

Natural resources



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Natural Resources as a base for development

Introduction: Natural resources refer to those materials and resources that occur naturally in a locality, such as minerals, forests, wildlife and fertile land. Appropriate utilization of natural resources play an important role in leading a nation towards the economic and industrial development stage. Many nations across the globe are continually growing and prospering by rightly managing their natural resources to extract economic gain out of them.

Many success stories have arisen from natural resource wealth. Norway has long utilized its Petroleum Fund to stabilize its oil wealth, providing economic security for the country. More recently, Chile's Copper Stabilization Fund has proven to be a successful element in the country's economic recovery since the mid 1980s. In both cases, resource dependence presented challenges that were properly managed, resulting in economic prosperity. Also, Saudi Arabia's vast oil resources have shaped the kingdom's development.

Similarly in World War 2 Japan had attacked China to get China's natural resources to fund its economy. Land and natural resources are key assets for economic growth and development. Natural resources are necessary to sustain a living on this earth. People not only use these resources to maintain an existence but also to make a living out of their utilization. A fertile land is one of the most important natural resources. It allows human beings to grow food such as rice, wheat, maize, vegetables and fruits etc.

This is not only a source of food for people across the world but wildlife, domestic animals, birds and insects also rely on this vegetation for their

survival. This calls for the formulation and implementation of appropriate land policies for a better livelihood of the poor, as well as increased private investment in agriculture. Working forests are also the nature's gift to the economy, the environment and our energy needs. They promise a supply of wood that could be utilized further in a number of ways for instance making furniture, and to synthesize fuel.

Sustainably managed forests play an important role in protecting our climate. Science tells us that excessive amounts of greenhouse gasses, such as carbon dioxide accumulates in the atmosphere and contributes to global warming. Natural Resources are important in determining the development of a nation as a whole. This is only possible by putting intense focus on how to manage the given natural resources to improve the quality of life for current and future generations.

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This indicates that while we engage in deriving the benefits of natural resources to put the country on roads of development, we should also consider ways to conserve the natural resources so that our future generations also enjoy the nature's blessings in the shape of natural resources. Countries that have natural resources in abundance receive more than 25 percent of their government revenues from natural resources extraction are also successful in fighting against corruption and lowering the poverty levels.

Economists now recognize that, along with physical and human capital environmental resources should be viewed as important economic assets,

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which can be called. However the relationship between resource abundance and economic growth is controversial among researchers in the world. So it is still not settled among economists that accurately that whether the resource endowment actually a blessing or a curse for the nation. To support this argument researches put forth the example of United States and United Kingdom.

Since, most of the western states are faced with limited natural resources but they have developed as a nation on the basis of manufacturing and service. To further support their argument, researches have put forth observations that explicitly show that the countries enriched with natural capital could not maintain a sustainable economic growth. Literature Review (1) Warner (1997) in his work explained whether the natural resource abundance, provided keeping other variables equivalent lead to slower growth rates.

He has examined the difference between natural resource dependence (RD) and the natural resource endowment (RE). He has examined and estimated three models, using World Bank data on national capital stocks. In a one-equation model he has investigated the negative effects of RD on growth rates, apparently confirming the main results of the resource "curse" literature. RE, however, has a positive impact on growth. He, then investigated a two-equation model, in which the impacts of RE are much weaker.

Final investigation was about a three-equation model, in which the impacts of natural resources on growth disappear altogether. (2) Rodriguez (2004) in

his research papers reasons against the argument ' natural resource as a curse'. According to them evidences have shown that the development of human being through 1970 to 2005 is positively and significantly correlated to the natural resource abundance. Through this paper, authors have explained evidences that indicate a positive effect of natural resources on human development and its non income dimensions.

They examined that with new empirical evidence and deeper probing into the causes of growth collapse, doubt has begun to build regarding a causal relationship between natural resources and economic growth. A growing literature has arisen involving those who do not subscribe to the theory of a natural resource curse or who believe in a conditional curse. They investigated that the positive effect of natural resource abundance is clearer for human development than for GDP growth, mainly through the education and health dimensions. (3)

Barbier (2003) explains that along with physical and human capital, environmental resources should be viewed as important economic asset. The author investigates into the questions that whether lower income economies that are endowed with abundant natural resources develop more rapidly than economies that are relatively resource poor. Is it possible that resource abundant economies are not reinvesting the rents generated from natural resource exploitation into productive assets, or that resource booms actually divert economic resources from more productive and innovative sectors? (4)

Mashkooor (2010) in their paper explained that resources rich developing countries performed well as compared to resources scarce countries. They

say that However, Most of the empirical work done by researcher's show that negative relationship exists between natural resource abundance and growth and that dependency on natural resources can hurt saving and investment, and natural capital (on average) crowd out physical as well as human capital, thereby inhibiting growth. But running the key long term test the authors investigated into the long term relationship between economic growth and natural resources in the case of Pakistan.

