

# How the Khilafat will solve Bangladesh's Economic Crisis

## Translation of the Qur'an

It should be perfectly clear that the Qur'an is only authentic in its original language , Arabic. Since perfect translation of the Qur'an is impossible, we have used the translation of the meaning of the Qur'an' throughout the book, as the result is only a crude meaning of the Arabic text.

Qur'anic *Ayat* and transliterated words have been *italicised and bold*.  
Ahadith appear in **Bold**.

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# **National Budget is a Tool of the Local Capitalists and Foreign Imperialists**

## **Introduction**

Every year the imperialists' influence on Bangladesh becomes apparent when the Bangladesh Development Forum (previously known as Paris Consortium) meeting is held. This year this meeting was held on May 16 and 17 in Dhaka. In these meetings Finance Minister, Saifur Rahman, met the so-called 'development partners' (IMF/World Bank and others) who gathered to pledge money (loan and aid) to help develop the nation. The meetings were hailed a great success as \$2 billion in aid were promised to Bangladesh over 3 years.

Our governments boast at the amount of funds they can manage from the donor agencies. They present their ability to get money from these donor agencies as a sign of their brinkmanship and claim that this is the only way to solve the nation's economic problems.

In this paper, Hizb ut-Tahrir, Bangladesh exposes the oppressive capitalist nature of the budget and shows how the entire economy of Bangladesh, through a complex package of measures, is being brought under the total grip of the imperialists.

## **Nature of the Budget and its Philosophy**

### **Budget: Common Discussions**

**Interestingly, these meetings are held before the national budget is presented in front of the nation. The budget provides a plan for revenue and expenditure (current and development) for the economy over a period. It also reflects the overall policy of the country. The common discussion after the budget is presented every year in the public media and amongst the politicians is that the ruling party claims that this is the best possible budget for the nation under the circumstances while the opposition criticizes that it is anti people. As usual in Bangladesh, rather than addressing the ills of the nation sincerely, every issue is used for political gains, much to the suffering of the ordinary people. Revenue Side of the Budget**

Every year when the budget is presented, one of the most common discussions is that revenue target has not been achieved. Tax is the main source of revenue in Bangladesh (around 95% of total Government of Bangladesh GOB revenue), especially import duties (around 66% of tax revenue). Contribution of VAT (including import) currently stands above 40%.

In the name of reform of tax regimes and restructuring of the tax administration, the GOB reduces the duties on luxury items such as new cars, televisions or refrigerators while imposing VAT (Value Added Tax) on essential services. This year the GOB incorporated 11 new service sectors under the VAT net which includes doctors and educational institutes. VAT is such an unfair system where every individual, rich or poor, pays the same amount of tax for consuming a product or service. Through this process the GOB is reducing the purchasing power / discretionary income of the poor by taking more money relative to the rich person. The reality of our taxation system is that individuals with low annual income (who are the vast majority) are harassed by a complex system and corrupt officials whilst the rich industrialists and local companies somehow 'manage' to avoid paying taxes. The whole taxation system, the major source of the government's revenue, is no more than a means to oppress the nation - the rich and powerful avoid paying taxes while the middle class and poor have to pay individual taxes as well as VAT. The system is designed in such a way so that the rich is ultimately benefited and the poor become poorer.

## **Expenditure Side of the Budget**

The expenditure side of the budget has two aspects: current expenditure and annual development program (ADP). The common discussion here is the ratio of current expenditure with respect to annual development program. As there is always revenue shortfall, we tend to downsize the ADP, incur foreign debt, or borrow from domestic sources. Borrowing whether from domestic sources or international sources solves the problem in the short term but exacerbates the problem in the long term. Forsaking the long-term strategic view, successive governments have always tended to opt for short-term policies, either due to ignorance, corruption or often for political gains. A case in hand is how the GOB has dealt with the Sangu gas field (offshore). For political gains, the GOB signed the PSC deal with the IOCs without even going for assessment survey as the then ruling party wanted to embarrass the previous government and show failure in the management of the gas sector. Now we are having serious problems in gas supply in Chittagong and national fertilizer production having its big impact on the agriculture and power sector.

In the recent Public Expenditure Review Commission Report the extent of waste of public money in ADP projects was clearly highlighted. Funds are allocated to projects on the basis of political considerations and many projects would take from 44 to 152 years to end because the way governments funded them! While corrupt officials are siphoning off ADP funds, our governments get more loans, enslaving the nation further, to fund more ADP projects! Surely this is putting money into a bottomless basket.

Furthermore, since the country has no development policy of its own, it cannot independently decide on the current priority sectors and allocate resources accordingly. As an example, the composition of development expenditure showed that the share of the social sector (education, religious affairs, population control, family planning, social welfare, sports and culture) increased from around 10% in the late eighties (1985/86 to 1989/90) to around 23% by the late nineties (1995/96 to 1998/99). Such increase in the share of the social services was brought about at the cost of economic services such as industry, agriculture, energy etc since the share of the infrastructure remained static at around 40% during the same period. That is why we observe that we are going to spend Tk 121 crore in sports, culture and entertainment during next fiscal year, while more than 50% of our population do not have proper sanitation!

In addition to the above, huge amounts of public money are lost every year through widespread and endemic corruption (estimated at \$1.3 billion) which is a major obstacle to revenue and expenditure. Crores and crores of takas are being used up in maintaining inefficient government departments, parliamentary proceedings, which are always boycotted by the opposition, benefits to corrupt politicians and their families, useless foreign missions etc all at the cost of the public.

In the light of such widespread corruption, wastage and total destruction of the political culture, does anyone really believe that issuing budgets in ceremonious style year after year will bring any change to the situation of this country? Rather than begging for more loans, burdening the nation with debt, surely we should be addressing the fundamental flaws in our state system.

