

Endowments and Human Well-being: Investigating the Resource Curse in the UAE

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Summary

The United Arab Emirates (UAE) became a federal country inside the Gulf Cooperation Council (GCC) in 1971. The country is richly endowed with natural resources. Since its discovery in the early 1960s, oil has instigated the country's exports and foreign currency, as well as being the primary driver of government revenues. However, the UAE's success in leveraging its natural resources for economic development and enhanced well-being does not rule out the possibility that any of the resource curse's symptoms exist. It is widely held that natural resources do not stymie development on their own; however, they may cause some disparities that act as transmission channels to impede economic advancement. This study determines whether there is an indication of a resource curse for well-being in the UAE by considering both the direct and indirect effects of natural resources on human well-being. We mainly aim to answer two fundamental questions: How did natural resource endowments contribute to human well-being in the UAE between 1990 and 2019? And how did institutional quality, human capital, and environmental efficiency influence the impact of natural resource endowments on human well-being in the UAE? In doing so, we employed various time series econometric techniques, including the ARDL bounds testing method and the VECM Granger causality approach, among others. The investigation reveals that natural resources are inversely related to human well-being, implying the existence of a resource curse in the UAE. Our analysis confirms the impact of environmental quality on human well-being. On the other hand, human capital and governance have no significant effects on the relationship. Environmental quality is the crucial channel whereby the resource endowments influence human well-being in the UAE context. In other words, natural resources improve well-being as long as it does not compromise environmental efficiency. Arguably, environmental sustainability in UAE faces profound pressures that threaten individual well-being. The UAE faces a critical policy challenge in determining how to improve the well-being of its citizens while not imperiling its natural resources. Robust and efficient policies aiming to mitigate and adapt to CO₂ emissions are critical in shaping the resources and human well-being nexus and, consequently, the country's sustainability path and future. Any reform strategy that does not consider environmental sustainability is no longer a viable option for the UAE. UAE government is advised to implement several valuable measures in this regard, including electrification of buildings and transportation, increasing the proportion of renewables in the overall energy mix, leveraging resource revenue to fund renewable energy development programs, and developing a long-term sustainable climate plan to ensure the UAE's environmental sustainability and, thus, social welfare.