



## Development as a two-edged sword A Case Study of Norway and Ghana

Aruna Jayathilaka

Department Social and Institutional Development, Sri Lanka Foundation Institute, Sri Lanka

Available online at: [www.isca.in](http://www.isca.in), [www.isca.me](http://www.isca.me)

Received 6<sup>th</sup> September 2014, revised 13<sup>th</sup> November 2014, accepted 16<sup>th</sup> December 2014

### Abstract

*Historical evidences suggest that the dual nature of development in bringing both prosperity and destruction to society and the environment. It brings technological gains and new freedom, as well as social, cultural and ecological consequences. Therefore some analysts identify development as a two-edged sword, a creator and destroyer. Even though overexploitation of natural resources leads to environmental degradation, many countries have reached socioeconomic development, through usage of natural resources. Past international events give some indication as to how the future may treat poor countries or those rich in natural resources. By utilizing of two case studies from both the developed and developing contexts, the paper suggest that the demand from the developing countries for the protection of environment is less ethical since developed nations have exploited their natural resources to achieve development.*

**Keyword:** Development, sustanbility, developed countries, developing countries, two-edged sword.

### Introduction

Natural resources can be both a challenge and a blessing, depending on the resources and the management of these. Many countries have reached socioeconomic development, through usage of natural resources, even though it has not always been done in accordance to sustainable development, overexploitation of natural resources leads to environmental degradation, a path that is not always reversible. This paper firstly discusses natural resources as capital, sustainability in the usage of natural resources and presents the theory of the “resource curse”, challenging poor nations.

Secondly, it uses Ghana and Norway as case studies to present former experiences in use of natural resources. Thirdly the paper presents challenges and advantages of utilization and exploitation of natural resources, as well as assesses the difficulties that lie in the term development. The main objective of presenting prospects for poor countries and their management of natural resources is then approached.

The paper finally concludes that exploitation of natural resources might lead to socioeconomic development in the long term, and that is legitimate and understandable if poor countries exploit their natural resources to achieve socioeconomic development, as this was a path most developed countries followed.

### Natural Resources and Sustainable Development

As being defined by Brundtland in “Our Common Future”, Sustainable development is the “development that meets the needs of the present without compromising the ability of future generations to meet their needs”<sup>1</sup>. Several countries have achieved socioeconomic development without meeting these

demands and two such cases will be briefly assessed in chapter three. There are several interpretations of the concept sustainable development, but common principles are; the importance of including the future and seeing development as a holistic concept, including three dimensions of capital; economic, social and natural<sup>2</sup>.

Natural capital, including biodiversity and ecosystems, contribute to human welfare in essential ways. Although there is some uncertainty surrounding the actual monetary value of these contributions, it is estimated that they are perhaps surpassing the world’s gross national income by several trillion USD annually<sup>3</sup>. The general lack of quantifying natural resources financially presents several challenges. Failure to treat natural resources as a tangible asset may even be seen as an incentive for further ecological degradation<sup>4</sup>. Degradation of natural resources to promote socio-economic growth is by no means a new phenomenon. A common misconception is that natural resources are both abundant and “free gifts” from nature, resulting in an unsustainable usage. This can be destructive considering not only the real value of natural resources itself, but also the cost of restoration.

Within sustainable development there are two main interpretations of the importance of the environment, distinguishing strong and weak sustainability. In the assumption of weak sustainability, natural capital is one of three kinds that can be replaced by either of the other two. In the assumption of strong sustainability, the natural capital is essential – and impossible to substitute. The strong sustainability argues that natural capital is not man-made and some natural ecosystems are irreplaceable<sup>5</sup>.

The advice for developing countries following the argument of strong sustainability is that there is a need for careful

calculations of the natural capital, and an estimation of the possible cost of resource degradation<sup>6</sup>.

Income generated from usage of natural resources is often unevenly spread among people, and those who profit the least might be the already marginalized. In addition to this, some argue that being rich in natural resources might add further challenges to a country<sup>7</sup>.

### The Resource Curse

Among the more prominent challenges related to unsustainable usage of natural resources is the one dubbed simply as the "resource curse". This thoroughly analyzed theory describes the cases of financially failed countries even with plenty of natural resources<sup>8</sup>. Humphreys et al. explains how the resource curse is characterized largely by two different economical and one political process, which is potential to severely impair a country's development<sup>9</sup>. The two economical processes involve a country's inability of developing new forms of industry or modernize (Dutch Disease), while also making it more vulnerable to global fluctuations in commodity prices and financial changes. Third and perhaps most important factor deals with the issues such as sovereignty of resources, governance and increased corruption<sup>10</sup>.

