members of the president’s family. But the country is also subject to a set of broad-based sanctions, which among other effects lock Syria’s central bank out of U.S. markets, and impose curbs on trade and services, including an EU ban on Syrian oil imports. Similarly, the League of Arab States and Turkey have imposed sanctions on Syrian products and institutions.

Following the withdrawal of international oil companies, whose participation is important in the extraction process, oil-based revenues have significantly declined. Syrian oil, which is particularly heavy, is also comparatively difficult to refine and market. The public-sector oil distributor, Syrtol, has been unable to secure insurance for oil shipments since the crisis began.

A recent example of state interference disturbing foreign trade was the government’s temporary ban, imposed on 22 September 2011, on imports of goods that carry customs duties of more than 5%, in order to help Syrian products that have been hit hard by cheap foreign competitors.

The banking sector has been adversely affected by the erosion of private-sector confidence, with foreign banks increasingly reluctant to provide trade financing to Syria. At the same time, private-sector deposits have dwindled as many individuals have withdrawn their money during the conflict.

The state-owned banks have a competitive advantage over private banks due to laws privileging their involvement in public-sector financing, trade payments and other services. The private-sector banks tend to deal in personal financial services for individuals and businesses. The Central Bank of Syria, under the control of the Ministry of Finance, continues to regulate private banks, preventing them from making decisions such as setting their own budget or developing a business strategy.
The central bank, as well as the Syria International Islamic Bank, are subject to sanctions and are thus prevented from making international transactions. This has put a heavy strain on the economy and made it difficult to secure sufficient supplies for the population, as it has become nearly impossible for the Syrian government to purchase goods abroad.

In this situation, barter trade with Iran and Russia, as well as financial support by these two countries and China, has become essential.

8 | Currency and Price Stability

The Central Bureau of Statistics stated that the monthly inflation rate for January 2012 was 15.67%, up from 4.43% in December 2011. According to the Syrian Banking Forum’s (SYBF) website, basic food prices rose by 31.5% after the new government came to power in April 2011, and further increased by another 44% in the last two months of 2012, with local differences depending on the city.

However, many traders explain that the problem is two-sided: the high price of the dollar on the one hand, and the absence of government oversight on the other. The impact of the dollar’s climb has been particularly severe.

The inflation and reduction in citizens’ purchasing power have been affected by what regime officials call “merchants of crisis,” who are benefiting from the scarcity of goods on the market. However, inflation has loomed very clearly as the dollar has risen against the Syrian pound. On 1 December 2010, $1 was worth SYP 45.83; a year later, the exchange rate had risen to SYP 49.10, and two years later to SYP 69.75.

However, many economists argue that the government has not handled the issue of inflation as effectively as it did the currency issue of the, as the value of the Syrian pound settled for many months at around $70, while inflation continued to climb. This is largely because the government’s interventionist capacity has been limited.

Prolonged drought and regional competition have adversely affected Syria’s macroeconomic performance. Syria’s GDP remains dependent on the oil and agriculture sectors, which are subject to fluctuating oil prices and have been badly undermined by sanctions and the destruction of infrastructure. Since the imposition of EU and U.S. sanctions particularly on the oil industry and financial sector, Syria has exported hardly any oil, which in 2010 accounted for 25% of total revenue. Customs revenue has also been depressed, as imports have declined sharply. Tourism, a major generator of foreign currency, has all but come to a halt. The only main revenue source that has been sustained is the state’s share of the income produced by Syria’s two mobile-phone companies, Syriatel and MTN.
The Economist Intelligence Unit (EIU) forecasts a continued large budget deficit of 13.2% of GDP for 2013 (down from an approximate 13.6% in 2012), with a gradual narrowing afterward. The deficit is expected to run at an average of 9.6% through the 2013 – 2017 period.

The central government’s revenue in 2012 was estimated at 12.8% of GDP, while expenditure totaled 26.4% of GDP. Net public debt in 2012 totaled 47.4% of GDP. Foreign debt, which reached $5.3 billion in 2008, had grown to $8.2 trillion by December 2011, according to the CIA World Factbook. While international reserves ($17.4 billion in 2009) may have helped in the past to stabilize conditions, in 2012 they declined to $4.8 billion.

