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**The Application of Romanian-German Economic
Agreements before and during the Second World War**

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Abstract: With a predominantly agrarian-industrial feature, Romanian economy represented only a small percentage of the world's economy, however, certain sectors particularly distinguished themselves. Increased trade between the two countries was considered to release the tension of the political and economic situation of the two countries, an equally profitable economic agreement being the best solution, on which both leaders of the two countries agreed from the start. We believe that this report, clearly unfavorable to the Romanian party, is not due exclusively to the Romanian-German economic agreement, as many experts believe, on the contrary, it was meant to be a means by which Germany was to achieve its own economic and political interests, but which, as demonstrated in practice, was considered obsolete even by the Germans, the frame of Romanian-German economic exchanges surpassing its stipulations.

Keywords: agrarian-industrial feature; economic agreement; political and economic concession; non-equivalent exchanges; monopoly position

JEL Classification: Y4; Y70

Romania's economic policy in the period immediately prior to the outbreak of the Second World War will be influenced by the evolution of the international situation which determined that special attention be given to the military sector and the reorientation of foreign trade, under the conditions of the disappearance of some traditional markets or toilsome transportation. At the end of the second decade of the interwar period, Romanian society was already characterized by the existence of numerous social, economic and political tensions overlapping an equally difficult international economic and political context. With a predominantly agrarian-industrial feature, Romanian economy represented only a small percentage of the world's economy, however, certain sectors particularly distinguished themselves: for instance, in 1937 the industry and mining produced more than one third of the national income, while agriculture and forestry already represented approximately 55% of national income (Constantinescu, 2000). Also, the actions of the Bucharest regime would result in increased state intervention in industrial activity and massive orders in the production sector, purchasing large quantities of cereal, acquiring loans in the national market, supervising foreign control and monitoring currency circulation (Scurtu, 1996). As a result of meetings between King Carol the II and German Chancellor Adolf Hitler, the Roman-German economic agreement of 23 March 1939 aimed at strengthening economic relations between Romania and Germany, in the context of profound changes affecting Europe and anticipating the outbreak of the Second World War.

Increased trade between the two countries was considered to release the tension of the political and economic situation of the two countries, an equally profitable economic agreement being the best solution, on which both leaders of the two countries agreed from the start. "Adapting our economy to the needs of Berlin" did not tally with the economic and political interests of the Romanian state however, and putting into practice such an agreement would prove even more damaging for Romania.

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It should be mentioned from the very start that the economic relations between the two countries had registered a constant developing rhythm almost permanently (except for the period between 1924-1929), Germany already being at the top of the preferences of Romanian companies both in the field of exports and, especially, that of imports against countries considered "preferable", traditional partners or neighbors. To strengthen this assertion, one should bring to mind the existence of temporary economic agreements between the two countries, signed during the economic crisis, more precisely in 1930 and 1931 and that regulated the amount of goods and customs duties which the two economies had mutually undergo (Hilgruber, 2007).

The two economic agreements are confirmed by statistics and strengthened by the economic realities of this period. Thus, after the economic crisis of 1929-1933 wore out, the share of Romanian exports conferred the German state an absolutely respectable share of 22.7% of the total average of Romanian exports abroad for the period 1935-1939. Contrary to all expectations, the statistics show that the other important partners of Romania were already at a considerable distance from Germany, as follows: England 11.5%, Italy 8.9%, Austria 6.4% Greece 4.6%. (Muresan, 2003) Imports also illustrate the same preferences of Romanian companies for the same period, namely: Germany 25%, Czechoslovakia 15.6%, Austria 9.6%, England 8.55%, France 7.6%, Italy 6.1%, USA 4 % Belgium 3, 6%, Egypt 3.5%, etc. In 1935, a much more substantial economic agreement is established between the two parties, as a result of economic pressures expressed by the Third Reich against Romanian goods. Quotas are set regarding the products to be delivered by both parties, the agreement being characterized by the mutual desire to broaden bilateral economic relations (Buchet, 1999).

The negotiations between the Romanian and German parties started on February 12, 1939, but representatives of the two sides failed to come to an understanding, the claims of the German mission having been exaggerated, according to the Romanian side. Once the negotiations started, the German party requested the increasing of the share of German investments in Romanian petrochemical industry, providing large quantities of oil-bearing products, expanding of the rate of commercial exchanges between the two countries, reassessing the exchange rate of the national currency as against the German mark, the Reich's participation in the modernization of Romanian agriculture, etc., which would have "secured a prominent German influence on Romanian economy." (Simion, 1996).

With the invasion of Czechoslovakia by Nazi Germany and the breaking of the Munich Agreement, the international situation deteriorated and, after hectic discussions, on 23 March 1939, the economic Treaty between Romania and Germany was signed. Signing the agreement was a major political concession that the Romanian state was forced to do in exchange for guaranteeing the territory. The efficiency of the agreement concerning the increase of the volume of oil deliveries to Germany is enlightening: in 1940 - 447 000 tons, from 1940 to 1196.000 tons and in 1941 it reached 2,314,000. Other products mainly delivered to the German side were cereal, wheat, corn, horned cattle, pigs, eggs, etc.

Although concessions made to Germany would enable it to control Romanian economy subsequently, Romanian authorities would try to postpone its implementation without much success. In order to protect Romanian economy, authorities in Bucharest will initiate and sign somewhat similar economic agreements with political opponents of Germany, England and France, to counterbalance the effects of the economic agreement of March 23, 1939. Efforts to increase trade volume with the two *guarantor powers* would not be able to materialize than to a small extent because of the sharp deterioration of international relations and triggering armed hostilities by Germany in September 1939.

