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# British influence on Romanian Oil 1918-1924

An inquiry into the British entry and influence on the development of the petroleum industry in Romania in the early inter-war period.

Master's thesis in History  
Supervisor: Hans Otto Frøland  
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# Chapter 1: Introduction

Throughout history, Romania has been one of Europe's oldest and most strategically significant oil producers. Its wells and refineries were instrumental in both the First and Second World Wars, serving as the primary source of petroleum products for Germany. Foreign companies and interests have historically dominated the extraction and refining of oil in Romania, despite the country's abundant oil resources. Due to its comparatively limited resources, Romania has relied heavily on foreign investors, companies, and governments to develop its oil industry. The dynamic between the Romanian government and these foreign influences presents a compelling area for further research.

I have been delving into the fascinating history of the first hundred years of oil extraction at an industrial scale in Romania, and it's abundantly clear that the influence of the United Kingdom during the interwar period stands out prominently. I've decided to focus my research on the years spanning from 1918-1924, and there are two compelling reasons for this choice. First, it marks one of the two periods of nationalization in Romanian petroleum, with the first occurring right after the First World War (1918-1920). Secondly, the role of the United Kingdom in shaping Romanian oil policy and aiding in the industry's reconstruction makes this period especially captivating. The UK, in conjunction with France, provided reparations for damages inflicted to prevent the Germans from accessing Romanian oil reserves, extraction equipment, and refineries. The collaboration between the governments of these three countries and the Romanian petroleum industry was crucial in establishing a special relationship among them.

## 1.1: Prior research

When starting to research the topic of Romanian oil in the interwar period, I was initially interested in exploring the Romanian Government attempts at nationalising their petroleum industry. That led me to research who the major foreign actors in Romania were at the time. Before WWI the British had not been among the largest shareholder, they did however enjoy a far larger share of the overall production following the war. The available research and literature did not provide intimate details as to why the British capital saw a significant rise in the overall share of production. Other than showing that British interests were able to acquire former German-owned assets such as Steaua Romana.

I've found that the two main English texts available, Gheorghe Buzatu's "A History of Romanian Oil" vol. I, and Maurice Pearton's "Oil and the Romanian State 1895-1948," do not sufficiently delve into the intricate relationship and cooperation between the British and Romanian governments on oil. Pearton's book briefly touches upon the relationship between Romania, the UK, and France in the years following the war, mentioning two agreements made in 1919 and solidified at the San Remo conference in 1920, without delving into the work of the Anglo-French Petroleum Commission or the motivations behind French and British involvement in Romanian petroleum. Similarly, Buzatu's book mainly focuses on the Allied conferences in 1919 and 1920, overlooking the events preceding and following these conferences.

It appears that the prominent works in this field tend to emphasise the broader historical context rather than delving into the internal dynamics. This could be attributed to the limited access that Romanian scholars and writers such as Pearton had to relevant materials during their research in the 1960s and 1970s. Most other research on Romanian oil focuses on the economic aspects of the industry, such as production statistics and financial details. It seems that there has been relatively little examination of the political aspects of Romanian oil, particularly from the British perspective and in as much depth as I am undertaking in this thesis. Examples of this are the research approaching the topic from an economic perspective, which has been used in the background chapter of this thesis to provide context and production levels. My research is however limited to text written in English, meaning that there is a possibility that researchers from other countries, most likely Romania and France have looked at similar texts as I have researched. Perhaps there are source materials in the archives of France and Romania that could help to shed a better light on their perspective during the events of this thesis.

## 1.2: Research question, source material and methodology

After extensively researching the events that transpired in Romania between 1918-1924 and analysing the available material from the National Archives in London, I have chosen to frame the following research question for my thesis: *What were the key factors that enabled the British to establish themselves in the Romanian petroleum sector following the First World War, and how did they utilise this position to shape Romanian politics in alignment with British interests?* I have chosen this question as the focal point of my research because existing literature on this topic lacks a comprehensive explanation for the rise of British influence in Romanian petroleum. Furthermore, there is a dearth of research on the extent of British power in Romania during this period. I believe that addressing this research question will shed light on these matters and contribute to a deeper understanding of the dynamics at play.

The primary research material for this thesis was obtained from the National Archives in Kew, London. Specifically, I examined and duplicated files from the Ministry of Power archives, which comprise correspondence and documents from various historical departments and ministries related to power and its resources. I have collected documents from 23 different folders of the Ministry of Powers archive, comprising approximately 2500 pages of various nature and quality. The primary sources used for this thesis include letters, telegrams, and documents exchanged between individuals, governments, organisations, and companies. The state the documents were in has varied a great deal, with most of them being in great shape and written on typewriters in English, making the reading of the documents, for the most part easy. There were however other parts of the documents that were far more challenging to read due to damage to the paper in the shape of decay due to folds and the age of the documents. Additionally, a few documents were had written with varying levels of readability.

I have encountered some challenges with the language used in the documents, but my basic grasp of French has been useful, along with the assistance of online translation tools. The documents include numerous newspaper articles written in both Romanian and French. In most cases, these articles were accompanied by an English translation provided by the original author. Since my thesis focuses on the British perspective of the events, I have primarily concentrated on documents written in English, sent to and from British individuals. The majority of the material consists of direct correspondence or forwarded copies of



communications among official representatives of the United Kingdom's government, such as the British Legation in Bucharest (British Embassy) and the Anglo-French Petroleum Commission. Additionally, the source material includes communication from various levels of government in the UK, Romania, and France. For example, it contains direct correspondence between the British Prime Minister James Ramsay MacDonald and the British Legation in Bucharest in 1924.

As I delved into the resources available at the National Archives, I chose a qualitative approach for my research. I conducted a thorough document analysis to compare and discuss the unfolding events based on the primary sources. These primary sources have offered invaluable insight into the perspectives and actions of the entities and individuals involved in crafting the documents. Allowing for a useful discussion based on these insights.

Chapters 3 and 4 paraphrase a selection of the documents, providing insight into the thoughts, wishes, opinions, and reactions to events pertaining to the petroleum industry in Romania. There are evident shortcomings in both my source material and methodology. The source material is, for the most part, one-sided. This paper provides a deep look into the correspondence between various representatives of the British perspective, as well as their communication with representatives from, among others, the French and Romanian governments.

The source material does, however, not provide meaningful insight into the communication between Romanian actors or what priorities their decisions were based upon. The limited insight provided is based on speculations made by the British or French in their correspondence, as well as from secondary literature. Due to the official nature of the documents from the British Government, one can also speculate that there might be omissions made by either party in their communication, especially in cases when foreign interests pleaded with their governments for support in Romania.

