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INVESTMENTS OF FOREIGN CAPITAL IN THE ROMANIAN ECONOMY AT THE BEGINNING OF THE XXth CENTURY

- Abstract -

Taking its stand on statistic data, the study analyses the type, the amount and the economic impact of the investments of foreign capital in Romania, at the beginning of the XXth century. Foreign capital played an important role in the development of the modern economical relations in Romania, but, since the major objective pursued by the investors was their own profit, the area of the these investments was drastically limited to those fields engendering a certain and fast profit. The exploitation of the mineral resources (especially oil) and the projects of development of the infrastructure, having the Romanian state as a partner, were particularly preferred. On the other side, the industry lacked noticeable investments and, therefore, it remained at a backward stage of development.

The analysis of the flow of foreign capital to Romania also represents an aid to a proper understanding of the geopolitical interests involving Romania around the time of the WWI.

Keywords: Romania, foreign investments, capital, XXth century

INVESTIŢII STRĂINE DE CAPITAL ÎN ECONOMIA ROMÂNIEI LA ÎNCEPUTUL SECOLULUI XX

- Rezumat -

Studiul îşi propune să analizeze, pornind de la date statistice, natura, volumul şi impactul economic al investiţiilor străine de capital în România la începutul secolului XX. Capitalul străin a jucat un rol important în dezvoltarea relaţiilor economice moderne în România, însă obiectivul fundamental urmărit de investitori (profitul) a limitat drastic aria acestor investiţii în zone în care câştigul era rapid şi sigur. O importanţă deosebită a fost acordată activităţii de extragere a resurselor minerale (în special petrolul) şi proiectelor de dezvoltare de infrastructură, în care statul român era partener. În acest timp, industria prelucrătoare, lipsită de investiţii semnificative, a rămas la un stadiu rudimentar.

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Danubius, XXIX, Galaţi, 2011, p. 205-218.

În acelaşi timp, analiza fluxurilor de capital străin contribuie la înţelegerea intereselor geopolitice care au acţionat asupra României în preajma Primului Război Mondial.

Cuvinte cheie: România, investiţii străine, capital, secolul XX

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The orientation and quantum of western investments in the countries of South-eastern Europe, Romania implicitly, emphasises the overlap of economic and political interests, and the substantial advantages obtained by the creditor. The control over the Danube and its mouths, over the Black Sea, the Aegean Sea, the Straits, the routes to the Balkan Peninsula and Asia Minor, the replacement of the decomposing Ottoman political factor, due to the economic force and, consequently, the division of the area, the conquest of the capital market, investments in all the profitable economic sectors of South-eastern countries, the exploitation of their natural resources and the inclusion of the area within the range of raw materials suppliers and retail markets, all of these caused the South-East of Europe to be particularly attractive to Western investors.

At the beginning of the XXth century, the foreign finances were holding a determinant position in the foreign State loans of Romania, Bulgaria, Greece, Serbia and the Ottoman Empire and in credit institutions. It was still the foreign capital that financed the construction of ways and means of transport, bridges, public interest buildings, as well as the exploitation of the various ground and underground resources. This last investment allowed the procurement of significant profits as the rate of interest amounted to 8-12%, being superior to State loans (5-7%) and double or triple as compared to the one practiced in the similar investments of Western-European countries[1].

The volume of investments differed depending on the creditor, the liquid assets of the market from the country of origin, the perspective upon investment profitability, the interest in one field or another and, last but not least, the place attributed to the debtor in the overall politics of the crediting country. This explains why, both in its own country and in South-eastern Europe, German finances directed most of its investments to industry, exploitation of underground resources, oil especially, to commercial and railways companies (construction and exploitation), public utilities, while French finances for instance, fond of certain, immediate and secure profits, involved mostly in foreign State loans, considering other investments unprofitable and unwise.

[1] Victor Axenciuc, *Penetraţia capitalului străin în România până la primul război mondial* in "Revista de istorie", t. 34, no. 5, 1981, p. 825.

In Romania, foreign capital, with a symbolic presence before the independence, turned, during the last decade of the XIXth century, towards extractive industry (oil), raw material processing (wood, ores), metallurgical, food (sugar), chemical industry. Its pervasion was linked to the economic policy of governments, to customs fees and, accordingly, to the need of State development and modernisation. The nationality of the foreign capital and its share in relation to the Romanian capital were two controversial aspects, largely debated by historians and economists. Therefore, according to the calculations of Vintilă Brătianu, near the beginning of World War I, in the Romanian industry, foreign investments represented 96% as compared to 4% national capital[2]. Very close are the estimations of Octav Constantinescu and Nicolae Xenopol, i.e. 92.4%, respectively 94.5% foreign capital and 3.2%, respectively 5.5% Romanian capital[3]. Other authors lower the share of foreign capital to 80.2%[4] or even less, 69%[5].

