SUMMARY AND CONCLUSIONS
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Greeks are said to have created the history of human settlement in Kuwait in B.C. 600 while the early Islamic period of settlement began in A.D. 633. The history of modern Kuwait dates back to only the latter part of nineteenth century when it came in the limelight and turned to be the focus of great powers' attention. Kuwait despite having a small territory over long flanged desert with hot and dry climate occupies a prominent position by virtue of its geographical and strategic location in the West Asian Gulf region. It may be said that Kuwait placed at the head of Arabian Gulf close to the shatt-El-Arab, not only occupies an important position in the field of trade between East and West but also holds a strategic position in the Arab world itself. Its geographical location made it a significant trade centre which brought prosperity to the country. It led to the migration of people from the small states around the Gulf and emergence of settlements in Kuwait as a result of which its
population increased from only 4000 in 1831 to 120,000 in 1947. The strategic location of Kuwait made it a bone of contention amongst the great powers in the latter part of nineteenth century. The British having attained predominance in the region established friendly ties with Kuwait through a treaty signed in 1899 whereby they assumed the responsibility of safeguarding its interest in the region. In response to the agreement, the ruler of Kuwait H.E. Sheikh Mubarak Al-Sabah agreed not to cede or lease any portion of his territory to grant any sort of concession to any individual or foreign government other than Britain without their prior consent. Kuwait, thus became a British Protectorate in 1899; but a Political Agent was appointed there only in 1904.

The discovery of oil by a British subject Anglo Persian Oil Company (APOC) in Iran in 1908 streamlined the prospects of hydrocarbon resources in the entire Gulf region and attracted the major oil companies to make efforts to obtain oil concessions through negotiations. In Kuwait, the negotiations were
initiated in 1911 by APOC which was later known as British Petroleum (B.P.). But nothing was settled down due to the disruption as a result of outbreak of World War I in 1914, appearance of Gulf Oil Corporation (Gulf) of U.S.A. in 1923 as a third party with the same object, and the rejection by the Sheikh of terms and conditions proposed by the ambitious oil majors. The protracted negotiations, however, culminated into an agreement signed in 1934 between the ruler of Kuwait and the representatives of B.P. and the Gulf Oil, through an equally shared and owned joint venture Kuwait Oil Company (KOC) Ltd.

They successfully explored oil in the Burgan region of Kuwait in 1938. The production of Oil was disrupted due to the outbreak of World War II which caused a suspension of all oil related activities. Prior to the discovery of oil, the economic activities of Kuwait were confined to the pearling, fishing, boat building and small trades. And the major source of earning to the Sheikhdom was taxes levied by its ruler
on the caravans traversed the Kuwaiti territory for directing and protecting them. India's relations with Kuwait seem to be very old. It is said that the Kuwaiti traders benefitted from the cargo and passenger trade to and from India. India is said to have held about 30 per cent share in Kuwait's trade in 1930. The trade in Kuwait had increased substantially in the pre-oil era but non-availability of data and information restricts us to undertake a detailed analysis.

The discovery of oil brought about rapid transformation in the Kuwaiti economy. The process of economic development in Kuwait mirrors the smooth and unparalleled exploitation of its vast oil reserves. The production of crude oil and associated natural gas continued in an upward trend and consequently huge oil revenues accrued to the Kuwaiti exchequer. The hydrocarbon sector is considered to be the backbone of Kuwaiti economy as it holds abundant oil and associated gas reserves which exceeded 94 billion barrels and 35 trillion cubic feet in 1988 respectively. This sector still contributes about 50 per cent to the GDP and
holds more than 86 per cent share in the country's total export earnings. The inception of oil industry brought about a vast structural change in the framework of country's foreign trade which enabled Kuwait to develop its financial as well as socio-political relations with the outer world. It is only due to the development of oil sector that Kuwait has been able to develop infrastructure capable of absorbing heavy doses of investment. It has also enhanced the propensity to import.

