

E. AFRICA
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REC'D
MAR 20 1920

INDIA OFFICE.

CURRENCY, INDIAN PROTESTS.

1920

12th March.

Regrets action ~~was~~ taken without prior consultation with I.O.Trusts in future they be consulted in all future matters where Indian interests are affected.

not previous Paper

H.P.
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~~Mr. ...~~
Mr. Balthamley

It was the fact that the decision of the S.G.P. for India raised the exchange value of the rupee ^{without warning} from 1/4 to 1/4 which forced us to take immediate action to save the interests of I.A.

Reply that the question of the future currency of the Pro. in Eastern Africa has been under the control of the S.G.P. for some months and that

the ~~fact~~ in the exchange value of the rupee has caused some difficulties in various

important papers into ~~the~~ ~~the~~

not previous Paper

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the country, and that the main industries
of the Prots., which are for the most part
financed from this source, and on which
the prosperity of the Prots., including the
Indian communities depends, were faced
with the prospect of having to close down:
that after a very careful examination of
the various interests involved, [in which the
interest of the Govt.] that the A.P. & Canada was
known, & had been decided, as the best
compromise between these interests, to fix
the rate at 2/4 when the announcement
of the rate for India's decision, which
had the effect of sending up the exchange
value of the rupee from about 2/4 to
over 2/6, rendered it necessary to
take immediate action to safeguard
the Govt. against the depreciation which
this rise would have caused to European
investments there and to announce at
once the policy which would be followed
in the future: so that it is regretted that
in the present an opportunity of consulting
the Govt. and the public must be deemed
that the Govt. is responsible for opposing
the interests of all sections of the
community in the Govt. Prots., and
alone in a position to judge how

? don't
the Govt
was in
table

the best effect, having regard to local conditions. And describe what we are proposing with regard to compensation & emittances to Indian & Asiatic civil servants, & what we have said to S.A.P. on 9/4/3

C.S.D. 10 32

Para 3 of I.O. letter is absurd it was up to I.O. to ask C.D. for their views. Need we let this go by default? i.e. we might refer to that para & express regret that I.O. did not approach C.D. in the matter & ask whether C.D. had any objections or representations to make.

Mr. H. J. D. D. D.

This is largely a matter of India. Mr. H. J. D. D. D., who was the Director of the India Office, called in February & said he was very glad in cutting ourselves loose from India.

We might reply to the following effect:

(1) The establishment of a separate E. African currency has been under consen. for many years but was

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held up by the war. The United Kingdom share of the trade of the E.A.P. is very greatly in excess of the share of India, *the interests of the community in the E.A.P. are not the same as those of India.*

(2) Consequently it was not considered necessary to ask that a representative of the Colonial Office should be heard by the Indian Currency Committee, but, in view of the importance which it appears that the India Office attach to the commercial intercourse between E.A. and India, it is a matter for surprise that the Committee did not regard the E.African aspect of the currency problem as being of sufficient importance to justify an invitation to the C.O. to be represented.

(3) It is not clear whether such representation would have in any way influenced the recommendations of the Indian Currency Committee, or would have secured for the C.O. proper notice of the *importance of the* C.O.'s decision that the Indian rupee should be forced up to 100% of the gold sovereign, a decision which would have fatally injured a large amount of European capital invested in E.A.

(4) As it is the effect of the change made is far more to the detriment of the European settler than of the Indian community, and it is not clear on what *ground that a change in the value of the rupee is being considered, and it is not clear on what ground that the value of the rupee is being considered, and it is not clear on what ground that the value of the rupee is being considered.*

(5) The effect of the change on Asiatic Civil *carefully* is being considered but it is not clear what can be done. As the Indian community who depend on the E.A.P. are the Acting Gov. of the

the E.A.P. has been instructed to give careful consideration to the possibility of stimulating local production, especially the cultivation of rice.

