



## The Decline of an American Economic Dominance: A Call for a Divine and Just Order Through Khilafah

When World War II ended, the world lay in ruins. Cities were reduced to rubble, economies shattered, and millions of lives upended. Amid this devastation, a new leading state emerged on the international scenario, not through conquest, but through strategic dominance. The United States, untouched by the destruction that consumed Europe and Asia, rose as the world's most powerful nation. This was the dawn of a new era—not colonialism with flags and armies, but a modern form of control shaped by economics, politics, and influence.

To consolidate this power, the U.S. launched the Marshall Plan in 1947, offering billions of dollars to rebuild Europe—not as mere aid, but as a calculated move to secure allies and ensure dependence. France, Germany, and Italy restored their industries with American capital, binding themselves to U.S. markets, technology, and policies. A similar transformation took place in Asia, where Japan, South Korea, and Taiwan emerged as industrial powerhouses under American influence. Their economies were rebuilt with U.S. trade, protection, and political alignment, ensuring they remained key allies in the emerging Cold War order.

China's economic rise took a different path. Initially isolated under Mao Zedong, it re-emerged in the late 1970s under Deng Xiaoping, embracing an export-driven model to fuel industrial expansion. The U.S., seeing an opportunity to counter Soviet influence, facilitated this transformation by opening access to Western markets, technology, and investments. Henry Kissinger secured the splitting of Russia from China by American closeness to China. (As an aside, Trump's America now seems to be undertaking the Reverse Kissinger, with American closeness to China, but with the same splitting, to prevent a strong Chinese-Russian bloc.) Factories multiplied, and China became a global manufacturing hub. However, despite its rapid industrial growth, the most lucrative aspects—research, innovation, and finance—remained concentrated in the hands of Western powers, ensuring that China's rise remained tied to an economic system still structured to serve U.S. and Western interests. Now that China has broken free of some economic shackles, Trump's America is fully focused on its containment.

Throughout the Cold War, the United States further reshaped global economic systems to cement its dominance. Trade networks, financial institutions, and technological advancements were designed to reinforce Western superiority. Unlike traditional colonial rule, this new system did not rely on territorial occupation but on controlling the flows of money, knowledge, and influence. The dominance of the U.S. dollar ensured financial supremacy, while American control over patents, intellectual property, and high-end innovation secured its technological leadership.

The emergence of globalization seemed, at first, to promise a more interconnected world—one where trade and investment would create economic opportunities for all. Factories shifted to countries where labor was cheap, allowing corporations to maximize profits while making goods more affordable for Western consumers. But behind this promise lay a stark reality: globalization was not about uplifting developing economies; it was about maintaining control.

China became the largest recipient of outsourced industries, particularly in manufacturing, electronics, and consumer goods. Western nations integrated China into global supply chains, but on terms that ensured continued reliance on foreign markets and capital. While China leveraged this opportunity to expand its industrial base, other nations remained trapped in low-value sectors. Vietnam and Malaysia absorbed electronics and textile production, while Pakistan and Bangladesh remained confined to garment industries—sectors where profits ultimately flowed back to wealthier nations, keeping these economies vulnerable and dependent.

Even as manufacturing moved overseas, the U.S. ensured that the most critical levers of power remained firmly in its grasp. While production shifted to lower-cost regions, American corporations retained ownership over patents, research, and high-end innovation. The U.S. dollar remained the backbone of global trade, guaranteeing that financial policies and investment flows continued to serve American interests. Former colonialist powers like Britain and France also benefited from this system. By aligning with the U.S., they ensured that their corporations and

financial networks thrived, reinforcing a global order where wealth and power remained concentrated in the West.

While economic influence expanded, financial dominance was undergoing a transformation of its own. Before World War I, global trade relied on the gold and silver standard, ensuring stability in international transactions. However, the war disrupted this system, forcing nations to suspend gold convertibility to finance their military efforts. Attempts to restore the gold standard in the 1920s failed, and by 1933, President Franklin D. Roosevelt took the drastic step of nationalizing all privately held gold in the U.S. to stabilize the economy. This move concentrated monetary control in government hands and marked a turning point in global financial history.

After World War II, the Bretton Woods system was established in 1944 to stabilize currencies and rebuild war-torn economies. The U.S. dollar was pegged to gold at a fixed rate of \$35 per ounce, making it the anchor of global finance. Institutions such as the International Monetary Fund (IMF) and the World Bank were created to reinforce U.S. economic influence, ensuring that global financial flows remained under Western control.

