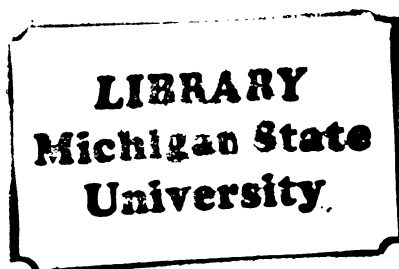


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ECONOMIC DEVELOPMENT AND THE
STRUCTURE OF THE KUWAITI LABOR FORCE

By

Ali Ahmad Al-Tarrah

A DISSERTATION

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Abstract

THE ECONOMIC DEVELOPMENT AND THE STRUCTURE OF THE KUWAITI LABOR FORCE

by

ALI AHMAD AL-TARRAH

This study is a preliminary analysis of the problems of the Kuwaiti labor force and related issues investigated in this study are the factors that have contributed to uneven distribution of the indigenous labor force since the discovery of oil in Kuwait. More specifically, the study examines the major interrelated factors that have shaped the structure of the labor force, the position of Kuwait in the world capitalist system as a supplier of single primary product and the effects of the labor structure in Kuwait, on the domestic labor market.

The socio-economic structure of Kuwait in the pre-oil period and then the contemporary economic structure are examined, with special emphasis on the nature of the oil economy and its effects on internal environment, demographics and social structure. In order to understand the historical background of the labor force structure, the study is divided into two main parts. The first part is devoted to the discovery of oil, labor force structure as well as the domestic system and the effects of the oil economy on the labor force structure.

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ABSTRACT

ECONOMIC DEVELOPMENT AND THE STRUCTURE OF THE KUWAITI LABOR FORCE

By

Ali Ahmad Al-Tarrah

As a historical socioeconomic analysis of the problems of the Kuwaiti labor force, the central issue investigated in this study was the factors that have contributed to uneven distribution of the indigenous labor force since the discovery of oil in Kuwait. More specifically, the study examines two major interrelated factors that have shaped the structure of the labor force: the position of Kuwait in the world capitalist system as a supplier of single primary product and, the effects of the class structure in Kuwait, on the domestic labor market.

The socioeconomic structure of Kuwait in the pre-oil period and then the contemporary economic structure are examined, with special emphasis on the nature of the oil economy and its effects on internal environment. Demographics and social structure are examined in order to understand the major components of the demographic structure that arose after the discovery of oil. Labor force structure is scrutinized, as well as the educational system that has tended to perpetuate

Ali Ahmad Al-Tarrah

current labor conditions. The political economy of employment is examined in an effort to comprehend the under-utilization of indigenous labor and the function and role of migrant labor.

The major finding is that Kuwait's position in the world capitalist system has generated certain forces that have shaped the economy and affected the distribution of the labor force. Employment of the indigenous population has become a means for redistributing the oil wealth. This has accelerated dependence on foreign workers who have become essential components in Kuwait's economy and its prevailing social structure.

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H. H. Sheikh and P. D. Sheikh, *The Impact of Oil on Development and Role in International Relations*, London: The Macmillan Press Ltd., 1981.

Stanford Research Panel, *The Impact of the Kuwaiti Crisis on the Gulf Region*, 1991-92 and Recommended by the United Nations, 1991-92, p. 19.

CHAPTER I

INTRODUCTION

The changes which have been taking place in the Arabian Gulf oil states present a rich field for scholars interested in studying the nature of development resulting from the discovery of oil, which has transformed these states from the poorest among the nations of the world to the richest.¹ Such transformation has led to a number of social, economic, and political problems.

Development programs currently in effect in Kuwait have created great demand for migrant labor and affected the demographic structure of the society--a matter of considerable concern among the native population. The importation of foreign labor was initiated as a strategy for augmenting indigenous labor but has accelerated to dominate the country and place Kuwait in a position of economic dependence on a foreign work force.²

¹M.W. Khouja and P.G. Sadler, The Economy of Kuwait: Development and Role in International Finance. (London: The Macmillan Press, Ltd., 1979).

²Stanford Research Institute, (SRI) Social and Economic Impacts of the Kuwaiti Government Compensation Increases of 1971-72 and Recommended National Policy. (Menlo Park, CA: SRI, 1974), p.39.

Kuwait's oil producing-exporting economy exhibits certain characteristics of the "rentier state," demonstrated by Mahadavy in Iran and First in Libya.³ But the most important feature in the case of Kuwait is that the money rent--a large financial return--has not been utilized effectively for building a productive economy. Current development policy is oriented more toward reinforcement of consumption patterns, and increasing dependency on the world capitalist system.⁴

In spite of the huge quantity of capital available, the Kuwait economy still exhibits some aspects of underdevelopment.⁵ One of the most important is its heavy dependence on a single, depletable resource that is not integrated with other economic institutions.

Dependence on a foreign labor force is another identifying feature of the underdevelopment present in Kuwait. Its oil revenues enable the country to purchase foreign labor

³ See Mahadavy, "The Patterns and Problems of Economic Development in Rentier States: The Case of Iran," in M.A. Cook, Studies in the Economic History of the Middle East from the Rise of Islam to the Present Day. (London: Oxford University Press, 1970) and R. First, Libya: The Elusive Revolution, (New York: Holmes and Meier Publishers, Inc., 1975).

⁴ A. Kuwari, Oil Revenues in the Gulf Emirates: Patterns of Allocation and Impact on Economic Development, (Colorado: Westview Press, 1978), p. 187.

⁵ S.R.I., p.1.

to work for native people. Thus, although there is a shortage of trained manpower in the economy, a large segment of the indigenous manpower is underutilized. Sinclair and Birks project from this underutilization, eventual deterioration. "Indigenous human capital in oil-rich states is actually deteriorating, despite the increasing educational attainment."⁶

This study has focused on analyzing the indigenous labor force, as compared with the non-Kuwaiti labor force, in relation to the economic development of the country.

The Research Problem

The researcher has examined the socioeconomic structure of Kuwait society and its impact on the existing structure of the labor force. In this respect, the research goal has been to investigate and specify factors that affect the distribution of the indigenous labor force among various sectors of the economy, as well as factors which prevent the development of a productive indigenous labor force.

⁶C. Sinclair and D. Birks, Arab Manpower: The Crisis of Development, (London: Croom Helm, 1980), p.350.

In this sense, the study of the structure of the labor force in Kuwait has been done in a global context. The position of Kuwait in the world capitalist economy is investigated in terms of its impact on the development and distribution of the indigenous labor force; so also are such internal dimensions of the social structure as class structure and the structure of the labor force.

These two dimensions of the social structure--external and internal--are interrelated and inseparable. Even though the study has been oriented more toward studying internal factors that affect the distribution and development of the indigenous labor force, accounting for external factors has allowed for more accurate analysis of manpower development in Kuwait. The external dimension has had its greatest impact on the existing class and power structure within which development policy is made.

Analysis of the structure of the labor force, in terms of its composition, its relationship to the overall population, and its distribution within the economy has provided a clear picture of the role of the indigenous labor force in the course of Kuwait's economic development. The labor force in any given society reflects, more than any other structure or institution, its degree of economic development. Therefore, it can be used as one of the important indicators in determining the success or failure of a development program. Harbison and Myers assert that a country

is underdeveloped when more than half of its high-level manpower is non-indigenous.⁷ This is but one face of the coin in Kuwait: the country exhibits a shortage of both high level and low level manpower.

In capital surplus countries such as Kuwait, labor is a crucial factor in determining the nation's economic future. If carried out appropriately, development of Kuwait's human resources would be the most readily available means for alleviating the country's heavy reliance on imported labor. Such development needs to be undertaken for a country to develop human abilities in order to accumulate capital, to discover new resources, and build effective social, political and economic institutions. As Harbison states, "Clearly a country which is unable to develop the skills and knowledge of its people and utilize them effectively in the national economy will be unable to develop anything else."⁸

According to the 1980 census, Kuwait's population is fewer than 1.5 million people. Kuwaitis are a minority in their own country: the percentage of indigenous Kuwaitis in the total population today is only 41 percent and represents a decline from the 1975 figure, when Kuwaitis were 47.5

⁷F. Harbison and C. Myers, Manpower and Education: Country Studies in Economic Development (New York: McGraw Hill, 1965), p.52.

⁸F. Harbison, Human Resources as the Wealth of Nations (New York: Oxford University Press, 1973), p.3.

percent of a total of 994,837 people. This indigenous labor force in 1975 was 86,971, with 211,444 persons in the non-Kuwaiti labor force. Meanwhile, census data indicated that over 60 percent of the potential manpower (over 12 years old) among Kuwait's citizens was outside the labor force; 87 percent of the potentially active Kuwaiti women were out of the labor force.

The distribution of the Kuwaiti labor force indicates serious underutilization of Kuwait's native human resources. The great majority of Kuwaiti workers are concentrated in the government sector (76.2 percent). The percentage of Kuwaiti citizens in other economic sectors--especially in the productive sectors--is insignificant. In the mining and quarrying sector, for example, Kuwaitis were 4.2 percent of the work force in 1957, and just 2.0 percent in 1975. Kuwaitis in 1975 formed only 2.6 percent of the manufacturing work force. This obvious underutilization of human resources will become more serious in the near future if present trends continue.

Thus, the focus of this research has been to investigate why the indigenous labor force is not more equitably distributed among various sectors of the economy. Factors that contribute to such distribution have been identified.

The importance of the research problem is evidenced in the knowledge that Kuwait has a huge quantity of capital which could be mobilized to develop the native production

force. The standard of living Kuwaitis' enjoy is a wealthy one, but this wealth was not generated by a productive economy nor are there efforts being made to develop such an economy. Oil revenue, by nature, is external collective rent. The way in which this rent is being channeled by current policymakers reflects the lack of a development policy. Continued failure to address this crucial problem will insure a gloomy future for the country. As the Stanford Research Institute (S.R.I.) indicates, "It has become quite difficult for the Kuwaiti to anticipate what the future will look like. The government is still unclear on this and many other points."⁹

Research Questions

The study addresses the following questions, which may be considered primary and secondary. This classification is intended to reflect a situation in which changes in secondary matters, no matter how crucial, are dependent upon change in the primary socioeconomic situation of Kuwait.

Primary Questions

1. How does the position of Kuwait within the world capitalist system affect its internal economic and labor force structure?

⁹ Stanford Research Institute, p. v-15.

2. How does the existing class structure in Kuwait affect the future development of its indigenous labor force?

Secondary Questions

3. How does the exploitation of oil affect the distribution of the indigenous labor force?
4. To what extent has the indigenous labor force been included in the newly developed sectors of the economy?
5. Can the educational system of Kuwait, in the foreseeable future, provide the economy with a trained labor force?

In regard to the first question, the study explores the position and role of Kuwait in the world capitalist system, as the producer of a single primary product, namely oil; the effects of this position on its domestic economic structure, and the effects on the distribution of the country's labor force.

The second question is related to the first and the researcher has undertaken to examine the existing class and power structure in which the development of indigenous manpower takes place. James Petray, in Critical Perspectives on Imperialism and Social Class in the Third World, shows the relationship between questions of economic development and class structure in Third World countries:

Beyond the period of transition, peripheral countries face the issue of 'development' but that issue (including questions of priorities, directions, etc.) can be confronted only indirectly or by answering a prior question: what is the nature of the class structure and relations within which development will take place?¹⁰

Therefore, this examination and effort to understand the development of Kuwait's indigenous labor force and the function of its migrant labor force, have been undertaken in the context of the class structure of the society.

The third and fourth questions emphasize the effects of the oil economy, introduced by Western powers, on the distribution of the indigenous labor force. More specifically, the ways in which the oil companies have affected the domestic labor market are delineated. Further, how the indigenous labor force is represented in the newly industrialized sector of the economy, related to the oil sector, is defined. Finally, in terms of question five, the nature of the educational system is examined and certain critical problems of education in Kuwait, in its relationship to the country's economy, are specified.

¹⁰J. Petray. Critical Perspectives on Imperialism and Social Class in the Third World. (New York and London: Monthly Review Press, 1978), p.65.

Methodology and Data Collection

The methodology of the study is historical, because historical analysis of the development of Kuwaitis' indigenous labor force and its distribution has enabled the researcher to acquire a comprehensive picture of the labor force and the factors that have determined and shaped its development. Such an approach is deemed necessary because most of the research currently available on the labor market in the Third World has viewed its problems as separate from their historical political origins, and thus tended to explain underdeveloped indigenous work forces as isolated problems newly modern societies are, even now, eliminating. This is not the case. The oil-rich countries of the Third World are, even now, perpetuating the underdevelopment of their work forces, and Kuwait's situation is a case in point. Thus, the study traces the historical development of Kuwait's labor situation and examines the economic, political and educational processes operating in the country's past to produce the extant situation and perpetuate it for the foreseeable future.

Data for this study, are to a large extent qualitative. Therefore, the existing literature, both in Arabic and in English, has represented a major resource in carrying out the researcher's intentions.

Information was obtained from various resources, published and unpublished, on the socioeconomic structure of Kuwait, in general, and the labor force, in particular. Census information published by the Ministry of Planning in Kuwait, has proved to be an excellent source of comparative statistics, as has data not yet released for public consumption in Kuwait but made available to this researcher for the purposes of this study. Other governmental publications concerning labor force, such as documents and reports were also utilized.

Publications of various institutes and international organizations have been included as sources for the study. Of these, the most useful data external to Kuwait has been derived from World Bank, International Labor Office (I.L.O.) and United Nations reports and documents. Further, the researcher visited the I.L.O. in Geneva in the Summer of 1981 to obtain certain data needed for the study and gain an outside perspective on the labor problems extant in Kuwait. A trip was also made to Kuwait to collect certain data, specifically from the Arab Planning Institute. Both the Ministry of Planning and the Ministry of Labor and Social Affairs were helpful in providing data needed.

Finally, it should be noted that the researcher faced some problems in terms of access to government documents and reports which were highly restricted. In

particular, documents and reports concerning population policy in Kuwait done by government committees were unavailable and had to be obtained through a personal channel.

Theoretical Discussion and Review of the Literature

Since this research is centered around Kuwait's process of economic development in relation to the Kuwaiti labor force, it is important to define the concept of development as it has been employed in this study. Development is a multifaceted process that is social, political, economic. Some scholars of the process of development in the Third World tend to emphasize the raising of per capita income levels as the most important means of overcoming underdevelopment.¹¹ However, several experiences in the Third World have proved that the increase of per capita income, alone, cannot be considered an indicator of development. The Arab Gulf oil states present an example of the case in point. The revenues from oil have enabled these states to achieve drastic changes in their levels of per capita income, but the states, themselves, must still

¹¹C. Wilber and J. Weaver, "Patterns of Dependency: Income Distribution and the History of Underdevelopment," in Charles K. Wilber (ed.), The Political Economy of Development and Underdevelopment, (New York: Random House, Inc., 1979), p. 114; Lord Robbins, The Theory of Economic Development, (London: Macmillan, 1968).

be considered underdeveloped. Therefore, development is not merely a quantitative matter but has qualitative elements. Jaguraibe defined development as, "a total social process, and only for methodological convenience or in a partial sense can one speak of economic, political, cultural, and social development."¹²

Economic development involves structural change on an institutional level and at an individual level. Thus, development should be viewed in terms of the involvement of people in the production process. Rodney, in How Europe Underdeveloped Africa, determined that,

A society develops economically as its members increase jointly their capacity for dealing with the environment... Development cannot be seen as an economic affair, but rather as an overall social process which is dependent upon the outcome of man's efforts to deal with his natural environment. ¹³

Human resources play a significant role in the process of economic development. Man, as a force for change, is an essential element in the process of development

¹²H. Jaguraibe, Economic and Political Development: A Theoretical Approach and a Brazilian Case Study, (Cambridge: Harvard University Press, 1968), p.4.

¹³W. Rodney, How Europe Underdeveloped Africa, (Washington, D.C.: Howard University Press, 1974), pp.4-6.

because man is the creator of wealth and generator of surplus.¹⁴ Mehta writes, "the fundamental problem in developing countries is, therefore, not so much the creation of wealth but rather the creation of the 'capacity to create wealth', and strengthening, widening and improving the 'absorptive' capacity of the country."¹⁵

Many Third World countries suffer from both lack of capital and underutilization of the human workforce. But the situation in Kuwait is different from that in many Third World countries. Kuwait and other Arab oil-exporting countries have certain characteristics in common which have led to their classification as oil exporting states. The discovery and continuing production of oil in these states has enabled them to raise the standard of living of their people, to purchase Western technology, and to hire a foreign labor force. Because of its small size and rich reserves, Kuwait currently has one of the highest levels of per capita income in the world.

¹⁴ K. Marx, Capital, (New York: International Publishers, 1967); K. Marx, Pre-Capitalist Economic Formations, (New York: International Publishers, 1965).

¹⁵ M. Mehta, Human Resources Development Planning, with Special Reference to Asia and the Far East, (India: Macmillan Company of India, Ltd., 1970), p.2.

Yet, despite its high level of income, Kuwait exhibits some characteristics of underdevelopment politically, socially, and economically. It is an example of both an enclave and a dual economy. Therefore, the experience of Kuwait is one of economic growth, rather than economic development.¹⁶ Major changes have occurred in the volume of primary commodity trade--mainly oil produced for export and other products imported from abroad.

The experience of Kuwait has been studied from a broad political-economy perspective. Such a perspective provides for a fuller understanding of Kuwait's position, as an oil producer, in the world capitalist system. A dependent, "peripheral" country, such as Kuwait, through involvement in the world system, specializes in producing and exporting a primary product for the benefit of the "center."¹⁷ Because of this linked relationship with the "center," domestic strategy for planning and development is likely to be to the advantage of the local bourgeoisie, in whose interest it is to maintain such relations.

¹⁶For the difference between growth and development, see, for example, R. Clower, G. Dalton and M. Harwitz, Growth Without Development: An Economic Survey of Liberia (Evanston, IL: Northwestern University Press, 1966).

¹⁷P. Evans, Dependent Development: The Alliance of Multinational, State and Local Capital in Brazil (Princeton, NJ: Princeton University Press, 1979), p.26.

The penetration of the capitalist world system into the Third World has led to what Amin calls the process of "marginalization."¹⁸ Economic expansion leads to the destruction of traditional modes of production, and introduces a new mode of production; but does not at the same time destroy the old social relations of production. Consequently, capitalist institutions which normally would be associated with the modern oil industry are not introduced.¹⁹

Capitalist expansion has prevented the development of productive forces, which instead have been marginalized in the production process. The development of the oil industry in Kuwait and other Arab oil states did not result from local productive forces, rather it resulted from infusions of foreign capital and technology.²⁰ Marginalization is also implicated in the creation of unproductive economic sectors, such as commercial and governmental bureaucracies, as the main employers of the indigenous Kuwaiti labor force.

¹⁸ S. Amin, Unequal Development: An Essay on the Social Formation of Peripheral Capitalism (New York: Monthly Review Press, 1976).

¹⁹ M. Rumaihi discusses this in his article, "The Mode of Production in the Arab Gulf Before the Discovery of Oil," in T. Niblock (ed), Social and Economic Development in the Arab Gulf (London: Croom Helm, 1980).

²⁰ M. Rumaihi, "Temporal Formation and Dependent Development in the Arab Gulf States" (paper presented at the annual meeting of the Arab Planning Institute, Kuwait, Dec. 26-29, 1981) (in Arabic).

Employees in these sectors are paid from oil revenues-- which are received by the ruling class as rent from the oil companies--rather than from their own productivity.

The concept of the "rentier state" has its roots in Marx's theory of ground rent, which was derived from the production of agriculture and extraction.²¹ Mahdavy examined the concept of rentier states in his case study of Iran. He defines such states as:

those countries that receive on a regular basis substantial amounts of external rent. External rents are in turn defined as rentals paid by foreign individuals, concerns or governments to individuals, concerns or governments of a given country. ²²

A major aspect of rentier economies, such as those of the oil-exporting countries, is that "revenues received by the governments...have very little to do with the production process of their domestic economies. The inputs from the local economies--other than the raw materials--are insignificant."²³ The rent that comes to these governments enables

²¹ K. Marx, Capital, Vol. 3 (London: Lawrence and Wishart, 1974).

²² M. Mahdavy, p.428.

²³ Ibid, p.429.

the countries to realize drastic increases in income levels, "without going through the social and organizational changes usually associated with the process of economic growth."²⁴

Dualism is another aspect of a rentier economy. This phenomenon is present when one sector is highly developed and the rest are underdeveloped.

The hallmark of the rentier state is the generation of one expansive product by an industry that employs very few people and very few local resources, so that popular participation in productive economic activity is extremely low.²⁵

Because the oil belongs to the state but the oil industry is operated by Western oil companies, the state has come to be a landlord that functions as a collector of rents and as a distributor of such rents through various channels.

Theoretically, the oil states--particularly Kuwait and other Gulf oil states--are likely to be dominated by a landowner class which receives rents from the use of the land. Such rent is spent on importing luxury goods. These states cannot generate further capital, once the revenues from the oil are returned to capitalist countries for imports. Nore, in Oil and Class Struggle, made this clear:

²⁴R. First, Libya: The Elusive Revolution, p.149.

²⁵R. Mabro, quoted in R. First, Ibid, p.149.

Countries like Saudi Arabia and Kuwait use a large percentage of their oil revenues either for luxury imports or investments in property and treasury bonds in other countries, both of which in no direct way increase total social capital. This use of oil rent is a reflection of the lack of development of the productive forces.²⁶

In fact, the issue of economic development in relation to the development of the labor force in Kuwait (as well as in other Arabian Gulf oil states) presents a real dilemma. And beyond this, the whole strategy of development within the structure of the rentier state is in question.

Oil and Development

The oil sector of the economy of Kuwait has a very significant role. Production has risen rapidly since the discovery of oil; it started at 5.9 million barrels in 1946 and increased to 1,201.6 million barrels in 1972 (it has since decreased somewhat to 718.1 million barrels in 1977). Instability in the production of oil is related to the international market.²⁷ The oil sector dominates the economy;

²⁶P. Nore, "Oil and the State: A Study of Nationalization in the Oil Industry," in P. Nore and T. Turner, Oil and Class Struggle (London: Zed Press, 1980), p.81.

²⁷Y. al-Sabah, The Oil Economy of Kuwait (London: Kegan Paul International, Ltd., 1980), pp.46-48.

it was estimated that oil contributed 61.5 percent of GDP in 1966-67, and 70 percent in 1975-76. It is also noted that oil accounts for more than 95 percent of all government revenues. In 1946, revenues from oil were 200,000 Kd, and they reached 235,500 Kd in 1976-77.²⁸ These figures indicate that Kuwait's economy is overwhelmingly dependent on oil revenues.²⁹

In contrast, the non-oil sectors have little significant impact on the economy. It is estimated that non-oil enterprises contribute only 3 percent of total government revenues.

Such imbalance between economic institutions can be attributed to capitalist penetration in most Third World countries. Prior to the discovery of oil, of course, the non-oil sectors had significant economic roles. Wilkinson's study of the Oman economy shows that agriculture was the main economic resource before oil. After the discovery of oil, the agricultural sector slowed down as oil drew labor away from traditional economic sectors.³⁰

²⁸A Kuwaiti dinar (Kd) is equal to \$3.50.

²⁹A. Kuwari, Oil Revenues, p.96.

³⁰J. Wilkinson, "Changes in the Structure of Village Life in Oman," in Niblock (ed.), Social and Economic Development in the Arab Gulf, p.122.

High underemployment and slow industrialization have characterized most of the oil states. While Kuwait might not suffer from unemployment per se, it does exhibit underemployment. Seers, in his study of the Venezuelan case, illustrates this phenomenon. He writes:

Most of (the people in the) non-petroleum economy have been feeling increasingly the tensions caused by a slow growth of export and fast rise in imports; they have taken many measures which are in fact protective and employment-generating even if intended, in the first place, to protect revenues. A petroleum economy operates differently. Factors that elsewhere would express themselves in balance of payments crises will here cause growing unemployment. An economy of this type has what might be called disguised rather than overt, balance-of-payments tensions. 31

Industrialization in Kuwait has many problems. Two of the most critical are a lack of natural resources other than oil, and a shortage of skilled manpower. Continuity of the petroleum industry is dependent, naturally, on continuity of the oil supply. While diversification of the economy could reduce this reliance, the government is reluctant to invest in factories. One reason for this reluctance is fear

³¹D. Seers, "The Mechanism of an Open Petroleum Economy," Social and Economic Studies 13 (1964): 236.

that the creation of a working class will constitute a threat to the traditional structure.³² Further, local merchants in Kuwait are not interested in building factories because dependence on imports is cheaper, in the short run, than domestic production.