Simplistic generalizations towards the resource curse should be avoided, as it is very complex terminology characterized by many nuances. However, certain assumptions can be made on behalf of developing countries which have an excessive focus on extracting natural resources. Based on this, one might conclude that degrading usage of resources is indeed a short term solution, and it may not only have negative ecological consequences, but also severe financial ones<sup>11</sup>.

### Socioeconomic growth and natural capital

Norway went from being financially poor in the 17<sup>th</sup> and 18<sup>th</sup> century, to economic wealth through industrialization and by exploiting natural capital such as oil, and they now have the highest Human Development Index in the world<sup>12</sup>. In Ghana year 2000, mining accounted for 56% of total FDI flows. The mining companies have provided opportunities for development through schools and hospitals<sup>13</sup>.

In accordance to Kuznets theory while environmental quality fell, national wealth increased, however from a pure ecological point of view, Norway is now poorer than four centuries ago. Acid rain, caused by industrial activity has damaged Norway's forests and waterways, and many Norwegian lakes can no longer support fish; one of its primary food and export sources<sup>14</sup>. Their exploitation of natural resources might therefore be defined as non-sustainable. Mining activities in Ghana have caused water pollution and loss of land for private use and livelihoods (human and social capital). Poverty in mining towns indicates that it is yet to make major contribution

to human development. Policies on environmental protection such as the Environmental Protection Agency Act and Forest Protection in Ghana lack implementation<sup>15</sup>.

### Development as a two-edged sword

History provides evidence suggesting the dual nature of development in bringing both prosperity and destruction to society and the environment. It brings technological gains and new freedom, as well as social, cultural and ecological consequences. Therefore some analysts identify development as a two-edged sword, a creator and destroyer<sup>16</sup>. As shown in the case studies of Ghana and Norway, the usage and overexploiting of natural resources might lead to economic development, but simultaneously it might lead to environmental degradation. The green revolution is a good case in point to show the dualistic nature of development<sup>17</sup>. It caused to diminish the rate of starvation in the world by the high yield cereal varieties introduced by the 'Green Revolution'. This new agriculture nevertheless relies on extensive use of pesticides and fertilizers which are considered a major source of environmental pollution<sup>18</sup>.

### Future prospects for poor countries and natural capital

Past international events give some indication as to how the future may treat poor countries or those rich in natural resources. During the last 50 years many developing nations borrowed money from the West, loans that have become crippling for many countries as they experience rising debts, impoverishment, insufficient resources for healthcare, education and food security<sup>19</sup>. Additionally, in the face of economic development they often face corruption, poor governance, broken and poor institutions<sup>20</sup>. Many of these countries have turned to natural resource exploitation in order to alleviate the stress faced by the country. These developing countries are susceptible to external pressure to either exploit their natural resources, or to protect them<sup>21</sup>.

Western nations and interest groups hold conventions and put forth agendas that are dedicated to conserving the environment, agendas that are discussible when seen in context of the duality mentioned previously in the paper. One example of this is "debt-for-nature" swaps where developing countries are forgiven a certain amount of debt in return for conserving natural resources<sup>22</sup>.

Either way developing countries become trapped. External factors try to force states to make choices that may not be in their best interest at that time or for future generations.

In view of the oil find in 2007, the EPA of Ghana and the Norwegian Ministry of Environment held a workshop to draw upon Norwegian experience to prepare environmental institutions for the challenges of the oil and gas sector<sup>23</sup>. In

manners like this, developed countries can help poor countries in their process towards socioeconomic development without repeating the mistakes of degradation in natural resource use that the developed countries did in their development process.

## Conclusion

As presented throughout this paper, the challenges of managing natural resources are many, both ethically through sustainable development, but also practically as shown by the case studies. Failures have been made, and development has been reached, but too often at the expense of the environment and social life. The advice for poor countries in such a dilemma is that although protecting natural resources may seem not to yield any socioeconomic growth in the short term, it might still be the best option in the long run. Most developed nations have exploited their natural resources to achieve socioeconomic development, and are therefore in no position to demand developing countries to do otherwise.

## Acknowledgement

I would like to grateful to my colleagues Marte, Robert, Andrea, Esi and Martin of the DM team at University of Agder, Norway.