However, by the 1960s, the American order faced mounting pressure. The U.S. was running persistent trade and fiscal deficits, financing both military campaigns and domestic programs by printing more dollars. Confidence in the dollar's gold backing began to erode. Countries such as France, under Charles de Gaulle, started demanding gold in exchange for their dollar reserves, further depleting U.S. gold stocks. Then, in 1971, President Richard Nixon made a historic decision: he suspended the dollar's convertibility to gold, effectively dismantling the Bretton Woods system. The world transitioned to a fiat currency system, where money was backed not by physical commodities, but by government authority.

Just two years later, a geopolitical crisis reshaped global finance once again. In 1973, the Arab-"Israeli" War prompted OPEC to impose an oil embargo on the U.S. and its allies, causing oil prices to skyrocket and triggering economic turmoil in the West. In response, the U.S. struck a pivotal deal with Saudi Arabia. Under this arrangement, Saudi Arabia agreed to price oil exclusively in U.S. dollars and reinvest its surplus wealth into American financial markets. In return, the U.S. provided military protection and political backing. This agreement gave rise to the petrodollar system, which cemented the U.S. dollar as the world's reserve currency.

The petrodollar system allowed the U.S. to run massive fiscal and trade deficits without suffering the economic consequences faced by other nations. It financed military expansion, sustained low domestic inflation, and ensured that surplus oil revenues from the Middle East were funneled back into American markets. By tying oil to the dollar, the U.S. effectively replaced gold with oil as the foundation of its global financial dominance.

For oil-rich nations—particularly in the Islamic world—this system entrenched economic dependence. Countries like Saudi Arabia, Kuwait, and the UAE became deeply reliant on dollar-based financial systems, with their wealth cycling through Western economies rather than fostering true economic independence. Meanwhile, oil-importing nations faced rising costs and inflation, further exacerbating global economic inequalities.

As global power dynamics shift, cracks are beginning to emerge in the international order that once ensured U.S. dominance. New economic players, alternative financial structures, and evolving geopolitical alliances are testing the resilience of Washington's global influence. The question is no longer whether the current order remains intact, but how long it can sustain itself in the face of rising challenges.

The very economic framework that the United States meticulously built after World War II is now presenting unforeseen challenges, threatening to weaken its long-standing hegemony. Once an unchallenged global leader, the U.S. now faces mounting economic vulnerabilities, exacerbated by China's rapid ascent. While Washington still holds a decisive edge in technology, research, and military capabilities, Beijing is closing the gap at an accelerated pace. China's advancements in 5G, artificial intelligence, military hardware, semiconductors, and advanced manufacturing are not just competition; they represent a fundamental shift in the balance of global power. Despite successive U.S. administrations attempting to counter this rise—Obama's "Pivot to Asia," Trump's trade war, and Biden's economic sanctions—China continues to adapt and push forward. The success of Deep Seek AI, developed with fewer resources yet

outperforming expectations, underscores a crucial reality: China is not merely catching up; it is setting new technological standards.

Financial leverage has long been America's most powerful tool, with the dollar-based SWIFT system enabling it to exert global economic pressure. This mechanism has been used to impose crippling sanctions on nations like Iran and Russia. However, the world is increasingly pushing back. Countries are exploring alternative financial networks, reducing dependence on the dollar, and strengthening economic alliances such as BRICS. As efforts to establish parallel payment systems gain momentum, Washington's ability to dictate global financial terms is facing serious challenges. A diminishing grip over international finance could weaken the economic foundation that has sustained U.S. global influence for decades.

Economic data further highlights these growing concerns. In 2024, the U.S. trade deficit expanded to \$1.2 trillion, reflecting a widening reliance on foreign goods while domestic production struggles. The trade imbalance with China alone reached \$295.4 billion, while deficits with the European Union, Mexico, Japan, and Canada collectively underscore a troubling trend. This isn't just an economic imbalance—it signals deeper structural weaknesses in America's industrial and trade policies. A nation once known for manufacturing and innovation is increasingly dependent on imports, hollowing out its industrial base.

Compounding these economic challenges is the long-term financial burden of prolonged military interventions. The wars in Afghanistan and Iraq have cost the U.S. trillions, contributing to a soaring national debt that reached \$33 trillion in 2024. While the dollar remains the world's reserve currency, shifts in global reserve holdings suggest growing uncertainty. Countries are diversifying assets, increasing gold reserves, and exploring alternatives such as the yuan. If confidence in the dollar erodes significantly, the repercussions for the U.S. financial system could be severe.

The warning signs are clear: rising debt, deepening trade deficits, industrial decline, and intensifying competition from China. The U.S. finds itself at a crossroads. If decisive action is not taken to address these structural issues, the long-term consequences could be profound. While American resilience and adaptability remain formidable, the challenges ahead demand a strategic recalibration—one that determines whether the U.S. sustains its leadership or witnesses a gradual erosion of its global position.