## **Role of the Development Partners Imperialists in disguise**

### **The Extent of Debt**

Development partners, previously known as Donor Agencies, come into the scene when we have fiscal deficit or forex reserve crisis. The country takes loan to fulfil its development agenda. Over the last 30 years, Bangladesh has taken Tk 180,000 crore loan from the donor agencies whose benefit (if any) was not experienced by our nation. The country is close to being a severely indebted country (HIPC – Highly Indebted Poor Country), according to a recent classification of World Bank. The total debt outstanding to GDP ratio is around 40% (1998-99) while total debt service payment is \$ 80 crore which represents around 15% of country's merchandise export and 2.1% of GDP. Per capita debt obligation of the country has increased from \$6.59 in 1973-74 to \$115.9 in 1998-99. Though the development partners provide loan and aid for development program, they exert their influence on every sector of the economy and

country. For our fiscal deficit, their common suggestions are to downsize the current expenditures e.g. privatize the loss making SOEs, reduce the role of government in production and sales of goods and services and 'excessive' control over the economy. They ask us to privatise our ports, inland water Transport Corporation and authority, railways, power sector, Biman, Telephone services (even if it's a profitable concern) etc. After enslaving the entire nation to their oppressive interest based loans, they now are pressuring us to sell off the most vital aspects of our economy as the only means of overcoming deficits.

## **Free Floating the Currency**

IMF forced our nation to adopt free float of our currency as we faced balance of payment problem. Free float means the market (demand and supply) will determine exchange price of the taka. It eliminates the role of Bangladesh Bank as the regulator of the currency movements as market will dictate the exchange rate. In Bangladesh the major source of foreign currency is export and remittance while the demand of the foreign currency is due to import. In this new scenario, the USA and other imperialist nations can easily manipulate our economy. This will facilitate the multinational companies to buy off our resources, dominate our market with their products, and ruin our local industries. Furthermore, the value of the taka in this setup is always prone to go down relative to US Dollar leading to rising inflation in our economy. The ultimate result of this will be the suffering of the ordinary people who will find the prices of essentials rising and the value of their wages falling.

This system will also attract international currency traders and foreign portfolio investors who look for quick profits. We cannot forget the experience of the South Asian crisis where far stronger economies like Thailand and Malaysia suffered. Similar fate awaits us today.

## **Who Prepares Our Budget?**

Lets see what World Bank has done for us so far in the name of technical and financial assistance. World Bank through its Public Resource Management Credit 1992 has taken control of the entire budget process of the country. The agency's control is not limited to restrictions on expenditures. World Bank determines which sector will get priority as well as monitors and controls the amount of resources utilized. World bank through its Public Investment Program is also restricting our investment in the agriculture sector thereby denying us from being self sufficient in agriculture. Natural question in the mind of the people is: who prepares our budget?

The World Bank has forced Bangladesh to accept a new formula - Poverty Reduction Strategy Paper (PRSP), which will replace the Five Year Plan that Bangladesh used to prepare. Under the disguise of this name, the World Bank has actually forced us to accept the well known, criticized and failed Structural Adjustment Program (SAP). The difference that is highlighted between SAP and PRSP is that PRSP is 'owned' by the member country as the member country has developed it (with consultation of the World Bank).

The PRSP explicitly states that "the private sector will be the engine of economic growth" and that "the government will create an investment friendly environment..." The document further states that Bangladesh would need to increase her GDP by 7% annually to effectively deal with poverty. In other words, our economy will need to be opened to rich multinational companies to do business at low production costs and exploit our cheap labour to make huge profits. Only when these companies make more profits and get richer, will some wealth 'trickle down' to the masses of Bangladesh and help alleviate poverty. This is their so-called "pro poor economic growth"! The whole approach of the PRSP is typical of exploitative crony capitalism.

The World Bank practically destroyed the whole of Africa and Latin America in the 80s by forcing them to accept SAP. Now this is there newest tool.

## **Creation of New Institutions**

Apart from direct policy influence, the foreign donor agencies create institutions within the country to

enhance their control and supervision of the country and get things done according to their own way. We see organizations like Infrastructure Development Company Limited (IDCOL) – a funding agency created by the World Bank to finance big infrastructure projects and Infrastructure Investment Facilitation Centre (IIFC) which acts as consultant to the multinational companies that are willing to invest in Bangladesh. One can note that IIFC is the local consultant to SSAB while the project proposal of Stevedoring Services Bangladesh (SSAB) is with IDCOL, presumably ready to be financed. Similar things happened in the Power sector where after creating artificial situations, companies like AES can come to Bangladesh, their risk being shared by World Bank directly, and ultimately funded by IDCOL. These are examples as to how the multilateral agencies actually directly help the multinational corporation to come, invest, and take away their profit at the cost of the people of the nation.

## **The IMF and World Bank Imperialists' Economic Club**

We need to keep in mind that these institutions (WB and IMF) were established as a result of a Conference held in Bretton Woods (USA) in 1944 at the end of World War II. It does not have one nation one-vote system. Every member nation will have 250 votes. In addition to that, a nation can purchase one vote by purchasing share of the bank worth \$ 100,000. In this system, the USA holds the highest number of votes and the developed nations has over 60% voting rights. The main countries are: USA, Japan, Germany, UK, France, and China. The situation is similar in case of IMF. These six countries hold approximately 45% voting power in IMF and 50% voting power in WB. The USA, UK, France, China are the permanent nations in the UN Security Council. They are also part of G8 nations. Therefore, the same imperialists on the one hand attack and support the occupation of Iraq and on the other hand wear the mask of friends of the poor and needy of the world, dedicating themselves to 'reducing poverty and improving living standards'.

