



## **Romania's Unequal Economic Exchanges with Germany and the Soviet Union**

Stefan GHEORGHE<sup>1</sup>

<sup>1</sup>*Danubius University, Galati, stefangheorghe@univ-danubius.ro*

### **Abstract:**

Romania's special economic situation during the Second World War did not deter it from allying with the United Nations and contributing economically, military and politically to the war effort. Romania occupied the fourth place in the world after the Soviet Union, United Nations and Great Britain which was an honorable thing given that its economy had been deeply affected by the German ally till 23 August and after this date, by the Soviet one.

**Key words:** unequal economic exchanges; reparations; economic costs; economic agreements; economic stipulations.

Romania's participation in the Second World War represented a point of maximum economic, political and material effort of the Romanian state given that its potential had been seriously affected by political submittals in the summer of 1940. The chaotic economic activities were nothing but one of the most serious economic argument which interested the Romanian authorities. Undoubtedly, the economic transition during the Antonescu regime along with the Romanian army mobilization in the anti-Soviet warfare worsened the economic conditions so that the Romanian authorities soon needed to introduce certain restrictions on main food and goods (oil, cereals, etc.).

The increasing of the German economic, military and political control would aim the achievement of the Third Reich's goals, but with respect to the Romanian side, its participation would be preferable along with the Germans than with the Russians, who, however, were not interested in supporting the Romanian interests in Transylvania, on the contrary, they were assiduously looking to occupy Romanian territories (Markham R. H., 1996). Fully aware of Romania's delicate political and military situation, Hitler disregarded to inform Antonescu about the future plans of the German military offensive. Prior to the first



meeting between the two, it was taken in Berlin the decision to increase the troops of the German military mission in Romania, called by both king Carol and Antonescu, in order to train the Romanian troops.

But the German concerns for training and equipping the Romanian army were placed last, in the Wehrmacht's view the missions of the headquarters and German troops in Romania were:

- defense of the oil region against predatory intentions of a third power and against destruction as well;
- training the Romanian army following a strict plan, according to the German interests, in order to solve the given tasks;
- preparation of the German and Romanian troops in case of war with Russia, having as starting point Romania.

Moreover, Hitler had asked the German commanders of the troops stationed in Romania to avoid at all costs the "appearance of a military occupation of Romania" (Duțu Al., 2000) Given the negative findings of the German military authorities in Berlin regarding the Romanian army, it can be concluded that the stated aim of the Reich's troops in Romania was in fact masking its true political and military intentions (A-H, 1991). Contrary to all appearances, the Romanian army received significant support from Wehrmacht, consisting in improving the combat readiness and military technique. However, the received aid was far from being sufficient, the entire corps of command of the Romanian army being fully aware of this aspect..

From the economic point of view, as early as 1939, Germany had managed to impose Romania tax incentives- these being part of the concession policy- through an economic agreement which damaged the economy. The evolution of economic exchanges between the two countries showed how Germany managed to acquire a monopoly position in relation with Romania. For instance, of the total Romanian exports between 1941-1944, the exchanges with Germany and its allies were situated between 95.16% - 98.77% given that the German state made serious economic pressures with respect to the economic embargo on Romanian products with third countries.

From a certain point of view, the situation was, however, in the pipeline specially because the summer of the 1940 was one of the worst, due to territorial losses, but the entry of the German troops in the country coincided with the installation of additional safety and national security, especially in the eastern border.

The maintenance of the German Troops on Romanian territory, the payment system, the deductions resulting from the transport and communication activities were other "trouble spots" of the collaboration with the Third Reich in the anti-Soviet war. While the military units and the German import-export companies made supplies at minimum prices for main products, the goods imported from Germany were absolutely irrelevant for the Romanian market's needs, not to mention their inflated prices. Romania's complex situation internationally made it extremely vulnerable to the claims of its German ally, who was aware that this economic cooperation would lack in any adverse reaction from Romania. All these reasons, which allowed the Romanian-German collaboration, resulted from the fact that once having accepted to participate in the military campaign from the east, the Romanian authorities lost sight of



"small details of the collaboration", although the legal situation of Romania was similar to an independent and sovereign state which was fighting against a common enemy.

