

Pakistan's Economy under the Khilafah

Hizb ut Tahrir / Wilayah Pakistan

On the Debut of Pakistan's Budget 2013-14

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The Revival of Pakistan's Economy under the Khilafah,
Liberated by Islam from the
Shackles of IMF and World Bank Policies

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بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

Introduction

Pakistan's Prosperity Lies in the Khilafah

Allah (swt) said,

﴿أَلَمْ تَرَ إِلَى الَّذِينَ بَدَّلُوا نِعْمَةَ اللَّهِ كُفْرًا وَأَحَلُّوا قَوْمَهُمْ دَارَ الْبَوَارِ﴾

“Have you not seen those who have changed the Blessings of Allah into disbelief and caused their people to dwell in an abode of destruction?” [Surah Ibraheem 14: 28]. Despite the immense material and human resources of Pakistan, it is beset by economic problems. Amongst its problems are growing and large unemployment, underdeveloped agriculture and industry, crippling taxation, constant surges in prices as well as hugely expensive and constantly unavailable power.

The budget announced by the Kayani-Sharif regime does not solve any of Pakistan's economic problems, rather it will worsen them. That is because the 2013 Budget is a continuation of the colonialist policies that have denied Pakistan its true potential since its creation in 1947. Imposed by the World Bank and IMF, these policies include strangulating economic activity with huge taxation, establishing colonialist loans with interest to keep Pakistan deep in debt, undermining state ownership of essential infrastructure, preventing the establishment of a heavy industrial base and state of the art weapons manufacture to keep Pakistan dependent on foreign imports to critical areas of the economy, invalidating any attempts to tie ownership with practical cultivation of agricultural lands to prevent a challenge to Western agriculture, insisting that the currency is linked to paper money rather than real wealth, gold and silver, so that it constantly loses its buying power as well as rendering illegal the public ownership of sources of immense wealth such as oil, gas and electricity in order to cripple the economy.

These destructive colonialist policies are a constant feature of any government that rules by man-made laws in Pakistan. And the Kayani-Sharif regime is no exception, for democracy is the system by which colonialist power ensure the securing of their interests. The 2013 Budget is a clear example for it is not much more than a cut-and-paste of the Letter of Intent signed with the IMF after the April 17-22 visit to the United States, of a six-member Pakistani delegation, including the secretaries for finance and economic affairs, the SBP governor, additional secretary for external finance and chairman of the Federal Board of Revenue. As such democracy is just a rubber stamp for colonialism and the cause of our miseries as it prevents the comprehensive implementation of Islam. Allah said,

﴿وَمَنْ أَعْرَضَ عَن ذِكْرِي فَإِنَّ لَهُ مَعِيشَةً ضَنْكًا﴾

“Whosoever turns away from My Reminder (Qur'an) verily, for him is a life of hardship.” [Surah Taha 20:124]

The only way for establishing the economic revival of Pakistan on a firm footing is the abolition of democracy and the return of the Khilafah to these Muslim Lands. This details the blessings that Islam will bring to the economic life of the Muslims. Hizb ut Tahrir has produced a vast culture on Islam’s economy as well as a constitution. Moreover it has a government in waiting for implementation of Islam under the leadership of its Amir, the eminent jurist and statesman, Sheikh Ata Bin Khalil Abu Al-Rashtah.

Under the Khilafah, Islam will uniquely unleash great funds from the economy to fuel agricultural and industrial development, without crippling taxation, through a radical restructuring of state, public and private ownership amongst other measures. Islam mandates the building of a powerful heavy industrial base, supported by world leading research, to propel the Khilafah in its role as a leading state. The agriculture under the Khilafah was the envy of the world for centuries and will be again as Pakistan will witness a return to the linking of ownership of lands with its

practical cultivation, which will simultaneously increase rural means of livelihood as well as food security for the Ummah's state. The currency of the state will be established on the gold and silver standard again which is the sure footing for the elimination of inflation from its root. And the energy resources will be returned to public ownership so that power is provided readily as well as cheaply. Thus the Khilafah will demonstrate practically to a world that is crippled by the collapse of corrupt capitalism the truth of the Deen of Islam.

﴿وَابْتَغِ فِيمَا آتَاكَ اللَّهُ الدَّارَ الْآخِرَةَ وَلَا تَنْسَ نَصِيبَكَ مِنَ الدُّنْيَا وَأَحْسِنْ كَمَا أَحْسَنَ اللَّهُ إِلَيْكَ وَلَا تَبْغِ
الْفُسَادَ فِي الْأَرْضِ إِنَّ اللَّهَ لَا يُحِبُّ الْمُفْسِدِينَ﴾

“But seek the abode of the Hereafter in that which Allah has given you, and do not neglect your portion of worldly life, and be kind even as Allah has been kind to you, and seek not corruption in the earth. Verily, Allah likes not the Mufsidun (those who are mischief-makers, corrupted).” [Al-Qasas 28: 77]

**Hizb ut Tahrir
Wilayah Pakistan**

**3 Shaban 1434 AH
12 June 2013 CE**

Revenue and Expenditure

A. PREAMBLE: Economic strength is not possible either through Democracy or Dictatorship. Both forms of ruling are corrupt as they allow revenues and spending to favor the kafir colonial powers and their agents who come to rule within Pakistan

Sufficient revenues in the state treasury are essential for looking after the affairs of the people and managing the state expenses, such as the armed forces, health and education. However, in Pakistan's current system, both democracy and dictatorship take turns to secure the economic interests of the kafir colonialists and a small band of agent-traitors in the military and political leadership. To achieve this, the World Bank, IMF in cahoots with the government selectively employ humiliating policies of taxation and privatization. These policies deprive the population of public ownership of huge sources of revenue and then leaves the people to take the burden of the expenses of the state, by imposing an entire host of taxes, that choke economic activity and add to the people's misery, usurping what private wealth they have left. Taxation on buying food, clothing, shelter, earning, inheritance, administration, health and education, renders them "luxuries" for the "privileged" few, and not guaranteed needs for all. Moreover, on the expenses side, the expenditure is primarily to secure the needs of the kafir colonialists and their agents, leaving the affairs of the people neglected. This is the reality of Pakistan's revenue and expenditure under the colonialist system no matter whosoever comes to rule, and regardless of whether the appearance of the rule is democratic or dictatorship. Pakistani economic sovereignty was abused in the time of Musharraf-Aziz, it continues to be abused during the time of Zardari-Kayani and it will continue under the next club of agent- traitors under the Kayani-Sharif regime. And this is because in democracy and dictatorship, men decide laws according to their whims and desires rather than implementing all that has been revealed by Allah (swt).