It is no surprise that the United States now finds itself at odds with the very principles it once championed—free trade, multilateralism, and the globalized economic order it helped create. In an effort to maintain its diminishing dominance, Washington has increasingly resorted to unilateral measures, imposing tariffs in direct contradiction to World Trade Organization (WTO) rules, leveraging sanctions as economic weapons, reducing international aid commitments, withdrawing from key trade agreements, and pressuring allies through economic and military tactics. These actions reflect a shifting strategy, but they also expose the growing contradictions within America's global leadership, raising questions about the long-term sustainability of its influence.

Desperation has shaped Washington's economic strategy, but not in the way it may seem. The recent tariffs on Canada, Mexico, China, and the European Union are not merely protectionist measures; they are part of a broader effort to curb trade deficits, extract strategic concessions, and revitalize domestic manufacturing. The Biden administration's sweeping industrial investment packages, tax incentives, and subsidies underscore a decisive shift toward reindustrialization. Multi-billion-dollar deals—such as Taiwan Semiconductor Manufacturing Company's (TSMC) U.S. investment, Saudi Arabia's \$1 trillion commitments over four years, and similar strategic agreements—signal Washington's push to regain economic leverage. Rather than a sign of decline, these moves reflect a calculated effort to counter China's expanding influence, strengthen domestic supply chains, and sustain long-term economic leadership.

Meanwhile, Republican-led budget cuts—including reductions in USAID funding and bureaucratic restructuring—are less about retreat and more about strategic realignment. The U.S. is pressuring allies to increase military spending, securing Ukraine's rare earth materials, reinforcing control over key geopolitical assets like Greenland and the Panama Canal, and leading post-war reconstruction in Ukraine. These steps are not merely about fiscal discipline; they are part of a larger strategy to maintain economic and military dominance, contain China,

and keep Europe reliant on American leadership. Rather than signaling imperial overreach, Washington's evolving policies suggest an adaptive empire—one that is reshaping its influence to sustain its global supremacy in a changing world order.

The American-led global economic and financial order is inherently colonialist, extracting and exploiting human, natural, and indigenous resources while keeping developing economies weak, dependent, and subjugated. The Muslim world, in particular, has suffered from wars, genocides, and relentless oppression under this system. This modern form of slavery ensures that wealth remains concentrated in the hands of a few while billions struggle under poverty. Despite significant global wealth growth, capitalism-driven financial structures have created a poverty pandemic and extreme wealth inequality, with the top 0.1% controlling as much wealth growth as the bottom 50% combined, according to the World Inequality Report 2022. Innovation and technology, rather than serving humanity, have been weaponized for corporate and geopolitical dominance. The world, drowning in this oppressive system, writhes in pain and desperately seeks an alternative, just order. This chaos stems from turning away from divine guidance and making flawed human intellect the sole measure of governance. When separated from divine revelation, human beings descend into moral corruption, becoming even more ruthless than beasts. It is time to replace this oppressive order with one that upholds justice and dignity for all.

By the will of Allah (swt), the imminent re-establishment of the Khilafah Rashidah's (rightly guided Caliphate) economic and financial order will be rooted in Divine Revelation, the Shariah rulings, and the specific needs of the Islamic society. The Islamic Ummah possesses a distinct Aqeedah that sets it apart from all other nations. Built upon this Aqeedah, the Khilafah will uphold its responsibility of calling other nations to Islam while shaping its economic policies, trade relations, and financial system based entirely on the commands of Shariah.

The Khilafah's economic framework will be designed to safeguard the well-being of its citizens by ensuring the fulfillment of their basic needs, enabling individuals to lawfully seek prosperity, and establishing an equitable distribution of wealth. At the same time, it will generate fiscal revenue from the sources defined by Shariah, ensuring the state's ability to rule effectively and uphold justice in society.

Allah (swt) said in the Noble Qur'an, **﴿وَلَنْ يَجْعَلَ اللَّهُ لِلْكَافِرِينَ عَلَى الْمُؤْمِنِينَ سَبِيلًا﴾** **“And never will Allah grant the disbelievers a way (authority) over the believers.”** [TMQ Surah An-Nisa 4:141].

The economic structure of the Khilafah will not be based on import dependency or export-oriented policies that serve foreign interests. Nor will the Khilafah adopt concepts such as free trade, protectionism, or nationalistic economic policies, as all these contradict Islam. It will reject the interference and dictation of colonialist financial institutions and will refuse to submit to exploitative foreign trade agreements. By doing so, it will eliminate the influence of global powers and end the dominance of disbelievers over Muslim affairs.