### 1.3: Conclusion & thesis structure

The thesis comprises six chapters. The first chapter presents the rationale behind selecting the thesis topic and reviews previous research on the subject. Additionally, it introduces the research question, outlines the primary source material and methodology, and provides an overview of the thesis structure and research findings. The second chapter offers the necessary historical background to contextualise the thesis topic. It is assumed that the reader may not possess detailed knowledge of a topic as specialised as the Romanian petroleum industry during the inter-war period. Therefore, the second chapter is intended to provide a general introduction to the first century of petroleum at an industrial scale in Romania, allowing the reader to comprehend the events occurring before, during, and after the timeframe of the thesis.

The third and fourth chapters consist of paraphrased text from the source material. Both chapters are divided into several subchapters to organise the events unfolding into logical epochs or themes. The chapters are, to the greatest extent possible, organised in chronological order, striving to depict events as they unfolded historically.

The third chapter answers the following research question: “*What motivated the British to show interest in Romanian petroleum, and did the Romanian Government play a role in their involvement?*” Providing an in-depth walkthrough of the Anglo-French Petroleum Commission in its mission to determine the reparation needs and values to be paid to companies in Romania. Establishing working relationships between the Romanian, British and French governments will be a feature throughout the thesis period. Then, we follow the development of Romania’s oil policy, a process in close cooperation with both the French and the British. We finish the chapter by reflecting on the contents of the primary sources presented in the chapter and answering the chapter's research question.

The fourth chapter has a structure similar to the previous chapter, focusing on the development and responses to the Mining Law of 1924. The chapter aims to answer the research question: "How did the British government react to the 1924 mining bill and subsequent Mining Law, and what steps did they take to influence the law before its implementation?" This chapter is divided into four subchapters delving into the following themes: introduction, discussion of the proposed mining bill, reactions to the passage of the mining law, and a concluding subchapter.

Chapter five presents a culmination of the research conducted in chapters three and four, presenting the overall findings of the thesis. It summarizes the conclusions drawn in chapters three and four and addresses the main research question of the thesis. Chapter six provides a directory of the primary sources used for the research as well as the reference literature used in chapter two to provide context for the thesis's theme.

# Chapter 2: The Developments of Romanian Oil Industry 1840-1948

## 2.1: Introduction

In most literature, the Romanian petroleum industry is set to have officially started in 1857, with the establishment of a modern kerosene refinery in Râfov on the outskirts of Ploiesti, approximately 60 km north of Bucharest.<sup>1</sup> The refinery would obtain the exclusive right to supply Bucharest with kerosene for streetlamps, making Bucharest the first city in the world to be lighted by petroleum-based products. The refinery was also the first officially registered petroleum company in the world, as well as the first petroleum refinery to be officially registered domestically in Romania as well as internationally.<sup>2</sup> While this was the official start of the Romanian petroleum industry, it was not the first time it had been extracted or utilised within the territories of modern-day Romania.

I find it necessary to provide a general overview of the developments of Romanian oil before and after the events that will be discussed in this paper. This will help establish a point of reference for the reader and create a clearer picture of the point of departure for this thesis and the fate of Romanian petroleum following this thesis timeframe. To reach this goal, the chapter will contain a brief history of the petroleum industry in Romania, from its conception in the mid-19<sup>th</sup> century to its takeover by the Soviet Union in the 1940s. I will shed light on some of the political structures present during this thesis time frame, allowing for a better understanding of what priorities Romanian political parties and figures had at the time. Additionally, I will briefly explore the priorities and actions of the United Kingdom, and to a lesser degree the French Republic within the thesis timeframe.

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<sup>1</sup> Rovinaru et al. 2015:132

<sup>2</sup> Calcan, 2005:37

## 2.2: Use and extraction of crude oil in and around Romania 1. Century BCE

The *father of history*, Herodotus mentioned the existence of eternal fires in the 5 century BCE. The first mentions of such fires in modern-day Romania comes from the Roman scholars of the first century CE. In the early modern period, there are numerous accounts of the production and its usage in Romanian and Moldavian territories. Among its uses was candle production. Mentions of oil became more common in the 16<sup>th</sup> and 17<sup>th</sup> century. The oil in these accounts was most likely extracted from naturally accruing reservoirs or superficial ones accessed using pit mines supported by wooden beams or rock structures.<sup>3</sup>

As deeper pit mines became more common, innovations had to be made to avoid accidents caused by gas outlets. The gas could cause asphyxiation and was highly flammable. When gas pockets appeared, mining explosions became common due to using torches and candles to light the mine. To circumvent this, mirrors that reflected light were sometimes used. Mining was often done in winter to avoid accidents, because snow was used to quell fires, and air pumps were developed to bring air from the surface into the mine. In finished mines, crude oil was extracted to the surface using skin bags, and the oil was then loaded into wooden barrels. The barrels of oil were then transported to ports on the Danube River and then exported.<sup>4</sup> Primitive forms of distillation in Romania occurred as early as the first half of the 19<sup>th</sup> century. This distillation was carried out to produce kerosene for oil lamps. The first large-scale oil distillery was built in 1840 in Transylvania, followed by one in 1844 in *Valea Arinilor* and one in Covasna in 1853. Making kerosene more widely available for domestic use in streetlamps and export.<sup>5</sup>

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<sup>3</sup> Stoicescu & Ionescu, 2014:134-135

<sup>4</sup> Stoicescu & Ionescu, 2014:135-136

<sup>5</sup> Stoicescu & Ionescu, 2014:136

## 2.3: Early development of petroleum industry in Romania 1857-1895

The construction of the kerosene refinery in Râfov in 1857 marked the official start of the petroleum industry in Romania. This refinery was built on the proto-industrial infrastructure developed in the mid-19th century. This created the demand for kerosene, making the need for a proper refinery evident. American inventor Edward Drake invented the first drilling rig in 1859, capable of drilling wells to a depth of 23 meters. At the same time, there were manually dug oil wells in Romania that were 300 meters deep. Drilling rigs would come to Romania in 1861, marked by a 150-meter-deep well excavated in Mosoarele (near Bacau) the same year. Although far more efficient, this technology was expensive compared to manual excavation. Causing the practice of manual digging to continue. As a result, most of the oil extracted in Romania would come from these man-made wells throughout the 19<sup>th</sup> century.<sup>6</sup>

