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A DESCRIPTION AND ANALYSIS OF THE CHANNELS
OF DISTRIBUTION FOR FOOD PRODUCTS
IN THE STATE OF KUWAIT

DISSERTATION

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This study is intended, first, to describe and analyze the channels of distribution for food products in the State of Kuwait, second, to pinpoint the problems that exist in the food-distribution system, and, third, to make specific recommendations for the alleviation of the problems.

Secondary sources were mainly used to gather the data for this study. These sources were Kuwait Government documents, Kuwait Chamber of Commerce publications, U.S. Department of Commerce publications, books, articles, and a host of published and unpublished materials. In Kuwait, informal interviews were conducted with some government officials, major food distributors, and consumers.

Chapter I presents an introduction, statement of the problem, purposes of the study, significance and contribution of the study, and methodology. Chapter II is a description of the social, cultural, political, legal, and economic environment in the State of Kuwait. Chapter II describes and analyzes importers-wholesalers, local producers, and retailers. Chapter IV describes and analyzes consumer cooperatives, consumers, and the government's role in the food-distribution

system. Chapter V presents the conclusions and recommendations.

Consistent with the objectives of the study and based on the description and analysis of the food-distribution system in the country, it is concluded in the study that Kuwait depends on imports for virtually all of its food; the government plays a major role in the food-distribution system; and the majority of food wholesaling and retailing establishments are small, inefficient, and lack modern marketing and physical distribution techniques. Product shortages and rising food prices plague the food-distribution system in the country. Also, the findings indicate that consumers in Kuwait are generally ignorant and uninformed in the areas of food nutrition and food shopping, and the lack of standardization and grading of food products makes the shopping task of the consumer more difficult.

Based on the description and analysis of the food-distribution system, and a review of the findings, several recommendations are made to alleviate some of the problems that exist in the system. These recommendations call for (1) the improvement and expansion of local food production, (2) the stockpiling of foods, especially grains and canned food products, (3) the removal of the four percent custom duties on food imports, (4) the restriction of reexporting food products, (5) the improvement of market information services, (6) the introduction of modern marketing techniques,

(7) the introduction of a voluntary, wholesaler-sponsored, or corporate chain, form of organization at the retail level, (8) the educating and informing of consumers by the use of mass media, and (9) the conducting of additional research in all areas of food marketing in Kuwait to help alleviate existing and future problems when they arise.

TABLE OF CONTENTS

	Page
LIST OF TABLES	v
LIST OF ILLUSTRATIONS.	vii
Chapter	
I. INTRODUCTION.	1
Statement of the Problem	
Purposes of the Study	
Significance and Contribution of the Study	
Methodology	
Delimitations	
Limitations	
Definitions	
Organization of the Study	
II. BACKGROUND INFORMATION ABOUT THE STATE OF KUWAIT	10
Geography	
History	
Politics and Government	
Population	
Education	
Public Health	
Social Welfare	
The Economy	
Summary	
III. WHOLESALERS, LOCAL PRODUCTS, AND RETAILERS IN THE FOOD-DISTRIBUTION SYSTEM	55
Importers-Wholesalers	
Local Producers	
Retailers	
Ownership and Management	
Summary	
IV. CONSUMER COOPERATIVES, CONSUMERS, AND THE GOVERNMENT'S ROLE IN THE FOOD-DISTRIBUTION SYSTEM.	94
Consumer Cooperatives	

Chapter	Page
Consumers Government's Role Summary	
V. CONCLUSIONS AND RECOMMENDATIONS.	134
BIBLIOGRAPHY	142

LIST OF TABLES

Table	Page
I. Population of Kuwait--Census of 1957, 1961, 1965, 1970.	20
II. Schools, Enrollment, and Teachers in Public Education, 1945/1946-1974/1975	27
III. Crude-Oil Production in the Middle East	35
IV. Government Revenues, 1960/1961-1973/1974.	37
V. Kuwait's Exports and Imports in Million KD, 1960-1970	39
VI. Imports by Type of Usage, 1956-1974	41
VII. Vehicles in Use at End of Year, 1965-1974	42
VIII. Freight Transport in Thousand Tons by Var- ious Means of Transportation, 1968-1973	44
IX. Direct Government Participation in Joint- Stock Companies, as of January 1, 1972.	51
X. Banks Operating in Kuwait, 31 March 1975.	53
XI. Kuwait's Food Imports 1969-1974	58
XII. Food Wholesale Establishments, 1973.	59
XIII. Production of Kuwait Flour Mills Company in Tons, 1967-1974.	71
XIV. Number of Food Retailers in the Three Governorates by Types of Store, 1975	75
XV. Average Number of Customers Per Retail Food Outlet in the Three Governorates, 1975.	76
XVI. Average Monthly Sales for Kuwait Supply Company, 1975.	80

Table	Page
XVII. Comparison of Kuwait Supply Companies' Prices and the Average Free-Market Prices at the Retail Level in 1975.	81
XVIII. Annual Average of Wholesale and Retail Prices for Selected Food Commodities in Kuwait in 1974	86
XIX. Distribution of Licenses for Business Establishments According to Nationality at the End of 1975.	89
XX. Progress in the Consumer-Cooperative Movement Between 1973 and 1974.	97
XXI. Food and Nonfood Products Marketed by the Consumer Cooperatives in 1974	98
XXII. Markups Percentages Based on Cost for Food Products in Seven Consumer Cooperatives in 1974	103
XXIII. A Comparison of Average Monthly Wages Paid by Consumer Cooperatives, Local Manufacturing Companies, and the Kuwaiti Government in 1974.	108
XXIV. Kuwaiti Population by Age, Nationality, and Sex, 1970	112
XXV. Population Age Fifteen and Over by Marital Status in 1970.	114
XXVI. Households by Monthly Income Level in Percentages, 1973.	115
XXVII. Monthly Per Capita Expenditures on Items of Consumption by Expenditure Level in Percentages for Kuwaiti Households, April 1972-March 1973	117
XXVIII. Monthly Per Capita Expenditure on Items of Consumption by Expenditure Level in Percentages for Non-Kuwaiti Households, April 1972-March 1973.	118
XXIX. Monthly Per Capita Expenditure on Food and Beverages, 1973	119

Table	Page
XXX. Average Per Capita Intake of Food Elements Per Day, 1973.	121
XXXI. Index Numbers of Divisions of Expendi- ture for October 1975 Compared with October 1974.	129
XXXII. Wholesale Price Indices of Major Divi- sions for October 1975 Compared with October 1974.	130

LIST OF ILLUSTRATIONS

Figure	Page
1. Channels of Distribution for Imported-Food Products in Kuwait.	68
2. Channel of Distribution for Kuwait Flour Mills Company's Products	73
3. Channels of Distribution for Branded-Food Products in Kuwait	88
4. The Position of Consumer Cooperatives in the Channels of Distribution for Imported Food and Grocery Products in Kuwait.	105
5. Consumer-Cooperative Organization Chart.	107

CHAPTER I

INTRODUCTION

One of the most significant aspects of marketing in Kuwait is food distribution. This study will attempt to describe and analyze the channels of distribution for food products in Kuwait.

The American Marketing Association defines a channel of distribution as "the structure of intra-company organization units and extra-company agents and dealers, wholesale and retail, through which a commodity, product, or service is marketed."¹ This definition does not take into consideration the social, cultural, political, legal, and economic environments within which the channel members perform their functions. It also leaves out the consumer or the final user of the product or service which the channel members attempt to serve. Therefore, the social, cultural, political, legal, and economic environments will be taken into consideration in this study.

The study will describe and analyze the channels of distribution for food products in Kuwait from both the macro-marketing system and the micro-marketing system. The

¹American Marketing Association, Marketing Definitions: A Glossary of Marketing Terms (Chicago, 1960), pp. 9-23.

macro-marketing system is frequently referred to in marketing literature as channels of distribution. It involves a complex arrangement of producers, middlemen, and retailers. These institutions form the channels' structure. However, the micro-marketing system is concerned with the individual firm within the channel system and focuses on concepts and strategy.²

Michman describes a system as

. . . institutions which are linked together either formally or informally by a process of flows. Channel flows move vertically. A channel flow generally passes ownership of goods or products from one institution to another. Thus one institution transfers the risk to the other.

A marketing system can be defined in a number of different ways. Common to most definitions is the concept that a system is a non-random arrangement of interconnected parts. A fundamental premise underlying the system's concept is that optimum goal achievement for the entire system is stressed rather than for the parts of the system. Therefore, a marketing system would be comprised of all the business institutions engaged in the performance of the marketing functions, legal and other relationships between these organizations, the customers of these institutions and the marketing functions designed by the³ institutions and customers of the marketing system.

Revzan describes the channel of distribution as

. . . a pathway taken by goods as they flow from point of production to points of intermediate and final use. But in these flows there is a further connotation of a sequence of marketing agencies; namely, the wholesale and retail middlemen who perform, type by type, various combinations of marketing functions at various points in the channel in order to facilitate such flows. In

²Ronald Michman, Marketing Channels (Columbus, Ohio, 1974), p. 3.

³Ibid., p. 3.

addition, there is a connotation of a sequence of facilitating agencies which perform auxiliary functions at one or more points within the channel. . . . The channel is, therefore, the vehicle for viewing marketing organization in its external aspects and for bridging the physical and nonphysical gaps which exist in moving goods from producers to consumers through the exchange process, including the determination of price.⁴

Channels of distribution in developed and developing countries appear to reflect the stage of economic development of the country. Wadinambiaratchi analyzed marketing studies in nine different areas of the world and found that

1. the more developed countries have more levels of distribution, more specialty stores and supermarkets, more department stores, and more stores in the rural areas;
2. the influence of the foreign import agent declines with economic development;
3. manufacturer-wholesaler-retailer functions become separated with economic development;
4. wholesaler functions approximate those in North America with increasing economic development;
5. financing function of wholesalers declines and wholesale mark-ups increase with increasing development;
6. the number of small stores decline and the size of the average store increases with increasing development;
7. the role of the peddler and itinerant trade, and the importance of the open-garden-fair declines with increasing development; and
8. retail margins⁵ improve with increasing economic development.

Kuwait is a developing country which has the highest per capita income in the world. No complete study about the

⁴David A. Revzan, "Marketing Organization Through the Channel," The Marketing Channel: A Conceptual Viewpoint, edited by Bruce E. Mallen (New York, 1967), pp. 3-4.

⁵George Wadinambiaratchi, "Channels of Distribution in Developing Economies," The Business Quarterly, XXX (Winter, 1965), 74-82.

channels of distribution for food products in Kuwait has been done before. So in this study, an attempt to describe and analyze the channels of distribution for food products will be made.

Statement of the Problem

This study will be concerned with the description and analysis of the channels of distribution for food products in the State of Kuwait. Particular emphasis will be placed upon the importers, wholesalers, local producers, retailers, consumer cooperatives, consumers, and the government's role in the food-distribution system. The study will take into consideration the political, cultural, social, legal, and economic environment of the country.

Purposes of the Study

The purposes of the study are

- (1) to concisely describe the social, cultural, political, legal, and economic environment of the country;
- (2) to describe and analyze the channels of distribution for food products in Kuwait and the government's role in the system;
- (3) to pinpoint the problems that might exist in the food-distribution system of the country; and
- (4) to make recommendations to improve the food-distribution system and to solve some of the problems.

To accomplish the purposes of the study, the following questions have been formulated:

1. Who are the channel members?
2. What kinds of activities do the channel members engage in?
3. How are the channel members related to one another?
4. What do the channel members contribute to the consumer they serve?
5. How are the channel members affected by their environment?
6. What are the problems that exist in the distribution system?
7. How could these problems be solved?

Significance and Contribution of the Study

In developing countries, great emphasis has been put on industrialization and production, while marketing has been largely neglected. This neglect has contributed to an inefficiency in the distribution systems within the developing countries, leading to product shortages and higher prices for goods and services. This neglect of marketing has also contributed to the failure of many industrialization plans in some developing countries due to the lack of an efficient distribution system for the manufactured products that are locally produced. Kuwait is no different than the other developing countries in its neglect of marketing.

Kuwait has a great need for research in all the aspects of marketing activities. Due to the attitudes about marketing which are prevalent in developing countries and due also to the lack of experts in the marketing field, little or no marketing research has been done in Kuwait.

This study hopefully will fill some of the needs for marketing research and information about Kuwait, especially in the area of food-product distribution, and hopefully also will set the stage for further research and study in all aspects of marketing in Kuwait.

This study may contribute some benefits to the following groups:

1. The Kuwait government planners should find the information about the problem areas in the food-distribution system useful in their planning decisions.
2. The merchant middlemen who distribute food products in Kuwait should find this study of some help in their attempt to serve the consumer.
3. The foreign exporters of food products to Kuwait should reap some benefits from the information provided by this study about how their products are distributed in Kuwait.
4. The academic community in Kuwait and abroad should get some insights about the food-distribution system in Kuwait and also about the environment in which this distribution system functions.

But the most significant contribution this study should provide is that it will open the door for subsequent marketing research in Kuwait.

Methodology

Secondary sources, mainly, were used to gather the data for this study. These sources were Kuwait government documents, Kuwait Chamber of Commerce publications, U.S. Department of Commerce publications, books, articles, and a host of published and unpublished materials.

To acquire additional information, the author utilized his knowledge of the field and made a personal visit to Kuwait for two months. Informal interviews were conducted with some government officials, major food distributors, and consumers. The establishments of some consumer cooperatives, wholesalers, local producers, and food retailers were personally observed. The gathered information was qualitatively and quantitatively analyzed in order to accomplish the purposes of this study.

Delimitations

The delimitations to this research are as follows:

1. This study will be limited to the channels of distribution for food products only and will not concern itself with the channels of distribution for other consumer goods.
2. Restaurants and other outlets where food is consumed on the premises will be excluded from this study.

Limitations

The limitations to this research are as follows:

1. The inadequacy of information and the limited statistics about marketing in Kuwait, in general, and the channels of distribution, in particular, are confining.
2. No outside financial assistance is being used in this study. Therefore, time and financial restraints become crucial factors in carrying out this research.

Definitions

Bazaar or Souk--In Kuwait, it is the Arabic word for marketplace. It is composed of many small retail outlets.

Channels of distribution--Expression covering all means by which goods and services are transferred from original manufacturer or supplier to user or consumer, implying change of ownership or possession.

Developing country, less developed country, underdeveloped country--Mostly, nonindustrial countries in Africa, Asia, and South America which are basically agricultural, yet, which are gradually improving their industrial and export economies.

Economic development--Generally understood to mean the process by which an economy is transformed from one whose growth is small to one in which a significant self-sustained rate of increase is a permanent long-run feature.

KD--Kuwaiti dinar which is the currency of the State of Kuwait. One dinar is equal to approximately \$3.50. The dinar is divided into 1,000 fils.

Organization of the Study

This study is organized into five chapters. The first chapter has been an introduction to the study. The second chapter covers the background information about the State of Kuwait and describes its geography, history, politics and government, population, education, social welfare, and economy. The third chapter describes and analyzes food wholesalers, local producers, and retailers in the food-distribution system. The fourth chapter describes and analyzes consumer cooperatives, consumers, and the government's role in the food-distribution system. The fifth chapter includes the conclusions and recommendations of the study.

CHAPTER II

BACKGROUND INFORMATION ABOUT THE STATE OF KUWAIT

A brief presentation of background information about the country in which the channels of distribution exist and function is of major importance. This background information will help in explaining and understanding the external environment of the channels of distribution. Therefore, the purpose of this chapter is to describe the political, cultural, historical, and economic environment in the State of Kuwait.

Geography

The State of Kuwait is a developing country that is located at the Northwestern corner of the Arabian Gulf. The total area of Kuwait is 6,200 square miles. Kuwait is bounded on the West and North by Iraq, on the East by the Arabian Gulf, and on the South by Saudi Arabia and the Neutral Zone in which Kuwait and Saudi Arabia have equal rights.¹ The Neutral Zone consists of approximately 2,000 square miles.

Kuwait is roughly rectangular in shape, with an East to West dimension of about 105 miles and a North to South

¹Kuwait Ministry of Finance and Industry, The Oil of Kuwait: Facts and Figures (Kuwait, 1964), p. 9.

dimension of 124 miles. The state includes a number of off-shore islands scattered in the Arabian Gulf. The largest islands in area are Bubyah, Failakah, and Warbah. Only Failakah, the site of an ancient Greek temple built by Alexander's forces, is inhabited. Kuwait Bay is the only outstanding physical feature of the country. It indents the shoreline about twenty-six miles. This natural bay enabled the capital, Kuwait City, and other coastal towns to become principal maritime ports in the whole Arabian Gulf region. Kuwait City and its modern suburbs, plus the oil town of Ahmadi and its oil port of Fahaheel, contain most of the population of the country. The Neutral Zone is inhabited by a small Bedouin population and a few oil field workers.²

The country is largely a desert except for the Jahra oasis and a few fertile patches in the Southeastern part of the country and the coastal areas. Kuwait has a very hot and dry climate, with temperatures averaging 105°F. in the summer. July and August are the hottest months of the year; the maximum day temperatures in these two months may reach 120° to 135°F. The average winter temperature is 50°F. Rainfall during the year does not exceed an average of 4.1 inches, mainly falling between November and April. The country has no major natural source of fresh water, but

²The International Bank for Reconstruction and Development, The Economic Development of Kuwait (Baltimore, 1965), p. 18.

receives fresh water from desalinization plants using sea water. These plants are the largest desalinization plants in the world.

The major natural resource of the country is oil. Kuwait is one of the largest crude-oil producers in the world. In addition to oil, the waters of the Arabian Gulf provide the country with a plentiful supply of fish, shrimp, and pearls.

History

Archeological investigations undertaken in 1958 on the island of Failakah have revealed that Kuwait has been a center of trade and commerce since 2500 B.C. During Alexander the Great's eastern expedition in the 4th century B.C., he named the island Ikaros after an island by the same name in the Aegean Sea. Many interesting archeological finds have been discovered in Failakah, such as the limestone inscription in Sotira Temple with a message from Alexander to the people of Failakah, the clay molds used by artists to make the bust of Alexander, and a number of statues of Greek gods and goddesses.³

During the early Islamic period in the 7th century A.D., the center of life in Kuwait shifted to a small peninsula located on the mainland at the head of Kuwait Bay near the

³ Kuwait Ministry of Guidance and Information, Kuwait Tourist Guide (Kuwait, 1965), pp. 18-19.

present town of Jahra.⁴ This area is known as Kazimah. The area was often mentioned by Arab historians and praised in poetry and songs as a particularly fertile area where water and grazing were abundant.

The abundance of water and grazing lands in Kazimah attracted the desert Arab who is always searching for water and forage for his flocks. The natural harbor of Kazimah attracted many merchants and traders. Kazimah became an important trading center where pilgrims and travelers stopped on their way to and from Mecca and other towns in the Arabian peninsula.⁵ Due to Kazimah's importance and strategic location, the Muslim Arab armies were stationed there in the 7th century A.D.

Present-day Kuwait was founded in the 18th century when a number of families of the Anaiza tribe migrated from the interior of the Arabian peninsula to the shores of the Arabian Gulf. The migration was necessitated because of unsettled conditions and a succession of extremely dry years in the interior of the Arabian desert. The name Kuwait is a diminutive form of "Kut," which means "fort." Neibuhr, the famous Danish explorer, plotted the location of "Koueit" and "Grane" in his map of the Gulf in 1765. According to his account, Kuwait at that time was a small town of 10,000 people,

⁴Ibid., p. 20. ⁵Ibid., p. 19.

with a fleet of 800 vessels, whose livelihood was made by trade, fishing, and pearling.⁶

In 1765, the head of the Al-Sabah family, Sabah the First, was selected by the town's people to be their first Amir, or ruler. The need for security and for representation in dealings with the Turkish government probably prompted this selection of a leader.⁷ A member of the Al-Sabah family has been a ruler of Kuwait since that time.

Kuwait became a major port in the area when the port town of Basrah was captured by the Persians during the Persian-Turkish war of 1776. As a result of the fall of Basrah to the Persians, the British East India Company moved its southern terminal of its overland mail route from Basrah to Kuwait. Ships began unloading goods at Kuwait. Immigration into Kuwait from the Gulf area and Arabia also increased. The move of the East India Company to Kuwait in 1776 was a milestone in the British-Kuwaitian relations because of Kuwait's need for British protection against Bedouin raids from the interior--which were encouraged and promoted by Turkish authorities--and the British need for protected trade routes to India.⁸

⁶Ibid., p. 20.

⁷The Economic Development of Kuwait, p. 19.

⁸Ibid., p. 19.

In 1899, the Ruler of Kuwait, Sheikh Mubarak the Great, signed a formal treaty with Britain, which granted Kuwait protection from any external threat to its independence and sovereignty. In return, the Ruler of Kuwait agreed not to cede territory to, or to have direct relations with, another power without Britain's consent. Under the treaty, Kuwait's foreign relations were handled through the British Foreign Office. In 1904, the British Political Agency was established in Kuwait. The agency was the only foreign government post in Kuwait until an American consulate was opened shortly after World War II.

Oil was discovered in Kuwait during the 1930's, but the real impact of the oil discovery on Kuwait was not realized until after World War II. When incredible wealth became available to the government of Kuwait, it was used intelligently and wisely to transform Kuwait into the most modern country in the Middle East.