Kuwait's dual advantages of its strategic location and economic progress give it a responsible and respectable position in the regional and international spheres as well. It has the privilege of being one of the five founding members of OPEC, which was founded in 1960, whereby it got some leverage in the determination of the levels of production, pricing policy and distribution of oil though it does not directly influence the international oil market. However, through OPEC it plays a significant role in
balancing the world supply of and demand for oil and its products. Kuwait's achievements of strict oil conservation and full take-over of its oil industry are quite appreciable. On the termination of the treaty of 1899, Kuwait turned to be an independent state in 1961 and was admitted as a new member of the League of Arab Nations. Thenceforth the ruler of Kuwait assumed the new title of "Emir" and the country began to enjoy a constitutional monarchy. Apart from this, with Libya and Saudi Arabia, Kuwait founded, in 1968, the Organization of Arab Petroleum Exporting Countries (OAPEC) in retaliation of not having equal participation and legitimacy with the majors in the determination of oil prices. The formation of OAPEC clearly mirrors the unity among Arab oil exporters who evolved the economic cooperation and integration in the West Asian region on equal footing of other regional groupings of developing and developed nations. The decision of OAPEC members of oil embargo against Israel and its friendly nations in 1973, due to the Arab-Israel conflict, had proved to be the weapon of Arab
oil producers' unity. Besides, Kuwait had taken initiative of creating the Gulf Cooperation Council (GCC) in 1981 in order to establish economic unity and security in the Gulf. The economic Agreement of the GCC is a significant achievement and the most promising step towards free trade, common market, human resource development, and common policies of oil and energy, and aid.

On the whole, Kuwait's efforts in the establishment of regional relations have been unabortive. Enormously endowed with hydrocarbon resources, Kuwait has always remained liberal in channelling economic assistance and financial aid to the poor and needy countries of the third world, specially West Asia. Kuwait's aid ranges between 3 to 10 per cent of its GDP. It also plays an equally active role in multilateral aid programmes through many financial institutions such as IMF, IBRD, OPEC Special Fund, Arab Bank for Economic Development in Africa (ABEDA), Islamic Development Bank (IDB), U.N. Special
Fund, International Financial Corporation and many others. This did not merely enhance goodwill of Kuwait but also strengthened its politico-economic linkages with the outer world.

The Kuwaiti economy witnessed a structural change after the beginning of oil era. It is composed of two main sectors, i.e., oil and non-oil sectors. The oil sector’s contribution despite skyrocketing of oil prices declined from 65.7 per cent to GDP and 94.3 per cent in the total export earnings in 1971 to 50.4 per cent and 85.5 per cent in 1985 respectively. However it accounted largely to GDP and in the export earnings meanwhile. The contribution of oil sector to the Kuwaiti economy varied during 1971-1985 on account of many reasons such as an upsurge in oil revenues as a result of the adjustment of exchange rate of dollar in 1971 and 1973, the adoption of oil conservation policy by the Kuwaiti government in 1972, which affected the supply and consequently the prices of oil, increasing government participation in oil industry leading to its nationalization in 1975 which resulted in an upsurging
in revenues, Iran-Iraq war which disrupted the supply of oil that pushed up oil prices and consequently the revenues, and lastly the oil glut in the international market in the early 1980s caused a steep decline in the oil prices and consequently the revenues to the country.

It seems that on account of its oil sector the Kuwaiti government has, to some extent, been succeeded in diversifying the country's dependence from oil to non-oil sector. However, the obvious decline in the contribution of oil sector does not give a true picture of diversification of the sources. It appears that Kuwait could yet not have completely avoided and reduced its excessive dependence on its oil sector though the non-oil sectors have also experienced a growth rate.

