NAVAL POSTGRADUATE SCHOOL
Monterey, California

19980707 100

THESIS

ECONOMIC LIBERALIZATION IN SYRIA: PROSPECTS FOR REGIME STABILITY AND DEMOCRATIZATION

by

Dana Andrew Nelson

June, 1998

Thesis Advisor:	Glenn E. Robinson
Second Reader:	Robert E. Looney

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DTIC QUALITY INSPECTED 1

REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.

1. AGENCY USE ONLY *(Leave blank)*	2. REPORT DATE	3. REPORT TYPE AND DATES COVERED
	June, 1998	Master's Thesis

4. TITLE AND SUBTITLE
ECONOMIC LIBERALIZATION IN SYRIA: PROSPECTS FOR REGIME STABILITY AND DEMOCRATIZATION

5. FUNDING NUMBERS

6. AUTHOR(S)
Nelson, Dana Andrew

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)
Naval Postgraduate School
Monterey, CA 93943-5000

8. PERFORMING ORGANIZATION REPORT NUMBER

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)

10. SPONSORING/MONITORING AGENCY REPORT NUMBER

11. SUPPLEMENTARY NOTES
The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

12a. DISTRIBUTION/AVAILABILITY STATEMENT
Approved for public release; distribution is unlimited

12b. DISTRIBUTION CODE

13. ABSTRACT ***(Maximum 200 words)***

From 1985 to 1991, Syria experienced a severe economic crisis. In response, the regime of Hafiz al-Asad implemented economic reforms designed to move the Syrian economy toward free-market capitalism. As seen in authoritarian regimes around the world during the past thirty years, political liberalization often accompanies economic reform. Yet, scholars and policymakers have typically viewed Syrian economic reform as politically unimportant: mere tactical maneuvers that strengthened the Asad regime by restoring economic growth. This thesis reevaluates the political importance of the reforms from a political economy perspective. Two surprising conclusions are reached: (1) the political legacy of the economic reforms has so weakened the Asad regime that prospects for political stability within Syria are poor; and (2) transition to democracy, or political liberalization, is the probable outcome of the coming instability. The ramifications of these conclusions are twofold. First, they serve as a warning to U.S. policymakers, suggesting that regional stability will remain elusive until the root causes of regional economic underperformance are addressed. Additionally, by explaining the political outcome of the 1985 Syrian economic crisis with a political economy model, this thesis undermines the notion of cultural exceptionalism as it is commonly applied to the Middle East.

14. SUBJECT TERMS
Economic Liberalization, Democratization, Political Economy

15. NUMBER OF PAGES
82

16. PRICE CODE

17. SECURITY CLASSIFICATION OF REPORT	18. SECURITY CLASSIFICATION OF THIS PAGE	19. SECURITY CLASSIFICATION OF ABSTRACT	20. LIMITATION OF ABSTRACT
Unclassified	Unclassified	Unclassified	UL

NSN 7540-01-280-5500

Standard Form 298 (rev 2-89)
Prescribed by ANSI std 239-18

Approved for public release; distribution is unlimited

ECONOMIC LIBERALIZATION IN SYRIA: PROSPECTS FOR REGIME STABILITY AND DEMOCRATIZATION

Dana Andrew Nelson
Lieutenant, United States Navy
B.S., United States Naval Academy, 1992

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS

from the

NAVAL POSTGRADUATE SCHOOL
June, 1998

Author: Dana Andrew Nelson
Dana Andrew Nelson

Approved by: Glenn E. Robinson, Thesis Advisor

Robert E. Looney, Second Reader

Frank C. Petho, Chair
Department of National Security Affairs

ABSTRACT

From 1985 to 1991, Syria experienced a severe economic crisis. In response, the regime of Hafiz al-Asad implemented economic reforms designed to move the Syrian economy toward free-market capitalism. As seen in authoritarian regimes around the world during the past thirty years, political liberalization often accompanies economic reform. Yet, scholars and policymakers have typically viewed Syrian economic reform as politically unimportant: mere tactical maneuvers that strengthened the Asad regime by restoring economic growth. This thesis reevaluates the political importance of the reforms from a political economy perspective. Two surprising conclusions are reached: (1) the political legacy of the economic reforms has so weakened the Asad regime that prospects for political stability within Syria are poor; and (2) transition to democracy, or political liberalization, is the probable outcome of the coming instability. The ramifications of these conclusions are twofold. First, they serve as a warning to U.S. policymakers, suggesting that regional stability will remain elusive until the root causes of regional economic underperformance are addressed. Additionally, by explaining the political outcome of the 1985 Syrian economic crisis with a political economy model, this thesis undermines the notion of cultural exceptionalism as it is commonly applied to the Middle East.

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EXECUTIVE SUMMARY

From 1985 to 1991, Syria experienced a severe economic crisis. In response, the regime of Hafiz al-Asad quickly implemented a program of "selective liberalization" designed to restore economic growth and strengthen the regime itself. These reforms, not forced upon the Asad regime by external creditors, were haphazard efforts to address pressing economic problems. By 1991, the crisis was over, removing the immediate need for deeper economic reforms. The outcome of the crisis, particularly the survival of Asad, and the reluctance of his regime to fulfill its promises of further economic reforms, seemed to vindicate those scholars and policymakers that viewed the economic reforms as politically unimportant. This thesis reexamines the political importance of the reforms, and concludes that the economic reforms implemented in response to the 1985-1991 economic crisis may yet have important political consequences for Syria and, more broadly, the entire Middle East region.

The analysis of the political importance of the economic reforms flows from two assumptions that this thesis makes about Syria: (1) Asad, or a successor from within his regime, will be in power in Syria through 2010; and (2) an economic crisis is likely within Syria by 2010. The strength and validity of these assumptions are discussed in the body of the thesis. For now, these assumptions help formulate two crucial questions. First, the Asad regime survived the 1985-1991 economic crisis; will the regime—as it is likely to exist in 2010—be able to survive the coming crisis? Additionally, if the regime is unlikely to survive, what is the most likely political outcome of the crisis?

To help answer these questions, Chapter II of this thesis explores the theoretical relationship between economics and political change. Three models of political change are outlined: a structural model, a strategic interaction model, and a political economy model. The chapter justifies the selection of the political economy model as the

framework for inquiry into the Syrian case. The details of the political economy model are found in Chapter II. Here, it is sufficient to note that the model assumes that authoritarian regimes answer to *some* constituency—even if it is simply the military elite—and that economic crisis and reform can threaten the allegiance of this constituency, creating a transitional situation in which political regime change is possible.

Chapter III demonstrates the applicability of the political economy model to the Syrian case by explaining the survival of the Asad regime during the 1985-1991 economic crisis. The Asad regime was well situated to survive the crisis because its relationship to its constituency—the military elite, the Ba'th party, and the public economic sector—was strong. This strength is demonstrated by examining the regime type, elite cohesion, and the availability of external rent as they existed within Syria in 1985.

Going further, Chapter IV uses the same political economy model and applies it to a hypothetical Syrian economic crisis in 2010. By exploring the political and economic legacies of the post-1985 "selective liberalization" program, the chapter demonstrates that the Asad regime will not likely survive the 2010 crisis intact. Specifically, in response to the 1985 crisis, the regime altered its power base—incorporating the private business sector—while distancing itself from the Ba'th party and the public economic sector. This change in the social base of the Asad regime, shown through the actions and rhetoric of the regime itself, created a newly empowered business sector capable of pushing for institutionalized political reform during the coming crisis. The final section of Chapter IV predicts the specific political outcome of the coming political instability by examining the interests of, and resources available to, the competing factions that will oppose, or favor, further institutionalized political reform. The chapter tentatively concludes that transition to democracy is the most likely political outcome, although elite miscalculation could lead to insurrection or a narrowed military dictatorship.

In summary, this thesis reexamines the political importance of the economic reforms undertaken by the Asad regime in response to the 1985-1991 economic crisis. It concludes that political instability is likely within Syria and, somewhat more tentatively, that democratization is the most likely political outcome of the turmoil. These conclusions are important for two reasons. First, they serve as a warning to U.S. policymakers, suggesting that regional stability will remain elusive until the root causes of regional economic underperformance are addressed. Additionally, by explaining the political outcome of the 1985 crisis with a political economy model, this thesis undermines the notion of cultural exceptionalism as it is commonly applied to the Middle East.

I. INTRODUCTION

From 1985 to 1991, Syria experienced a severe economic crisis. In response to the crisis, the regime of Hafiz al-Asad implemented a series of economic reforms designed to stimulate growth and investment by moving the Syrian economy from state-dominated socialism toward free-market capitalism. This thesis analyzes the long-term political effects of these economic reforms on the stability of the Asad regime and the prospects for future democratization within Syria.[1] The analysis of the political and economic legacies of the 1985-1991 economic crisis reaches two conclusions: (1) the long-term prospects for stability of the Asad regime are poor; and (2) democratization is the most probable long-term political outcome.

The topic is salient in 1998 for two reasons. First, Syria is an important actor in a region deemed vital to U.S. national security by the Clinton administration.[2] U.S. experience in the Middle East over the last thirty years has consistently demonstrated that Syria simply cannot be ignored. Recent research even points to an historical connection between internal Syrian disorder and aggressive Syrian foreign policy—research that is no doubt disturbing to important U.S allies in Israel and Turkey.[3] The issue of Syrian

[1] "Long-term" in this context refers out to about the year 2010. The stability of the *Asad* regime is examined because this thesis assumes that Asad, or his successor from within the current regime, will remain in control of Syria through 2010. Due to the documented poor health of Asad and the authoritarian nature of his regime, there is no consensus among scholars regarding the validity of this assumption. For a discussion of possible succession scenarios see Glenn Robinson, "Elite Cohesion, Regime Succession and Political Instability in Syria," *Middle East Policy*, Vol. V, No. 4 (January 1998), pp. 173-177. For an analysis supporting the assumption that the post-Asad transition will most likely occur smoothly, see Volker Perthes, *The Political Economy of Syria under Asad* (London: I.B. Tauris, 1995), pp. 269-270. For a more pessimistic analysis of the prospects for stability following the death of Asad, see Patrick Seale, "Asad: Between Institutions and Autocracy," in *Syria: Society, Culture, and Polity*, eds. Richard T. Antoun and Donald Quataert (Albany: State University of New York Press, 1991). Adequately supporting or refuting this assumption is outside the bounds of this thesis.

[2] William J. Clinton, *A National Security Strategy of Engagement and Enlargement* (Washington, D.C.: Government Printing Office, 1996), pp. 42-43.

[3] Fred H. Lawson, *Why Syria Goes to War: Thirty Years of Confrontation* (Ithaca: Cornell University Press, 1996).

regime stability is integral to the overall stability of the Middle East and thus to vital U.S. national security interests.

Secondly, the third wave of democratization brought new life to the long-running debate regarding the relationship between political and economic development.[4] Adam Przeworski is not alone when he asserts that during the past few decades many countries have undertaken "interdependent" transitions from authoritarianism to democracy and from socialism to capitalism.[5] Yet, the Syrian case of economic reform toward capitalism has rarely been examined in truly comparative fashion relative to these other cases of economic liberalization, most of which occurred in Latin America, Eastern Europe, and Southeast Asia. All too often, scholars have attributed political outcomes in Syria—and more broadly in the entire Middle Eastern region—to regionally specific causes, often cultural in nature, and not independent variables generally applicable in any regional setting.[6] This thesis takes on this traditional "orientalist" approach to examining the Middle East by ignoring it, and attempting to explain political outcomes within Syria in terms of independent variables applicable in any political setting. This thesis is important because it demonstrates the applicability of a theory generated in other parts of the world to the Middle East, undercutting the notion of regional exceptionalism.

Methodologically, this thesis employs a longitudinal case study research design. Two cases are considered—Syria in 1985 and Syria in 2010. The 1985 case demonstrates the applicability of the theoretical framework used, which is one of political economy. The 2010 case forms the basis for predicting the long-term prospects for regime stability and democratization within Syria.

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[4] Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman, OK: University of Oklahoma Press, 1991).

[5] Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge: Cambridge University Press, 1991), p. ix.

[6] For one example of a cultural explanation of political processes in the Middle East see Francis Fukuyama, *The End of History and the Last Man* (New York: Avon Books, 1992), p. 217.

Organizationally, this thesis is divided into five chapters, including the introduction. The second chapter contains a literature review that examines the theoretical relationship between economics and politics, emphasizing the relationship between economic change and political development toward democracy. Three competing models of political development are presented: a structural model, a strategic interaction model, and a political economy model. For readers more interested in the application of the model to the Syrian case than the derivation of the model, this chapter can be skipped without losing track of the general argument being made. The chapter justifies the selection of the political economy model as the framework for inquiry into the Syrian cases.

Chapter three contains the first case study—an analysis of the 1985-1991 Syrian economic crisis. First, the chapter generates a prediction regarding the outcome of the crisis using the political economy model. Then, the chapter compares the predicted and observed political outcomes of the crisis and notes that the model adequately predicts and explains the political outcome. The congruence between the predicted and observed outcomes establishes the strength and applicability of the political economy model to the Syrian case.

The strength and applicability of the model established, chapter four examines the prospects for regime stability and democratization within Syria during a notional economic crisis occurring in 2010.[7] The evidence presented supports the following conclusions: (1) the long-term prospects for stability of the Asad regime are poor; and (2) the most likely long-term political outcome is transition to democracy, although

[7] The use of a notional economic crisis must be defended. This analysis makes two assumptions that dictate the use of a future economic crisis as the basis for examining the long-term stability of the Asad regime. It is assumed that regime change will not occur in Syria during periods of economic abundance, and that an economic crisis is likely in Syria around the year 2010. For purposes of clarity and consistency, this thesis arbitrarily assumes that the economic crisis will occur in 2010. This date, whenever referred to in this thesis, should be read as "approximately in the year 2010, plus or minus about five years."

insurrection or military coup cannot be entirely ruled out as possible, though less likely, outcomes. The final chapter reiterates the conclusions reached by the analysis.

In summary, this thesis examines the economic liberalization efforts undertaken by the Asad regime in response to the 1985-1991 economic crisis using an existing political economy theory that has, until now, been infrequently applied to the Middle East. The model seems quite capable of explaining political outcomes of economic crises in the region, undercutting the arguments of scholars that prefer to focus on the "unique" cultural nature of the region in explaining political processes. This thesis disturbingly concludes that political instability is likely in Syria, calling into question the prospects for stability of the entire Middle East region—a region deemed vital to U.S. national security interests by the Clinton administration. Ironically, the analysis presented also indicates that the outcome of this instability might just be the one outcome that most scholars and policy makers would never expect to see in the Middle East—democratization.

