CHAPTER 11

Economic Imperatives for Building the Foundations of a Prosperous Syria

Meaningful political and economic freedoms are inseparable. An economic awakening in Syria should go hand in hand with the political awakening now under way. It is not too soon to help start deliberating the nature of this awakening. As Syria joins the ranks of democratic societies, reclaims its rightful place in the international community, and regains peace and stability, it needs to establish the foundations of a well-regulated, free, socialist market economy and to enhance its integration with regional and eventually global markets for goods, services, and ideas. Well-regulated, private-sector-led growth, on one hand, and good, accountable democratic governance, on the other hand, together constitute the new economic model for Syria—one that will respond to the aspirations of its people for freedom, dignity, jobs, and prosperity.

THE UPRISING: ITS UNDERLYING ECONOMIC FACTORS

Rapid population growth and a bulging, increasingly literate, and digitally connected youth population cohort living in noninclusive political and economic environments has underlain the ongoing upheavals across the Arab world. This is a world that has, since it gained its independence from colonial powers, been dominated by corrupt, authoritarian regimes operating in closed markets, and where human rights have been abused on a daily basis and the rule of law and property rights have been usurped under the guise of security and the preservation of unity. These forces have combined to create an urban/rural schism, growing gender and income inequalities, and a weak private sector that has consequently failed to generate employment opportunities, especially for youth. Syria is no exception: Despite many promises of economic reforms, the Assad regimes have fostered rent-seeking activities and built corruption networks that have gradually replaced all of the state's institutions.

The 2008 global financial crisis, which morphed into a global economic crisis beginning in 2009, exposed the structural deficiencies in the Arab countries' governance structure and the fragilities of their development model. The crisis also coincided with rising global food prices, which, for the Arab countries that import close to half of what they eat from abroad, translated into domestic food price spikes, despite governments' attempts to offset some of the price increases through subsidies. As is described below, both these factors challenged the Arab regimes' abilities to deliver on their part of the social contract, and both contributed, as they also did in the French and other revolutions, to fomenting the Arab Spring—first in Tunisia, and then in Egypt, Libya, and Syria.

The Economics of the Assad Regimes

The economic landscape that the Assad regimes created is a mirror image of its political reality: highly centralized and dirigiste. The two Assad regimes have followed a state-led economic development model that is anchored in a strong interventionist-redistributive mentality, which includes heavy reliance on state planning, import-substitution policies, the nationalization of private and foreign assets, and a social contract whereby the state provides education, housing, health care, and food subsidies.

Over time, the Ba'ath Party's monopoly on power has given rise to systemized corruption and kickbacks, with key decisionmakers taking advantage of their position to extract illegal profits. Because both the army and judiciary system suffer from low salaries, they have fallen prey to corrupting influences. Unsurprisingly—and despite early, relatively high rates of economic growth and living standards—the national economy has been marred by significant inefficiencies and periods of stagnation, occasional cosmetic attempts at economic reforms notwithstanding.

Under Bashar al-Assad, minor touches of reform, including some measures of economic liberalization, did not change the fundamental aspects of the Syrian economy: strong dependence on volatile oil markets; limited private-sector activity, despite some opening up; limited employment creation; and declining integration into the world economy. This is perhaps not surprising in view of the influence of entrenched interests and the regime's power base, which have combined to resist substantive economic reforms.

Syria's economy was relatively developed when it gained its independence in 1946. From then through the mid-1970s, it enjoyed unprecedented levels of economic growth: the average annual gross domestic product (GDP) growth rate during that period was a little over 6 percent at constant 1963 prices. Rising oil prices, intraregional flows of capital, and labor and workers' remittances helped to fund social development and public investments in infrastructure, health, and education, along with state-owned enterprises operating behind high and opaque protective walls. By the end of the 1970s, the Syrian economy had shifted from its traditional agrarian base to an economy based on the commercial, service, and industrial activities. The main sources of Syria's income were oil and tourism. Nevertheless, the economy continued to rely heavily on foreign aid and grants to finance both its budget and trade deficits; Arab aid transfers and Soviet assistance also supported mounting defense expenditures.

By the mid-1980s, Syria's interventionist-redistributive model ran out of steam as the economy's past prosperity all but disappeared, and was even negative (e.g., there was a –2 percent GDP growth rate from 1982–83), in the wake of a rapid decline in oil prices, lower export revenues, drought that affected agricultural production, and falling workers' remittances. This prompted the government to rethink its economic management approach and to adopt policies to achieve macroeconomic stability, more participation from the private sector in economic activity, and a higher degree of integration into global markets. The government reduced its spending, cut down on imports, and launched anticorruption campaigns against black market currency dealers. However, the measures taken did not go far enough in addressing the economy's deeply rooted structural problems; nor did they seriously tackle governance and institutional reform issues.

The government also began to reform its state-led economy, with initiatives such as liberalizing the agriculture sector and privatizing several state monopolies. This paved the way for Syria's considerable economic development and significant capital accumulation in the early 1990s. Growth rates accelerated, in part due to oil revenues (and discoveries of new oil deposits) and to initial domestic liberalization measures. By the end of the 1990s, however, the pace of economic liberalization had slowed, favoring members of the powerful elite: From 1997 to 1999, Syria's economy grew by an annual average rate of only 1.5 percent, and in 1999 the economy actually shrank. In 2000 and 2001, the Syrian economy recovered, owing to increases in oil exports and cooperation with Iraq, which was under Unite Nations–imposed economic sanctions at the time. At the same time, earlier reforms proposed by the regime of Hafez al-Assad stalled, and the country's infrastructure deteriorated.

The Syrian economy has been going through a roller coaster ride since the late 1990s. During the period from 2000 to 2010, the annual rate of growth averaged close to 3 percent, in tandem with the growth of the population, and, as a result, standards of living have deteriorated, poverty has become more widespread, and unemployment levels have risen. Syria's public sector is bloated, employing roughly one-quarter of the total workforce in money-losing, state-run companies that are kept afloat under the pretext that their privatization would generate great social disruption.

Liberalization measures have been further hindered by the business community's allegiance to the regime. Because the members of the Syrian business community are involved with influential members of the regime in rent-seeking activities (oil, foreign trade, mobile phones, etc.), they have sided with and reinforced the autocratic regime and have shown little interest in fostering democratic development. And without the business community's support, reforms have failed to develop. Foreign companies across all sectors have operated in Syria for decades through intermediaries (sponsors) in the power system, weakening the strength of Western pressure to liberalize. Western oil companies, in particular, have invested heavily and have begun operations in cooperation with the Syrian authorities, the only way to gain access to the Syrian market. Though this issue is not unique to Syria, it leads to the question of whether market liberalization and reform on their own could encourage the development of a business community that is interested in a genuine democracy or simply give rise to crony capitalism.

As a direct result of the policies adopted from the 1960s through the late 1980s, and despite some measures of liberalization, the Syrian economy remains relatively isolated from the global markets for goods and services. International trade is highly restricted by both tariff and nontariff barriers, and all the efforts at liberalization have been countered by a web of protection that distorts economic incentives and discourages competition. Syria's tariff regime is one of the world's most complex and opaque import arrangements, both in absolute terms and in comparison with those of other countries at similar levels of economic development.