The government’s response to the crisis has shown little credibility. On the recommendation of the central bank, it decided to base its 2013 budget on an exchange rate of 60 Syrian pounds to the dollar, although the official rate had already hit 73.88 pounds per dollar in December 2012.

The OECD kept the country’s credit risk rating at the lowest possible level of seven in 2013, and the Economist Intelligence Unit downgraded Syria’s sovereign risk rating to CC in December 2012.

9 | Private Property

The legal framework for the protection of private property has been inefficient, and existing laws have not been strongly enforced. A primary reason for this fact is the lack of transparency in the judicial system and its dependence on the government. Therefore, the 2013 Index of Economic Freedom ranks Syria at 143rd place out of 185 countries (with a score of 20.0), declaring its property freedom to be “repressed.”

One of the episodes sparking the revolution was the government’s expropriation of land in the southern province of Deraa.

More than 96% of all Syrian businesses are considered small to medium-sized enterprises (SME), with less than 12 employees. These businesses operate in a rather closed environment with limited government support in terms of market legislation or property rights, and their access to funds is limited. These businesses have benefited only minimally from the privatization policies pursued under Bashar al-Assad.

Economic reforms under Bashar al-Assad opened new business opportunities, especially in the Internet and telecommunications and related equipment sectors. This is the only sector that has been augmented by the Syrian revolution, due to its massive need for and use of any available telecommunications equipment.
Much of the privatization policies of the Bashar al-Assad period have focused on services in general, with a focus on opening opportunities for investment. There has not been a large-scale transfer of assets from the public to private sectors. Thus, Syrian privatization policy was focused more on expanding private sector investment opportunities rather than on transferring assets into private hands.

10 | Welfare Regime

Life expectancy at birth has increased over the past three decades according to the Syrian Ministry of Health, from 56 years in 1970 to 75.7 years in 2010. However, total government expenditure on health care was only 2.9% of GDP in 2009. The health sector has been among those most severely harmed by the protracted conflict. Overall access to health care has become restricted, and even in the early months of the conflict, the Syrian government interfered with the medical sector’s duties to assist all injured people, arresting wounded protesters in the hospitals. Maternal and child health services have also been disrupted, resulting in a higher maternal and child mortality rate.

It is estimated that more than half of the chronically ill have been forced to interrupt their treatments as a result of the conflict. The quality of health care has been further affected by the deterioration in the functionality of medical equipment and shortages of drugs and medical supplies due to sanctions.

Only 50% of hospitals, which are the main providers of health care in Syria, are functioning even partially, with a lack of staff, equipment and medicine as well as power cuts affecting their routine.

Infrastructure across the country has been severely affected by the fighting, resulting in a lack of shelter and energy sources, a deterioration in water and sanitation services, food insecurity and serious overcrowding in some areas. As previously mentioned, the Syria Humanitarian Assistance Response Plan estimates that 4 million Syrians will be in need of humanitarian assistance in 2013.

The Syrian population has also been hit particularly hard by the rise in unemployment. Officials say the unemployment rate hovered around 8.9% in 2010, but even this figure is dismissed by independent economists as too low. The government planned to create new jobs in the public sector, which according to official estimates already employs 30.1% of the population, but it seems unrealistic that this will stop the increase of unemployment. The Ministry of Social Affairs reported 300,000 applications for jobs in the public sector in 2012, with only 77,000 positions available.

The Poverty in Syria 1994 – 2004 report, compiled by the Syrian government in collaboration with UNDP, indicates that 30% of Syrians lived under the poverty line
during the period of study, and that the government had failed in its plan to reduce this figure. It might safely be assumed that this figure has increased since the onset of the fighting, especially due to the present dire situation of the agricultural sector and the fact that harvests have been destroyed.

In 2006, President al-Assad presented the country’s 10th five-year plan, which aimed at the implementation of a wide range of social and economic reforms. For the average Syrian, there were hardly any tangible improvements, however. The beneficiaries of the reforms were mostly well-connected individuals who already enjoyed privileged positions.