II. ECONOMICS AND POLITICAL CHANGE

The third wave of democratization, which lasted from 1974 to 1990, rejuvenated the long-running debate concerning the origins of liberal democracy. The third wave reshaped the global political landscape—by 1994 fifty-eight percent of all world governments were democratic, and the overall number of democratic governments had doubled since 1972.[1] Yet, the debate concerning the roots of democracy has always been—either explicitly or implicitly—about the role of economics in political processes. Some scholars see political change toward democracy as a product of economic development, while others discount the role of economics, and focus on elite actions and preferences.

This chapter organizes, explains, and evaluates the major theories of democratic transition. Throughout, the role of economics in each theory will be carefully detailed. Three general theories, or models, of democratic transition are presented—the structural model, the strategic interaction model, and the political economy model.[2] Finally, this chapter justifies the selection of the political economy model as a framework for inquiry into the long-term prospects for regime stability and democratization in Syria.

A. THE STRUCTURAL MODEL

Early attempts to explain democratization searched for structural conditions that explained the localized development of democracy in Western Europe and North America. In attempting to discern which specific conditions gave rise to democracy, scholars analyzed socioeconomic conditions, social-structural conditions, political

[1] Doh Chull Shin, "On the Third Wave of Democratization: A Synthesis and Evaluation of Recent Theory and Research," *World Politics*, Vol. 47, No. 1 (October 1994), p. 136.

[2] Throughout this thesis, these models are referred to as "the" political economy model or "the" structural model. This should not be interpreted as belief in the existence of only one variant of each theory. As the analysis of each theory below demonstrates, there are many versions of each theory. For purposes of clarity and consistency, this thesis refers to "the" structural model rather than getting bogged down in relatively unimportant—for the purposes of this thesis—distinctions that can be made within each model.

culture, political institutions, and international political and economic conditions.[3] These are structural factors. The presence, or absence, of these factors in the fabric—or structure—of a given society dictated the prospects for democratization. These works are often referred to as the structural model of democratic transitions. Seymour Martin Lipset and Barrington Moore Jr. contributed to the structural model, and their work highlights the diversity of structural conditions incorporated into the model and the common intellectual approach used in the structural literature.

1. The Structural Models of Lipset and Moore

Seymour Martin Lipset was one of the earliest and most recognized proponents of the structural model. He wanted to "be able to point to a set of conditions that have actually existed in a number of countries, and say: democracy has emerged out of these conditions. The conditions listed must be ones which differentiate most democratic states from most others."[4] He concluded that high levels of both economic development and institutional legitimacy were necessary prerequisites for a stable democracy.[5]

Methodologically, Lipset sought a statistical correlation between economic development and democracy. Economic development consisted of four components—wealth, industrialization, urbanization and education—each operationalized by quantifiable indicators. Lipset categorized each country as either a democracy or a dictatorship, and calculated average levels of each indicator for each grouping.[6] The data

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[3] Mark J. Gasiorowski, "Economic Crisis and Political Regime Change: An Event History Analysis," *American Political Science Review*, Vol. 89, No. 4 (December 1995), pp. 882-884.

[4] Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," *The American Political Science Review*, Vol. 53 (1959), p. 69.

[5] Lipset remains well known today primarily for the economic development portion of his work. This is largely due to the fact that Lipset himself attributed the development of political legitimacy to factors associated with economic development, blurring any meaningful distinction between the two variables. Legitimacy, the belief by the people that the current set of political institutions were proper, was tied to the ability of the middle class to be politically moderate—a capacity Lipset equated with "urbanization, education, communications media, and increased wealth." (Lipset, p. 97.)

[6] Lipset also divided countries into geographical regions, between which his definition of "democracy" and "dictatorship" varied slightly. In general, he was attempting to divide all countries into two categories—

demonstrated a significant statistical *correlation* between economic development and democracy. In Europe, for example, stable democracies had an average per capita income of $695, compared to an average per capita income of $308 in unstable democracies and dictatorships.[7] This general trend of higher levels of economic development correlating with higher levels of democracy existed across numerous statistical categories and geographical areas.

To be convincing, however, the Lipset model had to explain how increased economic development led to increased levels of democracy. He postulated a "cluster" of forces linking the two variables. Economic development improved the material existence of the lower class, and created a burgeoning middle class that would have a stake in the continued success of the system. This reality would force the new middle class to adopt gradualist political views—views that Lipset deemed conducive to both compromise and democracy. Lipset also argued that increased educational levels—a key component of economic development—caused an increased belief in democratic norms within society. These norms, in turn, made democracy more likely. Lipset also thought democracy more likely in wealthy states because increased wealth led to an increase in activity in civil society, although he offered no direct explanation as to how a robust civil society fostered democracy. The last part of this cluster of forces linking economic development and democracy was Protestantism. Lipset drew from Max Weber and pointed out that the emphasis on individual responsibility in Protestantism, led to democracy.[8] In conclusion, Lipset noted, "we have an integrated cluster of economic development, Protestantism, monarchy, gradual political change, legitimacy and democracy. Men may argue as to

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"more" and "less" democratic. The mechanics of making the split varied along geographical lines to attempt to account for cross-regional differences. See Lipset pp. 73-74.

[7] Ibid.

[8] Lipset failed to realize that by counting Protestantism as a social requisite of democracy, he weakened his thesis. If Weber is correct, and Protestantism leads to capitalism (and thus economic development) then Protestantism, not economic development, is the important explanatory variable.

whether any aspect of this cluster is primary, but the cluster of factors and forces hangs together."[9]

Obviously, the structural model did not deal with economic factors alone. Lipset himself attempted to include social factors into his discussion of the development of democracy, but his analysis of political legitimacy is weaker than the economic development portion of his work. Barrington Moore Jr., however, focused more narrowly on structural social conditions and their role in the process of democratization in his 1966 book *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World.* Moore dealt with democracy as only one part of a broader issue, that of modernization. He proposed three paths into the modern world: the path of peasant revolution that led to communism, the path of conservative revolution that led to fascism, and the path of bourgeoisie revolution that led to democracy.[10] The path taken by any particular country was a function of social structural variables within the country.

Moore identified the social conditions vital to the development of democracy, and they centered around the pivotal role of the bourgeoisie—"No bourgeois, no democracy."[11] The rise of the bourgeoisie into a politically potent force was the key event along the road to democracy. This rise could be explained by analyzing three variables—the relationship of the landed upper class with the monarchy, the response of the landed upper class to the requirements of production, and the relations of the landed upper class to the bourgeoisie.[12] Democracy, for Moore, was the result of a peculiar type of social revolution—a type of revolution possible only when certain structural social conditions led to the development of the bourgeois into a politically relevant force.

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[9] Lipset, p. 85.
[10] Barrington Moore Jr., *Social Origins of Dictatorship and Democracy: The Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966), pp. xi-xii.
[11] Ibid., p. 418.
[12] Ibid., p. 423.

2. The Utility of the Structural Model

The structural model is solidly grounded in large quantities of both theoretical and empirical research. Although controversial, "the correlation initially observed by Lipset between measures of economic development and democracy has remained one of the strongest findings in political science."[13] Higher levels of certain socioeconomic factors correlate with the establishment and survival of democracy.

Yet, this correlation has little meaning if the causal process linking the two variables is weak. Theories "of regime change that focus only on structural factors of this sort are inherently problematic: although they identify factors that may *facilitate* regime change, they do not consider the *processes* that actually bring it about and therefore cannot fully explain its *causes*."[14] The underlying problem is that the structural model presumed a fairly linear, worldwide shift to democracy. As nations modernized, they would tend to become more democratic.[15] By the early 1970's, the general acceptance of the structural model led many scholars to the conclusion that global prospects for democratization in the short-term were dim because not many countries possessed the requisite traits the model deemed necessary—such as a vibrant bourgeousie. "Virtually all of the leading concepts and approaches in comparative politics...addressed the disappointments of the colonial period, the failures of modernization theory, and the related prevalence of authoritarian modes of political domination."[16]

The unexpected transitions to democracy that occurred during the third wave called this pessimistic outlook for democracy into question. The structural model of democratic transition—which views the presence of certain socioeconomic factors as

[13] Stephan Haggard and Robert R. Kaufman, *The Political Economy of Democratic Transitions* (Princeton: Princeton University Press, 1995), p. 27.
[14] Gasiorowski, p. 883. Emphasis in original.
[15] On this specific point Moore differed by postulating three distinct paths into the modern world.
[16] Karen L. Remner, "New Theoretical Perspectives on Democracy," *Comparative Politics*, Vol. 28, No. 1 (October 1995), p. 103.

crucial to the development of democracy—simply could not explain the wide variety of socioeconomic conditions exhibited by countries that transitioned to democracy from 1974 to 1990. This theoretical shortfall led to a reexamination of the structural model and to the development of a model that focused on the importance of human agency in the transition process—the strategic interaction model.

B. THE STRATEGIC INTERACTION MODEL

The strategic interaction model differs from the structural model in one fundamental respect. It assumes that transitions to democracy are chaotic, and this chaos makes transitions underdetermined—"there are insufficient structural or behavioral parameters to guide and predict [outcomes]."[17] If true, this assumption explains the failure of the structural model to anticipate the third wave. O'Donnell and Schmitter propose that in the chaotic situation accompanying any given transition, outcomes are uncertain and the actions of politically relevant actors are decisive in determining the outcome. The literature that comprises the strategic interaction model operates under four general assumptions:

> First, the key actors in the transition process are political elites, whether in the government or opposition, not interest groups, mass organizations, social movements, or classes. Second, actors are typically defined in terms of their orientation toward regime change (hardliners-softliners, moderates-extremists) rather than by interests rooted in economic structures and conditions or institutional roles. Third, actors behave strategically; their actions are influenced by expectations concerning the behavior of allies and rivals. Finally, democratization is the outcome of explicit or implicit negotiation.[18]

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[17] Guillermo O'Donnell and Phillipe C. Schmitter, eds., *Tentative Conclusions about Uncertain Democracies*, vol. 4 of *Transitions from Authoritarian Rule: Prospects for Democracy*, eds. Guillermo O'Donnell, Phillipe C. Schmitter, and Laurence Whitehead (Baltimore: The Johns Hopkins University Press, 1986), p. 3.

[18] Stephan Haggard and Robert R. Kaufman, "The Political Economy of Democratic Transitions," *Comparative Politics*, Vol. 29, No. 3 (April 1997), p. 265.

Yet, the literature regarding the strategic interaction model is not monolithic. Karen L. Remner prefers to use three separate models—elite compromise, decentralized strategic choice, and rational choice—instead of the broader grouping of strategic interaction.[19] Such distinctions are not necessary here, as they serve to confuse more than clarify. Instead, the works of Guillermo O'Donnell, Philippe Schmitter, and Adam Przeworski are examined, as they are diverse enough to represent the specific areas highlighted by Remner.

1. The Strategic Interaction Models of O'Donnell, Schmitter, and Przeworski

O'Donnell and Schmitter first outlined the strategic interaction model in the *Tentative Conclusions about Uncertain Democracies.*[20] The strategic interaction model views democracy in a very different manner than the structural model. The structural approach viewed democracy "as a particularly rare and delicate plant that cannot be transplanted in alien soil."[21] Structural conditions determined whether or not the "soil" in a given country was able to support the "delicate plant" of democracy. O'Donnell and Schmitter broke with this viewpoint. To them, authoritarian rule was the exception, not democracy—the Second World War had undercut the ability of authoritarian regimes to propose their methods as a viable "long-term solution" to political problems. They believed that this inherent lack of legitimacy was the "Achilles' heel" of authoritarian rulers, and thought that it explained the tendency of authoritarian regimes to search for public legitimization at any available turn.[22]

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[19] Remner, p. 104.
[20] O'Donnell, and Schmitter, p. 3. The authors specifically avoid the terms "theory" and "model" because they believed that a comprehensive theory of transitions was not possible, due to the previously discussed indeterminacy involved in the processes. Yet, their work does offer an explanatory model in one important way—it attempts to explain a complex phenomenon by reducing the process to its essential components.
[21] Shin, p. 141.
[22] O'Donnell, and Schmitter, p. 15. Published in 1986, O'Donnell and Schmitter seem premature in making this pessimistic judgement about authoritarianism. In 1986, the USSR still provided a viable blueprint for authoritarian regimes to emulate.

O'Donnell and Schmitter attribute the commencement of liberalization efforts to internal political events—not socioeconomic factors. There "is no transition whose beginning is not the consequence—direct or indirect—of important divisions within the authoritarian regime itself, principally along the fluctuating cleavage between hard-liners and soft-liners."[23] Additionally, "the timing of an opening toward liberalization [cannot] be correlated predictably with the performance of authoritarian rulers in meeting socioeconomic goals."[24] During economic good times, political liberalization may occur to obtain public legitimization of issues concerning succession to executive power, and in bad times liberalization efforts may occur to attempt to rectify the failure of the regime to deliver prosperity.

Once a liberalization effort is underway, the specific outcome is the product of the strategic interaction of the hard-liners and soft-liners. One overarching force that will shape the outcome is the role of the military in the process—hard-liners depend upon the military to prevent coups, and soft-liners attempt to co-opt the military to avoid repression. This hard-liner/soft-liner dynamic is eventually resolved either through the repression of the reformers or through the generation of pacts that provide guarantees for the exiting authoritarian elite. Thus, democracy is "a product that can be manufactured wherever there is democratic craftsmanship and the proper zeitgeist."[25]

Adam Przeworski contributes significantly to the strategic interaction model in his 1991 book *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America*. First, he challenges the very logic of social requisites for democracy, and offers a compelling argument in support of the idea that democracy can survive almost anywhere, if certain types of institutions can be created.[26] Secondly, he

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[23] Ibid., p. 19.
[24] Ibid., p. 20.
[25] Shin, p. 141.
[26] Przeworski, pp. 1-51. Przeworski acknowledges that the structure of certain conflicts may not be able to be solved by any set of democratic institutions. He cites race and religion as two types of conflicts that

explicitly deals with the mechanics of strategic interaction—especially the driving forces behind the hard-liner/soft-liner dynamic.