Although tariff rates have been reduced from their historically high levels, they are still very high compared with those of other developing countries, ranging from 6 percent to 235 percent. The tariff schedule is also marred by a complex web of exceptions and special rates that are determined according to the origin of the import and the entity that is importing it. About 200 state-owned companies enjoy different levels of subsidies and protection; many also have either the exclusive right to import some goods or to grant licenses for key imports. Syria bans the importing of certain final goods that compete with Syrian enterprises. There are also goods whose importation into Syria is prohibited. One may argue that quite legitimate public policy objectives (security, health, and protection of the environment) may lie behind these prohibitions, but in Syria the list is extensive and the criteria are not publicly known. Not only have these practices injected further distortions into the economy, but they have also given rise to a culture of rent-seeking. Quantitative restrictions add up to the equivalent of a 19 percent across-the-board tariff on all imports.

Whatever positive economic developments characterized the pre-2000 period, Bashar al-Assad inherited an economy that had been facing grave economic challenges, including restoring economic growth, addressing rising population growth, alleviating poverty, providing jobs, attracting investment, and tackling a large external debt. The government initiated modest economic reforms, starting with a rethinking of the regulatory environment in the financial sector, including cutting lending interest rates, licensing private banks, and consolidating multiple exchange rates. Other reforms saw a reduction in subsidies on some items, most notably gasoline and cement, and the establishment of the Damascus Stock Exchange, which began operations in 2009.

In addition, President al-Assad signed legislative decrees to encourage corporate ownership reform and to allow the Central Bank to issue treasury bills and bonds for government debt.

Partly as a result of these and other reforms, the economy made a remarkable turn and registered impressive performance from 2004 onward; the rate of growth averaged 5 percent during the 2004–10 period (lower oil exports were offset by higher prices, leading to higher budgetary and export receipts). The main drivers of growth were domestic demand, augmented by the influx of Iraqi refugees, and private investment, both domestic and foreign, particularly from the Gulf states.

Nonetheless, the record of reforms and economic performance outlined above should not conceal the fact that competition in Syria remains limited and that substantial barriers to entry continue to plague many economic sectors. Some productive sectors remain firmly in the hands of the government, while for others foreign entry remains subject to certain types of restrictions. Public-sector monopolies control cement, sugar refining, fertilizers, oil refining, port operation, water distribution, air transportation, electricity, telecommunications, and insurance. Inefficient state-owned enterprises and public authorities play key roles in many value chains, through, for example, exclusive control of the procurement and sale of cotton and wheat, exclusive control of yarn making, and the provision of infrastructure. In summary, Syria's economy continues today to suffer from deeply rooted structural weaknesses and a business environment that is plagued by bureaucratic red tape, governance weaknesses, and a lack of corporate transparency. Unsurprisingly, the World Bank's ease-of-doing-business rankings for 2011 ranked Syria 134th out of 183 countries.

THE REIGN OF BASHAR AL-ASSAD: HOW TO STEP INTO THE WRONG SIDE OF HISTORY

At the beginning of his reign, Bashar al-Assad enjoyed a certain measure of support both domestically and internationally. When she was leaving the United States to attend Hafez al-Assad's funeral, then–U.S. secretary of state Madeleine Albright prophesied that Bashar would "take up the mantle" of his late father. She later described Bashar as a "reformer" who was determined to modernize his country. Secretary Albright's optimism about a new era of U.S.–Syrian relations appeared justified in the aftermath of the September 11, 2001, terrorist attacks on America, when Syria agreed to cooperate in international counterterrorism initiatives. The Europeans, too, were supportive of the new Syrian president and sought to move forward with the Syrian track of the European Union–Mediterranean agreement.

This grace period, however, was short-lived. In the aftermath of the 2003 Iraq war, Syria's bilateral relations with the United States rapidly deteriorated; and in December 2003, President George W. Bush signed into law the Syria Accountability and Lebanese Sovereignty Restoration Act. To be clear, the objective of foreign, principally U.S.; pressure on Syria has related more to its role in the region and the Arab/Israeli conflict, with Syria being a major actor, than to any push for democratic reform—foreign rhetoric in this regard notwithstanding.

The act provided for the imposition of a series of sanctions against Syria unless it ended its support for Palestinian "terrorist" groups and its intervention in Lebanon, ceased its pursuit of weapons of mass destruction, and met its obligations under the United Nations Security Council's resolutions regarding the stabilization and reconstruction of Iraq. In May 2004, the United States determined that Syria had not complied with these conditions and implemented a series of sanctions against Syria. Bilateral relations were soon to witness another low following the assassination of former Lebanese prime minister Rafiq Hariri in February 2005. This assassination came in the wake of UN Security Council Resolution 1559, cosponsored in 2004 by France and the United States, which called for "all remaining foreign forces to withdraw from Lebanon." Syrian units that had been stationed in Lebanon since 1976 were consequently withdrawn in April 2005. The regime's reaction to its international isolation was to seek strengthened relations with Iran; of particular importance, the regime accelerated its crackdown on dissidents.

However, the regime did actually manage to develop a more positive relationship with the European Union, but not one free of emerging strains. The EU and Syria have been engaged in discussions for a Euro-Syrian partnership under the Barcelona Agreement, and the EU has launched several large assistance programs for administrative and economic reforms during the past decade. However, though the partnership agreement was initialed in 2004, the EU has so far chosen to postpone ratification as a way to exert pressure on Syria to modify its political course (i.e., to become more accommodating of Western interests in the region, including Syria's stance toward the ongoing crises in Lebanon and in Iraq, and toward an eventual reconciliation with Israel). Though human rights issues are also raised, in practice they do not occupy a high priority on the Western agenda.

The Syrian regime has proven to be steadfast in the face of Western pressure, no matter what objectives were being sought. Its hold on power has remained strong all the while, as it pursues additional measures to liberalize the economy and open it up to direct investments—as described in the next section. Indeed, Syrian political activists advocating political reform have generally distanced themselves from close contacts with Western governments, in particular the United States. One reason is their fear of domestic persecution by the authorities on the grounds of complicity with foreign powers. Another reason is that many Syrian activists do not believe that the real aim of foreign pressure is to foster a change in Syria's political climate that would allow for the initiation of a democratic process but that, as noted above, it lies elsewhere. In practice, economic or political sanctions imposed on Syria have produced a negative effect. Even pro-reform Syrians have considered them unjust acts aimed not at promoting domestic reform but at extracting concessions from the Syrian regime on the Iraqi, Lebanese, or Palestinian fronts where Syrian and Western interests have diverged. The Iraq war, for example, by ending favorable Syria–Iraq economic relations, generated discontent among the Syrian people and promoted further support for the regime.