The reality is that, these imperialist nations use the UN to decide their political and military strategies to occupy and undermine nations while they use the IMF/WB to decide their economic strategies on how to control the resources of the nations for their own benefit. A World Bank consultant put it simply: "we don't want to make agreement for each and every investment, what we want is impose our policy....."

## **Summary**

The reality is that Bangladesh is a man made oppressive capitalist state. While the entire basis of this state system is built upon greed and benefit, is there any surprise that successive budgets have been no more than a farce for the people? The corruption and criminality in the state and society has reached such catastrophic proportions that in the recent National Policy Review Forum held in Dhaka, the so called civil society, intellectuals and even our politicians had to frankly admit that corruption and individualism has brought the country to the brink of disaster.

Dr Kamal Hossain, admitted, *"This is the crisis in governance – no one is answerable to anyone. And people are frustrated and losing faith in us."* Morshed Khan, the Foreign Minister frankly admitted the source of corruption is inherently rooted in the basis of the state system when he said *"In fact we are compelled to tell lies since the day we took the oath. We spend many times what we are allowed during election campaigns. Do you think a candidate spends merely 3 lakh?"* This is the political culture of this secular, capitalist state!

Unfortunately these politicians and intellectuals still fanatically chant the values of this man made capitalist state system. The reality is that this is the actual nature of this rotten state system. Corruption, crime, individualism and nepotism are the natural outcomes of a man made system built upon benefit, greed and muscle power. The local capitalists in collusion with the multinational corporations have brought death and destruction to this country. For decades the poor and hard working people of Bangladesh have been suffering at the hands of these ruling elites who in collusion with the foreign multinational companies have plundered the resources of this country.

The time has come for the people of this country to understand the nature of capitalism and the imperialist nations, and their tools of subjugating us. We have listened to their prescriptions for the last 30 years. It is obvious that we will never become (or they will never allow us to be) a truly self-dependent country by listening to them.

To become a nation with influence in the international arena, we must choose an ideology, unify our society behind an ideology, build a state with the objective of implementing that ideology within the nation and worldwide. Islam is the correct ideology given by Allah (swt). Islam is a complete ideology with its unique political, economic, education, social, judicial system, touching upon every aspect of human life. The Khilafat State will relieve the people from the cruelty of this oppressive man-made state system establishing peace and justice for humanity.

## **The Islamic Solution to Bangladesh's Economic Problems**

### **Preamble**

Bangladesh besides being fortunate enough to have a large labour force (high population), high percentage of fertile lands and ample reserves of natural resources such as gas, uranium, coal, rivers etc. is still considered to be a third world country just crawling for survival. It is a country where people just live to survive. Imperialist nations using their capitalist institutions like the IMF and World bank have brought the country to its knees with debt and made it a dumping ground for their goods and products, preventing the nation to stand on its own feet by becoming self-sufficient in the food and energy sector and becoming industrialised.

Some of the unfortunate effects of the implementation of the capitalist economic system and the imperialist policies are highlighted below:

- Over the last 30 years the per capita debt obligation of the country has increased from \$6.59 in 1973/74 to \$115.9 in 1998/99.
- Every year in the budget there is a shortfall in the large revenue targets. Total budget deficit for year 2002-2003 was Tk.117.70 billion, out of which Tk.61.73 billion had to be filled by external sources such as foreign loans and donors. The rest had to be filled by domestic borrowing by issuing bonds and loan from local banks. This in turn increases the national debt placing burden on the general public to bear.
- In these days of development and technology, huge numbers of people die from basic diseases. Over 75% do not have access to proper sanitation in terms of clean water supply.
- The country's balance of trade has always been negative. This means, the cost of imports is always higher than the cost of exports. This makes the country extremely dependent on trade with foreign countries.
- Just a close look at the economy from the street level starkly reveals the disgusting state that we are in, where the earnings to expenditure ratio is so unbalanced that a person working hard whole day cannot earn enough to provide the daily nutrition required for his family.

### **The Islamic View of Economy is Fundamentally Different from Capitalism**

The capitalist economic system, which is the current system in Bangladesh, measures the wealth of the nation on the basis of Gross Domestic Product (GDP) and Gross National Product (GNP), which only takes the overall national view rather than the satisfaction of each and every individual's needs. As a result the only way to solve the country's economic problems is enhancing production to provide for the people. When we cannot produce enough, our politicians and economists argue, we have no option but to

take loans from foreign donors to fulfil the deficit.

This capitalist concept of just focusing on production is fundamentally flawed from a societal point of view. The reality of the economic problem facing any state is the satisfaction of the individual citizen's needs. The economic problem is, therefore, focused on distributing the means of satisfaction for individuals. In other words, the problem is the poverty and deprivation of every individual in the nation, not the poverty and deprivation of the country measured as a whole. The poverty and deprivation for every individual is not treated by increasing national production, rather it is treated by the manner in which the wealth is distributed to the individuals in the country enabling complete satisfaction of their basic needs, and then enabling the individuals to satisfy their luxuries.

## **Economic Policy of Islam**

The ultimate ownership of all that exists in the World belongs to Allah (SWT) because He (SWT) is the Creator of all things. Therefore, it is by the granting by Allah (SWT) that we are able to own things and it is by His (SWT)'s command that we are able to make use of those things. Therefore, it is Allah (SWT) who defines the rules of ownership, the rules of utilisation and the rules of distribution of the wealth. In this way economic activity is organised in the correct manner for man living in society. This is in contrast to the capitalist society where the rules are designed as such to allow the rich capitalists to maintain their hold on wealth at the expense of the rest of society leading to the oppression seen in the world today.

