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FILE: 16 MAR 21

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AT. BANK OF INDIA

CURRENCY

1921

14th Mch

Last previous Paper.

States that a representative attended the conference arranged by the Associated producers but as no agreement was reached submits their proposals as stated independently

Disposed of by 507/13088/21
Cross 20th April 21, action on 21/12/21

See on 407/13088/21
Kling

Next subsequent Paper.

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26, Bishopsgate, E.C. 2

14th March 1921

The Under Secretary of State,
Colonial Office,
Downing Street, S.W. 1

Sir,

East African Currency

Referring to Mr Bottomley's note of 24th February, a representative of this Bank attended a meeting of the Associated Producers of East Africa and Uganda, held on 25th ultimo, and also a meeting of the sub-Committee then appointed, with results which we anticipated. Their first scheme was ruled out at once, and as their second scheme is one in regard to which we do not quite see eye to eye, we have resolved to address you again as the present state of chaos can only be continued to the detriment of the Colonies concerned.

A year ago we protested strongly, but in vain, against any change being made. We are still of the same opinion. The Colony is too young to have an artificial currency of its own. The preponderating Indian element were quite satisfied with the silver rupee as a standard of exchange. The European planting and producing elements, in our opinion, have not made out their case that a lower exchange will solve the difficulties of the industry. It is not so much the currency which is at fault as

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their methods. Our advice against a break with India having now been overruled, and presuming that matters may have now gone too far to permit of joining on to the Indian rupee again, we wish to put before you our views adapted to present circumstances premising only that we have no confidence in the permanent success of any separate artificial scheme unlinked from India. Ceylon and Mauritius, each with a large Indian element, work with Indian rupees and if the East African Colonies are of the great intrinsic worth which has been attributed to them, we see no reason why they too should not do the same. However, as it has been recommended from Nairobi that the rupee be demonetized in favour of the florin which will be equal to one-tenth of £1, we raise no objection to the change subject to the following conditions being observed:-

- (1) That the Bank's holdings of Indian silver rupees at all our Branches in Kenya, Uganda, Tanganyika (and Zanzibar if demonetisation to be applied there) be redeemed from the Bank at the equivalent of 2⁹/₁₆ to the rupee after sufficient notice of demonetization has been given.
- (2) That all debts in these places owing to or by the Bank will be legalised at one florin or 2⁹/₁₆ to the Rupee.
- (3) That an indispensable part of the scheme be the free sale and purchase of Currency by the Government at the old rates of 1¹/₁₆ each way, between Mombasa and London.

On the ability of the Treasury to continue to sell on a 2⁹/₁₆ basis of exchange unfettered transfers of sterling on the Currency Board, London, and on there being a sufficient quantity of the new currency made available to the public to replace the demonetized rupees, will depend the success or otherwise of the proposed scheme. Government

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would be well advised to see that these points are arranged beyond
doubt before sanctioning such an important change. Nothing is more
essential to a country's well-being than frequent interference
with its currency laws.

I am, Sir,

Your obedient Servant,

J. M. Williams
General Manager

