

Capitalist Economic Managers Have No Way to Rescue Pakistan from Economic Crisis

News:

As the rupee continues to plummet in value, sparking huge inflation, doubts and fears are mounting over the country's economic health, particularly its ability to pay the import bill, for essential items, in the coming weeks. There has been a steep decline in the central bank's foreign exchange reserves, which have shrunk to a near nine-year low of \$4.34 billion.

Comment:

Due to the current account deficit, which is a dollar crisis, many factories are closing, or reducing production drastically. Hundreds of thousands of jobs are being lost. Both Pakistan's industry and agriculture are dependent on imports. Due to government-imposed restrictions on imports, thousands of shipping containers with raw materials, medical equipment and food items have been stuck at Karachi Port, due to dwindling foreign exchange reserves. According to the State Bank, Pakistan's foreign exchange reserves last week fell to \$4.3 billion, their lowest levels since February 2014.

Capitalist economic experts are advising that Pakistan must increase its exports, and reduce imports substantially. They insist that Pakistan must get the IMF package at any cost, in order to avoid default. They advocate increasing dollar inflow, through more interest-based foreign loans and foreign investments, after privatization of state assets. These are measures which have been tried and tested. They were only able to avert imminent crisis for a time, previously. They are always associated with the adverse effects of inflation, and increase in foreign loans.

There is a huge gap between Pakistan's exports and imports. Pakistan exports low-value items like textiles, sports goods, vegetables, fruits and meat. No matter how much production of these items is increased, Pakistan always faces a dollar shortage and crisis. We import oil, gas, machinery, chemicals, and raw materials for almost every item which we produce and export. Pakistan is highly dependent on expensive imports. Pakistan produces poultry but imports poultry feed. Pakistan assembles cars, but imports car engines. Pakistan produces textiles, but imports textile machinery. Pakistan produces medicines, but imports the chemicals needed. Pakistan exports food, but imports agricultural machinery. The imports are high value items and therefore we always have to chase dollars.

Due to the current, global, capitalist economic system, which was erected after the Second World War, by the US, through the Bretton Woods agreement, countries like Pakistan are asked to build their economy based on exports, to meet the low-value requirements of the developed world. Pakistan's current situation can never change until the economy meets local requirements, having a focus on self-sufficiency. Pakistan must make machines, chemicals, engines and heavy industrial machinery. This requires establishing heavy industry, including military industry and technology. It is when Pakistan can produce jet engines, that it can produce high quality car engines.

We have no other choice but to stand on our feet. We must re-establish the Khilafah (Caliphate) on the Method of Prophethood, which will build an economy to fulfill local needs. The Khilafah will bring together all Muslims lands under one state, pooling together the abundant and varied resources of the Ummah. It is then that the Khilafah's economy will fuel a strong military and sweeping expansion of the state, ensuring Islam's dominance over all false ways of life. Allah (swt) said, ﴿هُوَ الَّذِي أَرْسَلَ رَسُولَهُ بِالْهُدَىٰ وَدِينِ الْحَقِّ لِيُظَاهِرَهُ عَلَى الدِّينِ كُلِّهِ﴾ **“He it is Who has sent His Messenger with the guidance and the True Religion that He may make it prevail over all religions.”** [TMQ Surah At-Tauba 9:33].

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