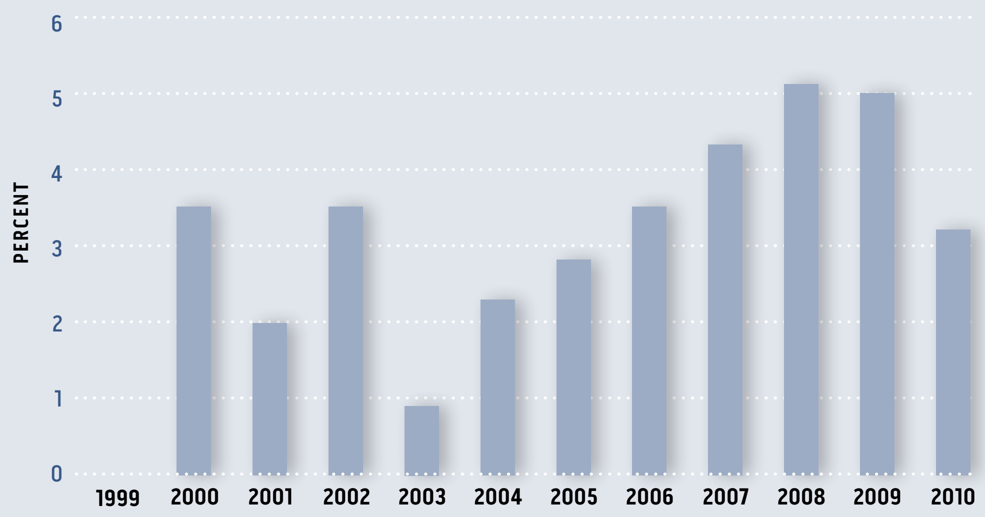
What is particularly noteworthy is the reluctance of the Western powers to engage the Ba'ath Party itself or employ systematic pressure to encourage democratic practices. Even the Euro-Syrian partnership, which deepened Syria's involvement with the West, did not set any practical modality for fostering democracy in the country. Possibly, the West's pressure could have been more effective if it had instead relied on conditional aid and diplomatic pressure to convince the Syrian government to improve human rights.

Less surprising was the internal recognition of Bashar's unlimited authority over the Syrian state and party institutions. The official epigraph that was then coined by the incoming leader was "Change through continuity." This conveyed a very powerful message to the population at large: The desire for greater political participation can best be served not through violent protests against the regime but rather through a gradual process of political and economic reforms under Bashar's leadership. Beneath Bashar's ubiquitous portrait on the streets of Damascus a banner reads: "The leader who will unveil a new era."

Indeed, in his inaugural speech, Bashar al-Assad waved the banner of reform and instructed the authorities to respect "the other opinion." He declared that there can be no democracy without the development of institutions and without administrative reforms, and "we should face ourselves and our society bravely, and conduct a brave dialogue in which we reveal our points of weakness." To intellectuals, dissidents, and Western powers, the speech sounded like a call for change, and thus they began calling publicly for economic and political reforms.

Syria enjoyed then a brief political opening, and a Damascus Spring of sorts soon blossomed. The Syrian population could be forgiven for taking Bashar's mutter about openness at its face value. Buoyed by al-Assad's (illusionary) actions and proclamations, Syrians began to rediscover political activity, and several human rights organizations, yearning for political voice and debate, reemerged or were established to support the new president in what they saw as cautious, forward steps toward reform.

Figure 11.1 The Growth in Syria's GDP, 1999–2010 (percent)



The Economic Impact of the Crisis

The impact of the crisis on the economy is devastating, with estimates of a contraction in its GDP in 2011, and again in 2012, of anywhere between 3 to 5 percent. The sectors that are most affected by the crisis, and also by the subsequent international sanctions, are tourism, retail trade, transportation, communications, mining, and manufacturing. On the positive side, a growing agricultural sector, as a result of favorable climate conditions and an informal construction boom due to a lack of enforcement of building codes in 2011, cushioned what would have been an even larger deterioration in the economy. Export revenues have collapsed, and they took with them the official exchange rate, which has depreciated by 67 percent between the onset of the crisis in March 2011 and April 2012, when the Syrian pound (SYP) stabilized at about SYP 70 to $1 (according to the Central Bank of Syria's bulletin). Unofficial figures put the exchange rate today at more than SYP 140 to $1. Annual inflation reached 50 percent in November 2012, according to the latest data published by the Central Bank of Syria. The actual figure may be higher and is likely to vary widely across the country as a reflection of the fragmentation of Syria's economic space.

Declining oil revenues in the aftermath of the economic sanctions, in addition to the significant economic contraction, are exerting tremendous pressure on government finances. The latest data released by the International Energy Agency show that oil output was consistently below 200,000 barrels per day in 2012, compared with 400,000 in 2009.

Before the crisis, Syria's economic reform efforts had helped to strengthen its growth performance (figure 11.1). Growth in GDP during the last decade has averaged 3.3 percent a year. Growth performance in 2009 and 2010 was adversely affected by external and domestic shocks, particularly the impact of the global financial crisis and prolonged droughts.

Economic growth in Syria has, in addition, not been inclusive. It did not lead to significant job creation or poverty reduction. Rural societies have been increasingly marginalized and subjected to severe shocks related to both economic transition and droughts. Living conditions have deteriorated most severely in the eastern areas, spurring internal migration to larger regional cities and the Damascus suburbs and fueling social and political discontent. In addition, Syria's GDP had remained dependent on the oil and agriculture sectors, which are subject to fluctuating oil prices and rainfall. The oil sector provided approximately 20 percent of the government's revenues and about 35 percent of its export receipts in 2010. The agriculture sector contributed to 20 percent of GDP. Oil and services exports and foreign transfers of income and remittances were the main sources of foreign earnings—sources that are now being seriously curtailed by the crisis.

In the post-Assad era, Syria will face immediate economic challenges, including output and employment collapse in the tradable sector; accelerated exchange rate depreciation in the parallel market; hoarding of hard foreign currency; likely foreign exchange reserve losses; rising inflation; and legal and financial issues associated with frozen assets.

SYRIA'S ECONOMY IN THE DECADE TO COME

The Syrian uprising is expected to lead to a fundamental shift in the country's political landscape toward a genuine democracy. Whatever are the eventual contours of the democratic system to emerge, its sustenance could very much depend on the success of the economic policies to be put place. Failed economic performance, especially during the transitional period, might result in serious setbacks for the unfolding democratic process.

Immediately following the fall of the regime, the country will, on the one hand, welcome the political transition and with it the end of the economic sanctions and the return of foreign aid and investment, along with the Syrian entrepreneurs who have been dislocated on account of security and/or political concerns. On the other hand, Syria will need to face the immediate, twin challenges of restoring its basic capacity in economic governance and of reforming the institutions and instruments that can restore and shore up its stability, including the payment of public-sector wages, controlling inflation, and stabilizing its currency and banking system. These institutions will require immediate and unwavering attention lest they undermine the emerging landscape for investment, both domestic and foreign, and reconciliation. Another urgent economic area that will need immediate attention and fixing is containing the black markets and illegal economic activities that have sprung up during what has now been more than three years of lawlessness. It is clear that the combination of sanctions, the fragility of the banking system, and the severance of the national economy from the world has transformed Syria's economy into a cash-only economy. In addition to the spread of illicit activity within the national economy, Syria's borders also appear to have become sites where corruption and bribery are flourishing. Immediate measures will need to be taken to underpin the formal economy by stabilizing the currency, shoring up the banking sector, and enforcing border control.