The oil sector combined with non-oil sectors comprising agriculture and fisheries, manufacturing, electricity, gas and water, construction, wholesale and retail trades, transportation, communication and
storage, financial institutions and insurance, and few others compose the structure of the economy. The non-oil sectors such as construction, manufacturing, wholesale and retail trades, and the transportation and storage have registered positive growth rates over the period from 1971 to 1985. The growth rate of the non-oil sectors during the period under review could have been achieved only on account of an increase in oil revenues as a result of upsurge in oil prices and the government’s prompt planning and policies aimed at the diversification of the economy through the optimum utilization and mobilization of hydrocarbon resources and the optimum utilization of available resources which encouraged remarkably the downstream operations which opened up new avenues of progress.

It is understood that the oil industry since its inception underwent a significant structural change. The huge upstream of oil made a way for downstream oil industries such as refineries, petrochemical industry.
and the transportation of oil, gas and petroleum products through marine transport and pipelines. Though, the downstream oil industries had already been established by the operating majors but, Kuwait made its first unabortive attempt by forming Kuwait National Petroleum Company (KNPC) in 1960. This Company was, however, initially involved in the marketing of refined products within the domestic market. The remarkable developments in the field of downstream were noticed during the seventies mainly due to the change in oil price structure and the nationalization of oil industry. Kuwait has made tremendous efforts by establishing gas-based industries which not only regulated the wasteful flaring of associated natural gas but, also proved fruitful for value adding the resources.

The notable developments in this regard were observed after the formation of Kuwait Petroleum Corporation (KPC) in 1980. The KPC, under the direction of the ministry of oil, is entrusted with the
management and control of upstream and downstream oil operations which it undertakes through its six subsidiaries. It seems that the Kuwaiti economy revolves around the oil industry as its progress still largely depends on the oil revenues. The socio-economic development of the country, thus, rests on the levels of development achieved by the oil industry in Kuwait.

Therefore, the evolution of oil industry in Kuwait resulted in the transformation of the economy which gave it a way to be flourished with oil richness and abundant revenues. The oil industry in Kuwait developed in two phases. In the first stage which covers the period from its establishment to the nationalization, oil industry and its activities were exclusively managed and controlled by the operators and consequently the rate of development remained sluggish.

The oil reserves in Kuwait were estimated at 9 billion barrels in 1944, but the subsequent discoveries of oil enhanced them to 68.7 billion barrels and further 94.5 billion barrels in 1965 and 1989 respectively. The oil production also increased rapidly
from 0.016 million barrels per day in 1946 to its peak 3.28 million barrels per day in 1972. The rate of production was very high in the 1940s but it declined thereafter. However, the production of oil, despite marginal variations in its rate meanwhile, went on in an upward trend until 1972, it thenceforth declined markedly. The sharp increase in reserves and production which were noticed after World War II were attributed to the reconstruction of war-ravaged economies, rapid industrialization and expansion of transportation which created massive demand for oil. The rate of oil production in Kuwait between 1946 and 1972 fluctuated on account of several reasons such as Suez canal crises in 1956, deliberate reduction in oil prices by the majors in 1959 and again in 1960, formation of OPEC in 1960, independence of the country in 1961, expropriation of concessional areas by the Kuwaiti and Iraqi governments separately in 1962, Arab-Israel conflict in 1967, formation of OAPEC in 1968, changes in the oil price structure in 1971 after the Tehran
Agreement and the oil conservation policy adopted by Kuwait in 1972. These factors directly or indirectly affected not only the production of oil but also its prices and consequently the revenues to the government. The revenues to the Kuwaiti government until 1959 increased on account of uninterrupted export of oil from Kuwait though the prices of oil were kept low by the majors.

The undercutting of oil prices by the companies in 1959-60 gave a blow to the government's oil revenues. But the formation of OPEC in 1960 and relinquishment of half of the entire concessional area by the Kuwaiti government in 1962 brought up new hopes. The prices of oil during 1960s remained constant at $1.59 per barrel. The main area of development was the downstream which provided Kuwait with innumerable avenues to set out its efforts for boosting up the socio-economic welfare. Besides this, the downstream infrastructural facilities in Kuwait had been established by the operating companies earlier than the nationalization of oil industry but, they proved incapable of meeting the huge
upstream of country's oil and increasing demand for it.

