The work, Development of Downstream Oil Industries in Kuwait (1975-85), makes a modest attempt to deal with the subject indicated above in an objective manner. The downstream oil operation includes in its canvass the oil refineries, petrochemical industry and the transportation of petroleum and its products through pipelines and vessels. Though, the discovery of hydrocarbon resources in 1938 destined Kuwait with huge oil revenues through the transformation of economy but the unscrupulous exploitation by the concessionaires of oil and associated natural gas reserves until the end of 1970s caused a decline in their reserve to production ratios which consequently indicated the shrinkage of their life span. Kuwait was coincidentally lacking infrastructural facilities and the resources other than oil and gas as explored by the world bank. It co-existed with huge influx of oil revenues ensued from the increasing crude oil production. However, the oil revenues to the Kuwaiti government, despite a continual upsurge in oil production, increased at low pace. Thus, the sectoral and factoral imbalances
emerged in the economy as a result of its low absorptive capacity. At this juncture, the government of Kuwait chalked out a development plan emphasizing the diversification of the resources of national income in order to build up a self sustainable economy and make optimum use of human and natural resources of the country. The objective of the previous plan could not meet the ultimate goals though enormous amount of surplus funds (idle money) was invested on various development projects. It led the government to adopt a strict oil conservation policy in 1972 whereby a lower limit on domestic oil production was set and caused a continuous decline thenceforth. The policy aimed at the optimum utilization of a depleting indigenous hydrocarbon resources and the massive oil revenues. It also helped avoiding over consumption and spending so that an alternative industrial base could be set up in order to achieve a sustainable economic growth.

The year 1975 marked an epoch in the history of Kuwaiti oil industry as it was fully taken over and nationalized by the government itself. Therefore, the power of decision making pertaining to the determination of the levels of production, prices and
distribution of petroleum shifted from oil majors to the host government. After having completely taken over the operations of oil industry, the Kuwaiti government strongly emphasized the industrialization and the prompt actions were taken through development plans. Higher priority was, however, given to the capital intensive and export oriented industries. Hence the aftermath exposed the expansion and renovation of pre-established downstream oil industries that encouraged the utilization of NGL and LPG. This way, the government through its plans embarked upon the development of infrastructural facilities so that the absorptive and productive capacity of the country could be enhanced. Therefore, the government policy in this regard seems to have opted for a rational choice to achieve its goal since downstream operations are highly capital intensive, cost advantageous, directly or indirectly job oriented, and as viable economic alternatives. Above all, the downstream oil industries add the value of hydrocarbon resources through refining and processing and bring economies of scale and consequently the profits as well.
In the pre-nationalization era, no development plan could bring much fruits to the oil industry. But in the third five year plan which commenced in 1976-77 the government of Kuwait geared its policy towards broadening and diversification of productive base and, thus, could raise the standard of living of its people. The Reserve Fund for Future Generation (RFFG) which was constituted in 1976 attracts 10% of national income per annum for investment purposes. This policy gives an impetus for earning more profits through the best use of indigenous hydrocarbon resources.

Therefore, the oil industry, since its nationalization, witnessed many propitious structural changes through the development of refining and petrochemical industries as well as the petroleum transportation services. The capacity of Kuwait's refineries expanded from 609,000 in 1975 to 720,000 barrels per day in 1987 whereas the domestic consumption of refined oil products increased from 21.9, thousand to 88.4 thousand barrels per day. But most of the refined oil produced domestically was expanded and it rose from 140.5 thousand to 510 thousand barrels per day during the same period. This
has not only encouraged the production of refined oil and petrochemical products, but also engaged whole of the petroleum transportation services. It led to opening up of an expanding stream of oil revenues into the country.

The emphatic government policy cherished the plans of establishment of industrial base through the diversification of indigenous hydrocarbon and financial resources. The flourishing domestic oil industries in Kuwait mirror the degree of success achieved by the government through its policy aimed at the conservation and value addition of oil and associated natural gas. The government has made serious efforts in this regard. Its perseverance accomplished with building blocks of the non-oil sector of the country which is rapidly becoming an alternative viable economic base.

The government’s development expenditure, mainly on the expansion and renovation of pre-established downstream oil installations during 1972-85 manifests its efforts in regard with the optimum utilization of vast and depleting hydrocarbon resources of the country. This way, much of the volume of crude oil and
natural gas were undertaken for refining and processing so that their value could be enhanced in order to sell them as final products for earning maximum profits.

The policy has encouraged the domestic petroleum transportation services though the modes of transport are insufficient to carry over the whole volume of indigenous petroleum and its products. The total length and the number of vessels have, however, increased to about 500 kms and 30 respectively ensuing their expansion and modernization particularly since the nationalization of oil industry.

Hence the present state of the Kuwaiti economy appears to be an outcome of the well-managed and controlled explorations and exploitation of the indigenous hydrocarbon resources and their optimum utilization by the government in a most scrupulous manner. The efforts of Kuwaiti government made in this direction by initiating the resource-based industrialization seem to have come to fruition as are reflected from a wide ranging industrial sphere of the domestic as well as external economies of the country. It has not merely reduced the country's entire dependence on its hydrocarbon sector to a diminutive
size but also given an impetus to the development of non-oil sector that witnessed a growth of about 177 per cent in its contribution to GDP during the period under review. This way, the progress of non-oil sector much depends on the development of hydrocarbon sector which still dominates the economic scene.

It is the oil sector only which boosted up the country's GDP to grow by about 50 per cent from KD 3484.62 million to in 1975 to KD 5571.40 million in 1988 since its contribution in aggregate export of the country has been ranging between 80 and 94 per cent over the same span of time. But the revenues shot up not only due to oil price rocketing between 1972-73 and 1981-82, but more on account of the government policy aimed at the diversification of the indigenous resources through the downstream operations within and outside the country and sales of refined products instead of crude oil. Therefore, the progress achieved by the downstream oil industry not only accomplished the government's plans but helped in the process of overall socio-economic development of the country.