The lack of official statistics, the low interest of governors and of most economists at the time in quantity and value related studies of foreign investments, certain gaps in the national legislation, correlated with the indifference of authorities towards the transaction of large shares which could pass from one company to another without a thorough evaluation, delayed at times or unrecorded by the new owner, led to discrepancies in the data regarding the value and the nationality of the foreign capital invested in the Romanian industry in general and in particular branches as well. Thus, according to Gh. M. Dobrovici, out of the 725 companies which existed in 1914, with a capital of 823 174 846 lei, only 43 companies with a capital of 244 438 055 lei belonged entirely to foreign finances[6]. For the same date, the estimation of G.D. Cioriceanu and D.St. Emilian, the latter, former Manager of the Industry Directorate from the Ministry of Industry and Commerce, are a lot superior, that is, 515 million lei, respectively 511 million lei foreign capital out of 740 million lei in all, respectively, 636 million lei, which

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[2] Vintilă Brătianu, *Politica de stat a petrolului în urma noii Constituţii şi a legii minelor*, Bucharest, p. 6.

[3] Octav Constantinescu, *Contribuţia capitalului străin la industria petroliferă românească*, Bucharest, 1937, p.125; Nicolas Xenopol, *La richesse de la Roumanie*, Bucharest, 1916, p. 147.

[4] D. St. Emilian, *Capitalul în industria din România* in "Analele statistice şi economice", no. 3, 1918, pp. 5; Tudor Savin, *Capitalul străin în România*, Bucharest, 1947, p. 34; N.N. Constantinescu, V. Axenciuc, *Capitalismul monopolist în România*, Bucharest, 1962, p. 214; V. Axenciuc, *Penetraţia capitalului monopolist străin în economia României* în *Progresul economic în România 1877-1977*, Bucharest, 1977, p. 148.

[5] Georges D. Cioriceanu, *La Roumanie économique et ses rapports avec l'etranger de 1860 à 1915*, Paris, 1918, p. 367.

[6] Gh. M. Dobrovici, *Istoricul dezvoltării economice şi financiare a României şi împrumuturile contractate 1823-1933*, Bucharest, 1934, p. 273.

means that over 2/3 of the capital invested in the great industry was coming from abroad[7].

Analysing these data, Victor Axenciuc considers them unreal. He reproaches to his predecessors the calculation methodology which took into consideration only some companies and only the capital invested in shares, inferior to the one effectively used in exploitation. Remaking the calculation, according to the statistics of 1913, he finds the figure of 1 307 million lei for the total assets invested in industry, out of which, applying the 80.5% percentage given by. D. St. Emilian for foreign capital, he obtains a value of 1 045 million lei for it, that is, over twice the estimations of the former Manager[8].

Table 1
Foreign capital investments in the Romanian industry of 1913[9]

Branch	***Foreign capital*** in million lei	**Share of foreign capital in the entire capital of the branch**
Oil industry	379.4	94.0
Wood industry	45.0	69.6
Sugar industry	34.5	94.0
Gas, electricity, water	21.9	95.5
Metallurgic industry	9.0	74.0
Food industry	8.9	31.0
Paper and cellulose industry	6.5	46.0
Transports	5.0	27.0
Textile industry	4.3	21.9
Construction materials industry	2.6	27.0
Chemical industry	2.3	72.0
TOTAL	**520.2**	**81.7**

Given the data above, we may state that foreign finances focused its investments on the extractive and raw materials processing industries. In chemical industry, metallurgy, sugar industry and electricity, foreign companies owned between 72% and 95% of the capital, while the Romanian capital was placed in

[7] Georges D. Cioriceanu, *op.cit.*, p. 367; D. St. Emilian, *op.cit.*, p. 5-6.
[8] V. Axenciuc, *Penetrația capitalului monopolist străin în economia României*, p. 148.
[9] Table elaborated by V. Axenciuc based on the data communicated by D. St. Emilian, *op. cit.*, p. 5 and descendingly ordered by us.

paper and cellulose, food and textile industry. The same conclusions may be inferred from the information supplied by Gh. M. Dobrovici, although the data are different. Thus, out of the 43 foreign companies authorised to operate in 1914, 24 were oil companies with a total capital of 116 881 255 lei, 2 were forest companies with a capital of 10 350 000 lei, one in each of the following: chemical industry (48 600 000 lei), metallurgical (13 125 000 lei), sugar industry (9 000 000 lei), constructions materials - concrete (5 250 000 lei), coal extraction (5 250 000 lei), a brewery (4 000 000 lei) and 11 in various other fields of business (31 951 800 lei)[10].

