US financial crisis fuels social unrest

# Workers protest rising prices in UAE, Egypt

**Joe Kay**
**22 March 2008**

The global financial crisis that has its origins in US credit markets is heightening social tensions around the world. This week, social unrest exploded to the surface in the United Arab Emirates (UAE), where as many as 1,500 workers staged protests against inflation and unpaid wages.

Inflation is becoming a major source of discontent throughout the Middle East and Asia, particularly in countries whose currency is pegged to the US dollar, including most of the oil-rich states in the Persian Gulf. In non-oil-exporting countries, such as Egypt, where the currency is not linked to the dollar, rising import prices and shortages of key goods such as bread have also provoked protests.

All of these countries are politically unstable and characterized by the most acute social contradictions. Their regimes are authoritarian, either semi-feudal sheikdoms or military-dominated dictatorships controlled by narrow ruling elites. A large majority of their populations consist of brutally exploited workers and peasants. In many cases, the workers are mostly immigrants with no civil rights.

Many of these repressive regimes sit atop economies that are being at once transformed and destabilized by an influx of oil wealth, largely unplanned economic expansion—whose benefits go almost exclusively to the ruling elites—and a rapid growth in the working class. The potential for social and political upheaval is enormous.

According to the UAE's official news agency, WAM, 1,500 striking workers participated in demonstrations on Tuesday in the emirate of Sharjah, the third largest emirate in the UAE. The workers are employed by Drake & Scull, an engineering contractor owned by the US-based Emcor Group.

WAM reported that the protest turned violent, with workers burning part of an office building and overturning or burning several cars and buses owned by the company. Police said that several officers were attacked, but there is no independent confirmation of this claim.

The news service ArabianBusiness.com reported that workers were complaining of unpaid wages. The company stated, however, that the main causes of the protest were declining real wages and the falling value of the UAE's currency, the dirham.

Like most Gulf States, the UAE relies heavily on immigrant workers who are paid low wages—as little as $50 a week—and are denied basic democratic rights, such as the right to demonstrate and unionize. These workers, many of whom come from South Asia, have provided the labor for a construction boom fueled by an influx of oil money in recent years.

In total, UAE citizens comprise only 15 percent of the population. The 3 million migrant workers in the UAE make up about 90 percent of the workforce in the private sector.

According to a 2007 report by Human Rights Watch, "Abuses against migrant workers include nonpayment of wages, extended working hours without overtime compensation, unsafe working environments resulting in deaths and injuries, squalid living conditions in labor camps, and withholding of passports and travel documents."

Several factors have combined in recent months to severely undercut the already poor living standards of migrant workers. The dirham is pegged to the US dollar, which has lost much of its value. At the same time, except for oil, most of the goods in UAE and the other Gulf States are imported from Europe and other countries whose currencies are appreciating against the dollar.

This means that imports are becoming much more expensive. Global prices for basic commodities have risen sharply, driven in part by speculation.

The rising cost of imports is exacerbating inflationary pressures that have been generated by the construction boom. Under normal conditions, the central banks in these countries would increase interest rates to curb inflation. However, in order to keep their currencies pegged to the US dollar, they have been forced to follow the US Federal Reserve in cutting interest rates, adding to inflation.

The Fed has cut rates repeatedly over the past several months—including by 75 basis points on Tuesday—in an effort to inject more cash into the financial markets and end a sharp contraction in credit markets. This week, central banks in the UAE, Saudi Arabia, and Bahrain all followed suit.

Overall inflation in the UAE last year was about 10 percent. However, food price inflation is estimated to be much higher. According to the Emirates Consumer Protection Society, food inflation in 2007 was 27 percent, and the organization estimates that inflation next year could rise to 40 percent.

Many of the workers have taken jobs in the UAE in order to provide for their families at home. As the value of the dirham has dropped relative to other currencies, including the Indian rupee, the remittances sent back have lost value. To make matters even worse, inflation in India and other South Asian countries has jumped sharply as well, compounding the impact of lower remittances.

The UAE government has responded to the protests with promises of a quick crackdown, including arrests and deportations. At least 30 workers were arrested on Tuesday. UAE officials have demanded that workers present their grievances through bogus labor resolution bodies.

The uprising in Sharjah followed protests by thousands of workers at construction facilities last fall in Dubai, the largest of the emirates in the UAE by population. A court recently sentenced 45 Indian construction workers to six months in jail and deportation for their role in the protests.

The Gulf States have traditionally pegged their currencies to the dollar because oil is priced in dollars on the international market. There have been some calls within ruling circles in these countries for removing the link to the dollar in order to deal with inflation. However, there has been intense pressure from the US not to do this, for fear that it would precipitate a run on the dollar and threaten the status of the US currency as the world reserve currency.

A move by the Gulf States away from the dollar would be particularly significant due to the critical role of oil on world markets. Last year, Kuwait became the first Gulf State to remove the dollar peg, and Qatar may follow soon. Qatar announced on Thursday that it would put off a decision on its interest rates until at least Sunday, signaling that it may decide to remove the dollar peg. Kuwait did not change its rates in response to the Fed move.

The UAE has decided not to follow Kuwait, at least for now. According to a March 17 *Bloomberg* report, citing an unnamed UAE Central Bank official, “US Embassy officials last week told [UAE] central bank Governor Sultan Bin Nasser al-Suwaidi of their concern about reports that the sheikhdom may drop the [dollar] peg.” In response, UAE officials pledged to maintain the peg at least through the end of this year.

The Gulf monarchies, including Saudi Arabia and the UAE, are heavily dependent on American imperialism for military and political backing. US Vice President Dick Cheney met with Saudi King Abdullah on Friday, and the economic and financial crisis was no doubt high on the list of discussion topics, next to US plans for possible military action against Iran. The Saudi sheikhdom, which has the closest ties to the US, has so far sought to pressure the other Gulf States to refrain from moving against the dollar.

In other countries in the Middle East, Asia, and Africa, inflation is becoming a major problem as well. In Egypt, attempts by the government to ration subsidized bread have produced long lines and protests. World wheat prices have more than tripled since last summer, and Egypt’s working poor depend upon subsidized bread to survive. Egypt is one of the world’s largest wheat importers, and the rise in prices is placing strains on government coffers.

The protests have rattled the government of President Hosni Mubarak, who called on the Egyptian army to begin producing bread for commercial use. Social explosions from rising bread prices are not unknown in Egypt. In 1977, hundreds of thousands of protesters demanded that then-President Anwar Sadat reverse plans to lift bread subsidies.

Similar conditions prevail throughout the region. A recent survey of Jordanians found that 85 percent of the population chose high prices and living costs as the most important problem. Inflation has shot up in China, Hong Kong, Vietnam, India, South Africa, Iran, and a host of other countries.

These conditions are adding up to an explosive situation, of which the protests in the UAE and Egypt are only the first signs. Social tensions are rising in every country. As only the latest example, millions of workers in Greece have begun a strike action to protest cuts in pensions and an increase in the retirement age.

The financial crisis, the worst since the 1930s, is confronting the population of the entire world with recession or worse. In response to an economic disaster of its own making, the ruling elite of the US and every other country will seek to place the burden of the crisis on the backs of the international working class.