Przeworski uses game theory and logic to examine the idea of social requisites for democracy. The fundamental issue in democracy is compliance—if the losers in a democratic process comply with the outcome, then it is likely that the democracy will be stable. Three alternative methods of ensuring compliance are postulated: spontaneous decentralized self-enforcing compliance, externally imposed compliance, and norm-based compliance. Przeworski argues that if spontaneous self-enforcing compliance can be created, then external enforcement and norms-based compliance are unnecessary. These types of outcomes can be created by institutions that create "repeated situations in which actors do not discount the future, and the probability of the game ending in any particular round is low."[27]

Przeworski also strengthens the strategic interaction model by clearly identifying the possible outcomes of the liberalization process, and critically examining how each outcome can be reached. He identifies five possible outcomes: status quo dictatorship, broadened dictatorship, narrowed dictatorship, insurrection, and transition. At each stage in the liberalization process, relevant actors are faced with important decisions regarding whom they will support, and what policies they will pursue. Przeworski's model uses the values and preferences of relevant political groups at each important decision point to predict the rational choices that each actor would make, and thus the outcome of the entire liberalization process.

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democratic institutions may not be able to surmount. Overall, his analysis still views the prospects for democracy in various countries more favorably than does the structural model.

[27] Ibid., p. 25.

2. The Utility of the Strategic Interaction Model

The strategic interaction model makes several important advances. It removes structural and cultural biases by asserting that democracy can function almost anywhere in the world. A Jeffersonian commitment to democratic norms is not required—self-interest and fair and effective institutions alone can lead to democracy. The strategic interaction model assumes that "political democracy is not [the] political system of a particular level or historical pattern of development but a consensual framework or cooperative equilibrium that may be achieved in a variety of ways...."[28] Additionally, the model allows insight into the *processes* of transition, which the structural model neglected, allowing for a more thorough analysis of the causal relationships involved.

Yet, is the role of strategic actors overemphasized? To be useful, the model requires knowledge of the identity and preference structure of the major actors—knowledge that can only be obtained by exploring factors ignored by the strategic interaction model, such as political institutions and economics. Without examining institutional and economic influences on the creation of elite preferences, the strategic interaction model can devolve into a strategic "choice" model in which elites can apparently opt for democracy whenever and wherever they choose.

Additionally, the focus on process is overemphasized. Stephan Haggard and Robert Kaufman point out that "the key issue concerns...not the presence of a negotiation process, but rather the resources contending parties bring to bear" on that process.[29] The distribution of resources between relevant groups will, in part, determine the outcome—an effect that the strategic interaction model cannot account for.

Lastly, the strategic interaction model ignores the importance of economics in the creation of "political" preferences. These shortcomings led to the development of an

[28] Remner, p. 111.
[29] Haggard and Kaufman, "Political Economy of Democratic Transitions," p. 266.

alternative approach to explaining democratization—the political economy model of democratic transition—that accepts the important role of the strategic elite in determining outcomes, but contends that economic concerns significantly constrain elite action.

C. THE POLITICAL ECONOMY MODEL

The political economy model uses aspects of both the structural and strategic interaction models to predict and explain the relationship between political and economic development. The model accepts the general thesis of the strategic interaction model—that the path followed during "regime change…is ultimately determined by the strategic choices of key actors."[30] Yet, the political economy model differs in that it accounts for economic circumstances and existing institutions that constrain elite action and influence political outcomes. The model goes further than both the structural and strategic interaction models by examining the effect of economics and state level institutions on the process of democratization.

1. The Political Economy Model of Haggard and Kaufman

The political economy model outlined by Stephan Haggard and Robert Kaufman in their 1995 book *The Political Economy of Democratic Transitions* is shaped by one crucial assumption it makes about the nature of authoritarian regimes. It assumes that to "survive, [authoritarian regimes] must accommodate the interests of some constituency; they are accountable to *someone*, if only the military establishment or other sectors within the state elite."[31] Authoritarian regimes can last only as long as they engender this crucial support. In explaining and predicting political outcomes, the political economy model initially examines one independent variable: the durability of the authoritarian bargain, or

[30] Haggard and Kaufman, *Political Economy of Democratic Transitions*, p. 5.
[31] Ibid., p. 11. Emphasis in original.

agreement, between the regime and critical segments of society. Regimes with durable authoritarian bargains will remain in power longer than regimes with fragile authoritarian bargains.[32] Only if a regime has a fragile authoritarian bargain will the strategic interaction of elite groups affect the political outcome.

The model also contends that the economic crisis is a necessary but insufficient cause for political liberalization in authoritarian regimes. Short-term economic crisis can lead to the abandonment of the authoritarian bargain. An economic crisis—an across the board economic slump that is not self-correcting—"creates incentives for the private sector to defect from [the authoritarian] bargain, increases the likelihood of political protest from below, and reduces the capacity of ruling elites to manage the resulting distributive conflicts."[33] The inability of the economy to self-correct is vital because economic policy changes will be required to restore economic growth—politics enters the debate.

Political decisions regarding economic policy can cause or exacerbate splits within the ruling elite. If the authoritarian bargain is fragile, these splits make regime survival unlikely, and the strategic interaction model is used to explain the *specific* political outcome. Three possible outcomes exist, according to Przeworski, transition to democracy, narrowed dictatorship, or insurrection. If, however, the regime has a durable authoritarian bargain, then the regime will likely survive an economic crisis by implementing limited reforms. The possible political outcomes in this instance are status

[32] If not carefully employed, the use of the durability of the authoritarian bargain could become tautological: that is, regimes survive because they are durable. Yet, as it is used here, the variable has true explanatory power. First, the durability of the authoritarian bargain is operationalized with three independent indicators that are meaningful measures in their own right, and not simply tautological reflections of the outcome. Secondly, the model as described here uses a two-step process to explain a *specific* political outcome of an economic crisis and not simply the success or failure of an authoritarian regime to survive. (To this end, the second step of the analysis introduces the concepts of elite preference, resources and actions.) A tautology that rested solely on the durability of the authoritarian bargain could not, as the political economy model can, account for the observed variation of the dependant variable from status quo dictatorship to transition to democracy.

[33] Ibid., p. 7.

quo dictatorship or broadened dictatorship, in which the regime is successful in expanding the authoritarian bargain to include previously neglected groups.

Predicting political outcomes of economic crises then becomes a two-step process. First, the durability of the authoritarian bargain is established. If it is durable, then the regime will likely survive. If the bargain is fragile, the model examines the preferences and resources of the competing groups to determine the outcome.

To effectively employ the model, the independent variable, durability of the authoritarian bargain, must be operationalized. Haggard and Kaufman identify three indicators of the durability of the bargain. The first indicator is regime type—dominant party regimes have an ideological basis for rule that enables the government both to justify reform efforts to the important actors and aid in the avoidance of crisis by limiting dissent over economic policy prior to a crisis. Military regimes "lack both a long-term rationale for staying in power and the organizational channels for building stable bases of support," and thus are more likely to fall during an economic crisis.[34] The second indicator of the durability of the bargain is the availability of external rent. External rent reduces the effect of structural inadequacies in an economy by providing "easy" access to foreign exchange. In crisis situations rent is an important flow of funds that often allows the regime to enact structural reforms that would otherwise be untenable. The rent allows the state to directly co-opt important actors as the overall economic performance of the economy declines. Lastly, the cohesion of the elite structure is an indicator of the durability of the authoritarian bargain. In both military and dominant party regimes, a unified elite structure makes regime survival more likely during economic crises.

In summary, the political economy model asserts that a democratic transition can occur only when relevant political actors force change upon a ruling regime. Regime survival thus depends upon the durability of the authoritarian bargain. Economic crises

[34] Ibid., p. 11.

call these bargains into question as the distributional effects of economic reform create new incentives and preferences for the important actors, creating a transitional situation that a regime may, or may not, survive.

2. The Utility of the Political Economy Model

The political economy model of democratic transitions improves upon the strategic interaction model in several ways. It critically evaluates the factors that shape actor preferences and actions. It emphasizes economic factors and institutional realities that constrain elite action. However, the model is not perfect. The major criticism of this model is that it has little statistical support—an extensive statistical analysis of the model has not yet been conducted.[35] Anecdotally, the relationship between economic crisis and regime change is shown in evidence presented by Haggard and Kaufman. They assert that in studying twenty-seven transitions between 1950 and 1989, twenty-one cases demonstrated "poor growth, increasing inflation, or both" in the years directly preceding the transition.[36] Further empirical research into the relationship between economic crisis and authoritarian regime stability is obviously needed, but until more conclusive evidence is presented, the political economy model seems to offer unique and powerful insight into democratic transitions.

[35] In one of the few statistical analyses of economic crisis and regime change, Mark Gasiorowski refutes the assertion that poor economic growth caused the failure of authoritarian regimes from 1950 to 1989. See Gasiorowski, pp. 892-894. He also demonstrates that inflationary crises only began to lead to democratization in the late 1980's. Gasiorowski called for skepticism in the interpretation of his results, however, as the conclusions drawn from his preliminary analysis are not convincing enough to call the assumptions upon which the political economy model is based into question. Further empirical research into the relationship between economic crisis and authoritarian regime stability is needed before the model can be dismissed strictly on statistical data.

[36] Haggard and Kaufman, *Political Economy of Democratic Transitions*, p. 33.

D. SELECTING A THEORETICAL MODEL

Selecting one model of democratic transition over another is a fundamental aspect of research design. Each model emphasizes certain factors while downplaying others. Each shapes the selection and presentation of evidence—and thus the conclusions of the analysis. Yet, theory is vital. Without it, inquiry tends to devolve into descriptive accounts of individual cases. "Theoretical issues are essential for identifying and comparing the dominant and distinctive forces shaping the current wave of democratization."[37] With the limitations of *any* theory in mind, the remainder of this thesis examines the prospects for regime stability and democratization in Syria using the political economy model. Notwithstanding the weak statistical support for the model, it offers the best prospect of understanding the impact of ongoing economic reform efforts in Syria. The model allows for reasonable, useful predictions about both regime stability and prospects for democratization. While imperfect, it is better suited to the Syrian case than any of the other models.

The structural model provides little insight into the Syrian experience. Syria is a middle income country, and as such, the economic development argument made by Lipset offers little predictive power—some middle-income nations are democratic, and some are not. The social structural argument presented by Moore is ill suited for short-term analysis. If the third wave of democratization demonstrated anything, it was that in the *short-term*, the strategic interaction of important actors could lead to the exit of authoritarian regimes and the installation of democratic institutions—even in countries that, according to Moore, lacked the requisite social structure. It seems that the social structural argument offers more insight into the long-term viability of a given democracy.

The strategic interaction model will not be used directly in analyzing the Syrian situation because it neglects one important factor that must be included—economics.

[37] Shin, p. 137.

While economics may not be the only explanatory variable, as suggested by Gasiorowski, it is too important in shaping actor preferences to omit completely.

The political economy model offers an avenue to explore the prospects for regime stability and democratization within Syria in a balanced manner. Economics, institutions, and elite interaction are important factors that determine the durability of the authoritarian bargain and thus the ability of an authoritarian regime to remain in power. Only the political economy model gives each factor the credit it is due.

III. CASE 1: ECONOMIC CRISIS 1985-1991

From 1985 to 1991, Syria experienced a severe economic crisis.[1] The political economy model outlined in Chapter II argues that such crises can lead to political instability and democratization in authoritarian regimes. This chapter analyzes the crisis of 1985-1991 through the framework of the political economy model—attempting to relate economic crisis and political outcome.

First, the Syrian economic crisis of 1985-1991 is viewed in comparative perspective with the cases upon which Haggard and Kaufman base their model. As the Syrian crisis is similar to these cases in both scope and cause, one would expect the political economy model to apply. Next, this chapter generates a prediction regarding the political outcome of the crisis by examining the durability of the Syrian authoritarian bargain in 1985. Finally, to evaluate both the predictive powers of the political economy model and its applicability to Syria, this chapter compares the *predicted* political outcome with the *observed* political outcome.

This chapter demonstrates the utility of the model by showing that the political economy model correctly anticipated that the Asad regime would survive the 1985-1991 economic crisis intact. By extension, this conclusion implies that the political economy model is a tool that can be used to predict political outcomes of future economic crises in Syria—the task undertaken in Chapter IV.

A. THE ECONOMIC CRISIS IN COMPARATIVE PERSPECTIVE

The Syrian economy floundered in the late 1980s. Syrian gross domestic product (GDP) declined by 42 percent between 1985 and 1989 and inflation was high—during

[1] Dating the economic crisis is problematic. For example, Volker Perthes contends that the crisis, and subsequent economic reform effort, began in 1983. Yet, Perthes acknowledges that the crisis worsened in 1985, and that reform efforts became "more visible." (Perthes, *Political Economy of Syria*, p. 47.) Here, Syrian GDP is used to date the crisis. In 1985, Syrian GDP declined by 9 percent. It was not until 1991 that GDP began to increase. Throughout this chapter, GDP data is from *World Bank Tables 1995*.

the 1980s, "retail prices increased about sevenfold, wages not more than twofold."[2] The standard of living for almost all Syrians declined precipitously from 1985 to 1991—localized power outages and food shortages even led to popular unrest in 1988.[3]

This dismal economic performance can be traced to the Syrian development strategy employed since the 1970s—import substitution industrialization (ISI). The approach was "designed to move economies traditionally dependent on the export of primary commodities and raw materials to an industrial footing."[4] In theory, ISI would create and protect infant industries that would eventually become internationally competitive in the export market. Once achieved, this competitiveness would end Syrian economic dependency upon the developed world. In practice, the protection of these developing industries led to state-sanctioned monopolies and relatively high cost-low quality output—Syrian industry never became internationally competitive.

The Syrian economy overcame these problems during the 1970s and early 1980s with external rent—which averaged between 10 and 15 percent of Syrian GDP during the period.[5] The rent, primarily foreign aid, masked the structural inefficiencies engendered in the Syrian economy by the implementation of ISI. Foreign aid is an external rent in that it accrues directly to the Asad regime whether or not the *local* Syrian economy is generating capital. Thus, the regime is not forced to extract resources from society, and in many ways is not accountable to society for its actions.