Allah (SWT) said:

***"It is He who created for you all that exists on earth."***

*[Al-Baqarah:29]*

Allah (SWT) said:

***"Don't commit Israaf (spending or going beyond the limits imposed by Islam); surely He does not like those who condone Israaf." [Al-A'raf:31]***

The Islamic economic policy starts from the point of view of satisfying the individual's basic needs first, then to provide luxuries as much possible. The Khilafat State is made responsible for maintaining the basic needs of each and every citizen, Muslim and Non - Muslim. In contrast, Islam leaves the science involved in the efficiency of production to society to utilise at their own accord.

The Prophet (SAW) said: **"The Son of Adam has rights to food, clothing and shelter."**

Allah (SWT) said:

***"O you who believe! Do not prohibit the good things which Allah made halal for you" [Al-Ma'idah:87]***

Bukhari narrated from Ibn Umar: The Prophet (SAW) said: **"The Imam is in charge (ra'i) and he is responsible for his citizens."**

## **The Shariah defines the way to satisfy the needs of the people**

### **Individual Work and Effort**

The Khilafat State is an ideological state and not a priestly state. It is also not a state where people will be fed without working. Islam has made it obligatory on each capable person to work and earn his living thus contributing to productive economic activity within the State and society.

Allah (SWT) said:

***"So walk in the paths of the earth and eat of His sustenance which He provides." [Al-Mulk:15]***

Many Ahadith came to encourage the earning of property. In one hadith, the Prophet (SAW) shook the hand of Sa'ad ibn Muadh (ra) and found his hands to be rough. When the Prophet (SAW) asked about it, Sa'ad said: *"I dig with the shovel to maintain my family."* The Prophet (SAW) kissed Sa'ad's hands and said: *"(They are) two hands which Allah loves."* The Prophet (SAW) said: *"Nobody would ever eat food that is better than to eat of his own hand's work."*

Furthermore Islam provided detailed rules and regulations, to be enforced by the State, regarding the contract between the employer and employee. For the contract of employment to be valid the work of the worker, period of the work, wage and effort all have to be defined. Exploiting the worker by burdening more work than what they can bear is absolutely forbidden. This is unlike the current status of the garment factories, where the rich entrepreneurs thrive on the blood of poor girls and children who are overburdened with work with humiliatingly low wages.

Ibn Mas'oud said: the Prophet (SAW) said: **"If any one of you employed a worker then he has to inform him of his wage"**.

### **Trade and Business**

Islam encourages trade and clearly defined the rules of buying and selling as well as different types of business contracts. Also, with the help of the Bait-ul-Mal (State Treasury), Islam encourages entrepreneurship. Fraud and deceit in trade is absolutely forbidden by attaching severe punishment to it.

Islam defined comprehensive business contracts such as; Inan, Abdan, Mudharraba, Wujuh and Mufawwadah covering wide scenarios and circumstances thus encouraging trade and developing of industries within the state. Each one of these contracts clearly defines the company's rules of formation, its activity and it's dissolving, along with the issue of its liability and obligations. Islam does not restrict the number of partners that can participate in the business or the amount of money they can invest. Rather, it encourages investment and the Bait-ul-Mal will provide funds for various development projects as well as business ventures.

Abdurrazzaq narrated in Al-Jami', Ali (ra) said: *"The loss (Al-Wadhi'a) is upon the capital and the profit is according to what they stipulated."*

### **Obliging State Treasury (Bait-ul-Mal) to support those who are not capable of working if they do not have any children or heirs capable of supporting them**

The Prophet (SAW) said: *"The Imam is a caretaker (ra'i), and he is responsible for his subjects."* narrated by Bukhari from Ibn Umar.



The Prophet (SAW) gave Abu Bakr and 'Umar some land when he (SAW) emigrated to Madinah and Abu Bakr and Umar went with him leaving behind their wealth in Makkah.

**Obliging the nation as a whole (on the basis of darura, such as famine, Jihad etc.) to support those who are not capable of working, should the state treasury not have the necessary fund, or should they not have any children or heir to support them.**

Imam Ahmad narrated that the Prophet (SAW) said: **"Any community, whosoever they are, if a person among them became hungry, they will be removed from the protection of Allah the Blessed, the Supreme."**

Al-Bazzar narrated from Anas that the Messenger of Allah (SAW) said: **"The one who slept (satisfied) while his close neighbour was hungry, and he was aware of that, would not have believed in me truly."**

Shariah makes it absolutely illegal for the state to levy taxes upon the public whenever she wishes other than those which the Shariah has clearly defined (Kharaj, Ushr, Zakat etc.), and in the case of absolute necessities such as famine and Jihad (only taken on the amount that exceeds the normal usage). This is unlike the current oppressive capitalist taxation policies that tax the income rather than the wealth, resulting in the suffering of the innocent working class. Taxes such as Income tax and VAT are cruel without limit that does not differentiate between rich and the poor. What is more ironic is that the government under the capitalist economic system can levy whatever taxes upon the public at whatever point in time.

## **Ownership in Islam is Clearly Defined**

The greed driven capitalist system preaches that everything can be owned and sold, regardless of the impact on society – the so called 'free market economy' which states that as long there is a demand for something it can be sold and bought. The Shariah has clearly defined the means of ownership and its utilisation into the following categories:

Private Ownership – Islam since, it is a system from Allah (SWT) the Creator, recognises that the human being possesses the desire to own things and live a better life as part of its nature. Thus man can possess movable property such as cattle, cars, money, clothes and immovable property such as land, housing and factories. But Allah (SWT) has defined the means by which the person can possess and invest capital, as well as the ways to dispose of it.

Public Ownership – Islam recognises certain things to be the rights of the community to have share usage of and defined clear rules for it such as; Water, green pasture and energy (gas, electricity, oil, coal mines etc.). The mere ownership of which by an individual will bring hardship to the community as a whole. The management of these is left to the State but the returned benefit must be given back to the public.

