

## Headlines:

- **PTI Economic Efforts to Save Pakistan's Economy are Fruitless**
- **Pakistan's Foreign Policy Continues to Serve US Interests**
- **Currency Crisis is An Imminent and Ever-Present Danger in the Absence of Islam's Ruling on Currency**

## Details:

### PTI Economic Efforts to Save Pakistan's Economy are Fruitless

Pakistan's foreign exchange reserves fell to \$9.03 billion, not enough to cover even two months of imports, from \$9.79bn at the end of the last fiscal year reported Dawn on 1st October 2018. The decline of \$753 million or 7.7 per cent in reserves in less than three months comes due to less-than-desired growth in exports and remittances amid large import bills and a big current account deficit. In July-August, combined earnings via exports of goods and services and remittances totalled \$8.921bn, according to the balance of payments (BoP) statement. Against this, imports of goods and services consumed \$11.579bn. So a huge gap of \$2.66bn existed even if we count on both exports and remittances to finance our total imports. The rupee has lost 2.26pc of its value against the dollar in the interbank market in less than three months of this fiscal year. Thus, the situation of economy is worsening in last 90 days including the first 45 days of PTI government in office.

The actions proposed or implemented by PTI government are more or less the same employed by the governments in past which includes cuts in development funds, expecting thicker flows of foreign investment, including borrowing from other governments in projects such as the CPEC and also keeping the International Monetary Fund (IMF) borrowing option open. As for relying on foreign investment, it may meet the government immediate needs for funds, however, it will be followed by the profit repatriation of the foreign investors which is already standing at more than two billion dollars per annum, contributing immensely to an ever soaring current account deficit. As for the efforts, including deferred payment on oil imports, it will put the burden of interest on deferred payment on the balance of payment. As for the IMF, it has asked the government to raise more revenues and pay greater attention to outstanding structural reforms, especially regarding the state-owned enterprises, to put the economy on a sound footing. A visiting delegation of the fund led by Harald Finger, IMF's mission chief for Pakistan, held detailed meetings with senior officials of the Ministry of Finance and Federal Board of Revenue on 1 October 2018 as they entered the last leg of their week-long engagements.

Hence, all the actions adopted by the PTI government in first 45 days exactly matches the actions of governments in the past, which were responsible for this dire situation. It is foolishness repeating the same actions again but expecting different results. The PTI inability to come out of crises or come up with any out of box solution for the ailing economic condition of the country is due to the fact that it's ruling within Democracy that ensures the implementation of capitalist economic policies. This is the main cause of Pakistan's economic problems despite its great economic potential.

Only the economic system under Islam can solve Pakistan economic crises by implementing all that Allah (swt) has revealed. It is our Deen that has a unique economic viewpoint which ensures maximum revenue for the state without overburdening the citizens. Islam uniquely divides property into private, state and public property. Energy and mineral resources like oil, gas, electricity, copper and iron are considered public property and represent wealth to the order of billions of dollars. Public property can neither be privatized nor nationalized. So, its immense revenues must be spent on the people's affairs, under close supervision of the state. Islam's unique company laws prohibit the joint stock share company and so limits the financial ability of private companies to dominate capital intensive sectors of the economy, such as large scale transport, telecommunication and construction. So, the Islamic State will naturally play a dominate role in these sectors, granting substantial revenues to look after the affairs of its citizens. In addition, Islam has its unique system of revenues, including Zakah on trading merchandise and Kharaaj on agricultural land, whilst emergency taxation is only allowed upon the wealthiest of the society. And Islam has forbidden interest as well as the

dominance of the Kuffar over our affairs, closing the doors to the destructive cycle of loans from colonialist institutions.