Instead of strengthening social safety nets and regional development, the government opened new business opportunities often attended by a higher level of corruption. Economic and social inequality widened, as did the gap between the urban and rural population. According to the U.N.’s Poverty in Syria 2004 – 2006 report, almost 2 million or 11.4% of the Syrian population were not in a position to cover their basic needs. Poverty and unemployment are concentrated in rural areas. Since the political conflict has hit the countryside particularly hard, it may be assumed that these figures have increased. Educated youth and university graduates face an uncertain future. While in previous years, the government provided employment guarantees for graduates of certain subjects such as engineering, the state has decreased support of the public sector. An increasingly younger population has been confronted with the prospect of fewer job opportunities and a more elitist education system.

The unrest has contributed to increasing the unemployment rate throughout the entire population has grown. State employees, while still in the privileged position of having jobs, have not received salaries for some time or have had to accept salary cuts.

Women in Syria, and particularly in Damascus, have enjoyed comparatively high levels of freedom, being able to participate in public life and well-represented in the universities.

However, the United Nations Population Fund (UNFPA) has stated that in ongoing humanitarian crises, including Syria’s, women and girls continue to be the most vulnerable to sexual and gender-based violence and abuse. The Social Institutions and Gender Index (SIGI) downgraded Syria to rank 75 out of 86 countries in its 2012 index (the country was previously ranked 59th out of 102 in 2009).

Women have participated in the revolution to a varying degree depending on the area and the social context. This has at times been highly visible, as in the case of activist Razan Zeitouneh or the so-called Brides of Peace; members of this latter group were arrested and sentenced to three months imprisonment in November 2012 for publicly asking for a political solution. Suhair Atassi, a prominent pre-revolutionary female activist, is a member of the National Coalition’s leadership.
Women also hold key roles in aid networks, underground hospitals and logistics. However, both the secular and the Islamist opposition are sidelining women and do not include equality and participation rights for all citizens in their demands for a future Syria.

11 | Economic Performance

Syria’s economic system has been extremely affected by the current politico-economic situation, with current conditions mostly unsustainable. The Syrian pound has experienced a devaluation of roughly 50% since the beginning of the unrest, which in turn has decreased the value of citizens’ monetary assets and savings. GDP per capita (PPP in current U.S. dollars) fell from $5,117 in 2011 to $4,493 in 2012, and is forecast to pick up slowly over the next years (e.g., a forecast of $4,566 in 2013). The declining revenues from tourism, the hoarding of dollars and the withdrawal of foreign currencies have put additional pressure on the Syrian pound, with particularly dire consequences for the country’s foreign-currency reserves.

The Syrian authorities have imposed limits on bank deposits in foreign currencies in order to stabilize the Syrian pound, simultaneously punishing depositors and investors. FDI as a percentage of GDP was 2.5% in 2010, according to the World Bank, and has likely dropped again due to current governmental regulations.

As of the time of writing, the stock market had fallen by 40% since the beginning of the crisis, with trading mostly halted due to the lack of liquidity and the uncertainty of the situation. The significantly lower volume of exports and the sanctions imposed on Syria has caused a decrease in monetary reserves by almost half. The sharp decrease in Arab investments has also worsened the economic crisis. Syria has increased its trade with Russia and Iran in order to generate alternative revenues, and is therefore relying strongly on its allies for financial support.

Overall, the inflation rate is estimated at about 30%, and the economic growth rate is expected to have fallen to -5.5% in 2012. Nevertheless, the Economist Intelligence Unit (EIU) forecasts that the economic decline will slow to just -1% in 2013, with growth picking up gradually from 2014 onward, averaging 2.7% in the 2014 – 2017 period. Any such estimate is of course dependent on many political uncertainties.

12 | Sustainability

Even before the revolution, environmental considerations played little role in Syria’s economic planning, and there is a general lack of public awareness on ecological issues.
The increased demand for natural resources has exceeded the carrying capacity of some areas. The ecological system suffers from overhunting, overgrazing and overfishing. Additional problems are the deterioration and degradation of soil, land and range land. The contamination and depletion of water resources is especially alarming considering the increasing domestic consumption of water (growing by 4.2% per year).