Ibn 'Abbas narrated that the Prophet (SAW) said: *"Muslims are partners (associates) in three things: in water, pastures and fire,"* reported by Abu Dawud. Anas narrated from Ibn 'Abbas adding, *"and its price is Haram (forbidden)"* The word 'fire' in the hadith is understood to mean energy and looking at the hadith in connection to other actions of the Prophet (SAW) reveals that anything by its nature such as; river, oceans, uncountable minerals are considered to be of the public property.

State Ownership – These are the properties which the people have a right, and its management is left to the Khalifah who may assign some of it to them according to what he deems as appropriate in order to strike the right balance in the society. These are the funds of the state such as; Jizya, ushr, kharaj, property of the deceased, lands, spoils of war etc. These are the properties whose expenditure is subject to the opinion and Ijtihad of the Khalifah.

The Shariah ensures that the property is not owned for the sake of owning it, for boasting, arrogance, oppression or to spend in sin, rather it is owned to fulfil a particular requirement. In this way wealth is not misused in society but is circulated within productive economic activities. Also, Islam clearly prohibits wrong means of earning causing oppression and chaos in society such as Usury (Interests), Gambling, Stealing, Monopoly, hoarding, curtailing etc.

## **The Bait Ul Mal (The State Treasury)**

### **Revenues**

The Bait ul Mal is the authority responsible for every revenue and expense, which the people are entitled to. The permanent revenues of the State Treasury are:

Land Tax – Kharaj and Ushr

Head Tax – the Jizya on the non – Muslim male

Different types of public property revenues

Revenues of the State properties

The fifth of the hidden treasures and minerals (Rikaz)

Properties of Zakat

The properties of Zakat are kept separate in the Bait ul Mal and are spent only on the eight categories mentioned in the Qur'an. The other properties are spent on the affairs of the State and the Ummah. If these properties meet the needs of the citizens then well and good; otherwise the Khalifah has the right to levy taxes in order to accomplish what is required in terms of looking after the affairs of the people.

### **Expenditures**

The expenditures of the State are based around seven areas:

1. The Zakat funds - The State is responsible to distribute the zakat funds to the eight categories mentioned in the Qur'an.
2. Spending money on the destitute and the poor to ensure their basic needs is a must on the State.
3. Spending on defence and security of the State as well as carrying the Islamic Message to other lands.
4. Allowances of State employees such as salaries of soldiers, civil servants, judges, teachers and the like.
5. Provide utilities to the people such as roads, water services, power services, mosques, schools and hospitals and any other utility considered as necessity for the people.
6. Emergency expenditures such as during famine, flood, earthquake or attack by enemy.
7. Spending on development projects – these would be undertaken when there are sufficient funds in the Treasury.

### **Interest Free Economy**

The western capitalist system believes that the people only work for material incentive. Therefore, any economic activity must reflect some kind of material incentives. This means that in order to encourage lending or saving of money it can only be carried out if there exists a material compensation. This material compensation appears in the form of Interest, which the Shariah absolutely prohibits. Such interest-based economy takes peoples concentration away from the real economy into an artificial one. People store their money in the banks that provides high interest without looking to invest it in the real productive sector. This normally has a negative impact in the industrialisation of the nation, due to the

fact that priorities are given to the rich when the banks lends money with the argument that they can afford to return the money back, thereby preventing the poor to rise up. The money is lent risk free whereby, should the venture fail the burden had to borne by the borrower with his personal wealth, where the bank can be extremely vicious against such a person who cannot pay by taking all their personal belonging and throwing them and their family onto the street.

Islam on the other hand has only one bank the Baitu-ul-Mal, which lends money on the interest free basis to develop the national economy. Also, Bait-ul-Mal can fund various projects and business ventures sharing the profit and risks.

Through the employment of the above policies the State ensures that the basic necessities and as much of the luxuries as possible is being met for each and every citizen. The fundamental philosophy of the Islamic Economic System is the prevention of wealth circulation within a small section of the society. This is precisely what the Capitalist System ensures through its system of usurious banking, limited liability, hoarding, and privatisation and paper currency.

***“Lest it (wealth) circulates solely among the wealthy amongst you” [Al Hashr: 7]***

## **Case of Bangladesh**

A detailed study of the reality of Bangladesh assures us that the country is blessed with wealth. However, due to the mismanagement, application of the capitalist system and policies the people are deprived from this enjoyment.

The total GDP per capita and the GNI per capita figure indicates that there is enough wealth in the country to provide at least TK. 20,000 per person a year that equals to around TK. 1,10,000 per household.

There was a total of 45 Million Tons of rice production this year, while the maximum daily required nourishment in terms of rice required by an individual is 500g this equals to 182.5 KG per person a year, which equals to an estimated 25 Million Tons for a population of 140 Million.

Fish and Shrimp along with various seasonal vegetable production is enough not only to meet the needs of each and every individual but also is capable of annually earning quite large amounts of foreign revenue.

A total amount of 1.2 BCF gas is extracted per day that is used in the power, fertilizer and domestic/industrial sector. With the currently confirmed reserve of 12 trillion Cubic Feet it is capable of lasting 27 years, provided the demand is constant and efficiency in the production and usage is not improved.

Large supplies of coalmines and uranium can be used in the power sector to supplement or replace gas usage.

Uranium can also, be used in the research and development of nuclear-based weapons.

The hardworking nature of the population means, it can be a powerful labour force for industrialisation, provided they are equipped with the right education, training and given a clear objective for the nation.

We can separate the discussion into the following categories: Agricultural, Energy, Industrial, and Monetary in order to offer a new vision for Bangladesh.