B. Depriving the society of revenue from public properties

B1. Capitalism as implemented by dictatorship and democracy in Pakistan deprives the state and the general public huge sources of revenue, through privatization of the public properties, such as oil, gas and electricity. Local and foreign owners of the oil, gas and electricity assets generate huge revenues and sizeable profits from these valuable resources. After returning these assets to public ownership, the future Khilafah can trade in energy resources with foreign states that are not hostile to the Muslims and Islam. In this and similar ways the Khilafah will ensure the benefit of this wealth of the Ummah is for the Ummah itself, rather than becoming a source of misery by allowing private companies to funnel its wealth away as profits, whilst the government adds to burdens of the people with huge taxation upon energy. In addition, capitalism's drive for private ownership also usurps interests that should be owned primarily by the state, such as machinery and heavy munitions manufacture, telecommunications, major construction and transport. In the coming Khilafah, InshaaAllah, such enterprises are primarily to be regarded as state enterprises, with local private companies from these lands existing within the field, but under state supervision so as to prevent usurping, eclipsing and dominating the state role as occurs in these dark days of capitalism. This is why under capitalism, the wealthiest companies in the world are energy, arms, machinery and telecommunications companies, whilst the governments are left with only one resort for revenues, suffocating the people with increased taxation. Moreover, in Pakistan's case, colonialism through the agent rulers creates incentives to encourage foreign ownership, such as reduced excise on the import of machinery and other economic inputs and tax holidays on profits, which are sent back to strengthen the economy of the foreign country. And the direct foreign usurping of the Pakistan's manufacturing base, as evident by the government's own Foreign Direct Investment (FDI) figures, it surged during the Musharraf-Aziz regime and continued to occur under Kayani-Zardari and will continue under the Kayani-Sharif regime.

B2. Strangling most of the people with taxes, whilst only a few thrive

Under IMF supervision, during the time of Musharraf-Aziz, continuing under Kayani-Zardari, Pakistan's economy has been strangled by huge taxation on earnings and consumption of goods. So, consider that total revenues in 1987-88 were Rs. 117,021 million, in 2002/3 they were Rs. 706,100 million and in 2011/12 they were 2,536,752 million. Of this total, direct taxes, which are income tax, property tax and corporate tax, were Rs. 12,441 million in 1987-88, then rose to Rs. 153,072 million in 2002/2 and then again in 2011/12 to Rs. 745,000. This represents an initial jump in direct taxes, from 10% to over 20% of total revenues, and then a further rise to 29% under Kayani and Zardari in 2011/12.

Moreover, income tax alone surged from 17% to 32% of the major state revenues, between 1987-8 and 2002-3. This has meant that the labour force, blue and white collar workers, are facing ever greater hardships, with increased taxation eating away at their wages. As long as this corrupt system remains the situation will worsen, no matter who comes to power. In 2011-12 the government extracted Rs. 730,000 million in income taxes alone, which is more than the entire revenue collected in 2002-3. Moreover in the 2012-13 budget, the government is now chasing a target of a staggering Rs. 914,000 million. Yet, the government is calling for even more taxation, echoing the demands of the Western colonialists, to choke out the little life left in the economy.

Consider also indirect taxes, which are excise, tax on international trade, sales tax, surcharges on gas and petroleum and other taxes such as stamp duties, foreign travel tax, motor vehicle tax were Rs. 81,015 million in 1987/88 and then rose to Rs. 397,875 million in 2002/3. Significantly, under the Musharraf-Aziz regime, within this category, it is sales tax that surged from 9% in 1987/88 to 43% of the state's major taxes. It is this sales tax that has made buying medicine, food, inputs for agriculture and industry unbearable for people, choking their ability to contribute to the economy and secure basic needs. Such taxation naturally leads to

concentration of wealth in the society in the hands of the few, as those at the bottom of the ladder are hit hardest, twice, by what they earn and also what they are able to consume. Over time, this means more collapses within industry and agriculture, leading to a concentration of wealth in the hands of a small fraction of the population. And the situation will only worsen as long as this system remains. In 2011-12, the government extracted Rs. 852,030 million in general sales taxes and in the 2012-13 budget, the target is Rs. 1,076,500 million.

So after all, capitalism has ensured that the combined revenues of sales tax and income tax alone are over 60% of all the state revenues. Which means the major share of the revenues is from usurping the wages of the people and undermining their ability to buy essentials. This corrupt system can only produce such failure as it is designed to neglect the affairs of the people and this is why all those who seek power in this system are also calling for increased taxation. As income tax, this system taxes people upon the fruits of their labour from which they hope to save to secure their basic needs and some of their luxuries, rather than taxing from their surplus wealth beyond their needs and some of their luxuries. As sales tax, it taxes the people in their attempts to buy basic needs and some luxuries, rather than taxing only on those who have wealth in surplus of such basic needs and luxuries. Yet, the agent-traitors insist this system is “for the people,” whereas in the Khilafah, neither income tax nor sales tax exists, because private property in origin is inviolable. Taxation occurs on surplus wealth beyond that which is needed to secure basic needs and some luxuries, and that too under stringent conditions. What allows this low taxation policy is the fact that the Khilafah has abundant sources of revenues from public and state property, as well as a unique set of laws for revenue generation from agriculture and industry.

B3. Expenditure that is biased towards the colonialists and their agents

Having deprived the Ummah of its rightful revenues and also choked its earnings and ability to buy and produce, the government then takes

interest based loans from the kafir colonialist countries. These loans are a bunya, designed to keep Pakistan in debt so as to strip it of its assets and gravely reduce its ability to stand on its feet as a challenge to the West. Total debt outstanding in 1990-2000 was \$15,451 billion, even though the same period the total amount repaid was \$36,111 billion. Over decades Pakistan has paid \$3.66 billion every year, yet has seen its external debts double. And the situation continues to worsen with every decade. Consider the staggering debt to just one colonialist institution, at the end of March 2012, debt owed to IMF aggregated up to \$8.1 billion, as stated by the Finance Ministry in its publication Pakistan's Economic Survey. Now Pakistan spends a staggering 35% of its budget on debt servicing, which represent \$11 billion of the \$30 billion budget of 2011-2012. This is money that is taken away from the economy, looking after the affairs and securing the basic needs of the people. And it is a global injustice, as like Pakistan, many countries have paid back their loans many times over, but remain in debt due to interest and unjust colonialist conditions.