The particularly harsh conditions of the 2012 – 2013 winter increased the demand for and supply of firewood, thus affecting forest cover and green space. The sharp war-driven decline in industrial activity, as well as the lack of fuel for heating, has in some areas led to less pollution.

The 2012 Environmental Performance Index ranked Syria at 113th place out of 132 countries with a score of 42.75, making it one of the weaker performers.

Despite a near-twofold rise in education spending between 2000 and 2005 (from a GDP share of 2.7% to 4.3%), many problems persist. Linking the education system to the labor market has been a particular challenge, as evidenced by the continued growth in unemployment. In the 2011 U.N. Education Index, Syria was ranked 119th out of 187 countries (with a score of 0.534). The overall literacy rate was 84.2%, while gross enrollment rates were respectively 117.8% and 72.4% percent at the primary and secondary levels, according to the World Bank.

Since the beginning of the revolution, universities have increasingly faced severe disruptions. In January 2013, a strike on Aleppo University during an exam day killed more than 80 students.

Many students have already lost more than a year of study, and both professors and students have faced arrest, harassment and imprisonment. Moreover, at least 2,000 schools have been damaged or destroyed in the ongoing conflict, while others have been occupied by thousands of displaced people. As a result, thousands of Syrian children will not be able to return to school for the new academic year, according to the United Nations Children’s Fund (UNICEF).
Transformation Management

I. Level of Difficulty

Syria faces significant constraints on governance, one of the most important being a worsening water shortage. Large portions of the country consist of desert, but in the last decade a drought has also prompted the migration of farmers from previously fertile areas to the cities. Syria also faces problems in linking the education system to the labor markets, as well as in generating sufficient private sector investment to decrease unemployment. While in earlier years, instability in neighboring Lebanon and Iraq was considered a constraint for Syria, the situation in Syria has today become a liability for its neighbors and a threat to their security and stability. Tensions with Israel seem to have receded into the background as domestic unrest has worsened.

The violence and destruction have pushed significant segments of the population into poverty. Critical infrastructure has been badly damaged, and the continued fighting has made movement through the country difficult. An estimated 10% of the Syrian population is displaced, with about half a million people now residing outside the country. Damage to factories, international sanctions and the decline of the oil industry have contributed to the Syrian government’s difficult situation. In the current situation, constraints deriving from the government’s handling of the crisis have had a much bigger immediate impact than structural constraints.

In pre-revolutionary Syria, the government interfered with the establishment of civil society through repression and co-optation of nascent groups, as well as through the establishment of government-proxy civil society organizations both in the secular and in the religious sphere. This has been true of syndicates, professional associations, youth and women’s organizations. Civil society activism has thus been limited to government-driven activities or activism on a small scale, with participants trying to avoid attracting the attention of the government.

Within the context of the revolution, a vast number of different movements have established themselves, ranging from informal aid networks to interest groups, parties, independent media, local administrations and field hospitals. Newspapers and committees of lawyers have emerged to monitor not only the government’s behavior, but also that of the opposition, and remain active after 21 revolutionary months. Even
in places particularly affected by violence, there remain many who are committed to civil and nonviolent activism.

Traditions of civil society are weak, but current developments have given hope for a strong civil society in the future. The situation has catalyzed the successful development of an authentic civil society. Never before has society in Syria taken the organization of civil life into its own hands to a similar extent.

By December 2012, the Syrian conflict had morphed unambiguously into a civil war. The regime has recruited armed militias that consist predominantly of Alawites. The International Crisis Group has gone so far as to say that “the government has turned into a militia.” This has enhanced sectarian tensions, enhanced desires for revenge and prepared the ground for the continuation of civil war.

The divide – particularly between the Alawite community and the rest of the population – has become deeper. The conflict has imposed a heavy strain on social ties and the social fabric at large. Whole villages and parts of towns have become nearly deserted, and the scale of the internal migration risks kindling future conflicts as well.