## **Agricultural Sector**

### **Current Practices**

The current reality of Bangladesh is that there are large amounts of lands owned by landlords who never make use of it themselves. Also, poor farmers are constantly being exploited by the land ijara (land leasing) system, where they are required to pay substantial amounts of money to the landlord in order to lease the land to make use of. The landlord also, has the option to keep the land under his/her ownership and never make use of it, only when there's development around the area or the price of the land has raised that is when they will either use the land or sell it at a high price.

Because of such market curtailing and hoarding of lands in many villages it has become impossible for the poor hardworking farmers to buy land that they can cultivate to feed their family. The current system of taxation on the land is extremely unfair. The system does not take into account the production or the usage of the land at all. Every year the land has Khazna due upon it, which only takes into account the price of the land and not the owner of it (in terms of whether their needs are being met or not).

Due to the vicious restructuring plan of IMF and World bank, Bangladesh is prevented from usage of agricultural land to produce certain types of goods such as the case with the closure of the Adamjee jute mill, where Bangladesh was asked to cut-down its jute production and growth while India has been increasing it. It is estimated that by itself, South-East Asia's demand of jute based products, cannot be met over the next five years.

### **Proposed Agricultural Policy**

A total re-organisation of the agricultural policy according to Islam can ensure that the state is fully self-subsistent in food and also, its capability of earning foreign revenues.

Abu Yusuf narrated in Al-Kharaj from Amru bin Maymun and Haritha bin Mudhrab: *"Umar bin Al-Khattab sent 'Uthman ibn Hanif at the land of Iraq and he ordered him to survey it. On each Jareeb (a patch of arable land) whether it was cultivated or overflowed with water, but could be usually used, he put one Dirham and one Qafeez"* (about 16Kg).

In view of the evidences we can extract the following rules and policies:

- Bangladesh is Kharaji land, which means that the neck (the land itself) belongs to the state as a State property. This means, the state has the ultimate right to grant it or take it away from anyone that misuses the land.
- The benefit of the land (i.e. the utilisation of it in terms of buying, selling, harvesting etc.) belongs to the one who it is granted to.
- The state takes revenue from the harvest of the land called Kharaj. This revenue amount is taken from the estimated usual production of the land with the principle not to create injustice to the landlord or the state treasury. The state can use this revenue to build the states infrastructure as well as to meet the needs of those individuals who cannot provide for themselves.
- Islam prohibits the leasing of the land. Therefore, any landlord who does not make use of the land himself has two options - either sell the land or grant it to someone who will make use of the land without expecting any benefit in return. If the landlord does not conform to either of the above two options then the state has the right to take the land away from the landlord and grant it to the one who can make usage of it.
- Islam prohibits the hoarding of the land that is not being made use of. Therefore, any land, which is owned by someone, who does not make use of it and it, has passed 3 years, the state can take this

land away from this person's possession and grant it to someone who can utilise it.

In the re-organisation of the land focus is given on the utilisation and productivity of the land, not on ownership for the sake of it.

The state will encourage the usage of the latest agricultural methods and technologies to increase the efficiency and productivity of the land so that the state becomes fully self-sufficient in this regard.

## **Energy Sector**

### **Current Practices**

Petrobangla is a state corporation that manages some of the energy matters such as gas and coal. Besides Petrobangla has the necessary skills and the ability to manage the discovery and production of gas fields which the government has prevented it from doing so by cutting down its funds. These observations were made at the recent National Policy Review Forum meetings. One such case is where Petrobangla was prevented from carrying out a seismic survey by not providing it with the funding it needed that amounts to Tk.300 crore.

Due to the ill-allocation of funds and the bad intention of the imperialist states to prevent countries like Bangladesh from becoming self-sufficient in the energy sector, Petrobangla, somehow was forced to enter in to what is known as Production Sharing Contracts (PSC). These contracts ensure the discovery, production and operation of our gas fields will be carried out by those capitalist companies. The technical knowledge will remain with them. Ultimately, they have the power to dictate policies with regards to gas sales and increases of production so that they can get maximum return for their investments.

### **Proposed Energy Policy**

We observed earlier that Bangladesh has high reserves of natural gas, estimated to be in the order of 12 trillion cubic feet. It has also substantial reserves of coalmines, uranium and facilities for Hydro based electricity power station.

Islam defines the energy to be of the public property the shared benefit of which is enjoyed by the public, the state takes the management role of such utilities or resources and it is absolutely forbidden to surrender such ownership to an individual company.

Ibn 'Abbas narrated that the Prophet (SAW) said: *"Muslims are partners (associates) in three things: in water, pastures and fire,"* reported by Abu Dawud. Anas narrated from Ibn 'Abbas adding, *"and its price is Haram (forbidden)"* The word 'fire' in the hadith is understood to mean energy.

The following policies can be implemented with regards to the energy sector in Bangladesh:

Prioritise funding in the existing state operations. Funds that are spent on value-less activities such as countless monuments, bridges, cultural functions and sporting activities can be taken away and re-allocated to the energy sector to acquire machineries that are capable of fulfilling the requirement of the energy sector.

Develop local skills set so that the internal labour force is capable of managing the discovery, production and operation of such gas reserve plants.

Not allow any imperialist nation or multinational company to take ownership of our natural resources.

Any shortfall in the funds, skills or technologies can be covered by the advance sale contracts, maintaining the ownership and the benefit at the hand of the public.

The state will encourage research and development in the field of efficient usage of this energy matters such as; gas, uranium and coal. So it makes the state fully self-sufficient in the energy field as well as encouraging the industrialisation around such energy sectors.

## **Industry and Education Sector**

Industry is a very important pillar in the economic life and economic progress of any nation. New developments in the technological sector have significantly improved the quality and diversity of products that we can all enjoy. Various automation processes have definitely increased the efficiency and the volume of production. Therefore, Islam sees this to be a part of the Islamic economic life to be always at the leading edge in the competitive market when it comes to industry and technology. It is obliged on the state to ensure that the state is not only just self-sufficient but also able to compete in the world market and lead.