The early petroleum industry in Romania could not have been established without foreign capital and investors. The first foreign-owned company, Valachian Petroleum Co. Ltd. was established by its English owner, Jackson Brown, in 1864. There was not enough domestic capital to allow the sector to grow, a condition that would always plague the industry in Romania. The early investments made by foreigners were crucial for the development of the sector. The domestic oil needs were steadily growing, meaning that investments needed to be gathered abroad to fulfil domestic needs. These investments were largely positive contributors to the modernisation of the sector's drilling and processing side, bringing with it economic development.<sup>7</sup> Foreign access to the Romanian market was, however, limited until the passing of the first Mining Law in 1895.<sup>8</sup>

The production of oil in Romania continued to increase throughout the 19<sup>th</sup> century, going from 3226 tons of oil in 1862, 11,690 tons in 1870, 15,900 tons in 1880, 53,000 tons in 1890, and 250,000 tons in 1900. This came on the back of a large expansion in the number of pits and wells in operation, as well as modernisation and technological advancements, making oil extraction more efficient. There was similarly a large growth in the number of refineries, nearing 90 at the turn of the century. Alongside the technical and industrial developments, there were also established research institutions at the University of Bucharest and Iași

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<sup>6</sup> Stoicescu & Ionescu, 2014:136-137

<sup>7</sup> Rovinaru et al. 2015:132

<sup>8</sup> Stoicescu & Ionescu, 2014:136

University, led by Grigore Cobălcescu and Gregoriu Ștefănescu. Ștefănescu and Cobălcescu, as well as Ludovic Mrazec, would be leading figures in the field of petroleum geology. Producing some of the first published literature on the subject and creating highly detailed geological maps of Romania. *Monitorul de Petrol Român*, a biweekly, French-Romanian bilingual journal on petroleum, became the first of its kind in 1900, showing the important role Romanian scientists, engineers and researchers played in the field internationally.<sup>9</sup>

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<sup>9</sup> Stoicescu & Ionescu, 2014:136-137

## 2.4: The Romanian oil policy until 1918

There had been a general shift in opinion regarding the role of petroleum in Romania's future. In the years leading up to WWI, the two largest political parties of Romania, *Partidul Conservator* (Conservative Party) and *Partidul Național Liberal* (National Liberal Party), managed to find some common ground regarding petroleum. This consensus was formed around the notion that the Romanian petroleum sector needed to be protected from outsiders. The National Liberal Party most prevalently pursued this view and would ultimately culminate in the parties *by ourselves* policy in the 1920's.<sup>10</sup>

Mining and oil extraction would gain ever-increasing attention in the latter part of the 19<sup>th</sup> century. This led to a lengthy political process that laid the basis for Romania's first mining law in 1895. The law ushered in mine ownership reforms and a state mining policy.<sup>11</sup> The 1895 Mining Law was a watershed moment that put petroleum and oil in the front seat of Romanian politics and economic development. Additionally, the law would be the foundation for the subsequent 1924, 1929 and 1937 mining laws, all of which would make regulations for the petroleum industry.<sup>12</sup> The 1895 Mining Law regulated the rights of landowners to exploit subsoil resources without restrictions or interference from the state.<sup>13</sup> The law allowed international companies and trusts to gain power, influence and control over the Romanian petroleum sector in the years leading up to WWI. This happened partly because the landowners of petroliferous territories were mostly peasants who owned small parcels of land. This meant that speculators and exploiters easily bought land or extraction rights in this period.<sup>14</sup>

While the National Liberal Party (PNL) was more inclined toward national ownership of the petroleum industry, the Conservative Party (PC) prioritised intensifying crude oil extraction. They also believed that petroleum was simply another resource that could be sold. PNL, on the other hand, viewed petroleum as a vital and integral part of the Romanian economy's future. In the eyes of PC, it did not matter if Romanian capitalists or foreign ones were responsible for its extraction.<sup>15</sup> PC had few connections with the industrial, financial, and

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<sup>10</sup> Buzatu, 2011:43

<sup>11</sup> Buzatu, 2011:44

<sup>12</sup> Buzatu, 2011:44-45

<sup>13</sup> Buzatu, 2011:46

<sup>14</sup> Buzatu, 2011:46-47

<sup>15</sup> Buzatu, 2011:52



commercial life in Romania, consisting mainly of wealthy landowners, somewhat explaining their indifference as to how its resources were extracted.<sup>16</sup>

In the late 19th century, there were initial efforts to regain control of the national economy. The National Liberal Party and the bourgeoisie led the purchase of the Romanian railway from foreign ownership, established a tobacco monopoly, and invested in national infrastructure such as the Turnu Severin shipyard on the Danube. Furthermore, the National Bank of Romania was founded in 1880.<sup>17</sup> These actions were part of the liberal agenda to nationalise Romania's economic activities, a policy that gained further momentum after World War I.<sup>18</sup> Safeguarding national control over the petroleum sector was a top priority for the government of Prime Minister *Dimitrie Alexandru Sturdza* of PNL, explicitly opposing any form of collaboration with Standard Oil in 1904.<sup>19</sup>

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<sup>16</sup> Buzatu, 2011:52

<sup>17</sup> Buzatu, 2011:52

<sup>18</sup> Buzatu, 2011:53

<sup>19</sup> Buzatu, 2011:54

## 2.5: Foreign influence on Romanian oil 1895-1914

After the passing of the 1895 mining law, several foreign-owned companies were established in Romania. The most significant ones included Steaua Română (1895), Vega (Deutsche Bank, 1904), Romano-Americana (Standard Oil, 1904), and Astra-Romana (Royal Dutch Shell, 1908). There was a prolonged effort by German companies to acquire oil concessions on state-owned oil fields. However, the Romanian government withdrew from the negotiations due to concerns about potential monopolization of the sector if state control was relinquished. Consequently, Deutsche Bank acquired Steaua Romana in 1903, and Disconto Gesellschaft purchased Telga Oil in the same year.<sup>20</sup>

The influx of capital from foreign investors was unquestionably necessary for the development of a competitive and innovative industry in Romania.<sup>21</sup> The Romanian government managed to keep control over most of the state-owned oil lands until 1914, maintaining some level of control of its most prized resource. It was, however, increasingly difficult to keep up with the rapid growth of the foreign owned companies, who were outgrowing its state-owned counterparts and grew into larger companies and trusts. A pattern that in many ways resembled that of Mexico, Persia or in the oil rich colonial holdings of the great powers.<sup>22</sup> Attracting and giving licenses to foreign investors would eventually become a burden to the Romanian economy, as well as the government's ability to control its own resources. This is exemplified when looking at the investment numbers in the Romanian petroleum industry from 1914 in table 1.

