

## Notes

# **Anchoring Without Alignment: Djibouti 1949. Between Relative Monetary Sovereignty and Geopolitical Dependency**

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## ABSTRACT

This article reexamines the 1949 monetary reform in French Somaliland, leading to the introduction of the Djibouti franc within an unprecedented institutional framework in the French colonial system. This shift primarily responded to the need to stabilise trade and safeguard French influence in a region marked by intense geopolitical rivalries. By adopting a dollar-based currency board, the territory emerged from a persistent monetary instability while leveraging its strategic position in an area dominated by the pound sterling. Through discreet negotiations and a rhetoric of market neutrality, French authorities secured IMF approval without relinquishing their administrative control. The episode shows that money is a geopolitical instrument as much as a technical one, and that monetary sovereignty is always the product of compromise. The dollar peg embodied a partial form of sovereignty – between dependence and autonomy – that anticipated the realignments of the post-Bretton Woods era. This trajectory also sheds light on current debates over alternatives to the CFA franc and on the ability of peripheral economies to transform structural constraints into sources of stability and legitimacy.

## **Introduction**

The monetary history of the French colonies is generally examined through the lens of the CFA franc, seen both as an instrument of

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**FIGURE 1**  
The Horn of Africa: Djibouti and Neighbouring Countries



stability and as a means of subordinating colonial economies to the priorities of the metropole. This centralised model, imposed on most African territories from 1945 onwards, was based on strict controls over monetary issuance, centralised management of foreign exchange reserves, and strong subordination to France's financial interests. Yet French Somaliland (referred to as CFS)<sup>1</sup> – today's Republic of Djibouti – stands out as a remarkable exception, offering a fresh perspective on the dialectic between imperial constraint and monetary autonomy.

At the end of World War II, Djibouti occupied a strategically crucial position as a maritime stopover between France, Indochina, and Madagascar, a rail outlet for Ethiopia, and a future air base for the French Union. The French withdrawal from the Levant and the closure of the Beirut base further reinforced Djibouti's role as a key lo-

<sup>1</sup> French Somaliland (Côte française des Somalis denoted CFS) was a French colony located in the Horn of Africa, which is modern-day Djibouti. Established in 1883, French Somaliland was strategically positioned at the entrance of the Red Sea, making it a key location for maritime trade between Europe, Asia, and Africa.

gistical hub at the crossroads of the Indian Ocean and the Suez Canal. This geographic centrality endowed it with unique bargaining power that Paris could not ignore.

At the same time, the international monetary context was evolving. The weakening of the French franc – discredited by past monetary manipulations and inflation, and locally outcompeted by more trusted currencies such as the Indian rupee, the Maria Theresa thaler, or the Ethiopian dollar – undermined the legitimacy of the colonial franc. Deprived of social legitimacy, the franc could no longer structure daily transactions, making any attempt at autonomous monetary policy illusory. As Aglietta, Orléan (1998; 2002), and Théret (2008) have emphasised, a currency that is not accepted cannot fulfil its role in regulating the economy. Meanwhile, the Bretton Woods agreements positioned the US dollar as the emerging global reference, setting up direct monetary competition between the pound sterling’s British sphere of influence and American financial power. This transition was not abrupt but gradual as Schenk (2010) shows, the pound’s decline as an international currency was a negotiated retreat, sustained by diplomatic compromises and the reluctant tolerance of Britain’s trading partners, until the dollar firmly established its dominance. Djibouti stood precisely at the intersection of these rival spheres of influence, as the pound’s credibility eroded and the dollar emerged as the most stable anchor.

It was in this space of monetary competition, imperial rivalries, and widespread distrust of a weakened metropolitan franc that the 1949 reform took on its full meaning. By adopting a dollar-based currency board – a system inspired by British practices but unprecedented within the French colonial empire – Djibouti did more than escape the franc’s chronic instability. It created the Djibouti franc as a new local unit of account, while exploiting the gaps in a weakened colonial system and capitalising on the dollar’s rise to redefine its place within the international monetary order.

This realignment did not constitute a clean break from colonial domination but rather reflected gradual adjustments and strategic trade-offs. It maintained the French administrative oversight while

exposing the territory to a new form of dependence – this time oriented toward dollar hegemony. This choice also triggered a silent currency war as by creating a dollarised enclave centred on a convertible Djibouti franc within a region dominated by the pound sterling, the reform enabled private exchanges of sterling at depreciated rates, thereby undermining British influence in East Africa without provoking official opposition from London.

This experience demonstrates that currency is far more than a technical tool as it is a geopolitical artifact, negotiable within the interstices of empires and a marker of power hierarchies. The dollar peg reveals a pragmatic conception of monetary sovereignty – as the ability to establish a stable, recognized order in a constrained environment and to transform those constraints into levers of legitimacy while navigating global transitions. The Djiboutian reform thus illustrates how a small territory leveraged its pivotal position to exploit imperial rivalries and monetary transitions, between the waning of French influence and the rise of American dominance.

The singularity of this case raises the following question: “How does the Djibouti franc’s peg to the dollar in the post-war colonial context reveal that monetary sovereignty is less a legal attribute than an institutional process of social, political, and international legitimation, negotiated within the margins of power relations?”.

We propose the hypothesis that this anchoring choice was not merely an economic calculation but an opportunistic geopolitical trade-off, reflecting a strategic repositioning within a reshaping international monetary order. It constituted a partial yet real exercise of monetary sovereignty, showing that a colonised territory could negotiate the terms of its monetary integration.

Drawing on an institutionalist perspective on currency and an in-depth study of archival sources from the *Service des archives économiques et financières* of the French Ministry of the Economy and Finance (SAEF), this analysis is structured in three parts. We first retrace the factors that led to the exit from the franc zone to highlight the uniqueness of the choice made by French Somaliland. We then examine the logic behind this monetary break, analysing the alter-

natives considered and the decision to peg to the dollar. Finally, in the conclusion titled *Djibouti and the Enigma of Monetary Sovereignty under Colonial Constraint*, we offer a theoretical reading of this case as an experience of relative monetary sovereignty – practiced in the margins of a declining empire and offering valuable lessons for rethinking alternative forms of monetary autonomy in today’s peripheries.

## **1. A Singular Monetary Choice within the French Empire: Understanding the Reasons for Exiting the Franc Zone**

At the end of the Second World War, most French colonies were integrated into the franc zone, conceived as an instrument of imperial continuity and monetary control. French Somaliland (Côte française des Somalis, or CFS), initially incorporated into the franc zone in 1939 and subsequently included by default in the 1945 reform establishing the CFA franc, nonetheless inherited a monetary regime ill-suited to its strategic position and economic environment.

Situated between competing spheres of influence (the sterling area and the dollar area), dependent on imports, and marginal within the franc zone system, CFS suffered the destabilising effects of French exchange rate policy. The Somali franc, weakened by repeated devaluations, inflation, and a lack of social legitimacy, was unable either to stabilise the economy or to establish itself as a credible currency in the face of the widespread circulation of more trusted foreign currencies.

In this context, maintaining an unstable currency under French control appeared economically untenable for a territory whose survival depended on regional trade.