And found out that natural resources have positive impact on economic growth. Through sustainable use and appropriate management of the natural resources can translate into an increase in income, can alleviate poverty and improve the overall living standard. (5) Malik (2004) explains and provide evidence of the contribution of natural resources to economic growth for Pakistan, using time series data from 1975 to 2006. They examined a statistically significant but adverse relationship between natural resources and economic growth during our sample period.

First, they estimated this relationship in the presence of additional variables only but when they included some variables relating to human development like total expenditures on education as percentage of GDP and total expenditures on health as percentage of GDP, the result of the association between natural resources and economic growth remained the same. Further investigations indicated that investment in human capital made no contribution towards positive direction. It may be due to neglect of development of human resources in the country.

Also, that inadequate attention has been paid to human resource development in Pakistan. Hypothesis Statement: “ Process of natural resource’s exploitation is economically beneficial” Natural Resources help the economy of any country either by improving it or by declining it. The more natural resources a country have the more stable and better economy is. All those countries which have more natural resources and refine when required, their economy is more stable and better, whereas the countries with less natural resources suffer with the economic problems.

The real and serious issue regarding economy is achieving higher productivity and to make it strong to develop the infrastructure. Pakistan Pakistan's principal natural resources are arable land, water, hydroelectric potential, and natural gas reserves. About 28% of Pakistan's total land area is under cultivation and is watered by one of the largest irrigation systems in the world. Agriculture accounts for about 21% of GDP and employs about 42% of the labor force. Pakistan has extensive energy resources, including fairly sizable natural gas reserves, some proven oil reserves, coal, and large hydropower potential.

However, exploitation of energy resources has been slow due to a shortage of capital and domestic and international political constraints. For instance, domestic gas and petroleum production totals only about half the country's energy needs, and dependence on imported oil contributes to Pakistan's persistent trade deficits and shortage of foreign exchange. The pre requisite to strengthen the economy is engaging our millionaires and industrialists in some productive activities. Many former Governments of Pakistan have

proposed the plans for the productive economy and to make some improvements for the future development.

First time in 1951 a six year Development program was launched which was later suspended 2 years before its completion due to Korean War. Other than this plan 5 other development plans were launched with the tenure of 5 years. The plans were not successful though due to several reasons including social, cultural and administrative barriers. Thar coal reserves have 175 billion tons of coal, which is equivalent to 618 billion barrels of crude oil recently informed by VC of The University of the Punjab. Under the barren mountains of Baluchistan and hot sands of Sindh, there is unlimited mount of oil and gas reserves not touched yet. And still further, we have fertile lands of Punjab, ready to feed a population twice as big as we are now, the best irrigation system (waiting for more water reservoirs to enrich it), and the best quality cotton and rice. We have population, young brains and exploding urban middle class to enrich the intellectual and culture needs of the nation. Pakistan's credit crunch is temporary. Once the country gets over the hump in the next few years, it can begin improving its infrastructure which is the best in South Asia even now.

We hope it to be true soon. Real GDP growth rate (2009 est.): 2. 7%. Per capita GDP (year ending 2009, purchasing power parity): \$2, 600. Saudi Arabia Saudi Arabia has the world's largest oil reserves. It is also the world's leading oil producer and exporter. Oil accounts for more than 90% of the country's exports and nearly 75% of government revenues. Proven reserves are estimated to be 263 billion barrels, about one-quarter of world oil

reserves. More than 95% of all Saudi oil is produced on behalf of the Saudi Government by the parastatal giant Saudi ARAMCO.

In June 1993, Saudi ARAMCO absorbed the state marketing and refining company (SAMAREC), becoming the world's largest fully integrated Oil Company. Due to a sharp rise in petroleum revenues in 1974 following the 1973 Arab-Israeli war, Saudi Arabia became one of the fastest-growing economies in the world. In response to increasing international demand for oil, Saudi ARAMCO engaged in an expansion of its oil production capacity and raised its capacity from 11 million barrels/day (mb/d) to 12 mb/d in 2009. Saudi ARAMCO is also increasing production of associated and non-associated natural gas to feed the expanding petrochemical sector.

