

The Political Economy of Investment Liberalisation in Syria

In the early nineties, the Syrian regime introduced salient investment reforms that were meant to revitalise the private sector, whose activities were constrained during Syria's state-controlled and heavy state interventionist past. Local and foreign private investors were allowed to undertake business ventures in previously prohibited economic sectors, including the industrial sector. Moreover, joint public-private or mixed sector ventures were established in various sectors of the economy. This paper looks at investment reforms that were promulgated during the Asad regime (father and son), which has laid a firm or even an irreversible foundation for the expansion of the market-driven economic order. Primary data examination reveals that the Syrian economic transformation has been accompanied by a change in the investment pattern from internally-induced public investments which concentrated on building the productive capacity of the economy, to more market-friendly, commercial and short-term types of private investment that entailed little risk. If anything, the private sector did not make a breakthrough in terms of heavy industrial manufacturing endeavors and its basic activities over the last two decades remained merchant-like and were diverted into the tertiary sectors. A succinct review of investment laws and decrees that were enacted in 1991, 2000 and 2007 shows that these reforms were not targeted in the sense that they did not prioritise the productive sectors of the economy. This paper, however aims to analyse the deep-seated reasons that underpin the surge of these commercial types of investment activities. It adopts a political economy approach, which reveals that Syria's ruling elites (the military officers and other top ranking officials) have interests in merchant business and thereby joined the ranks of the new commercial bourgeoisie. It is thereby concluded that as long as the 'military-mercantile complex' is the agent of investment and represents the political *rapport de force*, it will push for reforms that basically facilitates the accumulation of its profits in the shortest time period.