IS KUWAIT A "SMALL STATE"? REFLECTIONS ON THE NOTION OF VIABILITY OF SMALL STATES

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INTRODUCTION

Is Kuwait a "small state"? To ask the question is neither a matter of seeking paradox nor of provocation. On the contrary, our question is a serious one, in the sense that it points directly to the weakness of certain socio-political analyses based upon quantifiable variables (population and territory) and upon notions of an econometric type (viability, optimal size, economies of scale, etc.). The terminological vagueness reveals in itself the weakness of these analyses and the inadequacy of certain notions and concepts inherited from the nineteenth century in the light of new scientific, technological and socio-political phenomena; thus, one speaks of the "micro-State", the "small-State", the "small economy", the "small country"...without the scholar knowing exactly what is being referred to and what rigorous indicators he disposes of to determine smallness, viability, the size declared to be optimal, etc.

The study of the Kuwaiti case can contribute to demonstrating the imprecision and fragility of these analyses and of the quantifiable parameters upon which they are based. In short, to seriously call into question the notion of viability itself.

With a surface area of 17,818 km^2 and a total population of 1,300,000 inhabitants (58% of which are foreigners), Kuwait certainly appears to be a small Arab State wedged between Iraq to the north, Saudi Arabia to the south and the Gulf to the east. Given that its indigenous population does not rise above the quasi-magical threshold of one million inhabitants, its inhabitable surface does not exceed 50% of the total territory, its immediate environment is menacing and marked by three regional "giants" (Iraq, Saudi Arabia and Iran), Kuwait would seem to constitute the ideal case study of a "Small State" and fertile ground for an interrogation on the notion of viability. Observed in isolation and in a mechanistic manner, the two variables population/territory would clearly indicate the existence of a small State with its share of socio-demographic, economic, political and geopolitical problems. However, small demographic size and an exiguous territory are not in

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themselves significant from the point of view of political or even economic analysis. One must also take into account such parameters as the distribution of the population on the territory (which will be important in the analysis of the communication factor in the broad sense of the term); the degree of urbanization (which will sometimes bring together the study of small States and that of city-States); the demographic structures and their projection (which will indicate the society's internal dynamism)...In short, the study of the small size of a State, of a society or of an economy does not solely consist of positivist and quantified observation of the traditional variables, but of a correlation of these variables.

Kuwait is thus found not only to be the most heavily populated Principality of the Gulf Emirates but also to have the highest density of the region (63 inhabitants per km^2 on average and 118 inhabitants per km^2 if one takes into account only the inhabitable surface area). This characteristic together with a very high degree of urbanization (80% of the population is concentrated in the capital and the country's principal ports) indicate a very high degree of communication, which is not without incidence upon the political, social and economic organization. Indeed, if one considers a socio-economic formation and the State which organizes it not only as a juxtaposition of demographic, economic and territorial elements, but as a more or less intense network of communications of all sorts, then density - more than extent of territory - becomes a pertinent variable for the correct evaluation of the socio-economic viability of a State. Thus, to cite only a few examples: a part from their importance in world commerce of the period, the Mercantile Republics such as Venice, Florence and Geneva, were able to derive a comparative advantage from a degree of internal communication which was more intense than that of larger underpopulated territories; today Hong Kong and Singapore benefit from the same comparative advantage. And this is also the advantage which high density offers the Principality of Kuwait which seems, in this way, to be more homogeneous than Saudi Arabia or Libya.

DEMOGRAPHIC FACTORS

The observation of the behavior of the demographic variable and of its evolution reveals further characteristics still: from 1957 (207,000 inhabitants) to 1977 (1,200,000 inhabitants) Kuwait's total population increased fivefold. Of course, immigration weighed heavily in this very rapid evolution (from 93,000 non-Kuwaitis in 1957 the figure rises to 590,000 in 1977); but the indigenous dynamism was exactly proportional to this very high rate of growth (114,000 Kuwaitis in 1957 rising to 540,000 in 1977). In less than one generation Kuwait was able to quintuple its indigenous population. The adoption of policies resolutely supporting a high birth rate together with the considerable improvement in living and health conditions certainly account to a great extent for this internal dynamism, aimed at counterbalancing the effects of a high rate of immigration. Even so, this does not entirely explain the real rate of growth of Kuwaiti (6.3%) which is higher than that of non-Kuwaitis (5.9%).