Bangladesh is fortunate to have such a high labour force, if equipped with the right skills and techniques with a concentration on the quality control the country can have a booming industrial sector.

The following policies can be implemented with regards to the industrial sector in Bangladesh:

Encourage research and development in the usage of local resources and materials in the manufacturing plants, such as Jute, Gas, Uranium, fish, poultry etc. The IMF and World Bank through the imposition of conditions when giving loans have prevented Bangladesh from investing in such sectors. We find very few reverse chain industries in Bangladesh that are fully capable for self-subsistence. Even the industries that are currently in operation such as garments, ceramics and agro-based rely heavily on the import of raw materials, capital machineries and technical expertise from abroad.

Encourage the establishment of industries that manufactures machines that are capable of manufacturing machineries for production industries. Not being able to do that means we will not be able to reduce the cost of production and continue depending on the foreigners with regards to what we can produce. The cost of capital machinery imports in the year 2001-2002 was in the order of \$2.6 billion.

Have a development plan for raising a wide variety of skills and techniques of the labour force. Encourage existing companies to invest in the development of their workers. The current education system and the industrial practices towards the development of the workforce seem to be completely hopeless. The education system seems to teach useless subjects and techniques that are either out-of-tune with the time or completely irrelevant to the industrial requirements. Therefore, unless the focus of the education system is changed to be industrial based a strong industry producing creative products cannot be achieved. The current brain drain needs to be checked and their technical skills need to be acknowledged by the State and utilised for the nation. Today, thousands of educated people roam our towns and cities looking for jobs – the current state has no clear plan as to how to engage this technical workforce into the development of the country i.e. the current education system is completely detached to the developmental needs of the nation.

Since, Islam absolutely, prohibits hoarding of wealth such as gold and silver, everyone is encouraged from their Aqeedah to re-invest their money on various ventures as well as in the research and development to increase the efficiency and quality of their products so that the wealth is in constant circulation. This is contrast to the current system, which encourages the storage of money in banks in the form of FDR, preventing the circulation of the wealth and containing it within the few.

The state will need to apply a very strict foreign trade policy whereby malicious nations are identified and taken necessary action against so that the country does not becoming a dumping ground for their products. This will be applied on the basis of the foreign trade rules defined by Shariah. Unless a state like Bangladesh is developed to be self-sufficient, has a strong industrial backing and its requirement for imports is minimised, it is extremely dangerous to have an open market policy to allow strong economies like, the US, UK, Australia, China and India to dominate our market with their products. We have seen some of the side-effects of having open market policy with our close neighbour India, who supply

subsidised spices and vegetables during the seasonal production period of our country that results in our product getting rotten and thrown in wastage, all because our products turn out to be more expensive than the Indian products, due to high production costs associated with it.

Every citizen of the state is obliged to secure the state against dependency on foreign powers and goods. Therefore, obliging them to make their economy stronger and self-sufficient by utilising the locally produced goods and products as well as encouraging the exports of it.

A very stringent quality control policy will be applied to ensure that the product produced is of the highest of standards capable of competing in the open market by its own merits.

## **Monetary Policy in Islamic System**

Islam does not determine any specific item with which the exchange of goods, services and benefits had to be compulsorily conducted. Rather, Islam has given the human being a choice to use any medium that is mutually accepted in the society. However, when it comes to exchange of a commodity or services to a monetary unit then this monetary unit has to be based on the bi-metallic Gold or Silver standard.

Islam has linked gold and silver to a set of fixed rules such as; blood money, penalty for cutting the hand of the thief, payment of Zakat etc. thereby making gold and silver to be the currency of the state.

Islam prohibits the hoarding of gold and silver, due to the fact that hoarding of such will have a negative impact on its circulation, which is an absolute necessity due to the fact that it is used as a medium of exchange.

Islam prohibits the charging of interest or giving of interest. It defines, interests to be money on money. Which means exchange of 100g of gold for 110g will be considered earning of 10% interests, which is absolutely forbidden.

Since the state's currency is based on gold and silver, if the value of gold rose in comparison with other commodities, the value of the currency in comparison with other commodities would rise as well. If the value of gold decreased in comparison with commodities, the value of the currency would also decrease.

The state will use gold currency in its foreign and domestic transactions, or it will use it used a paper money which can be exchanged for gold. This paper money could either be for domestic use and for making payments abroad or solely for making payments abroad, on condition that this exchange for has a fixed price. In other words, it would still be following the gold standard on condition that the paper unit can be exchanged for a specific quantity of gold, at a fixed price and vice-versa.

Throughout the history of money and up until the First World War, the whole world operated the gold and silver standards. No other standards were known to the world until then. However, when the colonialists mastered the various styles of economic and financial imperialism, and began using currency as a means of colonialism, they established different monetary standards. They considered bank deposits and non-exchangeable banknotes, which had no reserve of gold or silver as money. This has pushed countries like Bangladesh to recently adopt the free-floating exchange rate mechanism. Via this mechanism the world slowly moves to the indirect pegging of its currency to the dollar. This in turn gives control to America to influence other countries economies and currencies with a slight change of policy from its Federal Reserve.

The benefit of using gold standard and silver standard:

- The gold standard rids the central banks and governments from printing ample amount of paper money as and when they like, due to the fact that issuance of banknotes over the limit will not be able to withstand the demand for gold which will also increase. Therefore, they will always tend to maintain a reasonable ratio between what they issue in terms of banknotes and gold reserves. Due to the stability of the gold prices the rate of inflation will be much more stable. This will benefit the poor

workers who continue to face devaluation of their hard earned money, which seems to be never enough to satisfy their most basic needs. The recent example of the price hike of the essentials is one of those matters.