The existing social structure of Kuwait presents itself as an obstacle to development. More than thirty years after the discovery of oil, and despite the introduction of a modern educational system, the country is still dominated by traditionalism and tribalism. Rumaihi, who is considered one of the knowledgeable experts in Arabian Gulf affairs, points out that although these societies have new modern economies, the governments appear to be unwilling to diminish the power of tribal structures. The reason he posits for this reluctance is the government's desire to retain their power. In the present study, traditionality cannot be viewed as a state of society; rather, it will be correlated with the existing traditional social structure to the whole process of capitalist expansion which has led to the underdevelopment of a large sector of the world.³³

³² See F. Halliday, Arabia Without Sultans (London: Penguin Books, Ltd., 1975); also, P. Nore and T. Turner, Oil and Class Struggle, p. 7; also M. Palmer, Dilemmas of Political Development: An Introduction to the Politics of the Developing Areas (Illinois: F.E. Peacock Publishers, Inc., 1980), p.12.

³³ A. Portes, "On the Sociology of National Development: Theories and Issues," American Journal of Sociology (A.J.S.) 82(1) (1976): 55-85.

It is important to understand traditional roles and institutions as elements of a substructure which gives rise to such institutions and roles. Changing traditionality is almost impossible without questioning the prevailing structure in any underdeveloped country.

Accordingly, the existing class structure in Kuwait is seen as a product of government policy. This policy is likely to benefit only a small segment of the society. The merchants and the ruling class, to a large degree, benefit from the existing social structure in Kuwait. Because the task of development is not easy to undertake within a fragmented society, in which loyalty to tribe or family is paramount, the creation of national goals are essential for development.

Education, Labor and Economic Development

Education is one of the essential bases for creating a modern country, but not just any education will serve such a goal. Paul Freire has defined education as the creation of "critical consciousness."³⁴ Such education should be tied to the economic needs of any given country.

³⁴P. Freire, Pedagogy of the Oppressed (New York: The Seabury Press, 1968), p.19.

Many writers have emphasized the role of education in the process of economic development in the Third World countries.³⁵ In Kuwait, however, the educational system is far from what is needed to instill a "critical consciousness," as Sinclair and Birks illustrate:

The modern educational system adopted by Saudi Arabia and Gulf States, moreover, has not been the type of system most suited to the needs of such rapidly developing economies; indeed, it has served to accentuate further the disinclination of the population to undertake jobs other than administrative posts in government services.³⁶

This form of education characterizes, not only the Gulf states, but most of the Arab countries. Harbison, in his study of human-resource development in Egypt, writes, "The Egyptian educational system was never designed to upgrade the masses. Its predominant objective was to train people for government service."³⁷

³⁵For instance, see F. Harbison, "Approaches to Human Resource Development," in G. Meier, ed., Leading Issues in Economic Development (New York: Oxford University Press, 1976), pp.531-537.

³⁶C. Sinclair and J. Birks. "Some Aspects of the Labor Market in the Middle East with Special Reference to the Gulf States," The Journal of Developing Areas 13 (April 1979):301-315.

³⁷F. Harbison, Human Resources for Egyptian Enterprise (New York: McGraw-Hill Book Co., Inc., 1958), p.106.

While Kuwait's government has introduced modern education since the discovery of oil, and has put forth great efforts in building schools, similar efforts have not been concentrated on the quality of education. Shamlan, in his study on Kuwait, notes: "Improvements in education need not mean expanding schools and increasing enrollment, but rather changing the content of the educational system."³⁸

Technical education occupies a low rung on the educational ladder. A recent study carried out by the World Bank indicates that most Kuwaiti students show little desire to attend post-secondary technical schools. Students prefer university education as an ideal. This attitude of students toward university degrees can be explained by the government policy of heavy emphasis on university education.³⁹

Further, the technical schools in operation are not designed to actually provide trained manpower. Rather, they are designed to absorb students who have failed in academically oriented education. Some writers blame negative perceptions of manual work on tribal societies, but such explanations lack historical veracity. In Kuwaiti society,

³⁸ A. Shamlan, "Toward Manpower Planning in Kuwait" (Ph.D. Thesis, Fletcher School of Law, Mass., 1978), p.149.

³⁹ The World Bank, Survey of Secondary Students' Occupational Aspirations. (Washington, D.C.: The World Bank, October, 1974).

manual work was a major force in the economy before the discovery of oil. Closer analyses of this negative attitude toward manual work identify its roots in overall government policy. Work productivity and manual work do not receive widespread support among Kuwaitis, because people tend to think that finding a job for them is a government duty; people also tend to think that the government is able to hire foreigners for manual work. Therefore, high levels of worker productivity within a situation of abundant wealth are very hard to achieve, as Birks and Sinclair illustrate:

Substantial sections of Gulf Arab society have in effect become so wealthy (in terms relative to their previous standard of living, if not with reference to absolute standards) that the need to work to attain wealth is not clear to the indigenous people.

It is likely that they become disinclined to work hard; they are not able (and cannot in many instances be expected) to think in terms of wages and salaries at normal daily rates in return for production. 40

Dependence on foreign labor has become an almost essential aspect of the Kuwait economy, and it does not seem that there is any long-run planning to develop native, trained

⁴⁰ Sinclair and Birks, "Some Aspects of the Labor Market in the Middle East," p.304.

manpower, especially technical and highly specialized, skilled manpower. Sinclair and Birks point out that even though there is a shortage of labor, "no government in the Gulf has made deliberate efforts to encourage its nationals to enter the most handicapped sectors of the economy."⁴¹ In fact, the government has encouraged the Kuwaiti population to become employed in government bureaucracy, which has exacerbated shortages in other sectors of the economy.

⁴¹Ibid, p.304.

CHAPTER II

THE SOCIOECONOMIC STRUCTURE OF PRE-OIL KUWAITI SOCIETY

The focus of this chapter will be an analysis of the socioeconomic structure of Kuwait before the discovery of oil. The first section is a historical introduction concerning British policy in the Arab Gulf and Britain's impact on later events there. The second presents the traditional economic activities that dominated Kuwaiti society. A third section focuses on the class structure of the society during the pre-oil period, and the final part provides a brief analysis of the impact of traditional economic activities on the society. In summary, this chapter builds a historical explanation of the socioeconomic structure of pre-oil Kuwait.

British Policy In The Gulf

Britain long played a heavy-handed role in the history of the Arabian Gulf. After its establishment of strategic positions in Aden (South Yemen), Britain extended its influence to other sheikdoms of the Gulf area. In the

nineteenth century, the British government signed treaties with the rulers of the Gulf.⁴²

The discovery of oil in the Gulf area vastly increased its value and thus British and other foreign interest in these states. It was felt that the treaties signed between local rulers in the area and the British government, "provide the legal basis for Britain's position and place the native states virtually under British protection. The overall direction of British relations with various local rulers is put in the hands of the political resident in the Persian Gulf..."⁴³ In fact, the agreement between the British government and various rulers of the Gulf states had given the British government the upper hand in controlling both external and internal affairs of these states. With the treaties, the British government had reserved, "for itself the final decision with regard to the exploitation of the natural resources."⁴⁴

⁴² George Lenczowski concerning these treaties, wrote: "The main objectives of all these treaties were to put an end to piracy, to prevent traffic in slaves, to curb the widespread smuggling of arms and other goods and to promote peaceful trade." The Middle East in World Affairs, fourth edition (Cornell University Press, Ithaca, 1980), p.655.

⁴³ Herbert Lieb, "International Relations of Arabia: The Dependent Areas". Middle East Journal, 1:2 (April, 1947), p.157.

⁴⁴ Mary Van Pelt. "The Skeikdom of Kuwait", Middle East Journal. 4:1 (January, 1950), p.26.

The Gulf area was treated as a trading center and a strategic staging location. The British were concerned with protecting the Gulf area from any radical element that might affect its stability, in order to protect distribution of their goods and those of other foreign countries. The Strait of Hormuz was also a main trade route to India which was occupied by the British at that time. Lord Lansdowne made the British interests clear.

First, we should protect and promote British trade in the area. Secondly, we should not exclude the legitimate trade of others. Thirdly, we should regard the establishment of a naval base or fortified port in the Gulf by any other power as a very grave menace to British interests, and we should certainly resist it by all the means at our disposal. ⁴⁵

Kuwait's Position

Kuwait is located on the northwestern shore of the Arabian Gulf. Historically, the sheikdom of Kuwait was one of the most important targets of British interests, because it was a commercial and trading center.⁴⁶ The beginning of

⁴⁵Ward, Sir A.W. and G.P. Gooch, The Cambridge History of British Foreign Policy, vol. III (New York, 1923) p.320-21.

⁴⁶For more details concerning the historical development of Kuwait, see Hassan El-Ebraheem. Factors Contributing to the Emergence of the State of Kuwait. (Ph.D. Thesis. Bloomington: Indiana University, 1971), p.27.

the rule of the family Al-Sabah, which migrated from Central Arabia, goes back to 1756 when Sabah I established himself as a sheik of Kuwait. His was the first permanent settlement in this area. Due to its lack of resources, no other groups had tried to take up residence here.

The name Kuwait is a diminutive of "Kut", meaning a small fortress. The settlement was also known to eighteenth century European travellers as Grane, a derivative of the Arabic word "qarn", meaning a small hill.⁴⁷ Ismael, in her thesis about Kuwait, wrote:

In 1760, the German traveller Carsten Nieburh visited Kuwait and noted that it was a thriving commercial port of about 10,000 population which sustained itself on pearling, trading and fishing and had some 800 boats.⁴⁸

From that time until the present, Kuwait has been ruled by the Al-Sabah family. The Al-Sabah family, the Al-Khalief family of Bahrain and the Al-Saud family of Saudi Arabia all belong to the same tribe called "Anaiza". Of this Mansfield states:

⁴⁷ Ahmad Abu-Hakima, "The Development of the Gulf States" in Derek Hopwood (ed). The Arabian Peninsula: Society and Politics. (London: George Allan and Unwin, Ltd., 1972), p.32.

⁴⁸ Jaqueline Ismael. "The Politics of Social Change in Kuwait," (Ph.D. Thesis, University of Alberta, Canada, 1979), p.49.

Early in the eighteenth century members of the Anaiza tribe occupied the site of the present town and developed marine and trading interests which dominated the life of Kuwait until recently.... In 1756 a member of one of the leading Anaiza families, the Sabah, was chosen as first Amir of Kuwait and his line has ruled continuously ever since.⁴⁹

The 1899 Agreement

Mubarak Al-Sabah, 1896-1915, came to power after he assassinated his brother Muhammed Al-Sabah (1892-1896) who was thought to be closer to the Ottoman Turks than to the British.⁵⁰ The killing of Muhammed by Mubarak created instability in Kuwait. At that time, Mubarak's position was also threatened by the Ottoman Empire which existed just a few miles west of Kuwait. Mubarak needed to both strengthen his internal position as Kuwait's ruler, and to decrease the Ottoman threat to his country. He requested a treaty with the British government to put Kuwait under British protection, but his offer to the British was denied because that government did not want to create a situation which

⁴⁹ Peter Mansfield. The Middle East: A Political and Economic Survey. Fifth Edition. (Oxford: Oxford University Press, 1980).

⁵⁰ For more detail concerning the murder of Muhammed by his brother Mubarak, see el-Ebraheem, p.43.

could have led, at that time, to confrontation with the Ottoman Empire.⁵¹

Before the First World War broke out, political developments in the Gulf area led Britain to reconsider signing the treaty proposed by Kuwait in 1899, because they saw Germany and Russia as potential threats to their own interests in Kuwait. Germany and Russia had begun annexing territory closer and closer to the Middle East and the British perceived this as a danger to territories in their own sphere of influence, leading them to sign the treaty. This treaty made Kuwait a dependent country. It aimed to protect British interests in Kuwait, but at the same time gave full recognition to Sheik Mubarak as the ruler of Kuwait. The historian Abu-Hakima wrote: "Great Britain thus became responsible for conducting the foreign relations of Kuwait and incidentally, for its protection against foreign aggression."⁵² In fact, Sheik Mubarak committed himself, his heirs and his successors...

⁵¹ See Busch Cooper, Britain and the Persian Gulf 1894-1914. (University of California Press, Berkley, 1967), p.101.

⁵² Abu-Hakima, 1972.

not to receive the agent or representative of any power or government at Kuwait, or any other place within the limits of his territory, without the previous sanction of the British Government; and further binds himself, his heirs and successors not to cede, sell, lease, mortgage, or give for occupation or for any other purpose any portion of his territory to the Government or subject of any other power without the previous consent of Her Majesty's Government for these purposes.⁵³

This treaty is considered a turning point in the history of Kuwait. It was a formal pledge to engage Kuwait in the capitalist world system. Although the treaty was mainly concerned with the external relations of Kuwait toward other colonial powers, at the same time it allowed the British government to interfere in the internal workings of Kuwait.⁵⁴

The Economy

Kuwait, before the discovery of oil, was one of the poorest countries in the world. It was estimated that average personal annual income was 100 Indian rupees (about \$35).⁵⁵

⁵³ Ismael, "Politics", p.111.

⁵⁴ Intervention in internal affairs of Kuwait was accomplished through a political resident assigned by the British government. Usually the political resident gave advice to the ruler concerning internal situations in relation to British interests.

⁵⁵ Shebah Fakhri, "Kuwait: A Super Affluent". Foreign Affairs. Vol. 42 (April, 1964), p.463.

Agriculture played a minor role in the economy due to its desert climate. Its natural resources were few. However, the people of Kuwait looked to the development of the sea which surrounded them. The sea symbolized life to Kuwaitis and pearl-fishing was the most dominant economic activity. Ship-building and fishing also became major economic activities.

Pearl-Diving

Pearl-diving was one of the principal industries in Kuwait, in particular, and in the whole Gulf area. George Rentz wrote that, "Pearling, an ancient occupation in the Persian Gulf, was until recently the chief source of income from abroad for the people living on the perimeter of this shallow sea."⁵⁶ Issawi, in his book on the economic history of the Middle East, described the income of the Gulf area derived from the pearl industry.

In 1790 the annual value of exported pearls was put at 500,000 Bombay rupees, or £50,000; by 1874-75 the figure had risen to £724,000, a peak that was not regained until 1901-2; but in 1902-3, the £1,000,000 mark was passed and before the outbreak of the First World War exports exceeded £2,000,000.⁵⁷

⁵⁶ Quoted in Issawi, Charles (ed.) The Economic History of the Middle East 1800-1914. The University of Chicago Press, 1966, p.313.

⁵⁷ Issawi, Economic History of the Middle East, p.312.

Pearl-diving usually started in the middle of May and continued until the middle of September. This was because the climate during this time was warm. It was estimated that around 9,000 men were engaged in this activity in 1904, and the figure reached almost 15,000 men before the start of W.W.I. Almost 45 percent of the active male population were pearl-fishers.⁵⁸

The products of pearl-fishing at the end of the season were usually taken to India for sale. From there, they were taken to the international markets in New York and London. The income generated from the pearl industry was used to import necessities.

Pearls harvested from the rich pearl banks of the Gulf for the luxury markets of the world were exchanged for basic consumption necessities.... Kuwait not only lacked a surplus product, it lacked most necessities and depended entirely on trade for its subsistence. Pearl production provided the means of acquiring the surplus product and commodities.⁵⁹

⁵⁸ See Chapter 1 in Y. Al-Sabah. The Oil Economy of Kuwait. (London: Kegan Paul International Ltd., 1980). and Ali Al-Kuwari. Oil Revenues in the Gulf Emirates: Patterns of Allocation and Impact on Economic Development. (Boulder, Colorado: Westview Press, 1978), p.7.

⁵⁹ Ismael, "Politics", p.

Fishing and Agriculture

Fishing was one of the common economic activities for the people of pre-oil Kuwait. Those who were not capable of entering the pearl-diving industry engaged in fishing. Al-Sabah describing such activity wrote:

The fishing sector of the Kuwaiti economy provided one of the most important occupations for the lower class in Kuwait. The fishing banks of Kuwait and its islands were capable of supplying Kuwait with more than 10,000 lbs (4,545 kg.) of various kinds of fish a day during the early years of the 1900s.⁶⁰

It was estimated that more than 1,000 people engaged in such activities, using primitive fishing methods.

Agriculture played a very minor role in the Kuwaiti economy. Kuwait lacked the water and climate conducive to agricultural production. Nevertheless, there were a few villages that were sources of agricultural products. Domestic agriculture could not, however, meet the people's needs; importing food was necessary.

Ship-Building

Kuwait was famous as a center for ship-building. The industry was able to meet internal demand and the

⁶⁰Y. al-Sabah, Oil Economy, p.13.

external demand for ships for other Gulf countries. "In Kuwait, the industry was able to build yachts of European design of 65 feet in length in 1931 and 80 feet in 1932."⁶¹

Other kinds of industries existed in pre-oil Kuwait on a very small scale, most were "cottage industries". The main ones were the production of fishing tools, nails for ship-building and tents. These industries were based on primitive methods and oriented to the internal market.

Trade and Commerce

The strategic position of Kuwait in the Gulf area, made the country an important trade center. Al-Sabah describes, "Its position as a link between the Persian and Arabian coasts of the Gulf, India and Far East on the one hand, and the Mediterranean ports and Europe on the other hand, made it the best transit area for trade."⁶² It was estimated that in 1920 almost 150 Kuwaiti ships were engaged in commerce and trade with various areas of the world.

⁶¹ al-Kuwari, Oil Revenues, p.10.

⁶² al-Sabah, Oil Economy, p.19.

Most of the trade was conducted with India. Kuwaiti ships usually carried pearls, dates, and horses, and they came back with coffee, woolens, spices and grain.⁶³

TABLE 2.1: KUWAITI FOREIGN TRADE, 1820-1905

	1820	1905	1932
Exports	Rs*142,000	Rs 1,154,322	--
Imports	Rs 710,000	Rs 4,818,929	--
Number of Sailing Ships Employed	35	86	291

*in Rupees

SOURCE: Miscellaneous estimates and reports on trade from the British Political Agency, Kuwait. In Al-Sabah, The Oil Economy of Kuwait. (London: Kegan Paul International Ltd., 1980), p.20.

It was estimated that around 30 percent of Kuwaiti trade was conducted with India in 1905. Trade with the Arab countries was only 27 percent during the Ottoman occupation and 14.66 percent with the United Kingdom. Trade mainly consisted of manufactured goods and arms were traded.⁶⁴

⁶³Malcolm Yapp, "The Nineteenth and Twentieth Centuries: The History of the Persian Gulf" in Alvin Cottrell (ed.). The Persian Gulf States: A General Survey. (Baltimore: The Johns Hopkins University Press, 1980), p.44.

⁶⁴H.R.P. Dickson Kuwait and Her Neighbors. (London: Allen and Unwin, 1956), p.26.

The Class Structure

Before the withdrawal of British forces from Kuwait, giving it independence in 1961, the ruling family and the merchant class held the most power and shaped the socio-economic structure of Kuwait. A boat was the principal means of production for the merchants and it was this group which financed the pearl-fishing and ship-building industries. The merchants also financed the ruling family by paying taxes and customs. The working class formed the rest of the population who made their livings in cottage industries, fishing, ship-building, or diving.

The Ruling Family

The ruling family, as mentioned before, migrated to Kuwait from Central Arabia. Many factors led to this migration. The most important reasons were tribal conflict and the search for a way to make a living.⁶⁵ In 1756 Sabah I was chosen by the noble families to be the ruler of Kuwait, with a mission to organize the affairs of the country differently (See Table 2 for a chronology of the leaders from the al-Sabah family).

⁶⁵ Ahmed Baz, Political Elite and Political Development in Kuwait. (Ph.D. Thesis, George Washington University, Washington, D.C., 1981), p.92.

TABLE 2.2: THE RULING FAMILY OF KUWAIT

Name of Ruler	Period of Rule
Sabah (I) Al-Jabar	1756-1762
Abdullah Al-Sabah	1762-1812
Jaber Al-Abdullah Al-Sabah	1812-1859
Sabah Al-Jabar Al-Sabah	1859-1866
Abdullah Al-Sabah	1866-1892
Mohammed Al-Sabah*	1892-1896
Muburak Al-Sabah**	1896-1915
Jabar Al-Mubarak Al-Sabah	1915-1917
Salem Al-Mubarak Al-Sabah	1917-1921
Ahmed Al-Jabar Al-Sabah	1921-1950
Abdullah Al-Salem Al-Sabah	1950-1965
Sabah Al-Salem Al-Sabah	1965-1977
Jaber Al-Ahmed Al-Sabah	1977-present

*Killed by his brother Mubarak

**Signed a treaty with British Government, in which Kuwait became a British Protectorate.

The political power was in the hands of the ruling family, but they depended on the merchants to pay them taxes and customs to maintain their lifestyles. During the time of Mubarak (1890-1915), Kuwait signed the 1899 Agreement with the British Government which was the turning point in the Kuwait history.

This treaty had a major effect on relations between the ruling family and the merchant class. Not only did this treaty give the ruling family a legitimate right to power in Kuwait, it also directed the British government to pay certain amounts of money to the ruling family, which directly reduced their former dependence on the merchants.

The Merchants

The merchants in Kuwait occupied an influential position in the process of decision-making, due to their financial contributions to the ruling family. Some of them also shared the tribal origins of the Al-Sabah family. Other merchants migrated from Iraq, fleeing from the Persian occupation of Basra from 1775-1779 and the threat this represented to their wealth. Merchants who migrated from Iran did not consolidate as much power as those from Central Arabia, because of the tribal status of those related to the ruling family or originating from the same area. Baz, in his thesis concerning political developments in

Kuwait, describes the power of the merchants in Kuwaiti society:

...the merchant community emerged as the backbone of Kuwaiti society. They played a pivotal role in its economic, social, and political life. Economically, it was their enterprising ventures in the pre-oil era, that provided both the government with its income--in the form of taxes and customs duties--and the labor force with employment. They were, for instance, the owners of the dhow industry, importers of goods from the outside, and financiers of diving missions and seafaring.⁶⁶

Since the merchants owned all the means of production, and were the principal financiers of the economy, they accumulated capital through two main channels: first, as owners of diving and trade ships and diving products; second, they acquired a large number of divers' and other crew members' houses through the system of debt. Divers and haulers would become indebted to the merchants and when they could not pay their debts, the merchants had the right to take their houses in payment.

When disputes would arise over cheating in book-keeping between the divers, most of whom were illiterate,

⁶⁶ M. Rumaihi. "The Mode of Production in the Arab Gulf Before the Discovery of Oil," in Tim Niblock (ed.). Social and Economic Development In The Arab Gulf. (Croom, Helen and Center for Arab Gulf Studies, Exeter, London, 1980), p.58.

and the captains or merchants, they would be settled by the ruler, and the divers would not be represented. "The ability of such judges to give an objective judgement when disputes arose between divers and nokhudahs (captains) was, of course, limited. Legislation, in fact, was simply a means for protecting the interests of the ruling class."⁶⁷

The interests of the rulers and merchants, however, did not always coincide. Conflicts and resentment arose when economic power failed to generate corresponding political power. It was the merchant class which led the political reform movements of 1921 and 1938. The goals of these movements were to eliminate the corruption said to exist within the ruling family at the time and to acquire more political influence for the merchants, themselves, since they controlled the economy. Al-Sabah writes:

In the 1930's the upper merchant class was the driving force behind the establishment of the first legislative Council in Kuwait. At that time the government depended on the level of taxes, which were supplied by the activities of the merchants. They were constantly raising the issue of no taxation without representation. 68

⁶⁷ Rumaihi, The Mode of Production, p.

⁶⁸ al-Sabah, Oil Economy, p.15.

The reform movement of 1938 was aimed at bringing about the changes desired by the merchants in the political, social and economic affairs of Kuwait. Demands were made, for example, for social services, more schools, and better health care for themselves and their families. The merchants, however, were not interested in replacing the Al-Sabah ruling family. They simply wanted to press their economic demands and thereby increase their power in the affairs of Kuwait, to the extent of having representative government in the form of a legislature.

The Divers

The divers in the Gulf area were the most exploited social class. They were also the most important sector of the working class or proletariat. Although they produced a product which sold for high prices on the market, the workers were kept impoverished. The merchants controlled and abused the divers and ships' crew members by lending them money before the pearl-fishing season, to support their families while they were away. The loans that the divers obtained from the merchants usually did not meet their needs, but were the only monies available to them. The debts thus incurred had to be worked off during the pearl season, at wages kept artificially low to keep the divers indebted to the merchant captains. At the end of

the season the divers and drew usually found they would need additional loans for living expenses before the next season. "When a diver did not earn sufficient to cancel these debts, the amount outstanding was carried forward to the following year and interest charged upon it."⁶⁹ The loans thus obligated the divers to work for the same merchants in the following season.