### *1.1 Monetary Crises and Loss of Confidence in French Somaliland (1940-1949)*

Between 1940 and 1949, French Somaliland (Côte française des Somalis, CFS) experienced a dual monetary crisis that deeply eroded

the legitimacy of the colonial system. The Allied blockade (1940-1943) triggered fiduciary inflation and a devaluation of the circulating currency. The attempt at monetary restoration by the Central Treasury of Free France of January 1943 proved traumatic as the stamping of banknotes imposed a punitive 90% discount on all notes not presented within the prescribed deadlines – particularly affecting the nomadic populations reliant on slow transport by camel or dhow – before the definitive withdrawal of “expired” notes. This operation, which removed a third of the money supply in just three months, ruined thousands of workers and left a lasting distrust of the French currency and the Banque de l’Indochine.<sup>2</sup>

Integration into the CFA franc zone in 1945 further deepened this climate of suspicion. Four devaluations within five years eroded the confidence in a currency that was supposed to underpin an import-dependent economy, where inflation soon became endemic.<sup>3</sup> These successive depreciations – perceived by Yemeni, Arab, and local communities as clear signs of weakness – transformed the Somali franc into a merely theoretical “unit of account.” A genuine monetary contestation (Ould Ahmed & Ponsot, 2015) emerged as economic actors massively rejected the official currency in favour of a vibrant ecosystem of regional currencies – the Maria Theresa thaler (ubiquitous despite being banned in Ethiopia), the Indian rupee (dominant in Aden), the East African shilling, and the Ethiopian dollar (all linked to the sterling).<sup>4, 5</sup> According to the IMF, the inability of the French authorities to enforce these controls in the colony indeed risked creating a serious breach in the system applied in metropolitan France, “the reason for establishing the new exchange

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<sup>2</sup> Order No. 77, dated 24 January 1943, required that all banknotes in circulation be stamped on 25 and 26 January. Subsequently, Order No. 149 of 18 February 1943, confirmed by an ordinance of 11 May, organised the exchange of banknotes and the freezing of deposit accounts.

<sup>3</sup> This overview condenses a broader analysis presented elsewhere; see Aman (2025).

<sup>4</sup> SAEF, B 460, R. Loiseau, memorandum prepared following a stay in CFS, addressed to M. Guindey, Director of External Finance (Finex), subject: CFS, 15 September 1947.

<sup>5</sup> Loiseau, *op. cit.*

system is that the French authorities have been unable to enforce exchange controls in the colony. Its continuation within the franc area could open a serious gap in the enforcement of exchange controls in metropolitan France” (IMF, May 1949).

This fragmentation reflected a systemic crisis. Djibouti, as a port hub open to international shipping, saw the rise of a flourishing black market where foreign currencies quickly became dominant. Exchange controls, despite being tightened, proved ineffective as the franc circulated almost exclusively within public coffers, unable to penetrate transborder commercial networks.<sup>6,7</sup> Paradoxically, trade between Ethiopia and the franc zone continued to transit through Djibouti but was settled in pounds sterling or Ethiopian dollars – or diverted altogether to Aden.

The geo-economic stakes underscored the urgency as CFS’s prosperity depended on its ability to compete with Aden as the main logistical hub serving Ethiopia. Yet the British colony enjoyed decisive advantages, namely the free circulation of goods and currencies, monetary security anchored to the pound, and international credibility. Djibouti, despite its infrastructure (railway, modernized port), faced a structural handicap in the form of a discredited franc and suffocating exchange controls. Without a credible monetary reform, the territory risked seeing its strategic role collapse – precisely when Ethiopia was emerging as a major commercial partner.

This decade of crises illustrates the organic link between monetary stability and sovereignty as the erosion of confidence in the colonial unit of account was more than a mere loss of value – it undermined French political legitimacy itself. The social rejection of the franc, the vitality of parallel currencies, and the flight of transactions toward Aden all offered a clear verdict that the monetary

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<sup>6</sup> SAEF, B 7483, Antonin Besse, memorandum to the Minister for Overseas France, M. Coste-Floret, 3 January 1949.

<sup>7</sup> SAEF, B 460, Jean Laurent, Director General of the Banque de l’Indochine, and Maxime Robert, memorandum prepared following the visit of M. Jean Lauret to CFS, addressed to the Minister for Overseas France, subject: Monetary situation in CFS, 25 April 1947.

order imposed by Paris had failed to take root in the geoeconomic realities of the Horn of Africa.

“The most capable workforce we have in CFS is made up of Arabs from Yemen. But they don’t want to save money in francs. It was therefore necessary to pay them a quarter of their wages in freely exportable rupees. Today, there is talk of them demanding two-thirds of their salaries in foreign currency. [...] Their lack of confidence was such that they even demanded to receive these currencies immediately. This is why we had to promise the Arab coolies working in the port that their pay would be converted into rupees as it was earned. It is also clear that under these conditions, France’s monetary sovereignty tends to become an empty word.”<sup>8</sup>

### *1.2 Exiting the CFA Franc Zone to Survive: From Customs Reform to Monetary Break*

Faced with the erosion of its monetary legitimacy, France attempted to reposition Djibouti through an institutional gamble by transforming French Somaliland into a “free territory.” Driven by an unprecedented alliance between the Ministries of Foreign Affairs and Overseas France, this project responded to a dual imperative. Geopolitically, the objective was to secure France’s near monopoly over Ethiopian transit through Djibouti while accommodating the Negus’s sovereignty requirements. Economically, it aimed to counter the rise of the rival port of Assab in Eritrea, whose post-Italian status remained uncertain but was increasingly threatening.

The project, entrusted to the Directorate of External Finance (Finex) of the Ministry of Finance under the authority of Guillaume Guindeguy (Director of External Finance),<sup>9</sup> envisioned complete cus-

<sup>8</sup> Jean Laurent and Maxime Robert, *op. cit.*

<sup>9</sup> The attention of the brilliant External Finances team – known as Finex – at the Ministry of Finance, led by Guillaume Guindeguy, was drawn between 1946 and 1950 to both the political and economic interest in the project of transforming the territory into a free zone, a proposal that had long been advocated by the Foreign Affairs Department and Overseas France.

toms exemption. Yet it quickly encountered an insoluble institutional paradox, i.e. the incompatibility between the free movement of goods and the maintenance of colonial exchange controls. This fundamental contradiction – attempting to foster an open economy within a closed monetary framework – sparked fierce debates between the Caisse centrale de la France d’outre-mer (CCFOM)<sup>10</sup> and the three ministries involved (Finance, Foreign Affairs, Overseas France). These discussions revealed the impossibility of reconciling a liberal commercial logic with the preservation of imperial monetary sovereignty.

It was theoretically possible to consider applying less stringent rules than those enforced across the rest of the zone – in other words, to ease exchange controls while maintaining the existing monetary regime.<sup>11</sup> However, any relaxation of controls between Djibouti and foreign countries would necessarily have required, if Djibouti were not to become a “sieve,” the introduction of controls and restrictions on transfers between Djibouti and the other territories of the franc zone. In practice, this would have amounted to instituting an internal exchange control regime within the franc zone itself (see Figure 1). Djibouti would thus have borne the disadvantages of isolation

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The team’s position was part of the group defined by Michel Margairaz (1991) as the “austere-liberals”, whose movement is characterised by “the dual concern of curbing expenditure and levies internally and ensuring the free movement of goods and capital externally”. Created in 1946, the External Finance Department had the key advantage of the network of financial attachés and the supervision of the French representation in the Bretton Woods institutions. In 1946, the team in this staff department of the Ministry of Finance had all the qualities of a front-line force as it was small in number and over-represented finance inspectors. Its members included Thierry de Clermont-Tonnerre, Bernard Jacquin de Margerie, Jean Rioust de Largentaye, Christian Chaix de Lavarène and Pierre-Paul Schweitzer. (Lepage, 1999).