On June 19, 1961, letters were exchanged between the government of Kuwait and the government of Great Britain by which Great Britain relinquished control of Kuwait's foreign relations that had been delegated to Britain in the treaty of 1899. The treaty of 1899 was replaced by a new treaty of friendship and consultation with Great Britain. Kuwait has since joined the Arab League, the United Nations, and other international organizations. England and the United States have established embassies, replacing the British political

agency and the American consulate.⁹ Diplomatic relations have also been established with most of the countries in the world, and Kuwait's international influence and contacts are growing steadily.

Politics and Government

Kuwait is a hereditary Amirate in which succession is confined to the descendants of the late Shaikh Mubarak Al-Sabah. The Amir is the head of state. In 1961, when Kuwait became an independent country, the late Amir Shaikh Abdulla Al-Salem Al-Sabah appointed a constituent assembly to draft a constitution for the state. In 1962, the assembly drafted and published a constitution that embodies principles derived from Arab traditions as well as modern Western features.

The Constitution of Kuwait opens with an emphasis on the desire to consummate "the means of democratic rule for our dear Country" and underlines the determination to provide the citizens "with more political freedom, equality and social justice." It goes on to stress that the system of government "shall be democratic, under which sovereignty resides in the people, the source of all powers."¹⁰

A National Assembly and the office of the Prime Minister were provided for by the Constitution. The National Assembly consists of fifty members elected by popular vote, and legislative power is shared jointly by the National Assembly and

⁹Ibid., p. 20.

¹⁰"Focus on Kuwait," Progress International, London (May, 1975), p. K6.

the Amir. The executive power is vested in the Amir and his cabinet. Judicial power is vested in the courts. Elections for the National Assembly are held every four years.¹¹ The first National Assembly in the history of the state was elected in January 1963.

The Amir appoints and dismisses Prime Ministers. He also appoints ministers, but relieves them from office upon the recommendation of the Prime Minister. The Amir has the right to initiate, sanction, and promulgate laws.¹² No law may be promulgated unless it has been passed by the National Assembly and sanctioned by the Amir.

The Assembly elects its own President and a Deputy President from its members. The Assembly sessions are public, except when the session is requested to be secret by the government, the President, or ten of the members. In the Assembly, motions can be rejected, cabinet programs are discussed and criticized, and votes of no confidence in Ministers are passed.¹³ Actually, the Assembly can bring about the dismissal of a Prime Minister and the appointment of a new cabinet by deciding in a vote that it cannot cooperate with them. But the Amir, under the constitution, has the option

¹¹Stanford Research Institute, Area Handbook for the Peripheral States of the Arabian Peninsula (Washington, D.C., 1971), p. 110.

¹²"Focus on Kuwait," p. K6.

¹³Ibid., p. K7.

to dissolve the Assembly instead of dismissing the Prime Minister.

The judicial system in Kuwait is completely independent from the executive power. The legal system is codified and based largely on the Egyptian model. The courts are divided into Courts of First Degree and Court of Appeal. The Court of Appeal is divided into criminal and noncriminal chambers.¹⁴ The Courts of First Degree consist of two criminal courts and other specialized courts.

Political parties are not permitted in Kuwait. Unions and associations can be formed by peaceful means, but no one is compelled to join them.¹⁵ There is no ban on public meetings or processions if they are peacefully conducted within the law and not contrary to public morals.

Population

There is no reliable information about the population of Kuwait before the year 1957 when the first census was taken. European travelers in the area reported that Kuwait's population was about 15,000 in 1865. Early in the twentieth century, the population was reported to be about 50,000. In 1949, the population was estimated to be 150,000.¹⁶

¹⁴Area Handbook for the Peripheral States of the Arabian Peninsula, p. 112.

¹⁵"Focus on Kuwait," p. K7.

¹⁶Mohammed Al-Fara, Economic Development in the State of Kuwait: An Analytical Geographical Study (Kuwait, 1974), p. 38 (in Arabic).

The oil boom in the 1950's brought about radical changes in the size and composition of the population because of the massive immigration of workers from surrounding countries to work in the various and expanding government and oil companies' projects. The 1957 census indicated that the population had grown to 206,468 inhabitants, as compared with 150,000 in 1949. The second census taken in 1961 showed a population of about 321,621, which indicates an annual growth of about twelve percent.¹⁷ The population figure reached 467,339, according to the 1965 census. The latest census was taken in 1970 and indicated that Kuwait had 738,662 inhabitants. In 1975, population estimates reached 1,000,000.

According to census figures, the Kuwait population increased by about 255 percent during the 1957-1970 period, an average annual growth of 19.6 percent. This population growth rate is the highest in the world.¹⁸ The population growth is primarily attributed to the large-scale immigration after the oil boom.

The population of Kuwait has two outstanding demographic characteristics. First, the number of people in the country has risen dramatically over the last two decades. Second, the population is divided into Kuwaitis and non-Kuwaitis. The majority of the non-Kuwaitis are Arabs from the various

¹⁷ The Economic Development of Kuwait, p. 24.

¹⁸ Al-Fara, p. 39.

Arab countries; the non-Arabs are mainly from Iran, India, Pakistan, Europe, and the United States.

As shown in Table I, in 1957, the Kuwaitis comprised 55 percent of the total population, and the non-Kuwaitis comprised 45 percent. In 1961, the population was composed of

TABLE I
POPULATION OF KUWAIT--CENSUS OF
1957, 1961, 1965, 1970*

Population	1957	%	1961	%	1965	%	1970	%
Kuwaiti	113,622	55	161,909	50.4	220,059	47.1	347,396	47
Non-Kuwaiti	92,851	45	159,712	49.6	247,280	52.9	391,266	53
Total	206,473		321,621		467,339		738,662	

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975, (Kuwait, October 1975), p. 21.

50.4 percent Kuwaitis and 49.6 percent non-Kuwaitis. In 1965 and 1970, the Kuwaitis represented 47.1 percent and 47 percent, respectively. These figures demonstrate that the native Kuwaitis are gradually becoming a minority in the country. This unique situation exists only in the State of Kuwait.

The 1970 census shows that the sex ratio among Kuwaitis is 50.5 percent male and 49.5 percent female. Among the non-Kuwaitis, the male-female ratio is 62.4 percent to 37.6 percent. The total sex ratio of the whole population is 56.8

percent male and 43.2 percent female. The unusual sex ratio among the non-Kuwaitis is attributed to the fact that many non-Kuwaiti male workers consider their stay in Kuwait to be temporary, so they elect to leave their families in their country of origin.¹⁹

The 1970 census figures indicate that the population of Kuwait is uncommonly youthful. Approximately 43 percent of the population was below the age of 15 years, about 54 percent was between 15 and 59 years of age, and about 3 percent was over 59 years of age.²⁰

In 1970, the illiteracy rate among the population was 47.2 percent. The illiteracy rate for Kuwaiti males was 32 percent, and the illiteracy rate for non-Kuwaiti males was 31.8 percent. The illiteracy rate for Kuwaiti females was 62.6 percent, and the illiteracy rate for non-Kuwaiti females was 34.8 percent.²¹ There were 18 per 1,000 Kuwait males and 4 per 1,000 Kuwaiti females who were college graduates among the Kuwaitis aged 25 and older. For the non-Kuwaitis aged 25 and older, 79 per 1,000 males and 61 per 1,000 females were college graduates. Naturally, the high rate of college

¹⁹Stanford Research Institute, Social and Economic Impacts of the Kuwait Government Compensation Increase of 1971-1972 and Recommended National Compensation Policies (Menlo Park, California, May 1974), pp. 20-21.

²⁰Al-Fara, p. 55.

²¹Kuwait Chamber of Commerce, Kuwait Economy 1971 (Kuwait, 1971), p. 30 (in Arabic).

graduates among the non-Kuwaitis is attributed to Kuwait's need for highly qualified professionals.

The Labor Force

According to the 1970 census, the total labor force in Kuwait was about 242,196. An estimated 176,827, or 73 percent, of the labor force is composed of non-Kuwaiti males and females. The native Kuwaitis number 65,369, or 27 percent, of the labor force. These figures reflect a labor force ratio of 3:1 between non-Kuwaitis and Kuwaitis. The only explanation for the high number of non-Kuwaitis in the labor force is that non-Kuwaitis are encouraged to come to the country because of available job opportunities. The majority of the labor force was between 20 to 65 years of age.²²

The 1970 census showed that women had a very low representation in the labor force. Non-Kuwaiti females outnumbered the Kuwaiti females in the labor force. Kuwaiti working females represented only 0.6 percent of the total Kuwaiti native population, while the non-Kuwaiti females represented 3.7 percent of the total non-Kuwaiti population.²³

The occupational distribution for the labor force in 1970 showed that the services sector represented the largest single employment sector, with over 104,138, or about 44.4

²²Social and Economic Impacts of the Kuwait Government, p. 32.

²³F. Al-Thakeb, "The Kuwaiti Family: Today and Yesterday," unpublished doctoral dissertation, Department of Sociology, Ohio State University, Columbus, Ohio, 1974, p. 27.

percent. This sector reflects government employment.²⁴ The construction sector is the second largest occupational sector and accounts for about 14.4 percent of all employed workers. Business and commerce is the third largest sector, with about 14 percent employed. The remainder of the labor force is distributed among the various other sectors of the economy.

The majority of the native Kuwaitis work in the services and business and commerce sectors, while the majority of the non-Kuwaiti workers are employed in the construction, technical, professional, and manufacturing sectors.²⁵

Religion

Islam is the state religion. According to the 1970 census, about 95 percent of the total population are Moslems. The non-Moslem minority are mostly Christians, with 0.6 percent of the remaining being Hindus and adherents to other religions.²⁶ Freedom of worship is guaranteed to non-Moslem religions by the government.

Birth Rate

In 1970, the birth rate for the total population was 45.7 per 1,000. It was 46 per 1,000 for the native Kuwaitis,

²⁴ Kuwait Economy 1971, pp. 33, 35.

²⁵ Ibid., p. 35.

²⁶ Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, October 1975), p. 21.

versus 45.4 per 1,000 for the non-Kuwaitis. The Kuwait birth rate is one of the highest in the world.²⁷ The natural population increase for Kuwait is 3.3 percent. This increase is composed of 4.4 percent for the Kuwaitis and 2.6 percent for the non-Kuwaitis. Although Kuwait's natural population increase is very high, such growth is not unusual for a developing country.

Geographic Distribution.

Kuwait has a low population density. In 1970, the population density was 45.8 persons per square kilometer. However, the population is not evenly distributed and is concentrated in 1.3 percent of the country's total area. In this concentrated area, the population density climbs to 3,666 persons per square kilometer.²⁸

The country is divided into three governorates: Capital, Hawalli, and Ahmadi. Approximately thirty percent of the population dwell in the Capital City Governorate and its suburbs, fifty-six percent live in the Hawalli Governorate, and fourteen percent live in the Ahmadi Governorate.²⁹ About ninety-one percent of the population live near the Arabian Gulf coast; very few live in the interior near the oil fields.

²⁷Al-Fara, p. 44.

²⁸Ibid., p. 41

²⁹Ibid., p. 43.

Education

Before the first school was established in 1912, pupils studied at the homes of self-styled teachers. The curriculum offered by those teachers consisted of reading, writing, religion, and arithmetic. In 1912, the first school, Al-Mobarakyah, was established by a group of merchants who needed bookkeepers and clerks. The school curriculum placed emphasis on arithmetic, bookkeeping, and correspondence. Because of the lack of funds, the school was closed in 1931. Forced by the increasing need for bookkeepers and clerks in the country, the town's merchants reopened the school in 1936 and convinced the government to levy a special tax to finance it. During that same year, the merchants and government founded the first board of education and brought teachers from other Arab countries to improve the quality of teaching and to improve the curriculum.³⁰

Major advances in the field of education did not occur until the early 1950's. In 1952, Egyptian scholars were invited by the government to study the educational system and suggest improvements.³¹ Another group of Arab scholars from Egypt and Iraq were commissioned in 1955 by the government for an additional study of the educational system and preparation of a proposal for improvements. These scholars

³⁰ Kuwait Ministry of Education, Annual Report 1972-1973 (Kuwait, 1973), p. 4 (in Arabic).

³¹ The Economic Development of Kuwait, p. 144.

suggested improvements in the curricula, a comprehensive program of adult education, a new educational ladder, and the opening of teachers' colleges. In 1955, the government began implementation of the scholars' recommendations.

Schools in Kuwait are not coeducational, except for the kindergartens. There are three stages in the ladder of education--primary, intermediate, and secondary--and each stage lasts for four years.³² These three stages are preceded by the kindergarten, which accepts children between the ages of four and six. Separate-but-equal educational facilities are available to both sexes. Education is free for Kuwaitis and non-Kuwaitis. The government provides books and supplies, meals, clothing, and facilities. Beginning with the school year 1966-1967, education in the elementary and intermediate level became compulsory for all native Kuwaiti children.³³

As shown in Table II, the last thirty years have witnessed an extensive development in public education. During the school year 1945-1946, there were only 3,635 students. This number increased to 20,302 students in 1955-1956. Enrollment in 1965-1966 was 91,788, and in 1974-1975 it reached the 182,778 mark. The number of teachers grew from 142 in 1945-1946 to 14,035 in 1974-1975. The number of schools was expanded from 17 in 1945-1946 to 309 in 1974-1975. In

³²Ibid., pp. 144-145.

³³Kuwait Ministry of Education, Annual Report 1972-1973, p. 4.

TABLE II
SCHOOLS, ENROLLMENT, AND TEACHERS IN PUBLIC EDUCATION
1945/1946-1974/1975*

School Year	Number of Schools	Number of Students			Number of Teachers		
		Male	Female	Total	Male	Female	Total
1945/1946	17	2,815	820	3,635	108	34	142
1955/1956	52	13,526	6,776	20,302	724	392	1,116
1965-1966	176	53,550	38,238	91,788	2,680	2,356	5,036
1974-1975	309	100,061	82,717	182,778	6,824	7,211	14,035

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, October 1975), p. 294.

addition to the public schools, there were 83 private schools in 1974-1975 with about 41,159 students and 2,240 teachers.³⁴ These private schools are subsidized by tuition and government grants.

The government established schools for vocational and technical training, special education, teacher education, and religious education during the last two decades. Moreover, the area of adult education did not escape the government planners. In 1958, the first literacy centers were opened, and, in 1962, the first center for women was established. By 1974, there were seventy-two literacy centers for men and fifty-three centers for women.³⁵ These adult education centers were established to combat illiteracy among the population and to enable the older members of the population to earn school diplomas at the intermediate and secondary levels. The 1974 enrollment in these centers was approximately 26,000 men and women.³⁶

The illiteracy rate among the total population is still very high according to Western standards, but it is quite low compared with illiteracy rates in developing countries. In 1970, the illiteracy rate for the total population was 47.2 percent.³⁷ However, the illiteracy rate among women was much

³⁴Annual Statistical Abstracts 1975, p. 300.

³⁵Ibid., p. 302. ³⁶Ibid.

³⁷F. Al-Thakeb, p. 36.

higher. Native Kuwaiti women had an illiteracy rate of 62.7 percent, as compared with 32.1 percent for native Kuwaiti males.³⁸

Graduates of secondary schools have been encouraged to study at foreign universities at government expense. There were 2,637 Kuwaiti students studying abroad in 1975.³⁹ Most of these students were attending universities in Egypt, United States, and England. In 1966, Kuwait University was established by the government. Kuwait University had an enrollment of 4,445 students in 1975. Less than fifty percent of the students are native Kuwaitis, while the remainder of the students are from other Arab countries. More than one-half of the students are female. Although the university is not a coeducational institution, the University College for Women was established for the purpose of enabling women to attend college. This college is an integral part of the university.

Public Health

Health service in Kuwait was first established in 1910 when Sheikh Mubarak the Great invited the Dutch Reformed Church of America to extend their health services to his country. In 1911, the Dutch Reformed Church established the first clinic and, in 1912, a mission hospital.⁴⁰

³⁸ Ibid.

³⁹ Annual Statistical Abstracts 1975, p. 312.

⁴⁰ The Economic Development of Kuwait, p. 132.

Since 1949, Kuwait's public medical services have developed at a remarkable pace. In 1974, there were eleven public hospitals with a total of 3,896 beds. These hospitals include an orthopedic hospital, a mental hospital, a maternity hospital, a sanitarium, and general hospitals. There are also eight private hospitals with 412 beds. In addition to the hospitals, the country has forty-four clinics, forty-eight dental clinics, twenty-seven mother-and-child care centers, twelve preventive health centers, and 286 school clinics.⁴¹

During the past twenty-five years, the number of doctors employed by the government increased from four in 1949 to 905 in 1974. The number of private doctors in 1974 was 184. There was one doctor for every 891 people in the country. Government expenditures for health services in 1974 were about one hundred million dollars.

Medical services are free to all residents of Kuwait, without discrimination. The quality of the health services in Kuwait is comparable to those in the United States and Western Europe. Medical treatment not provided by the Kuwait health services is still available for Kuwaiti citizens through special government grants which provide transportation and necessary treatment in another country.

⁴¹Annual Statistical Abstracts 1975, pp. 317, 322.

Social Welfare

In addition to health and educational programs, the government has made a fairly comprehensive provision for public assistance in various forms. Labor laws have been enacted to fix minimum wages, restrict working hours, and to organize the relationship between employers and workers.

The minimum age for employment in the private sector is 12 years, and persons between the ages of 12 and 17 years may not be employed without authorization from the Ministry of Social Affairs. Women may not be employed in dangerous occupations or on night shifts, and are entitled to equal pay for equal work. Except under special circumstances, the maximum work week is 48 hours in private industry. Employees whose job is terminated are entitled to 15 days of pay for each of the first five years of service and one month's pay for each subsequent year. Employers are required to pay all expenses incident to injuries or disease sustained as a result of employment.⁴²

The Public Assistance Law was passed in 1962. The law provides help and financial assistance to widows, orphans, the elderly, partially or totally disabled persons, low-income families, and the sick. This assistance is applicable only to native Kuwaitis and their families. Assistance is provided through the Ministry of Social Affairs. About twenty million dollars were spent by the government for welfare payments during 1974. About 8,500 families participated in the program.⁴³

⁴²The Economic Development of Kuwait, pp. 142-143.

⁴³Annual Statistical Abstracts 1975, p. 343.

In the housing area, the government provides low-income families with interest-free loans to purchase houses that are designed and built by the government. For the elderly who need nursing-home care, the government provides free nursing homes. Orphans without relatives to care for them are taken care of in a government-operated orphanage. For civil servants, the government provides interest-free loans plus the land to enable them to build modern houses.

Kuwait is truly a welfare state where the government provides its citizens with basic needs at nominal or no cost to them. The government's social-welfare policy is that no Kuwaiti citizen should be left with one's basic human needs unfulfilled.

The Economy

Kuwait has the highest per capita income in the world. The gross national product for 1974 was estimated to be about \$11 billion, which resulted in a per capita income of about \$11,000 and an annual growth rate of twelve percent.⁴⁴ This phenomenal wealth was made possible by the discovery of oil in 1938. Oil production for 1974 was about two million barrels per day that generated annual oil revenues of eight billion dollars. This high level of income should be contrasted with the situation in Kuwait thirty years ago when

⁴⁴"From Sands to Riches in an Open Society: A Guardian Guide to Kuwait," The Guardian, London (February 25, 1976), p. 13.

the country was a desert tract with a population of less than 100,000 and a per capita income of about \$35 a year.

Oil revenues are the major contributor to the national income. The continuous expansion in the production of oil over the last thirty years has been responsible for the fast economic transformation which the country has witnessed. The government is the main channel through which the oil revenues are spent.⁴⁵ It is the largest employer in the country. In 1968, about forty-two percent of the entire labor force was employed by the government. The state also plays a major role in establishing new industries and in the establishment of public stock companies.

The government follows a welfare policy to provide for its citizens' needs. This policy was best described in the New York Times.

Under Kuwait's welfare policy, telephone calls are free, water and basic food imports are subsidized by the state, every Kuwaiti child has free education from Kindergarten to college and any Kuwaiti who cannot find a private job is assured a civil service post.

These and other benefits of a full-fledged welfare state, such as free medical care, are financed by a national budget of \$1.5 billion a year, made up almost entirely from oil income. There is no personal income tax in Kuwait.⁴⁶

⁴⁵United Nations Conference on Trade and Development, Kuwait, the Market for Selected Manufactured Products from Developing Countries (Geneva, November, 1969), p. 7.

⁴⁶Juan de Onis, "\$10,000 Per Capita Oil Income Transforming Kuwait," New York Times, May 22, 1974, p. 17.

Kuwait is distributing its income from oil on a wide front, including internal construction and reconstruction, acquisition of land for housing and public buildings, industrialization of the country, social services for the people, foreign investment (mainly in the United States and Western Europe), and economic assistance to other Arab countries, as well as to newly developing countries in Asia and Africa.⁴⁷

In spite of the country's wealth and affluence, Kuwait is still a developing country in several respects. El Mallakh analyzed the country and gave the following description of its economy.

The economy of Kuwait defies classification in the traditional academic categorizations of either "developed" or "underdeveloped." The rapidity of change has contributed to the blurring of the distinction; the Kuwaiti economy combines extreme features of both classifications. The highest per capita income, one of the highest saving rates--44 per cent of the GNP--a strong annual growth rate, and a consistently favorable balance-of-payments situation are all indicators of a developed economic status. Yet, on the debit side of the development ledger there are equally striking examples of underdevelopment, such as the near-total reliance of the economy on a single product, an inadequate indigenous supply of technical skills and labor and overdependence on imports of capital goods and consumer products. Another symptom of underdevelopment is the narrowness of the domestic market that does not emanate in this instance from a low per capita income but rather from the sophisticated tastes affluence brings and the actual numerical size of the population.⁴⁸

⁴⁷ Kuwait, the Market for Selected Manufactured Products from Developing Countries, p. 8.