The majority of Syrian foreign aid during this period originated in the Persian Gulf states and the Soviet Union.[6] "At the beginning of the 1980s, official capital inflow started to drop sharply, partly as a result of the fall in world oil demand and prices and

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[2] Perthes, *Political Economy of Syria*, p. 28.
[3] Ibid., p. 121.
[4] Alan Richards and Richard Waterbury, *A Political Economy of the Middle East*, 2nd ed. (Boulder: Westview Press, 1996), p. 25.
[5] Throughout this chapter, data on foreign aid is from *World Bank Tables 1995*. Percentages calculated by author.
[6] Nabil Sukkar, "The Crisis of 1986 and Syria's Plan for Reform," in *Contemporary Syria: Liberalization Between Cold War and Cold Peace* ed. Eberhard Keinle (London: British Academy Press, 1994), p. 27.

the subsequent shortfall of resources in the Gulf, and partly as a result of differences with Syria over policies concerning the war between Iraq and Iran."[7] As foreign aid dropped from 11.3 percent of GDP in 1980 to 4.8 percent of GDP in 1986, the Asad regime found itself in a difficult position. Syrian producers were unable to competitively export due to inferior product quality and unfavorable terms of trade. The loss of foreign aid—easy foreign exchange—triggered a foreign exchange crisis.

Syrian "foreign exchange reserves dropped to about $357 million by the end of 1986, representing less than one month's imports. The government found itself unable to meet its foreign exchange obligations as they fell due."[8] The crisis deepened, however, as the lack of foreign exchange crippled the public sector. Nabil Sukkar points out that as foreign aid dropped, the Syrian government was forced to borrow heavily, which "together with the severe product shortage and the plunge in the value of the currency caused a price explosion during 1986 and 1987."[9] Using unofficial data, he estimates that inflation reached 100 percent annually during this period.

In comparative perspective, the Syrian economic crisis of 1985-1991 was as severe as the five crisis cases included by Haggard and Kaufman in their analysis of the political economy model. For example, Table 1 shows the overall economic performance of these cases during the four years prior to transition compared to the four worst years of the Syrian crisis. Additionally, like the five crisis cases considered by Haggard and Kaufman, the Syrian crisis of 1985-1991 was not self-correcting. The structural inefficiencies of the Syrian economy engendered by the ISI development plan meant that a fundamental macroeconomic restructuring of the Syrian economy was required to restore long-term growth.[10]

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[7] Ibid.
[8] Ibid., p. 28.
[9] Ibid.
[10] See Przeworski, p. 118, for a theoretical explanation of why economic crises in socialist countries are not self-correcting. Basically, he argues that without an effective price mechanism linking individuals to the economic consequences of their actions, the economic system is inherently unstable. For Przeworski, this

Table 1

Economic Trends Prior to Authoritarian Withdrawal
(expressed as percentages)

	Average GDP Growth Rate	Average Annual Inflation Rate
Argentina	-3.2	132.0
Bolivia	3.2	27.3
Brazil	-0.5	135.6
Philippines	0.8	23.4
Uruguay	-3.7	39.4
Syria	-11.4	27.0[11]

Source: Data for all countries except Syria is from Haggard and Kaufman, *Political Economy of Democratic Transitions*, Table 2.1, pp. 47-48. Data for Syria from *World Bank Tables 1995*. Averages calculated by author.

Severe and not self-correcting, the Syrian economic crisis of 1985-1991 demanded immediate economic reform to correct structural economic deficiencies. This type of reform—because it creates new winners and losers—is political reform as much as it is economic reform. The political economy model points out that during periods of economic crisis and reform, groups within the authoritarian bargain may rethink their commitment to the regime—opening a window of vulnerability which the authoritarian regime may, or may not, survive.

B. THE PREDICTED POLITICAL OUTCOME OF THE CRISIS

Whether or not an authoritarian regime survives an economic crisis is, according to the political economy model, a function of the durability of the authoritarian bargain. Since the basic tenet of the model is that "except in cases of military defeat and foreign

explains the prevalence of Five Year Programs in socialist states—they are in almost constant need of reform.

[11] According to World Bank data, Syrian inflation never exceeded 29 percent, and as shown averaged 27 percent, from 1985 to 1989. As noted earlier in the text, unofficial figures indicate that inflation approached 100 percent. Using the more conservative figure in the table, it is noteworthy that the data is still comparable to data from the other cases.

occupation, the proximate cause for the exit of authoritarian regimes can almost always be found in splits within [the politico-military] elite," any factor that increases the durability of the authoritarian bargain increases the probability of regime survival.[12] The model uses a two step process to predict political outcomes of economic crises in authoritarian regimes. First, the model assesses the likelihood that an authoritarian regime will survive a crisis without significant political liberalization. Then, if it is likely that the regime will not be able to survive the crisis without political liberalization, the model predicts the specific political outcome using the strategic interaction model outlined in Chapter II.[13]

To determine whether or not an authoritarian regime is likely to survive an economic crisis intact, the political economy model generates a testable hypothesis and examines one independent variable—the durability of the authoritarian bargain. The hypothesis is straightforward. Regimes with a durable authoritarian bargain are more likely to survive economic crises intact than regimes with fragile authoritarian bargains. The durability of the bargain is measured by examining three indicators: regime type, elite cohesion, and the availability of external rent.

In 1985, the Asad regime was a dominant party regime with high levels of elite cohesion. Furthermore, the regime had access to a substantial amount of external rent during the economic crisis. If adequately supported, the implications of these assertions are clear—the political economy model predicts that the Asad regime would survive an economic crisis with little accompanying political liberalization.

[12] Haggard and Kaufman, *Political Economy of Democratic Transitions*, p. 31.
[13] The strategic interaction model contends that political outcomes depend upon the preferences and resources of the important actors. The mechanics of this process in the Syrian case are developed more fully in the next chapter.

1. Regime Type—1985

In the political economy model, regime type is an important indicator of the strength of the authoritarian bargain because the presence of a functioning dominant party can channel dissent, and dampen potential intra-elite cleavages. For the purposes of the model, two types of authoritarian regimes exist—dominant party regimes and military regimes. In a dominant party regime, the party provides a "mechanism for co-opting and controlling social groups," and the party and military are functionally separate.[14] Conversely, a military regime is one in which "the military establishment *itself* constitutes the most important institutional framework for the recruitment of political leaders and the deliberation of policy issues."[15] Placing an authoritarian regime within one of these two categories requires the exploration of two aspects of state-society relations: (1) whether or not the party provides a functional linkage between state and society, and (2) whether or not the party and military structures are functionally separate.

The Asad regime of 1985 is particularly difficult to classify regarding regime type. The regime is often portrayed by scholars as a narrow, sectarian regime that survives only because of the continued support of the primarily Alawi military elite. This line of reasoning is attractive at first glance—Asad is an Alawi ruling a predominantly Sunni nation. He is a product of the military and still serves as the Commander in Chief of the armed services. He served as the Chief of Staff of the Syrian Air Forces, and he came to power militarily. Yet, this portrait of the Asad regime is incomplete and unsatisfying. For example, this sectarian view fails to explain the well-documented support of rural, non-Alawi segments of Syrian society for the Asad regime. A more thorough analysis of the roles of the Ba'th party and the military within Syrian society is required to determine the Asad regime type in 1985.

[14] Haggard and Kaufman, *Political Economy of Democratic Transitions*, p. 13.
[15] Ibid., pp. 11-12. Emphasis added.

a. *The Role of the Ba'th Party*

The Asad regime is a Ba'thist regime. To understand the role of the party in Syria in 1985, it is necessary to analyze the socioeconomic and political factors that brought the Ba'th party to power in Syria in 1963. Raymond Hinnebusch, in *Authoritarian Power and State Formation in Ba'thist Syria*, contends that the Ba'th party rose to power as an authoritarian-populist movement. This movement was a reaction against foreign occupation, imperialism, and capitalism—all of which poorly served the interests of the average Syrian peasant.[16] In its ideal form, "populist authoritarianism seeks to exclude the old oligarchy from power and challenges dominant interests in the name of nationalism and equality."[17] The stated goals of the Syrian Ba'thist party that seized power in 1963—"Arab Unity, Freedom, and Socialism"—did not differ substantially from this ideal.[18]

The capture of state power by the Ba'th party was a military coup—a coup followed immediately by a social revolution implemented from above. The military elites that captured the state in 1963 were from predominantly poor rural backgrounds. Once in power, they enacted a program of social reforms aimed at improving the material conditions in rural communities, communities that had suffered under both mandatory and independent rule. This history helps explain the important relationship between the Ba'th party and the Syrian peasantry that will be further explored later in this chapter.

When Asad seized power militarily in 1970, he was acting from within the Ba'th party structure—a structure that he immediately set out to strengthen. Asad did not want to repeat the mistake made by previous Syrian military leaders of failing to develop

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[16] Raymond A. Hinnebusch, *Authoritarian Power and State Formation in Ba'thist Syria* (Boulder: Westview Press, 1990), p. ix.
[17] Ibid., p. 2.
[18] "Ba'th Party Constitution" in *Arab Nationalism: An Anthology*, ed. Sylvia G. Haim (Berkeley: University of California Press, 1962), p. 233.

an institution capable of linking state and society.[19] The ideological underpinning of the party was not fundamentally altered, but the practical role of the party changed substantially. The party "became a ruling party, providing the backbone of the country's establishment, in fact a ladder of advancement for a new breed of careerists."[20] Party membership grew from 65,000 in 1971 to 537,000 in 1984, as the party became an effective instrument of social control.[21]

By 1985, the Ba'th party "provided a framework for the maintenance of elite cohesion and an instrument for mass mobilization and control."[22] The Asad regime was one of ritualized speech—"lack of inner conviction [was] acceptable as long as every single party member and official [was] prepared to demonstrate publicly his/her commitment to party and president."[23] Ba'th party ideology, evoked in the aforementioned ritualized speech, was used by the Asad regime to justify the socialist structure and wartime footing of the Syrian economy—both of which served the social control interests of the regime far better than economic rationality.

b. *The Role of the Military*

To remain in power, every modern state relies to a certain degree upon the military and a monopoly of the coercive resources within the state.[24] Thus, reliance upon military power is not, in and of itself, an indicator that an authoritarian regime is a

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[19] Patrick Seale, *Asad of Syria: The Struggle for the Middle East* (Berkeley: University of California Press, 1988), pp. 169-177.
[20] Ibid., p. 175.
[21] Perthes, *Political Economy of Syria*, p. 155. During the same period, Syrian population grew from approximately 6.5 million to 10.0 million—Ba'th party membership rose from 1 percent to 5 percent of Syrian population. Although a relatively small percentage of the total population throughout the period being examined, the growth of party members is generally indicative of the rise of importance of the party.
[22] Hinnebusch, *Authoritarian Power and State Formation*, p. 12.
[23] Perthes, *Political Economy of Syria*, p. 161.
[24] See Charles Tilly, "War Making and State Making as Organized Crime," in *Bringing the State Back In*, eds. Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol (Cambridge: Cambridge University Press, 1985).

military regime. Rather, the important characteristic to consider is the extent to which the military and the party are functionally separate.

The military and the Ba'th party in Syria were, at one time, intimately linked.[25] In 1968, under the leadership of Salah Jadid, the military was well integrated into the party structure. Asad, as head of the Syrian Air Forces, wanted to challenge Jadid for control of the state—a task that would require military forces loyal only to Asad. Since the Jadid regime was a Ba'thist regime, Asad constructed military forces through selective appointments and purges in which Ba'thist ideology was toned down and loyalty to Asad was the paramount virtue an officer could possess. This functional separation of the military and the party continued after Asad took control of the state. To govern the fourteen Syrian provinces, three senior representatives are appointed for each region—a party secretary, a governor, and the head of political security. Of these high-ranking officials, the party secretary is officially the most powerful.[26] Volker Perthes concludes, "the security apparatus therefore does have a strong influence in all matters concerning state and regime security in the widest sense. But it no longer...interferes much in economic policies or other 'civilian' policy fields."[27]

In summary, by 1985 the Ba'th party had been institutionalized within Syrian society to the point that it provided an important link between the Asad regime and Syrian society. The party was a "real party with a long history, not a mere creation or appendage of leader, army, or bureaucracy. It [performed] crucial political functions..."—namely linking state and society and providing an ideological justification for the prevailing economic system and foreign policy of the Asad regime.[28] Additionally, the institutions established by Asad after seizing power in 1970 meant that,

[25] Here, the term "military" also refers to units such as the Republican Guards, which are separate in both chain of command and funding from traditional army and air force units.
[26] See Seale, "Asad: Between Institutions and Autocracy," p. 101 for a discussion of the sometimes complex relationship between these three offices.
[27] Perthes, *Political Economy of Syria*, p. 152.
[28] Hinnebusch, *Authoritarian Power and State Formation*, p. 312.

to a large degree, the military and party structures operated independently. The full nature of state-society relations in Syria in 1985 will be explored in greater detail in the following section. For now, this partial analysis has yielded one important conclusion—in 1985, the Asad regime was a dominant party regime.

2. Elite Cohesion—1985

The political economy model contends that to remain in power, authoritarian regimes rely upon the continued support of key social groups. In return for their support, these groups are usually given resources and privileged positions within society. Together with the regime itself, these groups form the authoritarian bargain within an authoritarian state. Elite cohesion then becomes an important indicator of the durability of the bargain because highly cohesive elite groups are resistant to the formation of intra-elite cleavages that can topple an authoritarian regime. Specifically, elite cohesion is a measure of the degree to which groups *within* the authoritarian bargain possess common interests *and* the degree to which these interests would be served by the continued existence of the regime. Defined in this manner, elite cohesion predicts the degree to which potentially competitive elite groups will cooperate to keep an authoritarian regime in power during economic crises.

Thus, the nature of the authoritarian bargain must be understood before any attempt can be made to evaluate elite cohesion. The authoritarian bargain as it existed in Syria in 1985 is shown in Figure 1. The Asad regime relied upon the support of three groups to survive—the military elite, the public economic sector, and the Ba'th party/peasantry.[29] A detailed analysis of the relationship between the regime and each

[29] These are similar to the relevant actors identified by the political economy model outlined by Haggard and Kaufman—political and military elite, private sector business, and middle class "popular" organizations. In the Syrian case, private sector business was simply excluded from the authoritarian bargain in 1985—a testament to the populist roots of the Ba'th party. The three support structures of the Asad regime are the same as those presented by Hinnebusch, *Authoritarian Power and State Formation*, p. 156. For simplicity, the Ba'th party/peasantry group will be referred to as simply the Ba'th party group.

group is provided in the next three sections. For now, it is adequate to note that the military elite physically protected the regime, the party provided a mechanism for elite recruitment and co-optation of the rural peasantry, while the public economic sector allowed the regime to directly co-opt urban workers underrepresented in the party structure.