(6) With regard to the last para. of the I.O. letter, it is essential that in dealing with matters of currency and exchange, as with other matters affecting the whole of the population of the E.A.P., the C. of S. should take his decisions in the light of what appears to be in the best interests of the community generally and it is impossible for us to recognise that *any section of the Indian community* has a special claim to *special consideration* which in the nature of things the European section cannot have, owing to the absence of any *special* *interests* which their interests. We consider it unfortunate that the idea should be advanced in London that the C. of S. for the Colonies represents the interests of the European and native races and that the Indian residents must look for protection to the C. of S. for India.

Handwritten initials and marks

Handwritten note: I should like to see the letter up for a week or two until we have the Press approval to what we propose for relieving Asiatic Civil Servants.

Handwritten date: 16.3.20

Handwritten initials: H. J. R.

Handwritten note: Col Amery I suppose we must be as in brackets above, etc. I should like to see the letter up for a week or two until we have the Press approval to what we propose for relieving Asiatic Civil Servants.

Handwritten note: I am sure that the Press will be very kind to give us a good report on the matter. Our only difficulty will be to get the Press to give us a good report on the matter. Our only difficulty will be to get the Press to give us a good report on the matter.

Any further communication on this subject should be addressed to—

The Under Secretary of State for India,
Financial Department,
India Office,
London, S.W.

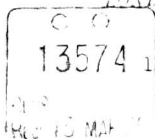
and the following reference quoted—

F. 2956.

INDIA OFFICE,

WHITEHALL,

LONDON, S.W.



12th March 1920.

Sir,

I am directed by the Secretary of State for India to refer to the recent decision under which the Colonial Secretary has divorced the rupee in East Africa from the Indian rupee and has decided, as is understood from the notice in the Press of 11th March, to rate the rupee in East Africa at Rs.10 to the £ sterling.

2. Since the announcement of the changes in the East African currency system on 15th February Mr. Montagu has received and communicated to your Department a number of protests from the Indian community in East Africa, complaining of the serious damage that the reduction in the exchange value of the rupee in East Africa will cause to their interests in that country.

3. Mr. Montagu is aware that the policy adopted as regards the East African currency is connected with his decision on the recommendations made by Sir Henry Babington-Smith's Committee regarding the Indian currency system. It was a matter of public knowledge that this Committee was sitting, and it was open to the Colonial Office at any time to ask that a representative of their Department should be heard in regard to the interests of East Africa in connection with any changes in the Indian system. But the action of the Colonial Office was taken without any notice, so far as Mr. Montagu is aware,

that

The Under Secretary of State,

Colonial Office,

S.W. 1.

that any such radical change was in contemplation, and the first intimation of the decision reached this Office through the Press.

4. The trade between India and East Africa has been growing in value in recent years and Mr. Montagu considers that it is unfortunate that any currency influence should have been introduced that may prejudice the growth of the commercial intercourse between the two countries. The Indian community in East Africa, moreover, stands to suffer, not only in the matter of present trade, but also through the effect that the action now taken must have in depreciating, under present conditions, the capital that they have imported into the country from India. The serious effects of the recent decision are apparent from the enclosed telegram that appears in the Times of the 10th instant.

5. Mr. Montagu cannot but express his regret that a matter involving the exchange value of the rupee in East Africa should have been taken by the Colonial Secretary without prior consultation with this Department. He ventures to express the hope that in currency matters, as in all other matters, where the interests of Indians are concerned, the Colonial Office will in future be disposed to consult him before taking any definite action; else unless this is done it is difficult for him to discharge adequately his responsibilities for vindicating the interests of Indians throughout the Empire.

I have the honour to be, Sir,

Your obedient Servant,

J. W. Duke

EAST AFRICAN EXCHANGE.

A TRADE DISLOCATION AND ITS REMOVAL.

(FROM OUR CORRESPONDENT.)

MOMBASA, MARCH 6 (delayed).

Recent legislation respecting the rate of exchange enforced on instructions from the Colonial Office, by which the value of the rupee is fixed at 2s. 4d. now, 2s. 2d. as from July 1, and 2s. 0s from December 1, while in India the rate remains at about 2s. 8d., has resulted in a serious dislocation of the trade of the Protectorates of Zanzibar and Tanganyika (formerly German East Africa).