The opposition has proven reluctant to address the incorporation of Kurdish interests. The Kurdish community has in consequence been divided over the revolution, and the killing of Meshal Temmo, a charismatic and well-respected pro-revolutionary Kurdish politician, during the early stages of events complicated the situation.

The increasing visibility of Salafists in liberated areas has prompted fears among women, minorities and secularists as to the outcome of negotiations over a future constitution and identity of the state. The Syrian National Coalition, established in Qatar in November 2012, has a moderate cleric, Moaz al-Khatib, as its leader, and is also backed by businessman Riad Seif and the prominent female opposition leader Suhari Atassi. This diverse combination was understood by many as an attempt to establish trust among broad segments of the population and bridge sectarian divides.

II. Management Performance

14 | Steering Capability

The Syrian government has displayed a high level of consistency in pursuing goals, avoiding ruptures in favor of gradual reform. This reform has neither been liberal nor unidirectional. Whenever any move threatened the stability of the system or the
uncontested rule of the political elite, setbacks to liberalization and economic reform have resulted.

After coming to power, Bashar al-Assad made economic reforms a priority. In order to implement economic liberalization without introducing major political or systemic changes, he surrounded himself with capable, Western-educated technocrats. This helped the Syrian government to overcome some of the obstacles imposed on it through international sanctions and isolation before 2011.

During the current crisis, the Syrian political elite has refocused on the goal of regime survival. It does not have enough capacity to handle the domestic crisis and international pressure, while at the same time continuing to develop economic and political strategies beyond immediate necessities. It did not show enough flexibility and adaptability to deal with the developments in a constructive way, and relations with Turkey – one of Syria’s most important trade partners over the past decade – have deteriorated significantly.

The political reforms offered by Bashar al-Assad at the beginning of the revolution were insufficient to fulfill the demands of the opposition. As the review period closed in late 2012, the Syrian government found itself widely isolated and undergoing economic hardship.

Though a considerable number of laws meant to pave the way for a market economy have been promulgated by the parliament and the president, most have not been implemented or lack the necessary institutional and regulatory framework to be effective. The Syrian bureaucracy, hopelessly overstaffed in the 1990s, improved slightly as a result of retirements both scheduled and strategic. Moreover, decisions were made to shift workers to different enterprises and gradually halt new hiring. Economic experts and technocrats were brought back from abroad to facilitate change.

The nature of the system does not encourage initiative or the taking of responsibility. This has been a major impediment for the reform process.

The leadership has in the past displayed considerable capacity to adapt to environmental pressures. However, Syria has never before faced deep domestic and external crises simultaneously. Economic reforms were launched in such a way as to consider long-term threats (demographic growth and the decline of the oil economy, for example), but to a large extent failed to take the country’s immediate needs and the necessity for developing strategies into account.

In 2011, Syria definitively failed to learn from the failed response of other Arab regimes to the Arab spring, and offered reforms – limited in scope – too late. At the time of writing, more than 20 months after the beginning of the conflict, the Syrian
regime remained reluctant to negotiate with oppositional forces that it described as “puppets of the West.”

15 | Resource Efficiency

Though foreign-educated technocrats were increasingly promoted into the senior bureaucracy after the 2000 change in Syria’s presidency, the public administration under Bashar al-Assad’s leadership has never been marked by efficiency and productivity. One positive step was the systematic improvement in Syria’s tax collection capacity, with the introduction of a VAT system in 2011. However, the regime facilitated (or even supported) crony capitalist activities on the part of the president’s friends and relatives as a means of securing its own power base.

Faced with Syrian revolution, the government has done an even poorer job of identifying strategies for using assets efficiently. With revenues deteriorating in all business sectors, problems have today been pushed into relief. Tax and trade revenues have declined sharply, and the government finds itself increasingly dependent on external support from Russia, Iran and China.

Job prospects for educated youth have decreased, while poverty rates have increased. Thus, almost all segments of the population feel that their economic future is bleak.