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<sup>20</sup> Buzatu, 2011:55-56

<sup>21</sup> Stoicescu & Ionescu, 2014:137

<sup>22</sup> Bulearcă & Popescu, 2018:98-99

Table 1: Origins of the capitals invested in Romanian oil industry at the beginning of the First World War

Source	Million lei gold	Percentage
German	160	35,0%
UK	115	25,2%
Dutch	60	13,1%
French	45	10,0%
American	26	5,5%
Romanian	25	5,5%
Belgian	10	2,2%
American	10	2,2%
Austro-Hungarian	6	1,3%
Total	456	100%

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In Table 1, there is a clear illustration of the disparity between Romania's domestic capital investment in its industrial sector compared to major economic powers such as Germany and the UK. Approximately 95% of the capital invested in the industry originates from foreign sources, complicating the ability of the Romanian government to uphold and pursue national priorities and interests. This is particularly challenging considering that the primary focus of these foreign investors was on advancing their own economic interests. Given that these foreign-owned companies had limited to no ties to Romania or its people, their primary focus was maximizing profits, with little consideration for the welfare and interests of the Romanian government and its citizens. Economist G.N. Leon has argued that foreign capitalists sought to exert influence on Romanian government policies to further enhance their profits and facilitate their expansion efforts.<sup>24</sup>

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<sup>23</sup> Rovinaru et al. 2015:135

<sup>24</sup> Rovinaru et al. 2015:136

## 2.6: Interwar developments (1918-1939)

Germany's loss in WWI meant that they were essentially out of the petroleum industry worldwide and in Romania, intensifying conflicts between the primary international trusts. This meant the former allies, the United States and the United Kingdom, were left on different sides in the "war of petroleum". France, Italy, the Netherlands, and Belgium would participate, although to a far lesser extent.<sup>25</sup> The UK would put their weight behind *Royal Dutch-Schell* and the *Anglo Persian Oil Co.* The Americans opted to prioritize control over crude oil extraction. Meanwhile, the British mostly focused on monopolizing production centres. In this period the actions of the trusts were backed up by the American and British governments.<sup>26</sup>

The French had been mostly disinterested in petroleum before the war, both internationally and domestically. The war had taught the French government that this approach to petroleum could no longer be sustained. Caused the government to prioritise a strong relationship between oil policy and foreign policy towards nations with oil resources, like Romania.<sup>27</sup> France had gained control over the oil-rich Mosul region through the Sykes-Picot agreement of 1916. To access and profit from the resources, France allied with the United Kingdom through the Anglo-French Oil Agreement of San Remo in April 1920.<sup>28</sup> Belgium and France would develop a closely linked petroleum policy, establishing several joint institutions, such as the *Banque de Paris et de Pays-Bas*, *Pétroles de Roumanie*, *Banque Mirabaud et C-ie* and *Crédit Foncier et Agricole d'Alérie*. The United Kingdom and the Netherlands would form a similar bond based on their shared investments in the Royal Dutch Shell.<sup>29</sup>

The petroleum industry in Romania suffered great losses through the destruction of wells and other extraction equipment; almost a million tons of petroleum products were also destroyed, amounting to a loss of approximately 20 million British pounds.<sup>30</sup> Additionally, Romania's ability to extract, refine and export petroleum products had been cut in half compared to 1913 numbers, representing considerable losses. The recovery period would be long, not until 1925 was the pre-war production rates exceeded.<sup>31</sup> The war did, however, lead to the unification of

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<sup>25</sup> Buzatu, 2011:79

<sup>26</sup> Buzatu, 2011:79-80

<sup>27</sup> Buzatu, 2011:81-82

<sup>28</sup> Buzatu, 2011:82

<sup>29</sup> Buzatu, 2011:83

<sup>30</sup> Stoicescu & Ionescu, 2014:138

<sup>31</sup> Calcan, 2005:37-38

the Romanian-speaking territories. The state gained considerable lands in *Transylvania*, *Bukovina* and *Bessarabia*, as well as parts of *Banat*, *Crișana*, and *Maramureș*, from the collapsed Austro-Hungarian empire. Consolidation of the country brought a significant increase in available domestic capital, making a larger presence in the petroleum sector more viable for domestic actors and the Romanian State.<sup>32</sup>

Romania became seriously committed to protecting and controlling its petroleum sector after WWI. Although there had been numerous suggestions and attempts to change the oil policy of Romania, their only success lay in preventing the monopolisation of the sector by international companies and trusts.<sup>33</sup> After 1918, the major point of contention in Romanian oil policy was the role of foreign capital. There had been massive capital investments in Romania preceding the war, peaking at around 500 million *lei* in 1914. The productivity and investment in the sector naturally decreased during the war.<sup>34</sup> The period 1918-1924 can be categorised as a period of reconstruction or restoration of both the petroleum industry as well as the general national economy of Romania. During this period, Romania's crude oil production would steadily increase.<sup>35</sup>

Despite the steady growth in crude oil production during the reconstruction period, Romania was unable to fully capitalize on this increase in production. The war severely hindered Romania's ability to transport its oil, largely due to the damage inflicted on the C.F.R. (Romanian Railway) by the Germans. As a result of the poor and damaged infrastructure, the surplus production could not reach international markets, where prices were at an all-time high. By 1918, only one of the two pipelines to the Danube was operational, and the oil pipeline to the port of Constanta was not completed until the autumn of 1919.<sup>36</sup> During the reconstruction era, there was a significant increase in investments in the petroleum sector, with both foreign and domestic capital flowing in. During this time, over 100 new petroleum companies were established, specializing in the processing, sale, or extraction of petroleum. Additionally, investments in the sector grew from around 2 billion *lei* in 1920 to 8.7 billion *lei* in 1924. The share of Romanian capital in the sector increased considerably during this

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<sup>32</sup> Bulearcă & Popescu, 2018:99

<sup>33</sup> Buzatu, 2011:95

<sup>34</sup> Buzatu, 2011:95

<sup>35</sup> Buzatu, 2011:96

<sup>36</sup> Buzatu, 2011:97-98

period, rising from approximately 8% in 1914 to 28% of the total crude oil production in 1924.<sup>37</sup>

Several steps were taken by the Romanians in securing their position in the petroleum sector, as well as to ease future investments and expansions. The establishment of *Societatea Națională de Petrol* (national petroleum society) in 1918 were among these developments. Several leading figures in the industry, engineers and geologists backed by domestic banks created the oil company *Creditul Minier*, which was 100% Romanian owned. Creditul Minier along with banks and liberal businessmen established *Industria Română de Petrol* (Romanian Petroleum Industry Society) in 1920. An organisation tasked with ensuring the sale of petroleum domestically, as well as control over oil exploitation and export. Marking the re-entry of Romanian interests and capital in the domestic petroleum sector. Additionally marking the beginning of nationalisation movements within the sector. WWI also saw the ousting of German and Austro-Hungarian interests, control, and capital in Romania. Allowing Romanian interests to gain control over approximately 30% of the total production volume of petroleum.<sup>38</sup>