The diver is now a slave for the rest of his life. It is probably easier for a negro slave on the Pirate coast to escape than it is for a ...diver to retain his freedom. As long as he is in debt he cannot change his employer, no matter how badly he is treated, nor can he leave the town except under bonds to return before the diving season begins. And he never will get out of debt. He cannot read or write. There is no witness to the transactions that take place between the captain and himself. It is a recognized thing for divers to receive a loan of rice when the season begins, so that their families may have something to eat while the head of the house is away. The sum written into the books is regularly about fifty percent greater than the market price of the rice... The upshot of the matter is that these men never get out of debt, not one in a thousand of them.⁷⁰

If, for any reason, a diver could not do the work, he was obliged to induce his sons to take his position.

⁶⁹ Rumaihi, The Mode of Production, p.54.

⁷⁰ P.W. Harrison, The Arab At Home. (New York: Thomas Y. Crowell, Co., 1924), p.84.

If he died, his sons inherited his debts. It was a merchant's right to confiscate a diver's house in case of non-payment of his debt, or he could marry a diver's wife, if upon his death, a diver's debt had not been paid.

Rumaihi, in explaining the exploitation of pearl-divers in Bahrain, also describes the situation of Kuwait's divers:

...even death was not an exit for the (Kuwaiti) diver, as his debts were then inherited by his sons or brothers, who were forced to enter the pearl industry themselves.... Some of the more inhuman of captains would insist on marrying the widow of the diver as payment for the debts, and in doing so obtained for themselves the children of the diver to act as servants in the house and later to be trained as divers themselves. 71

In addition to being exploited financially, the divers worked under extremely harsh conditions, as described by al-Sabah in this passage:

...the pearl-diving industry was very hard and difficult as far as the divers and haulers were concerned. First, the divers were not allowed to eat or drink more than a very small portion of rice and dates. This was to keep them thin and thus enable them to dive quickly and to remain longer on the seabed. Second, as a result of the above-mentioned diet the crew suffered from malnutrition and there was scurvy because of the lack of fruit and vegetables in their diet. Third,

⁷¹ Rumaihi, The Mode of Production, p.55.

the absence of modern equipment meant that divers were readily and frequently exposed to attacks from sharks and stinging jellyfish. Finally, the continuous hot sun and the lack of fresh showers after diving, caused a great deal of suffering and skin disease. 72

Although the Arabian Gulf did not experience feudalism as it existed in Europe, diver-merchant relations were very similar.

...the relationship between the divers and the merchants and shipowners was akin to a feudal relationship--the diver was trapped within a system of clearly defined duties and marginal rights, which gave him little opportunity of bettering his position and which effectively transferred the economic surplus into the hands of his master. 73

The pearling industry was eventually destroyed when the Japanese entered the international market with the cultured pearl. At about the same time, there was the world-wide economic depression of the early 1930s. The Kuwait economy was ready to be reoriented to accommodate the oil industry.

⁷² al-Sabah, Oil Economy, p.15.

⁷³ Rumaihi, Mode of Production, p.57.

Social Impact Of The Traditional Economy

As a result of the country's shortage of natural resources, the people of Kuwait struggled with nature to find a way of living sufficient to meet their needs. The sea represented their main source of revenue and subsistence before the discovery of oil. The lack of economic opportunities in early Kuwait produced certain social values. Most important to the scope of this study, is the work ethic. Work acquired high status in Kuwaiti society. It was shameful for a male, after he reached ten years old, to remain out of work. Ten-year-old boys were usually expected to learn and to get experience in pearl diving. In 1924, Harrison found that, "Boys are frequently taken out to learn pearl diving while they are still under twelve."⁷⁴

The value placed on work and motivation to work were a result of economic conditions which required people to spend most of their time working. Any male who was capable of work, but would not do it, was viewed as a woman, with a role limited to staying within the boundaries of the home. For social and cultural reasons, women were viewed as inferior to men and kept in the home. It was common to call a man, "a woman", when he stayed at home and did not work; it was a justified insult to his masculinity.⁷⁵

⁷⁴ Harrison, Arab At Home, p.80.

⁷⁵ Y. al-Ganai. Tarikh Al-Kuwait (History of Kuwait) (Kuwait, 1968) p.78, In Arabic.

Kuwaiti society was comprised of many different tribes and these tribal people engaged in professions which seem incompatible with their nomadic customs and former lifestyles. Many went into shipbuilding, diving, or fishing as their main employment and became settled, while other bedouins were still in transition from nomadic to sedentary life.

The impact of bedouin upon Kuwait was minimal. In fact, they themselves have become influenced by Kuwaiti commercial life. As a result of their involvement in maritime commerce, they began to settle and assume sedentary life.⁷⁶

Nevertheless, tribal social relations prevailed and were often reinforced by the state. Bedouin ties were used as political and military tools by the ruling family. By calling on family ties and political alliances, tribes could be united to guard the rulers. Successful efforts were made to settle remaining tribal members as long as social ties remained strong. Tribal loyalty to the ruling family was rewarded later in the oil era with services and economic considerations.

The extended family was the norm in Kuwaiti society before the oil era. The head of a merchant family usually

⁷⁶ Baz, p.103.

owned the means of production, and would employ his family members. Rumaihi wrote:

A situation where the means of production were severely limited meant that those who did own these means had a powerful base within their own extended families. The head of family, in other words, had considerable power over the other members: the others could be employed within the 'family' with minimal economic rights.⁷⁷

Women's status was low and their economic participation outside the home was insignificant. A Kuwaiti historian described women's status, writing:

A woman represented no value to men, especially the old ones. She was a worldly pleasure that one should avoid. If you mentioned her in your speech you should say to your listener, 'May God grant your honour.' A girl was compelled to marry her man, especially if he were her cousin. It did not matter if he were ugly or immoral. A man who was 80 had the right to marry a 20-year-old girl.⁷⁸

Marriage took place within the family's boundaries. It was usually the head of the family who arranged the marriages. Traditional marriage customs such as "dowries" were manipulated to enrich the family of the woman. Such

⁷⁷ Rumaihi, Mode of Production, p.57.

⁷⁸ Quoted in Rumaihi, Mode of Production, p.58.

marriages within the extended family were a form of keeping a family's wealth in the family.

Transition Period

The worldwide economic depression which occurred after 1929, and the introduction of Japanese cultured pearls on the international market, led to the collapse of the pearl industry in Kuwait. In response to this, Kuwait concentrated on building a transportation system and the pearl boats were used for carrying cargo. During this time there were preliminary indicators that Kuwait might have oil fields, especially after the oil discovery in Bahrain in the early 1930's. In December 1938 the first oil concession was created between the ruler of Kuwait and the British Government. The Kuwaiti Oil Company (KOC) was established in 1946, owned by the British Petroleum Company (B.P.) and the Gulf Exploration Company of the United States of America, with each company taking an equal 50 percent share. After the end of the Second World War, oil production was begun.⁷⁹

The oil concession system was not set up to benefit the country, although the KOC paid taxes to the Al-Sabah

⁷⁹ McLachlan, "Oil in the Persian Gulf," p.202.

family. Rather, it was monopolistic control of the country's resources by international foreign firms. The quantity of oil produced was not relative to the economic needs of the country, but entirely controlled by the international oil companies.

From the beginning of drilling in the 1930's right up 1970 there was no national control of the operations of the oil companies. Companies could drill wherever they liked and could produce as much oil as they could sell. However, in practice this meant that large quantities of oil were extracted from Kuwait in very short periods. ⁸⁰

Between 1948 and 1958, oil production rose from 806,616 metric tons to reach 69,275,952 million tons.⁸¹ During this period Kuwait became the major oil supplier for Britain, which drew more than half of its oil needs from Kuwait. A United Nations report about oil agreements in the Middle East states:

The terms of their concessions... give the foreign companies a freedom of action which substantially insulates them from the economy of the Middle Eastern countries. Output is determined by considerations of the world, rather than local conditions.

⁸⁰ Charles Issawi and M. Yerganeh. The Economics of Middle Eastern Oil. (New York: Frederick A. Praeger, 1962) p.25.

⁸¹ Ibid, p.30.

Moreover, it is the companies which provide and own the means of transport, whether pipelines or tankers, to carry Middle Eastern oil to its markets, and it is they who secure these markets, both in Western Europe and other parts of the world... 82

Western nations became more dependent on Kuwait after the Iranian Revolution under the leadership of Musaddegh, who decreased oil output and nationalized the oil companies. With oil production in that country gauged to internal needs, Kuwait's oil fields were further exploited to make up the difference on the world market. Thus, the discovery of oil led to drastic changes which affected the socioeconomic structure of Kuwaiti society and gave Kuwait a new role in the world system.

⁸² Quoted in Charles Issawi and M. Yerganeh, Economics of Middle Eastern Oil, p.35.

CHAPTER III

OIL AND THE ECONOMY OF KUWAIT

The aim of this chapter is to explain major aspects of the economy of Kuwait in a global context. Oil, the major commodity that Kuwait exports to world capitalist markets, has transformed and dominated the economy of Kuwait. As such, it has affected the country's government. The role of the government in the economy will also be discussed. Finally, the capital surplus that accrues to the government, as the sole recipient of oil revenues, and the uses of this capital are discussed.

Political Economy of Oil

A common characteristic of most of the Third World countries is a lack of capital and a concomitant deficiency in their balance of payments, which is considered a major obstacle to development in these countries. This is not the case for Kuwait and other Arab oil countries. The oil revenues that these countries collect from oil companies have enabled them to accumulate capital and remove the

common constraint of the Third World countries. But, even though these countries have extensive supplies of capital, they are still considered underdeveloped.⁸³ In fact, oil revenue has hindered, even blocked the development of Kuwait, and produced a structural dependency.

Oil is a commodity very strongly affected by external factors, that is, the world capitalist system. It is a product needed in huge amounts by industrial countries. Thus, oil is tied to external factors, even more than it is related to the internal structure of the producing states (See Table 3.1).

TABLE 3.1 GROWTH RATES OF OIL CONSUMPTION (%)

Year	World	WECC*	OECD**
1950-1960	8.2	7.6	7.4
1960-1970	8.1	7.9	7.9
1970-1973	6.9	6.5	6.6
1950-1973	8.0	7.6	7.5
1960-1973	7.8	7.2	7.6

*World excluding the Communist countries

**Organization for Economic Cooperation and Development

SOURCE: Oystein Noreng, Oil Politics in the 1980s, (McGraw-Hill, 1978), p.34.

⁸³B.Sirhan . "Modernization and Underdevelopment: The Case of a Capital-Surplus Country: Kuwait" (Unpublished Ph.D. Dissertation, The American University, Washington, D.C., 1980).

Kuwait, as an oil producer, is assigned and occupies the role of a supplier of raw material in the international division of labor. This position has had a drastic impact on its internal socioeconomic structure. More specifically, this position actually threatens the economy of Kuwait because it ties the country and its people to the consumption patterns of the industrialized countries.

As mentioned in the second chapter, oil was discovered and its production developed by international firms with foreign capital, technology and labor. The concession system that was introduced by the oil companies was intended to organize production operations and relations between the oil companies and host countries. This system was agreed to: (1) by governments subject to foreign domination, (2) by immature governments; and (3) by governments which did not represent the will of their people.⁸⁴ The major role of the oil companies was to maximize profit, with little regard for effects on the economies of host countries.⁸⁵

This exploitive relationship was described by Tarriki, the former oil minister of Saudi Arabia,

⁸⁴ George Lenczowski, Oil and States in the Middle East, (Cornell University Press, New York, 1960), p. 99.

⁸⁵ Abbas Alnasrawi, "Arab Oil and the Industrial Economies: The Paradox of Oil Dependency," Arab Studies Quarterly vol. 1, no. 1, 1979.

...they, the oil companies, aim to control the economy of the host country, drain its resources and impede its development.⁸⁶

He continues

...they followed a policy derived from that of the imperialist power, whose main concern is to produce raw materials from areas under their control, transform these materials to their by-products and then export the finished products.⁸⁷

Oil Price

Historically, the oil producing countries had little effect on either the rate of oil production or its pricing. From the discovery of oil in Kuwait and other Gulf oil states until the 1970s, their role was insignificant; the oil companies controlled production and pricing. More specifically, the international market affected such decisions.⁸⁸

It is evident that increases in oil prices in 1973 were a product of the mechanism of the world capitalist system.⁸⁹ The decision that the OPEC made to increase oil

⁸⁶ Alyamamah, (Saudi daily) 18 Dec. 1959.

⁸⁷ Alahad (Beirut Weekly magazine) 19th and 26th December, 1959.

⁸⁸ Noreny, p.63.

⁸⁹ Holly Sklar (ed). Trilateralism: The Trilateral Commission and Elite Planning for World Management. (Boston: South End Press, 1980), p.437.

prices was encouraged by the international oil companies. The U.S. oil companies, in particular, played a large role in the process during the Nixon Administration. The U.S. domestic oil price at that time was higher than those in Western Europe and Japan, and the energy price was also higher. Thus, the world oil market price was increased beyond the U.S. level, making U.S. oil more competitive.⁹⁰

Noreny observed that the increased oil prices during the 1970s would have a positive effect in increasing "the competitiveness of American industry."⁹¹ Grivan also observed that increasing oil prices was a strategy adopted by oil companies in order to, "secure higher prices and generate the enormous profits they claim are necessary to fund expansion in the industry."⁹²

The establishment of the International Energy Agency (IEA) by the United States was intended to keep the U.S. in the upper position in handling oil policy in the world oil market; it is a means of political control.

⁹⁰ For more details concerning U.S. oil policy see Sexon Brown, New Forces in World Politics, (Washington, D.C.: Bookings Institute, 1975). Also V.H. Oppenheim, "Why Oil Prices Go Up." Foreign Policy, no. 28/1976-77, pp.24-27.

⁹¹Noreny, p.51.

⁹²Sklar, p. 451.

The IEA can be seen not only as an attempt to solve the energy problems of the OECD countries as a common basis but also as an attempt to mold the OECD countries into an institutional framework controlled by the United States. 93

The oil-exporting countries are considered an important and crucial component in the stability of the world capitalist market. Thus, the economies of these countries are highly restricted and limited by the mechanisms of the world capitalist system. It is evident that this system has produced a high degree of dependency, and at the same time, threatened elements of the internal economic structures of the oil exporting countries. They are especially vulnerable, in that the oil is the backbone of their economies, which is the hallmark of dependency.

Alnasrawi explains this vulnerability,

Both development programs and ordinary budgetary expenditures became so dependent on oil revenue that any serious shrinkage in this source would have significant economic and political consequences for the affected countries. 94

The oil exporting countries play a marginal role in the international division of labor, in terms of their

⁹³ Noreny, p.25.

⁹⁴ Alnasrawi, p.3.

ability to introduce any radical change on a world scale. Even though the oil companies in these states have been nationalized, the host countries' independence is still restricted. In many respects, nationalization was another result of the oil companies' control of the host countries. Nationalization was a strategy initiated by these companies to avoid any disruptive political activity in the host countries, in a time of growing public and political resentment against the oil companies in these countries.

Third World state ownership, moreover, makes the problem of dealing with the labor force a government responsibility and removes the MNCs from the politically vulnerable position of being a 'foreign imperialist exploiter' of indigenous labor. With ownership, the national government directly assumes the risks of fluctuations in the international markets for commodities concerned, a situation which could easily have adverse repercussions on them, benefitting the consumer and the MNCs. Such factors indicate the transnationalized nature of capitalism, not only of accommodating to Third World economic nationalism but also of turning it to its advantage by assigning it a specific role in the overall international system.⁹⁵

International Monetary System

The oil-exporting states have been assigned subordinate roles in the international division of labor as

⁹⁵ Sklar, pp. 456-7.

suppliers of a raw material. Apart from this role is the requirement that the huge amounts of capital they acquire should act in the interests of stabilizing the international monetary system. As a result of oil price increases during the 1970s, there was a substantial net transfer of real income from industrialized western countries to the oil-producing and exporting states. Recycling the capital surplus of these states is a function of the international system, to provide means and mechanisms for transferring this surplus back to the center.⁹⁶ An oil minister of one of the Arab states, in an interview with the BBC Television, explained the relationship of oil to dollar investments in the world market.

What we are doing right now is against that (our) self-interest perse...because we are producing much more than what we need for our financial requirements, we are depleting oil resources. Thus, we are accumulating a surplus and losing on the surplus. If I compare the appreciation of a barrel of crude in the ground in Saudi Arabia with the rate of return I get from my dollar invested in the world market, there is no comparison. It is a net loss--what we are getting is sometimes below zero rate of return. ⁹⁷

⁹⁶ Alnasrawi, p. 11.

⁹⁷ Middle East Economic Survey (MEES), May 22, 1978.

This oil minister noted the most harmful dependent relationship, in which the economies of the Arab Gulf oil states are tied to the world capitalist system. The losses that the minister mentioned are a logical product of the interdependent relationships in which oil price increases speed up world-wide inflation. The losses are manifested in the inflation rate which, "leads to depreciation in the purchasing power of currency and exchange rate fluctuations which may result in the depreciation of the value of one currency vis-a-vis other currencies."⁹⁸

Aburdene analyzed the effects of inflation on the OPEC dollar.

Because of inflation, the present purchasing power of the OPEC dollar is 72% of those dollars bought in 1974. Accordingly, in terms of 1974 dollar prices, the \$96 billion net foreign assets of OPEC which are denominated in dollars have suffered a negative compound interest rate. That is, they have been losing more money each year. ⁹⁹

For instance, Kuwait's losses alone from depreciation of the dollar in 1976/77 amounted to over 5.4 percent and in 1978 according to the Central Bank, losses amounted to almost \$2 million per day.¹⁰⁰

⁹⁸ Alnasrawi, p.15.

⁹⁹ MEES, May 22, 1978.

¹⁰⁰ Rajai Abu-Khadra, "A Review of the Kuwait Economy," OPEC Review, Vol. III, No. 2., Summer, 1978, p.54.

It is evident that capital accumulation in Kuwait and other oil states is characterized by constraints that affect its potential for creating an effective and productive economic base. In sum, it is an "unequal exchange" necessary for maximizing profits in the world market.¹⁰¹ Thus, a possible decline in the value of the U.S. dollar threatens the economy of Kuwait, in which oil revenue is the only resource available to the economy to finance all economic projects and state expenditures. If the United States found it necessary, for any reason, to devalue its currency, the OPEC states would be severely affected. Such was the effect in 1970 when the U.S. government officially devalued its currency.¹⁰²

Recycling Petro Dollars

Recycling petro dollars, or internationalization of capital, is one of the mechanisms of the world capitalist system by which Third World capital surpluses

¹⁰¹ Arghiri Emmanuel, in Unequal Exchange (New York: Monthly Review Press, 1972) spelled out that unequal exchange is a function of the world capitalist system and is necessary for the expansion of a world market for maximizing profits. Without such expansion it would not be profitable to maintain the world capitalist market. p. 130-132.

¹⁰² For more detail see M. Atotiba, OPEC and The Petroleum Industry (N.Y.: John Wiley and Sons, Inc., 1975) pp. 154-157.

are channeled back to the industrialized countries.¹⁰³

Various means are utilized to recycle petro dollars. Bank deposits and investment in the industrialized Western countries are two ways, increasing exports to the oil states is another. For instance, Saudi Arabia agreed to invest 50 percent of its annual surplus in the United States.¹⁰⁴ Around 85 percent of the surplus of OPEC countries, mainly the Arab Gulf oil states, found its way back to OECD countries and the United States (See Table 3.2).¹⁰⁵ Magdoff pointed out that during the period 1974-77, the United States purchased around \$106 billion worth of goods and services from the OPEC states. And during the same period the amount that found its way back to the U.S. was \$108 billion.¹⁰⁶

The fact is that such a pattern of investment, which all the Arab Gulf oil state governments view as a successful strategy for development, is considered a threat to

¹⁰³

See Tom Baumgartner, Walter Buckley and Tom R. Burns, "Unequal Exchange and Uneven Development: The Structure of Exchange Patterns." Studies in Comparative International Development. Vol. XI, No. 2, 1976, pp. 51-72.

¹⁰⁴

Kai Biard "Co-opting the Third World Elites: Trilateralism and Saudi Arabia" in Holly Sklar (ed) Trilateralism, p.345.

¹⁰⁵

OPEC total foreign assets (1977) were \$160 billion. Of this total, \$120 billion was owned by Arab Gulf oil states.

¹⁰⁶

Harry Magdoff, "The U.S. Dollar, Petrodollars and U.S. Imperialism", Monthly Review, vol. 30, No.8, January, 1979.

TABLE 3.2: DISTRIBUTION OF OPEC FOREIGN ASSETS (\$U.S.BILLION)

Type of Investment	Amount in \$ Billions	% of Total
Investment in U.S.	42	26.25
Investment in other industrialized countries	16	10.00
Loans to industrialized countries	12	7.50
Loans to international institutions	10	6.25
Loans and investments to developing countries	20	12.50
Eurocurrency Deposits	<u>60</u>	<u>32.25</u>
Total	160	100.00

SOURCE: MEES, May 22, 1978.

these economies and exposes them to further political and economic restrictions.

The political question is whether these countries are capable and/or willing to break away from the state of economic dependency. The overwhelming evidence indicates that, for a variety of ideological, political, and strategic reasons, they have committed themselves to the existing international economic order of which they have continued to be an integral part of marginal importance and that they will continue to play the role of raw material suppliers. This commitment is compounded by their inability to protect their investments from the destabilizing effects of the present system.¹⁰⁷

This development strategy has a direct influence on shaping the socioeconomic structure of these societies, whereby all economic development policies are affected by and tied to the world capitalist market.

The Economic Structure
of Kuwait's Oil-Based Economy

Since oil is Kuwait's only economic resource that generates capital accumulation, two major characteristics, common to such economies, are produced: (1) disarticulation of traditional economic activities, as a result of capitalist penetration manifested in the international oil

¹⁰⁷ Abbas Alnasrawi, "Paradox of Oil Dependency", p.15.

companies and (2) development of a type of enclave economy, where a modern sector (oil industry) highly integrated into the world capitalist market leads to disarticulation of internal economic structure.¹⁰⁸

The oil economy of Kuwait can be seen as a "rentier state", in which the state, as landowner, receives a substantial amount in the form of external rent, either from the oil companies or foreign governments. Essentially, oil-rent earnings lead to an availability of foreign exchange which facilitates import and discourages internal production.¹⁰⁹ The structural consequences of such characteristics are the insertion of the oil economy into the world capitalist market as an important element of its function, and delayed national development. Thus, oil revenues are spent on financing imports, rather than development projects such as national industrialization.¹¹⁰

This process of disarticulation that characterizes the economy of Kuwait is manifested, on one hand, in rapid growth in the oil sector and, on the other hand, stagnation

¹⁰⁸ The two major aspects of oil-based economies are discussed by Wolfgang Hein in "Oil and the Venezuelan State," and Ruth Firth, "Libya: Class and State in an Oil Economy," in Petter Nore and Teresa Turner (eds), Oil and Class Struggle, (London: Zed Press 1980). Also by Gavin Williams in "Nigeria: The Neo-Colonial Political Economy," in Dennis L. Cohen and John Daniel (eds), Political Economy of Africa (New York: Longman, 1981).

¹⁰⁹ Hein, p.224.

¹¹⁰ Ibid, p.229.

and decline in the other sectors of the economy (See Table 3.3).

Oil is the largest contributor to the GDP; in 1968-9 it contributed 56.5 percent, which increased to 70.0 percent by 1975/6. In the same periods, non-oil sectors contributed 43.5 percent and 23.0 percent, respectively. This fluctuation in the degree of dependence on oil is due to the nature of the oil sector of the economy, which is tied into the world capitalist market. Oil, as a source of energy, has been subject to a continuously increasing world demand and world energy consumption (See Table 3.4).

Oil's greatest threat to the economy of Kuwait is that it has become an "engine of growth" for the whole economy, "through providing employment opportunities, increasing capital transfer and private investments, and increasing demand on the service sector."¹¹¹ Thus, any decline in the oil economy would result in a threat to the whole economy. Further, the high growth rate of the economy does not reflect the actual performance of the production capacity of the country. Rather, it is a process "of transformation of one form of wealth (a tangible asset) into another (a financial asset)", through the world capitalist market.¹¹²

¹¹¹Elias T. Ghanus, Arab Industrial Integration: A Strategy for Development (London: Croom Helm, 1982) p.86.

¹¹²Ghanus, p.87.