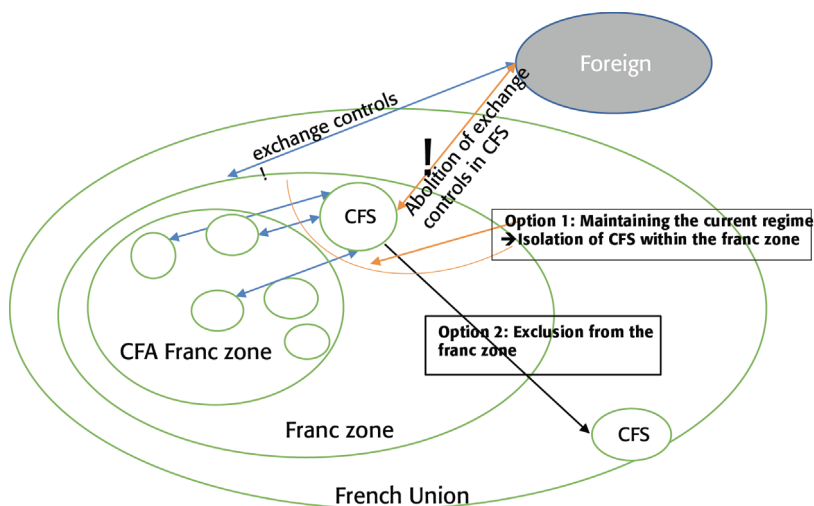
<sup>10</sup> SAEF, B 460, J. De Chalendar, memorandum for the Ministry of Overseas France and the Directorate of External Finance (Finex), subject: Customs and Monetary Reform in French Somaliland, 3 October 1947. SAEF, B 7483, Monguillot (Inspector General of Colonies), Report on the Monetary Reform Project, French Somaliland, January 1948. SAEF, B 460 and B 7483, Minutes of the meetings held on 2 April 1947, 17 and 20 March 1948, and 12 August 1948.

<sup>11</sup> See Bloch-Lainé (1956) for a detailed account of the organization and regulations of the zone.

without enjoying the benefits of true monetary independence. Transactions would likely have been conducted almost entirely in foreign currencies, and the metropole itself would eventually have been forced to pay civil servants in those currencies. This scenario would have imposed on the Treasury a burden as heavy as that of introducing a new currency – without, however, preserving the value of the Somali franc (Option 1, Figure 2).<sup>12</sup>

Transforming CFS into a “free territory” therefore necessarily implied abolishing exchange controls between CFS and foreign countries and, as a direct consequence, introducing a new currency freely convertible into foreign exchange (Option 2, Figure 2). This was the first attempt by the French government to detach a territory from the franc zone, and although the portion of the French Union affected by this experiment was narrow, it nonetheless aligned with the spirit of the Bretton Woods agreements.

**FIGURE 2**  
Necessity of Removing the Territory of CFS from the CFA Franc Zone



Source: author.

<sup>12</sup> SAEF, B 460, J. De Chalendar, memorandum for the Ministry of Overseas France and the Directorate of External Finance (Finex), subject: Customs and Monetary Reform in French Somaliland, 3 October 1947.

The need for a rapid monetary reform was widely recognized, but creating a new currency in Djibouti raised significant challenges. These issues led to in-depth debates between technical experts and policymakers, who assessed the costs, benefits, and implications of each scenario under consideration, while taking care to keep the other territories of the French Union at a distance. Until its implementation, the project to create the Djibouti franc had been prepared in utmost secrecy for more than seventeen months. A significant number of unpublished documents from the archives of the French Ministry of Economy and Finance were classified as confidential, since separating the French Somaliland franc from the franc zone posed a risk to the monetary unity of the French Union and could set a precedent that other territories might be tempted to follow. Indeed, French Somaliland was not the only territory seeking a monetary regime independent of the metropolitan franc; New Caledonia and the French territories in Oceania had also expressed a desire to establish their own distinct monetary status.<sup>13</sup>

## **2. The Logics of a Breakaway Monetary Choice: Considered Alternatives and the Dollar Peg**

The ambition to transform Djibouti into a monetary hub on the Red Sea went far beyond purely technical considerations as it was part of a broader geoeconomic strategy that required a currency both stable and freely convertible. This vision crystallized major tensions as, on the one hand, the pursuit of external stability clashed with the preservation of economic autonomy; on the other hand, the demand for international convertibility conflicted with the assertion of monetary sovereignty.

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<sup>13</sup> These territories were not exempt from the foreign exchange control of the *Caisse centrale de la France d'outre-mer*, although the US dollar had taken on significant importance in their economies during World War II. The CFP franc was simultaneously pegged to both the US dollar and the metropolitan French franc. Thus, in 1949, with the exception of the Djibouti franc – which had become a fully distinct currency – all other currencies in the territories of the Franc Zone lacked autonomy (Pellier, 1951; Bloch-Lainé 1956).

The success of the reform depended on a critical factor by pegging the currency to a credible and widely accepted anchor. Each scenario examined at the time involved an imperfect compromise. Resorting to a gold standard promised stability but encountered significant logistical and financial constraints. Creating an independent local currency offered sovereignty without international recognition. Finally, pegging to a foreign currency – whether sterling or the dollar – guaranteed credibility, at the cost of an acknowledged dependence.

### *2.1 Between Peg and Autonomy: The Monetary Trade-offs of French Somaliland*

The options explored between 1946 and 1948 illustrate a moment of historical indeterminacy, when Djibouti's monetary future remained entirely open. They underscore that currency is not merely a medium of exchange, but a social and political institution grounded in trust, recognition, and the capability of public authority to establish legitimacy and sustain a durable monetary order (Aglietta & Orléan, 1998, 2002; Théret, 2008).<sup>14, 15</sup>

#### 2.1.1 Metallic Anchor: External Stability, Uncertain Legitimacy

Among the options initially considered there was the return to a metallic standard – gold or silver – intended to provide a universal reference and guarantee monetary stability.

The idea of a gold standard, inspired by the Saudi model, aimed to establish the French Coast of the Somalis as a credible financial hub in the region by creating a currency convertible into gold, capable of locally playing a role comparable to that of the dollar internationally. The CFS would thus have become the only territory in the

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<sup>14</sup> SAEF, B 460, Siriex, Governor of French Somaliland, note to the Minister of Overseas France, subject: Djibouti Free Port and the Question of Local Currency, 3 June 1947.

<sup>15</sup> SAEF, B 7483, Antonin Besse, note to the Minister for Overseas France, M. Coste-Floret, May 1947.

Middle East where private individuals could obtain gold in exchange for banknotes. In this scenario, the dollar would have been indirectly exchangeable for gold via the Djibouti franc, following the principle of the gold exchange standard.