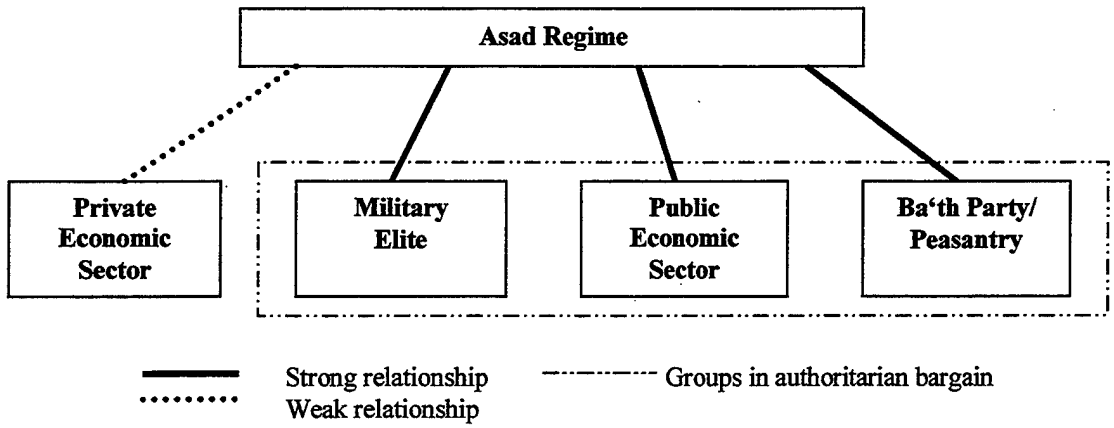

Figure 1. The Syrian Authoritarian Bargain in 1985

The most important social group excluded from the Syrian authoritarian bargain in 1985, the private economic sector, is also shown in Figure 1. This group represented the interests of the "old oligarchy" that was removed from power by the Ba'th in 1963. The private economic sector in 1985 included all groups that would have benefited from economic liberalization toward a market economy. These primarily urban groups confronted the Asad regime and comprised a "permanent opposition coalition."[30]

Figure 1 also demonstrates that some relationships were strong, while others were weak. The strength of the relationship varies with the degree of dependency of the regime upon the group *and* the degree to which the interests of the regime and the group

[30] Ibid., p. 315.

overlap. To determine a value for elite cohesion, it is necessary to evaluate the interests of each group within the authoritarian bargain relative to the interests of the regime.[31] In each case, the assumption is made that the Asad regime wants to survive, and will pursue policies that *in the opinion of the regime* will increase the probability of survival in the future.

a. *The Military Elite and the Asad Regime*

In 1985, the Asad regime and the Syrian military elite had a strong, mutually dependent relationship. The military elite provided a crucial service to the regime—the maintenance of internal and external security. In return, the Asad regime provided the military with substantial resources—21.8 percent of Syrian GDP in 1985 alone.[32] There was no indication that the regime wanted to significantly cut military expenditures—expenditures that had averaged 15.3 percent of GDP since Asad came to power. Ideologically, the regime's stance toward Israel justified the elevated status of the military in Syrian society and the substantial amount of resources the military received.

Yet, even if military spending decreased dramatically, there was little incentive for the military elite to abandon the authoritarian bargain in 1985. Examining possible scenarios, it is clear that the military would have suffered under any foreseeable alternative to the status quo. If the regime collapsed or transitioned to democracy it is likely that current members of the military elite would be purged from power either as

[31] In coding the results of the analysis of elite cohesion, if all groups within the authoritarian bargain support the regime, then elite cohesion is high. If none of the groups support the regime, then cohesion is low. If some groups will likely support the regime, but others will not, then elite cohesion is coded as moderate.

[32] All data on Syrian military expenditures in this chapter is from *World Military Expenditures and Arms Transfers* (Washington, D.C.: U.S. Government Printing Office, various years). While high, these figures most likely underestimate Syrian military expenditures. The data cited does not include spending on major weapons programs that in 1985 were still supplied by the Soviet Union on highly concessional terms. Syrian military expenditures reflect primarily domestic spending on public works, construction, and light manufacturing—spending used primarily to maintain support in patrimonial relationships. See Richards and Waterbury, p. 341 for a discussion of Syrian military spending.

reprisal for past support of the Asad regime or as an accounting for "crimes" committed in the name of social control. If the military itself attempted to seize the state, it would have most likely faced mobilized opposition from the party structure—a structure that had deep roots in Syrian society in 1985. In essence, the party provided an effective deterrent to praetorian military action.

The degree to which the Asad regime could rely upon the support of the military was shown, anecdotally, in the early 1980s. "It is a measure of the regime's control over the armed forces and its substantial professional and political discipline that it could be used in an overtly sectarian conflict in Lebanon and that despite the unprecedented massive use of military force against Hama in 1982, the army, overall, remained loyal."[33]

The Asad regime and the military elite had a strong, mutually dependent relationship in 1985. The military was an important pillar of the regime, and received significant amounts of resources. Ideologically, the regime justified the large role of the military in Syrian society with Ba'thist doctrine. The institutionalized structure of the Ba'th party deterred the military from becoming overly ambitious. In short, in 1985 the continued importance of the military elite was tied inextricably to the continued rule of the Asad regime.

[33] Hinnebusch, *Authoritarian Power and State Formation*, p. 164.

b. *The Ba'th Party and the Asad Regime*

As demonstrated earlier, in 1985 the Ba'th party provided an effective link between the Asad regime and Syrian society. An examination of the social bases of the party reveals that the interests of the party and the interests of the regime overlapped substantially, explaining the strong relationship between party and regime shown in Figure 1, p 31.

The Ba'th party in 1985 drew its strength from—and thus represented the interests of—primarily lower-class rural segments of Syrian society. The party "clearly [retained] a distinctively plebian character, with the lower classes making up 60% to 70% of the membership and the upper strata only about 1-2%."[34] After further studying party composition, Hinnebusch noted that "the urban-rural distinction is hard to measure from the data, but Damascus city, in spite of the concentration of political elite and the apex of party apparatus there is still somewhat underrepresented, while mountainous provinces... and plains provinces with a history of peasant politicization...are over represented; ...This suggests the party remains strongest in the historic peasant strongholds from which it originally emerged."[35]

The political interests of these lower-class rural segments of Syrian society were well represented in the Ba'thist ideology espoused by the Asad regime in 1985. These groups favored governmental action to redistribute wealth and feared being exploited by both the large landowners and urban businessmen. The party constituency supported the socialist, state-led development strategy followed by the Asad regime. [36] Importantly, the policies of the regime created institutional barriers that limited the importance of the private sector in the Syrian economy. The state-led development

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[34] Ibid., p. 181.
[35] Ibid., p. 185.
[36] This fact is borne out by surveys taken by Hinnebusch in 1974 of party recruits. According to the data, 95 percent of Bath party recruits favored governmental action to control the distribution of wealth. Ibid.

scheme favored by the Asad regime favored the primary constituency of the Ba'th party, limiting the incentive of the party to abandon the regime.

c. *The Public Economic Sector and the Asad Regime*

The interests of the public economic sector and the Asad regime overlapped extensively in 1985. The public sector benefited under the Asad regime. It provided the Asad regime with the support of urban workers and the governmental bureaucracy. As shown in Table 2, during the first ten years of the Asad regime the size of the public sector grew rapidly. This trend partially reflected the ideologically driven social agenda of the Ba'thist Asad regime. More importantly, the public sector grew as it became apparent to the Asad regime that the public sector could form an effective patronage network for the masses—a network relatively free of party and military overtones in which average Syrians would feel comfortable participating. An added benefit was that growth in the public sector undermined the private sector elite.

In short, "[t]ill the mid-1980s, the public payroll was one of the most important instruments for members of the regime elite to extend favours and make or placate clients."[37] It is unlikely that the public economic sector would withdraw support from the Asad regime because the policies of the regime provided both extensive resources and ideologically justified the important role of the public economic sector in Syrian society.

Elite cohesion was high in Syria in 1985. The groups within the authoritarian bargain—the military elite, the public economic sector, and the Ba'th party—had common interests that were well-served by the continued rule of the Asad regime. These groups would have suffered under almost any foreseeable alternative.

[37] Perthes, *Political Economy of Syria*, pp. 141-142.

Importantly, the institutionalized role of the party limited the praetorian potential of the military, and provided ideological justification for the respective roles of the groups within the authoritarian bargain. "Inter-elite relations were not exclusively zero-sum ones—Alawis against Sunnis, military against civilian; indeed state structures fostered a certain cooperation serving common elite interests. In short, the level of cohesion attained by the elite, in spite of its sectarian heterogeneity, resulted not exclusively from primordial ties, but also from a certain shared ideology, even some accepted rules of the game embodied in the legal-rational structures of the state."[38] The Asad regime in 1985 was not a narrow sectarian regime. Rather, it was an authoritarian regime with a relatively broad base of support. The institutional structures and relationships within the state created a cohesive elite structure composed of mutually dependent groups that favored the continued rule of the Asad regime.

Table 2

Employment in the Syrian Public Economic Sector
(expressed as percentage of total workforce)

	1970	1980
Civilian Employees	8.0	19.9
Military and Security	5.9	13.0
Total	13.9	32.9

Source: Employment data from Perthes, *The Syrian Economy Under Asad*, p. 141. Population data from *World Bank Tables, 1993*. Percentages calculated by author.

3. Availability of External Rent—1985

In the political economy model, available external rent can make an authoritarian bargain more durable. By providing an authoritarian regime with crucial resources, external rent can mitigate the effect of the economic crisis on the regime. The Syrian

[38] Hinnebusch, *Authoritarian Power and State Formation*, p. 311.

economic crisis of 1985-1991 was sparked by a loss of foreign aid that triggered a foreign exchange crisis. This fact alone does not mean that external rent was unavailable to the Asad regime—foreign aid is only one component of external rent. In fact, the data presented below demonstrates that external rent—foreign aid and oil revenue—was available to the Asad regime throughout the crisis, implying that the authoritarian bargain should have been quite durable from 1985 to 1991.

Figure 2 shows the level of foreign aid and oil revenue from 1980 to 1991. It is apparent that the Asad regime found creative ways to collect external rent during the economic crisis—primarily by developing the Syrian oil industry. In 1984, Syria produced approximately 170,000 barrels of oil per day (b/d). Production reached 600,000 b/d after the crisis and Syria could export approximately 350,000 b/d—bringing in $1.6 to $2.0 billion per year.[39]

Not shown in Figure 2 is the windfall foreign aid that the Asad regime garnered by supporting the US led coalition against Iraq in 1990. This single foreign policy decision netted the Asad regime at least $2 billion in foreign aid.[40] Syria parlayed participation in the coalition into a crucial external rent.

Increased production in the oil industry and timely participation in the coalition against Iraq meant that external rent was available to the Asad regime during the economic crisis—even though the crisis itself was sparked by the loss of foreign aid from the Soviet Union and Persian Gulf states.

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[39] Oil production data from *Syrian Country Report 1993*, U.S. Department of Energy-Energy Information Administration. Accessed via the internet. Dollar value of production from Hisham Melham, "Syria Between Two Transitions," *Middle East Research and Information Project*, No. 203, Vol. 27 (Spring 1997), p. 3.

[40] Raymond Hinnebusch, "The Political Economy of Economic Liberalization in Syria," *International Journal of Middle East Studies*, Vol. 27, No. 3 (August 1995), p. 315. This windfall aid is not included in Figure 2, as the aid—and improving GDP—signaled the end of the crisis. Even when the $2 billion of aid is not included, it is apparent that external rent was available to the Asad regime throughout the crisis.

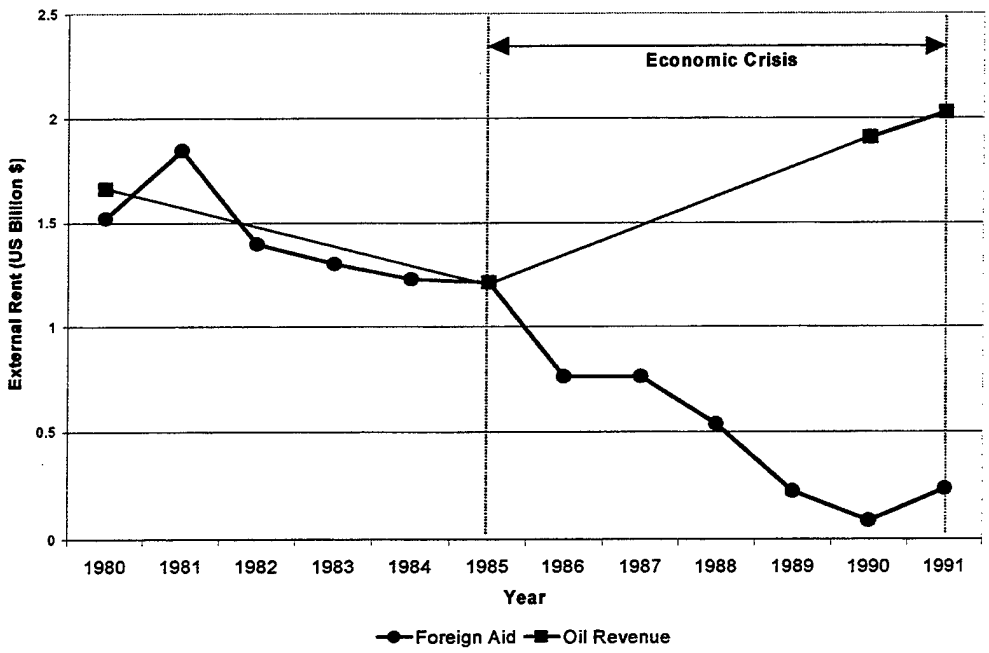

Figure 2. Components of Syrian External Rent (1980-1991)[41]

C. THE OBSERVED POLITICAL OUTCOME OF THE CRISIS

The political economy model predicts that, given the circumstances outlined above, the Asad regime would most likely be able to survive an economic crisis in 1985 with little accompanying political liberalization. The dominant party structure of the regime combined with a high degree of elite cohesion would channel dissent and help prevent the collapse of the authoritarian bargain. External rent would allow the Asad regime to directly co-opt the most important social groups—lessening the effect of the economic crisis. A review of events within Syria after the crisis demonstrates that the Asad regime did indeed survive the economic crisis without being forced into any substantial political liberalization.

[41] Values for oil revenue are from Perthes, *Political Economy of Syria*, p. 30. No data is given for 1991, so the value shown in Figure 2 for 1991 is the average of values given by Perthes for 1990 and 1992.