TABLE 3.3: SECTORAL CONTRIBUTIONS TO KUWAIT'S GDP 1968/9 - 1975/6 (%)

Economic Sectors	68/69	69/70	70/71	71/72	72/73	73/74	74/75	75/76
Agriculture and Fishing	0.5	0.5	0.4	0.3	0.3	0.2	0.2	0.3
Manufacturing	3.9	3.7	3.9	3.1	3.8	3.6	4.6	5.0
Elect., Gas & Water	3.3	3.7	4.1	3.5	2.3	2.0	1.8	2.3
Construction	4.4	4.0	3.5	3.0	1.3	1.0	0.6	0.9
Transportation & Communication	3.9	3.5	3.8	3.0	3.8	3.1	1.9	2.6
Banking, Insurance & Finance	1.8	1.8	2.0	1.6	7.9	6.4	3.3	4.6
Wholesale and Retail Trade	8.9	8.6	8.4	6.7	6.8	5.3	4.1	5.8
Public Administration & Service	17.8	17.5	6.0	11.8	13.9	9.9	6.4	8.5
Total Non-Oil Sectors	43.5	43.3	32.1	33.0	40.1	31.5	22.9	23.0
Oil Sector	56.5	56.7	67.9	67.0	59.9	68.5	77.1	77.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: M.W. Khouja and P.G Sadler, The Economy of Kuwait: Development and Role in International Finance, (London: Macmillan, 1979), p.87.

TABLE 3.4: WORLD ENERGY CONSUMPTION: PERCENTAGE CONTRIBUTION BY SOURCE 1965-1979

	1965	1970	1973	1975	1977	1979
Oil & Natural Gas	55.0	62.4	65.5	64.2	64.4	63.9
Coal	38.4	31.0	28.2	28.5	28.0	28.1
Hydro Power	5.9	5.8	5.5	5.9	5.7	5.9
Nuclear Energy	.4	.4	.8	1.4	2.0	2.2

SOURCE: Abbas Alnasrawi, Arab Oil and United States Energy Requirements, (Massachusetts: Association of Arab American University Graduates, Inc., 1982), p.7.

The rapid increase in the development of the oil industry has created a service economy with the functions of circulating the revenues from oil and providing services to help continue the development of the oil industry. Thus, the tertiary sector is the major employer in Kuwait (69.3 percent in 1975) while its contribution to the economy (17.5 percent in 1975) is insignificant (See Table 3.5). In contrast, the primary sector produced 70.3 percent of GDP in 1975, but contributed little to employment (4.1 percent in 1975).

This trend has only increased in the years since 1975. A report compiled by the World Bank said such rapid expansion of the tertiary sector "has become a drag on the quality of growth in recent years".¹¹³

¹¹³ World Bank Long-Term Development Strategy: Kuwait (Washington, D.C.: World Bank Publication, 1981), p.14.

TABLE 3.5: ECONOMIC SECTORS BY CONTRIBUTIONS TO GDP AND EMPLOYMENT

Economic Sectors	% GDP		% Employment	
	1970	1975	1970	1975
<u>Primary</u>	<u>60.7</u>	<u>70.3</u>	<u>4.9</u>	<u>4.1</u>
Agriculture & Fishing	0.4	0.3	1.7	2.5
Mining and Quarrying	60.3	70.0	3.2	1.6
<u>Secondary</u>	<u>13.5</u>	<u>12.5</u>	<u>36.4</u>	<u>26.6</u>
Manufacturing	3.5	5.8	13.7	8.2
Construction	3.1	2.2	14.4	10.8
Elect., Gas & Water	3.6	2.9	3.1	2.4
Transport & Comm.	3.3	1.6	5.2	5.2
<u>Tertiary</u>	<u>21.5</u>	<u>17.2</u>	<u>58.9</u>	<u>69.3</u>
Wholesale	7.5	6.2	12.5	13.3
Finance & Insurance	1.8	1.9	1.4	2.2
Services	7.0	4.9	26.9	30.6
Public Administration	5.2	4.2	18.1	23.2
Total of Non-Oil Economy	39.3	29.7	95.3	95.9

SOURCE: Constructed from the Annual Statistical Abstract
(Ministry of Planning, Kuwait, 1980).

Kuwait's industrial sector, other than oil, is almost insignificant. In 1965/66 industry contributed 3.2 percent of GDP; ten years later this had only increased to 4.9 percent in 1975/76. Intermediate industry, mainly refining and petrochemical production, is the most dominant industry. It should be mentioned that industry depends on imports of primary capital (Table 3.6).

Agriculture, due to the nature of the climate, makes an almost insignificant contribution. It was estimated that agriculture and fishing contributed 0.5 percent to the GDP in 1968/69, and only 0.3 percent in 1975/76 (See Table 3.5). Even though the Arabian Gulf is rich in shrimp and various fish, no major efforts have been made to develop a fishing industry, even though fishing was a major economic activity during the pre-oil era in Kuwait. What is happening now is that foreign firms, such as the Japanese and Korean fishing industries, export crude fishing products to their home countries and re-export processed fish products again, to the Arab Gulf area.¹¹⁴

The decline in traditional industries, which is manifested in fishing and boatbuilding, is due to the penetration of the world capitalist system through the exploitation of oil.

¹¹⁴ MEED, 23 March, 1978.

TABLE 3.6: RATIO OF DOMESTIC CONSUMPTION COVERED BY DOMESTIC
MANUFACTURING OUTPUT, BY MAJOR INDUSTRIES (Million
U.S. \$) 1972

Consumer Industries		
Domestic Production (1)		101.4
Imports		486.1
Exports		67.2
*Apparent Consumption (2)		520.3
Ratio of (1) to (2) in %		19.5
Intermediate Industries		
Domestic Production (1)		410.5
Imports		50.8
Exports		40.4
Apparent Consumption (2)		420.9
Ratio of (1) to (2) in %		97.5
Capital Industry		
Domestic Production (1)		57.7
Imports		260.2
Exports		43.5
Apparent Consumption (2)		274.4
Ratio of (1) to (2) in %		21.0
Total Manufacturing Industries		
Domestic Production (1)		569.6
Imports		797.1
Exports		151.1
Apparent Consumption (2)		1,215.6
Ratio of (1) to (2) in %		46.9

* Apparent Consumption = Domestic Production + Imports - Exports.

SOURCE: Elias T. Ghanus, Arab Industrial Integration, 1982, p.134.

The major sector of agriculture was destroyed and many villages and bedouin tribes vanished... Sea industry and fishing were also affected badly,... The penetration of oil monopolies in the Arab Gulf area had helped in destroying traditional economic sectors... 115

Government Role in the Economy

The government of Kuwait plays a very strong role in its economy, since all the economic resources (mainly oil with its revenues) belong to it, as stated in Article 21 of the Constitution of Kuwait. Therefore, the government is the collector of oil revenues and distributor of wealth to its citizens. In fact, the dominant role of the government in the economy means that all economic activity depends on it to such a degree that any changes in this role affect the whole economy.

Five objectives of the government's development strategy are derived from the First Five Year (1967/68-1971/72) and the Second Five Year (1976/77 - 1980/81) Plans, respectively. Briefly:

1. diversification of the economy in order to decrease the dependency on oil.

¹¹⁵ Mohammad al-Rumaihi, The Conference of Development and Cooperation on the Arabian Gulf States, (Kuwait University, 1978), pp. 23-24.

2. increasing per capita income and equitable distribution of income
3. development of indigenous human resources.¹¹⁶

Even though government officials recognize these objectives as their major aims, it is interesting to note that neither plan has been approved by the government or adopted as a guideline for the economy. The government, in fact, has no clear policy toward planning and development. Zainy's warning of the dangers of this unwise course are illustrated by his comparison:

The absence of capital formation means that this irreplaceable resource is being exhausted without actually being replaced by an economic base for the production of goods and services. This state of affairs would resemble the cost of a man who sells his only house and consumes its value rather than substituting it with a productive asset to act as a source of continuous income.¹¹⁷

His conclusion is blunt:

No part of the oil revenues is invested in productive projects which can act as alternative sources for income in the future.... The Kuwaiti society will collapse to a state of subsistence economy as soon as the oil resource is depleted.¹¹⁸

¹¹⁶ Ministry of Planning, Five Year Plans, 1967/68 - 1971/72, 1976/77 - 1980/81 (Kuwait).

¹¹⁷ M. Zainy, "Development Investment As A Guide For Oil Production Policy In OPEC Countries." OPEC Review, Vol. V, No. 2 (Summer, 1981), p.49.

¹¹⁸ Ibid.

Other researchers and international institutions have also noted the government's failure to spell out, much less undertake, comprehensive development plans. The Stanford Research Institute made this clear:

Analysis of Kuwait's development policies indicates that a comprehensive model of the future of the country has not been postulated and the current views and goals are in conflict with each other.¹¹⁹

Government expenditures take different forms that can be classified in the two major categories of infrastructure and social services and capital transfers.¹²⁰ Tables 3.7 and 3.8 illustrate types of government expenditures, which show that the development of infrastructure and public services take priority, that the development process in all of its programs is oriented toward reinforcing a service type economy, and costly prestige projects.¹²¹ All development projects and government expenditures on public services are derived entirely from oil revenues, and this is a hallmark of structural dependency (See Table 3.9).

¹¹⁹ Stanford Research Institute, Social and Economic Impact of the Kuwait Government Compensation Increase of 1971-1972 and Recommended National Compensation Policies, (Menlo Park, California, May 1972) p. 1-10.

¹²⁰ Capital transfers took two forms: (1) transfers out of the boundaries as investment abroad (discussed later), (2) transfers to private sector and land purchases program.

¹²¹ L.S. Stavrianos points out that Kuwait's airport cost \$7 billion, ten times the cost of the most expensive U.S. airport. Global Rift: The Third World Comes of Age (William Morrow & Company, Inc., New York, 1981), p.663.

TABLE 3.7: DOMESTIC EXPENDITURES FOR 1973/74, 1976/77 AND 1979/80 (In Kd Million, one KD dinar = \$3.50)

Types of Expenditures	Budget					
	1973/74		1974/75		1979/80	
	KD	%	KD	%	KD	%
Current Domestic Expenditures						
Wages & Salaries	197.5	44.2	368.2	26.0	645.4	28.8
General Expenses	66.4	14.9	314.2	22.2	453.1	20.3
Domestic Transfers						
Unclassified Payments	17.0	3.8	63.5	4.5	97.9	4.4
Land Purchases	19.4	4.3	108.4	7.6	330.0	14.7
Development	70.2	15.7	353.1	24.9	650.9	29.1
Local Loans	13.7	3.1	35.2	2.5	---	
Shares in Local Companies	45.8	10.3	51.6	3.6	---	
Government Financial Institutions	<u>16.6</u>	<u>3.7</u>	<u>123.5</u>	<u>8.7</u>	<u>60.0</u>	<u>2.7</u>
Totals	446.6	100.0	1,417.8	100.0	2,237.3	100.0

SOURCE: Jacqueline Ismael. Kuwait: Social Change in Historical Perspective (Syracuse Univ. Press, 1982), p.110.

TABLE 3.8: CURRENT EXPENDITURE ON PUBLIC SERVICES 1971/72 - 1979/80 (In Thousand K.d.)

Years	Interior Affairs	Education	Health	Information	Social Affairs	Islamic Affairs	Justice Affairs	Housing	Total
1971/72	21,026	38,700	17,721	5,187	2,183	1,329	1,488	2,844	90,478
1972/73	27,058	49,382	20,912	6,343	2,877	1,685	1,784	3,192	113,233
1973/74	28,720	57,645	23,897	7,394	3,396	1,887	2,021	3,318	128,208
1974/75	31,875	66,271	28,066	8,067	3,991	1,977	2,220	4,056	146,523
1975/76	50,522	115,897	50,192	16,484	6,353	3,425	3,632	691	247,196
1976/77	44,472	118,489	52,840	14,671	6,250	3,925	3,951	635	245,213
1977/78	52,176	132,717	57,516	16,297	7,197	4,522	4,544	768	275,707
1978/79	50,301	140,701	62,303	16,617	7,501	4,845	4,679	1,055	288,002
1979/80	64,748	179,941	85,408	20,851	10,053	6,027	6,311	1,124	374,463

SOURCE: Annual Statistical Abstract, Ministry of Planning, Kuwait, 1981, p.286.

TABLE 3.9: GOVERNMENT OIL AND NON-OIL RECEIPTS (PERCENT OF TOTAL RECEIPTS)

	1971/72	1972/73	1973/74	1974/75	1975/76
Oil	83.5	84.8	81.0	90.0	89.3
Non-oil	<u>16.5</u>	<u>15.2</u>	<u>19.0</u>	<u>10.0</u>	<u>10.7</u>
Total	100.0	100.0	100.0	100.0	100.0

SOURCE: Calculated from Annual Statistical Abstracts, Kuwait, 1978.

Development of Financial Oligarchy

It was noted in Chapter Two that the Kuwaiti merchants occupied powerful positions during the pre-oil era. The power of this class continues intact in the post-oil era. As oil assumed great economical importance, the traditional merchants were transformed into financial power-brokers interested in strengthening their relations with the world capitalist market. For government played a significant role in this process, transferring accumulations of public capital into private banks. Further, the government had a significant interest in building and strengthening the financial institutions that handle capital transfers either in the local markets or abroad.

In fact, the government, through its political and economic power, has fostered the development of Kuwait as

a financial center and further strengthened the role of the Kuwaiti financial class through increased public expenditures. One of the means of doing this, by which the Kuwaiti financial class has acquired financial power, is the land purchase program. The International Bank of Reconstruction and Development has described this program:

The Government buys land at highly inflated prices for development projects and for resale to private buyers. Land purchases amounted to between Kd 40 million and Kd 60 million in most recent years. Whatever the political or developmental justifications for this practice, the prices fixed by the government for these transactions and the small amount thus far collected on the resale of the land make the public land transactions a rather indiscriminate and inequitable way of distributing the oil revenues.¹²²

It is estimated a total of \$3.4 billion was disbursed through the total acquisition program during the years 1952-1975.¹²³ A large portion of the funds realized through this program have been invested by private investors abroad.¹²⁴

¹²²The International Bank for Reconstruction and Development, The Economic Development of Kuwait, (Baltimore: Johns Hopkins University Press, 1965), p.4.

¹²³M.W. Khouja and P.G. Sadler, The Economy of Kuwait: Development and Rule in International Finance. (London: Macmillan Press, LTD, 1979) p.44.

¹²⁴Shehab Fakhry, "Kuwait: A Super Affluent Society" Foreign Affairs, 42, no. 3, (April 1964) p. 469.

The power of the financial class actually derives from its position in the political structure. Due to this position, this class has become influential in constructing the development policy of the state. Stork points out that, "Kuwait has gone further than any of the Arabian peninsula countries in developing a national bourgeoisie which play a role in setting national policy."¹²⁵ Thus, cabinet posts are usually distributed among the ruling family and the Kuwaiti merchant families. The ruling family controls the ministries of interior, defense, foreign affairs and information, while the rest are held by a merchant oligarchy."¹²⁶

In these cabinet posts, the merchant oligarchy are in positions from which they can control, distribute and circulate political and economic power. Ismael points out that, "in fact, the council of Ministers provided the mechanism for bringing into direct government participation and post-oil economic organization members of pre-oil dominant class."¹²⁷ Further, she found in her study that most of

¹²⁵Joe Stork, Middle East and the Oil Energy Crisis, (New York: Monthly Review Press, 1975), p.281.

¹²⁶Naseer H. Aruri, "Kuwait: Sociopolitical Development" in Foreign Policy and Defense Review, Vol. 2, No. 3 and 4 (American Institute for Public Policy Research, 1980) p.49.

¹²⁷Jaqueline S. Ismael, Kuwait: Social Change in Historical Perspective, (New York: Syracuse University Press, 1982), p.88.

the families of cabinet members were also members of major shareholding companies.¹²⁸

The Kuwaiti financial class is also benefitted by government construction projects. With some of their members in positions to make decisions on government contracts and others still in control of the private sector, this class is in position to contract to undertake these projects at high prices.

The private sector, which in other countries is often hostile to the government economic role, is totally pro-government in Kuwait, and welcomes government partnership and subsidies. Private businessmen are usually quite reluctant to share any venture which is not directly for the government or indirectly backed by it.¹²⁹

The private sector profits from the government's role in the economy, especially its support of the financial industry. At the same time, its contribution to the total economy is almost insignificant. As shown in Table 3.10, its activities are concentrated in financial activities which formed 61.2 percent of total activities in 1973.

¹²⁸ Ibid, p.85-86.

¹²⁹ Sirhan, pp.150-151.

TABLE 3.10: ESTABLISHMENT CLASSIFIED BY FORM OF ECONOMIC ACTIVITY, 1973 (%)

Type of Economic Activities	%
Agriculture and Fishing	2.3
Mining and Quarrying	0.1
Manufacturing Industry	14.2
Electric, Gas and Water	--
Wholesale, Retail Trade, Finance, Insurance and Real Estate	61.2
Transportation and Communication	1.3
Construction	1.8
Services	19.0

SOURCE: M.W. Khouja and P.G. Sadler, The Economy of Kuwait, 1979, p. 127.

Developing the financial market is considered a major aim of the government of Kuwait. The government participates in 38 shareholding companies at a share amounting to 310,984 million Kd.¹³⁰ Thus, the growing financial institutions actually act as links between the local Kuwaiti market and the international market. In this context, Ismael says:

By 1976, the commercial banks had 38.6 percent of total assets in foreign assets, the specialized banks had 35.0 percent of total assets in foreign assets and the investment companies had 62 percent of total assets in foreign assets. It is especially through the investment companies, then, that the country's vast financial resources are funneled into the world market.¹³¹

Table 3.11 demonstrates that large percentages of local capital are invested abroad, especially in the U.S. and Western Europe, while domestic investments are relatively small, compared to foreign investments. Further, a survey carried out by the Foreign Investment Office in the United States shows that the government of Kuwait was the most visible OPEC investor. The Kuwait Investment Company (KIC) half owned by the government, "accounted to five transactions,

¹³⁰ Annual Statistical Abstract, Kuwait, 1981, p.301.

¹³¹ Ismael, Social Change, p.99.

TABLE 3.11: INVESTMENT COMPANIES' CONSOLIDATED BALANCE SHEET

	1976	%	1977	%	1978	%
	319.3		470.5		611.0	
Cash and balance with local banks	34.4	10.7	63.4	13.4	75.0	12.2
Loans and discounts to residents	22.0	6.6	34.3	7.2	52.0	8.5
Local investment	40.9	12.8	56.5	12.0	78.0	12.7
Foreign assets	199.9	62.5	274.5	58.6	359.5	58.1
Other assets	24.4	7.4	41.8	8.8	46.5	7.6

SOURCE: Ministry of Finance and Central Bank of Kuwait.
Annual Economic Report, 1980.

all in the real estate sector--with four revealing values of about \$65 million. Most importantly, the purchase of Kiaw Island in South Carolina for \$17.5 million in 1974.¹³² In 1979, Kuwait's financial assets totaled \$48,700 million, of which two-thirds was held abroad.¹³³

According to the Chase World Information Corporation, Kuwait acquired between \$1 million and \$50 million in the stocks of almost all the top 500 U.S. industrial companies. In 1978, the Morgan Guaranty Trust Company alone handled

¹³²International Currency Review, Vol. 12, no.1, 1980, p.24.

¹³³Middle East Economic Digest, Feb. 20, 1981, p.6.

\$700 million for Kuwaiti investors.¹³⁴ Private Kuwaiti investors have invested 430 million pounds in London.¹³⁵

It is evident that the Kuwait government plays a role in strengthening and fostering the development of a financial class that is tied to the international market. Thus, this class invariably structures internal conditions to favor the international market and is generally antagonistic to any real domestic development that might affect its position. "As a class, in fact, peripheral capitalists in Kuwait are dependent upon maintenance of the structure of dependency and fundamentally antagonistic to any development of productive forces in Kuwait that alter this structure."¹³⁶

Capital Accumulation And Uneven Development

Kuwait presents a pattern of development that has been generated from its subordinate role in the international division of labor. The use of capital surplus that Kuwait

¹³⁴ Ibid, p.6-7.

¹³⁵ Halliday, 1975, p.426.

¹³⁶ Ismael, 1982, p.101.

enjoys from exporting oil, in real fact strengthens the dependency of the country in the international market, where its capital surplus in various ways finds its way out of national boundaries. Actually the surplus capital and its foreign investment has made the economy additionally vulnerable to the international market. Sirhan states that, "Kuwait is so closely integrated into the international capitalist economic system that its whole survival, economically, depends on its place in, and on its vitality to, that system."¹³⁷

It is evident that large amounts of oil-money are being invested in financing imports and increasing dependency on the world market. Expenditure on imports reached a high proportion in 1977, rising to 45 percent of GDP expenditures. There is a relation between increases in oil revenues and the value of imports, as shown in Table 3.12. Capital imports increased from 15 percent in 1974 to 29.4 percent in 1975, while consumer goods accounted for 42.9 percent of total imports.¹³⁸ The high ratio of

¹³⁷ Sirhan, p.185.

¹³⁸ Annual Statistical Abstract, 1981, p. 215.

TABLE 3.12: OIL REVENUES AND VALUE OF IMPORTS (Million Kd)

Year	Oil Revenues	Value of Imports
1973	543.9	311.0
1974	2,056.5	455.0
1975	3,528.0	693.0
1976	2,598.276	972.0
1977	2,575.361	1,387.0
1978	3,036.079	1,264.0

SOURCE: Annual Statistical Abstract, p.225, 1981.

consumption, in real fact, doubled the dependency of Kuwait and, at the same time, produced a pattern of consumption that creates in Kuwait the present consumption values of the world capitalist system.¹³⁹ This is indicated in the consumer rate, which rose 0.6 percent from 1960 to 1970, and during the seventies accelerated at an annual rate of nearly 18 percent in 1970-79.¹⁴⁰

¹³⁹ Immanuel Wallerstein, (ed), World Inequality, (Montreal: Black Rose Books, 1975).

¹⁴⁰ Jahangir Amuzegar. "Oil Wealth: A Very Mixed Blessing". Foreign Affairs, vol. 60, no. 4 (Spr. 1982) p.822.

Consumption patterns are, in real fact, an outcome of development strategy adopted by the government. The financial class reinforces such patterns of consumption, since they control trade companies.

The development strategy, that is, consumption bound, is in part an outcome of organic links between international capitalism and family corporate business. The cycle of consumer development makes it possible for the business families and their collaborators to engage in highly profitable trade, contracts, and real estate projects. ¹⁴¹

It has become clear that patterns of development which are oriented toward strengthening ties with the world market are a function of the class structure of Kuwait's society. The development of a productive economy would be a difficult task within the existing class formation of the society. Such patterns of development are reflected in the distribution of the labor force that helps to maintain the structural privileges of the dominant class. This phenomena will be discussed in the next two chapters.

¹⁴¹ M.H. Nagi, "Development With Unlimited Supplies of Capital: The Case of OPEC". The Development Economies, Vol. XX, No. 1(1982), p. 10.

CHAPTER IV

DEMOGRAPHIC AND SOCIAL STRUCTURE

The expansion of the economic sector, mainly due to the discovery of oil, led directly to increased importation of foreign workers to Kuwait, since the domestic labor force could not meet the labor demands of the new economy. Newly heterogenous demographic patterns began to develop with this inflow of foreign workers. The task of this chapter is to examine various aspects of Kuwait's indigenous demographic structure, in relation to this immigrant population, as well as the new social structure which resulted.

Population Growth

Official data, about the characteristics of Kuwait's population before 1957, do not exist. Population data for pre-1957 periods were provided, mainly, by the British and other European travelers, and are only estimations. The population in 1831 was estimated to be 4,000 persons, rising to 120,000 by 1947, with an estimated annual growth rate of 2.7 percent.¹⁴² The first official census was done in 1957

¹⁴² C.A. Sinclair, "Education in Kuwait, Bahrain and Qatar: An Economic Assessment". (Ph.D. Dissertation, London: Durham University, 1977), p.39.

by the Planning Board in Kuwait and the last one was done in 1980. The census of 1980, for official reasons, was not published in detail for the public.

As shown in Table 4.1 the total population increased from 206,473 in 1957 to 1,355,827 in 1980, more than a 500 percent population increase over twenty-five years. The growth rate for the years 1960-1970 was 9.8 percent and dropped to 6.0 percent during the years 1970-1979.¹⁴³ The growth rate of the non-Kuwait population is higher than that of the Kuwaitis, and the fluctuations in this growth rate can be explained by shifts in job opportunities and labor market demand. As shown in Table 4.1, the growth rate for Kuwaitis for the period 1957-1961 was 9.2 percent, which dropped to 6.4 percent during the period 1970-75, while for non-Kuwaitis 1970-75 growth was 5.9 percent and increased to 7.58 percent during 1975-1980, due to good job opportunities, especially in the infrastructure which increased projects during this period, consistent with revenue increases resulting from rising oil prices.