The largest part of the foreign capital invested in the public limited companies of the great industry belonged to the English-Dutch finances (38.3%), followed by the German-Austrian-Hungarian (36.6%), French-Belgian (18.6%), American (4.8%) and Italian (1.4%)[11]. In point of value and percentage, the German capital held the first place with total investments of 120 820 175 lei, that is, 23.5%, followed by the Dutch capital with 97 901 246 lei (19.5%) and, closely after, the English capital with 96 922 938 lei (18.9%).

Table 2
The provenience of the foreign capital from the anonymous companies of the great industry in 1914[12]

Capital provenience	***Value** – in lei*	**Percentage**
German	120 820 175	23.5
Dutch	97 901 246	19.5
English	96 922 938	18.9
Austro-Hungarian	65 539 525	12.8
Belgian	57 945 327	11.3
French	37 765 000	7.3
American	25 000 000	4.9
Italian	7 550 000	1.4

In the two decades from the end of the XIXth century until World War I, oil imposed in the entire world as the most important power generator for engines in general, particularly for explosion engines, and the most important and cheap lighting source. Easier to exploit and to transport, requiring a smaller storage place and less polluting than coal, known for its black and heavy smoke released in

[10] Gh.M. Dobrovici, *op.cit.*, p. 273.
[11] V. Axenciuc, *op.cit.*, p. 149.
[12] Table drawn up on the data published by V. Alimănişteanu, *Participarea băncilor la industrie*, Bucureşti, 1915, p. 5; D. St. Emilian, *L'industrie en Roumanie*, Bucarest, 1919, p. 6; A. Popovici, *Formarea capitaluluit în România*, Iaşi, 1935, p 85; N.N. Constantinescu, V. Axenciuc, *op.cit.*, p. 214.

burning, oil rapidly pervaded the daily life of the society, becoming indispensable in no time. As a consequence, world production grew extremely fast from 67 000 tons in 1860, when the extraction area was limited to the North-American State, Pennsylvania, and a small area from Caucasus, to 22.3 million tons in 1900, afterwards recording values higher and higher each year: 44 million tons in 1910, 51 million tons in 1913[13]. Some producer countries (USA) used their own ores as an advantage in the fight for economic and political influence. Others (Great Britain, Germany, Holland) carried out a continual and unceasing action for acquiring or leasing oil fields in underdeveloped countries. As a consequence, the fight in the field of oil extraction, processing and trade acquired shape ever since the end of the XIXth century, involving the English, the American and the Dutch finances in this dispute, at the beginning of the XXth century the German investors becoming interested as well.

In Romania, the first company with foreign capital was set up by the English Jackson Brown in 1864 - *Valachian Petroleum Co. Ltd* - with a capital of 4 million francs[14]. Until the middle of the last decade of the XIXth century, 9/10 of the oil industry was held by Romanians[15]. It was only after the Mines Law of 1895 which allowed free exploitation that international trusts turned up[16]. The share of the foreign capital considerably increased between 1895 and 1903 and spectacularly between 1904 and 1915. In point of value, foreign investments multiplied almost by 4, that is, from 20 million lei gold in 1895[17] to 82.6 million lei gold in 1905 and by 5 in the next year: 175.6 million lei gold in 1906, 222.2 million lei gold in 1908, 404.7 million lei gold in 1915[18]. More and more public liability companies appeared, and the exploitation area extended. In 1912, 62 public liability companies with a capital of 265 million lei were exploiting 2500 ha

[13] Rene Sedillot, *Istoria petrolului*, Bucharest, 1979, p. 140.
[14] V. Toroceanu, *Capitalul investit în industria petrolului* in *Industria petrolului în România în 1908*, Bucharest, 1910, p. 283.
[15] Cf. V. Alimănişteanu, *Patruzeci de ani în industria petrolului 1866-1906* in "Convorbiri literare", no. 3-5, 1906, p. 447 apud Gh. Buzatu, *România şi trusturile petroliere internaţionale până în 1929*, Iaşi, 1981, p. 33.
[16] The Law of 1895 established for underground riches: gold, silver, iron, coal, etc, that if the owner was not willing to exploit them, the State had the right to do the same, paying a lease, 4% for the net income and compensation for damages. An exception to the above was represented by the areas which contained bituminous substances in the underground (petrol, asphalt, mineral wax). Their owners could sell, assign or lease them provided that they observed mining policy, relations between workers and lessees and mining taxes.
[17] A. Ianculescu, *La Roumanie nouvelle et ses richesses minière*, Paris, 1928 apud A. Popovici, *op. cit*.
[18] According to Nicolas Xenopol, *op.cit.*, p. 146 ; V. Toroceanu, *op.cit.*, p. 187, tabel I; Gh. Buzatu, *O istorie a petrolului românesc*, p. 27.