Seven years after the end of the crisis, the Asad regime remains firmly entrenched in power. There have been events—namely the 1990 restructuring of the parliament, the release of thousands of political prisoners in 1991, and the increased role of the private economic sector in the making of economic policy—that could be interpreted as forms of political liberalization. However, when viewed from a broader perspective, it becomes apparent that these were simply "efforts to mollify public discontent with a token relaxation of political control."[42] To date, the Asad regime has not institutionalized any effective limits on the power of the executive branch of government. The expanded Parliament cannot influence the budget and "the duties, or rights, of the Parliament remain limited."[43] Volker Perthes concludes that although the regime granted "a higher degree of autonomy to the private sector and thereby surrender[ed] some economic levers, the regime has not relinquished any of its political powers."[44]

As hinted at in the above discussion of the political outcome of the economic crisis, change did occur in the Syrian political system, it was just not institutionalized political liberalization. Although able to avoid significant political liberalization, the Asad regime fundamentally altered the nature of state-society relations within Syria to remain in power. The political outcome was, in the Przeworski typology, broadened dictatorship. Specifically, the regime abandoned the Ba'th party that helped make the party an effective link between the state and society. Out of necessity, the regime began to rely more heavily upon the military and private economic sector.

The next chapter analyzes the effect of these changes on the stability of the Asad regime by examining an economic crisis occurring in the year 2010. The chapter demonstrates that to achieve short-term stability during the economic crisis of 1985-1991,

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[42] Volker Perthes, "Stages of Economic and Political Liberalization," in *Contemporary Syria: Liberalization Between Cold War and Cold Peace* ed. Eberhard Kienle (London: British Academic Press, 1994), p. 65.
[43] Ibid., p. 67.
[44] Ibid., p. 70.

the Asad regime enacted irrevocable reforms that leave the regime poorly situated to survive a future economic crisis, creating the possibility of regime instability and even democratization.

IV. CASE 2: ECONOMIC CRISIS 2010

The Syrian economic crisis of 1985-1991 examined in Chapter III demonstrates that the political economy model can predict and explain political outcomes of economic crises in authoritarian regimes. The approach provides insight into complex processes by identifying the key factors that reflect the durability of the authoritarian bargain. This chapter analyzes the long-term prospects for regime stability and democratization in Syria by examining a notional economic crisis occurring in 2010 through the framework of the political economy model.

As outlined in Chapter II, the political economy model predicts political outcomes of economic crises in authoritarian regimes using a two-step process. First, the model examines the likelihood that an authoritarian regime will survive an economic crisis intact. Then, if the regime seems unlikely to survive, the model predicts a specific political outcome using the strategic interaction model. The organization of this chapter mirrors this process in that it consists of two major sections.

The first section predicts the prospects for survival of the Asad regime during the 2010 crisis: examining the durability of the authoritarian bargain as it most likely will exist in 2010. As in Chapter III, the durability of the bargain is reflected in the values of three indicators: regime type, elite cohesion, and the availability of external rent. The evidence demonstrates that the Asad regime will most likely not survive a severe, non-self-correcting economic crisis in 2010 due to changes within the Syrian authoritarian bargain—changes that stem from the economic reforms undertaken in response to the 1985-1991 economic crisis.

The second section of this chapter predicts a specific political outcome of the crisis using the precepts of the strategic interaction model: that elite preferences and choices, combined with the resources available to the various elite groups, eventually

determine the outcome. This section reaches a more tentative conclusion that the most likely political outcome of the 2010 crisis is transition to democracy.

A. PROSPECTS FOR REGIME SURVIVAL IN 2010

An economic crisis, equal in severity to the one that gripped Syria from 1985-1991, is likely to strike Syria within the next twenty years. The economic reforms implemented by the Asad regime during and after the 1985-1991 crisis were incomplete—they failed to install effective price mechanisms and free markets that would, theoretically, make the economy less vulnerable to external shocks and crises. This theoretical prediction of an economic crisis is supported by two general trends occurring within Syria that both portend difficult economic times—the maturation of the Syrian oil industry and rapid population growth.[1]

The ability of an authoritarian regime to survive an economic crisis by implementing needed economic reforms without collapsing or undertaking significant political liberalization depends upon the durability of the authoritarian bargain. The strength of the bargain is reflected in three indicators: regime type, elite cohesion, and the availability of external rent. In 2010, the Asad regime will be a military regime with, at best, moderate levels of elite cohesion. Significant amounts of external rent will not be available to the regime during the economic crisis. The implications of these assertions are clear—the political economy model predicts that, given these initial conditions, the Asad regime will not survive an economic crisis in 2010 intact.

[1] See Douglas Jehl, "In Syria, Only the Population is Growing," *New York Times*, 28 January 1998, for a prediction of the coming Syrian economic crisis. See Richards and Waterbury, pp. 89-102 for a general analysis of Middle Eastern population growth and the burden that it places on regional economies. Perthes, for example, estimates that 250,000 to 300,000 jobs must be generated per year in the first decade of the next century to maintain a constant unemployment rate. He concludes, "it is hard to see how enough jobs can be found." (Perthes, *Political Economy of Syria*, p. 63)

1. Regime Type—2010

Regime type is an important indicator of the durability of the authoritarian bargain because dominant party regimes have effective institutions to channel dissent and dampen intra-elite cleavages. Military regimes, lacking such institutions, are thus more vulnerable to elite cleavages during economic crises. In 1985, the Asad regime was a dominant party regime. The Ba'th party provided a functioning link between the state and society while the military and party were functionally separate. In 1998, the role of the Ba'th party in Syrian society has changed—the party and its socialist, pan-Arab ideology is no longer an important source of power for the regime. The party has become an ineffective link between the regime and relevant social groups within Syrian society. For the purposes of the political economy model, by 2010 the Asad regime will be functionally equivalent to a military regime.[2]

To justify this classification of the Asad regime of 2010 as a military regime, it is necessary to document the diminished stature of the party within Syrian society in 1998.[3] Both during and after the 1985-1991 economic crisis, the Asad regime retreated from two of the ideological pillars of the Ba'th party—socialism and pan-Arabism. This retreat left

[2] The Asad regime will be "functionally equivalent" to a military regime and not a "true" military regime as defined by the model because in 2010 it is unlikely that the military will constitute "the most important institutional framework for the recruitment of political leaders and the deliberation of policy issues." (Haggard and Kaufman, pp. 11-12.) Instead, it appears that elite recruitment is shifting from the party to the private sector and that deliberation of non-security issues is also taking more input from the private sector. On these points see Joseph Bahout, "The Syrian Business Community, its Politics and Prospects," in *Contemporary Syria*, p. 77. It seems likely that the institutional structure of the party will remain intact in the future, but that the party will become unable to effectively dampen elite cleavages and channel dissent as it once did—for reasons fully explained in the elite cohesion section of this chapter.

[3] One objection to this line of reasoning is that just because the importance and effectiveness of the Ba'th party has dwindled in 1998, there is no guarantee that the party will not regain its previous stature within Syrian society by 2010. While such a reversal is plausible, it is not likely. "Indicative of the seeming permanence of the ideological change [within the Asad regime] is the fact that the revival of the economy in the 1990s has not brought a resurgence of socialist rhetoric." (Hinnebusch, "Economic Liberalization in Syria," p. 315) This criticism regarding the permanence of the perceived changes in Syrian society can be made of the predictions regarding regime type and elite cohesion. The fact remains that as of 1998 the Asad regime has made no effort to restore state-society relations to their pre-1985 status.

the party unable to effectively channel dissent over economic and political reform issues during future crises.

The dwindling effectiveness of the party is seen in actions taken by the regime to distance itself from the socialist ideology of the party. While officially maintaining a commitment to socialism, Asad himself admitted in a series of speeches given in the early 1990s that economic and even political change were necessary within Syria to restore economic growth. To a careful listener, these speeches came close to an admission that somewhere during the past twenty years, socialism had led the country astray.[4] Additionally, economic reform has hurt the party and its constituents harder than any other group within Syrian society. Perthes notes that the Ba'th represents "forces on the losing end of the economic restructuring process."[5] Particularly damaging to the Ba'th party was a 1986 law that created mixed-sector agricultural companies and reversed previous laws regarding land tenure. "Instead of limiting private property in agricultural land, the concentration of vast landed holdings in a few hands was again permitted and even encouraged."[6] This policy is not socialist in nature, and it is especially unpalatable to the party because it reverses earlier Ba'thist efforts to undercut the traditional landed elite.

The disparity between the policies of the Asad regime and the ideology of the party is also seen in Syrian foreign policy. After the 1985-1991 economic crisis, the regime shattered any claim it could make to pursuing a pan-Arab policy toward Israel—a position favored by the Ba'th party and its constituency—by attending the 1991 Madrid

[4] Perthes, "Stages of Economic and Political Liberalization," p. 65. Of course, Asad insisted that he was not abandoning socialism and embracing capitalism and political liberalism. Instead, he pointed out that "Syria would not copy, and had never copied in the past, the examples of other countries." (Ibid.) These mollifying words were no doubt intended to ease the worries of social groups that had traditionally supported the regime for its socialist practices.
[5] Ibid., p. 66.
[6] Perthes, *Political Economy of Syria*, p. 55.

Peace Conference.[7] Certainly, the foreign policy of the Asad regime toward Israel had been pragmatic before deciding to attend the conference, but unlike the decision to attend the conference, these temporary, often unwritten agreements did not mark strategic changes in the Syrian position toward Israel. The decision to attend the conference modified the traditional Syrian stance by agreeing to talks before Israeli withdrawal, agreeing to direct bilateral talks with Israel, and even discussing the issue of a formal peace with Israel.[8]

The socialist, pan-Arab ideology of the party abandoned, the Asad regime also reduced the visible role of the party within Syrian society. Most importantly, since 1985 there has been no convening of the regional Ba'th party congresses. "For the party, these congresses are of considerable importance. They put stamp on a period; they may focus on a particularly pressing problem; they lay down policy guidelines for the years ahead."[9] By simply not staging these events, the regime undercut the popular image of the party and its practical effectiveness.

The dwindling importance of the Ba'th party within Syria in 1998 can also be seen in the changing use of symbols and rhetoric. To underscore the declining symbolic importance of the party, "posters and banners and other outward signs of the party's presence have been reduced" after the economic crisis.[10] Another telling example of the changing symbolic role of the party within Syria is found in an event that took place during the 1991 presidential elections. "While the RC [Regional Command] and many government ministers waited for the President in a military school-turned-polling-station to cast his vote in their midst, Asad showed up in the bourgeois Malki district of

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[7] Surveys taken by Hinnebusch indicate that party recruits favored a hard-line stance toward Israel—"[recruit] attitudes appear to support a more militant policy than Syria's government has actually pursued." (Hinnebusch, *Authoritarian Power and State Formation*, p. 185.) This statement was written *before* the Asad regime decided to soften its stance toward Israel by attending the Madrid Conference.
[8] Daniel Pipes, "Is Damascus Ready for Peace?," *Foreign Affairs*, Vol. 70, No. 4 (Fall 1991), pp. 45-46.
[9] Seale, "Asad: Between Institutions and Autocracy," p. 100.
[10] Perthes, *Political Economy of Syria*, p. 161.

Damascus, close by his office, accompanied not by party or government officials but by Badr al-Din Shalleh, the veteran president of the Damascus Chamber of Commerce. The symbolism of the act was not lost on the Syrians."[11]

In summary, by 2010, the Asad regime is expected to be a military regime in that there will likely not be an effective party mechanism to link the Asad regime to Syrian society. The divergence between the actions of the Asad regime and the ideology and interests of the primary constituents of the Ba'th party limits the capacity of the party to mobilize support from relevant societal actors. The party, with its socialist pan-Arab ideology, no longer provides the overarching blueprint for the organization of Syrian society, as it did in 1985. Lacking an institutionalized ideology and party to constrain potentially rival elite groups, in 2010 the Asad regime will most likely be a military regime.

2. Elite Cohesion—2010

As outlined in Chapter II, elite cohesion is an important indicator of the durability of an authoritarian bargain because intra-elite cleavages undermine the stability of authoritarian regimes. Elite cohesion is defined as the degree to which groups *within* the authoritarian bargain possess common interests *and* the degree to which these interests would be served by the continued rule of the existing regime. For example, in 1985 the Syrian authoritarian bargain consisted of the Asad regime, the military elite, the public economic sector, and the Ba'th party. Elite cohesion was high because these groups had substantial interests that were better served by the continued existence of the regime than by any other likely alternative—even during an economic crisis that called into question the ability of the regime to meet its end of the authoritarian bargain. This example of elite cohesion can be directly contrasted with the Syrian situation in 2010, when elite

[11] Ibid.

cohesion will be moderate at best, as groups within the authoritarian bargain no longer have interests well-served by the continued existence of the regime.