The increase in Kuwait's population is due to two main factors; (1) natural increase and (2) naturalization. Natural increase has been high among Kuwaitis, compared to non-Kuwaitis. The rate for Kuwaitis is 4.8 percent, while

¹⁴³ The World Bank, World Development Report 1981 (New York: Oxford Press 1981), p.167.

TABLE 4.1: KUWAIT'S POPULATION GROWTH (KUWAITI AND NON-KUWAITI) FOR SELECTED YEARS 1957-1980

Year	Kuwaiti	%	Annual Growth Rate	Non-Kuwaiti	%	Annual Growth Rate	Total Population
1957	113,622	55.0	--	92,851	45.0	--	206,473
1961	161,909	50.4	9.2	159,712	49.6	14.5	321,261
1965	220,059	47.1	8.0	247,280	52.9	11.5	467,339
1970	347,396	47.0	9.6	391,266	53.0	9.6	738,662
1975	472,088	47.4	6.4	522,749	52.6	5.9	994,837
1980	562,065	41.5	3.49*	793,762	58.5	7.58	1,355,827

*Growth rate for 1975-80 calculated according to lag $\left(\frac{P_n}{P_0}\right)$ in Edward Stockwell (Ed.) The Methods and Material of Demography (New York: Academic Press, 1976) p. 212.

SOURCE: Annual Statistical Abstract, Kuwait, 1981, p.31.

for non-Kuwaitis it is 4.1 percent. The crude birth rate for Kuwaitis was 14.4 per thousand in 1965, while for non-Kuwaitis this rate was 7.0 per thousand. This rate dropped to 12.3 for Kuwaitis and 6.9 for non-Kuwaitis.

Naturalization is another reason for population increase in Kuwait. While there is little data concerning this factor, 94,314 people were granted Kuwait citizenship from 1965 to 1979.¹⁴⁴

Population by Age and Sex

A major feature of the Kuwait demographic structure is the youthfulness of the Kuwaiti population. As shown in Table 4.2, 50.0 percent of the Kuwaiti population were under the age of 15 in 1975; for non-Kuwaitis this group accounted for 37.1 percent. The youthfulness of the Kuwaiti population is a major factor contributing to the shortage of Kuwaiti labor, since it directly reduces the size of the indigenous labor force in proportion to the total population. The non-Kuwaiti population is concentrated in the 20-34 age group which accounted for 35.6 percent of total non-Kuwaiti population, due to the fact that many immigrants come to Kuwait in their prime working years. Further, it

¹⁴⁴ Annual Statistical Abstracts, 1976, p.83 and 1981, p.51.

TABLE 4.2: DISTRIBUTION OF KUWAIT POPULATION BY AGE AND SEX, 1970 AND 1975

Age Group	Kuwaiti			Non-Kuwaiti			Total		
	M	F	Total % 1970 1975	M	F	Total % 1970 1975	M	F	Total % 1970 1975
0-14	118.1	115.4	233.5 49.4 50.1	106.0	101.4	207.4 39.7 37.1	224.1	216.8	440.9 44.3 43.2
15-19	23.5	25.4	48.9 10.4 10.0	21.3	16.4	37.7 7.2 6.8	44.8	41.8	86.6 8.7 8.3
20-34	48.9	52.7	101.6 21.5 20.7	95.0	59.6	154.6 29.6 35.6	143.9	143.9	112.3 25.8 28.6
35-54	33.9	29.5	62.5 13.2 13.3	76.7	32.2	108.9 20.8 18.1	109.7	61.7	171.4 17.2 15.8
55-64	7.4	7.0	14.4 3.1 2.8	6.3	3.4	9.7 1.9 1.5	13.7	10.4	24.1 2.4 2.1
65 and over	5.7	5.5	11.2 2.4 2.8	1.9	2.5	4.4 0.8 0.7	7.6	8.0	15.6 1.6 1.7
Total	237.5	235.5	472.1 100.1 100.1	307.2	307.2	522.7 100.0 100.0	543.8	543.8	994.8 100.0 100.0

SOURCE: Shamlan Y. Alessa, The Manpower Problem in Kuwait. (London and Boston: Kegan Paul International, 1981), p.14.

is interesting to note that the proportion of non-Kuwaitis decreases very sharply in the age groups over 55. Among Kuwaitis, the proportion of the population in their prime working years (20-34) decreased slightly (21.5 percent to 20.7 percent) from 1970 to 1975, while among non-Kuwaitis, this proportion rose sharply (29.6 percent to 35.6 percent) from 1970 to 1975, reflecting increased labor demand.

Educational Status

Formal education was introduced in Kuwait during the 1930s, but did not become widespread at that time due to a lack of capital. During the 1950s, however, education became universally available.¹⁴⁵ Kuwait witnessed a rapid increase in educational facilities in the 1950s, with more than one-fifth of the Kuwaiti population enrolled in schools. However, there is still a high incidence of illiteracy among Kuwaitis. As shown in Table 4.3, total illiteracy decreased from 54.6 percent in 1957 to 36.0 percent in 1975. Female illiteracy is generally high in the total population. Kuwaiti females accounted for 74.2 percent of the illiterates in 1957, but this percentage dropped to 59.1 percent in 1975. Generally speaking, illiteracy is still quite high in the total population. Some of this is due to a large number of Bedouins who have been given Kuwaiti citizenship.

¹⁴⁵For more detail about the historical development of education in Kuwait, see Fauzia Alabdulghafoor, The Development of Education in Kuwait: 1912-1972, (Kuwait: Alfalah Publisher, 1978).

TABLE 4.3: KUWAIT'S ILLITERATE POPULATION BY SEX FOR 1957 AND 1975 (10 YEARS AND OVER)

	Kuwaiti	%	Non-Kuwaiti	%	Total	%
1957 M	17,834	46.4	30,722	49.8	48,556	48.5
F	<u>26,168</u>	<u>74.2</u>	<u>5,757</u>	<u>47.5</u>	<u>31,925</u>	<u>67.3</u>
Total	44,002	59.7	36,479	49.4	80,501	54.6
1975 M	44,880	30.0	61,889	27.5	106,769	28.5
F	<u>88,734</u>	<u>59.1</u>	<u>42,971</u>	<u>31.3</u>	<u>131,705</u>	<u>45.8</u>
Total	133,614	44.6	104,860	28.9	238,474	36.0

Source: Annual Statistical Abstracts, Kuwait, 1981, p.49.

Generally speaking, the educational attainment of most Kuwaitis is low, as appears in Table 4.4. A majority (59 percent) of Kuwaiti adults have not had six years of education. The non-Kuwaitis tend to be better educated (only 28.9 percent of non-Kuwaitis were illiterate in 1975, as compared to 44.6 percent of the Kuwaiti population). The percentage of university educated persons in both groups, however, is relatively low. Only 1.3 percent of Kuwaitis had acquired a university degree in 1975; for non-Kuwaitis this figure was 6.4 percent.

Social Divisions

An important aspect of the demographic structure of Kuwait is the clear social division among the Kuwaiti and non-Kuwaiti populations. It is a society where the native population are a minority and the immigrant population comprises the majority. The social division has created a fear among Kuwaitis of being overcome by foreign elements in their own country on which they are dependent. The government, in order to increase the proportion of Kuwaitis in the total population, encourages childbearing through offering financial rewards; an additional amount is added to Kuwaitis' monthly salaries for each child.

Social divisions exist, not only between Kuwaitis and non-Kuwaitis, but also among Kuwaitis themselves. There

TABLE 4.4: EDUCATIONAL STATUS OF THE KUWAITI AND NON-KUWAITI POPULATIONS IN KUWAIT...
IN 1975 (10 YEARS AND OVER)

Nationality	Educational Status					
	Illiterate	Literate	Primary Certificate	Intermediate Certificate	Secondary* Completion	University Degree Total
Kuwaiti	133,614	43,940	66,188	35,415	16,603	3,979
(percent)	44.6	14.2	22.1	11.8	5.5	1.3
Non-Kuwaiti	104,860	77,875	68,472	44,851	43,295	23,267
(percent)	28.9	21.5	18.9	12.4	11.9	6.4

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*Includes those enrolled in post-secondary education

SOURCE: J.S. Birks and C.A. Sinclair, Arab Manpower: The Crisis of Development, (London: Croom Helm, 1980), p.37.

are first class citizens and second class citizens and a third subgroup known as "unproven Kuwaiti". A Kuwaiti whose family has been in Kuwait since before 1920 is granted first class citizenship; those whose families arrived after that date are granted second class citizenship. The second class citizens do not have full political rights, but they can benefit from all other government services. The third sub-group of "unproven Kuwaiti" are those who claim Kuwait nationality but cannot prove it. Classified as Kuwaiti for statistical purposes, these individuals lack full citizenship and concomitant access to government services and institutions.

The unproven Kuwaitis are persons who claim the Kuwaiti nationality but have no way of proving it, or for whom it has not been confirmed. They lack confirmatory evidence,.... These unproven Kuwaitis are included in the general Kuwaiti classification on the grounds that there is no possible reason to exclude them, but, in fact, the unproven Kuwaitis do not always enjoy, as a group or as individuals, the same full access to programs and institutions as do the proven Kuwaitis.¹⁴⁶

Division of the population into groups and sub-groups has had deleterious social and psychological effects and has contributed to factors that hinder the development of

¹⁴⁶Stanford Research Institute, 1974, p. 111-116.

the country. These social divisions have created a lack of national identity, insider-outsider sentiments and feelings of insecurity among the people. Official attitudes of discrimination have contributed to unequal and uneven development.

The official attitude toward the division of the population into Kuwaiti and non-Kuwaiti by necessity, makes development uneven, since the target of any development in Kuwait is one segment of the population; namely, the citizens. The other segment of the population, non-citizens, is supposed to serve the development of the first segment in return for wages. This might seem hypothetically correct and complies to "expectations"; however, in applied development and in real life social context, it is a major problematic which affects the overall development process in Kuwait.¹⁴⁷

Migrant Community

In 1980, the migrant community was comprised of 793,762 persons and accounted for 58.5 percent of the total Kuwait population, compared to 1957 when they numbered 92,851 persons and accounted for 45.0 percent of total population (See Table 4.1). Table 4.5 indicates that Arabs, from a number of different countries, made up the largest migrant group. The proportion of Arab migrants rose from

¹⁴⁷Sirhan, p.79.

TABLE 4.5: KUWAIT'S MIGRANT COMMUNITY BY COUNTRY OF ORIGIN
FOR 1965, 1970, 1975.

Country	1965		1970		1975	
	No.	%	No.	%	No.	%
Jordan & Palestine	77,710	31.4	147,700	37.7	204,180	39.0
Egypt	11,020	21.4	30,420	7.8	60,530	11.6
Iraq	25,900	10.5	39,070	10.0	45,070	8.6
Syria	16,850	6.8	27,220	6.9	40,960	7.8
Lebanon	20,880	8.4	25,390	6.5	24,780	4.7
Saudi Arabia	4,630	1.9	10,900	2.8	12,530	2.4
Democratic Yemen	2,640	1.1	8,600	2.2	12,330	2.4
Oman	19,580	7.9	14,670	3.7	7,310	1.4
Yemen	140	0.1	2,360	0.6	4,830	0.9
Other Arab						
Gulf States	2,010	0.8	5,520	1.4	4,060	0.8
Sudan	420	0.2	770	0.2	1,550	0.3
Other	6,140	2.5	230	0.1	1,060	0.2
Total Arabs	187,920	76.0	312,850	79.9	419,190	80.1
Iran	30,970	12.4	39,130	10.0	40,840	7.8
India	11,700	4.7	17,340	4.4	32,100	6.1
Pakistan	11,740	4.7	14,710	3.8	23,020	4.4
Other	5,130	2.1	7,240	1.8	7,600	1.4
Total Non-Arabs	59,360	24.0	78,420	20.0	103,560	19.8
Overall Total	247,280	100.0	391,270	100.0	522,750	100.0

SOURCE: J.S. Birks and C.A. Sinclair, International Migration and Development in the Arab Region, (Geneva: ILO, 1980), p. 149.

76.0 percent in 1965 to 80.1 percent in 1975. Among these migrants, Palestinians and Jordanians were the most numerous and in 1975 accounted for 39 percent of all migrants. Egyptians were the second largest group of migrants (11.6 percent in 1975) and, with the Palestinians and Jordanians, comprised over 50 percent of all migrants.

Non-Arab migrants increased from 59,360 persons in 1965 to 103,560 persons in 1975, although the non-Arab proportion of the total migrant group declined (24 percent in 1965 to 19.8 percent in 1975) as even larger numbers of Arab migrants traveled to Kuwait. Iranians, Indians and Pakistanis are the most numerous among the non-Arab migrants. There is a growing tendency, among policy-makers in Kuwait, to encourage the import of Asian workers, a phenomenon Sinclair and Birks have noted and one which will be discussed in further detail later in this research.

The tendency for the oil-rich countries of employment to make good their labour shortages by turning to India and Pakistan and by allowing agents to import more workers is only one aspect of a broader reorientation of their labour imports. A trend of growing significance has been the utilization of south-east Asian labour supplies.¹⁴⁸

¹⁴⁸ Birks and Sinclair, International Migration, p.32.

Social Structure

Through the changes which have come about since the discovery of oil, the state has played a significant role in the formation of the present social structure, since the government is the sole recipient of oil revenues. The distribution of oil wealth in form of land purchases, social services and government employee wages has reinforced the power of the state to shape the society.

...the state has become a major agency of social stratification by setting the standard of the parameters of the salary and wage scale in the economy as a whole. 149

Transformation of the social structure in Kuwait has not been a product of long historical development. Rather, it has been due to "accidental factors". Thus, oil wealth enabled the dominant class, with the collaboration and unconditional support of the oil companies to shape, to a considerable extent, the domestic power structure.¹⁵⁰ The basic elements of the traditional power structure have remained the same during the oil period. The changes that have been introduced by the new economic

¹⁴⁹ Khaldoun Alnaqeeb, "Changing Patterns of Social Stratification in the Middle East: Kuwait (1950-1970) As a Case Study." (Unpublished Ph.D. Dissertation, University of Texas, Austin, 1976) p.146

¹⁵⁰ Halliday, Arabia Without Sultans, p.430.

forces (oil) can be described as ostensible changes, wherein the functions of the pre-oil social structure retain their power within the new economy. However, these ostensible changes have produced conflict between the traditional elements of the pre-oil social structure and the values of a consumption economy imported from Western capitalist countries.

Actually, the penetration of the world capitalist system has not generated capitalist elements of production. Rather, such penetration has acted to reinforce the existing social structure. The history of colonial power supports such an argument, wherever the colonizer has chosen to work through the traditional social and power structure. "...colonial powers, particularly the British, chose, whenever feasible, to work through cooperative traditional leaders."¹⁵¹

Since capital in Kuwait has functioned to reinforce the traditional social structure, the dilemma of development is manifested in state policy that aims to introduce change without radically altering or destroying the traditional power structure. Palmer illustrates this dilemma.

¹⁵¹ Monte Palmer, Dilemmas of Political Development: An Introduction to the Politics of the Developing Areas. (Illinois: F.E. Peacock Publishers, 1980), p.88.

...the per capita income of Kuwait is currently believed to be the highest in the world--these leaders are faced with the quandary of how to spend their wealth in a manner that will not disrupt the traditional religious and tribal underpinnings of their thrones. If they invest their funds in massive economic or social reform programs, their subjects right soon call into question the desirability of having the overwhelming preponderance of their nation's wealth concentrated in the hands of feudal monarchs who still believe firmly in the divine right of kings. 152

The quandary Palmer discusses is evident in the development strategy of the state, with its aim to exacerbate social differences among the population. Even though tribal power elements have been abolished and transformed in the hands of the state, the state is considered a major factor that reinforces tribal fragmentation and sectarianism. For example, the state tends to encourage the election of bedouins to the National Assembly in order to serve the interests of state policy and to counter the strength of opposition groups.¹⁵³ Baz illustrates the role of the bedouins in political affairs in the following passage from his Ph.D. dissertation.

¹⁵²Palmer, p. 12.

¹⁵³Walid E. Mubark "Kuwait's Quest for Security: 1961-1973" (Ph.D. Dissertation, Indiana University, 1979) pp. 1456-60.

A mutual dependency had emerged between al-Sabah (ruling family) and the bedouin. In Parliament al-Sabah had relied on bedouin support as a counterweight... continued bedouin support for the government has resulted from the latter's generous socioeconomic programs and its relaxation of naturalization laws in their favor. It has also resulted from their conservative outlook and respect for traditional authority symbolized by the ruling family. 154

The ruling family and Kuwaiti merchants constitute the core of the upper class that has benefitted most from oil boom, since they control the state's institutions. Sirhan describes the power of this class.

The ruling family is deep into the world of business, investment, and finance. Many members of the ruling family are playing the role of leading financiers and entrepreneurs. They also dominate the real estate sector. The other segment of the big bourgeoisie are the merchants who are partners with ruling family members in business ventures. 155

The oil wealth which is controlled by the upper class has created income inequality. The World Bank describes income inequality as moderate inequality. According to the

¹⁵⁴ Ahmed Abdullah Saad Baz, "Political Elite and Political Development in Kuwait" (Ph.D. Dissertation, George Washington University, 1981) p.213.

¹⁵⁵ Sirhan, p.93.

World Bank's definition, moderate inequality obtains when the poorest 40 percent of the population receives 12 percent to 17 percent of a society's income, the middle 40 percent receives 34 percent and the top 20 percent receives 50.6 percent of the society's total income.¹⁵⁶ Table 4.6 illustrates Kuwait's income distributions, in which the richest decile,

...gets 35.5 percent of total family income, consumes 26 percent of total consumption, earns 23.3 percent of total wage and salary payments, receives 79 percent and 96 percent of the total business and property incomes and about 53 percent of the total income from stock investments. 157

The middle class, which is comprised of educated people to a large extent, is composed of white collar workers who are engaged in technical, professional and administrative occupations.¹⁵⁸ The growth of this class has been associated with the expansion of education to the extent that it has become the largest class in the society, and the majority of its members are employed by the government. Due to expansion of wealth, this class has been

¹⁵⁶ Sulayman S. al-Qudsi, "Pre and Post-Fiscal Distributional Patterns in Kuwait." Middle East Studies, vol. 17. no. 3 (July 1981) p.394.

¹⁵⁷ Ibid, p.393.

¹⁵⁸ James A. Bill and Carl Leiden, Politics in the Middle East, (Boston: Little, Brown and Company, 1979), p.125.

TABLE 4.6: KUWAIT PRE-FISCAL INCOME DISTRIBUTION IN 1972-73, BY COMPONENT SHARES
(IN PERCENT)

Family Decile	Total Income	Total Consumption	Wages and Salaries	Business Income	Property Income	Stock Income
Poorest	1.9	2.8	2.3	0.2	0.9	0
2nd	3.2	4.0	3.7	.40	.7	0
3rd	4.4	5.1	4.9	.80	0	4.7
4th	5.5	7.0	6.7	.5	.1	2.0
5th	6.6	8.2	8.3	1.2	.3	0
6th	7.7	9.3	9.2	1.4	.9	1.1
7th	9.0	9.9	11.2	1.1	3.0	35.2
8th	11.2	12.7	12.3	7.6	5.3	0
9th	15.1	15.2	19.0	8.1	4.0	4.5
Richest	35.5	26.0	22.3	79.0	86.0	52.5

Source: Sulayman S. al-Qudsi, "Pre-and Post-Fiscal Distributional Patterns in Kuwait" Middle East Studies, 17:3 (July 1981) p.395.

satisfied with an abundance of goods and does not represent a real threat that might affect the stability of the system in the short run. Further, the state has extended the size of the middle class by providing employment in public bureaucracy, creating a class dependent on maintaining government stability.¹⁵⁹ Nevertheless, a small proportion of this class has formed an oppositional group to the traditional power structure, but its impact has been minimal in a state with an abundance of capital.

The indigenous working class is small in size and consists of unskilled and skilled workers who are distributed in oil and related industries and in the government sector. It is a government-designed policy to shrink the size of this class by increasing the country's dependence on imported workers who are more controllable.¹⁶⁰

¹⁵⁹Sirhan, p.93.

¹⁶⁰Halliday, Arabia Without Sultans, p.434.

CHAPTER V

THE LABOR FORCE

The major objective of this chapter is to discuss various aspects of Kuwait's indigenous labor force, in light of its imported labor force. The economic distribution of the labor force, as well as its occupational structure, will be examined. Special emphasis is given to employment in the government bureaucracy, as well as the indigenous labor force in the new industrial sector. The educational system is also examined as a source of trained manpower.

Structure of the Labor Force

Background

Kuwait subscribes to the international manpower classification system so that manpower, according to the Ministry of Planning, is classified into two major groups:

1. those in the labor force which is divided into two categories:

A. employed persons, which includes self-employed and paid employees and unpaid family workers.

B. unemployed persons.

2. those not in the labor force, including full-time students, persons able to work but not willing to work because they have other support not classified as employment, and housewives engaged in household work.

Table 5.1 shows that in 1975 the labor force included 304,582 persons, of whom 6,167 were classified as unemployed.¹⁶¹ The labor force was 30.6 percent of total population, with female workers comprising only 11.6 percent (35,306:269,376) of the total labor force.

Kuwait is highly dependent on foreign labor that accounted for almost 70 percent of the total labor force in 1975. In the two groups, Kuwaiti and foreign workers, considerable variations appear (See Table 5.2). Indigenous workers are 19.5 percent of the total indigenous population (472,088), while foreign workers are 40.7 percent of the total non-Kuwaiti population (522,749). Another variation is the differing participation of women. The participation rate for non-Kuwaiti women is very high compared to Kuwaiti women and the low participation rate of

¹⁶¹ Unemployed Kuwaitis numbered 4,873 persons during 1975. Employment is by individual choice since the Constitution stipulates that every Kuwaiti has a right to work and the government is the employer of last resort.

TABLE 5.1: LABOR FORCE AND MANPOWER 1965-1975 (IN THOUSANDS)

Years	Labor Force		% of		Manpower		% of		Total Population	
	Male	Female	Total	Popula- tion	Male	Female	Total	Popula- tion	Male	Female
1965	175.5	8.8	184.3	39.4	192.5	91.1	283.6	60.7	286.3	181.0
1970	225.6	16.6	242.2	32.8	252.0	153.9	405.9	54.9	419.9	318.8
1975	269.4	35.2	304.6	30.6	312.4	223.7	535.7	53.9	543.8	451.0
										994.8

SOURCE: Annual Statistical Abstract, 1981 (Constructed).

Kuwaiti women has led directly to increases in the foreign labor force.

Age Structure

The Kuwaiti population's age structure is one major factor affecting the size of the labor force.¹⁶² According to 1975 census data, 38.0 percent of Kuwaitis are aged 20-29, while 31.7 percent of non-Kuwaiti workers are in the same age group. Kuwaiti workers in the age group 30-39 accounted for 27.1 percent, while non-Kuwaitis accounted for 34.2 percent (See Table 5.3).

The variation between the two groups in the labor force is clearer in Table 5.4, where the ratio of the Kuwaiti labor force in the age group 15-19 is 12.5, while for non-Kuwaitis it is 33.3. The difference is largely due to the fact that most Kuwaitis aged 15-19 are engaged in school. Across all age groups, non-Kuwaitis were heavily represented in the labor force.

Educational Status

Generally speaking, the educational level of the labor force is inadequate. Illiteracy is high and indicates

¹⁶²Guy Standing, Labour Force Participation and Development, (Geneva: ILO, 1978), p.2.

TABLE 5.2: RATIO OF LABOR FORCE TO TOTAL POPULATION, BY NATIONALITY AND SEX, 1965-1975

Nationality	% Of Population in the Labor Force								
	1965			1970			1975		
	M	F	T	M	F	T	M	F	T
Kuwaitis	19.1	0.5	19.6	18.2	0.6	18.8	17.9	1.6	19.5
Non-Kuwaitis	54.0	3.1	57.1	41.5	3.7	45.2	35.4	5.3	40.7
Total	37.6	1.9	39.5	30.5	2.3	32.8	27.7	3.5	30.6

SOURCE: Annual Statistical Abstract 1981, (Constructed).

TABLE 5.3: DISTRIBUTION OF LABOR FORCE BY AGE, 1975

Age Group	Kuwaiti		Non-Kuwaiti		Total	
	No.	%	No.	%	No.	%
15-19	6,088	6.6	12,544	5.9	18,632	6.1
20-29	34,884	38.0	67,559	31.7	102,443	
30-39	24,902	27.1	72,660	34.2	97,657	32.0
40-49	14,813	16.1	42,580	20.2	57,393	18.8
50-64	9,408	10.3	16,137	7.6	25,545	8.4
65+	1,744	1.9	1,258	0.6	3,002	1.0

SOURCE: Annual Statistical Abstract, 1981 (Constructed).