However, this project was quickly abandoned as its implementation faced considerable logistical and financial obstacles, including limited gold reserves, extremely high costs, and the need to secure the approval of the U.S. Treasury to exchange dollars for gold at the official rate of 35 dollars per ounce. Furthermore, this mechanism risked triggering a massive influx of conversion orders from across the region, thereby undermining American cooperation.<sup>16</sup>

The parallel circulation of foreign currencies, impossible to prohibit, would have further aggravated this risk as once the gold left public vaults, it would never return. According to Gresham's Law, the "bad currency" – in this case, neighbouring currencies – would have driven out the "good," namely the currency convertible into gold.

The idea of introducing a silver currency, more in line with regional practices (Yemen, Abyssinia), was better suited to a logic of social anchoring and legitimation through local usage. The Banque de l'Indochine, which was closely monitoring the issue, believed that such a solution would be popular and would allow for a swift reform.

"The Banque de l'Indochine, which, because of the initiatives it has taken in various countries bordering the Red Sea with the encouragement of the French government, is legitimately interested in the question, has suggested, based on the qualified opinions of its representatives in these regions, that the metallic solution seems to it to be the best from all points of view. One of its advantages, and not the least, would be to make possible a rapid transformation of the monetary regime of the CFS. You will certainly

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<sup>16</sup> SAEF, B 460, Member of the Board of the International Monetary Fund, De Largentaye, letter to the President of the Council, the Minister of Finance, and the Directorate of External Finance, subject: monetary reform in Djibouti, 30 November 1948.

agree with me that the reform, the principle of which has been decided, must be carried out as quickly as possible.”<sup>17</sup>

The arrival in Paris of the French Ambassador to Ethiopia (Mr Blesson) and the Governor of the CFS (Mr Siriex) also provided the concerned departments with new information. In these circumstances, and in accordance with the suggestions made in a letter from the Ministry of Foreign Affairs dated 15 July 1948, the External Finance Department of the Ministry of Finance was asked to study a new solution based on the creation of a metallic silver currency – a study of the world silver market, price trends, supply possibilities, risk of fluctuations among other things – as reported to Mr Paul Reynaud (the Minister of Finance and Economic Affairs) in a memo dated 24 August 1948.<sup>18</sup>

However, this option quickly revealed its limitations. It raised numerous difficulties, notably the coordination between the issuance of metallic coins and the circulation of banknotes and encountered three main obstacles: the instability of the silver market, Ethiopia’s refusal to accept the thaler, and France’s reluctance to massively monetise a metal it did not produce. These constraints rendered the solution politically and economically untenable. From the Treasury’s perspective, this option offered no decisive advantage over a solution based on a foreign reference currency, while exacerbating its drawbacks.<sup>19</sup>

These two scenarios clearly illustrate a central principle of monetary institutionalism as the external stability of a currency, even when guaranteed by a metallic standard, is not sufficient. Without social anchoring, without the institutional capacity to enforce its use,

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<sup>17</sup> SAEF, B 460, letter from Jean Chauvel, Secretary General of the Ministry of Foreign Affairs, to the Minister of Finance and Economic Affairs, Directorate of External Finance, 15 July 1948.

<sup>18</sup> SAEF, B 460, Directorate of External Finance, memorandum for the Minister of Finance and Economic Affairs, 24 August 1948.

<sup>19</sup> SAEF, B 7483, minutes of the meeting held on 12 August 1948 at the Directorate of External Finance, Ministry of Finance, subject: monetary reform in the French Somaliland.

and without effective control over its circulation, no monetary reform can generate the legitimacy necessary for its acceptance and long-term viability.

### 2.1.2 Convertibility and Openness: The Option of a Local Currency Under French Guarantee

The proposal to create a Djibouti franc, backed by the French Treasury and partially convertible into sterling, was part of an institutionalist approach inspired by the Syrian Lebanese models and the floating franc of Tangier.<sup>20</sup> The aim was to reconcile monetary stability, external convertibility, and local autonomy by relying on coverage in metropolitan francs. Through this mechanism, the Treasury would acquire Djibouti francs from the issuing institute in exchange for metropolitan francs, thereby financing local needs while strengthening French influence without placing an excessive burden on public finances.

This project, supported by Guillaume Guindey<sup>21</sup>, reflected a flexible conception of monetary sovereignty as it was not about breaking away from France but about adapting the monetary system to regional commercial realities. In practical terms, this would have involved abolishing exchange controls – which would have made the franc's exchange rate more volatile – and authorizing the Treasury to intervene depending on the availability of foreign currencies.

However, this solution faced two major obstacles. First, the colonial franc suffered from a severe lack of trust as it had been discredited by past devaluations and manipulations and no longer enjoyed public support. Second, it lacked legitimacy on the international stage, which isolated Djibouti and limited its capability to trade with its neighbours. “The franc is classed in the category of so-called ‘easy’ currencies (...) probably because the notes are printed (...) eas-

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<sup>20</sup> SAEFB 460, Thierry de Clermont-Tonnerre, Directorate of External Finance, letter to Mr. Rivain, Financial Attaché for the Near East, Beirut, subject: monetary reform in Djibouti, 17 February 1949.

<sup>21</sup> G. Guindey, *op. cit.*, p. 12.

ily (...)” (Loiseau, 1947). While commercial operations remained more or less stable, advances to the government and the Treasury surged from 6 million to 64 million francs in just one year, between 1946 and 1947. As a result, the banknotes issued by the Banque de l’Indochine in Djibouti became more unpopular than ever.

This dual crisis – both social and international – demonstrates that currency is not merely a technical instrument, but an institution grounded in trust, collective adherence, and external recognition (Aglietta, Orléan 1998, 2002; Théret, 2008). This total crisis of legitimacy – where currency simultaneously fails as an institution of socialisation, sovereignty, and integration – renders any attempt at autonomous monetary policy inoperative.

In the face of this institutional vacuum, pegging the currency to a strong reference currency, such as the pound sterling or the U.S. dollar, appeared to be a compromise solution. This option addressed three imperatives by importing the external stability that the colonial state could no longer provide, ensuring the regional convertibility essential to sustaining commercial exchanges, and preserving, at least symbolically, a certain degree of sovereignty within a context of imperial rivalries.

### 2.1.3 Pegging to a Foreign Currency: Limited Sovereignty, Enhanced Regional Integration

Pegging the currency to a foreign currency (either the pound sterling or the U.S. dollar) promised immediate monetary stability. The sterling solution had been studied at length by the Departments of Finance, Overseas France, Foreign Affairs and the Caisse Centrale de la France d’Outre-mer. From the experts’ perspective, all that was needed was to ensure that Djibouti had a monetary situation similar to that of the surrounding territories, so that its business could develop. The proposal was made to create by law or decree, a new monetary unit called the “Djibouti franc”, which would be guaranteed by £600,000 provided by the French Treasury. This currency would be freely exchangeable at a fixed rate against sterling and at

the market rate against all other currencies. It would make the CFS a territory virtually attached to the sterling bloc.<sup>22</sup>

To ensure autonomy, the idea was to create a sterling currency defined in gold for psychological reasons – at least until the pound was eventually devalued, since the definition by a weight of gold indicated that the new currency would not automatically follow the fate of the pound. This did not mean, however, that the relationship with gold was immutable and that it should not be modified in the event of a change in the value of sterling.

