

Press Release

By Drowning Pakistan in Interest Based Debt, the PTI Government impoverished the Poor, to Secure Profits for Local and Foreign Financial Investors

Just like the previous corrupt governments, the PTI government has drowned Pakistan in interest based debt, depriving the poor of their right from the state treasury. Rs. 2,442 billion has been spent on interest payments by March 2020, which will rise by June to around 2,900 billion, which is a huge chunk of the Rs. 7,000 billion total budget and more than half of the revenues generated by the State. The large interest payments prevent the state from looking after the affairs of the people, at a time of great hardship. Interest also diverts money into the interest based debt and securities market, away from investing in the real economy, agriculture and industry. Moreover, interest payments are a huge drag on major public and private infrastructure projects, where the majority of such projects are financed by loans, borrowed from international and local financial institutions, massively driving up the cost of all such projects, with Pakistan's current circular debt in the energy sector being one such prominent example.

Supervised by the IMF, the PTI government has plunged Pakistan deeper into the interest based debt trap over the last year. Complying with IMF demands, the State Bank of Pakistan jacked up its key policy rate to 13.25 percent in July 2019. Consequently, the interest rate on government papers, including Treasury Bills (T-Bills), surged to 13.66%, amongst the highest in the entire world at the time. Local and foreign capitalists benefitted fully from the high interest rates, earning huge amounts of money at Pakistani taxpayers' expense. Government debt securities, through which the government borrows from commercial banks, surged to an all-time high of Rs 9.79 trillion on April 30, 2020. Moreover, interest based debt increases financial instability, as capitalists rapidly withdraw their capital when risks increase or returns are higher elsewhere. This is what happened in March 2020, when foreign capitalists suddenly withdrew \$1.28bn from interest based treasury bills, when they judged that Pakistan's exchange rate is coming under increased pressure. As for the debt to Western financial institutions, such as the IMF, it further increased after the devaluation of rupee on IMF demand.

Thus, the central government debt, which was 24,212 billion Rupees in June 2018, ballooned to 34,135 billion in March 2020, whilst the PTI blindly fulfilled the demands of the IMF to raise interest rates and weaken the rupee. The IMF is fully committed to Capitalism, which ensures that interest on capital concentrates wealth in

the hands of a small capital owning elite, depriving the majority of the masses of financial resources for their needs. Fundamentally, Capitalism regards interest based banking as a form of trade, with interest as a legitimate profit from that trade. Indeed, those who govern by Capitalist principles can never solve the problem of the debt trap, even whilst claiming that they want to end the suffering of the poor.

O Muslims of Pakistan!

Uniquely and distinctly from Capitalism, Islam distinguishes between trade and interest. Allah (swt) said, **﴿الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ﴾** **“Those who consume interest cannot stand [on the Day of Resurrection] except as the one stands and who is being beaten by Satan into insanity. That is because they say, “Trade is [just] like interest.” But Allah has permitted trade and has forbidden interest.”** [Surah al-Baqarah 2:275]. Thus, in the Khilafah (Caliphate), there is no interest-based banking, sucking the life out of the real economy. The Baytul Maal collects the revenues that Islam has stipulated, such as Zakah on trading merchandise and Kharaaj on estimated agricultural yield, and then spends on the obligations that Islam has placed on the ruler, such as providing food, clothing, shelter, employment, education and health for the masses. Moreover Islam rejects fiat based currency and separates monetary policy from investment decisions, by adopting the bi-metallic gold and silver standard for the currency of the State. This means that interest is not required as a tool to control monetary supply in the economy, as the monetary supply is based on actual gold and silver holdings in the state.

Thus, it is the Khilafah (Caliphate) upon the Method of the Prophethood (saw) alone which will rescue Pakistan from the interest based debt trap. It will abolish interest absolutely and will implement the Islamic economic system, which generates ample revenue for the state treasury through ensuring dominant state ownership of heavy industry, taxation according to capability of the masses and public ownership of energy and minerals amongst many rulings. Is it not time that we all worked with the advocates of Khilafah to ensure the ruling by all that Allah (swt) has revealed, securing goodness in the Dunya and reward in the Aakhira?

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