out of the 20 000 ha oil fields[19]. In 1914, the number of the former grew to 96, and the capital to 403.6 million lei, that is 92% of the total. At that date, the Romanian capital was representing 7-8% according to some specialists[20], 5.5% according to others[21] or even 3.2%[22].

The importance of the new source of energy, its wide use, and especially the huge benefits resulted from its exploitation, transport, distribution and commercialisation lead to harsh and blunt clashes, rivalries and disputes among investors. Any blow was permissible on market and backstage as well. Manufacturers, transporters, distributors grew rich or wasted their fortune equally fast. All these are reflected in the participation of foreign capital. Until the beginning of the XXth century, the largest part of the capital invested in oil extraction and processing was English, from 1905 on the primacy being taken over by the German with 64.32%, followed by the English-Dutch (8.75%), American (3.32%), French-Belgian (4.31%), Italian (4.98). At the time, the national capital was representing 14.32%[23].

In 1914, nine countries had invested in oil industry in Romania: Germany, Great Britain, Holland, France, USA, Belgium, Austria-Hungary, Italy, and Sweden. Although, in point of value and percentage, the figures advanced by three analysts of the epoch regarding the participation of foreign capital in this branch of the Romanian economy do not coincide, they allow ranking, however, in the same way at all the authors[24].

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[19] Gh.M. Dobrovici, *op.cit.*, p. 244.

[20] See D. Kastriş, *Les capitaux etrangers dans la finance roumaine*, Paris, 1921, p. 49 and N. Arcadian, *Industrializarea României,* ediția II, Bucureşti, 1936, p. 135. The former uses for calculation the figures advanced by the publication of Marmorosch Blank Bank, *Les forces economique*, that is, 93.2% foreign capital and 6.8% Romanian capital, and the latter the figures provided by D. St. Emilian*, op. cit*. See also Tudor Savin, *op.cit.*, p. 42

[21] Nicolas Xenopol, *op.cit.*, p. 147.

[22] According to O. Constantinescu, *op.cit.*, p. 125. Starting again from the figures provided in "Le Moniteur du petrol roumaine", the author estimates for the year 1916 a coefficient of 92.4% (467 million lei gold) for foreign capital, 4.4% (23 million lei gold) for mixed capital and 3.2% (17 million lei gold) for the Romanian one. He appreciates the share of the latter within the mixed capital at 75%. In this case, the coefficient for foreign capital amounts to 93.5%, and for national capital to 6.36%. The estimations are close to the ones proposed by N. Xenopol.

[23] See Gh. Răvaş, *Din istoria petrolului*, Bucharest, 1955, p.87; N.N. Constantinescu, V. Axenciuc, *op.cit.*, p. 211; Axente Sever Bocu, *Din istoria industriei româneşti. Petrolul*, Bucharest, 1981, p. 9.

[24] See Vintilă Brătianu, *op.cit.*; O. Constantinescu, *op.cit.*; N. Xenopol, *op.cit.*; T. Savin, *op.cit.*; D. Kastriş, *op.cit.*

Table 3

The provenience of foreign capital in oil industry in 1914[25]

Values in million lei gold				***Percentages***		
Countries	**N. Xenopol**	**D. Kastriş**	**G.M. Dobrovici**	**N. Xenopol**	**D. Kastriş**	**G.M. Dobrovici**
Germany	160	110	110	35.0	27.22	27.34
Great Britain	115	96	95	25.2	23.76	23.64
Holland	60	80	98	10.1	19.80	24.25
France	10	10	20	10	2.47	5.07
Italy	45	4	7	2.2	0.99	1.85
Belgium	10	12	14	2.2	2.97	3.56
U.S.A.	25	25	25	5.5	6.18	6.19
Austria-Hungary	6	8	-	1.3	1.98	-
Romania	25	-	33	5.5	-	8.10

We must mention that other works, some older, other fairly recent[26] found their analysis, with slight corrections, on the figures provided by Xenopol or Kastriş.