During the early interwar period, regaining control and restricting foreign access to the market became a significant focus. In 1924, a new mining law was implemented, which made domestic investments more attractive by limiting foreign access to the sector. Despite the challenges of restricted foreign capital, production continued to surge, nearly tripling between 1924 and 1928. This positioned Romanian interests for success and sustained expansion. However, this growth was short-lived, as Romania was not insulated from the global economic repercussions of the 1929 Wall Street crash. While most sectors worldwide experienced significant production declines, the Romanian oil sector bucked the trend and continued to expand. Unfortunately, this growth was primarily driven by foreign-owned companies, posing challenges for Romanian investors.<sup>39</sup> largest exporter of petroleum products and exported approximately 4% of the world supply. This expansion continued into the 1930s. In 1937, Romania exported 11.6% of the world's petroleum products, making it the third largest exporter behind the United States and Venezuela. In the same period, the economic recession meant that the petroleum sector's share of Romania's total exports grew

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<sup>37</sup> Buzatu, 2011:99

<sup>38</sup> Bulearcă & Popescu, 2018: 99

<sup>39</sup> Bulearcă & Popescu, 2018: 100

exponentially. Reaching over 40% in 1932, continuing to grow during the 30's eventually reaching 60% of Romania's total exports in 1940.<sup>40</sup>

## 2.7: The 1924 Mining Law and the Constitution of 1923

After winning the national elections of 1922, the National Liberal Party began work to finalise the integration of the provinces of Bessarabia, Bukovina, and Transylvania. Territories the Romanian state had been granted in the aftermath of the Paris Peace Conference in 1919. The territorial gains meant that the Romanian state more than doubled in size from 137 903 km<sup>2</sup> to 292 244 km<sup>2</sup>, as well as increasing its total population from just shy of 8 million to approximately 17 million people.<sup>41</sup> Although granting *România Mare* (Greater Romania) much in terms of population and access to resources, this addition did not come without its own complications. Approximately 30 per cent of the 17 million inhabitants of Romania belonged to various minorities. Additionally, much of the infrastructure of the acquired territories was particularly visible in Transylvania, where the rail networks had been created with markets such as Budapest in mind rather than commercial hubs inside the boundaries of the Romanian state.<sup>42</sup>

The legal systems of the acquired territories further complicated their integration. In Bessarabia, Russian law ruled, while in Transylvania, the legal code was built on Hungarian and Austrian law; similarly, the Bulgarian legal code ruled in the territories of *Dobrich* and *Silistra*. To rectify this legal quagmire, the National Liberal Party set its sights on a new constitution. Passing in a special session of the Romanian parliament on March 29<sup>th</sup>, 1923, the constitution set its sights on assimilating the new territories and its peoples into the unitary state of Romania.<sup>43</sup> The new constitution was met with resistance from the political opposition. The new division of Greater Romania into new districts and communes, ignoring traditional provinces, stirred resistance. Furthermore, these new divisions were meant to empower the *ethnic* Romanians in areas where minorities traditionally had been in power.

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<sup>40</sup> Bulearcă & Popescu, 2018:100-101

<sup>41</sup> Pearton 1971:99

<sup>42</sup> Pearton 1971:101

<sup>43</sup> Pearton 1971:112-113

This would ultimately prompt the opposition to boycott the ratification process of the constitution.<sup>44</sup>

Articles 18 and 19 of the new constitution created regulations concerning mining rights and land ownership. Article 18 states: “Only Romanians and naturalised Romanians can acquire and own rural real estate in Romania with any title. Foreigners will only be entitled to the value of these properties.”<sup>45</sup> Article 19 is far more direct in regulating mining rights, stating that:

Mining deposits as well as underground wealth of any nature are the property of the State. Masses of common rocks, construction material quarries and peat deposits are excepted, without prejudice to the rights acquired by the State based on previous laws.<sup>46</sup>

The law specified that a specific mining law further regulate the mining sector.<sup>47</sup>

28<sup>th</sup> of June 1924, a new Mining Law was passed in a special session in the Romanian parliament. This law was far more direct in its regulation of the oil industry than the previous mining laws and the Constitution had been. The law featured an *exposé des motifs* or explanatory memorandum in its introduction, signed by Minister of Industry *Trancred Constantinescu*. In the *exposé*, the essence of the law was brought to the surface; the Romanian state would now make it a priority to put Romanian economic interests and political rights first, and foreign capital and influence would have to take a back seat.<sup>48</sup>

The Mining Law of 1924 consisted of 271 articles, among them 176-198 directly applied to the petroleum sector.<sup>49</sup> This mining law made comprehensive measures to help nationalise and strengthen the position of native Romanians, as well as Romanian capital in the petroleum sector. Among these measures was legislation on ownership, demanding that at least 60 per cent of the shares of companies wanting to acquire new extraction licenses had to be owned by Romanian citizens. The board of presidents and 2/3 of the board of directors had to be Romanian. Existing companies were given a window of ten years to fulfil these terms; if

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<sup>44</sup> Pearton 1971:113

<sup>45</sup> Parliament of Romania, 1923: Article 18

<sup>46</sup> Parliament of Romania, 1923: Article 19

<sup>47</sup> Parliament of Romania, 1923: Article 19

<sup>48</sup> Pearton 1971:116

<sup>49</sup> Buzatu, 2011:218



successful, they could operate at a decreased proportion of Romanian ownership of 55 per cent.<sup>50</sup>

Additionally, the mining law decreed that at least 75% of all workers in petroleum companies had to be Romanian citizens. The law also stipulated that when a mining or extraction concession had been made with a company, the landowner, state or private, had a right to 10% of the capital invested in exploiting the subsurface resources. Article 18 of the 1923 constitution stated that only Romanian citizens could acquire and own rural land, meaning that effectively, all foreign-owned companies wanting to extract minerals or petroleum within Romania would have to pay 10% to the owner of the land they were extracting in.<sup>51</sup> Additionally, article 19 of the constitution established that any new discoveries in the subsoil would fall under the ownership of the state, further making the acquisition of extraction rights and opportunities difficult for foreign companies.