Psychological factors probably played a not inconsiderable role in this demographic growth. The collective fear of being "overrun" by foreigners and the anguish aroused by a fragile position vis-a-vis three powerful neighbors certainly gave rise to positive reactions in terms of demography. What can be described as a veritable "smallness syndrome' acts upon collective consciences and determines the State's choices; the political scientist interested in "small States" must take this into account. Just as in the case of the territorial variable, the demographic variable cannot be considered in isolation; this variable must also be correlated with other variables. In the case in question here, it is very likely that the psychological and geo-political factors (the "smallness syndrome") exert a very great effect upon the high birth rate characteristic of the indigenous Kuwaiti population.

Naturally, these demographic facts determine the structures of the active population. Even if the foreign population constitutes 58% of the total population, it furnishes as much as 72% of the active population. Kuwait's job market is thus largely dependent upon this factor. Three elements contribute, however, to holding back its expansion and even inversing it: the 1.4% difference between the real rate of growth of Kuwaitis and that of non-Kuwaitis will eventually raise the question of the replacement of foreign workers by indigenous workers; the effects of the patrol boom from which Kuwait benefited in the 1970's and which attracted tens of thousands of immigrants are now wearing thin and we today observe, if not a marked decrease at least a stabilization of the migratory influx into the Gulf countries; and the State's determined efforts in the domains of schooling, education and training (free schools, the lowest illiteracy rate in the region, 3% of adults with a university education) will bring indigenous start to the job market in increasing numbers and operational capacities. These three factors combining their effects, the Kuwaiti job market will depend less and less on imported labour. We are already beginning to observe this tendency.

In this domain, too, the "smallness syndrome" exerts an effect: we cannot consider the active population variable in isolation and without relating it to that which determines and organizes it; that is, political, psychological and cultural factors...Once again, smallness cannot be isolated and separated from all the other variables. The correct and rigorous evaluation of the size of an entity resides in the correlation of the whole set of data. In the case of Kuwait, resources (natural, material, intellectual and financial) constitute one of the most important sets of data which must be considered in the debate on viability. The problem of factors of production and of a society's economic organization is thus posed. This is the privileged domain of investigation of the economist who advances the quantifiable arguments of economies of scale, production costs, optimal size, degrees of dependence; in short, everything which generally gives the notion of viability an economistic and clearly reductionist content. As if a State, a nation, a society was no more than a simple commercial affair which could be judged by the criteria of profit, production costs and cost-benefit analysis. As if a State was not essentially an historical, cultural and political phenomenon before being a market and an economic space. We will come back to this question in the second part of this paper.

THE PETROLEUM ERA

With regard to Kuwait, the petroleum era certainly disrupted the country's social and economic structures. It allowed for a fabulous growth in monetary and material resources; in less than ten years the G.D.P. was multiplied by six! Still, one must look back to pre-petroleum Kuwait; it was not a stretch of desert inhabited by a few nomadic bedouins. On the contrary, it was an economy organized around the central activities of fishing and commerce, an economy open to the great commercial circuits of Europe and Asia, the existence of large ports and a long tradition of commerce and febrile maritime activity bear witness to this. Of course, the manufacturer of artificial pearls seriously affected one of the Principality's resources (diving for pearls was a major activity), but this had not deprived Kuwait of all its assets. Pre-petroleum Kuwait was already an open economy, founded upon commerce (agriculture is insignificant in Kuwait). As early as the eighteenth century, European travellers described the town of Kuwait "as an active town, with a population of 10,000 souls, which lives on pearling and commerce and possesses 800 boats...". The city drew further attention at the end of the eighteenth century when commerce and mail between India, Constantinople, Baghdad and Aleppo no longer passed through Basra (occupied by the Persians) but through the port of Kuwait. Having acquired a privileged role in the international exchanges of the period, this small and prosperous principality attracted the attention of the British; the Germans in turn became interested in Kuwait and proposed that it be the terminus of the Baghdad railway line which was to link Hamburg, Constantinople, Baghdad, Basra and Kuwait.

