

***Crucial Tasks of the Central Bank of Kuwait During
the Iraqi Occupation and After the Liberation of Kuwait*** ⁽¹⁾

May I thank the Interarab Cambist Association for its kind invitation, as it gives me great pleasure to be given this opportunity to shed light on the crucial role played by the Central Bank of Kuwait in managing Kuwait's banking system from abroad during the Iraqi invasion and occupation of Kuwait, which started on the second of August, 1990, and how the Bank was able to prepare and plan in advance for the difficult post-invasion period.

My address on this occasion will concentrate on the following three dimensions:

The first is to briefly clarify the main course of the Kuwaiti economy before the Iraqi invasion, with an emphasis on the main characteristics of the economy, the types of problems faced by local economic sectors, including the banking and financial sector, and the achievements of different economic policies and regulations. This background information is needed to visualize the kinds and magnitude of the problems and challenges we faced during and after the invasion.

⁽¹⁾ Delivered on November 30, 1991 in Manama, Bahrain, on the occasion of the 17th Inter-Arab Cambist Association.

The second objective is to demonstrate the crucial tasks taken up by the Central Bank of Kuwait abroad, focusing its attention on preparing the groundwork for Kuwait's banking system to meet the needs and challenges imposed on it as a result of the Iraqi invasion of Kuwait, and to discuss the efforts exerted by the Bank to prepare the system to take immediate steps to assume its normal role in the post-invasion period.

The third objective is to present a more critical group of tasks faced by the Bank, as part of national efforts aimed at economic reformation and development after the liberation of Kuwait. These tasks include correcting the massive destruction inflicted upon the Kuwait economy by the Iraqi invasion and the resulting economic disequilibrium, as well as organizing and reshaping Kuwait's banking and financial system.

Thus, my remarks will not be simply a historical overview, but will seek to delineate the economic conditions under which Kuwait can move toward stability, prosperity and continued development.

First: The Kuwaiti Economy before the Invasion

To elaborate on the performance of the Kuwaiti economy in view of its features, available statistics indicate that the following conditions prevailed before the invasion:

- 1- During the five years ending in 1989, the oil sector accounted for an average of 45% of overall GDP, 90% of export proceeds, and 88% of total government revenues. The concern about this distinct dominance of the oil sector over the economy accounts for the attention given to supporting and enhancing the non-oil sectors of the economy in Kuwait's economic plans, with special reference given to the banking and financial sector.

- 2- The imbalance in both population and manpower structures stems from the fact that Kuwait's total population, according to a 1989 survey, had reached some 1.93 million, of which only about 40% were Kuwaiti national. The total labour force in 1989 numbered 863 thousand, of which 86% were non-Kuwaitis, against 81% in 1985. These figures have given rise to government concern over population and labour force imbalances, and led to the introduction of policies that attempt to correct these imbalances.