In the first place a considerable quantity of the trade and finance of the territories is geographically dependent upon India; secondly, the position is aggravated by the already serious shortage of silver; and, thirdly, the legislation is enforced during the harvesting of the Uganda cotton crop, requiring about 150 lakhs (£1,750,000) at the exchange of 2s. 4d. to purchase the 60,000 bales of native production.

The impression locally is that in the introduction of the recent measures too great consideration was given to settler interests, to the direct expansion of established commercial and industrial interests, and neglecting restrictive consequences upon native production.

The local conditions resulting from these factors warrant the assumption that there will be a break-down of the country's trade, and that a financial crisis is imminent.

* * * In our City Notes yesterday we announced that it had now been decided to stabilize the rate of exchange in East Africa on the basis of 10 rupees to the pound sterling, thereby.

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S.A.

Mark
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Downing Street,
31 March, 1920.

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DRAFT.

Under Secretary of State,
Financial Department,
INDIA OFFICE.

MINUTE.

Sir,

Mr. Bottonley, 26.3.20

M.

M.

Mr. Grindle.

Sir H. Lambert.

+ Sir H. Reid, 26/3/20

X Sir G. Fiddes

X Col. Amery

Lord Milner

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I am etc. to acknowledge the receipt of your letter of the 12th of March F.2956 on the subject of the currency changes in Eastern Africa.

2. I am to request you to explain to Mr. Secretary Montagu that the establishment of a separate Eastern Africa currency has been under consideration for many years but was necessarily postponed owing to the war. The United Kingdom share of the trade of the E.A.F. is very greatly in excess of the share of India, and the interests of the country must be considered in the light of that fact. In consequence, it was not considered necessary to ask that a representative of the Colonial Office should be heard at the recent Indian Currency Committee, but in view of the importance which it appears that the I.O. attach to the commercial intercourse between

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E.A. and India, it is a matter of surprise
that the Committee did not consider that the
E.African aspect of the currency problem
was of sufficient importance to justify an
invitation for the representation of E.African views
interests similar to the invitation contained
in the letter from the Secretary of the Committee
of the 8th of June, 1949, suggesting that the
Ceylon Chamber of Commerce, ^{in the case of} ~~should be invited to~~
~~submit their views.~~

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It is, however, not clear that such
representation of E.African interests would in
any way have influenced the recommendations of
the Committee, or even would have secured for the
C.I.O. proper notice of Mr. Montagu's decision that the
Indian rupee should be forced up to 1/10th of the
gold sovereign, a decision which if adopted here ^{in E.A. area}
would have vitally injured a large amount of
European capital invested in ~~the area~~

Mr. Montagu will be aware that the first
intimation of this decision, which made it essential to take immediate
action in the case of E.A., was received through the
press. It is true that a letter from the I.O. drawing
attention to the effect ^{of the} change would have in the
matter of ^{foreign} money orders, was sent on the 31st of January,
but it was not received until the 2nd of February when
the alteration was already in force. ^{As a justification of a}

5. I am further to point out that the effect
of the change made in the E.African currency system
is far more to the detriment of the European settler
who had hoped for the return of the rupee to 1/4
of the value of the Indian community, and the
argument that the capital had been unjustly depreciated
is not acceptable since the argument
applies in E.Africa

most necessarily depend on arbitrary changes decided upon in the case of India. *Lord of the Admiralty accept the*

6. The effect of the change on Asiatic Civil Servants in Eastern Africa is being carefully considered, but it is not yet possible to say what can be done. As regards those members of the Indian community who depend on food stuffs imported from India, the C.A.C. of the F. & P. has been instructed to give careful consideration to the possibility of stimulating local production, and especially the cultivation of rice.

7. With regard to the last para. of your letter, it is essential that in dealing with matters of currency and exchange, as with other matters affecting the whole of the population of the Protectorates, the S. of S. should make his decisions in the interests of the community generally, and it is impossible for him to recognize that the views of the Indian community have a special claim to representation which, in the absence of a separate European section, they cannot have. He considers it unfortunate that the idea should be encouraged in London that the C. of S. for the Colonies represents the interests of the European and native races and that the Indian residents must look for protection to the C. of S. for the Colonies.