The oil industry during 1970s achieved remarkable progress as it witnessed many more developments in the field of downstream. In the pre-nationalization stage, the Kuwaiti oil industry developed in different fashion, however, the government's objectives through its planning could be materialized. Success came in the second phase of development of oil industry which began after its nationalization in 1975. After having achieved full control over its oil industry, the Kuwaiti government continued its efforts of maintaining equilibrium in the world oil market through its planning and policies. Though, the oil revenues, despite conservation of oil, increased manifold as a result of upsurge in oil prices and a shift in export from crude oil to refined products in the 1970s onward. This implies that the government's policy never deviated from its aim at the diversification and optimum utilization of the resources. The downstream oil operations were given special emphasis since then.
It led to the expansion and modernization of downstream industries in Kuwait. The progress achieved in this regard since nationalization of oil industry can be well matched with the oil revenues which increased by 382.5 per cent during 1972-1979. It was coincided with a decline in the rate of crude oil production and export by about 23 and 28 per cent respectively. The expansion of downstream infrastructural facilities manifests the government's unabortive attempts in this sphere. This also brings forth the potential of the indigenous skill and technology.

Though, the discovery of the hydrocarbon resources destined Kuwait with abundant oil revenues through the diversification of its economy but, the unscrupulous exploitation of vast oil and associated natural gas reserves upto the end of 1960s caused a decline in the reserve to production ratio and consequently indicated at the shrinkage of their lifespan. At the same time, Kuwait was lacking infrastructural facilities and the resources other than oil as unearthed and mentioned by the IBRD in its survey report. It coexisted with huge
influx of oil revenues ensued from the expanding crude oil export. However, prior to the Tehran Agreement of 1971, the oil revenues to the government, despite an upward trend in oil production, were not increasing with the same pace. Hence the sectoral and factorial imbalances emerged in the economy as a result of its low capacity to absorb the increasing surplus funds. At this juncture, the Kuwaiti government chalked out an initial five year plan, covering the period from 1967-68 to 1971-72 and encompassing many short and long term objectives. The special emphasis was though given to the diversification of the sources of national income in order to build up a self sustained economy and the human and physical resources of the country. Nevertheless the Kuwaiti government invested enormous amount of surplus funds on various development projects, the objectives of the plan could yet not be fully achieved. It led the government to deliberately adopt a strict oil conservation policy in 1972 whereby a limit of 3 million barrels per day was set on the
domestic oil production.

The motivation behind this policy was to make optimum utilization of depleting hydrocarbon resources and the oil revenues by avoiding over-consumption and spending so that an alternative industrial base could be set up for achieving a sustained economic growth. In order to attain the plan’s objectives, the Supreme Petroleum Council was formed in August 1974. It was entrusted with the drawing up of a general oil policy pertaining to the preservation and utilization of hydrocarbon resources and the development of oil-based industries within the context of country’s overall socio-economic development. It received a support from the Supervisory and Coordination Committee which was set up in 1975 for the development of downstream oil industries in the country. In spite of having invested huge surplus funds and adopted the oil conservation policy the government could no longer succeed in achieving the goals of its plan and policies since the revenues increased following the upsurge in oil prices. The year 1975 was the turning point when Kuwait
nationalized its oil industry and, thus, the power of decision making shifted from operating companies to the government. Thenceforth, the economic as well as oil policies witnessed serious and prompt actions as the government of Kuwait embarked upon the development and modernization of pre-established downstream oil industries.