The advantages were obviously great. Firstly, the CFS was surrounded by countries where the influence of sterling was clearly dominant – British Africa, British Somalia, Ethiopia, Eritrea and Aden. Secondly, such a solution ruled out in advance any speculation that might occur, through the future currency, to obtain dollars for sterling, according to the official parity, which was higher than the real parity. Finally, technically the operation would have been very easy to carry out, considering that the metropole could more easily make advances and expenditure in pounds sterling rather than in US dollars or gold.

While some officials believed that all that was needed was the agreement of the British Treasury which would be a straightforward process given the political and economic relationship between London and Paris, Guillaume Guindey remained sceptical. He found the negotiations difficult to defend in front of the British, suggesting that the approval process was more complex than anticipated.<sup>23, 24</sup> On the one hand, this was due to the fact that France's balance of payments with the sterling zone was in chronic deficit (Schenk, 2010); and, on the other hand, that the envisaged reform entailed, all things con-

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<sup>22</sup> The results of the first study carried out in CFS in May/June 1947 on behalf of CCFOM by Mr De Chalendar, Inspector of Finance, and that of the second study undertaken in January 1948 on behalf of the Ministry of FOM by Mr Monguillot, Inspector General of the Colonies

<sup>23</sup> SAEF, B 460, note from the Minister of Foreign Affairs to the Minister of Finance, subject: monetary reform in Djibouti, 1er April 1948

<sup>24</sup> SAEF, B 460 and 7483, Minutes of the meetings held on 17 and 20 March 1948.

sidered, a situation similar to that which would have resulted from the quotation of the pound on the free foreign exchange market in Paris in January 1948. At that time, because of the creation of the Paris free market, the United Kingdom was opposed to the quotation of sterling on this market, fearing that price fluctuations would lead to a depreciation of sterling against the dollar.<sup>25</sup>

The sterling option was finally rejected due to three main disadvantages. Firstly, since sterling currencies were subject to British exchange controls, taking Djibouti out of the franc zone to bring it into the sterling zone would require the authorisation from the British government. This raised the risk of undermining French prestige in a region still shaped by imperial rivalries, particularly in the eyes of two neighbouring countries that remained politically independent – Ethiopia and Yemen. For Paris, this solution would have amounted to a symbolic abdication of its monetary sovereignty in favour of another empire. Secondly, the French refusal was not merely a matter of principle. It was also driven by the fear that the British might ultimately refuse to formally accept the territory into the sterling area. This reflected both strategic calculation and diplomatic caution. Thirdly, obtaining formal authorisation from London meant submitting to British exchange controls. This option carried potential risks for the future, as the currency, once part of the sterling zone, would have been subject to all its regulations without any guarantee against measures that might hinder the development of the CFS.

Moreover, this hesitation also reflected the awareness of the growing fragility of sterling's international status. As Schenk (2010) has shown, the decline of the pound was not a collapse but a managed and negotiated retreat. Even as Britain sought to preserve the currency's international role, recurrent devaluations, mounting balance-of-payments pressures, and the rising dominance of the US dollar progressively eroded its credibility. The possibility that Djibouti might tie its monetary future to a currency losing ground in the hi-

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<sup>25</sup> SAEF, B 460, G. Guindey, note to the Minister of Finance, subject: monetary reform in Djibouti, 21 April 1948.

erarchy of international reserves further reinforced the perception that aligning with sterling could become a liability rather than an asset over time.

The lack of control over potential British monetary policies and their impact on Djibouti's economic autonomy further justified the rejection of this option. The decision to reject the sterling zone not only safeguarded Djibouti's economic independence but also ensured that its currency system could adapt to future monetary shifts without undue external control.

The dollar option, by contrast, benefited from the status of a freely convertible currency that was not subject to exchange controls. It ultimately emerged as a strategic compromise being at once an anchor within the new international monetary order established by Bretton Woods, a response to the quest for stability, and a lever for regional repositioning in a context of growing imperial rivalries around the Red Sea.

However, this solution entailed significant costs, since expenditures by the French Treasury on behalf of the French Coast of the Somalis (CFS) would henceforth have to be made in a scarce foreign currency. The first challenge, once the decision to adopt the dollar was taken on 19 October 1948, was therefore to assemble the necessary dollar reserves to cover the monetary circulation and deposits. After lengthy discussions, the authorities decided – contrary to initial plans – to postpone the monetary reform until after the customs reform scheduled for 1 January 1949, and to wait until the Treasury held sufficient foreign exchange reserves. As a result, the monetary reform was not implemented until the end of the first quarter of 1949.

Decree no. 49-376 of 17 March 1949 ultimately amended the monetary regime in the CFS by replacing the CFA franc with a new monetary unit called the “Djibouti franc,” which became the sole legal tender and means of payment in the territory, with its value defined by a weight of gold. Rather than limiting itself to a simple peg to the dollar, Djibouti established a system based on the gold exchange standard, defining the franc's value in terms of gold weight while maintaining convertibility exclusively into dollars.

This hybrid architecture offered both flexibility and stability as it reduced dependence on a single currency while reinforcing the credibility of the local monetary system. When the Bretton Woods system collapsed in the 1970s, this framework proved resilient, allowing the Djibouti franc to be revalued against a depreciating dollar. Haut du formulaire

## 2.2 *Creating a Dollar Enclave within the Sterling Area: The French Strategy in Djibouti*

### 2.2.1 Anchoring to the Dollar as a Strategic Choice Breaking with the Dominant Colonial System

The decision to peg the currency to the dollar in 1949, rather than aligning it with the French franc or the pound sterling, represented a singular choice in the history of French colonial policy. Faced with the loss of credibility of the franc and the gradual decline of the pound sterling (Schenk, 2010), the dollar emerged as the only currency capable of providing both stability and convertibility. After the war, British influence in Ethiopia appeared to be declining, while the United States was gaining an increasingly significant role both economically and politically. Therefore, the Ethiopian government, facing financial difficulties, sought support from Washington, and American investments in infrastructure and the exploitation of natural resources were being considered.

“The critical financial situation of the Ethiopian government had also led it to send its Minister of Finance on a mission to Washington to request a loan from the United States. The forthcoming visit of Mr Stettinius seems to indicate that the United States of America might consider providing the imperial government with the support it is seeking and investing substantial capital in Ethiopia, in return for which it would obtain various advantages, in particular the construction of railways and roads, and agricultural and forestry concessions over large areas. There was talk of the Ethiopian government selling its current shares in the Franco-Ethiopian railway to the Americans. The problem of French influ-

ence in this part of the world, and in particular the future of the Franco-Ethiopian railway and the port of Djibouti, must be re-examined in the light of these prospects" (Blesson, 1948).

Far from being a mere technical adjustment, pegging the currency to the dollar reflected Djibouti's ability to take advantage of a weakened imperial monetary order and to anticipate global realignments. In this context, pegging Djibouti's currency to the dollar emerged as a pragmatic rather than ideological solution. This choice did not entail breaking ties with France; rather, it enabled France to support the growth of trade between Ethiopia and the United States while consolidating the role of the port of Djibouti as the main regional transit hub.