⁴⁸ Raga'ei El Mallakh, Economic Development and Regional Cooperation: Kuwait (Chicago, 1968), pp. 1-2.

Kuwait has the highest per capita income in the world, but the country is still considered a developing country when one takes into consideration some of the characteristics of developed countries, such as industrialization and education; one finds that Kuwait is far behind developed countries, such as the United States, Japan, and Western Europe, in the areas of education and industry.

Kuwait is one of the largest oil producers in the world. Its oil reserves are estimated to be 68 billion American barrels, or 19.5 percent, of total world deposits.⁴⁹ Table III shows the daily oil production for the years 1972, 1973,

TABLE III
CRUDE-OIL PRODUCTION IN THE MIDDLE EAST*
(Thousand Barrel/Day)

Country	1972	1973	1974
Kuwait	3,283	3,020	2,547
Saudi Arabia	6,015	7,600	8,479
Iran	5,021	5,860	6,021
Iraq	1,446	1,954	1,850
Abu Dhabi	1,054	1,302	1,414
Qatar	482	570	518
Oman	282	293	290
Dubai	153	220	242
Bahrain	70	68	23
Sharjah	23
Total	17,806	20,887	21,451

*Source: Central Bank of Kuwait, Sixth Annual Report for the Year Ending 31 March 1975 (Kuwait, 1975), p. 34.

⁴⁹Social and Economic Impacts of the Kuwait Government, p. 117.

and 1974 in the Middle East countries. As seen in Table III, Kuwait is the third largest oil producer in the area, behind Saudi Arabia and Iran. The table also shows a decline in Kuwait's daily crude production from 3.283 million barrels in 1972 to 2.547 million barrels in 1974. This decline came as a result of a government policy which dictated the cut in production in order to conserve the country's only resource.

Oil revenues contributed a major source of government revenues. Table IV shows the importance of oil revenues to the total government revenues. For the fiscal years 1960/1961 to 1973/1974, oil revenues increased from 159,496 million Kuwaiti dinars⁵⁰ in 1960-1961 to 531,100 million Kuwaiti dinars in 1973-1974. Throughout the period, oil revenues averaged ninety-one percent of the total revenues. The revenues, other than oil, are from investments of government assets and income accruing from fees on transfer of property ownership, custom duties, income collected by ministries and government agencies, and sales of government property.⁵¹

Government expenditures play a dominant role in the economy. The government is the main channel through which the high oil revenues are spent; it is the primary source of local capital. In the period from 1967 to 1972, government spending averaged about thirty-seven percent of the

⁵⁰One Kuwaiti dinar (KD) = \$3.50 in 1975.

⁵¹Central Bank of Kuwait, Sixth Annual Report for the Year Ending 31 March 1975 (Kuwait, 1975), pp. 50-51.

TABLE IV
 GOVERNMENT REVENUES 1960/1961-1973/1974*
 (In thousand KD)**

Years	Oil Revenues	Other Revenues	Total Revenues	% Oil/ Total Revenues
1960/1961	159,496	14,404	173,900	91.7
1961/1962	166,951	13,849	180,800	92.3
1962/1963	173,003	16,797	189,800	91.2
1963/1964	190,573	16,827	207,400	91.9
1964/1965	206,208	15,946	222,154	92.8
1965/1966	225,326	19,502	244,828	92.0
1966/1967	231,675	19,530	251,205	92.2
1967/1968	263,097	49,711	312,808	84.1
1968/1969	242,987	25,307	268,294	90.6
1969/1970	280,440	26,091	306,531	91.5
1970/1971	297,701	46,117	343,818	86.6
1971/1972	354,073	29,285	383,358	92.4
1972/1973	505,934	42,536	548,470	92.2
1973/1974	531,100	37,000	568,100	93.5

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, October 1975), p. 172.

**One Kuwaiti dinar (KD) = \$3.50 in 1975.

GNP,⁵² and consisted mainly of expenditures for infrastructure, services, industrial projects, and land purchases. In spite of the government's involvement in the economy, Kuwait has a

⁵²Kuwait Economy 1971, p. 115.

free market economy, and the government encourages and gives financial support to private enterprise.

Trade

The lack of natural resources, other than oil, makes Kuwait dependent on imports for virtually all of its food, consumer products, and capital goods. It has a liberal trade policy; most imported goods are subject to only a four percent customs duty. The country has the highest level of per capita imports in the world; it was about \$1,200 in 1972. Oil accounted for ninety-six percent of the country's exports and the rest of the exports consisted mainly of finished products previously imported. The only nonoil-related domestic produce exported is fish, mainly shrimp. Because of Kuwait's excellent location at the head of the Arabian Gulf and its good harbor, Kuwait became an important center of trans-shipment to Iran, Saudi Arabia, the Gulf Sheikhdoms, and Iraq.⁵³

Without oil exports, Kuwait would suffer a great deficit in its balance of trade. However, with oil exports, the country realizes a large surplus in its balance of trade with other countries. Table V shows the country's exports, imports, and its balance of trade for the period from 1960 to 1970. Kuwait ran a balance of trade surplus every year in that period. However, when the oil export column and the

⁵³Economic Development of Kuwait, pp. 82-83.

TABLE V

KUWAIT'S EXPORTS AND IMPORTS
IN MILLION KD 1960/1970*

Year	Oil Exports	Reexports	Total Exports	% of Oil Exports to Total	Imports	Balance of Trade
1960	365.5	8.3	364.8	97.3	86.4	+270.1
1961	355.2	9.2	364.4	97.5	89.0	+266.2
1962	400.2	8.1	408.3	98.0	101.9	+298.3
1963	426.3	10.5	436.8	97.5	115.6	+310.7
1964	470.3	11.8	482.1	97.6	115.1	+355.2
1965	493.0	14.1	507.1	97.2	134.7	+358.3
1966	490.0	13.6	503.6	97.3	165.2	+338.4
1967	505.0	13.0	518.0	97.4	221.9	+306.1
1968	498.0	16.7	514.7	96.7	218.3	+296.4
1969	559.0	23.0	582.0	96.0	230.7	+351.3
1970	597.0	26.3	623.3	95.8	223.2	+400.1

*Source: Mohammed Al-Fara, Economic Development in the State of Kuwait: An Analytical Geographical Study (Kuwait, 1974), p. 371 (in Arabic).

balance of trade column are examined, one would find that the country, without its oil exports, would have a balance of trade deficit in every year of that period.

Table VI shows imports by type of usage for the period 1965 to 1974. The table reveals that consumption goods led all imports for the period. They averaged about forty-six percent of the total imports. Intermediate goods averaged about thirty-five percent, and capital goods averaged about nineteen percent. In 1974, imports from the European Common Market countries amounted to 33.2 percent of Kuwait's total imports, followed by Japan with 17.1 percent, and the United States with 14.1 percent.⁵⁴

Transportation, Communications, and Utilities

Kuwait has no railroads. However, it has a good highway system extending from northeastern Saudi Arabia to Kuwait City and north to Basra in Iraq. There are about 700 miles of modern, all-weather roads in the country. In addition, there are numerous less-developed desert roads.

Public land transportation is provided by Kuwait Transport Company buses, as well as by privately owned buses and taxis. Table VII shows the number of different kinds of vehicles operating in the country for the years 1965 to 1974. The table indicates that the total number of vehicles increased from 80,361 in 1965 to 223,788 in 1974. Due to this

⁵⁴Annual Statistical Abstracts 1975, p. 239.

TABLE VI

IMPORTS BY TYPE OF USAGE
1965-1974*

Year	Total Imports in Thousand KD	Percent Capital Goods	Percent Intermediate Goods	Percent Consumption Goods	Percent Unclassified Goods
1965	134,698	18.7	33.8	47.5	0.0
1966	165,281	19.4	36.3	44.3	0.0
1967	211,892	23.4	36.2	40.4	0.0
1968	218,325	18.8	34.0	47.2	0.0
1969	230,778	20.8	35.0	44.0	0.2
1970	223,766	20.9	32.7	46.0	0.4
1971	232,307	18.5	35.1	46.2	0.2
1972	262,177	18.51	35.15	46.12	0.22
1973	310,582	18.0	34.7	46.2	1.1
1974	455,090	10.2	38.4	50.6	0.8

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), p. 252.

TABLE VII

VEHICLES IN USE AT END OF YEAR
1965-1974*

Year	Private Car	Taxi	Private Truck	Public Truck	Private Bus	Public Bus	Total
1965	50,983	7,591	15,340	5,325	509	603	80,361
1966	62,031	7,545	17,683	6,325	617	707	94,908
1967	76,731	7,877	19,861	7,853	706	838	113,866
1968	85,336	7,163	21,571	8,403	739	980	124,192
1969	94,056	8,304	22,610	10,076	511	1,065	136,622
1970	104,658	8,228	25,621	8,946	792	1,405	149,650
1971	113,829	8,150	23,922	9,962	1,005	1,578	158,446
1972	127,655	8,100	25,523	11,462	1,176	1,610	175,526
1973	145,545	8,050	27,592	13,776	1,644	1,170	197,777
1974	166,194	8,000	30,751	15,955	1,737	1,151	223,788

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), p. 265

great increase of vehicles, the highway system was unable to accommodate the flow of traffic; this resulted in traffic jams around the cities and greatly increased accidents and fatalities.

Kuwait has four modern ports. The port of Shuwaikh and the port of Shuaiba handle all cargo and passenger traffic, except crude oil. Crude-oil shipments are handled by the ports of Mina Al-Ahmadi and Mina Abdulla. There are three shipping companies in Kuwait: two privately owned oil tanker companies and one joint government-private general cargo hauler.⁵⁵

There is a modern international airport which handles passengers and air-cargo traffic. Kuwait is served by its own national airline and numerous international airlines. Table VIII shows freight imported and exported by various means of transportation for the period 1968 to 1973. Sea transport is the most highly used means of transportation.

Telephone and telegraph systems are growing rapidly. The number of subscriber lines at the end of 1974 reached 77,038, which is 81.7 per thousand population.⁵⁶ Through the earth satellite station, direct telephone and telecommunications services have been established with many parts of the world.

⁵⁵U.S. Department of Commerce and Kathleen M. Keim, "Establishing a Business in Kuwait," Overseas Business Reports, LXXII (July, 1972), 11.

⁵⁶Annual Statistical Abstracts 1975, p. 275.

TABLE VIII
 FREIGHT TRANSPORT IN THOUSAND TONS BY VARIOUS MEANS OF TRANSPORTATION
 1968-1973*

Year	Land	Air	Sea	Total	Percent Land	Percent Air	Percent Sea
1968	508.6	10.2	1,716.8	2,235.6	22.8	0.5	76.7
1969	504.6	10.1	1,897.0	2,411.7	20.9	0.4	78.7
1970	682.6	9.8	1,545.7	2,238.1	30.5	0.4	69.1
1971	696.2	10.0	1,849.6	2,555.8	27.2	0.4	72.4
1972	778.6	9.2	2,142.0	2,929.8	26.2	0.3	73.1
1973	942.1	11.9	2,203.0	3,157.0	29.8	0.4	69.8

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), p. 274.

The government-owned AM and FM radio station broadcasts over 120 hours weekly. In 1974, there were 210,000 radios in the country. The government owns the only television network, and, in 1974, there were 130,000 television sets in the country. The television network broadcasts approximately fifty-four hours weekly.⁵⁷ There were nine movie theatres, seven daily newspapers, and numerous weekly, monthly, and quarterly periodicals in 1974.

In 1974, Kuwait generated 4,092 million kilowatt hours of electric power, of which 3,632 million kilowatt hours were used by the general consumers, and the rest was used by the power plants.⁵⁸ Since 1965, the government has lowered the unit price of electricity, and now consumers pay the lowest rates in the world for this utility.

The country has no major natural source of fresh water; however, over the past twenty years, Kuwait has built the most advanced desalinization plants in the world. The total installed capacity of the distillation plants in 1973 was 52 million gallons per day. Some fresh water is obtained from wells in the north of the country. Brackish water fields have been discovered in the southwestern part of the

⁵⁷"From Sands to Riches in an Open Society: A Guardian Guide to Kuwait," p. 13; "Establishing a Business in Kuwait," p. 10.

⁵⁸Annual Statistical Abstracts 1975, p. 126.

country with a capacity estimated to be between fifty and one hundred million gallons per day.⁵⁹

Natural Gas

There are no independent natural gas fields in the country. Natural gas is produced in quantities in association with the crude-oil production. Natural gas is used for reinjection into the oil fields for a source of power in industry, for a feedstock for the production of petrochemicals and fertilizers, for water desalinization, and for electric power generators. In 1974, natural gas production amounted to 467 billion cubic feet, of which 251 billion cubic feet were utilized, and the remaining gas was burned up at the oil fields.⁶⁰

The demand for utilities and natural gas have increased every year throughout the past twenty years. This is a reflection of the improvement in the standard of living in the country.

Industry

Industrial development in Kuwait is handicapped by the absence of nonpetroleum raw materials, a narrow domestic market, high labor costs, and the shortage of managerial

⁵⁹Ibid., p. 122; "Establishing a Business in Kuwait," p. 10.

⁶⁰Annual Statistical Abstracts 1975, P. 106.

and technical skills; however, there is an abundance of capital available for industrial development. Existing industries either serve the local market in construction materials and repair and maintenance work, or they are based on petroleum and gas.⁶¹ Some industries cater to consumer needs, such as soft drinks, flour, bread-baking, and tailoring. In addition, there are miscellaneous industries like printing, publishing, and chlorine and salt plants. In 1972, manufacturing industries outside the oil sector accounted for only three percent of the gross domestic product. However, the role of manufacturing industries in the field of employment is significant. In 1971, about fourteen percent of the labor force was employed by manufacturing industries.⁶² This percentage should be contrasted with 1965 when only seven percent of the labor force was employed by manufacturing industries. During the 1960's, the government became aware of the danger of depending on oil as the only source of income. Since then, plans for industrialization have been carried out with governmental encouragement and participation.

A large industrial area was established in 1964 by the government in Shuaiba, a city located thirty miles south of the capital City of Kuwait on the Gulf, which offers port services and easy access to oil and gas production centers.⁶³

⁶¹Area Handbook for the Peripheral States of the Arabian Peninsula, p. 19.

⁶²Kuwait Economy 1971, p. 33.

⁶³"Establishing a Business in Kuwait," p. 2.

This industrial area consists of ten square kilometers and is provided with water, power plants, communication, transportation, and housing. Five petroleum-based industries are operating in this area. Other industries, such as a tire plant and a dry dock, are expected to be added.

Joint participation with private capital in industrial enterprises is an important government method of promoting new industries. Table IX shows the extent of government participation in industry, as of January 1, 1972. Of the eleven major industries, the government's share was between forty-nine to ninety-nine percent of the total capital. Private investors view this government participation as an asset to industry because it provides financial resources, protection from imports' competition, and future government contracts.

Agriculture and Fishing

The economic importance of the agricultural sector in Kuwait has been very limited. The contribution of this sector to the domestic output does not exceed 0.03 percent.⁶⁴ The reasons for this small contribution of agriculture to the economy are the deficiencies of the soil, scarcity of irrigation water, hot summer weather, and the limited supply of manpower with agricultural skills. Kuwait has to rely on imports for nearly all its consumer edibles. However, the

⁶⁴Annual Statistical Abstracts 1975, p. 138.

TABLE IX
 DIRECT GOVERNMENT PARTICIPATION IN JOINT-STOCK
 COMPANIES, AS OF JANUARY 1, 1972*
 (In U.S. Dollars)

Joint-Stock Companies	Year of Establishment	Total Capital	Government Share % of Total
Kuwait National Petroleum Company	1960	\$51,000,000	60
The National Industries Company	1960	6,120,000	51
Kuwait Investment Company	1961	25,500,000	50
Kuwait Hotels Company	1962	1,000,212	49
Kuwait Flour Mills Company	1962	6,800,000	50
Kuwait Transportation Company	1962	6,800,000	50
Petrochemicals Industries Company	1963	61,200,000	80
Kuwait Foreign Trade, Contracts and Investment Company	1964	34,000,000	99
Kuwait Navigation Company	1965	20,400,000	75
The Bank of Kuwait and the Middle East	1971	6,800,000	51
International Kuwait Market Company	1971	1,934,600	35

*Source: Ministry of Commerce and Industry Report, January 1972, Kuwait (in Arabic), reproduced in Shuaib Al-Shuaib, "Accounting and Economic Development in Kuwait: Description and Analysis," unpublished doctoral dissertation, School of Business, University of Missouri, Columbia, Missouri, 1974, p. 42.

government is conducting and financing experiments in horticulture, dairying, and poultry raising, with the hope of increasing food production within the country. Due to these efforts, in 1974 local production of vegetables amounted to about thirteen percent of the total domestic consumption; milk, six percent; eggs, twenty percent; and poultry about forty-five percent.⁶⁵

There is an abundance of marine wealth in the territorial waters of Kuwait. Large-scale commercial fishing began in 1960 when a privately-owned firm, the Gulf Fisheries Company, started its operations. By 1970, there were three major Kuwaiti fishing companies. These three companies merged in 1972 into one corporation with the government participating in forty-nine percent of the corporation's capital. The new corporation has 170 boats and factory ships. Its field of operations covers the Arabian Gulf, the Indian Ocean, and the South Atlantic. In 1972, Kuwait fisheries exported 8,000 tons of frozen shrimp to the United States, Europe, and Japan. After oil and petrochemicals, commercial fishing is third in the contribution to Kuwait's exports.⁶⁶

⁶⁵ Ibid.

⁶⁶ Kuwait Planning Board, Kuwait Economy: 1970/1971-1971/1972 (Kuwait, 1972), pp. 57-58 (in Arabic).

Financial Institutions

The currency in circulation is the Kuwait dinar (KD) which replaced the Gulf rupee in 1961 when Kuwait became an independent country.

Kuwait was a member of the sterling area, and the Kuwait dinar was for many years held at parity with the sterling. However, it remained steady after the devaluation of the pound in 1967 and the dollar in 1971, and the floating of the pound in 1972, with the result that the exchange rates are now set daily.⁶⁷

In 1975, one Kuwait dinar was valued at \$3.50. The Kuwait Currency Board was responsible for issuing currency and the administration of currency controls. However, in 1969, the Central Bank of Kuwait was established and took over the functions of the Currency Board. The currency in circulation at the end of 1974 amounted to eighty-seven million KD, compared with fifty million KD at the end of 1970 and thirty-seven million KD at the end of 1965.⁶⁸

All banks in Kuwait must be one hundred percent Kuwaiti owned. The only exception was the British Bank of the Middle East, which had been operating under a special charter since 1941. However, in 1971, this bank lost its special charter and became Kuwaiti owned. There are five commercial banks operating in Kuwait. These banks have about eighty branches operating throughout the country. In 1960, the

⁶⁷ "Kuwait," The Middle East and North Africa, 20th ed. (London, 1974), p. 434.

⁶⁸ Annual Statistical Abstracts 1975, p. 185.

government established the Credit and Savings Bank to promote savings and to provide finance for small industries, agriculture, real estate, and small businesses.⁶⁹ Table X shows the banking system that is currently operating in Kuwait.

In 1962, the Kuwait Investment Company was established by the government, which owns fifty percent of its capital, to engage in portfolio investments and in property dealings within Kuwait. The Kuwait Foreign Trading, Contracting, and Investment Company was created in 1965 by the government to engage in business transactions abroad. The government owns ninety-nine percent of this company's capital.⁷⁰ There are three Kuwaiti-owned insurance companies, as well as a number of foreign insurance companies operating in Kuwait. A small, but active, stock market operates in Kuwait; it is run by the local banks and a few brokers. This market deals only in the stocks of local firms, and the stock prices are published daily in the local press.

Summary

The purpose of this chapter has been to describe the political, cultural, historical, and economic environment in the State of Kuwait. The discovery of oil could be considered a milestone from whence the economic, social, cultural, and political conditions in the country began their

⁶⁹The Middle East and North Africa, p. 434.

⁷⁰Ibid.

TABLE X

BANKS OPERATING IN KUWAIT
31 MARCH 1975*

Banks	Year of Establishment	Capital KD Million	Number of Branches	Legal Status
Central Bank of Kuwait	1968	2.00	..	Government Institution
<u>Commercial Banks:</u>				
National Bank of Kuwait	1952	8.25	29	Kuwaiti Shareholding Co.
Commercial Bank of Kuwait	1960	4.20	20	"
Gulf Bank	1961	2.50	14	"
Al-Ahli Bank of Kuwait	1967	2.50	10	"
Bank of Kuwait and the Middle East	1971	2.00	7	"
<u>Specialized Banks:</u>				
Credit and Saving Bank	1960	80.00	..	Government Institution
Kuwait Real Estate Bank	1973	5.00	..	Kuwaiti Shareholding Co.
Kuwait Industrial Bank	1974	10.00	..	Kuwaiti Closed Shareholding Co.

*Source: Central Bank of Kuwait, Sixth Annual Report for the Year Ending 31 March 1975 (Kuwait, 1975), p. 137

transition from conditions of poverty and backwardness to conditions of progress and affluence.