In the pre-nationalization oil-era, two plans were drawn but their goals could not be achieved since development planning had been ignored. In the third five year plan which began in 1976-77 the government geared its policy towards the broadening and diversification of productive base and, thus, raising the standard of living. This policy received an impetus from the Reserve Fund for Future Generations (RFFG) which was constituted by Law-106 in 1976 and allocated 10 per cent of annual revenues of the country thenceforth. After the complete take over of oil industry, the government strongly emphasized the industrialization through its development plans. Higher
priority has, however, been given to the capital intensive and export oriented industries directed at expanding and modernizing the downstream oil industries and increasing the utilization of NGL and LPG. Besides, the private participation was encouraged and the Industrial Bank established to synchronize the activities. The plans, chalked out after the nationalization of oil industry, embarked upon development of infrastructural facilities in order to enhance the absorptive and productive capacities of the economy.

Therefore, the efforts were continued to establish a viable alternative economic base by expanding and modernization pre-established downstream oil industries. The government policy in this regard was rational since downstream oil operations are highly capital intensive, cost advantageous and viable alternative. Moreover, add the value of resources, create employment opportunities in the non-oil sectors, and earn profits through the optimum utilization of oil and gas as well as the economies on scale. A
substantial gain derived from downstream oil operations is discernible from the performance of refineries, transportation of oil, gas and products, and the petrochemical industries.

The Kuwaiti oil industry after its nationalization in 1975 witnessed many developments in its refining operations. The capacity of the refineries expanded from 609 thousand barrels per day in 1975 to 720 thousand barrels per day in 1987. Though, the domestic consumption increased from 21.9 thousand to 101.7 thousand barrels per day in 1985 but a substantial part of the refined oil was exported which brought more revenues to the country. The export of refined oil rose from 140.5 thousand to 510 thousand barrels per day between 1975 and 1987. In contrary, the export of crude oil declined tremendously during the same period whereby it can be derived that Kuwait has to a large extent, been successful in shifting its dependence from crude oil sales to the export of refined oil which obviously added the value of the resource.
The expansion of refining industry and its operations encouraged the transportation of oil and its products as well. Transportation of oil, gas and petroleum products in Kuwait depend on a network of pipelines and a large tanker fleet. The total length of pipeline has increased to about 500 miles whereas the number of vessels for the same purpose gone up to 30. The pipelines and ships are varied in their sizes and designs and specified for carrying various products. Through transportation, the oil fields are linked with refineries and so on. Kuwait's effort in this direction are unprecedented. It was Kuwait Oil Tanker Company (KOTC) that had initiated transporting oil from Gulf region since its establishment in 1957. Pipelines network have further synchronized the transportation of oil and its products and, thus, established links between the points of upstream and downstream.

Kuwait could not have restrained itself to the extent of producing refined oil and selling it but it has more strongly set out in the direction of petrochemicals as well. There is a long chain of end
products though the basic product are olefines, aromatics and methanol. These products are derived from various refinery products and further processed with natural gas and many catalysts through reforming and cracking units of highly technological petrochemical industry. There are around 300 known petrochemical products but of them very few are produced in Kuwait. The finished petrochemical products which Kuwaiti industry produces are- urea, ammonia, sulfuric acid and ammonium sulphate. Though, the statistics related to the Kuwait's production of urea and ammonia is available for the period under review but, regarding their exports, it is available only for the period-1978-1985, and indicates a decline in both the cases. It is evident from the fact that the decline in the levels of production as well as export of these petrochemicals was attributed mainly to the deceleration in their demand in the international market as a result of prevailing recession in industrial countries. It was further affected by the
renovation and modernization of various plants which discontinued their production. Kuwait, besides these, produces other petrochemicals also which are as chlorine, caustic soda, malamine and ammonium dioxide. The total current capacity which Kuwaiti petrochemical industry possesses is 6350 tons that is quite low if is compared with other countries. However, Kuwait's efforts in this direction are unprecedented and still continued as the field ahead is wide enough to explore.