At the same time with the ratification of the Mining Law, the first public liability companies appear on the Romanian market. Thus, in September 1895, taking advantage from the difficulties experienced by *Offenheim und Singer*, a company from Wien, shareholder, along with small Romanian and English investors in *Societatea Română pentru industria şi comerţul petrolului (Romanian Company for Oil Industry and Trade)*, the Hungarian Bank for Industry and Trade of Budapest bought the Austrians' shares, laying the foundations of *Steaua română (Romanian Star),* public limited company[27]. The initial subscribed capital (Hungarian, English and Austrian) amounted to 2.4 million lei gold. In 1897, the company obtained the assignment of 305 ha on Prahova Valley, rich in oil. From 1903, *Deutsche Bank* became the main shareholder, after taking over the Hungarian participation and purchasing English shares in 1898. In such circumstances, the share of the company grew fast as well.

In 1904, *Steaua română* owned two leased lands in area of 13 239 ha. Two years later, it had works in progress in three of the four counties rich in oil fields

[25] Drawn up on the basis of the data provided by N. Xenopol, *op.cit.*, p.147, D. Kastriş, *op.cit.*, p. 49 and G.M. Dobrovici, *op.cit.*, p. 244. The figures provided by Dobrovici stand on *Statistica minieră a României pe anul 1913-1914* and D.St. Emilian, *op. cit.,* p.7.

[26] See to that end Gh. Buzatu, *România şi trusturile petroliere internaţionale până în 1929*, p. 38; N.N. Constantinescu, V. Axenciuc, *op.cit.*, p. 213.

[27] See *Istoricul Societăţii „Steaua română*" I-II in "Moniteur du petrol roumain", year XIX, no. 20 of October 20, 1920 and no. 22 of November 15, 1920, p. 664-667, respectively p. 746-749.

(Prahova, Dâmbovița, Buzău) and production amounted to over 275 000 tons[28]. It became shortly one of the greatest oil extraction and processing companies in Romania. In 1909, based on an agreement with *Romanian Oil Trading Co Ltd* (with the office in London), it ensured the retail of its oil products on the Western European market. In 1915, it had a nominal capital of 120 million lei, paid-up, along with *Deutsche Bank* and other leading representatives of the German finances: *National Bank für Deutschland, Bank für Handel und Industrie, Berliner Handelsgesellschaft, Mitteldeutsche Credit Bank*. These were joined by an Austrian company, *Wiener Bankverein. Steaua Română* had subsidiaries for oil commercialisation in: London, Sofia, Genoa, Smyrna, etc[29].

In 1903, in the oil industry there were other 12 Romanian companies with a capital of 12.8 million lei, 2 Austro-Hungarian with a capital of 18.8 million lei, 6 Dutch with 14.8 million lei, 4 English with 6.1 million lei, 2 Belgian with 4.8 million lei and one French with 300,000 lei[30].

From this year on, the Romanian oil industry benefitted from an infusion of foreign capital. Renowned banks from the great capital cities of the world and famous oil trusts were disputing extraction, refining, transport and commercialisation of the Romanian oil. In their rivalry, they only took into account the profits that could be obtained from the new acquisitions. This is how we can explain the divergences between *Deutsche Bank* and *Diskonto Gesellschaft* which could not be settled, not even with the intervention of the governors in Berlin. Each created a company, *Deutsche Petroleum Aktiengesellschaft* (1904), respectively *Allgemeine Petroleum Industrie A.G.* (1905), continuing confrontation through their intermediary.

From these two, *Diskonto Gesellschaft* held in Romania the strongest position, participating in ore exploitation and oil refining at Gura Ocniței and Buştenari. In 1903, together with S. Bleichröder, they subscribed the largest part of the capital of *Telega Oil Co. Ltd*. (5 575 000 lei), and in 1905, they created, with the contribution of French and Romanian capital, the companies *Buştenari*, with a capital of 1 820 000 lei, *Vega Refinery* (Ploieşti), with a capital of 3 750 000 lei and *Creditul petrolifer (Oil Credit)*, with a capital of 3 million lei, raised by other 2 million lei through the participation of Marmorosch Blank Bank. The former were concerned with the extraction and processing of the raw material, while the latter with the commercialisation of the obtained products. Their presence on the Romanian market was felt from the very beginning, *Buştenari* for instance, coming to hold the second position after *Steaua Română* with regard to the oil production

[28] See "Biruința", Ploieşti, November 14/26, 1907.
[29] Marcel Bibiri-Sturia, *Creşterea influenței economice germane în România*, Bucharest, 1915, p. 33. See also "Moniteur du petrol roumain", February 1/14, 1915, p.76; V. Alimănişteanu, *op.cit.*, p. 34 and 64-70.
[30] V. Toroceanu, *op.cit.*, p. 286, table II; Gh. Buzatu, *O istorie a petrolului românesc*, p. 26.