As a result of the discovery and marketing of crude oil, Kuwait has the highest per capita income in the world, one of the highest savings rates, a strong rate of economic growth, a consistently favorable balance of payments, and the highest per capita welfare expenditures in the world. However, the country is still in the intermediate stages of its economic, social, and cultural development.

CHAPTER III

WHOLESALEERS, LOCAL PRODUCERS, AND RETAILERS IN THE FOOD DISTRIBUTION SYSTEM

The political, cultural, and economic environment in the State of Kuwait was presented in Chapter II. In this chapter, a description and analysis of wholesalers, local producers, and retailers in the channels of distribution for food products in Kuwait are presented.

Kuwait relies on imports for nearly all of most types of its consumer edibles. The major sources of supply for processed foods and grains are the United States, Canada, Australia, New Zealand, and the European Common Market countries. Fresh fruits and vegetables are mainly imported from Lebanon, Jordan, Syria, Egypt, Iran, and Iraq. With governmental backing and encouragement, local producers in 1974 were able to supply about thirteen percent of the total domestic consumption of fresh vegetables, six percent of milk consumption, twenty percent of the egg consumption, and forty-five percent of the poultry consumption.¹ The entire country's need for fresh fish is supplied by Kuwaiti-owned fishing companies. The Kuwait Flour Mills Company supplies

¹Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), p. 138.

all the wheat flour for the country from imported grains. Desert nomads supply about one-tenth of the country's fresh meat, while the remaining meat is mainly imported from Turkey, Iraq, Saudi Arabia, Iran, Australia, New Zealand, and Sudan.

Importers-Wholesalers

Since Kuwait relies on imports for most of its food supply, the importers-wholesalers dominate the food wholesaling business in the country. They import their supplies of food products and then sell them to other wholesalers, retailers, or final consumers. In addition, the importers-wholesalers may also reexport some of their food imports. Food wholesalers in Kuwait rarely are specialized in the importation and distribution of food products, but they combine this activity with the importation and distribution of a wide variety of other kinds of goods.

Importers of branded products usually have an exclusive agency for the marketing and distribution of the products in Kuwait. Stewart explained importers-wholesalers of branded products as follows:

The exclusive agency contract predominates among importers of branded products. Because markets are geographically concentrated, the importer is also likely to do his own wholesaling. Because markets are narrow, he often carries an array whose components have in common only the facts that they are branded and that they usually originate in the same country. Thus, one Lebanese importer is exclusive agent for famous American brands of automobiles, electrical appliances, cosmetics,

paints, and drugs. Another in Kuwait has all these and frozen foods too.²

In addition to importers-wholesalers, large retailers, consumers' cooperatives, Kuwait Flour Mills Company, and Kuwait Supply Company engage in importing and distribution of food products. As indicated in Table XI, Kuwait's total food imports amounted to approximately KD³ seventy-two million in 1974. This should be compared with approximately KD thirty-five million in 1969, which shows that food imports more than doubled in the five-year period.

In 1973, there were 418 business establishments in the country that were classified by the Planning Board as agricultural and food-products wholesalers. Table XII indicates that there were twenty-four large wholesalers with ten or more employees and an annual sales of approximately KD seventeen million in 1973. These figures indicate that the annual average sale per establishment is approximately KD 708,000. Also, the table shows that there were 394 small wholesale establishments with less than ten employees and an annual sale of about KD seventy-four million. The annual average sales for these establishments was about KD 188,000. The total annual sales for all wholesalers in 1973 was about KD ninety-one million. Of this total, the large wholesalers'

²Charles F. Stewart, "The Changing Middle East Market," Journal of Marketing, XXV (January, 1961), 50.

³KD = \$3.50.

TABLE XI

KUWAIT'S FOOD IMPORTS 1969-1974*
(In Thousand KD)

Food Commodity	1969	1970	1971	1972	1973	1974
Live animals	1,985	1,971	1,917	3,768	4,950	4,970
Meat and meat preparations	3,471	3,771	3,734	4,245	5,326	8,089
Dairy products and eggs	4,504	4,992	5,869	7,099	7,435	9,217
Fish and fish preparations	502	532	594	426	464	803
Cereals and cereal preparations	5,956	7,127	9,065	7,911	8,818	12,511
Fruits and vegetables	8,790	9,995	10,032	11,345	13,245	17,231
Sugar, sugar preparations and honey	1,521	1,893	1,986	2,381	2,975	4,506
Coffee, tea, cocoa, and spices	5,660	5,837	5,052	6,662	6,502	7,643
Animal feed, excluding cereals	446	544	785	728	1,072	1,129
Miscellaneous food preparations	1,177	1,140	1,889	1,569	2,279	3,217
Beverages	710	856	899	972	583	678
Oil seeds and oil nuts	34	49	87	56	339	346
Animal oils and fats	24	27	7	6	1	19
Vegetable oils	605	508	1,038	939	987	1,709
Total	35,385	39,242	42,954	48,107	54,976	72,068

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), p. 234.

TABLE XII

FOOD WHOLESALE ESTABLISHMENTS 1973*
(In KD)

Business Activity	Establishments with 10 or more Employees		Establishments with less than 10 Employees		Total	
	No. of Estab.	Sales Volume	No. of Estab.	Sales Volume	No. of Estab.	Sales Volume
A. Wholesale Business in Agricultural Products	6	3,785,747	85	26,504,503	91	30,290,250
B. Wholesale Business in Food Products, Beverages, Tobacco, and Cigarettes	18	12,991,956	309	47,229,358	327	60,221,314
Total A + B	24	16,777,703	394	73,733,861	418	90,511,564

*Source: Kuwait Planning Board, Annual Internal Trade Statistics 1973 (Kuwait, 1973), p. 7 (in Arabic).

share was about eighty percent. These market shares demonstrate that most of the food wholesaling business in the country is performed by the small wholesalers with less than ten employees per establishment.

Kuwait City is the center of the food wholesaling business in the country. The reason for the concentration of wholesalers in the capital city was explained by Beck in 1974:

Most of Kuwait's population lives in the capital of Kuwait City and its surrounding suburbs. The oil town of Ahmadi, 25 miles to the south of Kuwait City, and the oasis village of Jahra, account for most of the remaining population.

Kuwait City is also the commercial center of the country. Surrounding the old suq, or bazaar, are many new office buildings which house Kuwait's main banks, private business establishments, and government ministries. In addition to the downtown area, a new major retail center is rapidly being developed in the suburb, Salmiyah. Kuwait City also serves as a focal point for regional business activities in the Gulf, particularly in Eastern Saudi Arabia and the states of the lower Gulf.

The only other towns of any significance besides Kuwait City are those associated with the major oil production centers where staff and management personnel reside. These include the following: Mina Abdulla (American Independent⁴ Oil Company) and Mina al-Saud (Getty Oil Company).

Types of Food Wholesalers

There are seven major types of food wholesalers in Kuwait. These are as follows:

1. Full-line wholesalers. These wholesalers mainly handle canned goods, cereals, frozen food products, and

⁴U.S. Department of Commerce and George T. Beck, "Marketing in Kuwait," Overseas Business Report (July 1974), p. 10.

staples. Most of the 394 small wholesalers mentioned in Table XII are of this type. They import in medium quantities the food products they handle and sell them to retailers or to the ultimate consumers. Also, they sell to institutional users and reexporters.

2. Limited-line wholesalers. These wholesalers mainly deal with staples and cereals. Most of the twenty-four large wholesalers referred to in Table XII are of this type. They import in large quantities and sell to other wholesalers, retailers, and reexporters. They rarely sell to the final consumer. These wholesalers have large financial resources and exert a powerful control over the marketing of the products they handle.

3. Specialized fruit and vegetable wholesalers. These are very few in number and very weak in financial resources, as well as marketing power, when compared with the full-line and limited-line wholesalers. They import fruits and vegetables and sell them to retailers, final consumers, and institutional users. Because of their limited financial resources and the perishability of the products, they import in small quantities to reduce their marketing risks.

4. Branded-food-products wholesalers. These wholesalers are usually the exclusive agents for several kinds of branded-food products of foreign producers. They have more power in the channel of distribution than the other food importers-wholesalers. Their power is based on the exclusive

agency contract, which makes them the sole distributors for the products they handle in the entire country. These wholesalers usually sell to other wholesalers, retailers, re-exporters, consumers, and institutional users.

5. Kuwait Flour Mills Company. This company is jointly owned by the government and private investors. The firm has a monopoly on the importation and distribution of all wheat and wheat flour in the country. The company sells its products to wholesalers, retailers, exporters, consumers, and institutional users.

6. Consumer cooperatives--wholesale divisions. These divisions are the wholesale branches of the consumer cooperatives in Kuwait. They deal mainly in canned goods, cereals, and staples. The divisions buy their supplies mostly from local importers, and they sell to the ultimate consumer, institutional users, and small retailers.

7. Livestock wholesalers. These wholesalers specialize in the importing of live sheep and cattle and sell them to the meat retailers, consumers, and institutional users. They are few in number and have moderate financial resources. Also, some of these wholesalers import and distribute frozen meat, mainly lamb.

Activities of Food Wholesalers

Kuwait's food wholesalers of all types engage in very few marketing activities to promote the distribution of their

products. This lack of facilitating activities exists because Kuwait is a small country with a population of approximately one million in an area of 6,200 square miles. Also, Kuwait is still considered to be a developing country, in spite of having the highest per capita income in the world. The major activities of food wholesalers are the following:

1. Buying. Kuwaiti importers-wholesalers begin their buying activities by negotiating with foreign producers or exporters of food products. These negotiations are conducted through correspondence or by personal contact with representatives of foreign exporters if they happen to be in Kuwait. These negotiations center on quality, quantity, prices, methods of transportation, dates of delivery, and methods of payment.

Nearly all Kuwaiti importers prefer to receive quotations from the U.S. and most other countries on a cost, insurance and freight, or c and f basis, Kuwait. Of the two, merchants tend to choose c and f since it allows them to arrange insurance with a local company. A few merchants who operate their own charter vessels and handle bulk shipments prefer to deal on an f.o.b. basis.

Most Kuwaiti firms still deal on a nonconfirmed irrevocable Letter of Credit basis. Roughly, 70-80 percent of all shipments from Europe and about 85 percent of all transactions involving the United States contain this type of payment terms. Sight drafts and usance drafts are used less extensively in orders involving construction materials, clothing items, and foodstuffs. Most payment drafts are made for 60-90 day periods although in more competitive lines, such as consumer electronics, longer periods are extended. In general there has been a recent trend toward more liberal credit terms.⁵

⁵ Ibid.

When the Kuwaiti merchant and the foreign exporter reach an agreement, the merchant places an order with the foreign exporter for the products he needs to sell to his customers in the local Kuwaiti market. Branded-food-products distributors have minimum negotiations with their sources of supplies. These distributors mainly place their orders with the producer or the exporter whom they represent in Kuwait and demand prompt delivery for the products they order. Nearly all Kuwaiti wholesalers take title to the goods they handle. The exceptions to this rule are the commission importers who do the buying for their customers' accounts and not their own accounts.

2. Selling. The merchant begins his selling activities when he receives notice that his goods are put on board a vessel and he is assured of the date of arrival. While the goods are enroute, he contacts his customers and tries to sell them. The merchant usually is willing to sell the shipment, or part of it, at prices below the prevailing local market prices. His reason for doing this is that, by selling the goods before their arrival, he will save the costs of unloading and storage. Also, this pricing practice allows him to recover his invested capital with a minimum of risk and a moderate profit. If the importer cannot sell his goods while enroute, he pays the customs duties and has the goods unloaded and transported to his warehouses. In this case, the merchant wholesaler is providing time and place utility for

his customers by purchasing and holding the goods at a location which is convenient to his customers.

Wholesalers in Kuwait conduct little or no sales promotions. The firms are concentrated in the market area of the capital where buyers from different parts of the country come to shop for need goods. Buyers usually call on wholesalers and bargain for the lowest prices. Selling is, therefore, mainly accomplished through personal contacts between buyer and seller. Branded-products wholesalers sometimes advertise in local newspapers and television to promote the sales and consumption of their products. The wholesalers' business establishments are open from eight in the morning until noon, and then from three to seven during the evenings, for each day of the week including weekends.

3. Pricing and Credit. Prices are usually not fixed in the food-wholesale trade in Kuwait. However, bargaining and shopping around on the part of the buyers is usually the rule. Sellers set their prices based on quantity to be purchased and whether the payment for the goods is in cash or on credit. The buyer then bargains with the seller for a price reduction. Therefore, the ability to bargain effectively is a vital asset for both buyer and seller. Regular customers usually get small discounts from the seller to maintain their patronage. Bargaining with buyers on the part of sellers substitutes for price competition among the sellers themselves.

Wholesalers usually extend credit to their customers. The charging of interest on credit sales is forbidden by Islamic law; therefore, the merchants in Kuwait charge no interest on credit sales, but they may set higher prices for goods to be bought on credit. The credit buyer usually pays his debts within a period ranging from one to three months with weekly payments. There is no credit rating service in Kuwait; therefore, the personal and business reputation of the buyer is a major factor in the determination of credit extension.

4. Transportation and Storage. Wholesalers in Kuwait do not take responsibility for the delivery of goods to their customers. Buyers provide their own transportation for the transport of their goods from the wholesalers' places of business or warehouses. Wholesalers must provide for the storage facilities. When buyers pay or arrange for credit, wholesalers issue written orders to employees in charge of storage to provide buyers with stated quantities. Buyers must pick up their goods within a few days; otherwise, sellers consider the transactions void and return payments to buyers if payments were made in cash.

5. Markups. There are no figures available in Kuwait about markups in the food-wholesale trade because most wholesale establishments are individually or family-owned businesses. Moreover, there is no business income tax law which requires firms to supply the government with information

concerning their operations. However, a markup factor of five to twenty percent above landed costs is estimated for food products.⁶

Importance of Wholesalers

Food wholesalers in Kuwait dominate the channels of distribution for imported food products. They are the only link in the channel of distribution that the majority of the retailers and consumers have with the foreign sources of food supplies. These wholesalers have the financial means and know-how to import the products needed by the consumer. The wholesalers' judgments on the quantity and type of products to be imported into the country determine for the retailer the assortment of food products that he can sell in his place of business.

Most wholesalers in Kuwait sell directly to the final consumer. This marketing behavior enhances their marketing position and power in the channel of distribution. In this instance, the wholesaler's importance is derived from consumer's dependence on his ability to provide the consumer with goods at wholesale prices. However, wholesalers rarely provide credit for the final consumer.

Figure 1 shows the most prevalent channels of distribution for imported food products in Kuwait and reveals the important position of the importer-wholesaler in the food distribution system. The figure indicates that the channels

⁶Ibid., p. 11.

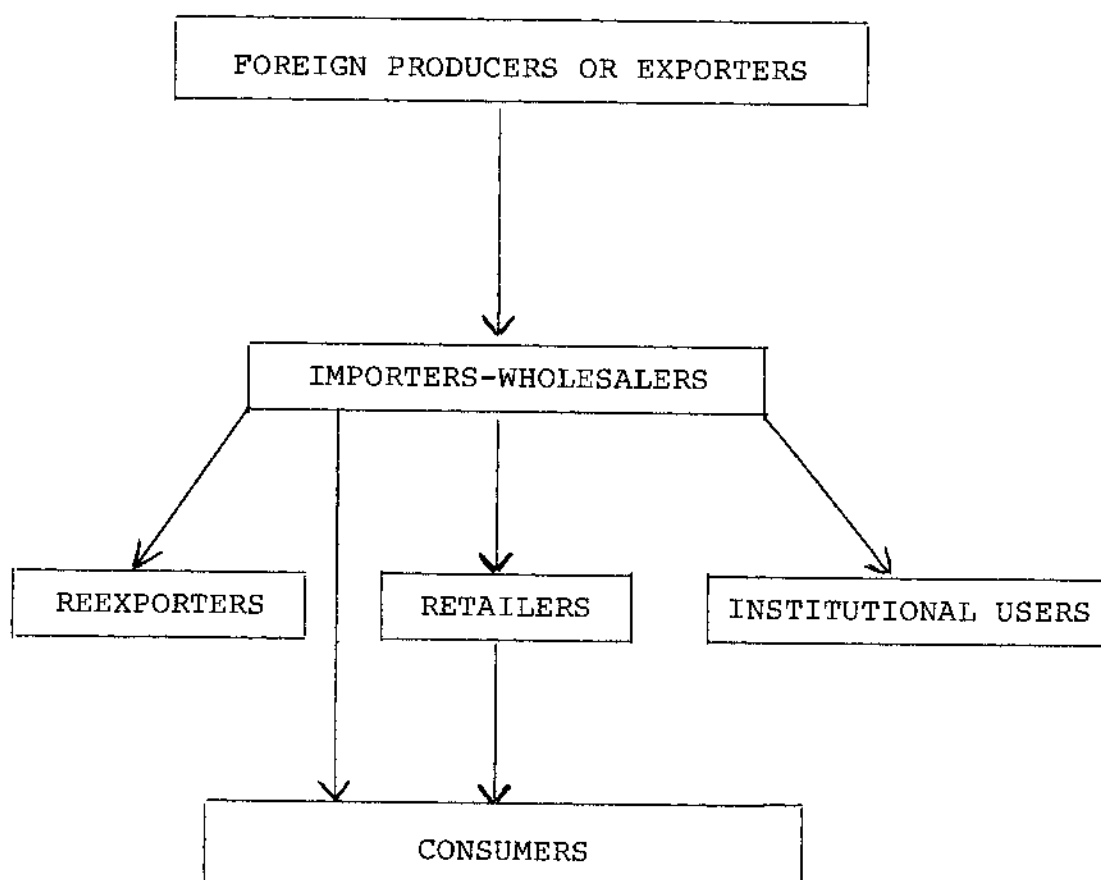


Fig. 1--Channels of distribution for imported-food products in Kuwait.

of distribution for food products are short. However, if foreign channels are taken into consideration, the channels become much longer before the products reach the ultimate consumer in Kuwait.

Local Producers

The three major local food producers in Kuwait are poultry and egg producers, fish and shrimp producers, and a wheat and wheat flour producer.

1. Poultry and Egg Producers. In 1975, there were seventy-four small, individually-owned poultry and egg farms in the country⁷ These producers in 1974 supplied forty-five percent of the country's consumption of poultry and twenty percent of its eggs.⁸ All the poultry feed used by these producers was imported. There are no published sales figures or any marketing data about their marketing operations. However, they mainly distribute their products to the final consumer through 175 producer-owned outlets located in the major shopping areas of the country. These outlets are very small shops with one employee to do the selling and servicing of the customer. These outlets are stocked with live poultry from which the customer selects, and the employee does the butchering and dressing of the bird. Eggs are kept in a refrigerator at the shop and are handed to the customer on demand. They are usually packed in a thirty-egg container.

These producers do very little marketing activities. They are mainly concerned with production. The producers usually sell to the final consumer and retailers. They set fixed prices for their products, and there is no room for bargaining on the part of the customer. The channel of distribution for these products is very short. Producers have absolute control over the channel, and there is no price

⁷ Ministry of Commerce and Industry, Statistics of Commercial and Brokerage Outlets 1975 (Kuwait, 1975), p. 2 (in Arabic).

⁸ Annual Statistical Abstracts 1975, p. 138.

competition on the part of the different producers. However, they face an increasing competition from poultry and egg importers. The only advantage they have over these competitors is the freshness of the products.

2. Fish and Shrimp Producers. In 1974, Kuwait consumed about 4,000 tons of fresh and frozen fish and shrimp with a wholesale value of KD 1.5 million.⁹ Most of the fish and shrimp were supplied by one Kuwaiti fishing company. This company is jointly owned by the government and private investors. The company engages in very few marketing activities. It sells its products to wholesalers, retailers, and the final consumer. Sales to wholesalers and retailers are carried out by daily auctions. The consumer has to travel to the company's cold storage location to make his purchases at fixed prices. The company has a monopoly on the supplying and marketing of fish and shrimp in Kuwait. Its only competition comes from the few small, independent Kuwaiti fishermen. The company provides storage, transportation, grading, and sorting for its customers. It provides no packaging or branding and has little control over the channel of distribution. Major portions of the company's catch is exported to other countries.

3. Wheat and Wheat Flour Producers. The Kuwait Flour Mills Company has a monopoly on the importation and marketing

⁹Ibid., p. 147.

of wheat and wheat flour in the country. The company is jointly owned by the government and private investors. The company's major products are flour, bran, macaroni, biscuits, and bread. In 1974, total sales for the company amounted to KD six million.¹⁰ Table XIII shows the company's production in tons of the different products of the years 1967-1974. Total production for the year 1974 was 116,000 tons. About eighty percent of that figure was wheat flour. Between the years 1967-1974, the wheat flour production almost

TABLE XIII
PRODUCTION OF KUWAIT FLOUR MILLS COMPANY IN TONS
1967-1974*

Year	Flour	Bran	Macaroni	Biscuits	Bread
1967	57,634	5,986
1968	59,964	7,482
1969	69,476	13,279	241	..	871
1970	70,685	13,622	241	..	1,711
1971	80,350	15,154	529	423	2,546
1972	82,384	14,096	665	171	2,605
1973	84,669	13,628	998	372	3,147
1974	95,160	15,230	1,328	883	3,437

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), p. 128.

doubled due to the increased demand by the increasing population in the country.

¹⁰ Kuwait Flour Mills Company, Annual Report 1974 (Kuwait, 1974), p. 11 (in Arabic).