### **Pakistan's Foreign Policy Continues to Serve US Interests**

Afghanistan dominated the separate meetings Foreign Minister Shah Mehmood Qureshi held with United States National Security Advisor (NSA) John Bolton and Secretary of State Michael Pompeo in Washington on Tuesday, 2<sup>nd</sup> October 2018. The first set of talks began at the White House where the foreign minister met NSA Bolton for 40 minutes before heading to the State Department for another meeting with his American counterpart, the US Secretary of State. The second meeting lasted 40 minutes as well. Pakistan reiterated its commitment to support an Afghan-led peace and reconciliation process in Afghanistan in both meetings. According to the statement, Qureshi repeated Pakistan's stance that the Afghanistan issue had no military solution and insisted that peace in the neighboring country was vital for stability in the region. He also highlighted Pakistan's efforts to promote progress in Afghanistan by initiating the Afghanistan Pakistan Action Plan for Peace and Solidarity.

Despite the continuous American support to Pakistan's enemy India over the issue of Kashmir and granting the Hindu State a footprint in Afghanistan to destabilize Pakistan, the political and military leadership of Pakistan are still pursuing the American leadership. After the US Secretary of State's visit of India in September 2018, the US and India issued a joint declaration, raising concerns regarding the alleged use of "terrorist proxies" by Pakistan in the region. They both urged Pakistan to "bring the perpetrators of the Mumbai, Pathankot, Uri, and other [alleged] cross-border terrorist attacks" to justice. This joint statement was issued just after Pompeo visited Islamabad in which both Pakistan and America agreed to a so called "reset" in their relations.

Clearly, the regime of "change" is not willing to change the foreign policy of Pakistan, which is based on serving US interests in our region. On 9 November 2011, Iran Khan, now the Prime Minister of Pakistan had said while giving an interview that "The Afghans have stood up against every invader. They lost one million men against the Soviet Union. One million!" He further said, it is "basically a war of independence." (<https://www.newstatesman.com/asia/2011/11/pakistan-khan-interview-party>). However today now that Imran Khan is the prime minister of Pakistan, he is following the policy of previous "corrupt" rulers to help the US in consolidating her occupation of Afghanistan by forcing the Afghan resistance to sit at negotiation tables. And like previous rulers, the current rulers are not supporting the Afghan Jihad so that the US could also be kicked out of our region in humiliation, as happened to Soviet Russia and the British Imperialists previously. It has been proved beyond any doubt that "change" cannot take place in Democracy. When Democratic politicians are not in power their stance is based on what Muslims know to be right in Islam, but once they come into power they simply follow the commands of US without any shame. Unless and until ruling by all that Allah (swt) has revealed, there will be no "change" in Pakistan's foreign policy. Allah (swt) said, **﴿هُوَ الَّذِي أَرْسَلَ رَسُولَهُ بِالْهُدَىٰ وَدِينِ الْحَقِّ لِيُظْهِرَهُ عَلَى الدِّينِ كُلِّهِ وَلَوْ كَرِهَ الْمُشْرِكُونَ﴾** **"It is He swt Who has sent His Messenger (Muhammad saaw) with guidance and the religion of truth (Islam), to make it superior over all religions even though the Mushrikun hate (it)."** That is why Hizb ut Tahrir in the Introduction to the Constitution adopted in Article 188, "The foreign policy revolves around carrying the call to Islam; and the relationship between the State and all the other states is built upon this basis."

### **Currency Crisis is an Imminent and Ever-Present Danger in the Absence of Islam's Ruling on Currency**

The rupee has weakened by approximately 20% against the US dollar over the past nine months. There are fears it may further lose its value. Pakistan is not the only country that is facing depreciation of its currency; however, Pakistan and Turkey are the standouts among the so-called emerging economies facing currency weaknesses. In Pakistan's case, the rupee depreciation has been attributed primarily to a ballooning balance of payment deficit. It needs to arrange a massive amount of up to \$20 billion, instantly to avoid foreign payment default.