France thus had a clear interest in promoting the use of existing infrastructure rather than witnessing the development of a new railway line to Assab. In the absence of exchange controls, American investments could be made freely, facilitating trade and reinforcing Djibouti's economic integration into international networks while preserving French influence in the region.<sup>26</sup>

In contrast to the trajectories followed by most other French colonies, pegging the currency to the dollar illustrates a clear-sighted and anticipatory reading of the reshaping of global monetary hierarchies. This choice conferred unprecedented external stability to the territory, along with a certain latitude in regional trade.

The director of the Banque de l'Indochine, Maxime Robert, was already actively considering the adoption of the dollar as early as 1947. He regarded Djibouti as a potential source of dollar revenues for France.

"The Djibouti dollar solution is the one (that I personally would view with the most favour because I believe it is the one) that is most likely to contribute to the rapid development of Djibouti. The

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<sup>26</sup> With the railways, various formulas had been envisaged such as offering Americans a certain number of shares in the railway company, or places on the boards of directors when the capital was increased, in return for example, for taking out a loan issued in America to finance the purchase of equipment abroad.

main objection that could be made to the adoption of such a measure is that, in the current state of France's external finances, a deduction of 3,000,000 dollars from our dollar assets represents a certain sacrifice. However, I believe that it should be borne in mind that almost all of the companies currently based in Djibouti are French and that the vast majority of new companies that will inevitably be set up in Djibouti in the future will also be French. The income from French capital invested in the territory will henceforth be a source of foreign currency revenue for France. This income will certainly be significant, as the Franco-Ethiopian railway and the major transit, stevedoring, insurance and trading companies based in Djibouti will see their revenues increase considerably. In fact, this sacrifice of 3 million dollars that the French treasury will have to make will be quickly recouped in the form of coupon redemption and repatriation of funds in foreign currency." (Maxime Robert, 1947).

Djibouti's decision to peg its currency to the dollar simultaneously signalled a distancing from the French colonial monetary legacy and a proactive intention to participate in the dynamics of emerging globalisation. In matters of sovereignty, this transfer does not necessarily amount to a renunciation (Gentinetta & Kohler, 2010), as it is essential to determine whether it was imposed or deliberately chosen – calculated, in the latter case. It did not represent full and complete sovereignty but rather a tactical alignment based on the clear-sighted exploitation of available room for manoeuvre within a context of dependence.

In this sense, the Djiboutian experience appears as a laboratory of opportunistic monetary sovereignty as neither binary nor static, but constructed gradually, relationally, and strategically. However, in the absence of explicit archival evidence regarding the intentions of the French colonial authorities, the interpretation of the dollar peg remains open and it can be argued whether it was primarily intended to break with the franc's chronic instability, to reposition the territory within the monetary order shaped by Bretton Woods, to create a dollar market within a sterling area to weaken British influ-

ence, or to lay the foundations for monetary autonomy in a space dominated by imperial rivalries.

This orientation must be understood considering the constraints imposed by international financial institutions and imperial rivalries.

### 2.2.2 Monetary Sovereignty and Geopolitical Calculations: Djibouti, IMF, and the Creation of a Dollarised Enclave

The project required the approval of IMF, since Djibouti belonged to the franc zone, whose parity had been established in 1945.<sup>27</sup> The reform – abolishing exchange controls and adopting full convertibility – was not expected to trigger any fundamental objections. Yet the IMF's position was ambivalent as the American directors supported the dollar peg, while the British feared that the creation of a dollar-based financial market would compromise the stability of a monetary area dominated by the pound sterling.<sup>28</sup>

There was indeed a risk that, through the Djibouti franc, the pound sterling could be quoted against the dollar at a depreciated rate, outside British control. To neutralise these concerns, the French authorities implemented a strategy of circumvention as they multi-

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<sup>27</sup> At the time of the CFS reform, Djibouti's currency did not have a "par value" recognised by IMF; as it belonged to the CFA franc group, which had ceased to have a "par value" at the same time as the metropolitan franc since January 1948. IMF, while agreeing with the French government on the need to change the parity of the franc, refused to recognise the creation of the Paris free market. It considered that the application of variable rates to exports to a given zone, with other rates remaining fixed and other countries maintaining the parities authorised by IMF, would open the way to "competitive" devaluations. The French government disregarded this proposal, and since January 1948 the franc has no longer had a parity recognised by IMF. The French Monetary Reform of 18 October 1948 had the particular effect of restoring the cross-rate of 4.03 between the pound sterling and the dollar to satisfy the International Monetary Fund and the British authorities, who were unhappy with the creation of the Paris free market. However, the following day, the External Finance Department recommended that the dollar be chosen as the reference currency for the CFS. There may not have been a direct link between the October reform and the reform envisaged in the CFS, but the latter would have led to a situation similar to that which would have resulted from the quotation of the pound on the free foreign exchange market in Paris in January 1948.

<sup>29</sup> SAEF, B 460, Thierry de Clermont-Tonnerre, Directorate of External Finance, memorandum for the Minister of Foreign Affairs, subject: customs and monetary reform in Djibouti, 28 December 1948.

plied informal exchanges with the IMF administrators, delayed official communication, and presented the reform as a mere technical adjustment.<sup>29, 30</sup> They pledged that Djibouti's official institutions would not apply any cross-rate differing from the official pound-dollar exchange rate.<sup>31</sup> In the event of a depreciation of the pound, it would be attributed to the natural workings of the market rather than any deliberate action.<sup>32</sup>

France thus instrumentalised institutional informality – particularly by sidelining the British representative, Tansey – to overcome opposition.<sup>33</sup> The discreet support of the United States and Ethiopia demonstrates that these decisions were driven less by purely technical considerations than by geopolitical calculations, in which the interests of the major powers prevailed over multilateral governance.<sup>34, 35</sup>

<sup>29</sup> SAEF, B.460, the President of the Council, the Minister of Finance, and the Directorate of External Finance to the Administrator of the International Monetary Fund, De Largentaye, subject: monetary reform in Djibouti, 10 December 1948.

<sup>30</sup> Minutes of the telephone conversation between Mr Cottier (Special Adviser at the Directorate of External Finance) and Mr de Largentaye (Member of the Board of the International Monetary Fund) on 5 March 1949.

<sup>31</sup> It had initially been envisaged to entrust the Banque de l'Indochine with the issue of the new currency on a provisional basis because it offered certain advantages from a practical point of view for carrying out the change of currency, but this solution had first of all proved to be legally impracticable and, above all, it had seemed difficult for the Banque de l'Indochine to give up the considerable source of profits that operations in sterling would represent for it. Maxime Robert had indicated that he had no intention of giving up sterling transactions, which would be by far the most important, and that the only precaution would be to handle them at a different counter, or even to let customers in through a different door. So everyone agreed, including the Banque de l'Indochine itself, that its privileges should be withdrawn in the future.

<sup>32</sup> SAEF, B 460, Thierry de Clermont-Tonnerre, Directorate of External Finance, letter to Mr. Rivain, Financial Attaché for the Near East, Beirut, subject: monetary reform in Djibouti, 2 January 1949.