Even the two countries had begun to make significant services or concessions on a reciprocal basis once with the accession to power of general Antonescu, his availability to participate from the outset in a potential German-Soviet military conflict, would not be able to fade the public opinion's conviction that Germany was the main artisan of the Romanian State's disruption in the summer of 1940, and that Romania had been treated as an object of foreign affairs.

During bilateral trades, even Romania received from Germany irrelevant products for its economic development, the former was required to deliver large quantities of prime necessities goods to the population and in order to support the economic effort of war. Further unfavorable facts materialized in prewar pricing even if this was well below world market price at that time. Calculations showed that the average price paid by the Germans per tones of oil was of 6600 lei while on the world market this was of 13,500 fact which, between October 1940 and August 23, 1944, helped Germany to receive over 6 million tons of oil for free from Romania. At the same time, the prices for the arms delivered by Romania to Germany were increased groundlessly by over 20 billion lei fact acknowledged even by the German Embassy's representatives in Bucharest in the diplomatic correspondence with Berlin (Constantinescu N.N., 2000).

An estimated average of price evolution of German and Romanian products showed that the former increased with an average of 614% while the latter only reached 123%. This way, the unequal exchanges between Romania and Germany during the Second World War worsened intensely the economic situation of our country and forced it to pay maintenance costs for the German military mission while simultaneously having to support economically the Romanian army on the Eastern Front.

Another aspect which undermined the Romanian economy was the arbitrarily increase of the German mark made against the Romanian leu from 50 lei in 1939 to 60lei on April 1941, the prejudices being estimated at almost 910 billion lei in 1938. Also, the payment system between the two countries, according to the agreement of December 4, 1940, was in the Germans' advantage who did not respect their tax obligations towards Romania, the authorities being practically obliged to credit the German State and pay its bills to Romanian companies. Furthermore, the extensive use of the railway and telegraph infrastructure and the circulation on the Romanian market of large amounts of German currency (German residents in Romania had the right to send monthly packages of goods in Germany bought on the Romanian market). The amounts collected from the calculation of interest, penalties and of other economic forms economic between the two sides converged towards the figure of 62 billion lei during the 1938 (approximately 450 billions dollars), not to mention the wear and damage of the Romanian infrastructure caused by the Germans.

These costs would not be acknowledged at the Peace Conference from Paris, only a small percentage of Germany's financial obligations would be taken into consideration, though arbitrarily calculated and obviously incomplete. The Armistice between Romania and the United Nations signed on 12 September



1944 would represent the overall framework for the unfolding of Romania's military campaign against Germany and its satellites. The Implementation of its terms would be the responsibility of the Allied Control Commission. According to the agreements of the Big Three Romania would be thrown into the arms of the Soviet Union. The brutal interference of the Control Commission's representatives would decisively affect the internal political events, thus disturbing the state budget through massive withdrawals of goods seized through the Armistice Agreement.

Determined to proceed as soon as possible the improvement of the Soviet-Romanian relations and Transylvania's liberation, the Romanian authorities would send to the front more military units than the 12 divisions provided by the armistice. With respect to the number of Romanian troops engaged in the military operations against Germany, this was amounted to about 538,536 soldiers, out of a total of 1,100,000 assigned to the United Nations (Muresan, M., Muresan, M., 1998). The Romanian armies would cover, between August 23 1944 and May 12, 1945, an average of 1,700 kilometers, forcing 12 rivers and 20 mountain ranges and capturing the 3831 villages among which 53 major cities. All these were possible with the sacrifice of the 169,822 soldiers killed, wounded and missing. Romania's contribution to the cause of the United Nations would be significant, leading to the war shortening with about 200 days and giving them a strategic material and human advantage.

Although Romania's economic war effort, estimated to the enormous amount of 1,200,000,000 dollars (acc. to the currency in 1938), had situated it on the fourth place in the hierarchy of the United Nations fighting against Germany, its justly deserve co-belligerent status would be denied for political reasons known only to the Great Powers. Of all the states which were are in a situation somehow similar to that of Romania's, none of them made the military or economic effort at the same scale as Romania did in defeating the Nazi war machine.