Currency crises have been occurring around the globe with greater frequency since the Latin American debt crisis of the 1980s, and earlier examples, throughout the history of fiat-based paper currency. According to some reports, the world has been witnessing a currency crisis every 19 months on average. Having no intrinsic value, modern day paper currency is vulnerable to sudden volatility in its evaluations, caused by factors ranging from weak economic fundamentals to pure

speculation. Fiscal and monetary imbalances, economic slowdown, and the so-called over-borrowing syndrome are the main indicators of weak economic fundamentals causing the currency to ultimately lose its value. Hence, the weak economies, like Pakistan's, are tempted to maintain a currency peg with a hard (strong/stable) currency like the dollar, euro or pound. Apart from being subject to the predatory policies of the leading capitalist states, the currency peg often leads to the central bank fighting the market and defending a currency peg against speculators, which often ends up costing central banks billions. This is what the previous regime in Pakistan did. With borrowed dollars, it kept the rupee value artificially inflated for around four years and its accumulated impact eventually gave a heavy jolt to the currency in the past nine months. That being said, while currency meltdowns can be devastating, nimble forex traders have been known to profit from currency crises, because they can often anticipate pending devaluation strategies before they happen. Savvy traders can usually predict when a financially vulnerable country is ripe for a currency crisis by observing the most common factors that increase the likelihood of one taking place. These factors include uncertainty over a government's actions, a large account deficit caused by excessive money printing, and rapid unjustified growth in a currency's value.

The problem boils down to the fact that paper is not wealth. When the world followed the precious metal standard in its monetary dealings it was living in a period of economic prosperity and monetary stability. The gold or silver standard systems were used to guarantee a fixed exchange rate, as the monetary unit of each country was precious metal or papers that represented full value in precious metal, and was liable for conversion at any time. As an example, originally, the pound was a unit of account in Anglo-Saxon England equivalent to one pound weight of silver. In the case of the Dollar, it was gold, in the case of the Rupee it was silver. This system stabilized the value of the monetary unit both internally within the country and externally in international trade. The evidence for this was that the standard prices of gold in 1910 were almost the same level they were in 1890. Consequently, the exchange rate between the countries was constant because it was related to an acknowledged precious metal unit. This system stabilized the value of the monetary unit both internally within the country and externally. The treatment is to revert to the system of the precious metal standard, which preserves exchange rate stability, and economic prosperity.

Today, there is sufficient gold and silver in the world to support the actual economy, transactions such as buying and selling food, clothing, shelter, luxuries, manufacturing machinery and technology and so on. However, due to capitalist practices such as interest based loans, fractional reserve banking and stock and futures markets, the demand for the creation of money far outstripped the supply of gold and silver. The states abandoned the precious metal standard, so that currency became backed only by the authority over the state, allowing more and more notes to be printed, without being backed fully by gold and silver, such that each new note has less value than previously. However, money is used to buy commodities and services, so the money became worth less, if not almost worthless. More of it was needed to buy, so the price of all commodities and services began to rise. Continuous rises in price is now so much part of the system that inflation is a widespread measure of how fast they are rising. Thus, the rupee that was once worth over eleven grams of silver before the British occupation, after over two hundred years of the capitalist system is now worth around one nine hundredth's (1/900th) of a gram of silver.

Islam has mandated that the currency of the state is backed by precious metal wealth, ending the root cause of inflation. RasulAllah (saw) commanded the Muslims to mint Gold Dinars, weighing 4.25g, and Silver Dirhams, weighing 2.975g, as the currency of the state. This is why the Khilafah enjoyed stable prices for over a thousand years. Today the Khilafah will employ exchange of commodities, such as copper, and foreign exchange for gold and silver and will be mindful of net outgoing of gold and silver during international trade, though the Muslim World is self-sufficient in most matters. Moreover, re-establishing gold and silver in international trade will end the unfair disadvantage that America has by imposing the dollar on international trade. As Hizb ut Tahrir has adopted in its Introduction to the Constitution, Article 166, "The State issues its own independent currency, and it is not permitted for it to be linked to any foreign currency." In Article 167 it has adopted, "The currency of the State is to be restricted to gold and silver, whether minted or not. No other form of currency for the State is permitted. The State can issue something as a substitute for gold or silver provided that the Bayt al-Mal has the equivalent amount of gold and silver to cover the issued coinage." In Article 168, it has adopted, "It is permissible to have exchange between the State currency and the currency of other states like the exchange between the State's own coinages."