C. LEGAL INJUCTIONS: Pertaining to establishing the economy on a firm footing

C1. Revenue and expenses overview

Unlike Capitalism, Islam does not rely on taxation on income and consumption as a dominant means to generate revenue. Its revenue generation is based on accrued wealth beyond the basic needs, as well as upon actual production. Even when the Khilafah does tax, it is with stringent conditions that are based upon accumulated wealth, so it does not penalize poor and under privileged who are unable to secure their basic needs. This is possible because partly because of the huge revenue that the state will generate from state owned and publicly owned enterprises such as energy resources, machinery and infrastructure manufacture and partly through Islam's unique revenue laws, which increase distribution of the wealth, rather than its concentration. Hizb ut Tahrir states in its Introduction to the Constitution, Article 148: “The budget of the State has permanent chapters determined by Shari’ah rules. As for the sections of the

budget, the amounts allocated for each section, and the issues of each section covered by these amounts are left to the opinion of the Khalifah and his Ijtihad.” And in Article 149: “The permanent sources of income for the Bayt al-Mal are the booty, Jizya, land tax, a fifth of buried treasure, and Zakat. This income is collected continuously irrespective of whether there was a need or not” and in Article 151: “Money taken at the borders of the State from custom duties, income derived from public or State property, inheritance for which there is no inheritor and the assets of the apostates are all considered to be part of the revenue of the Bayt al-Mal.”

C2. Industry as a source of revenue

Industry will thrive in the Khilafah. It will not be strangled by taxes for all manner of crucial inputs, from energy to machinery. Instead, the state will generate revenue from profits of the trade and accrued trading merchandise. This allows the businesses to focus on production without fetters, whilst circulation is ensured through their giving of revenues from their profits or accrued wealth. Hizb ut Tahrir says in its Introduction to the Constitution, Article 143: “Zakat is collected from Muslims, and is taken from the wealth which the Shari’ah has specified such as money, the profits of trade, cattle and grains. It is not taken from anything which the Shari’ah did not mention. It is taken from every owner irrespective of whether they were legally accountable (*mukallaf*) such as the mature, sane person or whether they were not legally responsible such as the child and the insane. The Zakat is placed in a specific section of the Bayt al-Mal, and is not spent except upon one or more of the eight categories mentioned in the noble Quran.”

C3. Agriculture: Kharaaj as a source of revenue does not strangle farmers

Under Islamic rule, the Indian Subcontinent, a predominately agricultural society, produced almost a quarter of the world's GDP. One of the factors was the concept of Kharaj. Under Kharaj, the neck of the land was owned by all the Muslims, but its use and benefit was with the one

who cultivated it. So the one who cultivated it benefited from its production directly. This allowed the circulation of wealth and boosted production. In return for a strong source of livelihood, the Muslims generated revenue from the land for the state, in accordance to its capacity. With the introduction of capitalism, under the British rule, the cultivators were taxed heavily, were forced then to take interest based loans, subsequently drowned in debt and ultimately had to sell their lands. This was asides from the land seizures by the colonialists for the sake of themselves and their collaborators. Agriculture continues to suffer from capitalism until today, even though Pakistan's existing agriculture remains world class in many fields, and has potential to develop far further. The farmers face huge taxation on agricultural inputs from fertilizer, seed, machinery, transport and fuel. Then they are forced to try and increase profits by exports to foreign markets. This in turn drowns Pakistan in suffering by forcing it to make more and more expensive imports of the same grains and crops that it can grow in abundance. In Islam, the revenue generation is not based on taxation of agricultural inputs, but on production from the land, which enables the farmer to maximize the production, without being slowed down by over-expensive inputs. As Hizb ut Tahrir states in its Introduction to the Constitution in Article 145: “Land tax is payable upon the kharajiyah land according to its capacity. Zakat is collected from the ‘ushriyyah land according to the actual production.”

C4. Recourse to taxation is with stringent conditions, not a default

Islam grants sanctity to the private property of individuals and prevents it usurping, so taxation would occur in the Khilafah, but as a last resort and under stringent conditions; namely, if the revenues that Shariah has stipulated were not enough and only upon those who have secured their basic needs and luxuries to the level that is considered typical or equitable (بالمعروف) in society. So Islam ensures that there is no taxation on the fruits of labour nor the efforts to secure the basic needs and luxuries to the level that is considered equitable, as occurs in capitalism in the form of income tax and sales tax, which is punishing the less well off. This means

that the taxation will ensure circulation of wealth, rather than concentration. Consider that Pakistan's top 30 richest people are worth circa \$15 billion and these are only reported figures. Just a 30% tax will net \$4.5 billion. Thus, the money raised through the levy of emergency tax on the wealthy can be used for emergency needs, according to Shariah rulings, such as feeding the poor or earthquake relief efforts. Beyond this the Khilafah can choose to take loans from the people for projects with repayment expected over short term as well, as asking for voluntary donations from an Ummah which is characterized by generosity for the sake of Allah (swt). Hizb ut Tahrir states in its Introduction to the Constitution in Article 150: "If the permanent revenues of the Bayt al-Mal are not sufficient to cover the expenditure of the State, then it is possible to impose taxes upon the Muslims. It becomes obligatory to impose taxes as follows: a. To fulfil the obligatory expenses upon the Bayt al-Mal for the poor, needy, and wayfarers, and to undertake the obligation of Jihad. b. To fulfil the obligatory expenses upon the Bayt al-Mal for remunerations of the civil servants and soldiers, as well as compensation for the rulers. c. To fulfil the obligatory expenses upon the Bayt al-Mal to undertake the services and needs such as establishing roads, extracting water, building mosques, schools and hospitals. d. To fulfil the obligatory expenses upon the Bayt al-Mal which are necessary in case of a disaster which afflicted the subjects such as famine, floods and earthquakes." And in Article 146: "Muslims pay the taxes that the Shari'ah has permitted to be levied upon them in order to cover the expenditure of the Bayt al-Mal, on the condition that it is levied on that which is surplus to the individual's needs according to what is normal, and has to be sufficient to cover the needs of the State. and forbade the taking of custom duties, because it is a tax, and so it is a prohibition that encompasses every tax." And in Article 147: "The State has the right to impose taxes in order to undertake anything that the Shari'ah obligated upon the Ummah if the funds in the Bayt al-Mal were insufficient since the obligation for funding it would be transferred onto the Ummah. The State has no right to impose a tax for the sake of whatever is

not obligatory upon the Ummah to undertake, and so it is not permitted to collect fees for the courts or departments or to fulfil any service.”