- Having the gold standard necessitates its free circulation, thereby encouraging import and export of gold, which leads to monetary, financial and economic stability.
- Uncertainty of exchange rate usually discourages international trade and creates instability. Gold standard on the other hand, ensures the stability of exchange rates between countries and the stability of the exchange rates in turn leads to a boom in international trade, as it gets rid of the uncertain fear of exchange rate.
- Since, the state will encourage other currencies in the world to move to the gold standard this will result in the movements of commodities, money and people from one country to another would be easier and the problem of hard currency will disappear.
- The gold standard would help each country to preserve her gold, for there would be no gold smuggling from one country to another, and countries would not need to exercise control in order to protect their wealth, for gold would only leave the country for legitimate reasons as price for commodities or salaries for workers.

## **Draft Economic Policy based upon Islamic Principles**

The Islamic Khilafat State will dismantle the existing capitalist system and restructuring the entire economy on Islamic principles. It should adopt the following policies:

- Push a strong Islamic culturing policy throughout the entire society using all forms of mass communication available i.e. radio, television, newsprint, internet etc that all actions must be performed according to the commands and prohibitions of Allah (SWT) and our aim in life is not just getting material gains by any means possible, rather it is to attain Jannah in the Hereafter. This will root out the corrupted thoughts and practices amongst the people and encourage working together for the interest of the country. The understanding that needs to be developed is that we are only guardians of the wealth that Allah (SWT) has provided. Therefore, ownership, usage and its distribution are fair and according to His (SWT)'s commands
- Special emphasis on pushing this Islamic culture through all government sectors to build the Islamic political culture of 'looking after the affairs of the people' rather than looting their wealth.
- Re-organise the tax department and set-up a unit specifically for collecting Zakat money and its distribution to the eight categories of people mentioned in the Qur'an. The proper zakat collection and distribution will ensure the eradication of substantial poverty in our society.
- Re-organise the agricultural land distribution and impose Kharaj on the estimated production of the land. Promote agro-based research and industries to make the country self-sufficient.
- Throwing large sums of money into the current vision less, unproductive, outdated education system is simply a waste of valuable resources. Hence a total reshaping of the education system will be needed. Abolish the current divide between the madrasah system and general system and integrate into one education system. The Khilafat State will discourage our educated people from leaving the country and give them the vision and incentive to work for the country.
- The education system will produce the Islamic thinking and character. Rather than focusing on obtaining certificates for certificates sake, the education policy will be to develop the skills, knowledge and sciences in the people necessary for industrialisation of the country.
- Remove the ownership of public utilities and natural resources from the private sector and bring it to the governments' management. Re-allocate funds to promote research in those fields, develop existing skills and promote building of industries around them.



- Focus on the re-allocation of funds from useless government functions and departments, cultural activities and sports sectors to industries and research as immediate priority.
- Attention needs to be given to the health and environment sector as a matter of urgency. It is the right of each individual to live a healthy life, the duty of which is upon the state to ensure this. Even with various developments in medicine people in Bangladesh still die of basic avoidable diseases. The whole medical practice has been turned into a business with much suffering to the people. The State must take measures to root out corruption in the health sector.
- Withdraw from the shackles of the colonialist institution like IMF, World Bank and WTO. Reject their financial help and oppressive terms and conditions.
- Engage in no free-trade policies with countries like India, USA, Australia and Britain until the state's economy is strong enough to compete with the subsidised product. Also, prevent our country from becoming a dumping ground for their products by pushing for development of industries using local materials and skills.
- The security of the nation is highly important, especially when the State desires to become self sufficient – this may go against the wishes of other nations. The State will have to be particularly active and vigilant of the designs of colonialist powers and aim to expose their plans thus winning other developing nations onto its side. Hence foreign policy and defence related expenditures are a high priority for the Khilafat State.

## Conclusion

For the last thirty years the people of Bangladesh have suffered at the hands of a group of greedy, self-centred ruling elites who have implemented the oppressive capitalist system to do no more than further their own interests. Even in the 21st century millions of people in Bangladesh live without decent access to food, clothing and shelter, let alone health care and education. Our governments have always told the public that Bangladesh is a poor country and therefore no more can be done for the people. While these corrupt politicians have siphoned crores and crores of takas and built their palaces the hardworking people of the country have struggled for their basic livelihood. Today every family struggles and lives in uncertainty. Every family goes through the misery of poverty while our rich ruling class enjoys the benefits of their rampant and inhuman corruption.

In the name of development, aid and loans the Western imperialists have time again come to Bangladesh to pursue their corrupt, imperialist policies. They have only one aim i.e. to make Bangladesh a market for their products and to prevent this country, like the rest of the developing world, to ever acquire self-sufficiency.

Surely the time has come for the people to realise the hegemony and oppression of capitalism. Capitalism is a man made system designed to oppress the masses and benefit the few. Secularism, democracy, freedom are no more than a smokescreen to disguise the ugly face of capitalism.

There is only one way for the people of this country to liberate themselves from the clutches of capitalism. That is to unify the nation behind the correct, comprehensive ideology of Islam. Allah (SWT) created man and his society and gave clear laws and rules to organise the society in such a way that one group cannot oppress the other. This is unlike the democratic system where a group of corrupt 'lawmaker' make laws for the nation to suit their interests. The Khilafat system is a unique political system that will implement the systems of Islam, eradicate the oppressive poverty and inequality and give the society an objective and a vision that will drive the country towards development and prosperity. More importantly, it will liberate the people from the worship of man to the worship of Allah, the Creator and Sustainer of the Universe.

***“ALif-Lam-Mim. This is the Book whereof there is no doubt,  
a guidance to those who are Al-Muttaqun. Who believe in  
the Ghaib and perform As-Salat and spend out of what  
We have provided for them...” [Al Bakarah 1-3]***