This pessimistic assessment of Syrian elite cohesion in 2010 is grounded in a critical analysis of the expected authoritarian bargain in 2010 and the anticipated interests of each group within the bargain relative to the interests of the regime. The following sub-sections outline the expected Syrian authoritarian bargain and examine the interests of each group within the bargain relative to the interests of the regime with the goal of predicting Syrian elite cohesion in 2010.

a. *The New Syrian Authoritarian Bargain*

The Syrian authoritarian bargain is expected to be quite different in 2010 than it was in 1985. The anticipated Syrian authoritarian bargain is shown in Figure 3. There are three important changes in the bargain that must be noted: (1) the private economic sector is now incorporated into the bargain, and it has a strong relationship with the regime; (2) the relationship between the Ba'th party and the regime has weakened to the point that it has fallen out of the bargain entirely; and (3) the relationship between the public economic sector and the regime has weakened, and that group has also fallen out of the bargain. The changing role of the Ba'th party in Syrian society has already been outlined, and the role of the military has not changed substantially from 1985. Thus, the new authoritarian bargain can be explained by examining the changing roles of the private and public economic sectors within Syrian society, roles that can only be understood by examining the economic reforms undertaken in 1985: a reform effort commonly referred to as the second Syrian *infitah.* [12]

[12] *Infitah*—literally meaning "opening"—is a term widely used to describe economic liberalization throughout the Middle East, and in Egypt particularly. Richards and Waterbury define the term as "a shift in state economic policy toward greater reliance on market forces, increased emphasis on the private sector, improved public-sector decision making, and wider opening to international markets." (Richards and Waterbury, p. 222) The economic liberalization efforts after 1985 are the second *infitah* because the Asad regime undertook a more limited reform effort in the early 1970s. See Seale, *Asad of Syria*, pp. 164-171 for

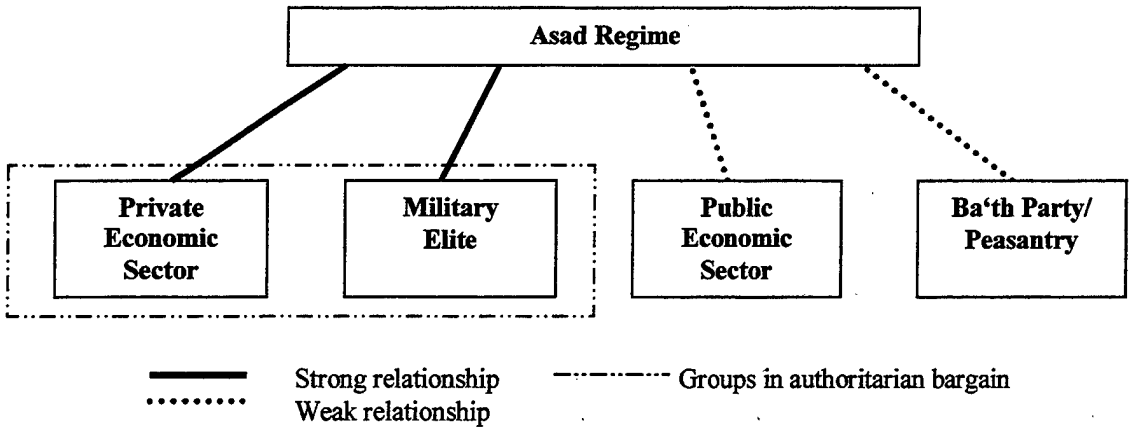

Figure 3. The Anticipated Syrian Authoritarian Bargain in 2010

The second Syrian *infitah* began, like most economic reform efforts, as an attempt to generate growth and investment. The 1985-1991 crisis demonstrated to the Asad regime that the Syrian development scheme and socialist economic philosophy were flawed. But before the specifics of the *infitah* can be explored, an important point must be made. The second *infitah* was not a comprehensive, coherent neoliberal economic reform package, although it was similar in content to typical reforms dictated by the International Monetary Fund. Rather, the second *infitah* was a collection of reforms taken almost haphazardly in response to pressing problems. Hinnebusch classifies the reform effort as one of "selective liberalization."[13] The goal of the *infitah* "was not simply to stabilize the economy but…to stabilize the regime."[14] Thus, the Asad regime often simultaneously pursued contradictory policies, making analysis of the reform effort problematic. Rather than recounting every twist and turn of Syrian economic policy, the analysis below focuses on the effects of the reform by examining

a discussion of these early reform efforts. For an explanation of the differences between the first and second Syrian *infitah* see Perthes, *Political Economy of Syria*, p. 53.

[13] Hinnebusch, "Economic Liberalization in Syria," p. 315.

[14] Perthes, *Political Economy of Syria*, p. 67.

how the Asad regime attempted to achieve one short term goal—the generation of foreign exchange, and one long term goal—the generation of investment and growth in the private economic sector.

The economic crisis of 1985 began when the loss of foreign aid triggered a foreign exchange crisis. It follows logically that the earliest reform efforts taken by the regime were designed to "enable the private sector to generate its own foreign exchange and, at the same time, to increase the foreign exchange reserves of the state."[15] A series of laws gradually chipped away at state control of foreign exchange. Private manufacturers and exporters were allowed to keep more of the foreign exchange they generated: encouraging private manufacturing and export.[16] Eventually, the Central Bank of Syria (CBS) gave up its legal monopoly on the foreign exchange market. The CBS could now act as a mere middleman in essentially private foreign exchange transactions. This change represented "a qualitative step insofar as it allowed for a limited degree of private foreign exchange dealings, thus stripping the state of a legal monopoly and an instrument of control."[17]

The importance of these changes in foreign exchange law should not be underestimated. In a country pursuing the ISI development approach, the control of imports is crucial to the success or failure of the economy. One way of controlling the flow of legal imports is to control foreign exchange.[18] By allowing the private economic sector to generate and keep a large portion of the foreign exchange it earned, the Asad regime made an important concession to the private sector: there was no guarantee that

[15] Perthes, "Stages of Economic and Political Liberalization," p. 56.
[16] In 1983, private manufacturers were legally allowed to keep 50 percent of foreign exchange earned via exports. By 1987, this privilege was extended to all private exporters and the limit went up to 75 percent. Perthes, *Political Economy of Syria*, p. 54.
[17] Ibid., p. 56.
[18] The control of foreign exchange is important only to official imports. The black market thrived in Syria throughout this period, making any state control of imports one in name only. Yet the change in the institutional framework was important because it signaled the economic intentions of the regime to potential investors.

the foreign exchange would be used in ways favoring the regime. Additionally, the legal state monopoly on imports was gradually broken during the crisis as import restrictions were lifted. These actions alleviated the short-term foreign exchange crisis in Syria.

With the most pressing concern taken care of, the Asad regime set out to enact extensive reforms designed to allow the private economic sector to take responsibility for generating economic growth and investment—two tasks at which the public economic sector had failed miserably. To accomplish these goals, the second *infitah* transferred control over the use of investment capital from the public sector to the private sector.[19]

Before 1988, the Asad regime tightly controlled the scope of private industrial activity by annually listing those areas in which private industrial investment and activity would be allowed. The inherent problem in such a system is that it stifled private investment—"potential investors could never be sure that the establishment of an industrial firm...would still be permitted in the following year."[20] Laws delineating which areas were open to private investment formed an institutional barrier that prevented the private sector from fully developing. This was, no doubt, done intentionally by the Asad regime to favor the constituencies that formed the authoritarian bargain in 1985—especially the public economic sector and the Ba'th Party.

The secondary role of the private sector within Syrian society began to change in 1986. In that year, "mixed" sector agricultural companies were legalized. "These companies were private in all but name. The state held a minority share but did not interfere with the conduct of business."[21] The official role of the private sector

[19] In reality, changes in economic law have generally been more extensive than changes in economic practice within Syria. This is especially true after the crisis ended in 1991 and the Asad regime felt little need to reform. See Jehl for a discussion of the frustration Syrian businessmen felt with the regime in 1998 concerning the slow pace of follow on reform. Yet, the regime has taken no actions to reverse the gains made by the private sector within Syrian society, supporting the position that the private sector will be an importance source of growth and investment in 2010.
[20] Perthes, *Political Economy of Syria*, pp. 57-58.
[21] Ibid., p 52.

expanded again in 1988 as the rules concerning private production were revamped. A negative list was issued in 1988 that detailed those areas in which private economic activity was prohibited. Law number 10 of 1991 went even further. It opened all areas to private production: the only stipulations being a minimum investment of $240,000 and the approval of a newly created Council for Investments. The law stipulated that formal rules now governed the approval process, which itself was limited to 60 days to promote efficiency. Economic criteria were to be the benchmark the Council used to weigh the relative merits of each proposal.[22] The institutional barriers that had constrained the private economic sector were officially removed.

In Syria, as in many authoritarian countries, change in economic law does not always result in change in economic practices. Yet, in this instance, the growing role of the private economic sector within Syrian society can be found not only in the laws passed by the government but also in economic data and events on the ground. The increasing importance of the private economic sector is shown in Table 3. In 1989, in the midst of the economic crisis, public and private investment was equal. By 1992, the latest year for which data is available, private investment outnumbered public investment by almost a two-to-one margin. Additionally, "accumulated liberalizing initiatives since the mid-1980s have stimulated the private sector. Private-sector exports as well as imports greatly expanded. The number of private businesses grew from 220,000 in 1981 to about 370,000 in 1988 and industries employing more than 10 workers doubled from 890 to almost 1,800."[23]

The increasingly important role played by the private sector is also seen, at least anecdotally, in the manner in which the regime handled the debate regarding the creation of a stock market. While the proposal for a stock market has not yet been

[22] Ibid.
[23] Hinnebusch, "Economic Liberalization in Syria," p. 317.

implemented, the method in which the regime handled the debate indicates that the regime is taking care to include the private economic sector where it is feasible to do so. Members of the Damascus Chamber of Commerce participated in the policy debate, which "as it seems was fairly open. No particular decision was determined from the beginning."[24]

Table 3

Sources of Syrian Investment Capital
(expressed as percentage of total investment)

Year	Private	Public
1975	29	71
1987	50	50
1989	48	52
1990	55	45
1991	57	43
1992	66	34

Source: Hinnebusch, "Economic Liberalization in Syria," pp. 315-317. Percentages calculated by author.

In summary, on an economic level the second Syrian *infitah* weakened the control of the Asad regime over foreign exchange and imports, and allowed the private economic sector greater leeway in selecting areas for future development and investment. These economic changes had important political results: actions taken by the Asad regime in response to the 1985-1991 crisis favored the private economic sector and ran counter to the interests of the public economic sector and the Ba'th party. Hinnebusch notes that "creating an investment climate suitable for a capitalist alternative to statism required the revocation of populist rights on which support of the regime by its constituency rested."[25] Additionally, the growing size and importance of the private

[24] Perthes, *Political Economy of Syria*, p. 216.
[25] Hinnebusch, "Economic Liberalization in Syria," p. 307.

sector made the public sector politically expendable, as the public sector was no longer the only avenue available to the Asad regime to politically incorporate urban elements of Syrian society. These changes in the authoritarian bargain are reflected in Figure 3, p. 48. The anticipated Syrian authoritarian bargain, a product of the second Syrian *infitah*, has important consequences for Syrian elite cohesion in 2010: consequences that can now be fully examined.

b. *The Military Elite and the Asad Regime*

In 2010, the Asad regime and the Syrian military elite will most likely have a strong, mutually dependant relationship very similar to the relationship that existed in 1985. The latest data available indicates that the regime still allocates 15 percent of GDP for military spending, and this percentage is unlikely to drop in the future. Even if the Arab-Israeli conflict were "resolved" before 2010, it is likely that memories of the conflict would be vivid enough to demand large defense expenditures as a hedge against any future conflict with Israel.

Yet, as seen in the analysis of the relationship between the military and the regime in 1985, even if military spending did drop sharply by 2010, the military elite would have little incentive to abandon the Asad regime in favor of democracy. If the regime transitioned to democracy, it is likely that members of the military elite would be purged from power either as reprisal for past support of the Asad regime or as an accounting for "crimes" committed in the name of social control. Thus the military has an incentive to remain loyal to the regime. The primary goal of the military elite—maintaining a position of power within the Syrian society—is inextricably linked to the continued rule of the Asad regime.[26]

[26] A subtle difference between the relationship between the military elite and the regime in 1985 and 2010 is that in 1985 the military elite was constrained by an effective party organization that limited the praetorian potential of the military. This institutional constraint is not likely to exist in 2010, creating the possibility of a military coup. Since such a coup would replace the Asad regime if successful, such a

c. *The Private Economic Sector and the Asad Regime*

In 2010, the relationship between the private economic sector and the Asad regime will be strong. As seen in Table 3, p. 52, the regime will rely heavily upon the private sector to generate growth and investment. Yet, the interests of the regime and the private sector will not substantially overlap. The rule of law and independent judiciary capable of guaranteeing personal property rights and enforcing business contracts that are widely recognized to make long-term private sector growth possible are inimical to the social control needs of the regime. Imagine, for example, the case of an investor who starts a business that competes directly with a business owned by a local notable who supports the regime. If this new investor began to take business away from the politically important competitor, it is quite conceivable that the regime might step in, shut down the business, and confiscate all the new equipment. This confiscation, although justifiable for social control reasons, would undoubtedly chill future investment by all but the boldest venture capitalists. Similar examples can be postulated for almost every economic sector. The essential question then becomes how likely is the private sector to push for institutionalized political reform during the coming economic crisis?

In attempting to predict the behavior of the private sector, one must look at capabilities and not actions. In 1998 there is little tangible evidence to suggest that the private sector might abandon the Asad regime. It is this lack of evidence, combined with a somewhat rosy prediction regarding future economic performance, that leads Perthes to note that "the bourgeoisie... is too weak to push through its economic-policy objectives,

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scenario is examined in the next major section of this chapter that attempts to predict a specific political outcome of the 2010 economic crisis. Giving the benefit of the doubt to the regime, this analysis of elite cohesion assumes that the military remains loyal to the regime. This makes the ultimate estimate of elite cohesion a conservative one.

and it is therefore hardly imaginable that it would be able to enforce on the regime a schedule for democratic change."[27]

Yet, this lack of evidence is also congruent with a private economic sector biding its time until the right opportunity presents itself. The expanding role of the private sector has not, at least in 1998, been institutionalized within Syrian society. During times of economic plenty, the Asad regime is probably secure enough to reverse the advances made by the private sector through coercion. As far as capabilities are concerned, in 2010 the private economic sector will hold a powerful weapon with which to make demands of the Asad regime: the threat of withdrawing investment capital from the Syrian economy. Etel Solingen notes that the "ability of big business (locally and foreign owned) to influence domestic investment patterns and to move capital abroad often gives them an important voice in shaping domestic and external adjustment policy."[28] Additionally, the slow pace of economic reforms after 1991, for instance the failure of the regime to undertake meaningful banking reform and implement a planned stock market, has demonstrated unequivocally to the private sector that the concessions made by the regime during the *infitah* were tactical in nature, designed only to shore up the Asad regime at a critical point in its history.

An economic crisis in 2010 would provide the private sector with an opportunity to demand significant institutionalized political change from the regime. Indeed, Bahout points out that in the early 1990s, "Syrian entrepreneurs increasingly tend to see their cooperation with the state as merely tactical. They are consolidating their position within the private sector, aiming first at becoming equal partners, before stepping over the limits designed for them, in order to become an autonomous economic, social and even political force."[29] Ironically, the regime voluntarily ceded the weapon to

[27] Perthes, *Political Economy of Syria*, p. 260.
[28] Etel Solingen, "Democracy, Economic Reform, and Regional Cooperation," *Journal of Theoretical Politics*, Vol. 8, No. 1 (January 1996), p. 87.
[29] Bahout, p. 77.

the private sector that will allow the private sector to challenge the regime during the 2010 crisis: the control of investment capital.

d. *Conclusions Regarding Elite Cohesion*

In examining the new Syrian authoritarian bargain and the interests of each member of the bargain, it becomes apparent that elite cohesion will be moderate, at best, in 2010. The military will likely be the most ardent supporter of the regime, but the private economic sector may find adequate reasons to support an alternative political organization, and they will have the power to do so. The decisions made by the Asad regime in the name of "selective liberalization" have created intra-elite tensions that will make Syrian elite cohesion moderate in 2010.