Direct consequences of signing the Romanian-German economic agreement would be reflected in the increase of Germany's rate in Romania's foreign trade from the very the beginning. Thus, compared to 1938 when Germany's rate represented 36.6% of imports and only 26.5% of exports, in 1940 imports from Germany already accounted for 50.9% of total, while exports would increase to 43.6% of total (Ciachir, 1996). The Treaty concerning the promotion of economic relations between the Kingdom of Romania and the United German Reich, published in the Official Journal of June 2, 1939, regulated economic exchanges between Romania and Germany as follows (Scurtu et al., 1982):

1. In view of the collaboration between the contracting parties, an economic plan extended over several years (five years as Germany's economic interests, n.n. S. George) would be drafted to complement the current regulation of Romanian-German bilateral trade, which would preserve as basic principle the balance of mutual economic relations.

According to the provisions stipulated in the Treaty, a priority would be the taking into account of the import requirements of the German economy and subsequently, the development opportunities of Romanian economy. Regarding the possibilities of increasing national industrial and agricultural production, or concerning Romania's need for economic exchanges with other countries, the respective treaty defined them as complementary. Generous in provisions, which, theoretically, stimulated the economic growth and development of Romania, the agreement attributed powers to authorized institutions to put it into practice, that is: "governmental commissions established by Article 32 of the Treaty of Establishment, Commerce and Navigation of March 23, 1935 between the Romanian Royal Government and the German Reich".

2. According to Articles 2 and 3 of the Treaty, both governments would mutually force each other to provide support to all organizations and companies performing trading activities and grant the authorization necessary for the execution of economic projects in question, according to law. This treaty was to be ratified by both parties within one month and, most importantly, was to be applied provisionally by both parties even before its ratification.

3. Regarding the payments to be made by Romania and Germany, they were to be governed by general provisions of the Roman-German Payments Agreement already in effect at that time. The payment methods between the two parties represent an essential component of that Treaty, as they would contribute to the amplification of its deficiencies and the accumulation of debt of Nazi Germany to the Kingdom of Romania. There is no doubt that the rhythm and amount of these sums would be another cause for dispute between the two parties and, especially, for discussions and debates between the leaders of the two countries on the occasion of repeated high-level meetings to be held during the war.

The worsening of the economic dependence of Romania to Germany would be achieved on the occasion of signing a new payment agreement between the two countries on December 4, 1940. Payment agreement to this document, responsible for making the payments were the German Clearing House in Berlin, for the sums German importers owed for goods delivered by Romania and the Romanian National Bank for amounts owed by Romanian importers for merchandise purchased from Germany. Obviously, Germany bought more goods from Romania than vice versa so the delays would compel Romania to pay for the products exported on the German market, which would contribute to accelerating inflation, the generalization of lack of products necessary for Romanian economy.

The further evolution of Romanian-German relations, or, more specifically, the Romanian economy was intended to be unduly conditioned by the provisions of the 1939 Treaty. Without denying the importance of the treaty, we believe that changing the political spectrum along with the unwinding of hostilities during World War II should have been taken into account.

We also consider that the economic realities were already a fundamental premise for increasing trade volume between the two countries, Germany already being a top partner in Romania's foreign economic relations as demonstrated by economic statistics. However, Germany and the other countries of the Axis would be able to easily secure their monopoly position in Romanian exports, the percentage in 1941 being of 95.16%, in 1942 of 93.6%, in 1943 of 95.85 and in 1944 up to August 23 of 98.77%. It is also a fact that the humble attempts at maintaining relations with neutral states would be paralyzed by the Germans, who would constantly decline the admission of the transit of Romanian goods to these countries, even by threatening the Romanian party with a real economic war by establishing an economic blockade against Romania.

At that time, a first and pertinent analysis of the stipulations of the Romanian-German economic agreement was made by the illustrious Romanian economist, Virgil Madgearu. Provisions such as developing the emerging sectors of agriculture, forest exploitation, the German party's deliveries of

equipment and mining and oil technology, in the opinion of the Romanian scientist were thought to "fully harmonize with the trajectory of normal evolution of Romanian economy" (Madgearu, 1995).

Although he does not agree with the vagueness of some provisions such as the collaboration on industrial land, the Romanian economist anticipates that "it is natural to predict that Germany will seek to strengthen the degree of complementarity of Romanian economy to its economy, which will involve some deviations and limitations of the process of industrialization that...are in agreement with the vital interests of a normal development of Romanian economy".

The economic treaty is put into effect, the forecast of the economists and Romanian authorities will be outdated. Through various means such as forcing Romania to deliver products at pre-war prices much inferior to global ones or approved by the Germans, by increasing the prices of German commodities delivered to Romania, unlike those for other partners of Germany, the German authorities themselves admitted it. Non-equivalent exchanges and the worsening of this situation would be one of the principal means of indebteding Romania to the Third Reich.

Another way would be to arbitrarily increase the exchange of the mark against the Romanian currency and the payment system between the two countries. Serious damage would be registered by the Romanian party due to its obligation of supporting German troops on its territory, in the field of transport, primarily due to serving the German army, and because of unpaid taxes owed to the Romanian state, etc, Romania's total losses from trade with Germany reaching to about 62.459.579.694 lei until 23 August 1944, or over \$ 446 million U.S. dollars, at the exchange rate in 1938. We believe that this report, clearly unfavorable to the Romanian party, is not due exclusively to the Romanian-German economic agreement, as many experts believe, on the contrary, it was meant to be a means by which Germany was to achieve its own economic and political interests, but which, as demonstrated in practice, was considered obsolete even by the Germans, the frame of Romanian-German economic exchanges surpassing its stipulations.

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