After consolidating power at the 2005 Ba’th party conference, at which large segments of the “old guard” were retired and new, younger individuals – mainly loyal technocrats – were brought into key positions, the Bashar al-Assad government showed a convincing level of unity and policy coordination. However, the initial pace of reform declined over time, leaving necessary changes largely unaddressed. The outbreak of hostilities and violence in 2011 brought some internal differences to light, such as the 7 March 2012 resignation of Deputy Oil Minister Abdo Hussameddin, who joined the opposition forces in protest of the regime’s “barbarism in killing innocent people.” However, few other cases of disunity have come to light; nor has the army shown any sign of serious internal division, despite the resignation of Major-General Abdulaziz Jassim al-Shalal, chief of Syrian military policy, on 26 December 2012.

Despite promises made before his presidency, Bashar al-Assad did not fight corruption once coming to office, but rather sustained it. The wave of privatization enacted under his regime enriched the leading elites, producing rent-seeking alliances between political brokers, particularly by the family of Bashar al-Assad’s mother, the Makhloffs, as well as the families of former Minister of Defense Mustafa Tlass, of former Vice President Abdel Halim Khaddam before his defection in 2005, and a number of others. The immunity held by two parliamentarians who had criticized
corruption and monopolies in the mobile phone sector was lifted, and they became prominent political prisoners. While these measures to some extent fostered and broadened al-Assad’s circle of elite supporters, it contributed to an exacerbation of popular dissent with the government.

At the very beginning of the revolution, Bashar al-Assad missed the chance to deal with those who had arrested the children in Deraa (who had written anti-government graffiti, and whose arrest sparked the revolution) in a transparent way. He thus demonstrated that he did not take people’s concerns seriously, and that he was not willing to uphold standards of accountability.

16 | Consensus-Building

The Syrian political elite has seemed to agree on the need for a reform process, but there was no consensus regarding the extent, pace or even direction. It was clear only that interest in economic reform was more pronounced than that for political reform. Any political reform implemented was thus driven by economic motives rather than oriented toward a democratic opening, and reforms addressed issues of performance rather than the system itself.

Economic development, neglected by Hafiz al-Assad in favor of foreign and security policy, was in dire need of reform, since the statist, subsidy-oriented economy was wholly unable to meet the looming demographic challenges and growing needs of the country’s citizens.

However, the economic reforms that were initiated did not liberalize the economy to the extent of making it a competitive market economy, but rather opened new business opportunities for a small, predetermined group. Meanwhile, large parts of the population had increasing difficulties in making living, and for the first time in decades, poverty became visible in the cities’ streets. While technocrats (such as the former Deputy Prime Minister for the Economy Abdullah Dardari, who served the government in various functions from 2003 until March 2011) have pursued neoliberal policies, others have insisted that Syria needs to craft a mixed social market economy that restricts the growth of inequality. These latter voices have been on the defensive.

The hierarchic structure of governance, in combination with a pronounced cronyism, has prevented the administration from serving a filtering function. Therefore, even agreed-upon reforms have been implemented only slowly. A focus on daily routine tasks has kept many policymakers from developing a long-term perspective. However, major political actors have in any case been divided over the value of democracy and the market economy.
One month after the uprising began, the Syrian government offered a new, more flexible policy with regard to the official role of the Ba’th party. Its formerly constitutionally enshrined leading role was abolished, and presidents were newly limited to two terms in office (though this was not retroactive, thus enabling Bashar al-Assad to govern until 2028). While the government rhetorically acknowledged the importance of reforms, these moves came too late to be taken seriously by the opposition.

Pressure from outside on the Syrian government for reforms has continually increased. According to news reports from late January 2013, even Syria’s closest ally Russia termed the delay of reforms in Syria a “fatal error.”

In his first years in power, Bashar al-Assad replaced a considerable number of members of the “old guard” with younger functionaries. It was not clear, however, to what extent these new figures were actually interested in modernization. On a societal level, the regime’s efforts were directed at co-opting moderate Islamists and marginalizing radicals. As the revolution subsequently showed, the regime failed to recognize the dynamic potential in the population at large, or the prevailing level of discontent.

Among opposition forces, there is no visible strong actor, but the Muslim Brotherhood has the best structures to increase its outreach. It has declared its support for democracy, but there are many questions as to the quality of this commitment. With the increasing radicalization of the revolution, more radical groups have attracted attention from abroad, producing discomfort among Syrian minorities and those committed to a democratic future.