To conclude, it seems fair that the present state of Kuwaiti economy is the outcome of the discovery of oil and continual inflow of revenues ensued from production at commercial scale. The explanation appears pertaining to it that the developments of oil industry influence the progress of the economy or its growth. Therefore, the Kuwaiti economy by the end of 1960 did not grow-up at the pace which it attained in the seventies and afterward. It was attributed to many factors which affected its growth but, the operational constraints which hampered the development of oil industry restrained the progress of the economy as
The oil industry itself developed in two phases, which cover its entire lifespan. The first phase, which can be stretched from its inception up to the change in the power of decision making. In the first phase, the oil industry in Kuwait had been operated by the concessionaires who held the exclusive rights to determine the levels of production and distribution of oil and its prices whereas the Kuwaiti government remained confined to the extent of royalty recipient. The operating companies unscrupulously exploited the vast hydrocarbon reserves and export oil to maximize their profits by keeping prices low.

However, the revenues accruing to the government continued to increase due to the change in the mode of royalty payment which turned into equal profit sharing in 1961 and, as a result of the formation of OPEC that checked the falling oil prices. Even after having attained the rights from the concessionaires in 1960 to sell the petroleum products in the domestic market, independence in 1961 and half of the entire area
relinquished by the operators in 1962, Kuwait could not take-off successfully to achieve a sustainable economic growth. It appears that this drawback was attributed to the low absorptive capacity of the country which ensued on the scarcity of human and physical resources other than oil. Therefore, the increasing revenues incurred from the unnecessary oil production and consequently the export simultaneously with wasteful flaring of gas on the one hand and the low absorptive capacity of the country on the other hampered the progress of the economy in general and oil industry in particular. Though, the downstream operations, which refer to the refining and petrochemical industries and the transportation services related to oil industry, had already been set out by the operating companies but, remained incapable of making optimum use of indigenous hydrocarbon resources. This happened due to the scanty attention paid in this direction by the concessionaires who confined their efforts to the extent of maximization of their profits. Hence the situation deteriorated and induced the Kuwaiti government to adopt a strict oil
conservation policy in 1972 and, thus, making optimum use of its indigenous non-renewable depleting hydrocarbon resources. This way, the policy appears to be a rational choice of the government since it, therefore, not merely checked the upstream of oil and the operating techniques practised by the majors but also shared, with other members of OPEC, the responsibility of maintaining equilibrium between the world demand for and supply of crude oil. The policy was, in fact, adopted to conserve the vast oil and associated gas reserves beneath the earth for future use, increase the bargaining position as to attain a stable oil price structure, fully and most favourably utilize the indigenous hydrocarbon resources as raw materials as well as feedstock in producing the final products, and to get better prices through the sales of refined products rather than crude oil. And there obviously more profit accrued to the government on the sales of refined oil and petrochemical products rather than it earned on the disposal of oil in crude form.
The oil prices since 1971 increased continually as a result of Tehran Agreement which brought about a change in the exchange rate of dollar. It led to an impetuous rise in the revenues accruing to the Kuwaiti government despite a decline in oil production since 1972. The problem of absorption of the surplus revenues continued to prevail in Kuwait until the surpluses were put to the development projects which were set out after the nationalization of oil industry in 1975 and enhanced the absorptive capacity.

The Kuwaiti economy, during the period under review, achieved an unprecedented progress so as the oil industry experienced the remarkable developments which could be made possible only when development planning and the domestic oil policy were undertaken scrupulously. It seems that the policy which aimed at the optimum utilization of crude oil and associated natural gas through plans to shift from entire dependence of the economy on crude oil sales to industrialization and the export of refined products, LPG and petrochemicals, provided innumerable avenues to
the expansion and modernization of pre-established downstream oil industries in Kuwait. This can be supported by the fact that the share of refined products in the total petroleum export rose from 7.2 per cent in 1975 to 50.9 per cent in 1985 whereas the contribution of crude oil declined from its peak 92.8 per cent to 49.1 per cent during the same period. The contribution of refined products' export in the total production of crude oil is also manifested by its positive growth which increased from 6.74 per cent to 52.6 per cent. In contrary, the contribution of crude oil export in the total production shranked from 86.5 per cent to 50.8 per cent between 1975-85. It clearly reveals that the success of the efforts made by the Kuwaiti government in making optimum utilization of its hydrocarbon resources not only enhanced the GDP at current prices from KD 3484.62 million in 1975 to KD 5918.30 million in 1985 but, also gave an impetus to the development of other sectors of the economy. The key economic indicators particularly the development
expenditure give us a scintillating picture of the most favourable utilization of crude oil and associated gas.