The Khilafah will abolish the petrodollar system, breaking the financial supremacy of disbelievers, and will establish a gold and silver currency system for both domestic and international trade. Public resources such as oil, gas, and minerals will be state-supervised for the benefit of the Ummah rather than foreign corporations. The Khilafah will eradicate riba (interest-based financial systems) and restructure trade based on Islamic principles, freeing the economy from the grip of colonialist institutions. Instead than relying on foreign interest based loans and aid, revenue will be generated through zakat, jizya, kharaj, and state-owned assets. With its gold and silver-backed monetary system, the Khilafah will ensure economic stability, sovereignty, and independence, fulfilling the divine command that no disbeliever should have authority over Muslims.

Allah (swt) said in the Noble Qur'an, **﴿وَأَعِدُّوا لَهُمْ مَا اسْتَطَعْتُمْ مِنْ قُوَّةٍ وَمِنْ رِبَاطِ الْخَيْلِ تُرْهِبُونَ بِهِ عَدُوَّ اللَّهِ﴾** **“And prepare against them whatever you are able of power and steeds of war, by which you may terrify the enemy of Allah and your enemy and others besides them whom you do not know [but] whom Allah knows. And whatever you spend in the cause of Allah will be fully repaid to you, and you will not be wronged.”** [TMQ Surah Al-Anfal 8:60].

The obligation of military preparedness in Islam is not limited to conventional weaponry, but extends to all forms of power necessary to deter enemies, as commanded in this ayah. In today's world, this includes artificial intelligence (AI)-powered military technology, advanced aerospace defense, cyber warfare capabilities, and hypersonic weaponry. The Khilafah will establish military and defense industries on a war footing, ensuring self-sufficiency in arms production, removing reliance on foreign suppliers, and eliminating any vulnerabilities that could be exploited by hostile states.

To achieve this, the Khilafah will prioritize an industrial policy that integrates military research and development (R&D) with cutting-edge robotics, AI-driven combat systems, stealth aircraft, drone warfare, and naval superiority. This will be complemented by a strategic space program to develop satellite-based intelligence, surveillance, and missile defense systems, ensuring full-spectrum dominance in modern warfare.

The Khilafah will own and control its entire military-industrial complex, establishing an independent war economy that fuels innovation and resilience. Heavy industries will be geared toward producing advanced weaponry, high-tech defense systems, and self-sustaining supply chains, ensuring that the Muslim Ummah remains militarily invincible.

Ibn Umar (ra) reported that the Prophet (saw) said, **«أَلَا كُلُّكُمْ رَاعٍ، وَكُلُّكُمْ مَسْئُولٌ عَنْ رَعِيَّتِهِ، فَالْإِمَامُ رَاعٍ وَمَسْئُولٌ عَنْ رَعِيَّتِهِ»** **“Surely, every one of you is a shepherd, and every one of you is responsible for his flock. The ruler (Imam) is a shepherd and is responsible for his subjects...”**

Foreign trade is a key aspect of the state's relations with other nations and must be regulated to protect Islamic economic sovereignty. The Khilafah will prevent the export of strategic commodities that could strengthen enemies and will manage trade with covenanters and belligerent states accordingly. While individuals may trade freely within Islamic laws, the state will supervise all foreign trade to ensure it aligns with Islamic principles. This oversight ensures that no economic activity compromises the Ummah's strength, maintaining the Khilafah's authority in safeguarding the people's affairs.

The Islamic Ummah possesses immense strengths, foremost among them its divine Islamic ideology, alongside vast discovered and untapped mineral resources, fertile agricultural lands, a rich human capital, an extensive base of talented individuals, strategic geography, and a glorious history. However, to reclaim its rightful status as the best Ummah brought forth for mankind, it must reestablish the Khilafah upon the Method of Prophethood. By doing so, it will emerge as a guiding light for a world engulfed in darkness, oppression, and endless suffering, offering a just and dignified alternative to the prevailing systems of exploitation and injustice.

**﴿كُنْتُمْ خَيْرَ أُمَّةٍ أُخْرِجَتْ لِلنَّاسِ تَأْمُرُونَ بِالْمَعْرُوفِ وَتَنْهَوْنَ عَنِ الْمُنْكَرِ وَتُؤْمِنُونَ بِاللَّهِ﴾**

**“You are the best nation brought forth for mankind: you enjoin what is right, forbid what is wrong, and believe in Allah.”** [Surah Aal-e-Imran 3:110]

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