Another immediate challenge that will confront post-Assad Syria is how to identify and deal with the large business interests that regime insiders have built up throughout the years. These ubiquitous interests are found in every aspect of the country's economic landscape. A starting point in identifying these interests is to review the companies listed on the EU and U.S. sanctions lists. Care should be taken to immediately monitor these companies and watch for any break up and or change in their ownership. Every investor interested in taking a stake in one of these companies should be scrutinized, along with the origins of the investor's funds. The latter should also include all future privatizations of Syria's publicly owned companies. Utmost care should also be exercised while monitoring these companies, carefully balancing the need to preserve assets and the jobs that are attached to them.

Once the above-noted challenges are subdued, a new set of challenges will need to be overcome if Syria is to make headway in reducing its chronic unemployment rate (currently at 9 percent, according to official figures) and poverty rate (the United Nations Development Program estimates that 30 percent of the population was living in poverty before the crisis, and this percentage has no doubt since risen significantly) and to improve standards of living. It is no exaggeration to state that establishing the fundamental conditions for job creation, sustainably and equitably, is the key for Syria's economy to unlocking its medium- to longer-term potential. But a word of caution is nevertheless warranted: The immediate challenges of restoring the state and its instruments and working to achieve the medium- to longer-term objectives as described above will inevitably generate competing demands on policy. Even if the two sets of challenges are carefully phased, so that support for the public sector gradually gives way to greater emphasis on efficiency as normality is restored, there remains the broader issue of how systems of patronage, clientilism, co-optation, and ethnic privilege will be resolved in the new Syria. Although it may be laudable to insist on a reformed and purely merit-based civil service system in Syria, the sheer longevity of patronage in the public sector makes it difficult to conceive how a new political system can be established and legitimated in the public mind without some ability to distribute the "spoils" of office.

Realizing Syria's medium- to long-term potential is intrinsically dependent on developing the private sector, expanding the national economy, and increasing productivity and export competitiveness. As described above, private-sector development is hampered by a labyrinthine system of registration, procedures, pervasive controls and bureaucracy, high entry and exit costs, a tardy and corrupt judicial system, poor infrastructures, and a persistently unfavorable regulatory framework entailing restrictive and complex trade and exchange regimes, the existence of several nontrade barriers and the weak enforcement of property rights; see the data in appendix to this chapter. As the data reported in the appendix show, the country performs far below neighboring countries such as Jordan, Turkey, and Lebanon on all measures of competitiveness. Similarly, Syria has barely benefited from the increased inflows of foreign direct investment to the region, confirming that a more conducive investment climate is urgently required to enhance Syria's competitiveness by regional standards and to successfully integrate it into regional and global trade systems.

Achieving faster long-run growth, over and above the trend of 3.3 percent achieved during the last decade, is of particularly pressing importance. The economic literature illuminates the relationship between preconflict and postconflict growth rates. In a seminal work that examined the growth records of sixteen countries so as to investigate the extent to which output trends changed patterns following World War II, World War I, and the Great Depression, it was found that, on average, aggregate post-break steady state growth rates were 79 percent higher than pre-break rates. Applying this post-break rate to Syria's average growth rate of 4.5 percent during the last three decades gives a potential output growth of 8 percent a year.

In the case of Syria, using elasticities derived from a study titled "Growth Diagnostics Report" by the World Bank, an estimated annual growth rate of 8 percent would require the creation of 175,000 jobs per year during the next ten years. This corresponds to an employment growth rate of 3.4 percent. Thus, to boost GDP growth to 8 percent, labor productivity must grow by 4.6 percent annually, three times higher than the average 1.6 percent annual rate during the last decade.

Improving productivity and growth performance in Syria requires a careful examination of all the factors that would help achieve a threefold increase in labor productivity. First, an aggregate, macroeconomic growth accounting study is required to analyze economic growth of output and (labor) productivity by decomposing their rates into various contributing elements. Next, growth accounting diagnostics will need to be performed for the three main economic sectors: agriculture, industry, and services.

Once undertaken, these growth accounts will provide empirical evidence regarding the roles of various contributing factors to growth in Syria. They can be used as guidelines for a growth policy aiming to increase output growth from its long-term past trend growth of 4.5 to 8 percent. This target growth rate can, in principle, be achieved with the proper amounts of investments in physical and human capital. A number of studies estimate that investments in physical capital of 30 percent of GDP and higher are indispensable. In addition, much higher investments in human capital per worker (improvements in educational attainments) are necessary to boost labor's contribution to growth.

BUILDING THE FOUNDATIONS FOR A PROSPEROUS SYRIA

The lessons of experience from transition economies argue against any "shock therapy" and in favor of a gradual approach to reform. Thus, Syria needs to gradually abandon its state-led, dirrigiste economic model in favor of a market-based one. The country needs to unleash the great entrepreneurial spirit that has characterized its industrialists and merchants throughout history; thus, open and fair competition should now begin to replace the system of privileges that has besieged the economy for more than four decades. Flexible labor market policies will help develop workers' skills and facilitate labor mobility across occupations, firms, industries, and regions while providing adequate assistance to those who experience adjustment costs as a result of structural change. An open and transparent trade and investment regime will help dissipate the rents that have been amassed behind closed borders and opaque rules. The key objective here is to enhance the Syrian economy's productivity and competitiveness, and thus to put it on a path toward where growth and employment generation are led by the private sector.

Experience shows that reforms should be pursued across different policy areas in a complementary way: to promote acceptance of change, by helping to ensure that those disadvantaged by one reform benefit from another, and to foster synergies between policies. The key to a successful transition lies less in the individual policies themselves than in how the policies interact; the benefits of an open trade and investment regime, for example, will only be fully realized in an economy with appropriate macroeconomic policies, efficient labor markets, and a regulatory environment that encourages the entry and exit of firms, protects and safeguards the public interest, and builds an education system that enables skills to match evolving needs. Though this will mean pursuing policy reforms in parallel, the precise sequence may need to be flexible.

The case for a socialist, private-sector-led, open economic model relates to the natural preference of people the world over for more, rather than less, choice and freedom—and the Syrians are no different. The power of the free market ideal lies to a great extent in the freedom that individuals and societies gain from exercising a greater degree of choice—of what to buy and to sell, and at what price; of where to obtain inputs; of where and how to invest; of what skills to acquire; and of what regulatory approach to pursue.

Although an open economy is an essential component of sustainable economic growth, complementary policies are also needed in order to realize its full benefits. In other words, the positive results from an open economy are not automatic; other policy choices matter as well.

Among the most fundamental policy choices are those related to the establishment of an adequate system of economic governance that is built on strong institutions and protected by the rule of law, which are crucial for property rights and for lowering transaction costs, two particular areas that have weighed heavily on the Syrian economy. We believe that supporting the establishment and the strengthening of Syria's domestic economic institutions is the starting point for achieving sustainable growth and political freedom. The questions are, what institutions and how to build them?