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<sup>50</sup> Pearton 1971:117

<sup>51</sup> Pearton 1971:117

## 2.8: World War II 1939-1945

The relationship between the Romanian government, industries and peoples and Nazi Germany were complex. They could however mostly be summed up through a series of trade, economic and political agreements made before and during the war. Chief among them were the German-Romanian economic development treaty of 1939, a five-year agreement to trade German armaments with Romanian oil made in September 1939, as well as the *weapons against steel pact / Öel Pact* of 27. May 1940, the Romanian-German protocol of December 1940 as well as a deal made in January 29. 1941 where Romanian refineries produced aviation gasoline for the Germans.<sup>52</sup>

These deals tied the Romanian economy closely to that of the Axis war machinery. Although the export numbers on petroleum products remained high throughout the war there was little investment in new production and extraction facilities. From 1941 onwards there was a steady decline in the amount of product exported. The extraction, refining and exportation of oil was handled by the existing oil companies in Romania, most of the production came from the large foreign owned companies like, Astra Română, Concordia, and Romano-Americană. This meant that these companies continued to increase their share of the Romanian petroleum sector during the war.<sup>53</sup>

During the later stages of the war the oil industry suffered massive levels of destruction. By large Romanian production and refining capabilities were cut in half due to the war. Not only due to destruction of industrial equipment and wells, in addition the Soviet Union confiscated large quantities of equipment, machinery, means of transport, drilling equipment. These were taken as part of war reparation for helping Nazi Germany by providing them oil. The Soviet Union dismantled most of it and brought it into their own petroleum industry, significantly hampering the Romanian industry's ability to bounce back after the war.<sup>54</sup>

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<sup>52</sup> Bulearcă & Popescu, 2018:101-102

<sup>53</sup> Bulearcă & Popescu, 2018:102

<sup>54</sup> Bulearcă & Popescu, 2018:103

## 2.9: Rebuilding the industry and the Communist Regime 1945-1948

In 1945 there were a total of 26 oil companies within Romania, 19 of these were foreign owned while 7 remained in the hands of Romanian investors. The production discrepancy after the war helps to paint a clear picture of how the Romanians had lost control over the industry after the economic recession caused by the Wall Street Crash in 1929. Before the crash Romanian interests controlled approximately 30% of the production output. In 1945 the seven Romanian oil companies only accounted for a total 14% of the petroleum production in Romania, meaning that the 19 foreign companies were responsible for 86% of Romania's production.<sup>55</sup>

Romanian economic policy was eventually under soviet control, and after a communist regime was established in 1947 a period of nationalization of foreign assets would quickly follow. By the 11<sup>th</sup> of June 1948 all major industries, including oil were entirely nationalized, and controlled by the state. Marking the end of western control over the Romanian petroleum sector, the assets would eventually form the Soviet-Romanian oil company dubbed Rompetrol.<sup>56</sup>

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<sup>55</sup> Bulearcă & Popescu, 2018:103

<sup>56</sup> Bulearcă & Popescu, 2018:103-104

## Chapter 3: Fate of Romanian Oil (1918-1924)

### 3.1: Introduction and Research Question

The Great War was challenging for the Romanians and the Romanian state. Faced with the consequences of German occupation, the Romanian government was determined to remove German influence from their petroleum sector. They recognised the need for strategic planning and foresight, understanding that they couldn't achieve this goal without the support of other major powers. As early as 1917, they began discussions with the French and British governments, laying the groundwork for a post-war relationship and how they should divide the Romanian petroleum assets of the former German Empire.

In this chapter, I explore the early points of contact between the Romanian government and the British actors interested in the Romanian petroleum sector. The establishment of the Anglo-French Petroleum Commission was pivotal in the early stages of the three-state cooperation that would shape the future of Romanian petroleum and the oil policy of the Romanian State. I will explore the reasons behind the wish of the British to be present in Romania. What benefits did they have in mind when establishing contact? Who drove the early work to develop a greater British foothold in Romanian petroleum? Were the British and French invited, or was it the deliberate effort of their own government? Their actions were not accidental but intentional. What role did the Romanian government play in this relationship? Were they an unsuspecting subject, or were they deliberately forging their own future?

In this chapter, I pose the following research question: *What motivated the British to show interest in Romanian petroleum, and did the Romanian Government play a role in their involvement?* This question is directly aligned with the overarching theme of the thesis and presents an opportunity for in-depth exploration into the British decision to engage in Romanian petroleum. It will also shed light on whether their initiative was independent or influenced by Romania. This lays a strong foundation for comprehending how the British were able to acquire resources in Romania and why they were allowed to contribute in shaping the country's oil policy.

### 3.2: Britain's interests in Romania

A crucial document from the 13<sup>th</sup> of February, a letter from Arthur G. Morrish, the head of the British-Romanian Corporation Ltd. He sends a letter to the under-secretary of state urging him to investigate Romanian attempts to acquire German assets in the Romanian petroleum sector. The sender of the letter is confident that if His Majesty's government were to aid the Romanians, some of these German assets could be acquired by British interests. H. Locke, manager of the Bank of Roumania Ltd. Has provided this information and was informed that the details concerning the German assets have been forwarded to the foreign office in London. The British-Romanian Corporation is willing to consider proposals for a portion or all the German assets that could be available and is urging the Foreign Office to render assistance in the matter. Mr. Locke has the impression that many Romanians would welcome the British.<sup>57</sup>

The correspondence between the British-Romanian Corporation Ltd. and the Petroleum executive continues back and forth, and it is established in a letter from the Director of the petroleum executive John Cadman wrote to inform the British-Romanian Corporation Ltd. on the 20<sup>th</sup> of March 1919. In the letter, Cadman informs them that efforts to establish cooperation for British oil interests in Romania had been established on the 3<sup>rd</sup> of March of the same year. The agreement's signatories were the Royal Dutch Shell company, Messrs S. Pearson, and the Anglo-Persian Oil company. Further instructing the British-Romanian Corporation to handle the matter privately with their principal shareholder, Messrs S. Pearson, and Son, signifying that the UK government has no intention to intervene on their behalf.<sup>58</sup>

Much of the correspondence between the Romanian government and the British was conducted through John Cadman. J. Cadman played an important role in the British war effort. Much of the correspondence between the Romanian government and the British was conducted by John Cadman. J. Cadman played an important role in the British war effort through his work for the Royal Commission on Fuel and Engines (1912-1915), appointed by the first Lord of the Admiralty, Winston Churchill. Cadman later became the Petroleum Executive Director and Allied Petroleum Council's chairman. John Cadman earned several honorary titles from the UK, Italy, and France for his substantial work for the war effort. From 1921 onwards, he served as a technical advisor to the Anglo-Persian Oil company and later became its director and ultimately chairman in 1929. appointed by the first Lord of the

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<sup>57</sup> POWE 33/66

<sup>58</sup> POWE 33/66

Admiralty, Winston Churchill. Cadman would later become the Director of the Petroleum Executive and later the chairman of the Allied Petroleum Council. John Cadman would earn several honorary titles from the UK, Italy, and France for his substantial work for the war effort. From 1921 onwards, he served as a technical advisor to the Anglo-Persian Oil company, and shortly after, he became director and ultimately chairman in 1929.<sup>59</sup>

