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Equipping the Romanian army with French material. Financial aspects

Andrei Nicolescu

PhD. Student, "Ion Creangă" State Pedagogical University, Chişinău, Republic of Moldova

Abstract. Throughout the interwar period, France was Romania's largest supplier of arms and combat equipment. This was due to several factors that made the French defence industry the most attractive market for procurement in this field. The financial arrangements in which the French government showed flexibility, the fact that the French industry was one of the most advanced and complex in the world, being able to supply armaments for all the Romanian army's compartments and the readiness to provide its manufacturing plans to Romanian arms industry kept France in first place in the preferences of the Romanian government.

Keywords. Equipping, Romanian army, French material, financial aspects

Throughout the interwar period, France was Romania's largest supplier of arms and combat equipment. This was due to several factors that made the French defence industry the most attractive market for procurement in this field. The financial arrangements in which the French government showed flexibility, the fact that the French industry was one of the most advanced and complex in the world, being able to supply armaments for all the Romanian army's compartments and the readiness to provide its manufacturing plans to Romanian arms industry kept France in first place in the preferences of the Romanian government.

First of all, the French state, with all the hesitations in foreign policy, has proved to be the most important supporter of the Romanian army's equipment programs. Romania benefited from important loans without which it would not have reached even a minimum level of equipment. After the heavy material losses from the First World War the Romanian state could hardly bear the burden of new military expenditure. Unfortunately, the international context and the situation in the region made these purchases necessary, so as not to leave Romania at the mercy of external forces located right on its border, which were very aggressive and were just waiting for an opportunity to attack. The financing with French support was hampered by some misgivings on the part of the Paris authorities about the capacity of the Romanian economy to cope with budgetary demands beyond its means. This attitude is highlighted by Gabriel Puaux – the French Minister in Bucharest between 1928 and 1933 – in a conversation with General Condeescu, Minister of the Army, at the beginning of the period under analysis. In response to the Romanian dignitary's request for loans for armaments, estimated by him at over 4 billion lei spread over ten years, Puaux pointed out in accordance with the "French Government's point of

view" that France would only guarantee credit within limits that would not jeopardise the balance of future Romanian budgets¹.

An extremely complex and well-informed presentation of the Romanian economic situation is given by Finance Minister Aurel Vlad in response to a parliamentary question regarding the government's programme: "Gentlemen, we have so far a state debt of over 9 billion. Apart from that we have the following obligations: war reparations still unpaid in the overall amount of 2 billion, unpaid requisition vouchers - 1 billion crowns that we will have to take over, 2 billion – General Bank lei, 2 billion rubles - I don't have positive data, but I estimate them at 1 billion, the part of the debt of the Austro-Hungarian monarchy that according to the peace stipulations we will have to pay, about 2.5 billion; the assets of the Hungarian and Austrian state, which again according to the peace stipulations we will have to renegotiate and make available to the reparations commission, 2 billion. All in all about 21-22 billion and to this sum we must add the sums that we will have to spend in order to restore the railways and to be able to return to normal life."²

The evolution of the sums allocated to the army during the interwar period proves that the Romanian officials in the financial structures showed the same condemnable lack of awareness that they showed before the beginning of the First World War. For them, the need for a strong and modern Romanian army was not so pressing. A system of zonal alliances, which was supposed to compensate for the glaring shortcomings of the Romanian military structures, seemed much more financially convenient. Subsequent European and world events would prove the unrealistic nature of these ideas.

Table No.1 Evolution of budgetary allocations 1922-1931³

Year	Army budget	General budget	%
1922	1 707 502 148	10 498 283 482	16,27
1923	3 117 619 465	19 565 729 767	15,93
1924	3 574 700 663	42 000 000 000	14,89
1925	4 423 650 797	31 750 000 000	13,62
1926	4 024 650 787	42 257 971 700	11,89
1927	6 904 180 000	53 467 228 900	12,91
1928	7 830 500 000	55 957 755 000	13,75
1929	7 930 500 000	55 969 755 000	14,17
1930	9 092 700 000	68 710 283 079	13,23
1931	10 204 029 661	69 668 251 378	14,66
TOTAL	59 711 033 351	432 844 838 306	13,79

Gheorge Zaharia, Constantin Botoran, *Romania's national defence policy in the interwar European context. 1919 - 1939*. Bucharest: Editura Militară, 1981, p. 150.