The company's policy emphasizes the production side of the business and ignores the marketing aspects of it. As a result of this policy, the company performs very limited marketing activities. These activities are mainly storage, processing, and packaging. The company has no marketing department, and sales are carried out by a sales office to which the customer must go to make purchases. Customers must provide their own means of transportation for their purchases. Prices and quality of the company's products are fixed and controlled by the government. The company engages in no advertising or sales promotion campaigns and employs no salesmen. The company's clients are mainly bakers of wheat products, retailers, wholesalers, exporters, and institutional users. Although the company has a monopoly on the importation and production of wheat flour, it has very little control over the channel of distribution. The only control it exerts is in the area of pricing its products at the retail level. Figure 2 shows the channel of distribution for the company's products.

Retailers

Food retailing in Kuwait is carried out by a variety of retailing outlets. At one end of this spectrum is the bazaar food merchant, and at the other end is the modern supermarket. In addition to retailers, most wholesalers usually sell to consumers. Stewart described the retailer

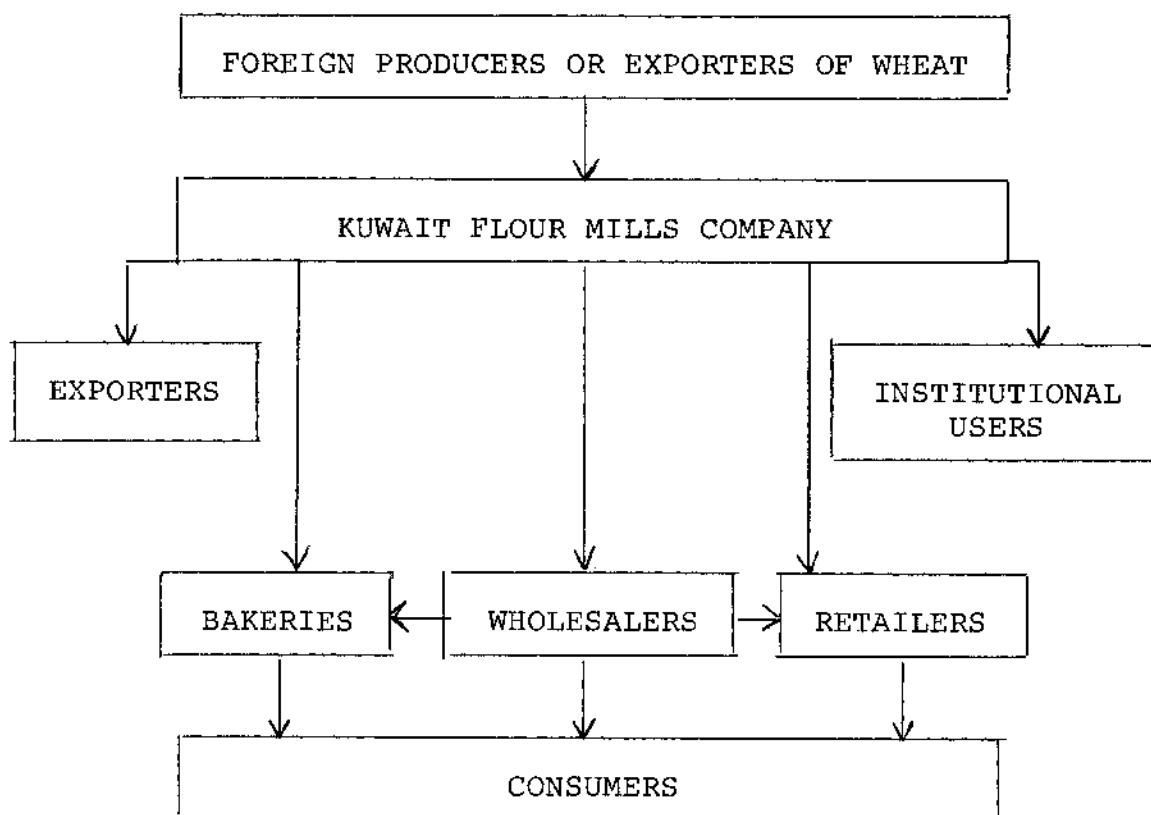


Fig. 2--Channel of distribution for Kuwait Flour Mills Company's products.

in some Middle Eastern countries, including Kuwait, in the following way.

Retail distribution is characterized by large numbers of little shops with small capital investments, much imitation, low turnover, high margins, and high mortality. Most food stores possess all these characteristics; many appliance stores do also. Understocking is a feature; an annoying refrain for the newcomer is that the retailer will have the desired item in an hour, a day, or next week. Store layouts are haphazard; there is no stock control; and only the most elementary accounting records are kept. Under these circumstances it is little wonder that a 12-hour day, 7-day week is often necessary for the owner to remain solvent.

Relatively minor exceptions to the above pattern have appeared in food, department, and novelty stores, where one chain in each line has been established. The food chain is British owned, while the department stores

are dominated by French interests. The novelty chain, consisting of five units, all located in Lebanon, is owned locally. All have adopted the corporate form unlike the typical retail operation which is family owned and operated.¹¹

In 1975, there were about 6,300 food retailing outlets in the country. Of this number, approximately 4,500 outlets were classified by the Ministry of Commerce as grocery stores, and thirty-seven outlets were classified as supermarkets.¹² The remaining outlets were classified as specialized food outlets, such as bakeries, fish, meat, sweets, and fruits and vegetables.

The majority of the food retailing outlets in Kuwait are very small, individually-owned, and employ one to three employees. Kuwaiti retailers usually obtain their supplies from the local importers-wholesalers. However, supermarkets and large retailers import part of their supplies from foreign exporters.

The majority of the population in Kuwait live in urban areas. The country is administratively divided into three governorates: Capital, Hawalli, and Ahmadi. Food retailers are concentrated mainly in the major shopping areas of each governorate. Table XIV reveals the numbers and types of retailing outlets in each of the three governorates. Hawalli has sixty percent of the retail outlets, the Capital

¹¹ Stewart, p. 50.

¹² Kuwait Ministry of Commerce and Industry, Statistics of Commercial and Brokerage Outlets 1975 (Kuwait, 1975), p. 2 (in Arabic).

TABLE XIV
 NUMBER OF FOOD RETAILERS IN THE THREE
 GOVERNORATES BY TYPE OF STORE, 1975*

Retailer	Capital	Hawalli	Ahmadi	Total
Groceries	1,184	2,754	533	4,471
Produce	79	30	4	113
Coffee and Nuts	41	63	11	115
Supermarkets	13	21	3	37
Poultry	28	137	10	175
Fish	140	85	18	243
Meat	163	315	89	567
Bakeries (Arabian)	16	31	10	57
Bakeries (Persian)	152	218	54	424
Sweets	30	25	0	55
Total	1,846	3,679	732	6,257

*Source: Ministry of Commerce and Industry, Statistics of Commercial and Brokerage Outlets 1975 (Kuwait, 1975), pp. 9-19 (in Arabic).

has thirty percent, and Ahmadi has ten percent. This uneven distribution of food retailing outlets corresponds to the distribution of the population among the three governorates.

Table XV illustrates the average number of customers per retail outlet in the three governorates and the population figure for each governorate. The country has a total of about one million inhabitants, which leads to an average of approximately 160 customers per food retailer. However, it should be pointed out that the shopping areas of the three governorates are in close proximity to each other,

TABLE XV
 AVERAGE NUMBER OF CUSTOMERS PER RETAIL FOOD
 OUTLET IN THE THREE GOVERNORATES 1975*

Governorate	Population	Customers Per Store	Total Number of Stores
Capital	280,000	152	1,846
Hawalli	580,000	158	3,679
Ahmadi	140,000	190	732

*Sources: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), pp. 23-25. Ministry of Commerce and Industry, Statistics of Commercial and Brokerage Outlets 1975 (Kuwait, 1975), pp. 9-19 (in Arabic).

which enables many consumers to shop not only in their own governorate but also in the other governorates.

In 1973, there were about 5,400 food retailers in Kuwait, and the total sales volume was about KD 100 million. This resulted in an average annual sales volume per outlet of about KD 19,000. Out of the total number of food retailers in 1973, there were twenty-one large retailers whose annual total sales volume was about KD fifteen million.¹³ This resulted in an average annual sales of about KD 700,000 per large retailer and indicates that about eighty-five percent of the total food retail sales volume was carried out by the small retailers.

¹³ Kuwait Planning Board, Annual Internal Trade Statistics 1973 (Kuwait, 1973), p. 7 (in Arabic).

Types of Food Retailers

At the retail level in the channel of distribution there are five types of food retailers in Kuwait. These are as follows:

1. Full-line retailers. These are grocery stores which mainly sell canned goods, fruits and vegetables, frozen meats, dairy products, and staples, such as sugar, rice, flour, tea, bread, eggs, spices, and cooking oils. These stores are usually found in the residential and shopping areas throughout the country.

2. Limited-line retailers. These are grocery stores which mainly sell canned goods, staples, and spices. The majority of these stores are located in the bazaar area in the capital city. Full-line and limited-line grocery stores accounted for about seventy-one percent of the total retail outlets in the country in 1975.¹⁴ They are small stores, individually-owned, and employ one or two persons.

3. Specialized retailers. Each retailer in this category is specialized in selling only one type of food product. The product may be fish, fresh meat, poultry and eggs, or produce. Retailers of this type are usually found throughout the country; however, most of the fish and produce retailers are concentrated in the bazaar area in the capital city. These are very small stores, and many are merely a fixed

¹⁴Statistics of Commercial and Brokerage Outlets 1975, pp. 9-19.

market stall. They are individually owned and employ one person. Outlets of this type accounted for about eighteen percent of the total food retail outlets in 1975.

4. Specialized producers-retailers. Retail outlets in this category are bakeries, sweet shops, and coffee-nuts shops. These retailers engage in the processing, production, and selling of their respective products. All of these operations are performed at the same location. The majority of the stores are located in the main shopping areas. They are individually owned and employ from three to eight persons.

5. Supermarkets. These stores are the modern food-retailing outlets in Kuwait. Supermarkets are the only self-service food retailers in the food-distribution system. They sell a broad line of food products, including frozen meat, produce, poultry products, dairy products, and a large number of nonfood items, such as cooking utensils, stationery, house-cleaning products, nonprescription drugs, cosmetics, and glassware. Supermarkets sell approximately 3,000 different items.

In 1975, there were thirty-seven supermarkets in Kuwait.¹⁵ Of this number, twenty were owned and operated by consumer cooperatives, and the remaining were either individually or family owned. In comparison with their American counterpart, the supermarkets in Kuwait are relatively small

¹⁵Ibid., p. 9-19.

and have fewer items and services to offer. They are located mainly in the middle-class and upper-income residential areas. They employ from ten to twenty employees.

Kuwait Supply Company

In its efforts to help the consumers to cope with the rising food prices, the government participated with private investors in the establishment of Kuwait Supply Company in 1973. The major objective of this company is to import, in large quantities, major food items that are commonly used by the Kuwaiti consumers and to sell these items to the consumers at fixed prices which are below the prevailing retail prices.

The food products which the company imported and sold to the consumers in 1975 were rice, lentils, powdered milk, tomato paste, sugar, and cooking oils.¹⁶ Table XVI shows the average monthly sales in quantities of the stated food products that were sold in 1975. The table indicates that rice, sugar, and powdered milk were the highest demanded food products in 1975.

In 1975, the company sales were about KD 10,000,000, as compared with the 1974 sales of KD 6,000,000.¹⁷ This indicates that the company was successful in fulfilling the goal

¹⁶ Kuwait Ministry of Commerce and Industry, Annual Report for the Year 1975 (Kuwait, 1976), p. 10 (in Arabic).

¹⁷ Kuwait Supply Company, Annual Report for the Year Ending December 31, 1975 (Kuwait, 1976), p. 3 (in Arabic).

TABLE XVI
 AVERAGE MONTHLY SALES FOR KUWAIT
 SUPPLY COMPANY, 1975*

Food Product	Quantity	Units
Sugar	30,875	In 50 kilogram sacks
Rice (Pakistani)	26,240	In 90 kilogram sacks
Rice (American)	43,325	In 45 kilogram sacks
Lentils	1,160	In 50 kilogram sacks
Powdered Milk	138,110	In cartons of 6x5 lb.cans
Cooking Oil	23,700	In cartons of 8x5 lb.cans
Tomato Paste	19,130	In cartons of 100x70 gram cans

*Source: Kuwait Supply Company, Accounting Department, unpublished data for 1975 (in Arabic).

for which it was established. However, the company realized a loss of about KD 1,000,000 in 1974 and about KD 6,000,000 in 1975. This was due to the rising food prices on the world markets and the governmental insistence on keeping prices fixed, regardless of losses, to insure stable food prices for the consumer. Regardless of the company's losses, the private investors in the company were guaranteed about five percent return on their investment by the government. The differences between the free-market retail prices and the company's prices, as shown in Table XVII, are the major contributors to the enormous losses incurred by the company.

TABLE XVII

COMPARISON OF KUWAIT SUPPLY COMPANY'S PRICES
AND THE AVERAGE FREE-MARKET* PRICES AT
THE RETAIL LEVEL IN 1975**

Food Product	Unit	Retail Price in fils***	Kuwait Supply Co. in fils	Price Dif.
Sugar	kilogram	246	90	150
Rice (Pakistani)	kilogram	278	160	118
Rice (American)	kilogram	300	150	150
Lentils	kilogram	297	165	132
Powdered milk	2.270 kg	1,372	1,050	322
Cooking oil	2.270 kg	898	515	383
Tomato paste	70 grams	32	30	2

*The free-market prices are quoted for the month of September 1975 only, and the Kuwait Supply Company prices were fixed by the government in 1974 and continued through 1975.

**Source: Kuwait Planning Board, Monthly Price Publication for Wholesale and Retail Prices, September 1975 (Kuwait, 1975), pp. 3-43 (in Arabic).

***One Kuwaiti dinar = 1,000 fils

The major marketing activities of the Kuwait Supply Company are buying, storing, transporting, breaking bulk, and selling. The company owns no retail outlets in the country; however, it distributes its supplies to the consumers through the wholesale outlets of the consumers' cooperatives located throughout the country.

In order to facilitate an orderly and fair distribution of the food products which the company sells at fixed prices, the Ministry of Commerce issued a ration card for each household unit in the country. This ration card shows the name of the head of the household, the number of residents, the monthly quantities of each food product the family is permitted to purchase, as well as the name and location of the distribution center where the food may be purchased. At the beginning of each month, the head of the household presents his ration card to the person in charge at the distribution center and purchases in cash the stated quantities for each food product. Consumers in Kuwait may purchase all the quantities, part of them, or none, each month. In 1975, the Ministry of Commerce issued 170,494 ration cards that registered 949,643 persons, which approximated the total population in the country.¹⁸

Activities of Food Retailers

The majority of food-retailing outlets in Kuwait are extremely small in terms of sales volume, physical space, product turnover, and inventory. The only exceptions are the supermarkets and Kuwait Supply Company. As a general rule, Kuwaiti food retailers perform only limited marketing activities. Marketing activities that are mostly performed by food retailers in Kuwait are as follows:

¹⁸Ministry of Commerce and Industry, Annual Report for 1975, p. 10.

1. Buying. Retailers obtain their supplies from local importers-wholesalers. Supermarkets and a few large retailers import some of their supplies and buy the rest from local wholesalers. As mentioned previously, there are 418 food wholesalers' establishments and 6,257 food-retail establishments in the country. This results in about fifteen retail establishments for each wholesaler. In performing his purchasing activities, a retailer usually visits weekly the places of business and bargains with as many wholesalers as he can to find the wholesaler or wholesalers who offer quality merchandise at lower prices and at better credit terms than the others. Food retailers spend more time and effort in conducting their purchasing activities than the time and effort they spend in carrying out their selling activities.

2. Selling. Retailers in Kuwait put more effort into their buying activities than into their selling activities. This is due to the principle of caveat emptor, which is widely accepted in the country. Advertising and other promotional devices to influence or create demand are virtually absent in the area of food retailing.

Products are not properly displayed. Staples are usually unpackaged and displayed in open sacks or bins. Frozen food products are stored in nondisplay freezers. Prices are not marked on the products. The stores carry very small inventories, and these inventories are usually stored in the selling area of the store. Most retailers provide

packaging service, but only a few provide delivery service. Food retailers are generally open from 7:00 a.m. to 1:00 p.m., closed in the afternoon, and reopen from 4:00 to 8:00 p.m., seven days a week.

Supermarkets are the only exception to the above general description of food retailers. They practice some of the modern marketing procedures, such as proper displays, marked prices, self-service, large inventories, and customer parking spaces.

3. Pricing, credit, and markups. Fixed prices for food exist only in the few supermarkets. Other food retailers expect the customer to haggle and bargain with them before reaching the final selling price. Price competition in branded-food products is relatively high. However, the price competition for unbranded-food products is very low, and the merchants attempt to make as much profit as possible from the customers. Prices for meats, dairy products, and bread are subsidized and fixed by the government in its effort to lessen the impact of rising food prices to the consumer.

Grocery stores in residential neighborhoods usually extend credit to their regular customers in order to keep their patronage. For every customer who has credit, the retailer uses a small notebook in which daily purchases are recorded. At the end of the week or the month, depending on the frequency of wage payments, all food purchases are added up and the grocer is reimbursed. Retailers charge no

interest on credit sales; however, they usually charge higher prices for products that are obtained on credit. Specialty food stores and supermarkets sell on cash-and-carry basis only.

Except for those governmentally-controlled food products, there is no rule or norm governing profits or prices in the food-retailing business. Table XVIII gives prices at the wholesale and retail level for several food items. Markups range from two percent for tomato paste to seventy-five percent for fresh tomatoes. The retail markup seems to be much higher for unbranded, agricultural products, such as tomatoes and potatoes, than for other food items which are mostly branded-food products. The prices shown are averages. As mentioned previously, the knowledge and ability to haggle over prices on the part of the consumer is the determinant of the actual markup to be obtained by the retailer.

Importance of Food Retailers

The majority of the food retailers in Kuwait are small, understocked, and undercapitalized. They depend on wholesalers to provide them with supplies and credit. However, their role in the channel of distribution should not be underestimated. They are a major link in the channel of distribution with the consumers. Through their daily contacts with the consumer, the stores become a major source of information about the consumer wants, needs, tastes, and

TABLE XVIII

ANNUAL AVERAGE OF WHOLESAL AND RETAIL PRICES FOR
 SELECTED FOOD COMMODITIES IN KUWAIT In 1974*
 (prices in fils per kilogram)

Commodity	Country of Origin	Wholesale Price	Retail Price	Percentage of Markup over Wholesale Price
Wheat flour	Local	53	84	58
Rice	Pakistan	264	296	12
Mutton legs (ground)	Australia	510	578	13
Beef (ground)	Denmark	906	977	8
Poultry	Denmark	349	394	13
Powered milk	Denmark	500	528	6
Oranges	Lebanon	122	163	34
Tomatoes	Jordan	80	140	75
Potatoes	Lebanon	73	126	73
Tomato paste (canned)	Italy	429	436	2
Lentils	India	246	304	24
Granulated sugar	France	89	96	8
Shortening	Holland	208	243	17

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), pp. 197-208.

preferences. In spite of their limited services to the consumer, the stores are able to provide time and place utilities for the majority of food consumers throughout the country. They also provide credit and sales in smaller quantities to the ultimate consumer.

As compared with the importer-wholesaler, retailers have no control within the channel of distribution except in the area of pricing. The retailers have to compete with wholesalers who sell to the ultimate consumer at lower prices, especially in the area of branded-food products. Figure 3 shows the channels of distribution for branded-food products and shows how the importer-wholesalers compete with the retailers in selling to the ultimate consumer. There are no voluntary group or corporate-owned, food-retailing chains in Kuwait. Also, food retailers have no trade organization or union of their own. Consequently, they have no countervailing power in dealing with wholesalers or governmental agencies. Consumer attitudes toward food retailers are characterized by distrust and suspicion. Consumers accuse food retailers of charging higher prices for low-quality merchandise, providing few services, creating shortages, and making enormous profits. Food retailers' inefficiency, lack of organization, and ease of entry in the food-retailing business have contributed to the consumer dissatisfactions and complaints.