Nevertheless the production of oil declined tremendously since 1972, the oil sector's contribution continued to expand as it enhanced from KD 2456.56 million in 1975 to KD 2983.16 million in 1985. But the surpluses surprisingly declined from KD 1186 million to only KD 729 million during the same span of time. The shrinkage in the surplus funds can be attributed to the expansion of development expenditure which increased from KD 129 million to KD 756 million during the period under review.

Hence our first hypothesis proves as the oil production, in monetary terms. Since 1975 not only catered with the requirement for development expenditures but the domestic consumption as well. Another hypothesis, to some extent, proves only when the undesired oil production and wasteful flaring of associated gas are checked by the government through its conservation laws. This way, these non-renewable depleting valuable sources of energy undergo the best
suitable uses since work at rapid pace is going on throughout the world to find out cheaper alternative sources of energy.

The diversification and optimum utilization of hydrocarbon resources can, therefore, be discerned from the performance of non-oil sectors which have grown up tremendously as their contribution to the GDP increased from 29.5 per cent in 1975 to 48.1 per cent in 1985 and further to 66.6 per cent in the following year. The positive indications are also received from the refining and transportation industries which have attained the appreciable levels of development. The refinery capacity, its production and export increased manifolds. The consumption of refined products within the domestic economy has also gone up. The transportation sector is capable of carrying 80 per cent of LPG, 37 per cent of refined products and 18 per cent of crude oil domestically produced. During the period under study, a number of petrochemical projects were also undertaken in order to boost up the domestic production
capacity to meet the growing world demand. Apart from the inland developments of oil industry, Kuwait's efforts have also been unabortive in acquiring the ventures in Europe, USA and Far East. It occupies a number of foreign holdings which have absorbed huge revenues of the country through investments. The income from investment stood at KD 1154 million in 1984-85 that mirrors the smooth diversification of indigenous resources whereby a sustainable economic growth is being hopefully attained. The public expenditure is also one of the indicators that shows the absorptive capacity of the country. It has expanded from KD 1085 million in 1975 to KD 3156 million in 1985. Thus, it is also clear that the country's overall capacity to absorb its revenues increased by about three folds during the second phase of development of its oil industry. The total expenditure to GDP ratio has increased from 31.13 per cent to 53.22 per cent in the same span of time. We may, thus, conclude that the expansion of the absorptive capacity of the country is a favourable symbol of the economic progress. It,
above all, indicates at the well suitable diversification of hydrocarbon resources which in turn generate more revenues and provide the economy with a sustainable economic growth rate.

The third and final hypothesis seems to have been well matched with the country's exports trend which, as analysis shows, varied not only due to the price volatility but its fluctuations can be attributed to the vulnerability of the oil market which ensued from the economic conditions in industrial world. The oil policy of Kuwait, thus, seems to have been devised accordingly.

However, Kuwait has yet to take off at an accelerated pace in the same direction since the dependence of its economy has not been wholly shifted from its single non-renewable source to a viable alternative. Kuwait undoubtedly holds vast hydrocarbon reserves which can last for more than two centuries in case the production of oil continues at the current rate. It makes up a wide field to explore the other
avenues for the future of the economy and puts Kuwait in a somewhat stronger economic position in comparison with the other oil producing developing countries. It is, therefore, strongly felt that work in this regard should be undertaken in accordance with proper planning and expert management. It is advisable for Kuwait that it should device the policies in such a way that the country's sustainable capacity to produce oil may expand to meet the forthcoming demand for oil in the industrial world since their reserves and consequently productions seem falling day by day.