Compared to countries in a similar geostrategic situation, Romania was almost in last place, with Poland allocating 33.7% of the state budget to the army, Yugoslavia - 22.7%, Czechoslovakia - 18.2%. Comparison with the revisionist states reveals that the situation was worrying, with Italy sacrificing 29.3% of its budget to the armed forces and Bulgaria - 23%.

The period of the economic crisis from 1929 to 1933 was the worst for the Romanian army when its budget was at its lowest level - 11.66%. The problems faced by the leaders of Romania's military forces were not only limited to the paucity of funds allocated. In the distribution of these funds equipment was of little importance and in 1931 only 15% of the army budget was allocated to the renewal of weapons and combat equipment. The statistical table below is illustrative of the paucity of funds available to the army:

Table 2 Evolution of budgetary allocations 1930-1933⁴

Year	Budget of the army in lei (without extraordinary expenditure)	State budget	%
1930	9 092 700 000	37 450 000 000	24,27
1931	9 445 423 253	50 329 365 517	18,76
1932	7 914 523 308	25 429 000 000	31,12
1933	11 633 338 434	23 437 000 000	48,93

Dan Rădulescu, *"Military Budgets and Status Quo in 1932-1933"*, in *"Military History Review"*, no. 5/11, 1991, p. 8

The years 1932-1933 do not bring an improvement in the situation. On the contrary, it is estimated that the financial effort in the military field reached its lowest level⁵.

Insufficient funds were also burdened by the dishonesty of some Romanian officials who, putting personal interest before the safety of the Romanian state, concluded disadvantageous contracts. In this way arms of poor quality were purchased at exorbitant prices. Best known of which was the "Škoda Affair" – a contract signed on March 17th 1930 with the Czechoslovakian Škoda factories. It provided for the supply of mainly cannons and machine guns and contained "... some confusing clauses, disadvantageous to the Romanian state" including what was described as "the commitment made by the government that Romania would liquidate its arms industry"⁶.

An improvement of the situation begins to be felt in 1933, when Romania obtains on February 7th a decrease of 2.25 billion lei in its claims in order to allow the financial situation to stabilize. On February 19th the Paris agreement suspends the repayment of the Romanian debt for 3 years (which represents 1.55 billion lei) to which must be added 590 million lei of war loans written off by the Geneva agreements⁷.

The beneficiaries of the improvement in state revenue were the army in particular: a note of March 1933 gives an account of the extraordinary credits withheld: the three priority areas were agriculture with an additional 150 million lei, finance with 607 million, and above all defence, which obtained 1,962 billion⁸. In June the head of the Liberal Party I. Gh. Duca visited France and Great Britain with the King's consent. He made contact with numerous economic and political leaders in order to prepare a plan for equipping the army in the event of his party's return to power. On November 14th 1933 he formed the government and prepared to implement his plan. His assassination on December 29th 1933 did nothing to hinder this policy: his successor Gheorghe Tătărescu even amplified it, all the more so as he was at one point holding the Ministry of National Defence and in addition the office of Prime Minister⁹. The

easing of the effects of the economic crisis made it possible to allocate much more substantial funds to the country's defence.

Table 3. Evolution of budgetary allocations 1933-1938¹⁰:

ANUL	DEFENSE BUDGET (lei)	STATE BUDGET (lei)	%
1933/1934	5 975 000 000	23 437 573 454	23,5%
1934/1935	5 294 340 000	20 451 961 534	25,9%
1935/1936	4 764 200 000	20 686 800 000	23%
1936/1937	4 912 000 000	22 972 400 000	21,38%
1937/1938	5 761 800 000	25 948 900 000	22,2%
1938/1939	6 653 000 000	30 549 900 000	21,77%

Petre Otu (coordinator), *Military Reform and Society in Romania*, Military Publishing House, Bucharest, 2009, p. 185

At the same time in November 1934 was set up the National Defence Fund meant to supplement the resources needed to equip the army in addition to the National Air Force Fund established by the law that came into force on May 1st 1931¹¹.

In spite of certain problems in bilateral financial relations, the French state continued to finance Romanian purchases from French arms industry in the period 1930-1936 and especially after 1934. Several features of this collaboration should be noted. France was not only the main supplier to the Romanian army, but at the same time the beneficiary of a significant percentage of Romania's public debt. This meant that a large part of the credits obtained were used firstly to pay the public debt annuities and only secondly to order arms and military materials¹². In addition to the problems caused by the economic crisis, there were also some discrepancies in the expansion policy of French capital in the Danube basin. If there was good collaboration between banking and industrial resources, the same cannot be said of the harmonisation and unity of objectives and methods¹³.