Thus, from being the "small fortress" - which in fact gave it its name (Kuwait is the diminutive of kut which means 'fortress') - serving only as a warehouse for arms and food, Kuwait was to become a real mercantile principality towards the end of the eighteenth century. Today, of course, the facts have completely changed. Alas, the pearl trade seems to be a thing of the past. The fishing sector is no more than an insignificant part of domestic production, constituting only 18% of the country's agricultural production, very weak in itself. In providing the country with the highest annual per capita income (nearly 18,000 dollars), petroleum (1,300,000 barrels a day out of a known reserve of 65 billion barrels) has given the Kuwaiti State the monetary resources to enable it to become a Welfare-State even before reaching the phase of industrialization that the Western States underwent. It would be wrong, however, to analyze the Kuwaiti case only in terms of a "rentier economy".

Although centered on petrochemicals (nearly 3 billion dollars of investments), real efforts are being made to achieve industrial diversification (worth nearly one billion dollars). A careful analysis of the modes and structures of industrialization in Kuwait also reveals the effects of what we have called the "smallness syndrome": responding to its dependence on foreign labour, Kuwait has opted for prudent industrialization, using advanced technology which requires more capital than manpower. And even if the State remains, despite the dogma of free enterprise, the principal industrial investor, there is no doubt that Kuwaiti industry has undergone a certain amount of diversification under the direct control of the State and by means of indicative plantification. Apart from petrochemicals, sea water desalination (Kuwait is the leading world producer) and industrial mills represent important sectors. The rest of the industrial "fabric" is essentially composed of small firms employing less than ten workers; even so, these firms account for 34% of industrial labour. It is true that the manufacturing industry only represents 8% of G.D.P., but it employs 23% of the total workforce. In order to appreciate the importance of these efforts to industrialize, it must be pointed out that in four years Kuwait has succeeded in quadrupling the value added to its industrial production and in doubling the latter's share of G.D.P.

The efforts to industrialize and diversify seem to have now reached their optimal level because the absorption capacities of the Kuwaiti economy and the restricted nature of the market do not permit a continuous expansion of the industrial sector; is this even desirable? In fact, Kuwait imports the bulk of its consumption requirements. It has one of the highest rates of imports per inhabitant in the world. Does this signify the dependence and fragility of an economy which is too open? The weakness of a "monoculture" economy, 97% dependent on its income from petroleum? Most certainly. But we must remember that this is not a new situation for Kuwait. Moreover, the financial resources which the Principality disposes of today (an annual income of nearly 6 billion dollars), a balance of payments which is "chronically" in surplus, the control of such strategic materials as petroleum and gas, the protection of its citizens by a legislative arsenal which grants them the exclusive rights to all import-export trade, and especially the active role played by the State, all protect Kuwait from unpredictable or overly violent upheavals.

FINANCIAL ACTIVITIES

Apart from its Ministries, it is through the Central Bank that the State intervenes in the economic process. The Central Bank of Kuwait is the primary instrument of regulation of economic and financial activities (deflationist measures, control of credit, control of global demand for goods and services, supervision of commercial banks and investment companies, etc.). This naturally leads us to point out the importance of the tertiary sector in Kuwait's economy. The monetary surplus generated by the income from petroleum (the budgeted revenue always largely exceeding the budgeted expenses) has allowed for the development of a financial and services sector grossly disproportionate to the country's size, needs and economic structures. Eight commercial banks, eighteen investment companies, four specialized banks and a Development Fund, constitute an institutional bastion, controlled by the Central Bank and Ministry of Finance, capable of making the Principality into an important financial center at the regional and even international level. This is not simply a theoretical possibility because the decline of the region's financial center, Beirut, has left a void. With its financial capacity - and despite the absence of a banking tradition - Kuwait could fill this void; this is the project which the country's elites are working on.