C5. Expenditure guidelines

Thus the Khilafah raises huge revenues from state property, public property, agriculture and industry without choking them, and taxes from those who have surplus to normal living. On the expense side Islam stipulates all that is necessary to truly look after the affairs of the people. And of course, the Khilafah will not pay any more to the criminal colonialist loaning institutions, firm in the knowledge that the principal has been paid many times over, as is the case with many other states. Hizb ut Tahrir declares in the Introduction to the Constitution, Article 152: “The expenditure of the Bayt al-Mal is divided across six sections: a. The eight categories which deserve the Zakat to be spent upon them, from the chapter of Zakat. b. The poor, the needy, the wayfarer, Jihad, and those in debt – if there is nothing found in the chapter of Zakat, they are given money from the permanent sources of income of the Bayt al-Mal, and if nothing is found then those in debt are not given anything. Taxes are imposed in order to fulfil the expenses required for the poor, the needy, the wayfarer, and Jihad, and the State takes a loan in case of fear of fasad (corruption). c. The individuals who provide services to the State such as the civil servants, the soldiers and the rulers are paid from the Bayt al-Mal. If there were insufficient funds in the Bayt al-Mal then taxes are imposed in order to fulfil the expenditure needs, and the State takes a loan in case of fear of fasad (corruption). d. The essential services and utilities such as roads, mosques, hospitals and schools are funded by the Bayt al-Mal, and if there are insufficient funds in the Bayt al-Mal taxes are imposed to fulfil these expenses. e. The non-essential services and utilities are funded by the Bayt al-Mal, and if funds found in the Bayt al-Mal are insufficient then they are not funded, but rather delayed. f. Emergency situations such as earthquakes and floods are funded by the Bayt al-Mal, and if the funds were not found the money required is taken as a loan immediately which is then repaid through raised taxes.”

Note: Please refer to the following articles in Hizb ut Tahrir's Introduction to the Constitution, for the complete evidences from Quran and Sunnah: 143-152. To see relevant articles of the constitution for the Khilafah state, please visit <http://htmediapak.page.tl/policy-matters.htm>

D. POLICY: Revenue generation and expenditure to propel a world leading global power

D1. Great revenues generated through public ownership of oil, gas and electricity resources as well as prominent state ownership of the manufacture of heavy machinery and weaponry, etc.

D2. Ending taxation on inputs to industry and agriculture that choke production. Revenue generation from the profits and accrued merchandise of industry, as well as from the production from the land, according to the Shari'ah rulings.

D3. Rejection of the debt to the Western colonialist institutions, whose loans have been repaid many times over due to the oppressive interest. Focussing expenditure on the Shar'i needs of the Muslims and looking after their affairs, including building strong industrial basis, for strength and prosperity.

Industry

A. Preamble: Pakistan has been denied its industrial potential through colonialist policies imposed by democracy and dictatorship alike

A1. Although Pakistan has huge material resources, a young, bright and lively population and has been included within the "next eleven" economies in the world regarding its potential, its industry is in a pitiful state, since its creation. The so-called industrial growth of the sixties and seventies was of basic and simple industry, without laying the basis for heavy industry. Growth rate of industry fell from 8.2% in 1980's to 4.8 % for the 1990's and in the latter half of 1990's the growth was only 3.2%. In 1996/7 the growth for industrial sector was minus 0.1%, and was 1.5% in 1999/2000. Private investment fell from 10% to 8% during the 1990's, though foreign ownership of industry has surged, as reflected in the Foreign Direct Investment (FDI) figures. Gross fixed capital formation in private sector in the large scale manufacturing sector fell continuously over the 1990s, by as much as 60%. And successive rulers facilitated foreign companies in establishing industry, such as extraction plants, refineries and power generation and taking their huge profits abroad, whilst obstructing local private companies through requirements such as obtaining 22 NOCs (No Objection Certificates) to install even a medium size industry. In addition, tariff rates have fallen drastically from a maximum of 225% in 1986 to less than 20% making it easier for Western companies to flood our markets. So, it is not surprising today that thousands of industrial units have been declared sick and overall local industrial production is at an all-time low, with foreign multinational companies strengthening their hold on our economy.

A2. Democracy will never allow Pakistan to achieve its potential because it is what implements the Western colonialist policies. Intent on exploiting the world resources, colonialist powers want to keep Pakistan a state with poor industry, unable to extract its resources by itself, devoid of

heavy industry such as engine and jet engine manufacture, dependent on import of even simple agricultural machinery, provider of cheap light industry products for Western markets such as electric fans, surgical equipment, hand craft and sports goods, as well as making Pakistan's population a huge market for Western products. Widespread unemployment, expensive goods, dependence on the West for weapons technology, brain drain of brilliant sons and daughters to the West are just a few symptoms of this deeply seated colonial program. This colonialist policy is being implemented since the time of East India Company and is implemented today through democracy, which is just a rubber stamp for the colonialist policies of the World Bank and IMF.

B. Political Considerations: Removing the locks and fetters to the industrial resurgence of the Ummah

B1. Establishment of a powerful industry mandates a focus on military industry. America and China are the world's foremost industrial powers because both have an orientation to war industries, including cutting edge stealth, supercomputers and space technologies. Germany and Japan's pre-World War II military orientation has benefited their industrial development until now, with their mammoth car industries being a development of their immense tank, armored personnel and jet engine manufacturing experience. Much of the innovation in consumer products are by-products of military/ space technology, including goods as mundane as kitchen appliances, such as the Teflon on frying pans and internet systems for regulating home appliances. However, due to colonialism, despite the fact that Pakistan achieved nuclear weaponry, it has been denied a powerful industry, with its armed forces dependent on military technology from belligerent colonialist states and vital areas of its economy dependent on foreign products and technologies, from telecommunications to engines and heavy machinery.

B2. Industry has fluctuated between forced privatization and nationalization and both policies have led to immense suffering. So, socialist or communist states have advocated indiscriminate, whole-scale

nationalization of industry, to address the problem of concentration of wealth in the hands of a few. However, this man-made narrow solution curbed the natural urge for wealth, which stimulates responsibility and innovation. At the other extreme there is capitalism, which advocates universal private ownership. It cares not for whether the ownership is of resources from which the public has need and must not be deprived of or sensitive, strategic, capital intensive industries, in which the state should dominate. So in addition to the immense concentration of wealth in the hands of a few capitalists, these capitalists act as lobbies to dictate foreign policy objectives to the state, waging war on resource rich nations, such as the Muslim countries.

B3. Research, development and heavy industry have a co-dependent relationship, but both are driven by the vision to be the leading state. America the world's superpower strove to be the world's leading state which resulted in its establishing a substantial heavy industry. It even sought out foreign scientists, such as German rocket engineers and established universities to progress in technology. America enjoys some of what the Khilafah achieved for centuries, where the Khilafah's universities were the favored destination for the European elite, Arabic was the world's language of science and technology; and the Khilafah's industry and weaponry were the cause of awe throughout the world. Whereas in Pakistan today, there is a huge brain drain as intelligent well-qualified individuals seek countries where their skills are of immediate and practical use.

B4. If seeking to be the leading state is the engine for growth of heavy industry, such as manufacture of engine and industrial machinery, then state and private financing are part of its fuel. Despite the immense wealth in the country, including trillions of rupees locked away from industrial investment in banks and stock markets, the agent rulers took loans from the colonialists with conditions to prevent substantial local industrial development in both private and state sectors.