On the types of institutions, attention should focus on five critical areas:

- Property rights—strictly speaking, control over property rather than legal rights per se;
- Regulatory institutions to correct externalities, information failures, and market power irregularities, such as antitrust bodies and banking supervision agencies, and, more controversially, the coordination of major investment decisions.
- Institutions for macroeconomic stabilization (e.g., a lender of last resort);
- Social insurance—these are often transfer programs, but other institutions, such as jobs for life, can also play the same role; and
- Institutions to manage social conflict.
- On how to acquire institutions, we offer two observations:

- There is no single optimal set of institutions—there are many ways of achieving the same objectives.
- Moreover, the interactions between institutions mean that the package needs to be considered as a whole (or, at most, in a few broad parts) rather than piece by piece.

Institutions can be adopted from abroad or evolved by trial and error locally. The critical issue here is the legitimacy of the institutions. Adopting foreign institutions can often be an efficient way of short-cutting the learning process; indeed, good policymaking will always seek to learn from others' experience. The requirement, however, is that the institutions are sought as agencies that will put forth solutions to locally identified problems and are adapted to local needs and conditions in quite subtle ways. There is a world of difference between a society facing a problem and looking abroad for something to adapt to its own needs, and an external force declaring that a certain institution will be good for it.

At the external level, emphasis should be placed first and foremost on fostering economic freedom by providing direct support for social, human, and economic development programs that help the population. That also means opening markets to Syrian products; promoting Syria's engagement in regional and eventually international markets for goods, services, and ideas; and supporting its entry into multilateral institutions such as the World Trade Organization (WTO). The West, and in particular the European Union and the United States, should, in a post-Assad environment, accelerate Syria's process of accession to the WTO. These are achievable steps that will also go a long way toward calming Syrians' perception that the West is only promoting its own interests and completely disregarding Syria's.

Accession to the WTO will support Syria in its efforts to build strong and credible domestic institutions, adopt good economic policies, and provide guarantees to foreign investors against policy reversal. Of particular importance, its accession to the WTO will also facilitate Syrian products' improved access to export markets, and help the country defend its market access rights.

As reforms take shape, Syria will need to fully engage in promoting its regional trade and investment ties, which have proven instrumental in helping other economies with their global integration strategies.

Boosting the competitiveness of Syrian industries in a changing domestic and global environment will be a key challenge for the new leaders. This may require a trade and investment policy agenda that moves gradually to open the economy first to regional partners and then to the global economy. Integration among neighboring states can be used to assist Syria's economy in developing global comparative advantage by preparing for integration with Europe, and further when Syria accedes to the WTO.

Transitioning to a Free Market Economy

As mentioned previously in this report, the transformation of Syria's economy will need to be a gradual process because of the conflict's severe effects on the economy—the dramatic increase in poverty, the complete halt of production, a doubled unemployment rate, and the collapse of the Syrian lira. However, at the same time, these factors have opened up a rare opportunity to create a free, market-led economy. Before the conflict, one could find the hand of the Syrian government in every level of the Syrian economy. Since the onset of the revolution, however, the government's influence has steadily waned, making the establishment of a free market system relatively easy. All these factors have the potential to provide the context for the creation of the desired economic system.

To be sure, any economic steps taken by the future Syrian government will require timely and comprehensive feasibility studies that analyze every element of the Syrian economy, at the local, regional, and international levels. However, the main goal should always be the liberalization of the market; the quicker this is carried out, the better. Maintaining state control over the market during the postconflict transition could crystallize the influence of former regime officials and businessmen, resulting in their continued harmful influence over the Syrian economy and political environment.

This does not mean that the government has no role to play in the Syrian economy. The state should absolutely play a supervisory role, whether through legislation or the judiciary. The future Syrian government, at least in the early stages of the transition, must also maintain control over strategic resources, oil and gas wells, national wealth, ports, and the like. The main steps to achieving economic reform and establishing a free market economy in Syria are price liberalization, lifting subsidies, the privatization process, restructuring the public sector, and reconstruction of the country's infrastructure. We briefly examine each in turn.

Price liberalization. Price liberalization aims to make the financial value of goods or services directly reflect their real value, subject to supply and demand, rather than state control. This is one of the most important steps an economy can take in creating an environment that is attractive and conducive to investments. Moreover, it prevents the state from interfering in market mechanisms, such as by imposing prices. State price control, as has happened in the past in Syria, weakens consumer confidence and spreads corruption and exploitation. However, the striking economic downturn of the past two years will be a double-edged sword in the process of price liberalization, which will initially impose higher prices. These higher prices will not be accepted by a large number of Syrians due to the collapse of the Syrian currency, the hardship, and the widespread poverty. Therefore, prices should not be raised excessively. Nevertheless, the process of the current state control over prices will not be as long, because the Syrian state is on the edge of collapse. Therefore, the chaos that infiltrates the Syrian market can be treated as a systematic and a disciplined opportunity to liberate the market and prices in Syria. For instance, the prices of food and fuel can be increased gradually rather than having the state control the market and impose static prices.

Lifting subsidies. This step is closely related to the previous one, even though it has its own policy. The state can abandon its policy of paying a percentage of the value of certain goods or services that are usually considered a necessity for citizens, such as foodstuffs including flour, bread, sugar, and rice, in addition to fuel, electricity, water, and others. Raising subsidies on goods and services can be harmful to individuals, but it is in fact a step that must be taken to build a strong economy. The process of removing subsidies will save the state's treasury from huge expenses, which will in turn help in rebuilding very important and strategic services and projects. Furthermore, lifting subsidies and liberating the market from the state's daily control can be the key step on the path to transforming Syria into a free economic system. The citizen will be more independent if other measures of reform are to be taken, such as removing certain tax breaks and voiding customs tariffs. Though critical, the subsidy removal process should be analyzed carefully before being gradually implemented.

The privatization process. Privatization aims to achieve three important goals: first, to develop and invest in the projects to be privatized in the best and most efficient way; second, to secure huge amounts of funds for the state in order to invest in more important areas; third, to eliminate government control over the market and state resources. Privatization is not limited to a change in the ownership of certain projects from public to private; it is also a policy that places project management in the hands of the private sector, which, on one hand, has more experience and competence, and, on the other hand, has the urge to make profits. Thus, the private sector would be more able to meet the needs of consumers, which would mean the greater success of investments and projects. Privatization is a multistep, gradual process in terms of time and extent; it also must be achieved deliberately and through legislation in order to protect the market from monopoly, abuse, or undermining citizens' interests. The required steps can summarized as follows:

- All assets must be returned to their rightful owners. By assets are meant all the lands, whether agricultural or not, corporations, factories, houses, and buildings that have been nationalized and confiscated under the pretext of the state's interests. This process would be the first step toward market liberalization, which can be achieved by activating the freedom to own property and protecting the people's property. This complicated step would be also a huge step toward political reform and gaining the people's trust.

However, this step is quite complicated, given that some nationalization and confiscation processes have been under way for decades. Thus, this important process will need legal consultation to determine that the needed legislation will be reviewed and passed by the government. The legislation would ensure the transparency and fairness of the process, which will protect the rights of the original owners and the state from being manipulated or infringed upon. Also this process needs a sound legal authority that has considerable independence and integrity.