This fabulous development of Kuwait's financial activities carries with it a role which has no relationship to the country's size; in fact, through its policy of overseas investment and of loans and substantial financial aid to other Arab States, the small Gulf Principality, this demographic and territorial dwarf, proves to be one of the motors of the integration of the other Arab economies into the world market. The Kuwaiti Fund for Arab Economic Development, endowed with capital of nearly three billion dollars, the Arab Fund for Economic and Social Development, today make it possible to channel a substantial part of the Kuwaiti monetary surplus and inject this into the poor economies of the region (Egypt, the two Yemens, Sudan, Syria, the PLO, etc.). Nearly two billion dollars have "transited" in this way through the Kuwaiti Fund and Beneficiary Arab States to be, ultimately, reinjected into the Western economies in the form of orders for machinery, know-how or development projects. This is no small consequence of Kuwait's monetary surplus...This "small State" (according to the classical indicators) today integrates in its wake the non-petroleum Arab economies into the world market!

IS KUWAIT VIABLE?

This rough and rapidly sketched portrait of Kuwait, these few economic and financial facts permit us to now discuss the notion of viability and, according to our initial intention, to call this notion seriously into question. Is Kuwait viable? An economy which is 97% dependent on the export of a single product and its few derivative products, and internal job market which is 72% dependent on foreign labour, a process of industrialization which is limited on the one hand by a weak capacity of absorption and on the other by the restricted nature of the market, an immediate environment which is politically and militarily hostile... given these facts the scholar can only respond with certainty: Kuwait is not viable. None of the nineteenth century economists would have wagered on the future of the Principality. Despite its high annual income, despite its monetary surplus, despite its one hundred years' worth of known petroleum reserves, Kuwait would have appeared to be non-viable in the economic sense of the term and if one mechanically applied the traditional indicators. And yet...Kuwait lives, foresees and plans the future, has constituted a Solidarity Fund for future generations, exports, imports, industrializes, decides, grows demographically, integrates itself and other larger entities than itself into the world market, arbitrates in regional conflicts, is a member of the United Nations, the League of Arab States and OPEC; its intelligent and liberal press is widely read and appreciated, its university is respected, its businessmen are renowned, its banks sought after and its political stability envied. Is Kuwait viable?

When the Principality acquired its independence in 1961, after a long British protectorate, this was not questioned by the descendants of the Al-Sabbah dynasty, the country's political and intellectual elite and the Kuwait people itself. The "little fortress" had acquired since the middle of the eighteen century a cultural specificity, a political autonomy and an economic role which had already constituted it as a quasi-sovereign entity facing the Ottomans, the British and the Saudi Wahhabites. And it is, perhaps, the diplomatic and military antagonism between the powers of the period which permitted the Principality to establish its sovereignty and consolidate its cultural and political specificity. In fact, Kuwait's destiny has always been marked (and safeguarded) by this contradictory play of regional and international powers in force in the Gulf. Had not the Persion occupation of Basra favored, in the eighteenth century, the prosperity of the city of Kuwait? Had not the Anglo-Ottoman rivalries, in the nineteenth century, permitted the strengthening of the Principality's autonomy? And in the twentieth century, did not the differences opposing Saudi Arabia and Iran on the one hand and Iraq on the other contribute to stabilizing the young State's independence in 1961?

Geopolitics has favored the emergence of this "small State". It is one of the most important variables which must be taken into account to evaluate the viability of "small States". It is, indeed, in the analysis of the regional political and diplomatic system, in the geopolitical factors, that one finds the historical explanation for so many "small States" (Luxemburg, Belgium, Monaco, Hong Kong, Singapore, Kuwait, Bahrain, the United Arab Emirates, etc.) In the regional system constituted by the Gulf not only is Kuwait viable but, what's more. it appears to be a necessary element of equilibrium between Saudi Arabia, Iraq, Iran and the other Arab Principalities. Neither Iran nor Saudi Arabia were mistaken in 1961 when they opposed Iraqi pretensions to the Principality. Is not this geopolitical factor determinant? Is Kuwait viable?