While some contact existed between some of the reform-oriented regime members and the opposition in the first months of the revolution, this ceased in late summer 2011. The opportunity to effect a gradual transition was thereby missed.

In pre-revolutionary Syria, occasional clashes between Kurdish and Arab groups in the northeast were the only visible sign of intercommunal conflict. The Syrian regime has always presented itself as a protector of minorities and has praised the “mosaic” of Syrian society. However, it failed to respond to Kurdish demands for nationality and recognition of minority rights with regard to language and education.

During the revolution, the Syrian regime has tried to enhance the division between the different communities, playing on fears of Islamism by portraying revolutionaries as Salafists. The recruitment of a mainly Alawite militia, the Shabiha, which has engaged in ruthless killing and looting, has further undermined trust between Alawites and the rest of the population.
After the death of Hafiz al-Assad, Bashar al-Assad initially encouraged civil society to express constructive criticism. When this threatened to take on its own life and undermine his legitimacy – something partly inherited from his father, and partly granted through regime barons whose corruption became subject to civil society criticism – he reined in the opposition.

Over time, the Syrian government experimented with various methods of managing civil society participation. While some groups were tolerated for limited periods of time, such as the Jamal al-Atassi discussion forum, independent activism was discouraged and met with repression. The government also created organizations that were not directly run by the regime but served as regime proxies, such as the Trust organization associated with Syria’s first lady, Asma al-Akhras. Because of the withdrawal of the state from the economy and growing socioeconomic disparities, the government eventually tolerated a number of service- and provision-focused organizations.

A wide range of new civil society actors has emerged during the revolution, mostly with a limited degree of formal organization. These have been deeply involved in coordinating protests as well as working on administrative matters in areas under rebel control. These have not been officially recognized by the Syrian government, but on a local level some have negotiated with government entities on practical issues.

Syria’s decision-makers have long rejected opposition demands to address past injustices, and has resisted any official discussion on the repression of the 1980s uprising or Kurdish political demands.

Before the revolution, the government allowed parts of the Sunni business community to be rehabilitated, and between 2003 and 2010 made an effort to boost its Islamic credentials and support more conservative societal demands.

When the revolution started, the government sought to defuse continuing anger over the early-1980s repression by making tacit efforts to provide information on people who had disappeared during the uprisings. However, in its official rhetoric, it failed to recognize the revolution as popular movement and fell back on old patterns of declaring the rebels terrorists with an Islamic and foreign-led agenda.

17 | International Cooperation

When Bashar al-Assad embarked on his course of tacit economic reform, Syria began accepting assistance from the UNDP, and consulted with the Bretton Woods Institutions (that reported on Syria’s economic development regularly). Western-educated experts took roles in the Syrian government as advisors to execute reforms based on their experience in international organizations and in accordance with the
required standards. The Syrian government also invested considerable effort in signing an EU association agreement; however, this was in the end negotiated and initialed but not officially signed, due to EU hesitation.

Apart from allies Russia, China and Iran, the Syrian leadership has become isolated since 2011, a fact that has also brought development cooperation to a halt. While the Syrian government still confirms its interest in international know-how and support, it is not pursuing it at any price. It has no long-term strategy of its own, and while in need of financial support, it is not willing to make its political stance subject to conditionality.

The Syrian government has tried to present itself as a reliable partner. Between 2001 and 2011, it adopted a series of reform measures directed at broader international cooperation. U.S. sanctions, an impediment after the 2003 Iraq war, as well as international pressure following the assassination of the former Lebanese Prime Minister Rafiq al-Hariri, led to near-total isolation after 2005. However, by early 2011, the sanctions had been partially lifted and the international relations of Syria had improved.

The increasingly violent crushing of the Syrian revolution led to the imposition of new sanctions. The repeated failure of the Syrian regime to implement measures agreed upon for solving the domestic crisis has further decreased its credibility.

In the absence of a solution to the crisis, the international community has nevertheless pledged support for humanitarian assistance and relief, to be distributed through U.N. channels in early 2013. It has been stressed that no money will be given to governmental officials.