(132 227 t)[31]. In 1907, *Telega Oil* and *Buştenari* merge, giving birth to a new company, *Concordia*, with a capital of 12 500 000 lei[32].

Other foreign capital companies were: *Alianța* (1908), *Carpathia* (1913), subsidiary of A.*G. für Petrol Industrie Nürenburg* (1913), *Danubiul* (1914). At the end of 1914, the German finances were participating in all to 14 companies with 16 434 220 lei nominal capital, which meant 31.41% of the total foreign investments in Romania[33].

Ever since the beginning of the XXth century, the American finances, represented by *Standard Oil Trust*, embarked too upon this fight for obtaining new oil fields,[34]. This, together with the German group around *Diskonto Gesellschaft* Bank, presented the Romanian State with an offer for the assignment of several lands. The American trust was interested in the assignment of the main transport duct which was to connect the extraction perimeters in Dâmbovița and Prahova Counties with Constanța Port, while the German Group was interested in the exploitation and commercialisation of oil products. The first investor had capital and experience, the second, special relations with the government and the politicians from Bucharest. Together, taking advantage from the crisis Romania was going through, characterised mainly by the urgent need for liquidities, offered in October 1900 a 10 million advance in exchange for the assignment for a 50-year period of 15 000 ha oil fields and monopoly over the ducts[35].

During the negotiations carried out in November, there were misunderstandings between the two foreign partners. Considering that it had offered too much to the German group, thus facilitating a future privileged position for it, the representatives of *Standard Oil* made another offer, in their own name, by which *Diskonto* was becoming, from associate, a simple intermediary. As a consequence, the German group withdrew. In these circumstances, the Romanian government put an end to the negotiations with *Standard Oil* on November 25/December 8, 1900. Two days later, on November 27 / December 10, 1900, Diskonto made its own offer, giving 8 million lei to the Romanian State in exchange for the exclusive assignment of the 15 000 ha. Not only that the proposal was not accepted, but it stirred a negative response from the public opinion[36].

The issue of oil field assignment was addressed again in 1903 when the German group attempted to recommence negotiations starting from the offer of

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[31] See "Biruința", November 14/26, 1907.

[32] V. Alimănișteanu, *op.cit.*, p. 64, Annexe II. For details regarding the participation of Diskonto-Gesellschaft Group.

[33] Marcel Bibiri Sturia, *op.cit.*, p. 34.

[34] For more details regarding the interests and intentions of the American trust, see Eng. Stelian Ionescu, *Asupra concesiunii "Standard Oil Company" în România,* Bucharest, 1900.

[35] For details regarding the negotiations, see Gh. Buzatu, *op.cit.*, p. 32-37; Gh. Răvas, *op. cit*., p. 41-45; Robert Păiuşan, *Problematica unei crize timpurii a datoriei externe*, Bucharest, 1998, p. 145.

[36] Robert Păiuşan, *op. cit.*, p. 146.

1900. Reality was different now, the financial crisis was no longer present and therefore, the German proposals could not constitute a basis for discussions. They were rejected. Another attempt to make such proposal was made during the following years, when the diplomacy from Wilhelmstrasse wanted to turn this affair in the Germans' favour. Worried by "the turn took by the oil issue in our country", the Chancellor of Germany was pointing out, in the spring of 1905, that "if significant German interests were overlooked, he would be forced to apply the inevitable political consequences regarding the attitude of the imperial government towards Romania"[37]. He was alluding to the support granted to the government of Bucharest for the recognition of Aromanians' rights.

Standard Oil did not give up the fight either, but it changed its tactics. Its pressures on foreign markets for having rejected the Romanian oil, corroborated with the spectacular decline in the price of American oil, determined, on the one hand, its coalition with the group of German banks gathered around *Diskonto* and its association with the English-French group, Nobel-Rothschild, with which it set up the international company, *Europäische Petroleum Union*, and, on the other hand, the pervasion of the American trust on the Romanian market. In 1904, *Standard Oil* succeeded in laying the foundations of *Româno-Americana (Romanian-American)* company. In 1914, it held 5% of the capital invested in oil industry, 18% of production and 23% of refining[38]. In 1907, the conflict between Germans and Americans in Romania comes to an end, by signing an agreement through which the German party was undertaking to refrain from any action that might affect American interests.