3. Availability of External Rent—2010

External rent is an important indicator of the durability of the authoritarian bargain because it can mitigate the effect of an economic crisis on the regime. Yet, it is also the most difficult of the three factors to accurately predict before a crisis begins. Unlike elite cohesion and regime type, the availability of external rent can change almost instantaneously, as seen during the 1990 Gulf War when the Asad regime received at least $2 billion in aid as the result of a single foreign policy decision.[30] However, a reasonable prediction regarding external rent can still be made by examining the prospects for future rent in two areas: the Syrian oil industry and foreign aid.

The prospects for growth in the Syrian oil industry are dim. Syria simply does not have enough high quality oil fields to increase production fast enough to match growing internal consumption, which is driven upward by population growth and economic

[30] For an example of scholarship that failed to anticipate the ability of the Asad regime to gather external rent and survive during economic crises, see Patrick Clawson, *Unaffordable Ambitions: Syria's Military Build-Up and Economic Crisis* (Washington: Washington Institute for Near East Policy, 1989).

development. "Unless discoveries are made, the oil production rate is expected to decline so quickly that by the middle of the next decade [2005] it could provide only for domestic consumption which already exceeds 200,000 barrels a day. That would leave Syria without any of the oil revenue on which it now relies so heavily."[31] The U.S. Department of Energy came to a similar conclusion in 1997. "Oil output appears to have reached a plateau, however, as older fields...reach maturity. Production is expected to decline steadily over the next several years."[32] The prospects for new exploration are equally bleak—a fact attested to by regime concentration on searching for new natural gas reserves, not new oil reserves.[33] By 2010, oil and petroleum products are not likely to provide substantial amounts of external rent to the Asad regime.

The trend in oil revenues is relatively simple to forecast when compared to forecasting the prospects for foreign aid. Indeed, at any given time, any country with available resources may decide to support the Asad regime. Yet, in general, the winding down of the Arab-Israeli conflict makes the prospects for future foreign aid to Syria bleak.[34] As peace slowly comes to the region, aid to Syria will have to be justified on economic, not ideological, grounds. This makes aid less likely because, at least historically, the major donors to Syria are from the Arabian Gulf region: in the next century they will be struggling with their own economic problems.[35]

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[31] Jehl, "In Syria: Only the Population is Growing."

[32] U.S. Department of Energy, *Syrian Country Report 1997*, p. 2.

[33] "Syria: MEED Special Report on Oil and Gas," *Middle East Economic Digest*, 13 January 1997. The article goes on to explain that the prospects for finding significant natural gas reserves are also remote in that "no new companies have come in to carry out exploration work, and the government's contract terms remain as uninviting as ever."

[34] The counter argument is that as a precondition to peace, the Asad regime might extract foreign aid from both great powers and regional actors, as was the case when Egypt made peace with Israel. (Bahout, p. 78) Yet, this scenario seems unlikely in that Egypt was the first, and thus most important, Arab nation to make peace with Israel. As more Arab nations come to terms with Israel, the likelihood of donors providing external incentives to any one nation decline.

[35] Gary Sick, "The Coming Crisis in the Persian Gulf," in *The Persian Gulf at the Millenium: Essays in Politics, Economy, Security, and Religion* eds. Gary Sick and Lawrence Potter (New York: St. Martin's Press, 1997).

As oil revenues dwindle and regional peace undercuts the ideological basis for foreign aid, overall external rent available to the Asad regime will likely be significantly lower than during the 1985-1991 economic crisis. This evidence suggests that the amount of rent available will decline in real terms. One final trend supporting the assertion that external rents will definitely decline in relative terms is the high Syrian population growth rate: 3.4 percent in 1997.[36] This high growth rate means that ever increasing amounts of aid will be required just to maintain the same degree of social control. Perthes, even though relatively optimistic concerning the prospects for external rent, concedes that "external rents—both political rents and oil revenues—will most probably, under favorable conditions, remain stagnant; i.e., they will decline relative to the size of the population and to other economic indicators."[37]

4. Conclusions Regarding Regime Survival in 2010

The Asad regime in 2010 will likely be a military regime with, at best, moderate levels of elite cohesion and little available external rent. The political economy model suggests that given these conditions, the Asad regime is unlikely to survive a severe, non-self-correcting economic crisis. The survival of the regime will depend upon a fragile authoritarian bargain during difficult economic times—times that will make members of the authoritarian bargain question their commitment to the regime. The crisis will demand economic reform: reform that is political as much as economic in that it creates new winners and losers. Now, the political economy model draws from the strategic interaction model for insight into the intra-elite dynamic that will determine the ultimate political outcome of the crisis.

[36] Melhem, "Syria Between Two Transitions," p. 3.
[37] Perthes, *Political Economy of Syria*, p. 267.

B. THE POLITICAL OUTCOME OF THE 2010 CRISIS

In attempting to predict the specific political outcome of the 2010 economic crisis, the theoretical approach employed by Przeworski seems to offer the best hope for success. It is the most rigorous variant of the strategic interaction model in that it examines the preferences and resources of relevant political actors to predict the political outcome.[38] As seen in Chapter II, the possible outcomes include status quo dictatorship, narrowed dictatorship, broadened dictatorship, insurrection, and transition to democracy. The following section outlines his explanation of the hard-liner/soft-liner dynamic, and provides real-world examples of this dynamic at work in transitions around the world. The subsequent section uses the outlined dynamic to explore the likely path of the Syrian reforms in 2010.

1. Elite Interactions during Transitional Periods

For Przeworski, and others writing in the strategic interaction vein, the beginning of a liberalization effort occurs when a split develops in both the ruling elite and society concerning the proper course for the country to pursue during a political or economic crisis. This split breaks the elite structure into two broad groups: hard-liners and soft-liners.[39] Segments of society align with these groups in varying degrees, based upon their respective interests. The specific political outcome of the liberalization project depends upon the interaction of these groups.

If the regime has a durable authoritarian bargain, as seen in the three indicators, then it is likely that the regime will be able to resist this very cleavage, and the likely political outcome is status quo dictatorship. This can only occur when economic reforms are not necessary. If the regime must implement reform, but has a durable bargain, then

[38] Przeworski, pp. 54-66.
[39] Ibid., p. 56. Przeworski gives examples of this phenomenon in Hungary, East Germany, and Brazil.

it is likely that the soft-liners within the elite structure will be able to expand the authoritarian bargain to include segments of society not previously incorporated into the bargain, usually the private economic sector. The outcome in this instance is broadened dictatorship. This is what occurred in Syria after the 1985 economic crisis. Soft-liners within the Asad regime attracted the private economic sector into the bargain, ending the economic crisis. The same dynamic is seen in the cases of Taiwan and Mexico. Confronted with political problems, "political elites in Taiwan and Mexico were able to broaden the base if their regimes without losing control over the political system."[40]

If, however, the regime is unlikely to survive the crisis intact, it is unlikely that broadened dictatorship will be the outcome. Although the soft-liners within the state structure prefer broadened dictatorship to transition to democracy, the segments of society that they are trying to co-opt into the regime will most likely recognize the weakened position of the regime and push for further, institutionalized, reform.[41]

This push for further reforms means that hard-liners within the state elite structure will be faced with a critical choice between repressing the soft-liners and their supporters in a move toward narrowed dictatorship, or allowing the liberalization process to continue toward democratization. This choice is made based upon hard-liner perceptions regarding the likely effectiveness of repression. Failed repression leads to insurrection, the worst of all alternatives for all groups involved, so hard-liners might accept democratization as a rational choice: it is a better alternative than civil war.

Examples of this process abound. The Chinese crackdown in Tiananmen Square in 1989 represented a case of repression leading to narrowed dictatorship. The soft-liners

[40] Haggard and Kaufman, *Political Economy of Democratic Transitions*, p. 267.

[41] Przeworski contends that in most instances, state soft-liners prefer the following political outcomes (listed in descending order of preference): broadened dictatorship, status quo dictatorship, narrowed dictatorship, transition to democracy, and insurrection. With transition so low on the list, one might wonder how democracy could ever be an outcome. Przeworski presents a convincing case in support of the idea that soft-liners within the state elite must change their goals during the process to achieve transition and that this occurs when the soft-liners realize that they have unleashed social forces beyond their control. Przeworski, p. 63.

within the Chinese state system were purged after Tiananmen: quite effectively narrowing the power base of the ruling regime. Elements of Chinese society that favored liberalization weakened the position of the state soft-liners by going too far too fast with too few resources. Governmental hard-liners correctly estimated that the political and economic costs of repression could be successfully borne by the regime.

Alternatively, state hard-liners may be faced with a situation in which repression is simply not viable. In describing the events in East Germany in 1989, Przeworski notes: "As the eighty-two-year-old head of the East German security apparatus, Erich Mielke, is alleged to have said to Honecher, 'Erich, we can't beat up hundreds of thousands of people'—a statement I [Przeworski] interpret as a technical, and not moral, admonition."[42] At some critical point, state hard-liners will decide that the odds of successful repression are so low that their interests will be better served by allowing liberalization to continue and attempting to negotiate favorable terms of extraction. It is at this critical point that transition to democracy becomes the probable political outcome.[43]

Thus, the final political outcome of the transitional situation theoretically depends upon the decisions and preferences of the hard and soft-liners, as constrained politically by the durability of the authoritarian bargain. Applying this framework to the Syrian case of 2010, it is possible to anticipate the political outcome of the coming economic crisis.

2. Syrian Elite Interaction—2010

Unable to co-opt important social actors due to economic crisis, and unable to ideologically contain potential intra-elite cleavages, in 2010 the Asad regime and Syrian society will likely split into two broad groups as Przeworski predicted: hard-liners and

[42] Ibid., p. 60.

[43] It is important to note that insurrection, the remaining possible outcome, occurs only as a product of elite miscalculation when state hard-liners overestimate the prospects of successful repression and are faced with an opposition capable of waging a prolonged civil war.

soft-liners. This split is not entirely hypothetical. As seen earlier in this chapter, the evidence suggests that a burgeoning Syrian business class, capable of pushing for economic and political reform, will exist in 2010. Remembering that this group will possess a formidable weapon with which to threaten the regime, the withdrawal of investment capital, the crucial question becomes whether or not the hard-liners will choose to repress or allow transition to democracy to continue. As seen above, in deciding whether or not to repress a liberalization movement, hard-liners must first decide whether or not they think repression can succeed: a decision that rests upon the *perceived* distribution of power and resources within the country.

In 2010, the relative power of, and resources available to, the hard-liner and soft-liner factions will be approximately equal. The hard-liners will most likely monopolize control of the coercive resources, but as seen in the West German case, this monopoly can become meaningless in the face of widespread popular unrest. As seen in Table 3, p. 52, the soft-liner faction, consisting of both state and societal elements, will most likely control an important fraction of overall investment capital in 2010. The withdrawal of this capital could cripple the Syrian economy, triggering widespread social unrest. It seems that hard-liners will be unable to confidently predict successful repression, given the anticipated distribution of power and resources. Even if they were initially able to crush the soft-liners militarily, the subsequent flight of capital would put the hard-liners in an untenable situation: unable to provide economically for the country, a backlash of widespread unrest could be expected. Thus, the interests of the hard-liners within the state structure would seem to be best served by agreeing to transition to democracy while attempting to negotiate favorable terms of withdrawal.[44]

[44] The important role of exit guarantees, or pacts, is widely acknowledged in the transition literature. See specifically, O'Donnell and Schmitter, pp. 37-47.

Unfortunately, the evidence regarding potential resources is simply not strong enough to allow for a solid prediction regarding the outcome. Elite misperceptions regarding the relative strength of the blocs could lead to transition, narrowed dictatorship, or even inadvertently to insurrection. Thus, the most likely political outcome of the economic crisis is *tentatively* transition to democracy.

In summary, this chapter presented evidence that political instability is likely in Syria during the coming economic crisis of 2010. The political legacy of the 1985-1991 crisis and reforms is a fragile, unstable authoritarian bargain that incorporates social groups whose long-term interests simply do not overlap the interests of the regime. Additionally, it seems that the relative parity of resources available to the two competing blocs in 2010 could lead to democratization, although the possibility that miscalculation by elite groups might lead to narrowed dictatorship or insurrection cannot be ruled out as possible, though less likely, political outcomes.

V. CONCLUSION

In response to the 1985-1991 economic crisis, the Asad regime implemented economic reforms designed to promote growth and investment. These reforms did not install effective price mechanisms and free-markets that would, theoretically, make the Syrian economy theoretically stable. Additionally, the reforms failed to officially dismantle the bloated public sector: widespread privatization has not yet occurred. Instead, the crisis ended when growing oil revenue and windfall foreign aid provided the regime with crucial revenue. A rapidly growing population and declining oil revenues, when combined with the above-mentioned structural economic problems, create a scenario in which economic crisis is likely.

Thus, in 2010 Syria will stand at a crossroads in its history. Mired in a severe, non-self-correcting economic crisis, the political legacy of "selective liberalization"—a fragile authoritarian bargain—will haunt the Asad regime. A newly empowered private business sector, representing the interests of traditional elite groups purged from power by the Ba'th party in 1963, will possess the resources to demand institutionalized political reform, and the regime will be unable to ideologically constrain intra-elite cleavages. Political instability within Syria seems likely during the coming economic crisis.

Predicting the specific outcome of the instability is somewhat more problematic, as elite perceptions and actions are difficult to predict. With that caveat in mind, transition to democracy is the most likely outcome of the crisis. The relative power of, and resources available to, competing factions seem indeterminate: a situation in which prudent social actors will agree to institutionalized political liberalization *not because they are committed to democratic ideals*, but rather because it is the most palatable of the options they can pursue.

U.S. policymakers should note two implications of the conclusions. First, regional stability in an area deemed vital to U.S. national security will remain elusive until the root causes of regional economic underperformance are addressed. Additionally, the ability of the political economy model to explain the outcome of the 1985-1991 economic crisis demonstrates that the Middle East can, and should, be treated in comparative perspective. Policymakers, and U.S. security concerns, would be well served if the familiar technique of viewing regional political outcomes as functions of religion or culture were abandoned in favor of more rigorous analytical approaches—such as the political economy model used here.

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