

## Headlines:

- **Budget Deficit and the Rise of the Tax to GDP Ratio in the Capitalist Economic System**
- **Imran Khan's US Visit is to Betray the Muslims of Pakistan and Afghanistan**
- **Pakistan will Remain Dependent on the Dollar unless it Abandons Colonialist Institutions like the IMF**

## Details:

### **Budget Deficit and the Rise of the Tax to GDP Ratio in the Capitalist Economic System**

On 6<sup>th</sup> July 2019, the State Minister for Revenue, Hammad Azahr, said that the tax rate, which at present is only 11 per cent, if it is not increased, it will lead the country towards bankruptcy. The regime of change has been telling the people that in Pakistan the Tax to GDP (Gross Domestic Product) Ratio is low. So it claims that the government always remains in a tight position with respect to cash and must borrow locally as well as internationally to bridge the budget deficit. The Tax to GDP Ratio is low in Pakistan but it is not the main or primary reason behind budget deficit. The US is the world's largest economy and according to statistics of 2017, it had a 27.1 percent Tax to GDP ratio. Despite this high percentage, the federal budget of America in 2017 posted a deficit of 665 billion dollars, whilst the volume of the budget was 3982 billion dollars. Also the total national debt of America was 20 trillion dollars in 2017. Amongst the developed countries, France has the highest Tax to GDP Ratio. France's tax to GDP ratio was 46.2 percent in 2017. However, despite possessing the highest Tax to GDP Ratio, the 2017 budget posted a deficit of 67.7 billion Euro, whilst France's national debt stood at 90 percent of its GDP.

These statistics clearly demonstrate the fact that in a capitalist economic system, no matter how much the Tax to GDP ratio is increased, the state always remains short of cash to fulfill requirements. It therefore can never get rid of the deficit budget and interest based loans. This happens because democracy shifts most of the burden of tax on common people. Common people do not have much wealth; therefore, no matter how much the burden of tax is placed on common people, the state does not collect enough resources to fulfil requirements. On the other hand, in a democracy, the large capitalists, industrialists, farmers and traders are granted concessional tax breaks and amnesty schemes. Valuable resources like electricity, gas, oil and minerals are placed in the hands of the few wealthy in the name of privatization, whilst they are engines for producing wealth. Furthermore, the state does not play any significant role in heavy industries, which require large investment and produce huge profits, such as defence industries, telecommunications, railways, aviation and similar industries. It is left it to the private sector so that a wealthy few can mint money.

We will never get any relief or ease under the capitalist economic system. Allah (swt) said, ﴿وَمَنْ أَعْرَضَ عَن ذِكْرِي فَإِنَّ لَهُ مَعِيشَةً ضَنْكًا﴾ **“But whosoever turns away from this Admonition (Quran) from Me shall have a straitened life.”** (Surah Taha:124) The capitalist economic system must be abolished and the economic system of Islam must be implemented; otherwise, Pakistan will never get rid of the budget deficit and interest based loans. In Islam, the state has Zakah, Kharaj, Ushr, Rikaz, Jizya, Fai, public property and state property as permanent sources of revenue. The revenues from these sources are enough to fund the requirements of the state, which is evident from the history of Khilafah state spread over a millennium. If at any particular time these sources become insufficient than the Khilafah impose emergency tax on its wealthy Muslim citizens. Even in an emergency the Khilafah cannot impose any sort of tax on its poor citizens.

### **Imran Khan’s US Visit is to Betray the Muslims of Pakistan and Afghanistan**

On 10<sup>th</sup> July 2019, White House confirmed that a meeting of the Prime Minister of Pakistan, Imran Khan, and the US President, Donald Trump, will take place on 22<sup>nd</sup> July 2019. According to the press release of the White House, the US President will welcome the Prime Minister. As usual, just before a US visit, a campaign has been started for profile building. News pieces are appearing in the media that the prime minister does not want to stay at expensive five star hotels, instead wanting to stay at the official residence of the Pakistan’s ambassador to the US. However, the issue of the visit is not confined to whether he stays at an expensive place or not, the main issue is the purpose of this visit. According to the press release issued by White House, both head of governments will discuss terrorism, defence, energy and economic progress, with an aim for peace in South Asia and boosting of bilateral ties. Here the meaning of peace in South Asia means successful facilitation of negotiations between the US and the Afghan Taliban in Afghanistan and a decisive blow against the Kashmiri Mujahideen groups, by the government of Pakistan. The US President Donald Trump previously wrote a letter to Imran Khan in which he demanded that Pakistan must use its influence on the Afghan Taliban for the success of negotiations. The US wants to win a battle on the negotiation table, which she lost on the battlefield, by securing the presence of US troops and military bases in Afghanistan through Taliban approval. In response to Donald’s letter, Imran Khan, assured him of the support of Pakistan for this purpose.