Before the revolution, Syria engaged positively at regional level, particularly with Turkey. The two countries signed cooperation agreements in a number of areas, trade increased significantly, and despite the temporary Turkish-Israeli rapprochement, cooperative relations deepened even in the area of military affairs. However, relations between Ankara and Damascus have deteriorated significantly since the beginning of the Syrian revolution, with Turkey becoming a major host country for Syrian refugees, worsening particularly after the Syrian air force shot down a Turkish jet and when military skirmishes occurred at the two countries’ joint border. In the first year of the revolution, the Turkish PKK, allegedly given a free hand in the Kurdish areas of Syria as a security force, launched a wave of attacks inside Turkey. Many Syrians who have fled the country are in Turkey now, and trade has declined significantly.

In November 2011, the League of Arab States (LAS) approved sanctions against Syria, including a ban on transactions with the Syrian central bank and ending all
commercial exchange with the government. Syrian representatives were also excluded from all LAS activities.

Facing international isolation, Syria is more dependent now on its strategic relations with Iran. Iraq and Lebanon, determined to avoid involvement in the Syrian imbroglio, have taken a neutral stance. Saudi Arabia and Qatar decided in autumn 2011 to take sides in favor of the revolution, and to provide the rebels with supplies. The developments have for the time being ended Syrian plans to become a hub of transit and pipeline traffic in the region.
Strategic Outlook

The Syrian regime, for decades quite adept in managing its foreign relations even when under extreme external threat, has not found a constructive way of dealing with the parallel internal and external crisis. It has dealt with the uprising as if it was merely a security threat, without reacting to the political demands or developing a political strategy for a solution.

With the conflict’s increasing militarization, it has become obvious that neither side will be able to achieve a swift victory. As long as the situation drags on, the number of victims will rise, the number of internally displaced and refugees abroad will increase, and the social fabric of Syria will suffer from increasing damage. Sectarian tendencies are on the rise, and the reluctance of Western countries to offer material and financial support to the rebels has opened the door to actors such as Saudi Arabia and Qatar, who have supported the specific segments of the revolution closest to their interests.

International efforts should be continuously directed at ending the violence, particularly aerial bombardments, as well as at strengthening democratic actors willing to take over responsibility after a change in the situation. Syrian opposition groups, which to date have remained divided and unsuccessful in their efforts at unification, need to prepare to take over a fragmented country and develop plans to ensure the inclusion of all citizens. Practicalities of governance should be featured more prominently, particularly the rebuilding of Syria’s industry and economy, so as to encourage ownership and participation in the economic processes of the country. However, it should be kept in mind that the revolution was in part inspired by the corruption and cronyism of the political elite and their families. Despite the uncertainty as to Syria’s future, the international community should be prepared to support reconstruction and humanitarian efforts on the technical side, and should encourage reconciliation as a means of preventing the country from drifting into a sectarian civil war.

The Syrian regime relies on the fact that confusion about the situation and divergent geopolitical interests between powerful actors will prevent intervention. The West’s discussion of “red lines” (such as the use of chemical weapons) has therefore failed to increase pressure on the Syrian government, but has rather been interpreted as a carte blanche to continue its domestic fighting with hardly any restrictions.

The worst-case scenario is one of protracted conflict that gives rise to local power players and a widespread dearth of resources able cater to the needs of citizens. If the opposition does manage to take over power, its future foreign policy may reflect orientation toward those states that have taken a stance of support for the rebels today.
One of the country’s major future challenges will be to find and negotiate a new relationship with neighboring Iraq and Lebanon, as well as with Iran. Given the level of destruction, Syria will remain vulnerable, and will not be able to ignore Iran’s interests in its neighborhood.

Turkey might be an important ally in future, but it is unlikely that a future government will have a significantly different foreign policy vis-à-vis Israel.

Once the situation in Syria changes, the international community will need to do precisely what they have been asking the Syrian opposition to accomplish. That is, differences must be overcome in order to provide external support for the country, strengthening the new Syrian government to enable it to provide needed services to its citizens, preventing the state from falling apart into different, mutually hostile entities.