The English-Dutch capital was added to the German and American one. Present on the Romanian market ever since the XIXth century, English capital acquires strength and competitiveness by uniting its interests with the Dutch capital. Together, they contributed to the establishment of the companies *Astra Română* in 1910, which belonged to *Royal Dutch Shell* trust, and *Romanian Consolidated Oil Fields Ltd* in 1912. The former appeared through the merger of the companies: *Astra*, set up in 1908 by the Dutch Group *Geconsolideerde Holandische-Petroleum Co*, which held oil field grants in Moreni area and *Regatul Român (Romanian Kingdom)*, the production of which amounted to 112 000 tons in 1906[39]. The second was formed by *Romanian Oilfields Ltd, British Romanian Oil Co Ltd* (set up in 1910), *Central Romanian Petroleum Co* (set up in 1909) and the one established by R. von Sykle (1906). In 1914, *Astra Română* held 11.5% of the capital invested in oil industry, 25% of production and 40% of refining[40].

Until the beginning of the XXth century, the French presence was insignificant and consisted in minor participations to the companies with German, English, Dutch or Belgian capital. The first company, *Aquila Franco-Română*, was

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[37] Archive of the Ministry of Foreign Affairs, fund 21, vol. 22, f. 18, report, Berlin May 30 / June 12. 1905, A. Beldiman to Iacob Lahovary.
[38] Gh. M. Dobrovici, *op.cit.*, p. 245
[39] See "Biruința", November !4/26, 1907.
[40] G. M. Dobrovici, *op. cit*.

incorporated in 1904. It was exploiting lands on Prahova Valley and owned a refinery in Ploieşti with a production of 200 000 tons in 1914[41]. It was followed by *Columbia* in 1905, *Alfa* and *Galia* in 1906, controlled by Rothschild House from Paris, *Franco-Română (French-Romanian)* in 1907. The strongest of them was *Columbia* which held, ever since 1912-1913, shares quoted on Paris stock exchange and investments of Paris banks, *Banque des Paris et des Pays Bas* and *Omnium International*. In 1913, their production represented 18% of the entire Romania production[42].

The French capital contributed in a smaller proportion to the establishment of other companies: in 1905 *Société des petroles roumains* and *Gallo-Româna*, in 1906 - *Luteţia*, in 1907 - *L'Etoile franco-roumaine*, in 1908 - *Odette*, in 1909 - *Carré, Wenger et Co.* (subsequently turned into *Vulcăneşti*) and *Predeal-Teleajen*. In 1910, *Societatea Română (Romanian Company)* was beginning its activity, exploiting the ores from Ploieşti and rejoicing in the interest of a group of investors, among which the consul of France in Bucharest[43].

At the beginning of the XXth century, oil extraction, processing, transport and commercialisation were making up the industrial branch with the greatest perspectives and benefits. In 1913, 13 companies were making 97.9% of the production, out of which 27.4% in *Steaua Română* and *Concordia*, followed by *Astra Română* with 25%, *Columbia* and *Româno-Americană*, the last with 18.8%. French companies, *Columbia* (4th position), *Alfa* (9th position), *Acvila Franco-Română* (12th position), made up 15.4% of the total production, the Dutch ones, *Orion* and *Internaţionala*, 6.6% and the British ones, *Romanian Consolidated Oilfields Ltd*, *Trajan Romanian Oil Co.* and *Anglo-Romanian Petroleum*, 5.5%. Together, French, Anglo-Dutch, English and Dutch companies made up 52.5%, exceeding German companies[44]. Just before World War I, oil extraction and processing was dominated by German, Anglo-Dutch and American companies. For instance, from the total production of crude oil of 1 783 947 tons obtained in 1914, the companies *Steaua Română* and *Concordia*, both with German capital, were contributing with 450 360 tons, *Astra-Română* (mainly Dutch capital) with 466 605 tons, and *Româno-Americana* with 420 531 tons[45], that is around 2/3. Things were the same with regard to refining. At the same date, the German companies were processing 489 423 tons, *Astra Română* 421 631 tons and *Româno-Americana* 384 550 tons[46].

At the end of 1913, the capital invested in 73 companies amounted to 476 923 136 lei. Deducting the capital of *Distribuţia* company involved in the retail of oil products on the Romanian market, we obtain 475 926 136 lei out of which

[41] Balkan Compas, teil I, Rumänien, 1914-1915, Wien, 1914, p. 247.
[42] *Ibidem*, p. 236-237.
[43] Georges Cioriceanu, *op.cit.*, p. 130.
[44] Gh. N. Căzan, Şerban Rădulescu-Zoner, *România şi Tripla Alianţă 1878-1914*, Bucharest, 1979, p. 308.
[45] Acc. to Nicolas Xenopol, *op. cit*., p. 203
[46] *Ibidem*, p.204.