TABLE 5.4: RATIO OF LABOR FORCE (%) TO TOTAL POPULATION
IN EACH AGE GROUP, 1975

Age Group	Kuwaiti	Non-Kuwaiti	Total
15-19	12.5	33.3	21.5
20-29	46.0	65.4	57.3
30-39	51.4	75.6	67.5
40-49	50.3	81.6	70.3
50-64	37.8	75.0	55.1
65+	15.5	28.9	19.3

SOURCE: Ministry of Planning, "The Labor Force", 1979.

a high number of unskilled workers in the total labor force (Table 5.5). Total illiteracy decreased from 44.7 percent in 1965 to 34.8 percent in 1975. If those who read and write only are added, 59.6 percent had not completed formal primary education in 1975. This was, however, down from 82.3 percent in this category in 1965. Persons who held university degrees (or higher) were 8.2 percent of the labor force in 1975, up from 2.9 percent in 1965, but still only 24,627 out of a total labor force of 304,582. Even more revealing, is the information that only 4 percent with university degrees were Kuwaitis, 9.9 percent were non-Kuwaitis.

TABLE 5.5: KUWAITI AND NON-KUWAITI LABOR FORCE BY EDUCATIONAL ATTAINMENT (%) FOR 1965, 1970, 1975

Educational Attainment	1965		1970		1975	
	Kuwaiti	Non-Kuwaiti Total	Kuwaiti	Non-Kuwaiti Total	Kuwaiti	Non-Kuwaiti Total
Illiterate	51.5	42.6	44.7	36.0	35.8	32.9
Read and Write	39.0	37.6	31.2	30.9	23.5	25.4
Primary	3.6	3.8	10.3	7.5	14.2	9.6
Intermediate	3.2	3.7	6.5	6.0	11.9	8.1
Secondary	1.4	7.9	5.0	11.9		
Above Secondary	0.4	1.3	0.3	0.7	10.6	14.1
University Degree	0.7	3.2	1.8	6.3		
Higher Degree	0.1	0.2	0.1	0.5	4.0	9.9
Unspecified	0.1	--	0.1	0.2	--	--
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Annual Statistical Abstract, 1981, p.101

Among Kuwaitis, however, the proportion of persons in the labor force with educational certificates below university level increased from 8.6 percent in 1965 to 36.7 percent in 1975, while for non-Kuwaitis these proportions were 16.7 percent and 31.8 percent, respectively. The data in Table 5.5 indicate that educational attainment among Kuwait's labor force is increasing rapidly but a proportion of 59.6 percent without any formal schooling as late as 1975, indicates that the country--even when foreign workers are included--has a severe shortage of the manpower needed for the rapid development it could otherwise afford to undertake.

Economic Distribution of the Labor Force

The distribution of labor force among various economic sectors can be used to indicate patterns of development, a fact that reflects the degree of a society's utilization of human resources.¹⁶³ Generally speaking, the distribution of the labor force in the various economic sectors reflects Kuwait's

¹⁶³Frederick Harbison and Charles A. Myers, Manpower and Education, (N.Y.: McGraw-Hill, 1965) p.325; and Robert D. Loken, Manpower Development in Africa (N.Y.: Frederick A. Praeger, 1969), p.38.

uneven development. Imbalances characterize this distribution and are a product of the ideology of development promulgated by the State. Kuwait's ideology is manifested in the creation of a service and consumption-oriented economy.¹⁶⁴ While characteristic, such imbalances are not unique to Kuwait. Rather, they are shared by the other oil-producing Third World countries.¹⁶⁵

The country's over-concentration on the service sector is illustrated in Table 5.6. More than half of the labor force (55.9 %) was employed in this sector in 1975. Commerce which came next, employed only 13.3 percent of the total labor force. Construction accounted for 10.8 percent, so the next two largest sectors, combined, employed only 24.1 percent. Manufacturing accounted for 8.2 percent, transport and communication for 5.3 percent, agriculture for 2.5 percent, and utilities for 2.4 percent. Oil production, the major economic sector, employed only 1.6 percent of the total labor force, because it is such a capital intensive industry. It should be noted that, even

¹⁶⁴Myron Weiner, "International Migration and Development: Indians in the Persian Gulf." Population and Development Review, 8, no. 1 (March 1982), p.1.

¹⁶⁵See for instance, W.F. Maunder, Employment in An Underdeveloped Area, (Greenwood Press, Connecticut, 1960) And Ruth First, Libya: The Elusive Revolution, especially Chapter 9. "The Economic Environment 1975."

TABLE 5.6: LABOR FORCE BY ECONOMIC SECTORS IN CENSUS
YEARS 1957 AND 1975

Economic Sector	Kuwaitis		Non-Kuwaitis		Total	
	No.	%	No.	%	No.	%
Agriculture & Fishing	3,939	4.6	3,531	1.7	7,514	2.5
Mining & Quarrying	1,779	2.0	3,080	1.5	4,859	1.6
Manufacturing	2,258	2.6	22,209	10.5	24,467	8.2
Construction	1,756	2.0	30,500	14.4	32,256	10.8
Electricity, Gas And Water	2,034	2.3	5,237	2.5	7,271	2.4
Wholesale and Retail Trade	6,327	7.3	33,232	15.7	39,559	13.3
Transportation Storage and Comm.	4,567	5.3	11,118	5.2	15,685	5.3
Services	64,265	73.9	102,537	48.5	166,802	55.0
Unspecified	2	--	--	--	--	--
Total	86,971	100.0	211,444	100.0	298,415	100.0

SOURCE: Annual Statistical Abstracts, 1980, p.102

in 1975, almost three-quarters (73.9%) of the Kuwaiti workers (See Table 5.7) were engaged in the largely uneconomic rendering of (primarily) government services.

By following the development, over time, of the indigenous labor force, it is apparent that little overall structural change has been introduced in the distribution of indigenous labor, but there are some trends that should be noted. One is the major trend to overconcentration of indigenous labor in the service sector which employed over 50 percent in 1957 and 1965 but was beginning to decline by 1970, when it suddenly accelerated from 61.3 percent to 73.9 percent in 1975. The majority of service sector workers are employed by the public bureaucracy. This heavy concentration of indigenous labor can be attributed to government policy which encourages Kuwaitis' employment in the public sector. Overstaffing in this sector is one factor in Kuwait's underutilization of indigenous human resources.¹⁶⁶

The rapid expansion of the service sector from 1970 to 1975 drained Kuwaiti workers from most other sectors which had been gaining or static until then. Thus the commerce sector which employed 14.6 percent in 1957 dropped

¹⁶⁶ Sirhan, "Modernization and Under-development," p. 111.

TABLE 5.7: INDIGENOUS LABOR FORCE, BY ECONOMIC ACTIVITY, 1957 TO 1975

Economic Activity	1957		1965		1970		1975	
	No.	%	No.	%	No.	%	No.	%
Agriculture & Fishing	603	2.1	573	1.4	802	1.3	3,983	4.6
Mining & Quarrying	1,211	4.2	1,349	3.3	1,675	2.8	1,779	2.0
Manufacturing	1,029	3.6	1,825	4.5	6,109	10.2	2,258	2.6
Construction	378	1.3	1,264	3.1	2,188	3.6	1,756	2.0
Elec. Gas & Water	--	--	1,645	4.0	2,133	3.5	2,034	2.3
Commerce	4,151	14.6	5,129	12.7	7,298	12.2	6,328	7.3
Transport., Storage and Comm.	1,513	5.3	2,613	6.5	2,362	3.9	4,567	5.3
Services	14,681	51.7	25,519	63.5	36,826	61.7	64,265	73.9
Unspecified	4,807	16.9	249	0.6	242	0.4	2	--
Total		100.0		40,166 100.0		59,634 100.0		86,971 100.0

SOURCE: Annual Statistical Abstracts, 1981, p.102.

7.3 percent in 1975. Manufacturing, at 3.6 percent in 1957, had increased to 10.2 percent by 1970, but fell sharply to only 2.6 percent from 1970-1975. Agriculture and fishing was the only sector (other than services) that showed an overall percentage gain, from 2.1 percent in 1957 to 4.6 percent in 1975.

It is evident from Table 5.7 that indigenous labor is distributed in an unbalanced manner. It has been marginalized from participation in the newly industrialized sectors that arose in the wake of the discovery of oil. This is illustrated in Table 5.8, where the indigenous labor force proportions in the oil industry, manufacturing, construction and utility sectors are 0.6, 0.8, 0.6 and 0.7 percent, respectively. Non-Kuwaitis in the labor force outnumber Kuwaitis in all economic sectors except agriculture and fishing and this is also the case on a percentage basis.

Employment in the Government Sector

The government sector is considered the largest employer and employs 11.7 percent of the total population.¹⁶⁷ Government workers comprise 76.2 percent of the total indigenous labor force and 29.6 percent of the total non-Kuwaiti

¹⁶⁷Tarik Alrayes, "Authority and Influence in the Government Civil Service in the State of Kuwait", (Ph.D. Dissertation, Claremont Graduate School, 1979) p. 18.

TABLE 5.8: PERCENTAGE OF KUWAITI AND NON-KUWAITI EMPLOYMENT
IN EACH ECONOMIC ACTIVITY, 1975

Economic Activity	Kuwaiti	Non-Kuwaiti	Total
Agriculture & Fishing	1.3	1.2	2.5
Mining & Quarrying	0.6	1.0	1.6
Manufacturing	0.8	7.5	8.2
Construction	0.6	10.2	10.8
Elec., Gas & Water	0.7	1.8	2.4
Commerce	2.1	11.1	13.3
Transportation, Storage and Comm.	1.5	3.7	5.3
Services	<u>21.5</u>	<u>34.4</u>	<u>55.9</u>
Total	29.1	70.9	100.0

SOURCE: Annual Statistical Abstracts, 1981.

or foreign labor force (See Table 5.9). One major reason for the overconcentration in the public sector is the state's policy of encouraging Kuwaitis to work for their government. Another is a constitutional provision that every Kuwaiti has an obligation to work and that it is the obligation of the government to provide its citizens with jobs, in theory making the government the employer of last resort, but actually making it the first, best choice of most Kuwaitis. Article 41 of the Constitution contains this provision:

Every Kuwaiti has the right to work and to choose the type of his work. Work is a duty of every citizen necessitated by personal dignity and public good. The State shall endeavor to make it available to citizens and to make its terms equitable.¹⁶⁸

TABLE 5.9: EMPLOYMENT IN KUWAIT'S GOVERNMENT AND PRIVATE SECTORS, 1975.

Nationality	Number of Employees			
	Government Sector	Private Sector	Total	Government Percent
Kuwaiti	66,235	20,736	28,971	76.2
Non-Kuwaiti	62,783	148,661	211,444	29.7

SOURCE: Annual Statistical Abstracts, 1981.

¹⁶⁸ Constitution of the State of Kuwait, (Kuwait: Government Press, 1962), p.11.

Employment, according to the State's policy, is a means of distribution of wealth among its citizens.¹⁶⁹ It is not, in real fact, based on economic standards, nor designed to meet the needs of the country as a whole. This strategy of meeting its individual citizens' economic needs has been criticized by The World Bank.

The Kuwaiti labour force is employed by the government with the objective of providing employment as a social measure. At the time, the public sector is experiencing a shortage of technically qualified and trained manpower. ¹⁷⁰

In terms of educational attainment, almost 55.4 percent of the indigenous labor force in the government sector lacks any formal educational certificate. And, 6.4 percent of indigenous government staff have university degrees, while 18.7 percent non-Kuwaitis have university degrees (See Table 5.10).

Classified by occupation, 30.4 percent of indigenous government workers are in clerical positions, 10.1 percent of non-Kuwaiti workers have clerical positions. Professional

¹⁶⁹ Birks and Sinclair, Arab Manpower, p. 347-348.

¹⁷⁰ World Bank, Report on Long-Term Development Strategy: Kuwait, (Washington, D.C., 1981) p.54-55.

TABLE 5.10: EMPLOYMENT IN THE GOVERNMENT SECTOR BY EDUCATIONAL ATTAINMENT, 1975 (BY PERCENTAGE)

Educational Attainment	Kuwaiti %	Non-Kuwaiti %	Total %
Illiterate	24.1	26.2	25.7
Read and write	31.3	28.5	29.6
Primary	8.1	3.8	5.5
Intermediate	13.3	24.7	8.2
Secondary and Below University Level	16.8	17.4	17.2
University Level	6.1	17.4	12.9
Post Graduate	0.3	1.3	0.9

SOURCE: Annual Statistical Abstract, 1981, p.131 (Constructed)

and technical indigenous workers equal 21.5 percent, while 32.0 percent of non-Kuwaitis were in this category. Similar percentages were found for the Production, Transport, and Laborer category. Percentages of service workers were almost even.

There is a tendency to employ Kuwaitis to work in administrative and office work, "because the government desires to keep responsibility in the hands of Kuwaitis, it gives them managerial positions even if they do not have the ability required."¹⁷¹ In fact, the government tends to hire Kuwaitis in administrative and managerial positions, even at the expense of other sectors of employment.

Employment in the Industrial Sector

Employment of the indigenous labor force in the industrial sector is almost insignificant. Their representation is very minor.

Oil Industry

The oil industry was the first modern industry that started operation in Kuwait. Given the fact that the oil

¹⁷¹ Tarik Alrayes, "Authority And Influence" p.36

TABLE 5.11: GOVERNMENT EMPLOYEES BY OCCUPATION 1976 (BY PERCENTAGE)

Occupation	Kuwaiti %	Non-Kuwaiti %
Professional, technical and related workers	21.5	32.0
Administrative and managerial workers	0.9	0.04
Clerical and related workers	30.4	10.1
Sales workers	0.2	0.02
Service workers	23.8	23.9
Agriculture, animal husbandry and fishing	0.7	2.6
Production workers, . transport equipment operators and laborers	22.5	31.3

SOURCE: Annual Statistical Abstract, 1981, p.130 (Constructed)

industry operates in an environment which has not developed modern industrial relations of its own, it is an industry totally isolated from the local environment. Its management, labor and technology are all imported from outside Kuwait's boundaries.

It is the oil companies' role to provide all the requirements for operation of this industry. Part of this role is providing labor which the local environment was not able to provide. It has been the companies' strategy to import workers with various needed skills from outside the country. Aside from the local shortage of trained manpower, the oil companies deliberately avoided developing indigenous trained manpower. As a result, local attitudes developed in opposition to the oil companies because they were regarded as exploiters of domestic natural resources, without investing in developing the domestic economy. These negative attitudes reinforced the oil companies' tendency to be cautious in hiring indigenous workers, repeating a negative cycle. The tensions thus produced have been explained by Badre and Siksek:

...management finds itself isolated in the sense that it cannot discover or create an indigenous management-milieu through which its point of view can be expressed naturally and with political effectiveness. When one adds to these circumstances the fact that the community which provides the labor force is itself

in political and ideological flux, with one of the strongest drives activating it being the desire to eliminate all foreign domination, one can see not only how conflicts between labor and management arise but how easily they can be shifted from purely industrial to the more tense and more complicated political plane.¹⁷²

Under these circumstances, the oil companies found that imported labor, especially Indian and Pakistani workers, more appropriate for their needs, "due to their knowledge of English, from their past training under British rule."¹⁷³ High positions were reserved to Americans and the British, and Europeans, while indigenous labor representation was very minor (Table 5.12). Those Kuwaitis who did go to work in the oil companies found that they did not obtain the highest positions.

When these local nationals complete their local training programs, or secure the desired professional degree from foreign university, they find that their chances of promotion to the top supervisory and executive posts in the oil companies are strictly limited. ¹⁷⁴

¹⁷²Albert Y. Badre and Simon Sikseck, Manpower And Oil in Arab Countries, (Lebanon: Economic Research Institute of American University, 1959), p. 19.

¹⁷³Ibid, p. 37

¹⁷⁴Ibid, p. 108.

TABLE 5.12: EMPLOYMENT IN KUWAIT OIL COMPANY (K.O.C.),
1966 (THE FIVE HIGHEST GRADES)

Grade	Nationality	No.	Total
20 (highest)	American	3	12
	British & European	9	
21	American	2	4
	British & European	2	
22	American	2	23
	British & European	19	
	Kuwaiti	1	
	Arab	1	
23	American	6	41
	British & European	32	
	Kuwaiti	1	
	Arab	11	
24	American	4	118
	British & European	97	
	Kuwaiti	4	
	Arab	13	
25	American	9	170
	British & European	136	
	Kuwaiti	9	
	Arab	25	

SOURCE: Altaliah (Weekly in Kuwait), July 29, 1970.

While Table 5.12 presents 1966 data, the numbers of indigenous workers in oil companies are still insignificant. For instance, in 1978 indigenous workers in the Kuwait National Petroleum Company numbered 489 out of a total of 2,949 employees.¹⁷⁵ Imported workers still seem to be preferred.

Other Industries

The indigenous labor force, as has been illustrated, reflects severe distribution imbalances, with the majority concentrated in the service sector, mainly in government bureaucracy. A small number are employed in the industrial sector but outside of the oil companies, this sector is totally left to the imported labor force since it requires heavy and manual work.

Tables 5.13 and 5.14 illustrate the marginal role of indigenous labor in the newly industrialized sector, that was developed after the discovery of oil. In 1957, 11.3 percent of the total indigenous labor force was engaged in industry, and this rose to 13.3 percent (11,810 persons) out of the total indigenous labor force (86,971 persons)

¹⁷⁵ Kuwait National Petroleum Company, Annual Report, 1978, p.20.

TABLE 5.13: INDIGENOUS LABOR FORCE IN MAJOR INDUSTRIES, 1957-1975

Type of Industry	1957		1965		1970		1975	
	No.	%	No.	%	No.	%	No.	%
Agriculture & Fishing Industry	603	2.1	573	1.4	802	1.3	3,983	4.5
Oil Industry	1,211	4.2	1,349	3.3	1,675	2.8	1,779	2.0
Manufacturing Industry	1,029	3.6	1,825	4.5	6,109	10.2	2,258	2.5
Construction Industry	378	1.3	1,264	3.1	2,188	3.6	1,756	2.0
Elect., Gas & Water Industry	--	--	1,645	4.0	2,33?	3.5	2,034	2.3
Sub Total	3,221	11.3	6,655	16.5	12,907	21.6	11,810	13.3
Total Activity	28,373	33.3	40,166	22.4	59,634	25.4	86,971	29.1

SOURCE: Constructed from Annual Statistical Abstract, 1981, Kuwait, p. 102

TABLE 5.14: INDIGENOUS LABOR FORCE IN MAJOR INDUSTRIES COMPARED TO TOTAL EMPLOYMENT
IN EACH INDUSTRY BY PERCENTAGE

Type of Industry	1957		1965		1970		1975	
	Total No.	% of Total	Total No.	% of Total	Total No.	% of Total	Total No.	% of Total
Agriculture & Fishing Industry	1,049	60.0	1,410	30.0	4,060	19.7	7,514	53.0
Oil Industry	5,405	20.0	6,992	18.5	7,171	23.3	4,859	36.6
Manufacturing Industry	6,611	14.3	17,942	10.5	32,091	19.0	24,467	9.2
Construction Industry	8,403	5.0	28,848	4.5	33,672	6.4	32,256	5.4
Elect., Gas & Water Industry	--	--	6,991	23.5	7,252	29.4	7,271	27.9
Sub Total	21,468	11.3	62,183	16.5	75,246	21.6	76,367	13.3

135

SOURCE: Constructed from Annual Statistical Abstract, Kuwait, 1981, p. 102.

in 1975. Industry depends on an imported labor force to provide 86.7 percent of total employment in the industrial sector.

Marginality of the indigenous labor force is more fully illustrated in Table 5.14. They comprised 9.2 percent of total employment in manufacturing, 5.4 percent in construction, and 36.6 percent in the oil industry. They represented 13.3 percent (11,810 persons) of all industrial workers (76,367 persons) in 1975. Their marginality in the industrial sector is due to government policy which deliberately ignores the development of indigenous industrial workers. Further, the government has no solid industrial plan.¹⁷⁶ Table 5.15 shows the lack of indigenous labor participation in industrial development in Kuwait.

TABLE 5.15: EMPLOYMENT IN SELECTED INDUSTRIES, 1974

Type of Industry	Kuwaitis	Non-Kuwaitis
Food Manufacturing	44	3,373
Beverage Production	6	1,093
Wood and Furniture	26	2,853
Paper	1	117
Refineries	438	2,374
*Fabricated Metal	13	2,585

*Excluding machinery/equipment

SOURCE: Annual Statistical Abstract, 1981, pp. 219-20.

¹⁷⁶ In a survey of Kuwaiti industrial managers, ministers and policy makers, there was 100% agreement that the State had no clear industrial policy, that existing industries needed to be reconstructed differently. See, Abdul Bagui Alnouri, "The Structure and Efficacy of the Industrial Establishments in Kuwait" Journal of Gulf and Arabian Peninsula Studies, vol. 111, no. 10, (1977) pp. 23-24.

Occupational Structure

The International Standard Classification of Occupations (ISCO) is used as a framework for occupational analysis of Kuwait's census data. This classification involves some shortcomings; one is that it does not distinguish between various levels of education or training within classifications, merely divides workers according to type of work performed.

Table 5.16 shows that a high number of those Kuwaitis who are active in the labor force are service (37.9 percent) and clerical (20.5 percent) workers. A relatively large number of non-Kuwaitis are production workers and laborers (42.7 percent).

Birks and Sinclair, from the International Labor Organization (ILO), applied another occupational classification which includes the education and training requirements for each job. Their classification shows the actual marginality of Kuwait's indigenous labor force (Table 5.17). The following conclusions can be drawn from this classification:

- (1) of all Kuwaiti professionals, 85 percent work in jobs that require an university arts degree. Only 15 percent of Kuwaiti professionals work in jobs that require a university science or mathematics degree.
- (2) About 45 percent of all Kuwaitis work in unskilled occupations which require no special education or training.

TABLE 5.16: LABOR FORCE IN 1975 BY OCCUPATIONAL CATEGORY
(ACCORDING TO THE INTERNATIONAL STANDARD CLASSIFICATION OF OCCUPATIONS)

Category	Kuwaitis		Non-Kuwaitis		Total	
	No.	%	No.	%	No.	%
Professional & Technical Workers	9,739	11.2	32,097	15.2	41,836	14.0
Administrative & Managerial Workers	1,045	1.2	1,809	0.8	2,854	1.0
Clerical Workers	17,853	20.5	20,165	9.5	38,018	12.7
Sales Workers	6,185	7.1	17,908	8.5	24,093	8.1
Service Workers	32,900	37.9	45,400	21.5	78,300	26.2
Agriculture & Husbandry Workers	3,897	4.5	3,805	1.8	7,702	2.6
Production Workers & Laborers	<u>15,348</u>	<u>17.6</u>	<u>90,260</u>	<u>42.7</u>	<u>105,608</u>	<u>35.4</u>
Total	86,971	100.0	211,444	100.0	298,415	100.0

SOURCE: Annual Statistical Abstracts, 1981, p. 103.

TABLE 5.17: LABOR FORCE IN 1975 BY OCCUPATION GROUP
(ACCORDING TO BIRKS AND SINCLAIR CLASSIFICATION)

Occupational Group	Kuwaitis		Non-Kuwaitis	
	No.	%	No.	%
A1: Professional jobs usually requiring a science or math-based university degree	1,050	1.2	9,011	4.3
A2: Professional and sub-professional jobs usually requiring a university arts degree	5,114	5.9	4,571	2.1
B: Technicians and other jobs which usually require one to three years of post-secondary education/training	10,239	11.8	25,522	12.1
C1: Skilled and semi-skilled office and clerical occupations	21,204	24.5	38,284	18.1
C2: Skilled and semi-skilled manual occupations	10,412	12.0	62,027	29.4
D: Unskilled occupations	<u>38,602</u>	<u>44.6</u>	<u>71,694</u>	<u>34.0</u>
Total	86,821	100.0	211,109	100.0

SOURCE: J.S. Birks and C.A. Sinclair, Arab Manpower, 1980, p. 47.

- (3) About twice as many Kuwaitis work in skilled and semi-skilled manual occupations.
- (4) About 12 percent of all active Kuwaitis work in sub-professional and technical occupations, about one-half of whom are teachers.¹⁷⁷

Further, Table 5.18 shows a more specific distribution of the indigenous labor force among selected occupations. Of the occupations shown, only the category of government executives and officials is comprised of a majority of Kuwaiti workers (84 percent). A substantial number of Kuwaitis are employed as teachers (5,262 or 28.6 percent), but in all other classifications, non-Kuwaitis outnumber indigenous workers by about 9:1.