The Saudi Basic Industries Corporation (SABIC), a parastatal petrochemical company, is now one of the world's leading petrochemical producers.

Through 5-year development plans, the government has sought to allocate its petroleum income to transform its relatively undeveloped, oil-based economy into that of a modern industrial state while maintaining the kingdom's traditional Islamic values and customs. Although economic planners have not achieved all their goals, but the economy has progressed rapidly. Oil wealth has increased the standard of living of most Saudis.

However, significant population growth has strained the government's ability to finance further improvements in the country's standard of living. GDP (2010 est.): \$622 billion. Annual growth rate (2010 est.): 3. 7%. Per capita GDP (2010): \$24, 200 Norway Norway is the world's fifth-largest oil exporter and second-largest gas exporter in Europe (2010). Norway provides much of

Western Europe's crude oil and gas requirements. In 2010, Norwegian oil and gas exports accounted for approximately 46% of total exports. In addition, offshore exploration and production have stimulated onshore economic activities.

In 2011, 28% of state revenues were generated from the petroleum industry; taxes and direct ownership ensure high revenues. Foreign companies, including many American ones, participate actively in the petroleum sector. The oil industry directly employs roughly 40, 000 people in core extraction activities. Over 250, 000 are employed in petroleum-related activities. The growth of the petroleum sector has contributed significantly to Norwegian economic vitality. Current petroleum production capacity is approximately 2.6 million barrels per day.

Norway has increased its economy by bringing the natural resources in use. Norway is increasing its economy and wealth day by day by working and struggling to make better use of natural resources. Natural resources are the backbone of a country. They play an indispensable role in developing a country. The current economic situation of Norway shows that it will be a leading country in oil and gas exports soon. GDP (2011): \$479 billion. Annual growth rate (2011): 2.9%. Per capita GDP (2010, purchasing power parity): \$53, 738. The above given examples proved the stated hypothesis.

If we exploit the natural resources, it will raise the economy of a country. Utilization of natural resources plays a vital role in the development of countries. Pakistan is currently in some crisis, like power shortage, gas shortage etc. We can easily get out of these problems by using the natural

resources. For any under developed country, it is necessary to bring the natural resources into use to run its country in a better way. The simplest way to tackle the problems of under developed countries is to exploit its God gifted natural resources like forests, rain, coal, oil, natural gas, fertile land etc.

The exploitation of natural resources will help the country in developing a country rapidly. Conclusion * Basic Issue Of A Country: The basic issue of any country is to achieve higher productivity, and strengthened infrastructure. For this purpose it is the need of the hour to restore the confidence of businessmen, cultivators and industrials to engage them in product processes. In the world, various countries have made some efforts to build up infrastructure and productive potential of the economy, through the process of many plans which were made on the basis of ways of exploitation of natural resources. Importance Of Natural Resources: Natural resources are the backbone of the country which plays the most important role in its development. A country can bring the natural resources into proper use and can raise its economy by following a few steps. A country has to use modern techniques and skillful labour who can exploit natural resources in a proper way. * Developed Countries: Developed countries like India, America, China, Saudi Arabia etc have developed and reached the place where today they are by making different strategies for the proper utilization of natural resources.

They have struggled and worked hard to make a good infrastructure for their country. For example Saudi Arabia has used its oil and has become one of the leading exporters of oil all over the world. Similarly, many other countries

like Saudi Arabia have used their natural resources and have gain development. * Raised Economy: Exploitation of natural resources can increase the economy of country. Countries can become stable and powerful by this method. They can also bring the natural resources into export purposes. Export of natural resources can make a country rich rapidly. Better Standard Of Life: Natural resources, if used in a proper and appropriate way, can definitely make the standard of living of people living in a country better in many ways. Utilization of trees, herbs, dams and land can provide them good furniture, medicine, electricity and cops respectively. Suggestions: For Pakistan * We can make better infrastructure like Saudi Arabia only by using our coal resources. * By using Thar coal reserves we can overcome energy crisis. * By using natural resources we can raised our economic and environmental condition. Pakistan can pay its debt by using these resources in affective way and can make a name in developed countries. * More dams can be built to overcome the power shortage. For Other Countries * Save non-renewable resources for coming generations. * Water - Don't leave it running or just dumping it down in the drain or tossing it in the trash * Animals - Use every bit of it and don't waste it at all. * Fossil Fuels - Since this is a non-renewable resource you should definitely not waste it. * By using natural resources we can achieve the goals of economic and environmental development.