I have however identified an earlier correspondence concerning the acquisition of German petroleum assets in Romania. In a letter from John Cadman on behalf of the Anglo-Persian oil company, to the Under Secretary of State for Foreign Affairs on the 25<sup>th</sup> of November 1918. In the letter, Cadman urges that the Anglo-Persian oil company is wanting to purchase the German owned *Steaua Romana*, according to Cadman one of the largest oil companies in Romania. Siting their production values from 1914-15 at 367 000 tons, estimating that after war damages and subsequent repairs from the Germans, the company should be able to produce at 2/3 of the pre-war level.<sup>60</sup> Cadman reports that the company has a capital of £4 000 000, majority of which is owned by German interests. He continues to list their various assets, including the ownership of their main oilfield in Campina, a refinery also located in Campina, a storage station in Constanza, 220 kilometres of oil pipelines, 927 railway tank cars and the lease of 14 oilfields.<sup>61</sup>

Cadman is inquiring if there is any information on the Romanian government's views regarding enemy-owned property. If these views are known, is there anything hindering the Anglo-Persian Oil Company from purchasing *Steaua Romana*, adding that it is a priority for Mr Long that the British presence in Romania should increase?<sup>62</sup> The letter sent by Cadman is forwarded to the President of the Board of Trade on the 25<sup>th</sup> of November 1918, at the request of Walter Long, the Minister in charge of the Petroleum Executive. Cadman receives an answer on the 16<sup>th</sup> of December 1918 from the Under-secretary of States office. The letter refers to another letter from the foreign office 12<sup>th</sup> of December containing a telegram from H. M. Consul at Jassy (Iași) The telegram states that it is in principle the view of the Romanian Government that due to the losses suffered during the German occupation, the government should take severe measures against German owned properties and interests in Romania.<sup>63</sup>

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<sup>59</sup> Smith, 1941:918

<sup>60</sup> POWE 33/57 Letter from John Cadman 22.11.1918

<sup>61</sup> POWE 33/57 Letter from John Cadman 22.11.1918

<sup>62</sup> POWE 33/57 Letter from John Cadman 22.11.1918

<sup>63</sup> POWE 33/57 Decypher G. Barclay NO 523

The telegram also makes it clear that the views and plans of the other Allied governments are not yet clear. At this time the Romanian government has however decided to cancel all transactions during the German occupation in relation to state-owned properties as well as foreign-owned or associated with Germans. The distribution of such properties should be done by the law courts in Romania and all German assets are currently sequestered until the peace congress is finished. Continuing the telegrams suggests that the wish of the Anglo-Persian Oil Company to purchase Steaua Romana seems unlikely.<sup>64</sup> A following letter from G. Barclay providing further details. The British had according to Barclay little investment in Romania at the time, 75% of the total investment in the petroleum industry lay with the Dutch, Americans, and Germans. The Americans had already secured private concessions of land for future operations. Due to the precarious financial situation of the few British companies, it seems unlikely that they could expand their holdings by purchasing liquidated German assets. Arguing that they could not likely compete with the far stronger position of American, Dutch, and French companies in Romania.<sup>65</sup>

Continuing the letter explains that the liberal party (*Partidul Național Liberal*, PNL) wants to use the advantage of having to reconstruct the oil fields the help promote the role of Romanian capital in the industry. The PNL wanted to use the funds from compensation for the destruction caused by the British in 1916 as an engine to rebuild. Captain Masterson suggests three ways this idea can be achieved. 1. The existing British companies in Romania are to work with larger companies such as the Anglo-Persian oil company to channel reparations from the UK to Romania. 2. Helping to keep a national Romanian oil company afloat allowing it to exploit government-owned lands, overtake liquidated German assets as well as purchase assets from other companies or oil groups willing to sell. For facilitating this scheme, the British companies would receive concessions in the form of, interest in invested money, a percentage of the total production within a set period and at a set rate/price. As well as supply from British industrial companies of all machinery needed to rebuild and develop Romanian oil fields.<sup>66</sup>

3. British companies now present in Romania are to be given the option of acquiring a portion of ownership of new British companies in Romania in proportion to their current investments in Romanian oil. Further, the British are going to consult the French Government on this

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<sup>64</sup> POWE 33/57 Decypher G. Barclay NO 523

<sup>65</sup> POWE 33/57 Decypher G.Barclay NO 522

<sup>66</sup> POWE 33/57 Decypher G.Barclay NO 522

scheme and are certain that it will be of interest. Adding that the Americans and Dutch likely will be opposed to the scheme due to their major presence in Romania. They have already heard that the manager of Astra Roman has written to the Director of Royal Dutch Shell arguing that the Romanian government's plans to expropriate foreign companies pose a danger to themselves. Following Masterson's plan could be a way of circumventing the difficulties of calculating appropriate compensation for Romanian companies.<sup>67</sup>

A response is sent to G. Barclay, urging him to ask the Romanian government directly what their intentions regarding oil matters were. As well as persuading the Romanian government of the benefits of allowing a new oil group that is open to possibly collaborate with locals to establish itself in Romania.<sup>68</sup> In response G. Barclay sent a telegram explaining that he is hesitant to approach the Romanian government on oil matters until a more concrete proposal than previously discussed can be surmised. Explaining that it is not clear to him what benefits the Romanians would receive from the proposal to allow a new oil group "possibly" interested in cooperation with the Romanians. Additionally, it is unclear what shape this new group would take. Will it limit itself to only Romanian state lands that are unappropriated, or will it have absorbed German liquidated assets? Or could it also include existing companies strengthened in connection with the compensation settlement with the Romanians? Barclay is certain that the Romanian government would not consider any of these three suggestions.<sup>69</sup>

On the 14<sup>th</sup> of January 1919, John Cadman wrote to Mr C. Greenway of the Anglo-Persian oil company, urging him to assess what representatives they sent to Romania in the attempt to purchase Steaua Romana. Urging that they should not in any form be attached to the Petroleum Commission. Arguing that the commission's presence in Romania is primarily driven by investigating the claims of reparation. The APOC's mission is entirely different and should preferably remain secret. Cadman also adds that the chairman of the Petroleum Commission wants to provide APOC's representatives in Romania unofficial help in their endeavours and that they can rely on the general support of the UK government.<sup>70</sup>

Cadman also sent a letter to the secretary to the treasury, requesting that he relay the information that the APOC is interested and wants to purchase the German-owned Steaua Romana. Cadman makes it clear that the Petroleum Commission deems it important that the

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<sup>67</sup> POWE 33/57 Decipher G.Barclay NO 522.