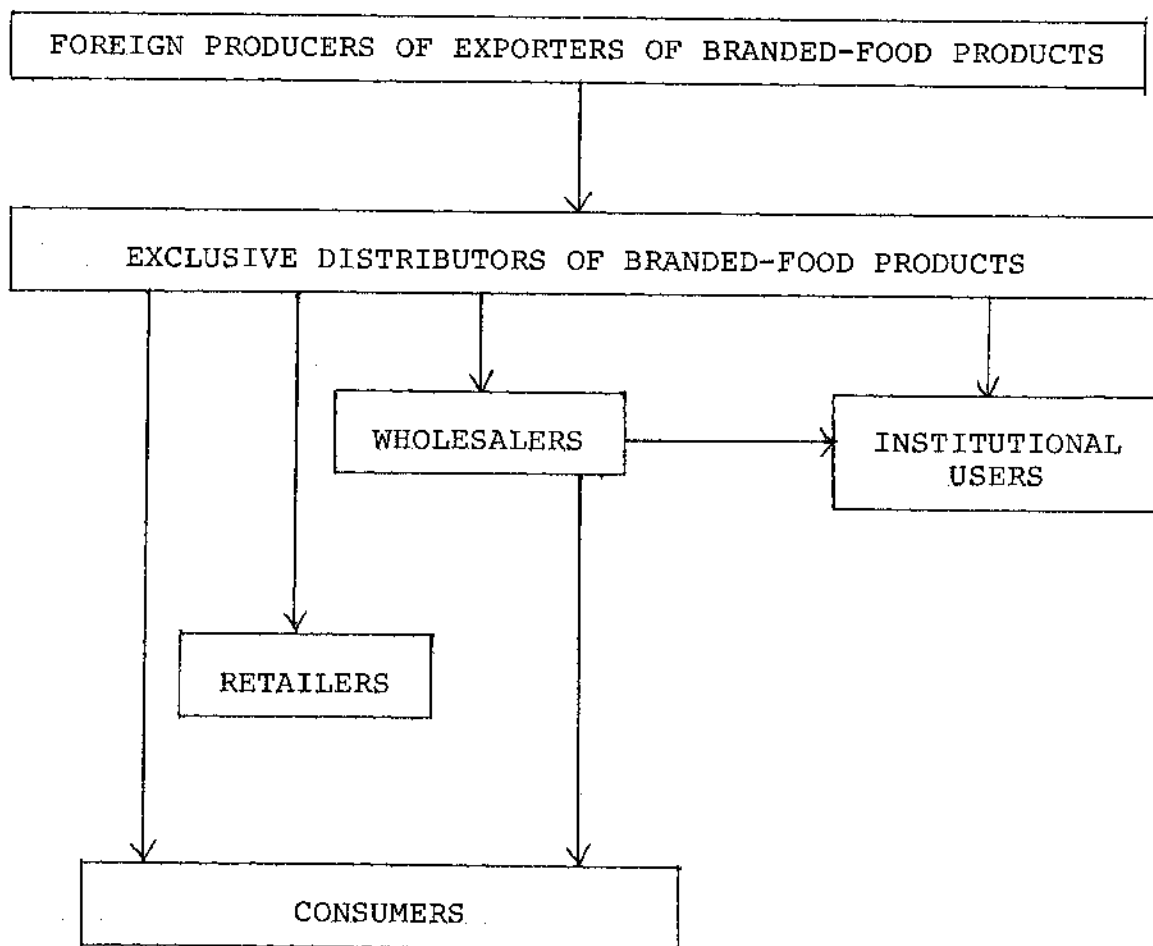


Fig. 3--Channels of distribution for branded-food products in Kuwait.

Ownership and Management

According to the Commercial Law No. 2 of 1961, ownership of business establishments in Kuwait is restricted to Kuwaiti nationals or to a company with at least fifty-one percent Kuwaiti ownership.¹⁹ Exempted from this law are non-Kuwaiti individuals who carry on a simple trade or minor commerce,

¹⁹ Kuwait Ministry of Commerce and Industry, Law No. 2 for the Year 1961, Promulgating the Law of Commerce (Kuwait, 1961), p. 283.

such as barbers, butchers, bakers, and others. Table XIX shows the number of licenses that were issued by the Minister of Commerce and Industry by the end of 1975. The table also

TABLE XIX

DISTRIBUTION OF LICENSES FOR BUSINESS ESTABLISHMENTS
ACCORDING TO NATIONALITY AT THE END OF 1975*

Nationality of Licensed Holders	Number of Licenses
Kuwaiti.	20,185
Iraqi.	40
Saudi Arabian.	18
North Yemani	2
South Yemani	7
Jordanian and Palestinian.	432
Syrian	325
Lebanese	253
Egyptian	46
Sudanese	1
Bahraini	5
Omani.	47
Iranian.	135
Pakistani.	809
East Indian.	346
European	2
American	1
Total	22,654

*Source: Kuwait Ministry of Commerce and Industry, Statistics of Commercial and Brokerage Outlets 1975 (Kuwait, 1975), p. 1 (in Arabic).

indicates the various nationalities of these license holders. Kuwaiti nationals hold about ninety percent of the total

licenses for business establishments. There were approximately 6,700 food wholesale and retail outlets in Kuwait in 1975. This number represents thirty percent of the total business establishments. Kuwaiti nationals either own or have more than fifty-one percent controlling interest in the food-wholesaling and retailing establishments. Ownership and employment in the area of food wholesaling and retailing is restricted by cultural practices to the male members of the population.

Wholesale Establishments

The majority of the food-wholesaling establishments are owned by Kuwaiti nationals. These owners are members of the wealthy merchant class which existed in Kuwait before the oil boom. These owners not only engage in the food-wholesaling business but also engage in a variety of business activities, such as real estate, contracting and building, investment in commercial banks, and investment in local industries.

These owners are usually related to each other through family or tribal ties. They are highly influential in the financial, social, and political circles in the country. Entry into the food-wholesaling business is not restricted by law for Kuwaiti nationals. However, lack of financial resources, business connections, and experience are the major restricting factors to possible entry into the food-wholesaling business.

Before the oil era in Kuwait, most of the Kuwaiti merchants owned, managed, and operated their own business establishments. Assistance usually came from family members. Today the management and decision-making processes are still in the hands of the Kuwaiti owners or members of their immediate family, but the day-to-day operations are handled by non-Kuwaiti nationals, such as Egyptians, Palestinians, Lebanese, Persians, and East Indians.

The experience and education of these employees in the field of food wholesaling ranges from a few years experience plus a high school degree to many years of experience plus a college degree. Most of these employees gained their experience and education in their native countries, all of which are classified as developing countries. Consequently, these employees brought to Kuwaiti wholesale establishments poor marketing practices that are a major feature of developing countries. These employees are compensated very generously with salaries as well as bonuses by their employers.

Retail Establishments

At the retail level of food marketing, Kuwaiti nationals own or hold licenses to the majority of the food-retailing establishments in the country. Non-Kuwaitis own and operate only a minimum number of small specialized food-retailing

outlets, such as bakeries, butcher shops, and fruit and vegetable shops.

Kuwaiti owners of the retail establishments are mainly members of the middle and lower-middle classes. The majority of these owners are government employees, private business employees, and small businessmen who engage in various crafts and trades. These owners lack the financial resources, political influence, and the social prestige that are enjoyed by the owners of the wholesale establishments. Entry into the food-retailing area is relatively easy. It requires a minimum of financial resources and experience. This results in the proliferation of small, food-retailing outlets scattered throughout the country.

Few Kuwaiti owners manage and operate their own food-retailing outlets. The majority of the food-retailing outlets are managed and operated by non-Kuwaiti nationals who are mainly natives of Egypt, Lebanon, Palestine, Jordan, Syria, Iraq, and Iran. The majority of these employees have had little or no previous experience in the area of food retailing. Most of these employees use their employment in the food-retailing business as a temporary job while waiting for a better employment opportunity in another sector of the economy. They are poorly compensated, and the rate of employee turnover is very high in the food-retailing business, as compared with the rate of employee turnover in the other sectors of the economy. As a result, the food-retailing

business is plagued by inefficiencies and waste of financial and human resources.

Summary

The discussion in this chapter has been centered on importers-wholesalers, local producers, and retailers in the channels of distribution for food products. The institutional and functional aspects of these intermediaries in the channels of distribution have been described and analyzed.

Since Kuwait relies on imports for most of its food supplies, the importers-wholesalers dominate the food-wholesaling business in the country. Most of the wholesalers are small, inefficient, and lack the knowledge of modern marketing techniques. Most wholesalers in Kuwait sell directly to the final consumer. This marketing behavior enhances their marketing position and power in the channel of distribution. Local producers play a minute role in the production and distribution of food products in the country. Food retailing is carried out by a variety of retailing outlets. At one end of this spectrum is the bazaar food merchant and at the other end is the modern supermarket. Most of the food retailers are small, inefficient, and lack the knowledge of modern marketing techniques.

CHAPTER IV

CONSUMER COOPERATIVES, CONSUMERS, AND THE GOVERNMENT'S ROLE IN THE FOOD-DISTRIBUTION SYSTEM

In Chapter II, wholesalers, local producers, and retailers in the food-distribution system were discussed and analyzed. The purpose of this chapter is to describe and analyze consumer cooperatives, consumers and the government's role in the channels of distribution for food products in the country.

Consumer Cooperatives

Consumer-cooperative marketing involves the purchase of goods and services primarily for the sale to or use by the ultimate consumers who are usually members of the cooperative.¹ Though the idea of cooperation is as old as human society, the modern consumer-cooperatives' movement had its beginning in 1844.

It was not until 1844, when the twenty-eight weavers who were the real pioneers of consumers' co-operation started their store in the little English town of Rochdale, that the modern movement really began. This seems to have been the first society that was established, financed, operated, and managed by consumers, and in which the profits or savings (above interest and reserves) were taken by each member in proportion to his purchases. These founders

¹Ralph S. Alexander, Frank M. Surface, and Wroe Alderson, Marketing, rev. ed. (New York, 1949), p. 293.

incorporated into their organization several principles which ever since have been regarded² as vital to the success of this type of enterprise.

Present day consumer cooperatives are based on the principles set by the Rochdale pioneers. These principles are as follows:

- (1) open membership;
- (2) democratic control;
- (3) limited interest on shares;
- (4) patronage rebates;
- (5) goods to be sold at current market rate and for cash only;
- (6) neutrality in race, religion, and politics;
- (7) sale of pure and unadulterated goods; and
- (8) continuous education of members.³

The consumer-cooperative movement in Kuwait began in 1962 when the Cooperative Societies' Law No 20/1962 was promulgated. The law is primarily concerned with the establishment, regulation, and control of consumer cooperatives within the country. The Ministry of Labor and Social Affairs has the legal responsibility of overseeing the establishment and operation of all the consumer cooperatives. The consumer cooperatives are financed by government grants and subsidies and by the sale of capital shares to their members.

² Ibid.

³ Franz C. Helm, The Economics of Co-operative Enterprise (London, 1968), p. 6.

Land and buildings for the consumer cooperatives are provided by the government at nominal rents. These nominal rents are considered to be a government subsidy to promote the consumer-cooperatives' movement in the country. Consequently, the consumer cooperatives in Kuwait could be considered as quasi-governmental establishments.

The principles which govern the Kuwaiti consumer cooperatives are based on those principles set by the Rochdale pioneers. Membership is limited to Kuwaiti nationals, but the cooperatives sell to members as well as to nonmembers. Each cooperative owns and operates a modern supermarket, a food-wholesale outlet, and a LP-gas-distributon outlet.

At the end of 1962, there were only two consumer cooperatives with a total membership of forty-eight.⁴ This should be compared with 1974 when there were twenty consumer cooperatives with a total membership of about 36,000.⁵ These figures demonstrate that the consumer-cooperative movement has been expanding very rapidly within the country.

Table XX indicates the progress in the consumer-cooperative movement between 1973 and 1974. The movement achieved progress in all categories, especially in the sales

⁴ Ministry of Labor and Social Affairs, Evaluation of the Consumer-Cooperatives' Movement in Kuwait (March, 1974), p. 10 (in Arabic).

⁵ Kuwait Consumer Cooperatives' Union, Annual Report for the Year Ending December 31, 1974 (Kuwait, 1975), p. 12 (in Arabic)..

area, where sales volume increased by forty-eight percent and reached a total of about KD 20,000,000⁶ compared with the 1973 sales volume of about KD 13,000,000.

Consumer cooperatives in Kuwait are concentrated in the residential suburbs of the Capital and Hawalli Governorates. Twenty of these residential areas were served by the cooperatives in 1975, which was about thirty-five percent of the total residential areas in the country. According to the 1975 census, the population of the areas served by cooperatives was approximately forty-five percent of the total population of the country.⁷

TABLE XX

PROGRESS IN THE CONSUMER-COOPERATIVE
MOVEMENT BETWEEN 1973 AND 1974*

Area	1973	1974	Percent Increase
Number of Consumer Cooperatives	18	20	11
Number of Members	26,855	35,815	33
Number of Shares	850,475	954,006	12
Value of Shares (in KD**)	1,610,623	1,808,607	12
Sales Volume (in KD)	13,182,716	19,553,047	48

*Source: The Consumer Cooperatives' Union, Annual Report for the Year Ending December 31, 1974 (Kuwait, 1975), p. 12 (in Arabic).

**One Kuwaiti dinar (KD) = \$3.50 in 1975.

⁶One Kuwaiti dinar (KD) = \$3.50 in 1975.

⁷Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1976), pp. 23-25.

The consumer cooperatives are located within modern, governmentally-built shopping centers. In addition to the cooperatives, these shopping centers have a number of small, specialized retailing outlets as well as branches of governmental service agencies, such as police, postal service, and health.

Consumer cooperatives engage in the distribution of an assortment of food and nonfood products. Table XXI gives the major commodity groupings of food and nonfood products

TABLE XXI

FOOD AND NONFOOD PRODUCTS MARKETED BY THE
CONSUMER COOPERATIVES IN 1974*

Food Products	Nonfood Products
Canned vegetables	Cosmetics
Frozen vegetables	Cigarettes
Frozen meats	Toys
Frozen poultry	Small household goods
Dairy products	Stationery
Fresh eggs	Household cleansers
Grains, lentils, beans	Nonprescription drugs
Vegetable oil	
Sugar	
Loafed bread and wheat flour products	
Sweets	
Tea and Coffee	

*Source: Mohammed Sami Mohammed and others, "An Investigation of the Consumer Cooperatives in the State of Kuwait," Journal of Social Sciences, II (October, 1974), 34 (in Arabic).

that were marketed in 1974. Fresh fish, fresh meats, produce, and fresh poultry are not distributed through cooperatives but are marketed through specialized food retailers.

The major sources of supplies for the consumer cooperatives are local producers and importers-wholesalers. However, consumer cooperatives import some of their supplies, especially in the area of nonbranded products.

Marketing Functions

As compared with the majority of food wholesalers and retailers, the marketing functions of consumer cooperatives are more organized and better managed. The major marketing functions engaged in by the consumer cooperatives are the following.

1. Buying. This function is the responsibility of the purchasing committee which sets the policies and criteria for the purchasing of the needed products. This committee bases its decisions on information supplied to it by the general manager of the cooperative. The actual purchasing function is performed by a purchasing manager who contacts the various suppliers and negotiates with them in order to reach a final decision. The major basis for selecting and purchasing a product are (1) quality, (2) members' needs, (3) price, (4) brand identification, (5) credit terms, and

(6) quantity discount.⁸ Consumer cooperatives purchase the majority of their supplies on credit, which is mainly due to their limited financial resources.

2. Selling. Advertising and promotion are nonexistent in the consumer cooperatives. However, publicity for the consumer cooperatives comes in the form of news items in the local media and oral communication among the consumers who are either members or customers of the cooperatives. The selling function is carried out through the cooperatives' modern supermarkets and their food wholesale outlets. These supermarkets are basically patterned after their American counterparts. The wholesale outlets usually carry canned-food products and staples. As mentioned previously, cooperatives sell to members and nonmembers. Through their wholesale operations, they sell to the final consumer and small retailers. Cooperatives sell at fixed prices, which are clearly marked on the products, and they offer no credit to their customers. Self-service is the practice in their supermarket operations, except for the cosmetic and unpackaged staples sections where personal selling services are provided for the customers. The cooperative outlets are open seven days a week from 9:00 a.m. to 2:00 p.m. and from 4:00 p.m. to 8:00 p.m.

⁸ Mohammed Sami Mohammed and others, "An Investigation of the Consumer Cooperatives in the State of Kuwait," Journal of Social Sciences, II (October, 1974), 35 (in Arabic).

In the area of nonprice competition, there are two major competitors of the consumer cooperatives: (1) the few privately-owned supermarkets, which open for longer hours, carry larger assortments of products, and offer more customer services; and (2) small grocery stores located in the same residential areas as the cooperatives, which are open for longer hours, extend credit, and have home-delivery services.⁹

In 1973, the total sales volume for all food wholesalers and retailers in the country was about KD 200,000,000.¹⁰ Consumer cooperatives' sales volume for that year was KD 13,000,000.¹¹ This volume represents approximately seven percent of the sales volume within the country. Therefore, much improvement could be accomplished in the sales area by the consumer cooperatives.

3. Pricing and Markups. Retail prices for some food products are already set by the government. In addition, retail prices for some branded-food products are established by the agent or distributor. In most cooperatives, the general manager, the accounting department, and the purchasing committee work together to establish the resale prices

⁹ Ibid., pp. 22-25.

¹⁰ Kuwait Planning Board, Annual Internal Trade Statistics 1973 (Kuwait, 1973), p. 7 (in Arabic)

¹¹ Kuwait Consumer Cooperatives' Union, Annual Report for the Year Ending December 31, 1974, p. 12.

for the remaining products. In arriving at the final selling price, the following information is used: (1) prices at other cooperatives, (2) prices at noncooperative outlets, and (3) costs.¹²

Markups in consumer cooperatives are generally lower than markups in noncooperative food-retailing establishments. This practice is due to the emphasis on service to members and customers rather than on profits to the consumer cooperatives. As indicated by Table XXII, the average markups for all food products in the seven cooperatives range from 5.6 percent in Cooperative C to 11.4 percent in Cooperative B. Also, the lowest average markup for a food commodity was 5.9 percent for frozen meats, and the highest average markup was 12.4 percent for sweets.

4. Storage. This marketing function is performed more efficiently by the cooperatives as compared with the rest of the food wholesalers and retailers in the country. Most of the cooperatives' warehouses are located in the vicinity of their supermarkets and wholesale outlets. This ideal location has resulted in substantial savings in the cost of transportation. Warehouse areas are between 60 and 1,500 square meters,¹³ and some of the cooperatives are anticipating the expansion of their warehouses. Basic principles

¹²Mohammed, p. 41.

¹³Ibid., p. 36.

TABLE XXII

MARKUPS PERCENTAGES BASED ON COST FOR FOOD PRODUCTS
IN SEVEN CONSUMER COOPERATIVES IN 1974*

Food Commodity	Markups in Percentages in Cooperatives							Average Markup
	A	B	C	D	E	F	G	
Canned foods	20	10	10	5	5-10	10	5	9.6
Frozen vegetables	4	10	5	7	15	10	5	8
Frozen meats	4	10	5	7	5-7	4	5	5.9
Frozen poultry	4	10	5	7	5	10	5	6.6
Dairy products	7	10	5	7	5	10	5	7
Fresh eggs	5	..	5	7	5	10	5	6.2
Grains, lentils, beans	8	15	5	5	5	2	5	6.4
Vegetable oil	5	10	..	10	7-10	2	5	6.8
Sugar	3	10	..	15	2	..	5	7
Loafed bread and wheat flour products	5	10	..	6	..	10	5	7.4
Sweets	7	20	5	10	20	10	15	12.4
Tea and coffee	4	10	5	10	5	..	5	6.5
Average Markups	6.3	11.4	5.6	8.1	7.6	7.8	5.8	7.5

*Source: Mohammed Sami Mohammed and others, "An Investigation of the Consumer Cooperatives in the State of Kuwait," Journal of Social Sciences, II (October, 1974), 41 (in Arabic).

modern warehousing design and management are adhered to by the cooperatives in their warehousing operations.

5. Market research. Marketing research is practically unknown to the noncooperative food wholesalers and retailers. Consumer cooperatives in Kuwait neither have the financial means nor the facilities to engage in any elaborate research projects. However, they periodically analyze and evaluate the assortment and prices of their major competitors, such as privately-owned supermarkets and large food retailers. Also, cooperative members do their share in supplying management with their views and ideas about the assortment, prices, and services.

Importance of Consumer Cooperatives

Consumer cooperatives do not dominate the channels of distribution for food products in the country. In 1973, sales by the consumer cooperatives amounted to about seven percent of the total sales of all food wholesale and retail establishments. In 1975, there were approximately 7,000 food wholesale and retail outlets, and only twenty of these were consumer cooperatives. However, due to their purchasing power, which is greater than most of the remaining retail establishments, the consumer cooperatives have some countervailing power in dealing with their suppliers and governmental agencies.

The consumer cooperatives' importance in the channels of distribution stems from being a modern, alternative outlet that offers the food consumer fixed and moderate prices, convenient shopping, well-selected assortments of products, and services. Figure 4 shows the most widely used channels of distribution for imported food and grocery products. The relative importance of consumer cooperatives in the food-distribution system is also shown.