<sup>33</sup> SAEF, B 460, Thierry de Clermont-Tonnerre, Directorate of External Finance, letter for M. Sergent, financial attaché in London and for M. Rivain, financial attaché for the Near East, Beirut, subject: monetary reform in Djibouti, 28 February 1949.

<sup>34</sup> Compte rendu de la communication téléphonique entre M. Cottier et M. de Largentaye du 5 mars 1945.

<sup>35</sup> SAEF, B 460, G. Guindey, Directorate of External Finance, letter to Blesson, the French Ambassador to Ethiopia in Addis Ababa, subject: monetary reform project in Djibouti, 10 March 1949.

This compromise pursued three objectives by importing an external stability that the franc could no longer provide, preserving a symbolic sovereignty in the face of British dominance, and ensuring the regional convertibility essential to Djibouti's economy. However, this choice entailed an accepted risk by anchoring the local currency in a new dependency on the dollar and basing its credibility on a third power. Paris used Djibouti as a lever to undermine sterling's influence since by creating a dollarised enclave within a monetary space aligned with the pound, it enabled private operators to exchange sterling at a depreciated rate without London being able to officially attribute this to France. This strategy of circumvention – masked by the argument of the “neutrality of market mechanisms” – illustrates how peripheral monetary zones became arenas of confrontation between empires.

The strategic dimension of this peg was, moreover, denounced by the Communists, who described it as a “disguised military operation.” In their view, dollarisation facilitated the establishment of American bases to counter the USSR in the Horn of Africa and formed part of a broader strategy of global dollar hegemony.

“There is another, no less worrying aspect to the ‘operation’. You only must look at the map to see the strategic importance of Djibouti in the event of war with the Soviet Union. From now on, the Americans will have free rein to set up air and naval bases on its territory. The ‘monetary’ operation is therefore also a military operation. And this is one of the reasons why British imperialism did not resist more strongly a measure which deals a very serious blow to its positions in this part of the world” (Henri Claude, 12 May 1949).<sup>36</sup>

This monetary realignment thus sealed a convergence of interests between France and the United States as for France, it provided a means to escape the instability of the franc and strengthen its regional position; as for the United States, it offered an opportunity to

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<sup>36</sup> SAEF, B 7483, Henri Claude, extract published in the newspaper *Action*, 12 May 1949.

expand their strategic influence. But this manoeuvre came at the cost of Djiboutian sovereignty, which was instrumentalised in the process.

Ultimately, this historical episode highlights monetary sovereignty as a relational and stratified phenomenon, in which the autonomy of peripheral territories is constructed in the interstices of dominant institutions. The case of Djibouti demonstrates that reforms which appear as purely technical are, in fact, deeply political acts, revealing global power dynamics (the dollar versus the pound sterling, the United States versus the United Kingdom) and the ability of an intermediate actor – France, as a middle power – to manipulate the rules of the international monetary game to serve its own interests, even at the risk of undermining its very spirit.

This is particularly evident in the debates that surrounded the naming and structuring of the new currency.

### 2.2.3 Naming the Currency: Between Break and Continuity

After considering several denominations for the new currency – such as the rupee, the piastre, the shilling, the pound, the dollar, the Djibouti franc, or the franc of the French Somali Coast – a consensus quickly emerged on one point as under no circumstances should the new monetary unit retain the name “franc.” This initial orientation expressed the desire to symbolically break with the colonial monetary legacy. Some initial preferences focused on the term “rupee,” which was ultimately rejected for both technical and political reasons. Other proposals, such as the “écu,” were discussed without genuine enthusiasm.

Despite these reservations, broader political considerations led to a reconsideration of the idea of retaining the term “franc” for the new currency. It was argued that a change of name was not necessarily a guarantee of public confidence, and that guaranteed convertibility, particularly *vis-à-vis* a strong currency, would be sufficient to ensure its acceptance. Ultimately, the option of a “Djibouti franc” was adopted as a satisfactory compromise between rupture and con-

tinuity making it possible to preserve a familiar unit of account while affirming a monetary identity specific to the territory.

The question of the value of this new currency also arose as whether it should align with the CFA franc or adopt an older parity inspired by the French franc before 1914. The second option was deemed preferable by several stakeholders, as it would stabilize the currency on a stronger symbolic basis. In the end, the denomination “Djibouti franc,” divided into 100 centimes, was chosen.

During the preliminary studies preceding the monetary reform in the French Somali Coast, it was initially envisaged to create a so-called “heavy” monetary unit, equivalent in value to the major currencies circulating in neighbouring territories. This project, intended to enhance both the symbolic and practical stature of the new currency, nevertheless had to be abandoned due to the technical impossibility of producing in time the new denominations required to support this ambition.

To avoid the inconveniences associated with a stamping operation (as in the traumatic 1943 reform) or a sudden demonetisation, the decision was made to retain the existing banknotes at their nominal value by establishing a fixed parity. Thus, the Djibouti franc remained the official unit of account, although it represented only a very small fraction of the reference currency (the US dollar). This nominal weakness generated several practical drawbacks as in daily transactions, the frequent recourse to high amounts – hundreds or thousands – undermined the legibility of prices, and on the foreign exchange market, the Djibouti franc was systematically quoted in batches of 100 units, which complicated its valuation.

Faced with this situation, the question of introducing a higher monetary unit, corresponding to a simple multiple of the franc, was raised again. The idea was to create a more legible unit, better suited to economic practices, without breaking with the monetary architecture already in place. Various denominations were proposed – “piastre,” “dollar,” “pound,” “écu,” and “sol” – each with its advantages and drawbacks.

The term “piastre” was quickly dismissed due to its association

with low-value currencies used in the Middle East. Likewise, the names “dollar” and “pound” were deemed inappropriate because they were too strongly associated with the Anglo-Saxon monetary systems, even though the peg to the dollar was not intended to erase the French character of the monetary sovereignty exercised over the territory. The “écu,” although rooted in French monetary history, risked causing confusion with the Portuguese escudo, which was still commonly used in several markets. Ultimately, the name “Djibouti sol” gained consensus. Inherited from French monetary history and easy to pronounce for both local populations and foreigners, it did not risk confusion with any contemporary foreign currency.

In this configuration, the “sol” would be the equivalent of 100 Djibouti francs, which would become its official subunit. This solution made it possible to maintain the circulation of fractional coins and low-denomination banknotes, while paving the way for the gradual issuance of new banknotes denominated in “sol,” as needed and as the Treasury’s printing capacities allowed. Thus, beyond technical considerations, this reform pursued a strong symbolic objective as to reaffirm the legitimacy of the local currency by creating a more stable and legible standard of value, better adapted to the regional monetary environment.

This compromise combined monetary pragmatism, symbolic continuity, and the desire to adapt to actual economic practices, in coherence with the logic of relational and tactical sovereignty.

### **Conclusion - Djibouti and the Enigma of Monetary Sovereignty Under Colonial Constraint**

The singular monetary experience of the French Somali Coast, which as early as 1949 chose to peg its currency to the US dollar through a currency board regime, represents a discreet yet decisive rupture within the French colonial empire. Contrary to the imposed model of the CFA franc, this choice reveals a capacity for strategic adjust-

ment rarely acknowledged in a colonised territory. By partially breaking with the logic of monetary centralization, Djibouti opened a breach in colonial uniformity by establishing an original monetary architecture founded on the external discipline imposed by the dollar and the stability it provided in a fragmented regional context.