Women In The Labor Force

Indigenous women represent a large pool of human resources that has not been effectively utilized. Their low participation in the Kuwait labor force has meant foreign labor has had to be imported. The presence of indigenous women in the labor force has grown only slowly. In 1957 Kuwaiti women workers numbered just 384 (1.6 percent of all indigenous workers and 0.4 percent of the total work

¹⁷⁷ J.S. Birks and C.A. Sinclair, Arab Manpower, 1980, p.46.

TABLE 5.18: LABOR FORCE BY SELECTED OCCUPATION, 1975

Occupation	Kuwaitis		Non-Kuwaitis	
	No.	%	No.	%
Engineers	328	9.4	3,136	90.6
Male	317		3,114	
Female	11		22	
Physicians	103	9.3	1,002	90.7
Male	76		820	
Female	27		182	
Nurses	507	10.4	4,329	89.6
Male	334		1,626	
Female	178		2,703	
Gov. Executives, Officials	2,516	84.0	476	16.0
Male	2,448		463	
Female	68		13	
Teachers	5,262	28.6	13,108	71.4
Male	2,210		6,675	
Female	3,210		6,433	
Carpenters	194	2.5	2,987	97.5
Male	194		2,987	
Female	---		-----	
Plumbers & Welders	554	8.7	5,811	91.3
Male	554		5,811	
Female	---		-----	

SOURCE: Annual Statistical Abstracts, 1981, p. 114-115.

force). These proportions increased by 1975 to 8.1 percent and 2.4 percent, respectively.

In 1975, indigenous women of working age but not in the labor force numbered 112,637. This group was comprised of female students (14.4 percent) and housewives (88.8 percent).

As to the distribution of women in the labor force, indigenous women conform to the same distribution trends peculiar to the whole indigenous workforce. Namely, overrepresentation in the service sector, to an even greater extent than indigenous males. Of Kuwaiti women in the workforce, 95 percent are employed in the service sector (See Table 5.19).

The low participation of women can be attributed to economic, social and cultural factors.

Several factors help to keep Kuwaiti women out of the labor force. There is still social resistance to women's work outside the house, and most women are therefore not prepared to enter the labor force. It could also be that most Kuwaiti families do not feel a pressing financial need to put their women to work.¹⁷⁸

¹⁷⁸ Sirhan, "Modernization and Underdevelopment," p. 234.

TABLE 5.19: KUWAITI WOMEN IN THE LABOR FORCE, BY ECONOMIC ACTIVITY, 1975

Type of Activity	Kuwaitis	Non-Kuwaitis
Agriculture and Fishing	13	9
Mining and Quarrying	12	127
Manufacturing	21	320
Construction	1	143
Elec., Gas and Water	5	7
Commerce	30	860
Transport, Storage and Communication	262	265
Service	6,959	25,786
Not Specified	<u>2</u>	<u>--</u>
Total	7,305	27,525

SOURCE: Annual Statistical Abstracts, 1981, p. 102.

While social and cultural factors play a role in preventing indigenous women from participating in the labor force, it is also important that government policy reinforces the general social attitudes toward female employment. For example, employment policy tends to emphasize certain occupations, such as teacher or social worker, as proper for women. "The problem in Kuwait is not only that society is traditional but also that the policy makers enhance this tradition by a policy of segregation between males and females."¹⁷⁹

Participation rates, alone, show that indigenous women are not effectively utilized in Kuwait's labor force. In overcoming the country's manpower shortage, these women represent a vast pool of unemployed and underemployed human resources that can help to decrease the dependency on imported labor.

Education and Manpower

Investment in human resources represents a major strategy for development. This is because human resources are, in real fact, the instrument and driving force in the

¹⁷⁹ Alessa, The Manpower Problem in Kuwait, p. 102

process of development.¹⁸⁰ A country like Kuwait with abundant capital has almost unlimited potential to utilize its wealth in the process of human resources development.

A modern education system began in Kuwait during the 1950s, but has some weaknesses. First, it was never designed to upgrade the masses. The priority objective is to train people to enter government service, a characteristic of almost all Arab world systems.¹⁸¹ Second, it places emphasis on memorization, rather than developing creative and initiative abilities. An overemphasis on arts and humanities at the expense of applied sciences, leads to labor force concentration in these fields. Fourth, university education is considered "the summit of school activities," an orientation that puts high social value on university education and devalues non-university education.¹⁸² Finally, the modern educational system of Kuwait fails to meet the country's needs for modern economic development.¹⁸³

¹⁸⁰

Gunnar Myrdal, Asian Drama: An Inquiry into the Poverty of Nations, (New York: Twentieth Century Fund, 1968), p. 1809-28. Also, Frederick Harbison, Human Resources as the Wealth of Nations (New York: Oxford University Press, 1973), p. 19.

¹⁸¹Frederick Harbison. Human Resources for Egyptian Enterprise (New York: McGraw-Hill, 1953), p. 106.

¹⁸²Birks and Sinclair, International Migration and Development in the Arab Region, p. 15.

¹⁸³Ibid, p. 14.

The inadequacy of the modern education system is embodied in the educational distribution of Kuwaiti students. As is shown in Table 5.20, literature is the most populous field, its students comprising 38.9 percent of total enrollment, while medicine and science account for 3.2 percent and 16.7 percent, respectively.

Technical and vocational education has low status value, compared to general education. Only 4.6 percent of all students are enrolled in technical and vocational secondary and post-secondary programs.¹⁸⁴ This education, "has evolved in an unplanned and uncoordinated manner resulting in duplication and waste."¹⁸⁵ A factor that contributes to the low value placed on technical and vocational education socially, is its low status at government policy-making levels. It is by design that students who are academically deficient or who drop out of general education enter technical/vocational education. Therefore, students who are successful academically, do not enter technical education, but go on to university education.

...unfortunately, the Kudos of general university courses means it is typically only those who are academically less able or who actually 'dropout' who enter technical and vocational education.... This

¹⁸⁴ R. Paul Shaw, "Manpower and Educational Shortages in the Arab World," World Development, vol. 9, no. 7, (1981), pp. 637-655.

¹⁸⁵ World Bank, Report on Human Resources Development in Kuwait, 1978, p.21.

attitude obviously has great influence upon the nature and disposition of the workforce. It is reinforced, rather than removed, by the present set of values in education.¹⁸⁶

Technical and vocational education provide technicians, skilled and semi-skilled workers, indigenous personnel previously shown to be needed in the Kuwaiti labor force. However, because of the low status presently given to these occupations, efforts at a policy level will be needed to change social attitudes. Students show little desire to attend technical education, especially scientific technical education. Table 5.21 illustrates this reluctance, showing that only 17.5 percent of 4,242 students enrolled in technical and vocational education were enrolled in the Kuwait Institute of Applied Technology (KIAT). Only 3.4 percent of that total was enrolled in nursing education in 1980/81. Technical and vocational education not only attract a small number of students, but suffer further from high dropout rates (Table 5.22). Fully 50 percent of the total KIAT enrollment later dropped out.

Generally speaking, then, the modern educational system of Kuwait seems largely unrelated to the needs of its labor market. A projection of manpower made by the

¹⁸⁶ Birks and Sinclair, Arab Manpower, pp. 20-21.

TABLE 5.20: STUDENT ENROLLMENT BY VARIOUS FIELD IN KUWAIT UNIVERSITY (%) 1980/81

Field of Study	Percent
Literature	38.9
Science	16.7
Commerce, Economic and Political Science	22.3
Engineering and Petroleum	10.3
Law	6.7
Medicine	3.2
Allied Health	1.9

SOURCE: Annual Statistical Abstracts, 1981, p. 372.

TABLE 5.21: STUDENT ENROLLMENT IN TECHNICAL AND VOCATIONAL INSTITUTES (1980/81)

Institute	Male	Female	Total
Teacher Training Institute	601	1071	1672
Kuwait Business Institute	556	1124	1680
Health Institute (Females Only)	---	146	146
Kuwait Institute of Applied Technology (males Only)	<u>744</u>	<u>---</u>	<u>744</u>
Total	1901	2341	4242

SOURCE: Ministry of Education, Kuwait, 1981.

TABLE 5.22: DROPOUTS FROM TECHNICAL AND VOCATIONAL EDUCATION

Institute	Year	No. of Enrolled	Percent of Dropout
Teacher Training Institute			
(Male)	Sept.1977	216	19.0%
(Female)	Sept.1977	443	9.5%
Kuwait Business Institute			
(Male)	Sept.1975	426	29.3%
(Female)	Jan.1977	64	23.5%
Health Institute			
(Females Only)	Sept.1977	27	18.5%
Kuwait Institute of Applied Technology			
(Males Only)		84	50.0%

SOURCE: Ministry of Education, Kuwait, May, 1981.

World Bank, according to the ability of educational institutions to provide such manpower, found the existing educational system inadequate to provide future needed workers. Tables 5.23 provides projections of future manpower required for various jobs. Three major conclusions can be drawn:

- (1) Projected 1985 manpower needs in various occupations will require 389,738 workers. The indigenous labor force will provide only 39.5 percent of total manpower requirements. This means 60.5 percent of that total will have be imported.
- (2) Shortages in skilled and unskilled occupations will continue, with skilled production workers in shortest supply. It is projected that skilled production needs will require 61,256 workers, and the indigenous labor force will provide only 12.5 percent of the total requirement of skilled production workers.
- (3) Of a total of 62,143 professionals needed, the indigenous labor force will provide only 38.9 percent.

When a country can anticipate filling less than 40 percent of its projected manpower needs in the immediately approaching years, and especially when it can project filling only 12.5 percent of its skilled production needs, which do not require the extensive lead-time necessitated by long years of academic training for physicians or physicists, it is apparent that national, as well as educational, policy is out of step with the country's economy. "At the national level deficiency in educational planning is reflected in the absence of a clear definition of an overall national educational policy."¹⁸⁷

¹⁸⁷World Bank, Report on Human Resource Development: Kuwait, (Kuwait: Ministry of Planning, 1978) p.15.

TABLE 5.23: PROJECTED MANPOWER REQUIREMENTS FOR 1985

	A-1	A-2	A-3	A-4	A-5	A-6	B-1	B-2	B-3	C-1	C-2	D	E	F	Total
Required Manpower	2259	5763	5380	32930	6334	9477	34053	5914	7483	56439	14585	61256	73250	74615	389738
Available National Manpower	1552	1814	1658	11671	3497	4019	17656	2920	1968	23664	7158	7901	35394	33175	154047
Deficit To Be Filled by Expatriates	707	3949	3722	21259	2837	5458	16397	2994	5515	32775	7427	53355	37856	41440	235691

A-1 = Scientific Professionals
A-2 = Engineers and Architects
A-3 = Commercial Specialists
A-4 = Teachers and lawyers
A-5 = Other Professionals
A-6 = Managers

B-1 = Entrepreneur and Supervisory Occupations
B-2 = Physicians and Engineering Technicians
B-2 = Other Technicians

C-1 = Office Personnel
C-2 = Special Skills - Service Occ.
D = Special skills - Production Occ.
E = Moderately skilled
F = Car Drivers, and ordinary Laborers

SOURCE: World Bank, Human Resources Development:Kuwait (Kuwait: Ministry of Planning, 1978) p. annex 3.

CHAPTER VI

POLITICAL ECONOMY OF EMPLOYMENT

As noted in Chapter V, there are reasons why Kuwait has a shortage of labor, especially skilled and unskilled production workers, and a bloated service sector that contributes very little to the economy--reasons that have little to do with either the industries or the indigenous workers, themselves. Rather, they are generated from the government and it is by government policy that the indigenous labor force is being marginalized, and there is increased dependency on imported labor. In this chapter, employment of the indigenous population and imported labor are examined from a political economy perspective. The role and condition of imported labor are also examined.

Marginalization of the Indigenous Workforce

The development of Kuwait's indigenous labor force in the post-oil period is characterized by concentration in the tertiary sector, mainly the government bureaucracy, while in other sectors of the new economy, indigenous workers are scarce. Such uneven development of the indigenous

labor force is a form of marginalization of the labor force.

The hypertrophy of the tertiary sectors that absorb the majority of the labor force was generated by the position of Kuwait in the world capitalist system as a producer of a primary product. The expansion of the tertiary sector functions to expand the primary sector, mainly the oil industry so that the distribution of the work force is generated by the position of Kuwait in the world capitalist system. This is manifested in the small size of the labor force in the modern economy that is absorbed in the capital intensive oil industry. Less than 2 percent of the total labor force is employed in this sector which is the major contributor to the GDP. At the same time, the tertiary sector which is the lowest contributor to the GDP absorbs the majority of the labor force, 76 percent of indigenous labor force and more than 50 percent of total labor force (See Table 5.9). Thus, the concept of marginalization implies the effective disruption and the weakening linkages between the active population and the central sector of the economy.

The limited development of indigenous labor force in the post-oil period, as shown in Chapter V, existed from 1957 to 1975 and followed a consistent pattern of distribution. More specifically, during the 1970s, indigenous

laborers witnessed a decrease in the industrial sector and tended to increase in the tertiary sector, mainly in government bureaucracy, since it is less demanding. What this indicates is that the narrow specialization of Kuwait in the international division of labor, limits the diversification of the economy and limits the development of a productive labor force.

This limitation on the level of development of productive forces is a function of the relations of production in a world system--of the functional division of labor between central capitalism and peripheral capitalism.¹⁸⁸

The oil industry, an economy alien to the internal environment of Kuwait, was imposed by the world capitalist system. This new economy has produced certain changes in the quantity and quality of the labor market, that were not provided domestically. These changes in the structure of the labor market are determined by the subordinate position of Kuwait in the international division of labor and by a monopolistic dominant class. These two dimensions have produced the selective construction of the labor force.¹⁸⁹

¹⁸⁸ Ismael, p.113.

¹⁸⁹ Anibal Quijano Obregon, "The Marginal Role of the Economy and the Marginalized Labour Force", Economy and Society, vol. 3, no. 4, (1974) p.406.

The first dimension has already been explained in Chapter Three. With regard to the second, its necessary to elaborate in terms of whose social interests the displacement of the labor force serves.

The emergence of Kuwait as an oil producer has enabled the country to accumulate capital surplus; since the State owns the means of production, it has become the biggest capitalist. The State tends to distribute the wealth unevenly among its population. The merchants, the dominant class in the period before the oil era, have benefitted the most in the post-oil period. This class, with the support of the State, has accelerated the marginalization of the indigenous labor force by importing a labor force which partially functions to serve the dominant class.¹⁹⁰

In fact, the dominant class is in a position to influence and control the process of planning and development to serve its own interests. This class has become a major obstacle to achieving any real comprehensive development.

The major factor blocking any genuine development planning is the dominance of a powerful merchant class that does not favor long-term investment in production and that looks for larger fortunes to be obtained as fast as possible.¹⁹¹

¹⁹⁰ J. Craig Jenkins, "The demand for immigrant workers: Labor Scarcity or Social Control." International Migration Review, vol. 12, no. 4 (1978) pp. 514-35.

¹⁹¹ Sirhan, p.19.

In this context, the Arab economist, Sayigh, has said:

It should be noted that the attitude of hesitation toward planning, and of indifference to the rationale behind it at the decision-making level in the public and private sector alike, are ...caused by the superabundance of capital, furthermore, the concern extends to reach the population and manpower policies,...which are believed to be harmful to national interests in the long run. 192

Reluctance toward planning, as Sayigh mentioned, is manifested in the absence of population policy that defines the demographic future of Kuwait.¹⁹³ Furthermore, until now the State has had no clear manpower policy to anticipate the future needs of the economy.

The Government does not presently have appropriate policies and programs to develop indigenous personnel with the skills and motivation to become effective entrants to the labor force or further developing and utilizing them effectively after entry. 194

¹⁹²Yousif A. Sayigh, The Economy of the Arab World: Development Since 1945. (New York: St. Martin's Press, 1978), p. 116.

¹⁹³Khayja and Sadler, p.123.

¹⁹⁴Conrad C. Stucky, "Manpower Planning in Kuwait," Unpublished report, Ministry of Planning. Kuwait, 1972, p. 6.

In the presence of abundant capital, employment is not consistent with the requirements of the economy. Rather, employment of the indigenous population is utilized as a political means for maintaining the status quo.

Employment creation has, thus, become a major task of the state regardless of the needs of the economy. Changes in State policy with regard to manpower planning are a political matter. Policy-makers act within a political and socioeconomic context which, in the end, restricts their actions, which is considered a factor that determines patterns of human resource development. By providing employment for every citizen, the State makes a distinction between the indigenous and the immigrant populations, that reinforces the prevailing social structure.

In Kuwait, the problem for the ruling class is one of exploiting the expertise of immigrant labor to serve the function of dependency while isolating their political involvement and maintaining the legitimacy of class power.... Policy responses to this problem have been, on the one hand, to control the immigrant population by a system of insecurity... on the other hand, through paternalistic policies toward the Kuwaiti population, to engender dependence on the ruling class and status distinctions between the Kuwaiti and non-Kuwaiti groups.¹⁹⁵

¹⁹⁵ Ismael, p.125.

By such distinctions among the two population groups, the State extends employment in the government sector in order to enlarge a middle and an auxiliary class among the indigenous population, additionally blocking any development of an indigenous working class or opposition groups. Such strategy is successful, in that most of the educated middle class functions to justify the State's ideology. The State has, therefore, by its generous employment and welfare policies been successful in alleviating internal contradictions among the native population, but imported labor has become essential to maintain the monopolistic structure.

The Kuwait government has long been concerned with finding means of promoting national development without substantially changing the nature of political community or privileged position of its citizens, and the issue of migrants is of high political salience.¹⁹⁶

In fact, underutilization of the indigenous labor force has greatly contributed to the increased volume of imported labor. Since the large percentage who are employed in government bureaucracy are far beyond the requirements of this sector, they are underutilized and their misplacement keeps them from more economically beneficial

¹⁹⁶ Nazli Choucri, "The New Migration in the Middle East: A Problem for Whom?", International Migration Review, Vol. 11, no. 4 (1977) p.133.

employment in other sectors. The World Bank emphasized very strongly that, "re-orientation of employment policy in the public sector," is badly needed for better utilization of indigenous human capital.¹⁹⁷ The most destructive aspect of this underutilization, is that native employees are not being paid for production, just for existing as citizens; "...the conditions of employment for nationals are particularly favourable, wages being paid to nationals as a right almost irrespective of production."¹⁹⁸

Such a policy of employment is a type of deterioration of human capital. Diminished work motivation results and workers' labor value is removed from the economy. Further, this leads to accelerating the volume of imported labor.

The Role and Condition of Imported Labor

Through the history of mankind, people have moved from place to place, either within the national boundaries or across national boundaries. Several factors account for such movement: economic, political, and social. The

¹⁹⁷The World Bank, 1980, p. 54.

¹⁹⁸Birks and Sinclair, Arab Manpower, p. 348.

process of labor migration does not occur in a vacuum, rather it operates in a world scale context.

In most accounts of capitalist development the struggle by employers to recruit and maintain an adequate labor supply has been overshadowed by the problem of realization, most particularly market expansion--yet, a central precondition for the realization of the surplus-generating possibilities of a geographic location is the formation of a politically and economically suitable labor supply. On the most general level, the formation of a labor supply has been an integrated part of the progressive articulation of the world capitalist economy.¹⁹⁹

Western European countries have experienced labor migration since World War II, mainly from Mediterranean countries. In the United States, migration has occurred from Mexico. Immigrant labor has been viewed in the host countries as the weakest element in the social structure and thus its function has been to serve the dominant class and to maintain the power structure.²⁰⁰

The case of labor migration in Kuwait differs from the experience of Western Europe and the U.S. Labor

¹⁹⁹ Saskia Sassen-Koob, "Internalization of the Labor Force," Studies In Comparative International Development, vol. xv, no.4 (1980) p.3.

²⁰⁰ See, for instance, Saskia Sassen-Koob, "Economic Growth and Immigration in Venezuela," International Migration Review, vol. 13, no. 3 (1979) pp.455-75. Also, Mary M. Kritz "International Migration Trend in Latin America: Research and Data Survey," International Migration Review, vol. 13, no. 3, (1979), pp.407-27. Also Alejandro Portes, Labor, Class and the International System, (New York: Academic Press, Inc., 1981).

migration in Western Europe and the U.S. was associated with capital accumulation in the center, while in Kuwait it is just the opposite; labor migration is associated with capital expansion in the periphery. It can be viewed as a changed role in the international division of labor. Another distinction is that labor migration to Kuwait is at all occupational levels, where in Western Europe migrants are mostly semi-skilled and unskilled laborers, engaged in construction and other manual occupations.²⁰¹

The size of the imported labor force in Kuwait cannot be traced to labor scarcity alone. Rather, other political and socioeconomic factors play a significant role in determining the volume of imported labor. This has become clear, since the indigenous workforce is poorly utilized and further subject to deproductivization.

...restriction on the use of total labor is politely called 'welfare unemployment,' i.e., the phenomenon whereby male citizens of certain states (Kuwait being the outstanding example) are able to receive a salary without in fact working. If 'welfare unemployment' is a permissible category, then so too may be 'welfare underemployment', ...In such situations further personnel have to be brought in to do the jobs that could be done by citizens if they worked hard enough. ²⁰²

²⁰¹See Stephen Castles and Godula Kosack, Immigrant Workers and Class Structure in Western Europe, (London: Oxford University Press, 1973). Also, Manuel Castells, "Immigrant Workers and Class Struggle in Advanced Capitalism: The Western European Experience," Politics and Society, vol. 5, no. 1 (1975) pp. 33-66.

²⁰²Fred Halliday, "Labor Migration in the Middle East", Middle East Research and Information Project, no. 59 (1977), p.9.

The increasing volume of imported labor can be attributed to economic and political factors. Economically, they represent cheap labor, compared to indigenous labor. It has been established that 50 percent of imported laborers receive less than 100 Kd (\$350) monthly, and 37 percent of that proportion receives less than \$240 monthly. Only 7 percent of the total indigenous labor force receives less than \$350 monthly.²⁰³ The majority (70.3 percent) of imported labor is employed in the private sector (See Table 5.9).

Table 6.1 illustrates the sharp wage differences between native workers and imported workers in the private sector, making it clear that imported labor serves private capital accumulation. There are no restrictions on importing laborers, a policy beneficial to private businessmen who import labor as needed. At the same time, the State takes the responsibility for providing basic services for these imported workers, which means additional labor must be brought in to provide such services. Without having any labor policy or restrictions, therefore, dependence on imported labor will increase consistently, for as long as it remains profitable for private businesses.

²⁰³ Annual Statistical Abstract, 1981, p.139.

TABLE 6.1: OPERATING ESTABLISHMENT BY ECONOMIC ACTIVITY,
NUMBER OF LABORERS AND AVERAGE MONTHLY WAGES
(IN KD), 1974

Economic Activity	Kuwaiti		Non-Kuwaiti	
	No.	Wages	No.	Wages
Agriculture & Fishing	---	---	1,550	29
Mining & Quarrying	721	207	674	133
Manufacturing	142	195	17,908	49
Elec., Gas & Water	---	---	5	52
Construction	---	---	12,705	46
Wholesale & Retail Trade	22	147	22,082	48
Transport, Storage & Communication	29	95	4,049	91
Finance, Insurance & Business	3	106	1,286	38
Other	7	205	11,827	48

SOURCE: Jacqueline S. Ismael, Kuwait: Social Change in Historical Perspective (New York: Syracuse University Press, 1982), p.127.

Imported labor is exploited and such exploitation has become institutionalized. By law, every imported laborer has to have a native sponsor (Kafil) whose responsibility is to provide legal justification for the worker's stay in Kuwait. The sponsor can be an individual, government or private company. In practice, this situation has been turned to profitable advantage by Kuwaitis who provide legal status to non-Kuwaitis in return for money rent.

A Kafil (sponsor) may simply import labor and then rent it out to other local employers for a percentage of their wages.... The Kafil often keeps with him the passport and traveling documents of those individuals whom he sponsors. Thus they cannot travel in or out of the country or work for anyone else without his consent. In other words, the Kafil not only extracts a substantial profit from the sponsored ones, but also controls them almost completely while they are in his country. 204

Evidently, this type of human trade is a consequence of abundant wealth. The practice has been growing in recent years, and has created a type of "parasite class" that depend for their living on the exploitation of others. The most striking examples are the international agents or labor dealers who engage in the export of workers from

²⁰⁴ Saad Eddin Ibrahim, The New Arab Social Order: A Study of the Social Impact of Oil Wealth, (Colorado: Westview Press, 1982), p.12.

one country to another. Khouri cites an example from Bahrain that is typical of the labor transactions in Kuwait.