C. Legal Injunctions: Establishing industrial might for the leading state of the world

C1. From the first day of the return of the Khilafah, the Islamic State will strive to become the leading state, unmatched by any rival, as it was before. Regarding industry, it will have a military focus, which will lead to the rapid development of a heavy industrial base

In its Introduction to the Constitution, Hizb ut Tahrir has adopted Article 74, “The Department of Industry is in charge of all the affairs connected to industry, whether heavy industry such as the manufacturing of engines, machines, vehicles, materials and electrical equipment, or light industry. Similarly, whether the factories are of the public property type or they are included in the private property and have a relationship to the military industry. All types of factories must be established upon the basis of military policy... it is a duty upon the State to manufacture weapons by itself and it is not allowed to depend upon other states, because this allows other states to control it, its will, its weapons and its fighting... This can’t be achieved unless the State possesses heavy industry and started to build factories which produce heavy industry, both military and non-military alike.”

C2. Regarding the nationalization and privatization dilemma, Islam as the world’s true revealed Deen has solved this problem from its root. Public resources such as abundant minerals, fuel resources and energy forms such as electricity are publicly owned. Their revenue and utilization is for the entire public and the State ensures this matter. Factories that manage public resources are also considered public property. Such factories will neither be state or private. This would include coal, gold, copper and bauxite extraction plants, gas refineries and electricity production plants and distribution networks. Such public resource related factories can never be privatized or nationalized, so private industry would benefit from cheap raw materials and energy. In addition, that which can be privately owned cannot be nationalized or made as a public property.

In its Introduction to the Constitution, Hizb ut Tahrir has adopted in Article 138: “Factories by their nature are private property. However, they follow the rule of the product that they are producing. If the product is private property then the factory is considered to be private property, such as textile factories. If the product is public property then the factory is considered public property, such as factories for iron ore production.” And in Article 139, it is stated “The State is not permitted to transfer private property into public property, since public property is confirmed by the nature and characteristic of wealth and not by the opinion of the State. Based upon this, what is called nationalisation is not from the Shari’ah in any shape or form.” And in Article 140, it is written: “Every individual from the Ummah has the right to utilise anything from public property, and it is not allowed for the State to permit someone to individually possess or utilise it.”

Also in its Introduction to the Constitution, Hizb ut Tahrir has adopted Article 74: “Thus it is necessary that the State has factories for producing all types of atomic weapons, rockets, satellites, airplanes, tanks, mortars, naval ships, armored vehicles and all types of heavy and light weapons. It is necessary that the State has factories which produce machines, motors, materials, and electronics, and factories which have a relation with public property and light factories which have relation with the military or war industries.”

C3. Regarding research and development, the state must ensure that there are facilities that secure the Khilafah industry as being a world leader. This will involve great investment by the state, linking industry to university research, to meet the state’s requirements for engineers, architects, town planners, doctors, educationalists and agricultural scientists and so on. In addition the state will encourage private institutions to play their role in research and development.

In its Introduction to the Constitution, Hizb ut Tahrir has adopted Article 162: “All individual subjects of the State have the right to establish

scientific research laboratories connected to life issues, and the State must also establish such laboratories.”

C4. Regarding funding of industrial development, by restoring the public properties to public ownership and ensuring strong state ownership of essential industries, as well as implementing other Shariah rules regarding revenues, the state will be able to finance industrial development through the state and private sector without dependency on other nations and their restrictive conditions. This will allow the State to become self-sufficient regarding matters such as military technology, clothing, housing, education and health. Foreign trade will be with those countries that are not belligerent and will be undertaken in a way so as not to strengthen them to resist the call to Islam, as ultimately Islam is to be implemented over the entire world.

In its Introduction to the Constitution, Hizb ut Tahrir has adopted Article 165, “Development and investment by foreign funds within the State are forbidden. It is also prohibited to grant franchises to foreigners.”

Note: Please refer to the following articles of Hizb ut Tahrir's Introduction to the Constitution for the complete evidences from Quran and Sunnah: 74, 138, 139, 162, 165. To see relevant articles of the constitution for the Khilafah state, visit this web link: <http://htmediapak.page.tl/policy-matters.htm>

D. POLICY: The Khilafah as the industrial marvel of the world

D1. A powerful and diverse industry driven by the objective of being the world’s leading state, with the war industry as the leading edge of industrial development.

D2. Public ownership of industry related to public resources, state and private ownership of essential industries that ensure the circulation of wealth in society, whilst maintaining optimal innovation, diversity and creativity.

D3. Establishing strong industrial research and development by the state and through the private sector with significant state support.

D4. Ending colonialist loans with their destructive conditions, by replacing them with Shariah based revenue generation, including public ownership of the immense wealth such as oil and gas.

Agriculture

A. Preamble: Man-made laws have denied Pakistan its true agricultural potential

A1. It is known that the Muslim Lands under whilst they implemented the laws revealed by Allah SWT were the agricultural marvel of the world. At a time when Europe was stricken by starvation and famine, one of the factors that drew the crusaders to attack the blessed lands of Ash-Sham was their immense agricultural wealth to the point that the crusaders conceived they are going to the “land of milk and honey.” Moreover, during Europe’s Dark Ages, the Muslim Lands were an essential nexus for introducing essential crops and also the concept of summer irrigation to the West. As for the Indian Subcontinent, under Islam, it was an agricultural powerhouse, producing 25% of the world’s GDP, with a formidable export profile, inciting the greed of the British colonialists over the vast wealth in agriculture, particularly spices and condiments. However, when these revealed laws were replaced during the British occupation by man-made laws, there was a wide-scale famine within the same lands under this British Raj, leading to the deaths of hundreds and thousands through starvation. Until now man-made laws are implemented in the field of agriculture, denying Pakistan its true potential as an agricultural powerhouse.

A2. With large tracts of arable land mostly fed by one of the world largest Indus river system, four distinct seasons, diverse landscape and large pool of semi-skilled labor force, Pakistan is gifted with immense agricultural potential. Agriculture has been a dominant source of growth and development for Pakistan’s economy. It feeds people, provides raw material for industry and is the basis of Pakistan’s foreign trade. It contributes nearly a quarter of the gross domestic product and over half of export earnings, employs nearly 45% of the labor force, and provides income to nearly two-thirds of the rural population. In addition to the main food commodities, agriculture provides raw material to agro-based

industries and generates revenue through export of raw and finished goods. In the last twenty years, the average annual growth rate of agricultural output is estimated at about 4%, with a lower rate of 3% in the last five years. However, Pakistan's existing land is underutilized. The total area of the farm land of Pakistan is about 30 million hectares, out of which 22 million hectares is being cultivated and the rest amounts to the cultivable waste, out of the cultivated land about 6 million hectares of ploughed area remains un-cropped annually, only 7 million hectares area is sown more than once a year.