This monetary transfer did not amount to an abandonment of sovereignty, as its deliberate nature made it a lucid political calculation. Grounded in an analysis of the transformations resulting from the Bretton Woods agreements, it aimed to position the territory outside the main imperial spheres of influence (the franc and the pound sterling). Retaining the franc as the unit of account made it possible to import external stability without entirely sacrificing domestic usage.

This configuration illustrates what Théret (2008) calls relational monetary sovereignty as the capacity to locally construct a stable, recognized, and functional monetary order, not through full control over the classical instruments (issuance, interest rates, monetary policy), but rather through voluntary integration into an international interdependence framework deemed more advantageous than that of the metropole. The currency board guaranteed the convertibility and credibility of the Djibouti franc, while preserving room for action through its social, fiscal, and commercial uses (port services, trade with Ethiopia). It was less a case of absolute sovereignty than of tactical autonomy within a system of intertwined dependencies.

The Djiboutian experience thus demonstrates that a territory can relinquish certain technical levers while maintaining – or even strengthening – a credible monetary order adapted to its own interests. This paradox shows that sovereignty is not an absolute state but a strategic competence, grounded in the ability to work with constraints to construct a contextualized and legitimate form of autonomy. The peg to the dollar embodied a form of tactical autonomy within a system of mutual dependencies, allowing Djibouti to integrate into the global monetary hierarchy without dissolving itself within it.

This case therefore invites us to rethink monetary sovereignty

**SYNTHESIS TABLE**  
**Overview of Theoretically Possible Monetary Arrangements in Djibouti**

The Djibouti rupee or link-up with the Aden rupee	Djibouti silver coin or thaler
<p>This was the original plan. It consisted of issuing a "rupee" note in Djibouti and defending parity with the British Indies.</p> <ul style="list-style-type: none"> <li>- By 1947, the problem had changed. India had just gained independence with Dominion status.</li> <li>- In April 1947, the rupee became directly linked to the International Monetary Fund; it is therefore difficult to predict the future of the rupee, and whether it will continue to circulate as easily in the neighbouring countries of the CFS. Already it is rumoured that Aden will abandon the rupee and adopt the East African shilling.</li> <li>- Finally, it would have been necessary to negotiate an agreement with the new government of India, and it was difficult to say whether this agreement would have been an easy one.</li> </ul>	<p>In this case, Djibouti would mint its own currency in the form of the classic silver coin bearing the effigy of Maria Theresa of Austria. There is no doubt that such a coin would be popular with the natives of the region and that demand would soon be high.</p> <p>This is the formula adopted in Yemen, where Marie Thérèse Thaler (TMT) are still traditionally used. Despite their official withdrawal, they continue to be hoarded in Ethiopia. They can also be found in:</p> <ul style="list-style-type: none"> <li>- In Abyssinia, where, according to unofficial estimates, around 3/4 were kept in the countryside despite the creation of the Ethiopian dollar.</li> <li>- In Aden, where it is traded openly based on 1 thaler for 2 rupees, etc.</li> <li>- They are universally known and traded in all Somali countries.</li> <li>- Progressive disappearance of monetary stock due to the hoarding of metal by local populations</li> <li>- Depreciation and fluctuations of this metal. This is hardly favourable if Djibouti is to become an international transit and foreign exchange centre.</li> <li>- Ethiopia's traditional silver currency was recently abandoned by the government. Its introduction in CFS could therefore pose delicate problems.</li> <li>- The burden imposed on the Treasury by this silver solution would ultimately result in a burden in hard currency, as the French Union does not produce silver metal.</li> </ul>

Gold currency	A local currency that could be exchanged for unlimited amounts of sterling	A local currency that could be exchanged for unlimited amounts of dollars
<p>The new currency will be defined by a fine weight of gold and will be convertible into gold by the circulation of ingots of a sufficiently high weight. All currencies will be exchangeable for the new currency at their gold value at the daily free rate.</p> <p>This is the formula used in Saudi Arabia, where the "Sovereign" is the basic currency, which is not very visible because it is immediately hoarded.</p> <p>The CFS has become the only country in the Middle East where private individuals can obtain gold in exchange for banknotes.</p> <ul style="list-style-type: none"> <li>- All private individuals would immediately ask to benefit from this possibility of conversion into gold; no doubt they would thus dispose of their notes denominated in Djibouti francs, but since it is practically impossible to prohibit the circulation of other currencies in the CFS, these would circulate in place of the Djibouti franc, and once gold had left the public coffers it would never return. The bad currency, in this case all the currencies of neighbouring countries, would drive out the good currency, in this case the currency convertible into gold and gold itself.</li> </ul>	<ul style="list-style-type: none"> <li>- The CFS is surrounded by countries where the influence of sterling is clearly dominant: British East Africa, British Somalia, Ethiopia, Eritrea and now Aden.</li> <li>- It is unlikely that there will be major variations, or that they will be very frequent.</li> <li>- Finally, technically the operation would be very easy to carry out. All that would be required is the agreement of the British Treasury.</li> <li>- This represents a definite loss of prestige for France, especially in the eyes of two neighbouring countries that are still politically independent. Ethiopia and Yemen.</li> <li>- Djibouti's currency, which is included in the sterling zone, will have to follow all the rules of that zone without being guaranteed against a measure that may appear harmless, but which is likely to be detrimental to the development of the CFS.</li> </ul>	<p>In this hypothesis, the issuing institute (which would ultimately be the public treasury) would issue a currency denominated in Djibouti francs, which would be directly linked to the International Monetary Fund, and would follow the Bretton Woods regulations. The advantages of this solution are considerable.</p> <ul style="list-style-type: none"> <li>- Psychological advantages: such a currency would become the strongest in the entire region and would quickly take precedence over all neighbouring currencies.</li> </ul> <p>It is said to be highly sought-after and to circulate rapidly in all neighbouring countries.</p> <ul style="list-style-type: none"> <li>- It would give Djibouti a powerful interest and quickly make it the region's leading foreign exchange centre.</li> </ul> <p>Introducing the US dollar would be a costly and unnecessary luxury.</p> <ul style="list-style-type: none"> <li>- Costly, because the dollar is a rarer currency than the pound and the adoption of such a measure, in the present state of France's external finances, a levy of 2.5 million dollars on dollar holdings represents a certain sacrifice. Unnecessary, because a private individual who had sterling at his disposal could obtain as many dollars as he wished on condition that he paid for them at their real value, which was practically the case in Abyssinia.</li> </ul>

beyond the classical legal-institutional framework. It shows that a colonised territory can, in certain conjunctures, redefine its monetary positioning through subtle trade-offs between external stability, international recognition, and imperial constraints. While the Djiboutian model cannot be mechanically replicated, it offers a valuable analytical framework to inform current debates on African currencies, CFA franc reforms, and alternative anchoring regimes.

In a world marked by structural monetary asymmetry, where few states possess full sovereignty, the example of Djibouti underscores that sovereignty must be understood as a situated, relational, and dynamic process – not as an absolute power but as a capacity to arbitrate, to adapt, and to embed one’s territory in the global monetary order without relinquishing symbolic control over it.

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