Several Bahrainis today style themselves 'labor dealers', they travel between Manama and Bombay, hiring labor in India and sub-leasing it in Bahrain. A foreign laborer who is hired for U.S. \$75 a month in India may sublease for U.S. \$125 in Bahrain to another dealer who, in turn, leases him for U.S. \$200. I learned in 1975 about a few laborers who were subleased from two to three times by different dealers, each making a little profit in the transaction. 205

Imported laborers live in separate communities from the Kuwaitis and their interaction with the indigenous population is minimal. Their weak status in the society (subject to loss of work, deportation at anytime) has led them to accept working under appalling conditions. As these imported workers have no right to join the Kuwaiti trade unions, as active members, they have become the most exploited group in the society.

The New Trend: Asian Workers²⁰⁶

Since the increase in the oil prices during the 1970s, a new trend in labor importation has occurred as a result

²⁰⁵ Fuad I. Khouri, Tribe and State in Bahrain: The Transformation of Social and Political Authority in An Arab State. (Illinois: University of Chicago Press, 1980), p.140.

²⁰⁶ Refers to workers from East and Southeast Asia.

of changing political and economic policy throughout the Arab Gulf oil area. This new trend is associated with a new development strategy of enclave development projects.

The compromise by the rulers of the oil exporting states has been to separate physically new industrial areas (upon which future growth and development will be based) from existing urban areas. In this way, it is hoped that what are perceived to be the undesirable aspects of labor importing (the close and prolonged contacts between indigenous and immigrants and the economic cost of supporting expatriates within the country of employment) will be minimized. ²⁰⁷

A shift toward Asian workers, away from laborers from other Arab states, is associated with increased operations in construction sectors, absorbing up to 61 percent of total workers given permits in the first quarter of 1981 (Tables 6.2 and 6.3). Increasing activity in hotels and restaurants accounted for the next highest (16.9) percentage of total work permits. Asian laborers accounted for 61.4 percent of total foreign workers in the same period. In terms of occupational classification, almost more than 60 percent of total workers are classified as laborers: more than 50 percent are absorbed by the private sector. ²⁰⁸

²⁰⁷J.S. Birks and C.A. Sinclair, "Economic and Social Implications of Current Development in the Arab Gulf: The Oriental Connection," in Tim Niblock, Social and Economic Development in the Arab Gulf, (New York: St. Martin's Press, 1980), p.151.

²⁰⁸Ministry of Social Affairs, 1981, p.5.

TABLE 6:2: WORK PERMITS FOR THE FIRST QUARTER OF 1981, BY ECONOMIC ACTIVITY AND OCCUPATION

Economic Activity	Technical/Scientist	Manager	Clerical	Sales Workers	Service Workers	Agriculture Workers	Laborers
Agriculture & Fishing	2.0	--	0.1	0.8	--	92.5	1.6
Oil Industry	3.6	1.6	1.1	--	--	---	0.1
Manufacturing	6.8	16.2	7.6	4.8	2.9	1.5	11.1
Construction	45.8	61.3	31.8	1.8	12.8	1.3	63.3
Restaurants & Hotels	12.7	---	36.2	90.0	35.3	2.7	11.3
Communication & Storage	2.5	6.4	8.3	0.5	0.3	--	8.0
Business Services	10.0	14.5	6.7	1.1	5.5	--	0.5
Other Services	15.8	---	8.2	1.1	43.2	2.0	4.1

SOURCE: Kuwait Ministry of Social Affairs, Report on Work Permits, 1981, Table 9.

Available data concerning the use of Asian labor is very limited and what is available is only general. Detailed information is restricted, apparently by the government, because of its controversial political implications. But, generally, there has been a tendency toward decreased dependency on Arab labor and increased dependency on Asian labor, not only in Kuwait, but in the whole Arab Gulf oil area, during the 1970s (Table 6.4).

The increased importation of Asian workers is due to both political and economic reasons at national levels and increasing activities of multinational corporations since the increase in oil prices. On a national level, Asian labor is less costly than Arab labor, and interaction between the indigenous population and imported labor is minimized. The Asians live in work camps far from the new urban areas where most of the native population live. "Asian migrants to not bear the baggage of political ideologies and make few demands. They do not interact with the local Arab population,...." ²⁰⁹

Farjani explained the trend toward Asian labor as: profit maximization for private companies and security for the government. A businessmen put it more boldly:

²⁰⁹ Myron Weiner, "International Migration and Development: Indians in the Persian Gulf." Population and Development Review, vol. 8, no. 1 (1982) p.12.

TABLE 6.3 WORK PERMIT BY NATIONALITY FOR THE FIRST QUARTER 1981

Nationality	No.	%
Arab	3,697	32.4
Asian	6,982	61.4
European & American	697	6.1
Other	15	0.1
Total	11,391	100.0

SOURCE: Ministry of Social Affairs, Report on Work Permits, 1981, Table 1.

TABLE 6.4: MIGRANT WORKERS TO ARAB GULF STATES,** 1970,1975

Ethnic Origin	1970	%	1975	%
Arab	165,900	51.0	226,400	41.7
Asian	83,900	25.8	247,700	45.7
Iranian, European & Other	75,300	23.8	68,400	12.6
Subtotal	325,100	100.0	542,500	100.0
Native Work Force	147,600	31.2*	195,100	26.5*
Total	472,700	100.0	737,600	100.0

*Percent of total

**Kuwait, Bahrain, Qatar and United Arab Emirates.

SOURCE: J.S. Birks and C.A. Sinclair, International Migration and Development in the Arab Region, (Geneva: International Labour Office, 1981), p.136.

"We prefer the Indian because he is cheaper, works hard, completely obedient and does not have the ambitions of the Arab worker."²¹⁰

On an international level, the increasing activities of multinational corporations have greatly affected the country since the oil price increase in the 1970s. The most striking examples are South Korean firms incorporated with firms in the United States and Japan. It is estimated that such joint venture firms from South Korea gained \$250 million from their operations in the Arab Gulf area recently.²¹¹ Indications show that the U.S. and Japan have combined their advanced technology with South Korean cheap labor to increase their activities recently.

One Korean firm recently established a joint venture with an American contractor to combine Korean manpower with advanced foreign technology and engineering know-how.²¹²

²¹⁰ Nader Farjani, The Use of Arab labor in the Arab Gulf States, (Kuwait: Arab Planning Institute, 1978), p.39

²¹¹ The Christian Science Monitor, May 11, 1982.

²¹² Krishna Kumer and Maxwell G. McLeod, Multinationals From Developing Countries, (Massachusetts: Lexington Books, 1981), p.72.

Furthermore:

Japan is extending its exploitation of Korea.. by setting up joint projects with South Korean firms and hiring South Korean labor for Japanese projects in the Middle East.²¹³

Even though there is little data concerning this issue, it is widely believed that the entrance of Asian workers, mainly from South Korea into the Arab Gulf States cannot be separated from the international circulation of resources.²¹⁴

The activities of the multinational corporations, most visibly in the construction industry, apart from increasing the volume of Asian laborers, function to circulate oil money to the world accumulation process.

²¹³Nigel Disney, South Korean Workers in the Middle East, (MERIP) Reports, No. 61, (1977) p.24.

²¹⁴There is a growing debate that South Korean workers are considered the reserve army for the U.S. and Western Europe, to protect the oil fields in case of emergency. There is no direct evidence to support such an argument, but the South Korean workers are considered a militarized labor force. Disney, in this context, says: "The reality of the 'diligence' of the Korean workers is very much the product of a semi-militarized labor force. In early 1967 the South Korean government converted several military bases in South Korea into training centers for construction workers, financed jointly by the South Korean government and the construction companies.... Much of the recruiting for these centers is done by the South Korean government, which offers soldiers an early discharge if they sign up for the Middle East." (Ibid, p.22).

Many of our firms are going to have to rethink their relationship with this part of the world and figure out ways in which they can build the kind of relationship (needed) so that some of these billions of dollars will be made available to you.... I think anybody that seriously thinks of themselves as a multinational corporation cannot ignore any longer this new capital market. 215

A discussion between the Korean Minister of Construction and a Korean construction executive explains the increased activities of these firms in the Gulf oil area.

'We concentrate on oil producing countries because wealthy men always have a project,' said the construction Minister.

A South Korean construction executive agreed. 'No one else in the world has as much money to spend on industrialization as the Gulf States. And no one else is burdened with such a lazy labor force. If these countries had to depend on their own workers, they'd never get any thing done.' 216

The activities of the multinational corporations in the Arab world, thus, function to serve a global process of

²¹⁵Peter Peterson, former U.S. Commerce Secretary and now in charge of the investment balancing firm of Lehman Brothers, in a speech to a meeting of U.S. chemical industrialists in June 1974. Chemical Week, (July 24, 1974).

²¹⁶Quoted in Nigel Disney, p.23.

accumulation, using cheap Asian labor, and exploiting the natural, largely non-renewable resources of these countries, with the active cooperation of their rulers.

In Kuwait and the other Arab oil exporting states, the increased activities of multinational corporations have operated to draw large amounts of capital from the centers, in return for oil imports, and then funnelled the capital back to the world accumulation process. In this context, a British construction engineer engaged in the Gulf area, told The Wall Street Journal:

A lot of money is being poured down drains. This whole area is becoming a boondoggie belt. Thank God for that. These countries are developing their own system for recycling petrodollars-- spend, spend, and spend some more. The oil money is coming back to people like myself and to companies like ours.²¹⁷

The increasing activities of multinational corporations are considered harmful to the indigenous labor market. These corporations enter the area with their entire work force and further accelerate the volume of immigrant labor. Thus, the organized export of South Korean workers and other Asian laborers to the Arab Gulf in the employ of multinational corporations or international employment

²¹⁷The Wall Street Journal, Oct.19, 1975.

agencies, should not be seen in terms of a South Korean need for foreign exchange or as a source of cheap labor for the Gulf oil states, only. Rather, the phenomenon should be seen in a wider context, in terms of the logical mechanics of the world capitalist system. Labor migration does not occur as an external process between two separate units, but,

...as part of the internal dynamics of the same overarching unit. This unit, the world capitalist system, is constantly changing according to forces that allow its components to modify their relative positions without significantly altering the basic dynamics of the accumulation process. 218

It is apparent, therefore, that Kuwait's patterns of development generate high dependency on imported labor, that indigenous labor scarcity is actually maximized as a result of these patterns of development which act to reinforce the country's structural dependency. Dependency on imported labor cannot be minimized, then, unless changes come about in patterns of development.

Increased dependency on imported labor has negatively affected the utilization of the indigenous work force. The

²¹⁸ Alejandro Portes and John Walton, Labor, Class, and the International System, (New York: Academic Press, 1981), p.29.

social and psychological consequences of the increasing dependency on imported labor have produced a dependent mentality among the native population. Not only do foreign workers dominate most occupations and economic activities in Kuwait, 24,000 to 30,000 (14.0 percent) of the imported laborers work as house servants and cooks.²¹⁹ This illustrates a growing mentality of dependency among Kuwaitis. It is not surprising, since the policy-makers reinforce labor dependency, that native Kuwaitis have taken the position that imported labor can be depended upon to carry out the development of their country for them, in return for wages.

"Development with its all components; equipment, enterprisers, technicians, and laborers, all can be imported from abroad," said one of the Ministers in the oil Arab Gulf States.²²⁰

This dependency, however, threatens the future of Kuwait because, without dramatic changes in planning at policy levels, there will be no development of a domestic workforce, only increasing erosion and greater dependency.

²¹⁹ Annual Statistical Abstract, 1981, p.103.

²²⁰ M. Rumaihi, "Temporal Formation and Dependent Development in the Arab Gulf States" (Paper presented at the Annual Meeting of the Arab Planning Institute, Kuwait, Dec. 26-29, 1981) translated from Arabic by this researcher.

CHAPTER VII

SUMMARY, CONCLUSIONS AND SELECTIVE FURTHER RESEARCH

Summary

This is a historical study of the character of the indigenous labor force in Kuwait. The study examines the distribution of the indigenous labor force in relation to the economic development of Kuwait since the discovery of oil. The indigenous labor and the temporary resident foreign workers who presently form a majority of Kuwait's labor force, are analyzed in order to understand their roles in the country's economy.

The second chapter reviews the history of Kuwait's pre-oil political and socioeconomic structures. Since its inception in 1756, the country has been ruled by the al-Sabah family who migrated from central Arabia and settled in Kuwait. Sheik Mubarak al-Sabah (1896-1915), the seventh ruler, signed a treaty in 1889 with the British government, making Kuwait a British protectorate. By this treaty the British government became responsible for the internal and external affairs of Kuwait until Kuwait's independence in 1961.

The major economic activities of the pre-oil period were pearl diving, fishing and trade. All the economic activities were financed by a powerful merchant class that entirely controlled the economy of Kuwait.

In the 1930s, oil was discovered and Kuwait began a process of economic transformation that is reviewed in Chapter Three. The discovery and later production of oil was not a domestic undertaking but entirely financed and carried out by foreign capital, technology, and labor. The economic transformation of Kuwait was thus not a product of domestic productive forces, rather it was transformed by the international market, when Kuwait became the supplier of a primary product to the global economy. This position as shown in Chapter Three, has resulted in disarticulation of the domestic economy, whereby the modern oil sector is tightly integrated into the world capitalist system, while Kuwait's other economic sectors have remained relatively underdeveloped. The process of disarticulation has thus introduced a domestic structural dependency that penetrates the country's whole socioeconomic structure. Continuing and growing external oil revenues have enabled the government to play a dominant role in the domestic economy. This period of oil exploitation has witnessed the transformation of the traditional merchant class into a powerful financial class tied to the world market.

Chapter Four describes the interrelated demographic and social structure of Kuwait during the oil era. Major

demographic characteristics of Kuwaiti and foreign labor are discussed.

In Chapters Five and Six, the labor force and the political economy of employment are examined. The indigenous labor force is unevenly distributed among the differentiated economic sectors, with most indigenous workers employed in the government bureaucracy, while a very small minority are employed in the newly industrialized sectors. This indigenous labor force currently is extensively underutilized and this has directly increased the volume of the foreign labor force. Labor shortages have been accelerated as a result of a government policy that employs Kuwaitis in the public sector regardless of their qualifications.

Employment of the indigenous population has thus become a political means to redistribute oil revenues and stabilize the status quo. The foreign labor force was first introduced by the international oil companies which found foreign workers cheaper and more manageable than indigenous labor. Dependence on foreign labor was accelerated when the government and the private sectors followed the oil companies' lead. Thus, the foreign workforce became an essential element in private accumulation and a necessary factor in maintaining the prevailing power structure in Kuwait.

Conclusions

The issue of development in the Third World nations has been viewed, by some Western scholars, from too narrow a perspective. Some have concentrated purely on its economic dimensions, others have concerned themselves primarily with the need for expansion of formal education or the promulgation of mass communication facilities as a means to achieve development. Still others see underdevelopment as the result of the domination of traditional lifestyles and a lack of modern attitudes at the individual level. The shortcomings of these conceptualizations of development do not necessarily reduce the importance of their theoretical performance, since all of the efforts must be viewed within their own historical context. Knowledge not only expands over time; the focus of problem-solving pertinent to any particular issue changes with the specialty and expertise of the viewer. This researcher, then, has made an effort to raise some problematic issues to open new dimensions in analyzing the concerns of development.

As a case study, Kuwait presents some aspects of the development equation that are different from what obtains in other Third World countries. It is a small, peripheral country that has conspicuously failed to use huge capital surpluses and a considerable pool of human talent as catalysts to generate enduring development. Traditionalism and traditional lifestyles have not presented obstacles to development,

but this is not to say that these factors have had no effect on the rate of development. Their effects have been both positive and negative but have not blocked development. To identify the processes and events that have seriously hindered development, we must look to our conceptualizations of development, and widen them to be more comprehensive to include other factors that might affect development.

Development is a social process that introduces structural transformation of socioeconomic and political structures and can be achieved by various means that are capable of providing public participation. Development of public participation has become a crucial issue that should be confronted by social scientists. For more than three decades, various procedures have been implemented by international agencies to develop Third World nations, but such nations are still beset by many obstacles in the way of optimal development.

Dependency and world system perspectives became dominant conceptualizations and explanations among some networks of intellectuals and scholars during the late 1960s and have persisted until the present day.

While these paradigms have succeeded in explaining the causes of underdevelopment, they have failed to provide a policy for future research and program planning for action to achieve development. It is time to re-evaluate our theoretical conceptualizations of development in order to envision new procedures for building a developed society.

To do so effectively calls for several concepts or one that I call "development of participation".

The history of Third World societies since they have gained their independence, has shown that development programs have been implemented from the top, with little public participation, meaning that individuals have become marginalized and not effectively involved. As a result, these programs have often failed to fully achieve their goals. Many examples can be given. In the Saudi case, for instance, the country has experienced development of sophisticated industry built with Western technology with a developed infrastructure and an underdeveloped political structure, that indicators show to be incapable of absorbing new social forces. The Saudi problems of development can be generalized, if not to most of the Third World nations, at least to the other Arab Gulf oil states.

Given the fact that Kuwait, since the discovery of oil, has experienced drastic economic changes that have led to developing its infrastructure, is the country developing? On the contrary, as shown in the preceeding chapters what capital has done for Kuwait can only be described as growth without development.

What, then, can a sociologist learn from the case of Kuwait? What is the future of this small country with a tiny indigenous population that have become a minority in its own homeland? What are the long-run consequences of

Kuwait's increasing dependency on imported labor? A sociologist can raise numerous questions that might have no solid answers but invite further reflection and empirical study.

The development model of Kuwait, as presented in this study, was not of the country's own choosing. This is to say, that external forces were behind the establishment of an oil industry by foreign authorities that has brought the expansion of a large public bureaucracy and financial institutions designed to serve the oil industry. These have led, in turn, to the importation of a large body of temporary immigrant laborers of various ethnic and cultural backgrounds. Certainly, this process has had an impact on the society, in terms of opening the society to new ideas and what might be called acculturation which no doubt have affected the cultural heritage of the society.

The economy activities created by oil wealth are increasing commercial and financial enterprises. The domination of such activities is due to two major factors: (1) the continued domination, by the pre-oil merchant class, of the new socioeconomic structure and (2) the subordinate position of Kuwait in the global capitalist system as the producer of a primary product for the world market. These two interrelated factors have shaped the whole socioeconomic structure.

The incorporation of Kuwait into the world capitalist system first occurred in 1899 when it became a British

protectorate. The next stage of this incorporation was accomplished when multinational oil companies discovered and began to produce and export oil from Kuwait. Because Kuwait, as a tiny unit in the global system, acted only as a local host in these endeavors, this stage can be described as an advanced form of capitalist penetration.

The expansion of the Kuwaiti economy has led to the importation of labor into Kuwait, initiated first by the oil companies and continued later to fill newly created job opportunities in the domestic economy, that could not be filled by the indigenous labor force. Thus, labor importation was increased very rapidly, especially during the 1970s after oil prices were increased. Great demand, backed by huge surpluses of capital, opened the door to new forms of labor importation, to temporary migrants from South Korea to other Asian countries. This increased labor importation was also carried on by international corporations which provided labor that was eventually isolated, in a form of "labor camp" from the indigenous population. The isolation served the needs of growing construction projects and the desire of the Kuwaiti government to separate the foreigners to avoid political problems with the increased capital accumulation at the periphery.

While the country has witnessed an increasing volume of imported labor, its indigenous labor force has been subjected to a seemingly conscious and intended process of

underutilization, which is manifested in an overstaffed public bureaucracy which employs almost three-quarters of the employed native population. Such employment of native workers is viewed as a means of redistributing the oil wealth, unrelated to economic needs. Thus, government employment has become, on one hand, a means for ensuring loyalty to the political system and, on the other hand, has served to create a large consuming leisure class that has become part of the structural dependency of Kuwait.

Dynamics of Change

While society is always subject to processes of change, societies undergoing transformation may become exposed to factors that can affect the rate and speed of change. From examination of the case of Kuwait, it is apparent that the economic transformation of Kuwait did not correspond to structural transformation in its social structure. The traditional social structure has been maintained during the oil era. The continuity of tribal and traditional social relations, as affected by the imported Western values of consumption, need to be understood within the context of the political structure of the society. While the ruling class has been in favor of strengthening their relations with the West, they are unwilling to accept the modern democratic institutions of the West and thus the

modern influence of the West has been minimized. The vast oil revenues have become the major factor that enables the ruling elite to maintain the pressures for reform coming from various social groups. Traditionalism and tribalism have thus become a means of social control. A sociologist should not treat the issue of traditionalism in such a way that the cultural and social life of the society are obliterated. This is to say, that modern elements can be introduced within the national entity without destroying it.

Expansion of education, sending intelligent young men and women abroad to study, extensions of mass communication, all these are considered means for further change. New social forces have been created with the expansion of the economy. The growing number of educated Kuwaitis are a new social force, they aspire to be an effective part of the process of national decision-making and to build new institutions based on human talent for the betterment of their society and their country.

Policy Implications

According to this study, two major issues appear to be crucial problems confronting Kuwaiti policy-makers. They need to be re-evaluated and carefully examined in order to modify the labor force structure to meet the needs of the domestic economy. These are population policy and manpower utilization.

Population Policy

Population policy is the most crucial element in the process of manpower planning. With the absence of cogent and realistic national population policy to specify the demographic future of Kuwait, on one hand, and the labor market's increasing demand for immigrant labor, on the other, current efforts toward manpower planning unorganized and directed more by expediency than concern for the demographic future of Kuwait.

Thus, formulating clear and realistic population policy is badly needed in the process of manpower planning. Once spelled out, such policy must be operationalized, implemented, and enforced rather than being given "lip service" and placed on a shelf to gather dust when employers want to hire more and more temporary immigrant labor.

Manpower Utilization

Many Third World nations are characterized by underutilization of their human resources. The case of Kuwait has shown that a country can have manpower shortages at all levels and, at the same time, have a large proportion of its human resources either not involved fully in the labor force, as is the case with Kuwaiti women, or ineffectively utilized and underemployed, like many Kuwaiti government employees.

Therefore, policy-makers might re-examine the labor force structure according to the needs of the domestic economy. The next step will be to re-train the large proportion of those who are underemployed or unneeded in the public administration sector, in order to transfer them to other occupations where indigenous employees are critically needed to meet domestic labor needs.

Research Assessment

Generally speaking, the historical method that has been employed in this research to examine the status of Kuwait's indigenous labor force was successful, for two major reasons:

1. the development of the indigenous labor force was examined in relation to the development of the socioeconomic structure.
2. the development of the socioeconomic structure was examined in relation to the position of Kuwait in the world capitalist system.

By so doing, the major objectives of the research, which were to examine the distribution of the indigenous population and labor scarcity in the context of class structure and the role of Kuwait in the international division of labor, have been achieved.

Even though the research has met its objectives, there have been some limitations that have affected it.

One of these has been that access to certain data and official reports was highly restricted. Some, but not all restrictions were circumvented by the researcher's contacts in government departments because of the nature of the research. Another limitation was a relative lack of census data concerning the employment of imported labor in the private sector. For example, data on wages in the private sector were not available for recent years. The last available data on wages of imported workers in the private sectors were compiled in 1974. The Ministry of Planning in Kuwait stopped compiling, or at least providing, such data after that date. Even though there were some problems in obtaining research data, enough was obtained to provide a fairly comprehensive picture of the labor market and the labor force with its various subdivisions. The value of this research has been to open new dimensions in studying the labor market in Kuwait. Because, in spite of some restrictions, Kuwait's government files and documents are more open to academic scrutiny and its public press less fettered than those of other oil-producing Third World countries, it is hoped that this research has provided some light in which phenomena common to the oil-producing states can be examined.

Areas for Further Research

This study has perhaps produced more questions for further investigation than it has answered. Scholarly research is needed to examine various dimensions of the process of development of Kuwait's labor force, its quality and quantity. Most important are the following issues.

First, a study to examine the impact of oil wealth on the attitude of Kuwaitis toward the work ethic and their motivation for work is needed. Major variables that might be examined include (a) the family as a factor affecting work values. In this context, questions that need to be raised are: what kind of occupational orientation do young men and women acquire from their families? Does the socio-economic status of the families affect occupational orientation? If so, how is this influence manifested and why? (b) Employment policy is a factor that has shaped work orientation and values. This includes the relation between salary and incentive, which is an area where there are potential problems arising, if they have not already become extant.

Secondly, a study of the present educational system and its relation to the labor market is needed, mostly to identify the weaknesses in the educational system that relate to its failure to produce a workforce more adequate to the country's needs. Careful consideration should be given to the context of the educational system and its

effect on work aspirations of the pupils. Such analysis, considered in conjunction with future manpower needs, will help in designing educational and training institutions and programs that help to reduce dependency on an imported labor force.

Another critical area that needs serious social, cultural and political investigation, is the issue of female workers' potential for participation as an active and significant portion of the country's work force. Major variables for such study should include the role of the family, the media, the educational system and the political structure in terms of the reinforcement they give to traditional divisions of labor by sex and precluding women from entering employment in significant numbers.

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