- Projects and investments should be privatized. Here the government would need to choose which projects and/or state-owned companies would be privatized. The selection process must be carried out according to the sizes of these corporations and investments in order to protect them from the large capital owners' monopoly, and according to this criterion we can sort the investments into two main categories:
    - Small projects: Projects that have small costs, small-scale production, or relatively little labor and can be run efficiently by small or medium-sized companies. These projects can be privatized using public tenders with clear terms outlined by the government, by which it would ensure adherence to specific standards, such as the exclusivity of buying for Syrians and to prevent certain individuals from buying these investments.
    - Large projects: Projects require large amounts of capital, such as investing in export industries like oil, gas, and minerals; important export farming businesses like wool or cotton; services like electricity, water, communications; and some large touristic, transportation, and seaports projects. These projects are important strategic efforts that affect the state economy and, generally, the standard of living of a large percentage of the populace; therefore, the process of privatization of these projects is dangerous unless conducted under standards and mechanisms that consider the people's rights and specifically future generations. These projects can be privatized by converting them into public shareholding companies in which every Syrian has the right to own shares—in addition to allocating investment funds in these projects with specific ratios to ensure the participation of big companies and investors in establishing these public shareholder companies so as to provide capital that would help to develop these projects, and to invest in strong, efficient management to run them.

Certainly, laws will need to be enacted to regulate the entire privatization process, and this will require an elected legislative authority; the judicial branch will need to play a notable role to protect the rights of the state and people. Conversely, the state can retain ownership of strategically important projects by signing temporary investment contracts with well-known international companies under specific terms, and through laws issued by the elected entity.

Restructuring the public sector. One of the most notable flaws in the Syrian political system is the presence of a massive bureaucratic substate within the state institutions. This bureaucracy has limited the economy and exacerbated administrative corruption and bribery. It has also resulted in disguised unemployment within the Syrian community; thousands of employees remain on the public payroll without any direct benefit to the state. This creates an environment in which it is impossible to build a free economy that provides fair opportunities for investments and enables Syria to be transformed into a productive society and economy without completely restructuring the public sector. Similar to the previous steps, this must be carried out in a deliberate, gradual manner. The public sector in Syria represents a large segment of the Syrian labor force; thus any possible restructuring would eliminate thousands of workers in this sector. This downsizing of the public sector must be accomplished in parallel with the other steps, in which the private sector would provide the market with large investments to make up for what has been lost in the public sector and its role in the market.

However, this process must be done with transparency, and the number of required jobs in the public sector must based on the actual need in the public institution and not based on courtesy for the middle and lower classes. Such "courtesy" would later produce negative feedback for the institution and the state in general, and subsequently for the institution's employees. Employees must be chosen based on merit, experience, and qualification.

Reconstruction of the country's infrastructure. The unprecedented level of violence propagated by the regime—carried out via artillery, tanks, Scud missiles, and warplanes—has caused the destruction of an enormous proportion of the Syrian infrastructure. The level of destruction varies from one region to another. Some cities and villages have been destroyed completely. This massive level of destruction, in fact, is one of the biggest obstacles that the Syrian state will face in the future, no matter what form the eventual government takes. This issue will require the unity of all the state's institutions in order to be overcome. Additionally, transitional justice processes will play a major role in assessing the damages and the possibility of compensating those who were affected. The damage is not limited to private assets, despite the tragedy of the loss incurred by innocent citizens. Public assets, houses of worship, streets, bridges, and other aspects of the urban and rural physical fabric were all affected. All this will be a huge burden on the transitional government and the governments that will succeed it.

Therefore, reconstruction must be a high priority. Syria's reconstruction will require prudent economic management, given that projects will cost tens of billions of dollars. The Syrian government will need to be wary of significant political pressure to give reconstruction contracts to regional heavyweights. Among the most important steps will be to study the extent of the problem and to undertake an accurate and comprehensive assessment, along with offering facilities for Syrian and foreign investors that want to invest in the reconstruction, provided that the rights of the Syrian state and citizens are considered. Additionally, legislation regulating reconstruction projects must be enacted to ensure a rapid and real benefit for those most affected by the crisis.

In addition to the previous steps, the roles of the regulatory institutions that operate to ensure transparency, honesty, and commitment must be activated under the standards and regulations adopted by the law. Some of these institutions already exist but have been sidelined or intentionally weakened by the regime. These institutions have also been used by those in charge within the regime to undermine different sections of the community and to maliciously pressure both Syrian and foreign investors. These institutions need to be activated after they are restructured and cleansed of corruption, and then they should be redirected to become tools to protect the state and citizens from any illegal abuse. Also, international regulatory regimes and standards must be developed in order to achieve the desired results.

Recommendations

The Syrian Expert House's proposed policies and recommendations can be summarized as follows. First, these priorities are recommended for the transitional government:

1. Continue paying employees' wages in the public sector.
2. Secure temporary housing for refugees until they can return to their homes.
3. Provide the basic services of food, clothing, and medical care for all refugees.
4. Secure protection for basic needs and public utilities.
5. Prepare for the restructuring of the public sector and the state's administrative structure.
6. Work on acquiring frozen assets and funds from abroad.
7. Freeze and confiscate the Ba'ath Party's movable and immovable assets.
8. Establish a committee to study the contracts made by the Assad regime with states and international organizations.
9. Issue a decision to terminate all the contracts made by the regime between March 2011 and the date on which the transitional government was formed.
10. Start a Syrian support and reconstruction fund.
11. Enact a law to return all nationalized assets to their rightful owners.
12. Change the current Syrian currency to seek stability (which may be impossible to achieve in the short term).
13. Make an effort to lift the economic sanctions against Syria.

Second, these policies should be undertaken by the transitional government:

1. Face the anticipated global inflation.
2. Create an atmosphere to generate capital investment in Syria in a gradual and deliberate manner.
3. Protect the currency from collapse using the approaches mentioned above, such as continuing to pay public-sector wages and securing the basic needs of the citizenry. The role of the government here should be to control the size of the collapse by adjusting the currency cycle and carefully liberating the pumping of the hard currency into the Syrian market before the Central Bank starts a forced corrective policy.
4. Stick to the principles of good governance.
5. Promote and activate economic relationships with neighboring countries and the rest of the world, especially Syria's friends, in order to generate investments.
6. Work on raising the competence of the Syrian labor force in various fields.

