

Central African Republic adopts bitcoin as legal currency (Update)

April 27 2022



Bitcoin is growing in popularity -- and controversy, too.

The Central African Republic has adopted bitcoin as legal tender, the president's office said Wednesday, becoming the second country in the world to do so after El Salvador.

Lawmakers unanimously adopted a bill that made bitcoin legal tender alongside the CFA franc and legalised the use of cryptocurrencies.

President Faustin Archange Touadera signed the measure into law, his chief of staff Obed Namsio said in a statement.

The CAR "is the first country in Africa to adopt bitcoin as legal tender", Namsio said.

"This move places the Central African Republic on the map of the world's boldest and most visionary countries," he declared.

But a leading opposition figure contested the vote and said that the move aimed at undermining use of the CFA franc.

The CAR is one of the planet's poorest and most troubled nations, locked in a nine-year-old civil conflict and with an economy heavily dependent on mineral extraction, much of which is informal.

The text of the new legislation covers use of cryptocurrencies, and those who use them, in online trade, "smart contracts... by blockchain technology" and "all electronic transactions".

Cryptocurrency exchanges are not liable to tax, it adds.

Martin Ziguèle, a former CAR prime minister who is now an opposition MP, complained the bill was approved "by proclamation" and some legislators intend to file suit against it at the Constitutional Court.



Central African Republic.

"This law is a way of getting out of the CFA franc through a means that guts the common currency," said Ziguele.

"It (the law) isn't a priority for the country," he said. "This move raises the question: who benefits from it?"

The CAR is one of six central African countries that share the CFA

franc—a regional currency that is backed by France and pegged to the euro. Other members are Cameroon, Chad, Republic of Congo, Gabon and Equatorial Guinea.

Thierry Vircoulon, a specialist on central Africa at the French Institute of International Relations (IFRI) think tank, wondered if there was a link between the CAR's close ties with Russia.

"The context, given systemic corruption and a Russian partner facing international sanctions, does encourage suspicion," he said.

"Russia's search for ways to get around international sanctions is an invitation to be cautious."

Worries

El Salvador became the world's first adopter of the pioneering virtual currency on September 7.

The introduction was heavily criticised by the International Monetary Fund (IMF).



Stellar: Thousands of bitcoin devotees attended a conference in Miami this month.

It warned of "large risks associated with the use of bitcoin on financial stability, financial integrity, and consumer protection" and with issuing bitcoin-backed bonds.

Many regulators share those concerns, and other critics say that anonymised transfers using crypto are a perfect tool for traffickers and money laundering.

India effectively outlawed crypto transactions in 2018, only for the country's top court to strike down the ban two years later.

China's central bank in September declared all financial transactions involving cryptocurrencies to be illegal.

Huge swings in bitcoin's price make it risky as a store of value and long transaction processing times make it impractical for small purchases.

After a relatively calm 2020, the cryptocurrency has experienced wild swings in 2021, surging from under \$33,000 at the start of the year, peaking at over \$67,000, before returning to \$35,000 in February.

It was down 1.5 percent at 1400 GMT on Wednesday, trading at \$39,328.14 (37,293.7 euros).

Despite reservations, there is also acknowledgement of the usefulness of digital currencies as a flexible monetary tool.

Major central banks are looking at the possibility of setting up a virtual currency in a regulated environment.



Touadera's rapprochement with Russian President Vladimir Putin has generated friction with France, the CAR's traditional ally.

Troubled country

The CAR has experienced few moments of peace since it gained independence from France in 1960, and ranks 188 out of 189 countries in the UN's Human Development Index, a benchmark of prosperity.

In 2013, the country plunged into a civil war that developed largely along sectarian lines.

The conflict eased after France intervened militarily and elections were held that were won by Touadera, although for years armed groups held

sway over most of the CAR's territory.

In 2020, a coalition of rebels advanced on the capital Bangui, threatening to overturn Touadera as new elections loomed.

Russia dispatched paramilitaries to help repel the threat and then recover much of the rebel-held territory.

The operatives are described by Bangui as military advisers but by France, the UN and others as mercenaries from the Kremlin-backed Wagner group, which has been accused of abuses.

© 2022 AFP

Citation: Central African Republic adopts bitcoin as legal currency (Update) (2022, April 27) retrieved 8 September 2024 from <https://techxplore.com/news/2022-04-central-african-republic-authorizes-cryptocurrency.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.