The most important financial arrangement in the field during this period was perfected following a visit in July 1934 by Gh. Tătărescu in Paris. After an arduous negotiation, after the French state refused to grant the loan in cash for fear that the government in Bucharest might use the money for other purposes or purchase arms from other countries, a payment agreement between the two governments was signed on February 7th 1936. It stipulated that 40% of the countervalue of Romanian exports to France would be used to make various payments by the Romanian state in that country. Although not sufficient even for the payment of the public debt and financial arrears, the agreement nevertheless stipulated that the payment of the war orders made by Romania in France was to be made "by a global payment of 60 000 000 francs per year to be withheld in monthly instalments of 5 000 000 francs from the proceeds of the sale of oil licences"¹⁴.

The completion of the financial resources to pay for arms orders in France was the result of a series of difficult negotiations. As a result a 12-year agreement was signed on May 26th 1936 with the Franco-Belgian company Petrofina (also known as the "L. Wenger

Agreement". Wenger was one of the most knowledgeable oil experts in Romania, who took part in negotiations and who was a member of the Allied commission that was to determine the amount of compensation due to Romania following the destruction of the oil fields during the First World War)¹⁵. Under this agreement Petrofina bought from Romania 750 000 tonnes of crude oil from state licences. Two thirds of the resulting amount, i.e. 1 billion francs, was allocated for purchases of war material on the French market¹⁶. According to the agreement, of the total sums due to the Romanian state as the countervalue of the sale of oil licences, an annuity of 60 000 000 francs was earmarked for the payment of orders for national defence material placed in France. Several contracts concluded during the period under review were financed on the basis of the agreement with Petrofina, namely: a) Contract No 14350 of April 4th 1930 concluded with Schneider Works for 45 105 mm batteries, a 105 mm battery for the shooting range and 36 000 complete 105 mm rounds. Of these 36 105 mm batteries were delivered by 1941 together with the other contracted materials; b) Contract 2998 of November 6th 1936 also with Schneider Works, for 160 47 mm anti-tank guns and 69 163 rounds, of which 77 guns had been delivered by the above date; c) Contract 3722 of December 31st 1936 with the Hotchkiss Works for 300 25 mm machine guns, 72 000 explosive cartridges and 39 000 tracer cartridges, of which only 72 machine guns and 8 000 cartridges have been delivered¹⁷.

This agreement was beneficial, contributing to the procurement of materials for both the Ministry of Army Equipment and the Ministry of Air and Navy and it operated until 1940. It was considered advantageous for the Romanian state by the commission established in the same year to verify the legality of spending funds intended for national defence¹⁸. On the basis of this agreement 80 contracts were carried out, with the Romanian state making a profit of more than 150 000 000 French francs¹⁹. A remarkable achievement although the agreement also contained provisions unfavourable to the Romanian state, such as the price of crude oil.

The drive to obtain credit from the French financial market continued into the summer of 1936. In July-August negotiations were held in Paris for a loan of 150 million francs for the equipping of the Romanian air force, which ended with an agreement in principle. This provided for a loan of 75 million French francs without interest, to be opened "to Romania from the budget of the French Air Ministry; the remaining 75 million francs was to be granted in the form of an ordinary loan at an interest rate of 4 %²⁰. This time also a number of obstacles followed, which greatly delayed the finalisation of these agreements. A series of interventions were made with the French Minister of Foreign Affairs Delbos and the Minister of Finance Auriol in the autumn of that year for the conclusion of a contract for anti-tank armament on the same terms as for aviation²¹. The visit of the new Romanian Foreign Minister Victor Antonescu to Paris at the end of 1936 had a positive influence. On this occasion, firm promises were obtained for the delivery of aircraft ordered by Romania in France (delivery conditioned by the Air Minister Pierre Cot on the construction of airports to be used by the French air force in case of need), for the acceleration of military contracts with the Schneider and Hotchkiss factories and for the continuation of the establishment of French war material depots in Romania. In the financial field Minister Auriol promised to facilitate the granting of new loans to equip the Romanian army²². Unfortunately many of these favourable decisions for Romania will be cancelled out afterwards by France's appeasing attitude.

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