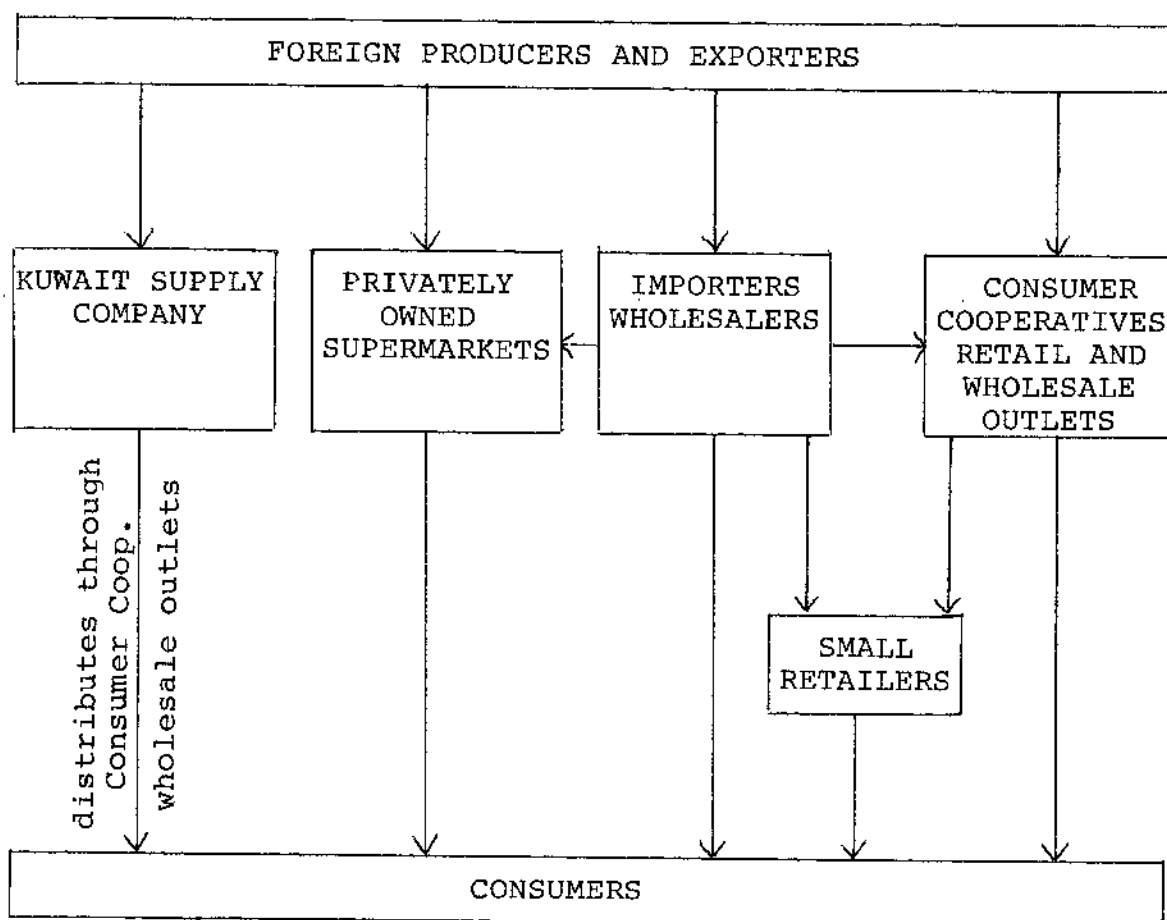


Fig. 4--The position of consumer cooperatives in the channels of distribution for imported food and grocery products in Kuwait.

The government of Kuwait considers the cooperatives as a viable link in the channels of distribution for food products, and, as mentioned previously, it has provided them with support, subsidies, and encouragement. By doing so, the government expects the cooperative movement to spread throughout the country for the benefit of all consumers.

Management and Personnel

A Board of Directors is elected by the members in each cooperative to set the objectives and policies of the cooperative. Also, the board has the authority to approve the final decisions on all the major aspects of the cooperative's operations.

Day-to-day operations are managed by a general manager who is assisted by a host of division managers. Figure 5 shows the organizational chart of a typical consumer cooperative in Kuwait. In 1974, there was a total of 933 persons employed by the twenty consumer cooperatives,¹⁴ which results in an average of about forty-seven employees per cooperative. Of the total number, there were forty-one Kuwaiti nationals and 892 non-Kuwaitis employed by all the cooperatives. As mentioned previously, all members of the consumer cooperatives and boards of directors are Kuwaiti nationals.

¹⁴Evaluation of the Consumer-Cooperatives' Movement in Kuwait, p. 30.

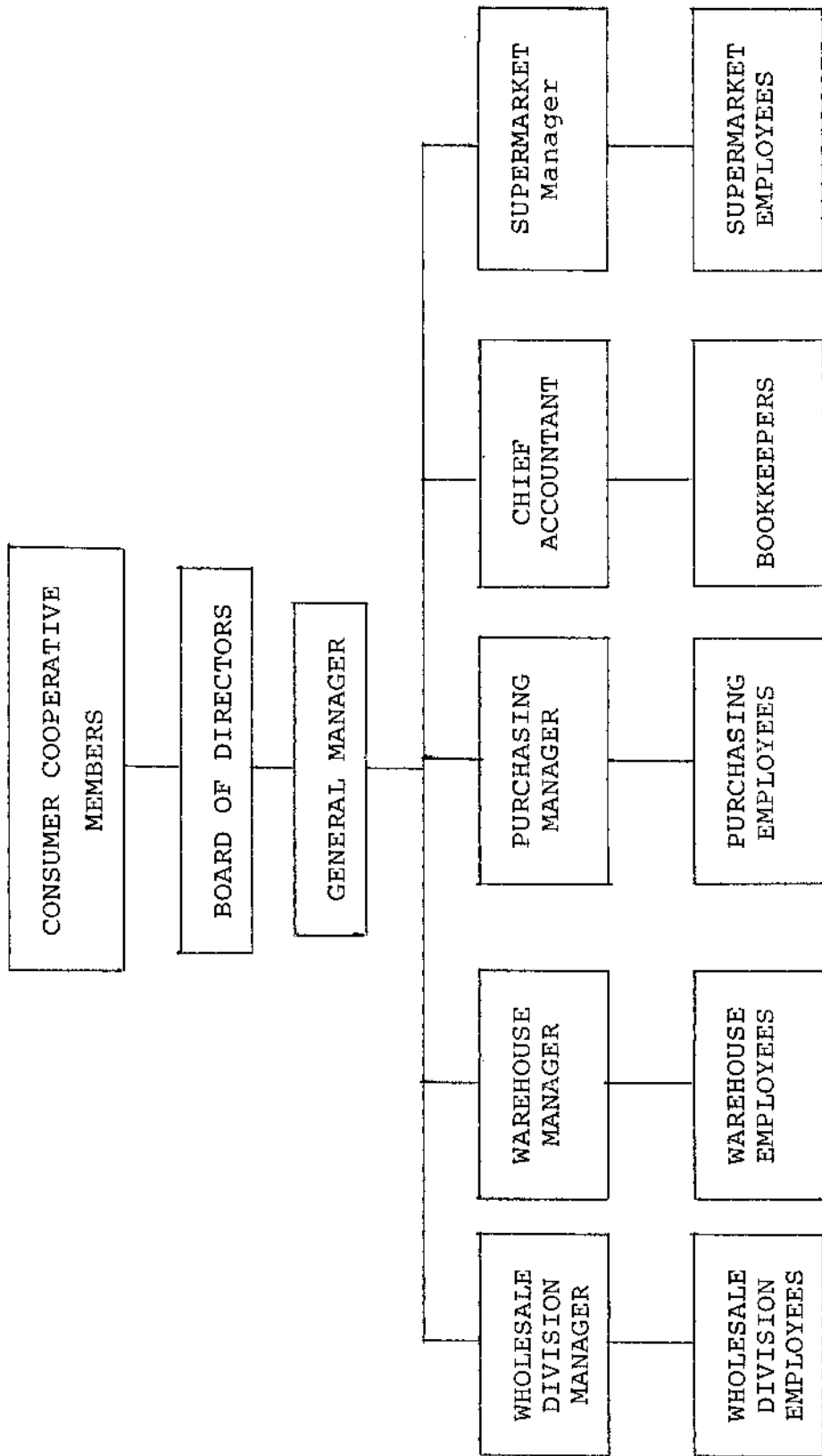


Fig. 5--Consumer-cooperative organization chart

The experience and education of the employees in the consumer cooperatives range from a few years of experience with less than high school education to many years of experience with a college degree. The majority of the general managers and division managers were educated in Egyptian universities and acquired their work experiences in Egyptian consumer cooperatives.

Cooperatives compensate their employees on a straight salary basis without fringe benefits or commissions. Table XXIII indicates that the average monthly wages paid by cooperatives in 1974 were lower than the average monthly wages paid by manufacturing companies and the average monthly wages paid by the government for all occupations.

TABLE XXIII

A COMPARISON OF AVERAGE MONTHLY WAGES PAID BY
CONSUMER COOPERATIVES, LOCAL MANUFACTURING
COMPANIES, AND THE KUWAITI GOVERNMENT
IN 1974* (in KD)

Occupation	Average Wage in Coop.	Average Wage in Mfg.	Average Wage in Gov't
General Manager	275	304	..
Purchasing Manager	95	130	..
Chief Accountant	121	275	266
Bookkeeper	85	175	246
Secretary	80	94	140
Pharmacist	144	390	326
Clerk	53	111	145
Salesman	41	70	..
Worker	32	37	53

*Source: Lloyd Mosely, A Report to the Board of Directors: The Operations of Consumer Cooperatives and Recommendations for Their Improvement (Kuwait, 1975), p. 18 (in Arabic).

Due to the significantly lower monthly salaries, in recent years the cooperatives have experienced a relatively high employee turnover. Most of the employees are awaiting the opportunity to locate a higher paying job in industry or in the government. Recruiting and training new employees has become a costly and time-consuming process for the cooperatives.

Consumer Cooperatives' Union

In 1970, representatives from the boards of directors of the consumer cooperatives held several meetings to discuss and study the possibility of forming a consumer-cooperatives' union. These meetings resulted in the formation of a voluntary consumer-cooperatives' union in 1971. The union has been financed by contributions from each member cooperative. In 1975, there were eighteen cooperatives out of the total of twenty that were members of the union.¹⁵ The major objectives of the union are the following:

(1) to represent member cooperatives on the national and international level;

(2) to coordinate and organize the marketing and non-marketing activities of its members;

¹⁵ Kuwait Consumer-Cooperatives' Union, "Press Release about the Formation, Goals, Accomplishments, and Programs of the Union," Kuwait, 1975, p. 3 (in Arabic).

(3) to provide assistance to its members in solving their marketing and nonmarketing problems;

(4) to conduct marketing research in the areas of sources of supplies, consumption, consumers' needs, and to provide the members with access to these findings;

(5) to provide for the centralization of the functions of purchasing, transportation, and storage in order to benefit from the economies of scales, and

(6) to provide each participating cooperative with education and training of its employees.¹⁶

The union, in striving toward the achievement of its goals, has accomplished the following.

1. One of its member cooperatives was saved from bankruptcy because the union procured a governmental loan for it.

2. American supermarket experts were invited to study and suggest methods of improvements for the union's members.

3. A number of modern and efficient warehouses were built and rented, and a number of trucks were purchased.

4. An assortment of food products was imported in large quantities.

5. Seminars and training sessions were held periodically for the employees of the member cooperatives.¹⁷

¹⁶Ibid., pp. 3-4.

¹⁷Ibid., pp. 4-7.

The objectives and accomplishments of the consumer-cooperatives' union indicates that the union is an attempt by the consumers cooperatives in Kuwait to emulate the voluntary chain system in the food trade in the United States. The establishment of the consumer-cooperatives' union enhanced the position of the consumer cooperatives in the channel of distribution for food products in the country. They are able to deal more effectively with their suppliers and to perform their marketing functions more efficiently.

Consumers

As previously mentioned in Chapter II, the total population of Kuwait was estimated to be 1,000,000 in 1975, of which forty-four percent were Kuwaitis and fifty-six percent were non-Kuwaitis. Table XXIV presents data on the population in 1970 by age group, sex, and nationality. Kuwaitis were outnumbered by the non-Kuwaitis. However, Kuwaiti children between the ages of zero and and fourteen accounted for 23.6 percent of the total population, while the non-Kuwaiti children in the same age group amounted to 19.7 percent of the total population. Kuwaiti females in all age groups accounted for 23.3 percent of the total population, while non-Kuwaiti females in the same age groups amounted to 19.9 percent of the total population. It was only the non-Kuwaiti males that provided the non-Kuwaitis with their dominant numbers over the Kuwaitis.

TABLE XXIV

KUWAITI POPULATION BY AGE, NATIONALITY, AND SEX, 1970*

Nationality	Age Groups						Total**
	0-14		15 and Over		% of Total***	% of Total	
	Total Population	% of Total***	Total Population	% of Total***			
Kuwaiti							
Female	85,692	11.6	78,442	10.6		171,883	23.2
Male	88,371	12.0	79,654	10.8		175,513	23.7
Total	174,063	23.6	158,096	21.4		347,396	47.0
Non-Kuwaiti							
Female	70,450	9.5	73,731	10.0		146,898	19.9
Male	74,788	10.2	166,686	22.5		244,368	33.1
Total	145,238	19.7	240,417	32.5		391,266	53.0
Total Population	319,301	43.3	398,513	53.9		738,662	100.0

*Source: Stanford Research Institute, Social and Economic Impacts of the Kuwait Government Compensation Increase of 1971-1972 and Recommended National Compensation Policies (Menlo Park, California, May 1974), p. III-20.

**Includes 15,173 Kuwaitis and 5,482 non-Kuwaitis for whom age or sex data were not stated in the census.

***Total population: Kuwaiti and non-Kuwaiti

Table XXV shows the Kuwaiti and non-Kuwaiti marital status in 1970. The total number of married non-Kuwaitis was 163,973, and the total number of married Kuwaitis was 107,972. This is a three-to-two ratio weighted in favor of the non-Kuwaitis. In 1970, there were a total of 113,057 households in the country. Out of this total, there were 67,487 non-Kuwaiti households and 45,570 Kuwaiti households. However, the Kuwaiti household was twice as large as the non-Kuwaiti, with about eight people in the Kuwaiti household and about four people in the non-Kuwaiti household. Furthermore, some 6,500 non-Kuwaitis lived alone, while only 800 Kuwaitis lived alone in 1970.¹⁸

Income Distribution

As mentioned earlier in Chapter II, Kuwait has the highest per capita income in the world. Gross national product in 1974 was approximately \$11 billion, and the per capita income was nearly \$11,000. Table XXVI presents the monthly income levels for Kuwaiti and non-Kuwaiti households in 1973. Twenty-six percent of the Kuwaiti households had a monthly income of less than KD 150, whereas 48.5 percent of the non-Kuwaitis were at that low income level. Of the Kuwaiti households, 51.2 percent were in the middle-income level of KD 150 to KD 399. Of the non-Kuwaiti households,

¹⁸Social and Economic Impacts of the Kuwait Government Compensation Increase of 1971-1972, pp. II-27-III-29.

TABLE XXV

POPULATION AGE FIFTEEN AND OVER BY MARITAL STATUS IN 1970*

Marital Status	Kuwaitis						Non-Kuwaitis					
	Males		Females		Total		Males		Females		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Single (never married)	31,844	36.5	17,193	19.9	49,037	28.3	63,155	37.2	12,525	16.4	75,680	30.8
Married	52,878	60.7	55,094	63.9	107,972	62.3	105,073	62.0	58,900	77.0	163,973	66.6
Widowed	600	0.9	2,242	2.6	2,902	1.7	534	0.3	722	0.9	1,256	0.5
Not Stated	1,713	2.0	11,611	13.5	13,324	7.7	725	0.4	4,269	5.6	4,994	2.0
Total	87,142	50.3	86,191	49.7	173,333	100	169,580	68.9	76,448	31.1	246,028	100

*Source: Stanford Research Institute, Social and Economic Impacts of the Kuwait Government Compensation Increase of 1971-1972 and Recommended National Compensation Policies (Menlo Park, California, May 1974), p. III-28.

TABLE XXVI
HOUSEHOLDS BY MONTHLY INCOME LEVEL IN PERCENTAGES
1973*

Categories of Income Per Month In KD**	Kuwaiti Households	Non-Kuwaiti Households	Total Households
Less than 50	5.4	5.5	5.4
50-69	3.0	7.5	5.7
70-99	4.0	14.6	10.3
100-149	13.6	20.9	17.9
150-199	18.7	16.1	17.2
200-249	12.8	10.3	11.3
250-299	9.4	7.6	8.4
300-399	10.3	8.1	9.0
400-599	11.5	6.5	8.5
600-999	5.8	2.2	3.6
1,000+	5.5	0.7	2.7
Total	100.0	100.0	100.0

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait), 1975, p. 176.

**One KD = \$3.50 in 1975.

42.1 percent were at that income level. In the upper-income level of KD 400 and above, there were 22.8 percent Kuwaiti households and 9.4 percent non-Kuwaiti households.

Kuwaiti households derive their income mainly from wages and salaries, private business, real estate rents, stocks,

and bonds. The non-Kuwaiti households derive their income mainly from wages and salaries, and private business. In addition to their incomes, Kuwaiti and non-Kuwaiti households receive a wide range of free governmental benefits and services, such as free medical and dental care, and free education. Under Kuwait's government-welfare policy, utilities and basic-food imports are subsidized, and there are no personal income taxes.

Food Consumption

Tables XXVII and XXVIII show the monthly per capita expenditures on all items of consumption for the Kuwaiti and non-Kuwaiti households in all expenditure levels for the period of April 1972 to March 1973. Kuwaiti families spend 27.5 percent of their monthly family budget on food and beverages, while the non-Kuwaiti family spends 30.2 percent on the same items. However, in the upper-income levels, the Kuwaiti and non-Kuwaiti families spend more on their housing, household operations, transportation, and communication than on food consumption.

Table XXIX indicates the monthly per capita expenditures for Kuwaiti and non-Kuwaiti families on all items of food and beverages in 1973. Kuwaiti families spend KD 2.305 more than the non-Kuwaiti families per person, per month. This is due mainly to the higher Kuwaiti per capita expenditures on cereal products, meat and eggs, fish, and spices and salt.

TABLE XXVII

MONTHLY PER CAPITA EXPENDITURES ON ITEMS OF CONSUMPTION BY EXPENDITURE LEVEL IN PERCENTAGES FOR KUWAITI HOUSEHOLDS, APRIL 1972-MARCH 1973*

Commodity Groups	Monthly Expenditure of Household KD									
	Less than 30	50-	100-	150-	200-	300-	400-	500+	All Families	
Food and Beverages	57.5	52.9	44.5	37.2	31.1	26.2	23.1	15.9	27.5	
Clothing	6.6	7.5	8.2	9.3	9.7	9.4	9.5	9.0	9.1	
Dwelling Rent & Expenses	19.4	19.2	18.5	19.9	22.8	24.9	27.8	21.3	22.3	
Fuel & Light	4.9	2.9	2.1	2.1	2.2	1.9	1.6	1.3	1.9	
Household Equipment and Services	3.1	4.6	7.2	9.3	10.4	10.6	10.1	16.3	11.6	
Transportation and Communication	6.9	6.7	11.4	11.3	11.8	14.1	15.3	16.4	13.7	
Education & Recreation	0.3	1.3	1.8	2.3	2.8	2.9	3.2	3.8	2.9	
Medical	0.6	1.4	1.2	1.2	1.5	1.8	1.4	1.3	1.4	
Other Goods & Services	0.3	1.4	3.1	4.6	5.1	5.7	5.1	5.2	4.8	
Transfer Payments	0.2	2.1	2.0	2.8	2.6	2.5	2.9	9.5	4.8	
Total Expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), p. 218.

TABLE XXVIII

MONTHLY PER CAPITA EXPENDITURE ON ITEMS OF CONSUMPTION BY EXPENDITURE LEVEL
IN PERCENTAGES FOR NON-KUWAITI HOUSEHOLDS, APRIL 1972-MARCH 1973*

Commodity Groups	Monthly Expenditure of Household KD										All Fami- lies
	Less than 30	50-	100-	150-	200-	300-	400-	500+			
Food and Beverages	58.5	44.3	35.2	29.4	25.6	21.2	18.4	12.6	30.2		
Clothing	4.5	7.2	7.9	9.5	10.1	10.6	11.4	8.2	8.9		
Dwelling Rent & Expenses	21.9	26.7	25.7	22.3	19.7	16.4	16.4	11.5	21.3		
Fuel & Light	3.4	2.6	2.2	2.0	1.7	1.9	1.4	0.9	2.0		
Household Equipement and Services	2.6	3.8	5.7	7.2	9.1	10.3	10.8	12.1	7.5		
Transportation and Communication	6.3	7.2	8.4	10.6	11.7	12.1	12.1	25.7	11.2		
Education & Recreation	0.4	2.6	5.6	7.1	7.9	9.3	12.3	5.1	6.4		
Medical	0.6	1.3	1.6	2.1	2.1	2.2	1.7	1.2	1.7		
Other Goods and Services	0.9	1.5	2.2	2.6	2.9	3.8	3.3	3.8	2.6		
Transfer Payments	0.9	2.8	5.5	7.2	9.2	12.2	12.2	18.9	8.2		
Total Expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), p. 220.

TABLE XXIX
 MONTHLY PER CAPITA EXPENDITURE ON
 FOOD AND BEVERAGES, 1973*
 (in fils**)

Commodity Groups	Kuwaiti	Non-Kuwaiti
Cereal Products	1,320	995
Meat and Eggs	2,195	600
Fish	440	280
Dairy Products	715	615
Fruits	1,095	950
Vegetables	680	845
Pulses	115	145
Sugar and Confectioneries	415	310
Spices and Salt	210	80
Edible Fats and Oils	295	345
Tea, Coffee, and Cocoa	250	205
Beverages	300	300
Tobacco Products	210	305
Other	460	420
Total	8,700	6,395

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait), 1975, p. 222.

**One dinar = 1,000 fils.

In addition, there are more Kuwaiti families in the middle- and upper-income levels than non-Kuwaiti families.

Table XXX gives the average daily per capita intake of food items in 1973 for all the inhabitants in the country. The daily per capita intake of cereal products, fruits, and vegetables accounted for about seventy percent of the total quantity of all the food items. Cereal products accounted for 52.6 percent of the daily caloric intake per capita of 3,127 calories.