Appendix: The Competitiveness Performance of Syria's Economy

Table A11.1. Key Indicators and the Global Competitiveness Index Rankings and Comparisons

Key Indicators, 2010

Population (millions).............................. 22.5
GDP (billions of dollars)................................ 59.3
GDP per capita (dollars)............................ 2.877
GDP (purchasing power parity) as percentage share of world total.... 0.14

The Global Competitiveness Index 2011–12 Rankings and 2010–11 Comparisons

1. Overall Index

Country/Economy	Rank/142, 2011–12	Score	Rank/142, 2010–11
Switzerland	1	5.74	1
Qatar	14	5.24	17
Saudi Arabia	17	5.17	21
United Arab Emirates	27	4.89	25
Kuwait	34	4.62	35
Turkey	59	4.28	61
Jordan	71	4.19	65
Lebanon	89	3.95	92
Egypt	94	3.88	81
Syria	98	3.85	97
Chad	142	2.87	139

2. Subindexes, 2011–12

Country/Economy	Basic Requirements		Efficiency Enhancers		Innovation and Sophistication Factors	
	Rank/142, 2011–12	Score	Rank/142, 2011–12	Score	Rank/142, 2011–12	Score
Switzerland	3	6.18	2	5.53	1	5.79
Qatar	12	5.81	27	4.68	16	4.98
Saudi Arabia	16	5.66	24	4.82	24	4.64
United Arab Emirates	10	5.84	25	4.78	27	4.43
Kuwait	34	5.25	67	4.05	66	3.51
Turkey	64	4.61	52	4.22	58	3.62
Jordan	61	4.65	78	3.95	70	3.48
Lebanon	109	3.97	64	4.06	78	3.43
Egypt	99	4.17	94	3.71	86	3.33
Syria	77	4.41	109	3.51	111	3.06
Chad	142	2.88	139	2.87	130	2.81

Table A11.2. The Global Competitiveness Index, 2011–12: Basic Requirements

Country/Economy	Institutions		Infrastructure		Macroeconomic Environment		Health and Primary Education	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Switzerland	6	5.78	5	6.15	7	6.28	8	6.53
Qatar	14	5.39	27	5.17	5	6.40	22	6.28
Saudi Arabia	12	5.47	25	5.31	12	6.09	61	5.78
United Arab Emirates	22	5.21	8	5.97	11	6.14	41	6.06
Kuwait	47	4.35	50	4.45	2	6.59	77	5.60
Turkey	80	3.69	51	4.39	69	4.76	75	5.62
Jordan	45	4.38	59	4.13	97	4.43	72	5.67
Lebanon	115	3.26	121	2.62	125	3.89	35	6.12
Egypt	74	3.78	75	3.81	132	3.74	96	5.36
Syria	70	3.82	97	3.31	68	4.76	62	5.77
Chad	138	2.83	139	2.00	133	3.71	141	2.96

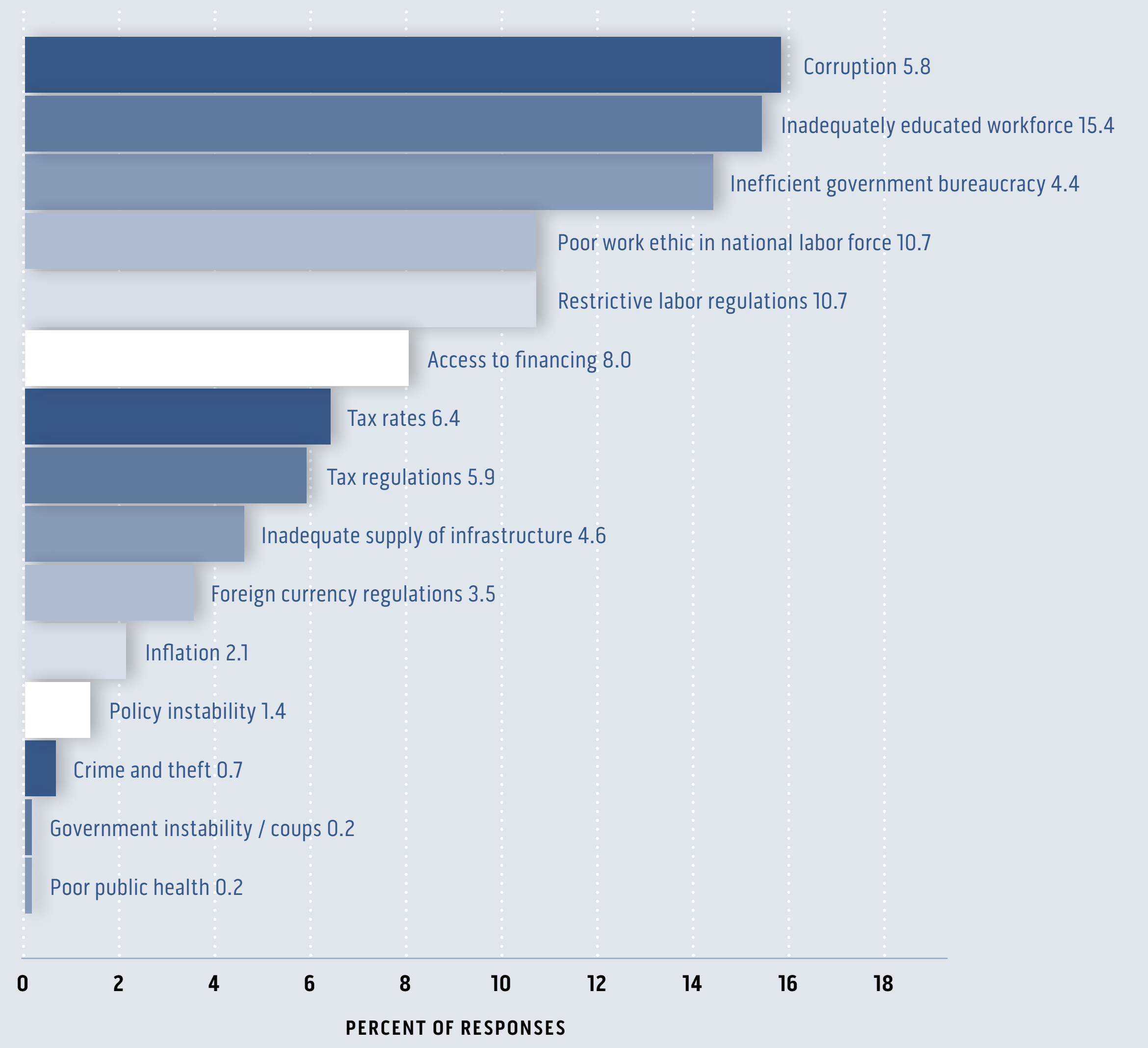
Table A11.3. The Global Competitiveness Index, 2011–12: Efficiency Enhancers

	Higher Education and Training	Goods Market Efficiency	Labor Market Efficiency	Financial Market Development	Technological Readiness	Market Size
Country/Economy	Rank/142	Rank/142	Rank/142	Rank/142	Rank/142	Rank/142
Switzerland	3	5	1	7	1	39
Qatar	50	17	22	19	33	59
Saudi Arabia	36	4	50	16	43	23
United Arab Emirates	33	10	28	33	30	43
Kuwait	91	53	62	59	65	61
Turkey	74	47	133	55	55	17
Jordan	59	54	107	65	59	88
Lebanon	49	35	110	58	89	71
Egypt	107	118	141	92	95	27
Syria	106	102	134	117	105	66
Chad	137	139	97	135	141	112

Table A11.4. The Global Competitiveness Index, 2011–12: Innovation and Sophistication Factors

	Business Sophistication		Innovation	
Country/Economy	Rank/142	Score	Rank/142	Score
Switzerland	3	5.82	1	5.77
Qatar	12	5.27	18	4.69
Saudi Arabia	17	5.11	26	4.16
United Arab Emirates	23	4.91	28	3.96
Kuwait	62	4.02	84	3.00
Turkey	58	4.09	69	3.15
Jordan	68	3.88	77	3.08
Lebanon	51	4.17	115	2.68
Egypt	72	3.82	103	2.84
Syria	94	3.57	125	2.55
Chad	136	2.93	114	2.69

Figure 11.2 The Most Problematic Factors for Dong business (in percent)



Note: From a list of fifteen factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their ranking.