The coup of August 23 and Romania's transition alongside the United Nations, would be in all respects, a very unpleasant surprise for both Germans, but especially for the Soviets, who were now prepared to go into detail that "division of responsibilities" in the Balkans, strongly requested by the British Prime Minister W. Churchill. The royal decision for the making of volta-face represented another general surprise for the international diplomatic circles, this being motivated by the need to avoid the transformation of the country into a theater of war, fact which would have had one of the most unfortunate consequences on the civilian population and on the economy in general. The logic of the act itself was a very good short-term initiative, however, the consequences derived from it would be baleful in terms of Romania's domestic and international political future.

The benefits brought to the Allied cause were huge, somewhat inversely proportional- critics say-to those acquired by Romania. Without neglecting the regaining of North Transylvania, one can say that the price paid by the army and the nation was unfairly high, great sacrifices being made, both on the front and on the inside for years to come.

From a strategic perspective, Romania's capitulation was for the German "ally" a real military and political disaster in materialized, according to Field Marshal Keitel, in the "loss not only of the Romanian



territory, but also that of Bulgaria, Greece and Yugoslavia, endangering the German army throughout the Balkans." Germany would thus be forced to withdraw all its military device from the Balkans in order to avoid being encircled by the Red Army offensive, the latter managing in the end to occupy Bulgaria without special fighting (Ciachir N., 1996). In addition to the loss of important defensive positions represented by the Carpathians, Germany would extensively be affected by the loss of food supplies and especially of the Romanian oil, thus making its combat forces some of the most overcast.

Other findings illustrate Romania's courageous attitude, which had been instrumental in tilting the balance in favor of the United Nations, "in a time when the odds of the war did not know who would end up in victory " the military manpower being estimated at about 70 divisions, which by the nature of the events had to be used. The services to the Allied cause cost Romania significant material reserves, not to mention the number of lives lost during the war, the real costs of the antifascist war placing the Romanian state on a respectable fourth place in the hierarchy of states participating in the war against Germany, before France, Yugoslavia and Australia. These considerations are particularly important because they were made by taking into account the limited period from August 1944 to May 1945, compared to the total period of the conflict, during which Romania participated alongside the United Nations.

Romania's coming over to the United Nations' side would get the state in the "big camp of democratic states" but only for a short period of time.

The further development of the military events on the front would have great impact on Romania's internal situation which, though having assumed itself the status of ally , was treated as an occupied state.

Romanian authorities prepared in detail the signing of the armistice, for this purpose by sending a delegation to Moscow, composed of Lucrețiu Pătrășcanu, Ghiță Pop, Dumitru Dămăceanu, Ion Christu, specialists in economic affairs and international law. Unfortunately, the content of discussions held in Moscow by the representatives of the Romanian government and those of the Allies was far from being a true negotiation, the Romanian side coming up with objections on different issues, most of them being ignored by the Soviet Prime Minister V. Molotov, the Allies' chief negotiator.

Despite the Soviet's refusal to make concessions, the Anglo-Americans concluded that "Romanians left with the sense of having easily got off, the most important issues to them being how the armistice's conditions would be" interpreted and applied by the Soviets (Quinlan P.D., 1995). " The implementation of the Armistice Agreement, signed on 12 September 1944, proved that Romanian delegation's concerns were fully grounded, which by then had been informed, through specific instructions sent by the government in Bucharest, about the behavior of the Soviet troops and the treatment the civil, military authorities and civilian population were subjected to.

Unfortunately, along with the signing of the Armistice Agreement on 12 September 1944, the subordination of the Romanian army would become official, fact stated in the first article according to which "military operations of the Romanian armed forces, including naval and air forces against Germany



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and Hungary, will be held under the leadership of the Allied (Soviet) High Command. All these paved the way for the text interpretation of the Armistice Agreement including the amount of debts and amends that Romania had to pay to the Soviet Union. The terms of the Convention were applied so strictly that Romania found it almost inevitable to meet them and therefore, had to pay penalties at a rate of 5% from the amount of arrears for each month of delay of the installments.

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