Eating Habits

The majority of the population in Kuwait is from Arabian origin, and Islam is the religion of ninety-five percent of Kuwait's population. Consequently, there are similarities between the eating habits of the Kuwaiti and non-Kuwaiti. The typical family in Kuwait eats four meals a day. These meals are breakfast, lunch, afternoon tea, and dinner. Breakfast usually consists of tea or coffee, eggs, and bread. Lunch is the heaviest, full meal of the day. It usually consists of rice, bread, meat or fish, fruits, and vegetables. The afternoon tea is a very light meal consisting of tea or coffee, sweets, and roasted nuts. Dinner usually consists of bread, cheese, sweets, and pulses. All the four meals are usually prepared and consumed in the house. However, in recent years, some families have developed the habit of eating their dinner in restaurants or purchase ready-made sandwiches to be consumed in the home.

TABLE XXX

AVERAGE PER CAPITA INTAKE OF FOOD ELEMENTS PER DAY, 1973*

Food Commodity	Quantity in grams	Protein in grams	Calories	Quantity in %	Protein in %	Calories in %
Cereal Products	467.6	46.4	1,646	36.81	51.67	52.64
Pulses	29.6	7.1	106	2.33	7.91	3.39
Meat	74.7	13.2	153	5.88	14.70	4.89
Fish	31.1	5.9	46	2.45	6.57	1.47
Eggs	27.1	3.5	43	2.13	3.90	1.37
Dairy Products	88.8	8.0	218	6.99	8.91	6.97
Fats and Oils	40.8	0.1	320	3.21	0.11	10.23
Vegetables	192.0	1.6	65	15.12	1.78	2.09
Potatoes	41.6	1.0	30	3.27	1.11	0.96
Fruit	203.3	3.0	275	16.01	3.34	8.79
Sugar & Products	73.6	. .	225	5.80	. .	7.20
Total	1,270.2	89.8	3,127	100.0	100.0	100.0

*Source: Kuwait Planning Board, Annual Statistical Abstracts 1975 (Kuwait, 1975), p. 224.

Consumption of pork and alcoholic beverages is forbidden by Islamic law. Lamb, poultry, rice, fish, and pulses are the most favored food items. Consumption of fresh milk by adults is virtually unknown. However, the consumption of dairy products, such as sour milk, cheese, yogurt, and sour cream, is widespread.

Shopping Habits

Kuwaiti and non-Kuwaiti consumers have developed over the years similar shopping habits. This is due mainly to the similarities in their eating habits and the structure of the food-distribution system in the country.

Most of the households in Kuwait are equipped with electric refrigerators and other food-storage facilities. LP gas or kerosene stoves with two or four burners and an oven are used by the majority of the families in Kuwait. Most of the lower-income families own one automobile per family. Middle- and upper-income families own two or more automobiles. Domestic servants are found in most middle- and upper-income households.

Consumers in Kuwait purchase several food items, such as bread, fresh fish, fresh meat, and fresh produce, with great frequency. This purchasing behavior is because of the wives' dislike for processed foods. Refrigerators are used mainly to make ice and store drinking water and beverages, especially during the hot summer months. However, in recent

years, due to the high demand in the country for fresh-food products which resulted in periodic shortages in the supply of these items, refrigerators and freezers have been used to store perishable foods by an increasing number of households. Staples and canned foods are usually purchased once or twice a month in large quantities. Arabian and Persian breads are usually purchased once or twice a day.

Since advertising and promotion are lacking and consumer education is not prevalent in the country, consumers rely on their own experiences and the experiences of their relatives and friends in selecting products. In lower-income families, the husband usually is the one who does the shopping for the food products, and he also makes the decision on the kinds of products to be purchased. In the middle- and upper-income households, the husband and wife jointly decide about the kinds of food products to be purchased, and the husband does most of the actual shopping. Only in a few upper-income households are servants entrusted with the purchasing of food items.

Consumers shop at the neighborhood or the main bazaar specialized food outlets for meats, fish, and produce. Bread and sweets are usually purchased at the neighborhood bakeries. For processed, canned, and staple foods, consumers usually shop at neighborhood grocery stores, supermarkets, or food wholesalers. Thrifty consumers prefer to shop at

stores that do not have fixed prices so that they can bargain and pay lower prices.

Government's Role

The government in Kuwait plays a major role, not only in the food-distribution system, but also in all aspects of the country's economy. The government is the main channel through which the oil revenues are spent. It is the largest employer in the country. The state also plays a major role in setting up new industries and in the establishment of public stock companies.

To regulate and organize business activities in the country, the government has enacted a number of laws. Those laws that are relevant to this study are the following:

1. To Promulgate the Law of Commercial Companies, No. 15/1960. This law was promulgated on May 21, 1960. The law consists of five parts, each of which describes a commercial company. They are (1) general partnerships, (2) limited partnerships, (3) joint ventures, (4) corporations, and (5) limited liability.¹⁹ This law was largely based on the principal Arabic Laws of Commerce, such as the Lebanese

¹⁹ Kuwait Ministry of Commerce and Industry, Law No. 15 for the Year 1960, To Promulgate the Law of Commercial Companies (Kuwait, 1960) (in Arabic).

Law of Commerce, the Syrian Law of Commerce, the Iraqi Law of Commerce, and the Egyptian Law of Commerce.²⁰

2. Promulgating the Law of Commerce, No. 2/1961. This law was promulgated on January 3, 1961. The rules of this law apply to merchants and commercial businesses and to contracts made between merchants or between merchants and non-merchants.²¹ The provisions of this law were largely based on the principal Arabic Laws of Commerce, especially the Egyptian Law of Commerce.

3. Law of Importation, No. 43/1964. This law was promulgated on November 26, 1964. It regulates the importation of all commodities into the country.²²

4. Law of Trade Supervision in Essential Commodities and Their Price Control, No. 24/1967. This law deals mainly with the regulation and price control of essential food commodities, such as sugar, rice, meats, and wheat. Also, it

²⁰ Shuaib Abdulla Al-Shuaib, "Accounting and Economic Development in Kuwait: Description and Analysis," unpublished doctoral dissertation, Department of Accounting, University of Missouri, Columbia, Missouri, 1974, p. 51.

²¹ Kuwait Ministry of Commerce and Industry, Law No. 2 for the Year 1961, Promulgating the Law of Commerce (Kuwait, 1960) (in Arabic).

²² Kuwait Ministry of Commerce and Industry, Law No. 43 for the Year 1964, Law of Importation (Kuwait, 1964) (in Arabic).

covers nonfood commodities, such as cement, lumber, bricks, and steel bars used for construction.²³

5. Law of Regulation of Licenses for Retail and Wholesale Sale Outlets, No. 32/1969. This law deals mainly with the issuing of licenses and permits for all wholesale and retail outlets in the country.²⁴

The enforcement of the above laws is delegated to the Minister of Commerce and Industry. The Ministry of Public Health and the Kuwait City Municipality are authorized to inspect all the food products that are marketed in the country. This inspection is mainly concerned with the purity and fitness for human consumption of the food products as well as the conformity to the established weights and measures.

Import Policy

Kuwait is dependent on imports for most of its food supplies. Therefore, the government maintains a liberal trade policy. Food imports are subject to only a flat four percent ad valorem duty, and there are very few administrative restrictions or prohibitions on imports. The major

²³ Kuwait Ministry of Commerce and Industry, Law No. 24 for the Year 1967, Law of Trade Supervision in Essential Commodities and Their Price Control (Kuwait, 1967) (in Arabic).

²⁴ Kuwait Ministry of Commerce and Industry, Law No. 32 for the Year 1969, Law of Regulation of Licenses for Retail and Wholesale Outlets (Kuwait, 1969) (in Arabic).

restrictions and prohibitions on food imports are the following:²⁵

1. Import licenses are issued to only Kuwaiti nationals or firms that have at least fifty-one percent Kuwaiti ownership.

2. Alcoholic beverages are not permitted to be imported or sold in the country.

3. Pork is prohibited, except for non-Moslem use, and pork and pork products must be clearly and boldly marked "pork" in English and Arabic.

4. Veterinary certificates are required for all live animals imported, and animal and poultry foods are required to have a health certificate and a statement from the producer stating that slaughter has been conducted in conformity with Islamic Law.

5. Containers of fats and oils should bear the name of the factory or its proprietor, address of the factory, name of the plant from which the fat or oil was extracted, net weight of the contents, and degree of goodness. If the oil is mixed, the container should have the words "mixed oil," with the name and proportions of oils used.

6. Wheat and wheat flour imports are restricted to the Kuwait Flour Mills Company, exclusively.

²⁵U.S. Department of Commerce and George T. Beck, "Marketing in Kuwait," Overseas Business Reports (July, 1974), pp. 8-9.

7. The metric system should be used on all products.
8. Products of Israeli and South African origin are prohibited.

Price Control and Consumer Protection

During the 1970's, consumers in Kuwait, like consumers in other countries, suffered from inflation in the prices of the majority of goods and services. External and internal economic causes led to the rise in prices in Kuwait. External causes were mainly due to the rising prices of imports and the rising cost of shipping goods from the exporting countries. The internal causes were mainly due to the increase in government spending and the rise in the profit margins that were obtained by wholesalers and retailers in the country.²⁶

As indicated by Table XXXI, prices for food products and beverages at the retail level rose by 16.04 percent between October 1974 and October 1975, and the cost of living index rose by 8.77 percent for the same period. Food wholesale prices increased by 12.83 percent between October 1974 and October 1975, as shown by Table XXXII. The wholesale price index for major items rose by 11.33 percent for the same period.

²⁶ Kuwait Planning Board, The Kuwaiti Economy: 1970/1971-1971/1972 (Kuwait, 1973), pp. 79-81 (in Arabic).

TABLE XXXI

INDEX NUMBERS OF DIVISIONS OF EXPENDITURE FOR
OCTOBER 1975 COMPARED WITH OCTOBER 1974*
(Year 1972 = 100)

Divisions of Expenditure	Indices		Percent Change
	Oct.1974	Oct.1975	
Food and Beverage	141.19	163.84	16.04
Clothing, Footwear, and Goods for Personal Care	119.40	124.60	4.36
Household Appliances and Equipment	129.93	148.28	14.12
Housing	102.37	102.83	0.45
Durable Consumer Goods	129.12	138.18	7.02
Transportation and Communication	123.15	117.37	-4.69
Medical, Educational, and Recreational Services	110.12	124.06	12.66
Cost of Living Index	126.05	137.11	8.77

*Source: Kuwait Planning Board, Monthly Bulletin of Price Index Numbers: October 1975 (Kuwait, 1975), p. 14.

To help the consumers in coping with the rising food prices, the government took the following measures:²⁷

(1) the establishment of a KD 30,000,000 fund in the government budget for the year 1975/1976 to subsidize the prices of major food items;

²⁷ Kuwait Ministry of Commerce and Industry, Annual Report for the Year 1975 (Kuwait, 1976), pp. 10-12 (in Arabic).

TABLE XXXII

WHOLESALE PRICE INDICES OF MAJOR DIVISIONS FOR
OCTOBER 1975 COMPARED WITH OCTOBER 1974*
(Year 1972 = 100)

Major Divisions	Indices		Percent Change
	Oct. 1974	Oct. 1975	
Food and Beverages	139.40	157.29	12.83
Clothing and Goods for Personal Care	118.72	125.44	5.66
Household Appliances and Equipment	139.62	161.03	15.34
Medicines and Stationery	136.76	145.82	6.63
Wholesale Price Index	135.45	150.80	11.33

*Source: Kuwait Planning Board, Monthly Bulletin of Price Index Numbers, October 1975 (Kuwait, 1975), p. 52.

(2) the distribution of essential food products, such as rice, sugar, powdered milk, cooking oil, and lentils, by the Kuwait Supply Company at prices far below the prevailing retail prices;

(3) the subsidy of retail prices for certain food products, such as cheese, canned fish, frozen poultry, and canned vegetables, that are sold by the consumer cooperatives;

(4) the subsidy of retail prices for all fresh meat and frozen meat sold by specialized food retailers;

(5) the maintenance of prices for wheat and wheat flour products distributed by the Kuwait Flour Mills Company to be

lower than the costs of production and marketing; such prices to be achieved through a governmental subsidy; and

6. the fixing of prices, quality, and weight of Arabian and Persian breads by the government.

In 1975, the Division of Consumers' Protection in the Ministry of Commerce and Industry established fifteen centers located throughout the country to monitor the quality and prices of various types of products and services. These centers pay close attention to the prices and quality of those food products that are controlled and subsidized by the government. The Division of Consumers' Protection encourages consumers to report to them any irregularities in the quality or price of any type of product or service.

Infrastructure and Market Information

To promote trade and industry in the country, the government has built and made available at nominal fees or rents numerous marketing and industrial infrastructures. The infrastructures relevant to the distribution of food products are (1) port facilities, (2) warehouses, (3) modern shopping centers, (4) a live animal wholesale and retail market, (5) a modern slaughterhouse, (6) a meat retail market, (7) a fish wholesale and retail market, (8) a produce wholesale and retail market, and (9) a produce and grocery retail market. All of these facilities are conveniently located for the merchants as well as for the customers.

In 1963, the government established the Planning Board. The major objective of this board is the collection and compilation of statistical data on various economic and social characteristics. For food producers, wholesalers, and retailers, the Planning Board provides information, such as general population census, annual statistical abstracts, family budget information, monthly bulletins of wholesale and retail prices, an annual bulletin of foreign trade statistics, an annual bulletin of food consumption, and an annual bulletin of agricultural statistics. These publications are made available to the business community in Kuwait and abroad at nominal fees.²⁸

Summary

The purposes of this chapter were to describe and analyze the consumer cooperatives, consumers, and the government's role in the food-distribution system in Kuwait. The roles of consumer cooperatives, consumers, and government in the food-distribution system in the country should not be underestimated.

The principles which govern the Kuwaiti consumer cooperatives are based on Rochdale's cooperatives' principles. However, in Kuwait, the consumer cooperatives are promoted and financially supported by the government. These consumer

²⁸ Kuwait Planning Board, A Guide to the Central Statistical Office (Kuwait, 1975), pp. 3-17.

cooperatives are the most organized and efficient form of food-retailing outlets in the country. Consumers are affluent, but their shopping and eating habits are similar to the shopping and eating habits of consumers in developing countries.

The government in Kuwait plays a major role, not only in the food-distribution system, but also in all aspects of the country's economy. The government engages in the marketing of essential food products, such as wheat flour, wheat flour products, rice, sugar, and powdered milk. It also regulates and subsidizes the prices of essential food commodities and is the sole source of marketing information in the country. The government, in its effort to promote trade and industry in the country, has built and made available at nominal fees or rents numerous marketing and industrial infrastructures.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

Before the discovery of oil in 1938, Kuwait was a desert tract with a population of less than 100,000 and a per capita income of about \$35 a year. The first exports of oil began in 1946. Since that year, oil has become a dominant feature of the economy. Oil revenues in 1974 provided about ninety-four percent of the total government's revenues.

Oil revenues have enabled the country to become the most affluent country in the world. In 1974, per capita income was about \$11,000, which was the highest in the world. The government has used the oil revenues to create the most generous welfare state in the world. Under the government's welfare policy, medical care and education are free, and utilities and basic food imports are subsidized by the state.

Oil is a finite resource, and Kuwait's oil reserves are estimated to last for about seventy more years at the current level of production of two million barrels per day. Realizing this, the government in 1960 started diversifying the economy by participating with private investors in a number of industrial and commercial enterprises. Unfortunately, the government has placed more emphasis on industrialization and production than on marketing. This neglect of marketing has

contributed to an inefficiency in the distribution system, leading to product shortages and high prices for most goods and services.

Conclusions

The major objectives of this study were to describe the social, cultural, political, legal, and economic environment of the country and to describe and analyze the channels of distribution for food products in Kuwait. Consistent with these objectives of the study and based on the description and analysis of the food-distribution system, the following conclusions are presented:

1. Kuwait is a democratic and politically stable country. Freedom of speech and freedom of the press are protected by the constitution. The country has a well-established legal system.

2. In spite of the country's enormous wealth, the country may well be considered a developing country, because socially and culturally it lags behind the developed countries of the West.

3. The number of the non-Kuwaitis in the population exceeds the number of native Kuwaitis, and this creates a social, cultural, political, and economic dilemma for the government.

4. The lack of natural resources, other than oil, has made the country dependent on imports for virtually all of its foods, consumer products, and capital goods.

5. The government plays a major role in the economy. It is the largest employer in the country and the channel by which the enormous oil revenues are channeled through the economy. Through its welfare policy, the government is acting in loco parentis for the population.

6. The current government's development goals are (1) diversification of the economy, to the extent possible, so as to diminish its reliance on oil resources; and (2) maintenance or reestablishment of Kuwaiti control, as opposed to non-Kuwaiti control, over the full spectrum of social and economic developments in Kuwait and application of the benefits of Kuwait development to Kuwaiti citizens as a matter of priority.¹

7. Modern marketing techniques, such as advertising and sales promotion, pricing, inventory control, marketing research, planning, and customer services, are virtually nonexistent in the food-distribution system. Marketing is mainly thought to be synonymous with buying and selling.

8. The wholesale level in the channel of distribution is dominated by a few large, unspecialized wholesalers. The

¹Stanford Research Institute, Social and Economic Impacts of the Kuwait Government Compensation Increase of 1971-1972 and Recommended National Compensation Policies (Menlo Park, California, 1974), p. I-5.

few local food producers are mainly interested in production rather than in marketing. The majority of the food retailing outlets are small, poorly organized, old-fashioned grocery stores. Consumer cooperatives and privately-owned supermarkets are the only exceptions.

9. Competition is lacking at the wholesale and retail levels. Realizing large, short-run profits is the main objective of wholesalers and retailers.

10. Channel control and management are lacking in the foods-distribution system, except in the case of branded-product distributors; marketing communications are highly inefficient.

11. Management and personnel in the food-distribution system generally lack experience and education in the areas of food marketing. The majority of the food wholesale and retail outlets are individually or family-owned establishments.

12. Shortages and rising prices plague the food-distribution system in the country. In 1973, wholesale prices rose by twenty-two percent above the 1972 level, and retail prices rose by thirty-one percent. Shortages in some food products, such as mutton, rice, and produce, are experienced by many consumers. These shortages and inflationary prices in food products are mainly caused by (1) price increases in exporting countries, (2) cost increases for insurance and transportation, (3) lack of competition among local

food distributors, (4) increase in demand due to rising incomes, (5) inefficiencies of food wholesalers and retailers, (6) lack of knowledge on the part of importers about demand and supply principles, (7) the withholding of some food products from the market in order to sell them at higher future prices, and (8) lack of sales forecasting techniques on the part of wholesalers and retailers.

13. The government plays a major role in the food-distribution system. This role stems from its effort to provide the essential food products that are highly demanded by the consumers. To accomplish this role, the government has taken the following measures: (1) price control and subsidy, (2) importing and distributing essential food products, such as rice, sugar, powdered milk, and vegetable oils, at prices below the local market prices, and (3) the subsidy and encouragement of the consumer-cooperative movement.

14. In spite of their affluence, the consumers in Kuwait are generally ignorant and uninformed in the areas of food nutrition and food shopping. The lack of standardization and grading of food products makes the shopping task of the consumer more difficult.

15. The food-marketing system in Kuwait is a mismatch for the country's wealth and affluence.

Recommendations

Based on the description and analysis of the food-distribution system in Kuwait, and for the alleviation of some of the problems in the system, the following recommendations are suggested.

1. Dependence on food imports is not a politically viable way of satisfying the local demand for food products in the country. To lessen this dependence, the government should (a) provide financial, technical, and managerial assistance to the local food producers, especially in the areas of poultry and eggs, dairy products, mutton, and vegetables; (b) invest jointly with private investors to establish food-processing industries, such as vegetable canning plants, poultry dressing and freezing plants, sugar refineries, and expand the dairy products industries, and (c) conduct feasibility studies and invite agricultural experts to expand and improve the agricultural sector of the economy.

2. To alleviate shortages and rising price problems, the government should (a) stockpile enough foods, especially grains and canned-food products, (b) improve physical facilities, (c) remove the four percent custom duties on food imports, (d) restrict the reexporting of food products, and (e) provide better market-information services.

3. To enable small food wholesalers and retailers to expand and modernize their marketing operations, the

government should provide financial aid and low-interest loans.

4. To improve the area of food retailing in the country, the government should adopt strict regulations with regard to sanitary conditions, weights and measures, grading, and fixed prices.

5. To increase competition and encourage efficiency in the food-distribution system, the government should lessen its dependence on price controls and subsidies.

6. To educate consumers to improve their purchasing and food consumption habits, the government should use the electronic media.

7. To educate wholesalers and retailers in the proper methods of marketing management, the government should provide training facilities and conduct training sessions.

8. To educate future retailers, wholesalers, and their employees, the government should provide financial incentives for students who elect to enroll in the high school distributive education programs and should expand the existing marketing management program at the university.

9. To lessen the high employee turnover in the food-retailing outlets, adequate compensation and job security should be provided.

10. To replace most of the small, inefficient, individually-owned, food-retailing outlets, a voluntary, wholesaler-sponsored, or corporate-chain, form of organization,

should be introduced at the retail level. Also, the number and size of existing supermarkets should be expanded.

11. To inform consumers and to increase competition in the food-distribution system, food retailers and wholesalers should utilize advertising and sales promotions.

12. To help alleviate existing and future problems when they arise, additional research should be conducted in all areas of food marketing in Kuwait.

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