## References

1. Brundtland G.H., *Our Common Future*, World Commission on Environment and Development, Oxford University Press, Oxford, (1987)
2. Prakash M., Role of Knowledge and Information in promoting Sustainable Development, International Research Journal of Social Sciences, 2(2), 52-55, February (2013)
3. GRID-Arendal, Dead Planet, Living Plane: Biodiversity and ecosystems restoration for sustainable development. A Rapid Response Assessment, United Nations Environment Program, Norway, (2010)
4. Pullaiah C., Assessing the Economic Impact of Water Pollution – A Case Study of Musi River Hyderabad, India, International Research Journal of Social Sciences, 2(1), 18-23, (2013)
5. Repetto R., Balance Sheet: Incorporating Natural Resources in National Income Accounts, 34(12), 12-20, 43-45, World Resources Institute, Washington, (1992)
6. Kamble S., Participatory Rural Appraisal: A Tool for Inclusive Growth and Participatory Development A Case Study of Village Marale, MS, INDIA, International Research Journal of Social Sciences, 3(3), 48-50, (2014)
7. World Resources, *Journalist Guide to World Resources*, www.wri.org/publication/world-resources-2005-wealth-poor-managing-ecosystems-fight-poverty, (2005) (Accessed on 09.01.2010)
8. Sachs J.D. and Warner A.M., *Natural Resources and Economical Development: The curse of natural resources*, Centre for International Development, Harvard University, Cambridge, (2001)
9. Jain A. and Runa P., *Social Sector and Economic Reforms (With Special Reference to Public Health)*, International Research Journal of Social Sciences, 3(4), 38-42, (2014)
10. Humphreys M. Sachs J.D. and Stiglitz J.E., *Escaping The Resource Curse*, Columbia University Press, New York, (2007)
11. Øyhus A.O., The environmental impact on sustainable development: Some important Issues, DM UT 504 Module 1: Mini-lecture, Kristiansand, Norway, (2010)
12. United Nations Development Program (UNDP), Norway Country profile of human development indicators, UNDP, New York, <http://hdrstats.undp.org/en/countries/profiles/NOR.html> , (2010) (Accessed on 10.01.2011)
13. Awudi B.K., The Role of Foreign Direct Investment (FDI) in the Mining Sector of Ghana and the environment, Organization for Economic Cooperation and Development (OECD) , France, (2002) <http://www.oecd.org/dataoecd/44/12/1819492.pdf> (Accessed on 10.01.2011)
14. Leiren T.I., *Norway*, Microsoft® Student [DVD]. Redmond, WA: Microsoft Corporation, (2009)
15. Ababio F. and Boon E.K., Corporate Social Responsibility in Ghana: Lessons from the Mining Sector, Ghana and Belgium. (2008) [http://www.iaia.org/iaia09ghana/documents/cs/CS4-1\\_BoonandAbabio\\_CSR\\_in\\_Ghana.pdf](http://www.iaia.org/iaia09ghana/documents/cs/CS4-1_BoonandAbabio_CSR_in_Ghana.pdf) (Accessed on 10.01.2011)
16. Goulet D., *The Uncertain Promise*, New Horizons Press, New York, (1989)
17. Huang T. and Vu Q., *The Green Revolution: Positive and Negative Impacts*, Publisher, City/country, (2010) <http://47091483.nhd.weebly.com/positivenegative-impact.html> (Accessed on 10.01.2011)
18. Adams W.M., *Green Development: Environment and Sustainability in a Developing world*, 3<sup>rd</sup> edition, Routledge, London and New York, (2009)
19. Ricksecker D., What is the HIPC Initiative? The University of Iowa: Centre for International Finance and Development. [www.uiowa.edu/ifdebook/faq/faq\\_docs/HIPC.shtml](http://www.uiowa.edu/ifdebook/faq/faq_docs/HIPC.shtml) (2001) (Accessed on 11.01.2011)
20. Kim A., The Effects of the U.S. Hegemony on Economic Growth in East Asia, and the Middle East and North Africa, International Research Journal of Social Sciences, 3(4), 1-7, (2014)
21. Lechner F.J. Boli J., *The Globalization Reader*, 2<sup>nd</sup> ed. Blackwell Publishing Ltd. Cornwall, United Kingdom, (2004)

- 22.** World Wildlife Fund (WWF), Conservation Finance: Debt-For-Nature Swaps, WWF, Washington <http://www.worldwildlife.org/initiatives/conservation-finance> **(2011)** (Accessed on 11.01.2010 through)
- 23.** Environmental Protection Agency (EPA) Newsletter, Oil and Gas Environmental Governance Needs Assessment, **6(1)**, EPA, Ghana, **(2010)**