32.7% was represented by the nominal capital of the companies with German participation, 29.1% of the English ones (41.7% if we add the Dutch capital). Together, English, French and Dutch companies held 56% of the nominal capital of the companies from the oil industry[47].

In conclusion, we consider that the share and the provenience of investments from the Romanian oil industry, illustrate not only the particular importance attributed to this new source of energy worldwide, but the economic dependence of Romania on the great financial groups from Western Europe. The great richness of the ores triggered rivalries between the exponents of foreign finances, especially since in the eve of World War I, our country was the fourth producer in the world, after USA, Russia and Mexico, and the second in Europe[48]. These realities increased not only the interest of Germany, Great Britain and France in Romania, but of Russia as well, the third component of Entente Cordiale, for the strategic position in a potential conflict with the Central Powers. The dispute between the different representatives of the foreign finances for the extraction, processing, transport and commercialisation of Romanian oil had become one for separating Romania from the Central Powers and drawing it towards Entente Cordiale. Crude oil had become a political weapon as well.

With modest values and shares, foreign investments were present in other sectors of the Romanian economy and society. Generally, they were oriented towards the exploitation of underground riches, industrialisation of agricultural products, financing of public lighting, construction of railways and modernisation of harbours.

The economic dependence of Romania on the German finances is emphasised not only by its massive participation in the foreign State loans and oil industry, but by the investments in lighting and urban transport. The famous electricity companies *Allgemeine Elektricitäts-Gesellschaft* (A.E.G.) from Berlin, *Elektricitäts-Aktiengesellschaft vormals W. Lahmeyer* and *Siemens-Schuckert* opened up subsidiaries and companies. Consequently, between 1900 and 1914, almost the entire production, the transport and the distribution of electric power belonged to German capital (except for a French company, *Société du gaz et d'electricité de Bucarest*). Electric lighting of Iaşi, Brăila, Dorohoi, Roman, Tecuci, Bucharest, as well the central heating of the main buildings in the capital city was assigned to it. The German capital founded the powerful company *Electrica*, with the well-know *Câmpina* plant, and was controlling urban transport in Iaşi and Brăila.

Ever since the end of the last century, the French finances made its presence in other branches of industry as well. Thus, in 1898, *B. Courant et Comp.* was setting up the paper mill from Cosmeşti, sold in 1903 to the French Th. Raux, with whom it also had in common the forest exploitations from Slatina and Cosmeşti. In 1900, *Dupont, Lachaume, Meillassoux et Co.* from Paris was

[47] *Ibidem*

[48] Acc. to "Moniteur du petrol roumain", no. 6, February 20 / March 5, 1914, p. 284.

establishing in Ripiceni the sixth sugar works in country. The French capital had invested over 5 million lei in sugar industry[49], which represented the seventh part of the total foreign investments in this branch and was present in the metallurgic industry through the intermediary of *Metalurgia română (Romanian Metallurgy)*, in urban lighting through *Compagnie d'eclairage de Galatz* and even in agriculture through *Societatea pentru îmbunătăţirea şi dezvoltarea sericiculturii (Company for the improvement and development of sericulture)*[50].

The investments of Austrian finances in forest exploitation and of Belgian finances in sugar industry (mills from Roman and Sascut) round up the picture of the foreign finances present in the Romanian economy. The first was holding supremacy in forest industry (42 157 025 lei out of 65 736 470 lei in all) and in paper and cellulose industry, and the second in sugar industry (25 500 000 lei out of 39 042 000 lei in all)[51].

Theoretically, the high value of foreign investments in Romania allowed it a variety of investments, more or less profitable: State loans, construction of railways, stations, bridges, silages, harbours, roads, river and sea means of transport, industrial investments, setting up banks, commercial companies, insurance companies, communal public services (lighting, public transport, water and gas supply).

Among these, the investments of the foreign finances in production, services and infrastructure were modest and not so varied. Most of them were carried out after 1900 in branches and services which guaranteed sure and immediate gains to the creditor, as well as the control over certain raw materials, especially over power resources: extractive industry (oil, ores), urban lighting and construction of communication ways. At the same time, the participation of the foreign finances decisively contributed to the creation of national capital, to the modernisation of the society through the development of the production of material goods, to the creation of banks and to the consolidation of their activity, to the affirmation of our country and its integration in the European economic system.

[49] N. Arcadian, *op. cit.,* p. 135.
[50] See *Balkan Compass*, pp. 164 and 327.
[51] N. Arcadian, *op. cit*., p. 135.