All of this is achieved, despite the lack of government support for the agricultural sector, with farmers being forced to use primitive farming methods, devoid of techniques to increase yield such as modern irrigation networks and engendering resistance to disease, as well as the lack of cultivation upon all arable land or reclamation of arable land reclamation

A3. Moreover, any growth in agriculture has had little effect on rural poverty. In fact it has worsened. Man-made laws have led to the concentration of wealth in the hands of the few, as is the inevitable outcome of capitalism, despite several rounds of land reforms. Millions are without a means to earn a decent living to secure their basic needs and Pakistan's rural population is a true case of starvation in the midst of plenty. According to Pakistan human development reports about 57.4% poor are working for land owners without wages. That is why non-farm activities have become a substantial source of income for agricultural households, especially those with little land of quality or no land. Armies of rural people are forced to leave their villages to descend upon the cities in search of livelihood, only to end up sleeping on the streets and standing in long lines for poorly-paid menial labor jobs. Agricultural credit facilities in Pakistan add to the problems. The rate of interest on agricultural credit is high and loans are neither provided in time nor cater to total demand for loans. Farmers are obliged to borrow from informal sources. About 50.8% poor borrow at a very high rate of interest. It is a common saying about our farmer that *"he is born in debts, grows in debts and dies in debts."*

B. Political Considerations: Man-made laws cause and deepen agricultural under-productivity and rural poverty

B1. After the abolition of the revealed Shariah laws, capitalism ensured the concentration of land ownership in the hands of a few. Though the British left, capitalism remained and so this concentration continues to be the dominant feature of Pakistani agriculture. The wealthiest 4% of rural households own over half of all cultivated land; yet 49% of rural households are completely landless. Landless farm workers farm the land of land owners and then must pay rent to them, such that the majority of landowners are absentee owners just living off the rent. So, those who practically cultivate land benefit little of it, whilst those who own the land benefit immensely. The so-called “Green Revolution” of 1960s worsened matters, by allowing a small elite to take back previously leased lands and eviction of previous tenants. This further increased rural poverty and led to a flood of rural workers into the cities, in a frantic search for alternative livelihood. And what is left to fall in between rural workers migrating to cities and absentee land owners is gross under-utilization of Pakistan’s abundant agricultural lands.

B2. No matter who comes to rule in democracy, the kufr colonialist laws it implements worsens the plight of the Muslims because democracy is not bound to implement the revealed laws of Islam. Thus, Benazir Bhutto’s government first introduced corporate farming in the late 1990s. It declared corporate farming an industry and approved 19 multi-national companies for business. A major boost to the policy framework came in 2001-2, when Musharaf’s government passed the Corporate Agricultural Farming policy and Corporate Farming Ordinance, which provided a legislative basis, along with a series of tax breaks to potential foreign investors. The 2009 policy package announced by the Kayani-Zardari government offers competitive incentives to foreign investors in agriculture with the unprecedented release of vast tracts of state land to foreign investors.

And under the Kayani-Nawaz government these policies will bring further unemployment, hardship and under-productivity. Whilst local farmers are crushed by heavy taxation on essential agricultural inputs such as fertilizer, seed, machinery, transport and fuel, foreign companies enjoy preferential treatment regarding ownership of land, import of machinery and equipment as well as remitting their profits back to their foreign states. Moreover, foreign companies will favor cash crops that are used in their own economies, rather than being concerned about food crops essential for Pakistan's food security. Thus as a result of implementing colonialist policies, democracy will ensure that Pakistan's local agricultural capacity will be usurped by foreign companies and Pakistan's ability to feed and clothe itself will be undermined, making it more dependent on more expensive foreign imports.

C. Legal Injunctions: Maximizing land cultivation and rural prosperity, whilst securing food security

C1. The return of the Khilafah will boost agricultural production and rural employment, thus increasing Pakistan's food security and prosperity by restoring the Islamic land laws in the Indian Subcontinent. Uniquely, Islam strongly links the issue of ownership of the land with its cultivation. So regardless of whether the land-owner has large tracts of lands, or small tracts of it, he must supervise its cultivation personally. And the state will assist the owners in cultivation, whether through grants or through interest-free loans.

In its Introduction to the Constitution, Hizb ut Tahrir has adopted in Article 136, **“Everyone that owns land is compelled to use it, and those that require financial help are given money from the *Bayt Al-Mal* to enable them to utilise their land. If anyone neglects utilising the land for three years continuously, it is taken from them and given to someone else.”**

If the owner of land is unwilling or unable to cultivate his agricultural land despite assistance being offered, he is not allowed to hire it to another

to cultivate it. RasulAllah SAW said, *ازْرَعْهَا أَوْ امْنَحْهَا أَخَاكَ* “Cultivate it or give it to your brother”

In its **Introduction to the Constitution**, Hizb ut Tahrir has adopted in Article 135, **“It is completely prohibited to rent land for agriculture, irrespective of whether the land was *Kharajiyah* or ‘*Ushriyyah*. Likewise, temporary share-cropping is also prohibited. *Musaaqa* (renting trees for a portion of their yields) is permitted without restriction.”**

And Islam encourages the revival of uncultivated agricultural land by granting ownership to the one who revives dead land to agricultural productivity. RasulAllah SAW said, *مَنْ أَحْيَا أَرْضًا مَيْتَةً فَهِيَ لَهُ* “whoever revives a dead land, it belongs to him” [Tirmidhi]

Thus, in its **Introduction to the Constitution**, Hizb ut Tahrir has adopted Article 134, **“Dead land is possessed through its revival and fencing.”**

C2. The Khilafah will abolish the foreign ownership of agricultural lands. Moreover, the Khilafah will free local farmers from the burdens of heavy taxation on agricultural inputs by restoring the just Shariah system of revenue generation, *Kharaaj* and *Ushr*, which is upon potential and actual agricultural production respectively. This will be an immense boost to food security as well as domestic prosperity as the Ummah enjoyed for centuries under Islamic rule. Thus today the Khilafah will prioritize the crops that allow its citizens to have their basic needs of food and clothing met completely, with excess production being used for foreign trade as part of building relations with other nations to carry the call of Islam to them. This in turn would mandate a state sponsored program to develop agriculture levels to standards that lead the world, including irrigation, fertilizer, disease prevention, arable land reclamation and new advances such as bio-fuels. It will establish strong pastures to support a surge in livestock availability.