So with the help of Pakistan many rounds of talks between the US and Afghan Taliban took place. Just before the news of Imran Khan’s visit of US, the US Special Representative for Afghanistan and Pakistan, Mr. Zalmay Khalilzad, claimed success in negotiations between the US and Taliban. He further claimed that by 1<sup>st</sup> September an agreement will be reached about a road map for peace to end eighteen years of war in Afghanistan. At this point in time, the visit of Imran Khan is not a coincidence. The purpose of this visit is to finalize the plan to secure a US victory through negotiations. The US administration also previously indicated that a meeting between Imran Khan and Trump cannot take place until some significant progress takes place in negotiation between the US and Taliban. This was also admitted by the Foreign Minister of Pakistan, Shah Mehmood Qureshi, in one of his statements. And now both

sides are admitting that negotiations have entered in the final stage. The Woodrow Wilson International Center's foreign affairs expert Michael Kugelman opined that the Trump-Imran meeting agenda will be Afghanistan because peace with Taliban is the largest US objective in South Asia.

## **Pakistan will Remain Dependent on the Dollar unless it Abandons Colonialist Institutions like the IMF**

On 8<sup>th</sup> July 2019 it was reported that Pakistan will receive one billion dollars from the International Monetary Fund (IMF), under its six billion dollar Extended Fund Feasibility (EFF) this week, which will boost the foreign exchange reserves of Pakistan. International trade, particular trade in crude oil, takes place in dollars and so Pakistan must maintain large dollar reserves. So regardless of its local currency reserves, Pakistan must arrange dollars for its imports, including crude oil. After the Bretton Woods Agreement in 1944, at the end of Second World War, all nations, including Pakistan became dependent on the Dollar for international trade, establishing dollar hegemony. In place of gold, the US dollar was declared the global foreign reserve, as it was linked with gold. Then on 15<sup>th</sup> August 1971 in the era of President Nixon, the US severed the link of the dollar with gold. This change was orchestrated through a series of agreements with Saudi Arabia between 1972 to 1974. It laid the foundation of petrodollars. All other nations were forced to have reserves of dollars. Pakistan's dependency on the dollar is one of the main causes of economic misery. Pakistan became a member of IMF in 1950 and so was bound to follow the conditions of the IMF. One condition is that her currency should not be linked with gold. So since the creation of Pakistan, its currency has been linked to foreign currency, but not with gold. In the early days of Pakistan, its currency Rupee was linked with the British Pound Sterling which continued until 1971. After 1971, it is linked with the US Dollar and till today it is linked with American dollar.

As Pakistan is linked with the international monetary system and organizations, it means it will remain dependent on the dollar for international trade. Colonialist countries will continue to hold influence in Pakistan. Islam does not allow Muslims to accept the domination of the Kuffar as Allah (swt) said, **﴿وَلَنْ يَجْعَلَ اللَّهُ لِلْكَافِرِينَ عَلَى الْمُؤْمِنِينَ**

**﴿سَبِيلًا﴾** **“And Allâh (swt) does not permit the believers to grant the disbelievers a way (to triumph) over them.”** [Surah an-Nisa 4:141]. Pakistan is an agricultural country and can barter trade without dollars. Recently, Pakistan and Iran agreed for barter trade. Pakistan will send wheat, rice, sugar and fruits to Iran through barter trade. This is a proof that we can trade on barter. However, the rulers of Pakistan are ideologically bankrupt and slaves of the western ideology. Therefore they will never make a sincere effort to get rid of dollar dependency. Only the comprehensive implementation of Islam under the Khilafah will ensure the severing of ties with the colonialist institutions. It will establish currency based on gold and silver, ending the dollar hegemony, because it is the command of Allah swt to have a currency based on gold and silver. Then no country can ruin and exploit the resources of other countries.