United Arab Emirates: Over 600 construction workers arrested after protest

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Authorities in the United Arab Emirates arrested 625 South Asian construction workers Wednesday after they and others downed tools at their job site, blockaded streets with construction materials and fought a running battle with riot police.

Some 800 workers participated in the protest. They fought back against the police, throwing stones, bricks and other building materials. At least 15 of them, as well as several police, were injured and taken to local hospitals.

The clashes erupted in the al-Nahda district of Sharjah, the third largest of the seven semiautonomous states that make up emirates, which is adjacent to Dubai. Police were called in from Dubai and other parts of the emirates to suppress the Indian, Pakistani, Bengali and Afghani contract laborers who joined the protest.

According to some reports, the struggle erupted after the workers were denied promised housing and forced to sleep on the construction site.

The UAE's official state news agency, WAM, reported that on Thursday police were interrogating dozens of workers who were "involved in the riot" to discover the source of "the subversive act."

The head of the Sharjah police force, Brig. Gen. Humaid Mohammed al-Hudaidi, asserted that the "act of rioting" had "nothing to do with labor disputes."

The general added: "The UAE security forces will never allow any individual or group to jeopardize the country's stability and security, and whoever attempts to do so and violates the law will be strictly dealt with."

The workers' employer was identified by WAM as Tiger Contracting. The UAE's labor ministry claimed that the company had increased monthly wages in February from 750 dirhams (US$204) to 850 dirhams (US$231).

Such a raise—to less than US$60 a week—barely begins to make up for the impact of an inflation rate officially reported at more than 10 percent, but believed to be significantly higher.

Migrant workers make up fully 95 percent of the UAE's workforce. In 2005, it was estimated that more than 600,000 migrants were working in construction alone, under conditions of an oil revenue-fed building boom that has only accelerated since.

These workers are paid on average less than one tenth of the average per capita income of the UAE, and are subjected to brutal exploitation and political repression. The UAE's semi-feudal regime outlaws both strikes and unions, leaving the workers to the mercy of labor contractors, who often seize their passports and impose lower wages and far worse conditions than they are originally promised in their home countries.

Workers endure these oppressive conditions because the jobs in the UAE and elsewhere in the region allow them to send home remittances that support their families in their home countries. The estimated 5 million Indians working in the Gulf, for example, send home more than US$20 billion every year.

But the global financial crisis, with its center in the US credit markets, is undermining the ability of these workers to support their families and thereby making them unwilling to accept the intolerable conditions in which they work.

The precipitous fall of the dollar has had a particularly sharp impact in the Gulf states like the UAE, whose currencies are pegged to the dollar, which remains the principal means of exchange in the oil markets. The fall in the value of the dollar means a fall in the value of the remittances that the South Asian workers send home.

This is particularly true in relation to India, where the rupee has gained strength. According to a report on the Arabian Business web site, the Reserve Bank of India is expected to announce further interest rate hikes at the end of this month, which will drive the value of the national currency even higher, meaning Indian migrant workers will have even less in terms of real wages to send to their families.

"Basically it makes India more expensive and much more difficult for expats living in the Gulf to send money home," Marios Maraththeftis, the regional head of research at the Standard Chartered Bank in Dubai, told the web site.

These conditions have triggered a growing wave of labor unrest in the United Arab Emirates, whose government outlaws both strikes and unions and ruthlessly represses workers' protests.

Wednesday's clashes in Sharjah were the second such incident in little more than two weeks. Last month, some 1,500 workers struck against a US-based engineering contractor, attacking and burning company offices and cars to protest unpaid wages and the fall in their real income.

Last fall, thousands of workers downed tools and participated in similar protests in Dubai. The government responded by arresting and jailing some of the workers and deporting hundreds of others.

The worker unrest and mounting inflation have led to increasing questioning within the UAE's ruling elite about the continued pegging of the Gulf state's currency to the dollar.

"Inflation has affected many expatriates, consumers and traders," Aamer al-Fahim, a member of the Federal National Council (FNC), which advises the UAE government, told Reuters Tuesday. "There have been cases of violence and this affects our security."

Fahim added, "Interest rates are one of the best tools to control inflation but the dirham's peg to the dollar does not allow the UAE to control inflation." Continuous US interest-rate cuts aimed at staving off a recession have only fueled inflation in the UAE and elsewhere in the Gulf under conditions in which oil prices have soared fivefold in the past six years. The dollar peg has forced the region's central banks to follow US Federal Reserve interest-rate cuts, when increases are needed to control prices. Increased trade with countries in the euro zone has only served to exacerbate the crisis.

United Arab Emirates Minister of State for Finance Ubaid al-Tayer is scheduled to answer questions from the advisory council on the currency's 30-year-old peg to the dollar on April 8. Sheikh Mohammed bin Rashid al-Maktoum, the UAE's prime minister, said that a committee had been formed to study alternatives to the dollar peg, but that it would be maintained for the time being.

Kuwait became the first of the Arab sheikdoms to break from the dollar peg last May, switching to a basket of currencies. Other Gulf states are wary of following suit for fear of triggering a massive run on the dollar that would slash the value of hundred of billions of dollars worth of dollar-denominated assets held by these states. Political pressure has also been brought to bear by Washington, linking support for the dollar to the US military's protection of the sheikdoms.

The increasing social and economic tensions within these states, however, may yet push them into depegging their currencies from the dollar, which would seriously undermine the dollar's reserve currency status and dramatically intensify the crisis of US and global capitalism.