In its **Introduction to the Constitution**, Hizb ut Tahrir has adopted Article 165, “**Development and investment by foreign funds within the State are forbidden. It is also prohibited to grant franchises to foreigners.**”

In its **Introduction to the Constitution**, Hizb ut Tahrir has adopted in Article 133, “**Tithed land (*‘Ushriyyah*) constitutes land within the Arabian Peninsula and land whose owners had embraced Islam, whilst possessing the land, before the Islamic State conquered them by Jihad. *Kharajiyah* land is all land, other than the Arabian Peninsula, which was opened by jihad, whether through war or peace treaties. The *‘Ushriyyah* land, together with its benefits, is owned by individuals, whereas the *Kharajiyah* land is owned by the State, while individuals own its benefits. Every individual has the right to exchange, through *Shari’ah* contracts, the tithed land and the benefits of Kharaaj land. All people can inherit these, the same as with all other wealth.**”

Note: Please refer to the following articles of Hizb ut Tahrir's **Introduction to the Constitution** for the complete evidences from Quran and Sunnah: 134, 135, 136, 165. To see relevant articles of the constitution for the Khilafah state please go to this web link: <http://htmediapak.page.tl/policy-matters.htm>

D. POLICY: The Khilafah as an agricultural powerhouse

D1. Efficient use of agricultural land occurs by linking land ownership to its mandatory cultivation. The Khilafah will provide grants and interest free loans to enhance cultivation. Islam provides for ownership of dead agricultural lands by its revival. This will not only enhance food security it will greatly boost the rural population’s share in the wealth.

D2. Ending colonialist agreements with their destructive taxation conditions and imposed foreign operation, by replacing them with Shariah based revenue generation and land ownership laws, including Kharaaj and Ushr to allow these lands to return as they once were, food baskets for the wider region.

D3. The Khilafah will establish extensive irrigation systems to lands near and far from water sources. It will open nurseries and laboratories for the development of stronger seed lines, better fertilizer as well as improved disease prevention and resistance, so that the Khilafah will be self-sufficient in agriculture including grains, fruits, vegetables and bio-fuels.

Electricity

A. PREAMBLE: Electricity is unaffordable and unavailable because of capitalism's privatization concept, as safeguarded by democracy.

Through democracy's implementation of capitalism, the government is responsible for Pakistan's electricity crisis. The present capitalist system ensures that through privatization a few private owners, foreign and local, fully benefit from electricity resources whilst the public faces hardship. Privatization raises electricity prices so that the private owners can profit in their business. As an example the World Bank has closely overseen rises in electricity charges, which surged between 2000 & 2004 and continue to rise such that people are paying as much for electricity in the winter as they used to in the peak of summer before massive privatization took hold. So, whilst private owners amass huge wealth by owning electricity resources, the rest of society is stricken by increasingly un-affordable energy prices. In addition, regarding the electricity shortages, the government itself fell into debt to these private interests to the order of billions of Rupees. Then the private interests reduced production of electricity because they were not paid what they were due and were not able to maintain profits. This “circular debt crisis” is the reason that only 10,000 MW or less electricity is being produced. This is even though the total installed capacity is 19,855 MW, dropping to 15,150MW at times of low river flow. This is against a demand that varies between 11,500 MW in the cooler months up to 17,500 MW, during the peak of the hot summer. So it is clear twelve to eighteen hours without electricity per day in the summer and six hours in the winter, is the result of not producing at capacity. All this is the result of making electricity a business and not a right for the people.

B. POLITICAL CONSIDERATIONS: Capitalism's control of electricity only benefits the colonialists and the current rulers and deprives the Ummah.

B1. Of Pakistan's electricity, Pakistan produces 65% from thermal generation, by the burning of oil and gas, 33% from hydro-electrical

generation (Hydel), using water pressure such as in dams, and 2% by nuclear power. Installed capacity is more than enough to meet the current demands throughout the year.

B2. Regarding thermal generation, the Ummah possesses over half of the world's proven oil reserves and over forty per cent of the world's proven gas reserves. Pakistan has one of the world's largest coal reserves in Thar.

B3. Regarding developing other forms of electricity generation to meet future short falls, such as solar, tidal and wind generation, the Islamic Ummah possess brilliant sons and daughters who are more than capable to deliver results.

B4. However, by privatizing these abundant resources foreign colonialist companies benefit as well as local companies which are from the entourage of the rulers or the rulers themselves.

B5. The current rulers and their colonialist masters benefit from the people being immersed in seas of economic miseries as it dampens their ability to rise up and depose the current corrupt order. This is the meaning of what Donald Rumsfeld, former US Defence Secretary, termed “creative chaos.”

C. LEGAL INJUNCTIONS: Securing the benefit of energy and fuel for the people.

Islam will end the capitalist economy and establish an Islamic one. As a system Islam ensures the distribution of wealth and one of its mechanisms is the public ownership of electricity resources as well as coal, oil and gas. As such these resources are neither owned by the state nor individuals. Instead, the state administers this resource to ensure that its benefit is used for all the citizens, regardless of race, color, school of thought and religion. The Khilafah will abolish taxes upon power and fuel which have further greatly inflated their prices. It will charge only to cover their production and distribution costs, if needed, and any profit from sales of excess resources to non-hostile non-Muslim states will be put to use for

taking care of the public's needs. Islam's electricity policy will contribute to a massive industrialization of Pakistan, supervised by the Khilafah.

In its “Introduction to the Constitution,” Hizb ut Tahrir has adopted in Article 137, There are three categories of Public Ownership: a. Public utilities, such as the open spaces in the towns. b. Vast mineral resources, like oil fields. c. Things which, by their nature, preclude ownership by individuals, such as rivers.” In Article 138, it has adopted, “Factories by their nature are private property. However, they follow the rule of the product that they are producing. If the product is private property then the factory is considered to be private property, such as textile factories. If the product is public property then the factory is considered public property, such as factories for iron ore production.” In Article 139, it has adopted, “The State is not permitted to transfer private property into public property, since public property is confirmed by the nature and characteristic of wealth and not by the opinion of the State.” And in Article 140, it has adopted, “Every individual from the *Ummah* has the right to utilise anything from public property, and it is not allowed for the State to permit someone to individually possess or utilise it.”

Note: Please refer to the following articles in Hizb ut Tahrir's “Introduction to the Constitution” for the complete evidences from Quran and Sunnah: 137, 138, 139 and 140

D. POLICY: Fuelling the rise of the world's leading state, the Khilafah.

D1. The return of gas, oil, coal and electricity to public ownership will result in affordable and available electricity.

D2. The abundance of power is essential to the development of a strong industrial base, a necessity for any state aspiring to lead the world

D3. Islam's unique concepts over power and energy will be a shining example to a world exploited and deprived by capitalism.