ON THE CONCEPT OF VIABILITY

Going beyond the empirical character which this question often assumes, we would now like to make a theoretical breakthrough and inverse the question: is the notion of viability, itself, still viable in the social sciences and more particularly in political sociology and economics? This notion, despite its youth (it dates from the end of the nineteenth century), is charged with meaning and representations of an ideological nature. No one posed the question of whether the Mercantile Republics of the

European Lower Middle Ages were viable or not. No one asks whether Luxemburg, Monaco or even Switzerland are viable entities. Hong Kong and Singapore have achieved viability through hard work and determined organization. Why is the question raised today with reference to the new States of the Third World? Why did the League of Nations go as far as refusing membership to micro-States? Why is the question regularly posed at the UN whether it is "logical" and "acceptable" that Malta should have the same vote as the U.S.A. and Bahrain the same presence at the General Assembly as the U.S.S.R.?

Without entering into the debate on the political and ideological ulterior motives which underlie the question of viability, we should like to propose a critique of the paradigm which was founded the vision of States, nations and markets since the end of the nineteenth century. Because this is what is at the heart of the problem: the political and economic model bequethed to us by nineteenth century Europe, the industrial century founded upon the rise of capitalism and the mechanistic vision of organizational phenomena.

The question of viability was not posed by the mercantilist conception of the prosperity of States. In this conception, wealth depended upon a community's commercial insertion and its capacity to accumulate material wealth (silver, gold, etc.). According to this model, Kuwait would be viable. However, with the development of the classical economic theory the paradigm was to change. The wealth of nations was to depend thereafter upon the capacity to mobilize the factors of production, capital and labour. Industry (in the widest sense of the term) was thus to supplant the other sources of wealth. In this paradigm - which borrows from the mechanistic vision founded upon the notions of power, force, equilibrium - the demographic variable is determinant because, naturally, it conditions the size of the available work force, the quantity of demand for goods and services, and even the major periods of economic equilibrium. It is this paradigm, which we will call the paradigm of mechanistic and industrialist mobilization, that determined the form of the modern European States, which all built them into empires; the form of their armies, founded upon the general mobilization of their populations; the form of their schools, founded upon the process of "massification"; the form of their markets, etc. It is this paradigm which determined even the form of the capitalist industries which all constitute large enterprises favoring the optimal conjunction of capital and labour; which determined the notions of profit, rationality, economies of scale, etc. It is this paradigm which still haunts us, inhabits us all: because we are all "classicals" in this respect (including the Marxists among us).

This socio-economic rationality is new. It is recent in the history of humanity. It is not at all universal but particular because it is tied to a particular mode of production. One does not find its traces in the Middle Ages or even in the European Renaissance. It is of capitalist essence. It is founded upon the paradigm of mechanistic and industrialist mobilization.

And it is with reference to the indicators issued forth from this paradigm that we continue to judge the viability of States.

But faced with the emergence of new factors and under the pressure of the technological, scientific and ideological mutations that we have experienced since the end of the Second World War, this mechanistic paradigm proves to be less and less able to explain the new realities. No one can still believe today that a society, an economy, a State or even an enterprise constitutes no more than a mechanical juxtaposition of forces and equilibriums. The flows and networks of energy and information are today becoming the fundamental parameters of social, political and economic organization. The new types of industries, the new types of arms, the new modes of management all demonstrate to a greater and greater extent the need for networks of communication (in the widest sense of the term). From now on, it is with reference to communication that political and economic analysis will be undertaken. This relegates our old notions of optimal size, economies of scale and so forth to the museum of historical notions!

A NEW MODEL

We are faced with a new model, which we will call the communicational model; it will replace the old mechanistic model. A new paradigm is necessary; it will not be of an economistic nature but cultural and political. It will not be founded upon the concepts of equilibrium and equivalence but upon the concepts of information and communication. New concepts are indispensable; they will not be founded upon the classical variables (territory, population, power...) but upon variables such as energy and organization.

In this new paradigm, it would seem obvious that small entities will dispose of a comparative advantage resulting from the greater communication that characterizes them. In this sense, a small or medium enterprise will be more viable than a giant enterprise, Kuwait will be more viable than Saudi Arabia, Malta more viable than Italy and Singapore more advantaged than China.

And then the economist of the end of the twentieth century will ask the question: are large States, giant enterprises, large economies still viable?