Table A11.5. The Global Competitiveness Index in Detail

First Pillar: Institutions

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Property rights	51	34	57	72	75
Intellectual property protection	72	40	112	108	80
Diversion of public funds	103	48	119	68	97
Public trust of politicians	43	54	140	68	61
Irregular payments and bribes	111	50	130	68	76
Judicial independence	109	49	127	88	41
Favoritism in decisions of government officials	83	53	137	86	105
Wastefulness of government spending	64	65	128	72	87
Burden of government regulation	129	69	92	93	95
Efficiency of legal framework in settling disputes	103	49	105	66	60
Efficiency of legal framework in challenging regulations	117	67	132	68	86
Transparency of government policymaking	129	64	95	44	108
Business costs of terrorism	3	80	137	134	136
Business cost of crime and violence	1	31	74	80	109
Organized crime	7	26	63	101	2
Reliability of police services	97	29	109	103	83
Ethical behavior of firms	82	52	128	65	90
Strength of auditing and reporting standards	132	42	68	86	99
Efficacy of corporate boards	129	95	109	104	122
Protection of minority shareholder's interests	43	39	76	92	61
Strength of investor protection, 0–10 (best)	93	100	77	47	60

Second Pillar: Infrastructure

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Quality of overall infrastructure	75	41	135	34	80
Quality of roads	68	47	115	42	87
Quality of railroad infrastructure	56	107	122	60	51
Quality of port infrastructure	112	63	62	69	79
Quality of air transportation infrastructure	125	34	43	40	78
Available airline seats, millions of kilometers per week	79	66	70	21	33
Quality of electricity supply	92	41	141	73	74
Fixed telephone lines per 100 population	66	102	58	53	87
Mobile telephone subscriptions per 100 population	121	60	108	94	90

Third Pillar: Macroeconomic Environment

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Government budget balance, percent of GDP	88	100	120	52	132
Gross national savings, percent of GDP	73	91	71	110	92
Inflation, annual percentage change	80	92	84	122	133
Interest rate spread, percent	42	71	11	43	56
General government debt, percent of GDP	38	109	139	80	119
Country credit rating, 0—100 (best)	105	76	99	57	71

Note: GDP = gross domestic product.

Fourth Pillar: Health and Primary Education

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Business impact of malaria	1	1	1	71	1
Malaria cases per 100,000 population	1	1	1	74	1
Business impact of tuberculosis	50	54	56	37	53
Tuberculosis incidence per 100 population	43	12	35	55	41
Business impact of HIV/AIDS	43	44	59	30	45
HIV prevalence, percentage of adult population	45	45	21	1	1
Infant mortality, deaths per 1,000 live births	65	85	56	79	//
Life expectancy, years	58	74	81	85	94
Quality of primary education	82	60	13	100	131
Primary education enrollment, net percent	55	102	94	52	66

Fifth Pillar: Higher Education and Training

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Secondary education enrollment, gross percent	98	68	83	85	92
Tertiary education enrollment, gross percent	78	57	44	60	N/A
Quality of the education system	96	51	12	94	135
Quality of math and science education	62	44	6	103	132
Quality of management schools	108	85	18	110	133
Internet access in school	120	52	85	64	107
Availability to research and training services	110	56	54	69	83
Extent of staff training	140	103	98	86	131

Sixth Pillar: Goods Market Efficiency

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Intensity of local competition	44	34	28	13	114
Extent of market dominance	118	60	55	41	121
Effectiveness of antimonopoly policy	90	64	119	33	124
Extent and effect of taxation	54	99	21	122	64
Total tax rate, percentage of profits	84	39	35	88	83
No. procedures to start a business	65	78	23	34	34
No. days to start a business	51	51	35	13	21
Agricultural policy costs	36	80	103	62	129
Prevalence of trade barriers	127	76	66	71	104
Trade tariffs, percentage duty	122	103	80	67	132
Prevalence of foreign ownership	137	68	102	98	112
Business impact of rules on FDI	112	58	67	76	98
Burden of customs procedures	133	55	108	94	75
Imports as a percentage of GDP	103	28	10	125	113
Degree of customer orientation	96	64	45	27	75
Buyer sophistication	118	81	28	97	133

Note: FDI = foreign direct investment; GDP = gross domestic product.

Seventh Pillar: Labor Market Efficiency

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Cooperation in labor–employer relations	71	81	59	123	121
Flexibility of wage determination	48	36	19	54	71
Rigidity of employment index, 0–100 (worst)	50	63	68	90	71
Hiring and firing practices	92	102	54	63	87
Redundancy costs, weeks of salary	106	6	29	124	132
Pay and productivity	89	72	62	75	96
Reliance on professional management	130	100	99	80	121
Brain drain	110	73	123	97	122
Women in labor force, ratio to men	141	137	136	133	138

Eighth Pillar: Financial Market Development

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Availability of financial services	121	59	34	43	79
Affordability of financial services	114	55	33	40	76
Financing through local equity market	78	53	113	42	30
Ease of access to loans	101	59	33	73	74
Venture capital availability	107	62	60	82	41
Soundness of banks	59	55	9	33	102
Regulation of securities exchanges	76	40	55	32	69
Legal rights index, 0–10 (best)	138	89	105	89	105

Ninth Pillar: Technological Readiness

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Availability of latest technologies	119	42	79	52	110
Firm-level technology absorption	70	37	68	44	78
FDI and technology transfer	106	51	112	71	67
Internet users per 100 population	95	67	79	64	86
Broadband internet subscriptions/100 population	111	80	73	53	91
Internet bandwidth, kbps per capita	110	80	98	58	86

Note: FDI = foreign direct investment.

Tenth Pillar: Market Size

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Domestic market size index, 1–7 (best)	62	91	75	15	25
Foreign market size index, 1–7 (best)	73	91	71	28	41

Eleventh Pillar: Business Sophistication

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Local supplier quantity	50	64	26	33	65
Local supplier quality	124	84	54	65	106
State of cluster development	97	82	90	70	74
Nature of competitive advantage	104	53	26	77	51
Value chain breadth	106	66	33	49	68
Control of international distribution	52	63	11	27	90
Production process sophistication	79	63	81	38	62
Extent of marketing	117	74	41	37	88
Willingness to delegate authority	75	76	131	127	48

Twelfth Pillar: Innovation

Factor	Syria	Jordan	Lebanon	Turkey	Egypt
Capacity for innovation	134	92	106	71	83
Quality of scientific research institutions	125	104	127	89	113
Company spending on research and development	136	108	113	62	106
University—industry collaboration in research and development	133	114	111	74	128
Government procurement of advanced-technology products	116	70	141	56	104
Availability of scientists and engineers	63	20	30	35	40
Utility patents granted per million population	90	90	57	69	74