Inflation

A. PREAMBLE: The huge and constant rise in prices is due to currencies that reduce their values constantly, as they are not based on gold and silver

Like other currencies, the Dollar, the Pound and the Franc, originally, the Rupee was backed by real tangible wealth in the form of a precious metal. 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. 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, the demand for the creation of money 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. Before America's war on Muslims in Afghanistan and Iraq..., 30.97 Rupees were needed to buy a single US Dollar, and then during the Musharraf-Aziz regime on Friday 15 August 2008 it rose to 76.9 Rupees with inflation in Pakistan at its highest ever in 30 years. And now in January 2013, under the Kayani-Zardari regime over 98 Rupees are required to buy a single US

dollar. With each passing year, the Rupee is worth less and can buy less with huge increases in prices, such that buying meat is beyond the reach of most, fruit is a luxury and vegetables are becoming a great burden. Today, the Rupee is worth less than a Paisa was a few decades ago. Despite the false reassuring claims of the government to the contrary, the Rupee is collapsing constantly, which is leading to huge increases in prices. Yet, the government continues to print more and more money unheeding of the dire consequences, busily digging a grave for the lifeblood of the economy, its currency.

B. POLITICAL CONSIDERATIONS: Addressing factors leading to the demand for the creation of money, beyond the gold and silver supply

B1. Persistent borrowing by the government to bridge budget deficit has resulted in inflation. Pakistan's debt obligations have crossed all sustainable levels. According to the SBP country's debt and liabilities have soared to Rs, 15.2 trillion, equal to 68% of the total size of the economy. A government domestically borrows on interest either from its public, bank & non-bank, or from its central bank. In recent years government has resorted to heavy borrowing from the central bank, which is called "monetizing" the deficit. Because this method always leads to the growth of monetary base and of money supply and ultimately inflation, it is often referred to as just "printing money." In addition, sustained inflation may stem only from a persistent rather than a temporary budget deficit that is eventually financed by printing money, rather than by borrowing from public. Since 2008, government's average budget deficit is around 6% of GDP. In addition, when banks acquire the government debt, government borrowing puts additional pressure on banks' reserves and banks may demand more liquidity from the central bank. When such an extra demand from banks is accommodated and the central bank supplies banks with additional reserves, then in fact monetary base increases, thereby causing a rise in money supply through deposit multiplication, further fueling inflation.

B2. The capitalist balance of trade policy through devaluation of the Rupee also leads to inflation. Being a net importer country with a weak manufacturing base, Pakistan's capitalist government oversees the devaluation of the Rupee, in accordance to IMF orders. This was claimed to be primarily done to address Pakistan's balance of trade. This is where the state actively discourages the import of goods and encourages the export of domestic goods. However, by devaluing the Rupee, the Pakistani government increased the costs of manufacturing inputs, which caused havoc in the agricultural, textile and other sectors that were already reeling from the policy of high interest rates. Hence, the high cost of borrowing, together with the increase in manufacturing costs, rendered many industries and companies unable to compete internationally. Incapable to find buyers for their expensive products, key exports declined and Pakistan's balance of payments deteriorated. This was further compounded by the continued import of basic food stuffs.

Despite being the fourth largest agricultural economy in the world, Pakistan is a net importer of foodstuffs. This means Pakistan must pay more for its food imports (after devaluation), thus causing domestic food inflation to greatly rise. In recent years, food inflation has been made worse by the declining value of the Dollar and the Pakistani Rupee's peg to the dollar. To conceal the failure of its devaluation policies, the Pakistani government has relied more and more on expatriate remittance and the export of domestic staple foods to boost Pakistan's balance of payments. The latter is particularly cruel for the Pakistani population, as in a desperate bid to earn foreign exchange and improve the balance of payments, the Pakistani government exports much needed staple foods, such as rice and wheat, which leads to shortages at home. Moreover, the hard earned foreign exchange is not re-invested back into the domestic economy, but is repatriated in the form of debt service payments to strengthen foreign economies. Thus, the Pakistani government is forced to borrow from international institutions to redress a shortfall in balance of payments compounding its problems. These new loans come upon interest, such that Pakistan, like most "developing" countries have paid back the

principles several times over and are actually never allowed to “develop,” because these loans come with conditions to strangle the economy, ranging from interest-rates, devaluation of currency, as well as a whole host of fetters on agricultural and industrial growth.

B3. Return to the gold and silver standard for Muslims is eminently practical. The lands of the Muslims in which the Khilafah state is likely to arise contains a lot of gold and silver resources, such as the Sandaik and Reko Diq fields in Pakistan. The Ummah possesses great resources that are direly needed by other countries, such as oil, gas, coal, minerals and agricultural commodities, which can be used to exchange for more gold and silver. The banks in Muslim Lands have international currency as Forex holdings, such as the Dollar, the Euro and the Sterling which can be used for exchange as well. The Muslim Lands are self-sufficient in basic commodities, so the real economy is stable and resistant to manipulations and speculation, once the parasite economy is abolished.

C. LEGAL INJUCTIONS: Pertaining to restoration of the gold and silver standard

C1. 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.”

C2. Bayt al-Mal in the Khilafah will be a financial institution to support the growth of the real economy, including agricultural and industrial development. It is not a parasite that bleeds wealth from the economy through Riba, as the current private banks have become, creating the need for constantly expanding monetary supply, loss in value in the currency and the resultant increase in the prices. Its sole focus will be to develop a vibrant and powerful economy, by using loans to stimulate the local agricultural and industrial sectors. As Hizb ut Tahrir has adopted in its **Introduction to the Constitution**, Article 169, “It is completely prohibited to open banks, and the only one permitted will be the State bank, and there are no transactions upon interest. This will be dealt with by a particular department of the Bayt al-Mal.”

C3. Rather than destroying the economy and then going cap in hand for more loans, the Khilafah having established Pakistan on a firm footing, will raise a global cry for the end of the injustice of Western colonialist interest based-loaning with condition. It is this unjust system which prevents countries from standing on their own feet, with suffocating conditions, even though they have bled the principle loan several times over from their economies, in the form of interest. As Hizb ut Tahrir has adopted in its **Introduction to the Constitution**, Article 165, “It is confirmed by the senses and by information whose authenticity is trusted that the use of foreign funds for development in the country is the method to extend the influence of the disbelievers over them, and extending their influence in the land is *haram*.”

Note: Please refer to the following articles in Hizb ut Tahrir's **Introduction to the Constitution**, for the complete evidences from Quran and Sunnah: 165, 166, 167, 168, 169

D. POLICY: Propelling the Khilafah as the economic model for the world

D1. Strengthening and stabilizing the currency by backing it with real wealth, gold and silver, to end the generalized inflation, which has crippled households, industry and agriculture, once and for all.

D2. Ending the “business” of private interest-based banking and the founding of institutions under the Bayt Al-Maal, i.e. its branches, which will provide interest free loans, so as to fuel a vibrant economy, steered by creative and supportive financing of the agricultural and industrial sectors.

D3. Working for the eradication of the colonialist loans and conditions globally, that has reduced the world’s most resourceful nations to the state of beggars.