

Borrowing under Riba based Economy will Never Cease

News:

Kenya has secured Ksh 234 billion (\$1.5b) from creditors through new issuance of a second Eurobond to help clear its public debt stock. The bond was priced at 9.75pc with maturity date set for 2031. According to the National Treasury and Economic Planning Cabinet Secretary Prof Njuguna Ndung'u, there was a strong demand for the bond with order book exceeding Ksh 936 billion (\$6b). Treasury says portion of 2024 Eurobonds not purchased in the Tender Offer will be funded through a mix of government funds and financing from multilateral and bilateral sources including bank syndication. The bond will be repaid in three installments beginning 2029, 2030 and 2031 resulting in a weighted average life of six years.

Comment:

Debt trap remains one of the tools of soft diplomacy upon third world countries by the Colonial West. Of recent both public and political discourse was mainly on rising national debt, that is almost 70% of GDP and the other hand a high appetite for more debt. This manifested in the recent Eurobond saga where Kenya acquired more credit from both IMF and World Bank to repay for the bond by June of 2024 when it matures. Just before Government's commitment, the US dollar exchange rate hit more than 160ksh setting a record in the history of the country.

Basically, acquiring more credit to repay off the current debt in order to be financially creditworthy and qualify for more credit. This is a debt trap that is vicious in nature and no country that can liberate itself from this abyss of total failure of the financial system that only benefits the colonial master.

The rise of Kenya's national debt to GDP besides the actual loan and interest, is contributed by the rise in the exchange rate to the US dollar, now this is the infamous dollar hegemony that overwhelmingly remains dominant payment and repayment media globally. Kenya toils like a slave to balance the trade (import and export) to maintain foreign reserves. This can only be achieved by high taxation and high interest rates eventually making livelihood for ordinary citizens miserable.

According to Richard Duncan (macro economist), Capitalism has died and we are in the era of Creditism where unlike the past the economy under real economy growth was through savings and investing, today's growth is an annual increase in the total volume of credit not real economy.

This trap was made possible and facilitated after signing on March 19, 1968 by President Lyndon Johnson the public law 90-269, that required the Federal Reserve not to back the US dollar with gold.

The big question is how much credit is required to maintain an ever expanding economy? Making credit as the only incentive for economic growth is making weaker economies always in position of low bargaining force or in reality slaves to the whims of colonial master.

To deal with this monster of borrowing, the world requires a radical change of an economic system that will completely exterminate all forms of usurious and interest backed economy. That change lies with in Islamic economic system; unique economic model that does not allow riba as its economic basis. A System that looks to use resources in the public interests. Furthermore, the situation demands a responsible and independent leadership that cannot be dictated and made hostage by foreign financial institutions. That leadership is Khilafah (Caliphate) - an independent state whose domestic and foreign policies are free from foreign influence.

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