<sup>68</sup> POWE 33/57 Cypher telegram to sir G. Barclay 19.12.1918.

<sup>69</sup> POWE 33/57 Decipher G.Barclay NO 565.

<sup>70</sup> POWE 33/57 Letter to Mr Greenway 14.01.1919.



British increase its holdings in oilfields, in Romania as well as elsewhere. The commission is also aware that companies and oil groups from other allied countries are seeking to do the same, urging that it is essential that the APOC act as soon as possible. Wanting the treasury to convey their agreement on the matter as soon as possible.<sup>71</sup> Cadman also contacted the under-secretary of the foreign office a copy of the letter to the treasury as well as informing them that the Anglo-Persian Oil Company was sending Major W.L.W. Bird to Bucharest to negotiate with the Romanian Government. Hoping that if the treasury agrees with APOC's attempt to purchase Steaua Romana, the ambassador to Romania will provide his network and assist in the venue of Major Bird. In reply, J. A.C. Tilley sends a telegram informing Cadman that the Foreign Office will request that the War Office give the necessary facilities for Major Bird's journey and instruct the ambassador in Bucharest to give him the needed assistance to accomplish his task.<sup>72</sup>

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<sup>71</sup> POWE 33/57 Letter to Treasury 16.01.1919.

<sup>72</sup> POWE 33/57 Letter to John Cadman from J.A.C. Tilley 22.01.1919.

### 3.3: The Anglo-French Petroleum Commission

In the same archive folder, there was a useful document explaining the relationship between the British Petroleum Commission in Romania and the Anglo-French Petroleum Commission. It had previously proven difficult to pinpoint the difference between the two and their connection. The British Petroleum Commission arrived in Romania around the 5<sup>th</sup> of April 1919, with 2 refinery experts and one field expert. The refinery experts conducted and finished their surveys and returned to England around the 8<sup>th</sup> of June. The fieldwork proved to be more demanding and was hindered due to differences with the Romanian government. These disagreements with the Romanians were according to this document resolved in July 1919. As previous documents stated additional help was hired in May, Richard van Sickle with staff and Mr. Mackenzie. Both did however soon after return to England and resigned by August, meaning that there were still only two field experts in the employ at the time.<sup>73</sup>

By July the commission was at its most effective and highest number of employees after the differences with the Romanian Government had been resolved. There were, however, still around 1000 oil wells that needed to be examined. The agreement that resolved the issues with the Romanian government involved the establishment of a mixed commission of the “original” Anglo-French Mission and added representation from the Romanian Government. Meaning that the original mission in Romania was by the Anglo-French Petroleum Commission and not a separate British Commission. With the addition of Romanian representatives, the group quickly expanded with the appointment of 12 experts to handle the field work and 6 additional refinery experts. The involvement of these Romanian reps meant that the Romanian government proposed to conduct a more thorough investigation. The Chairman of the Commission was at the time considering increasing the British presence in Romania with an accountant and two additional field experts.<sup>74</sup>

Another document called “*Treasury Memorandum on Government policy of compensation for damage done to Roumanian oil fields in 1916*” confirms that the “commission” is in fact the Anglo-French Petroleum Commission. The document outlines what the mission of the Commission will be in Romania, what types of damage they are going to investigate as well as what forms of destruction the allied governments are willing to pay reparations for. The commission is not only concerned with the destruction of oil fields, but also of wheat, and

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<sup>73</sup> POWE 33/2656 Romanian Commission.

<sup>74</sup> POWE 33/2656 Romanian Commission.

machinery. As the treasury understands, his Majesty's Government is liable for the damages done to oil companies. The liability of H.M. Government to Romania is more complicated. It was not to be finally settled with the French government at the time of the document writing. However, in the latest correspondence between the two, H.M. Government and the French government are liable to pay for claims made against the Romanian Government as long as the payments are not to be made to an enemy of the French or British Governments. The claims of reparations against the Romanian Government must provide the necessary proof to the French and British governments for repayment.<sup>75</sup>

Whitin the same archive folder is a copy of the letter sent by George Barclay to the Romanian Ministry for Foreign Affairs on the 5<sup>th</sup> of December 1916. The letter, which is in French asks the Romanian government to contact all directors of oil companies ordering them to destroy their oil reserves extraction equipment and refineries belonging to their respective companies. The letter also states that the Romanian government will be compensated for the losses caused by such drastic measures being set to life. This letter is the foundation for the Anglo-French Petroleum Commission's work in Romania. It creates the foundation for the guarantee that Romania and the oil companies operating there will be compensated for damage caused to their production, stores, and equipment, done based on this order.<sup>76</sup> There is also a document explaining the terms of reference for the operation of the Commission in Romania. Their mission is to visit all sites of damage done under the authority of the Romanian Government in November/December 1916 and January 1917. Whether the damage was done to pipelines, refineries, pumping stations or storages of grain stocks, machinery or buildings does not matter. They are also to investigate if any of the damage that had been done was repaired by the occupying Germans or other enemy occupiers.<sup>77</sup>

The commission is authorised to deal with and discuss with representatives of the Romanian Government on all matters concerning damage to properties, as well as access to all books and accounts recording the extent of the damaged properties. The commission is only a consultative organisation and does not have any right to take decisions regarding the petroleum policy in Romania, or that of the British or other Allied governments during the armistice and after the peace is finalized.<sup>78</sup>

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<sup>75</sup> POWE 33/2658 Treasury Memorandum.

<sup>76</sup> POWE 33/2658 Letter by G. Barclay 05.12.1916.

<sup>77</sup> POWE 33/2658 Terms of Reference to Commission.

<sup>78</sup> POWE 33/2658 Terms of Reference to Commission.

### 3.4: Shaping Romania's Oil Policy

During the commission's time in Romania, it was apparent that the possibility of a British and/or French expansion into the Romanian oil market depended heavily upon the direction the Romanian Government would take with its oil policy. The Romanians wanted to have both France and the UK on their side while still wanting more control over their domestic resources. Discussions between these three states on what the oil policy of Romania should look like began in April 1919. The following concerns were prioritised in a memo that formed the basis for these negotiations.

1. The Romanian Government wants to have an oil policy that allows for the active and reasonable exploitation of oil resources in Romania. The policy should also allow for the distribution of oil in Romania, allowing national industries to flourish and encouraging the export of all supplies to markets outside of Romania. It is understood by the delegates that the policy should be based on a broad national basis, allowing the largest possible participation of Romanian Capitalist and "Romanian Smallholdings". This will allow for national growth and prevent future takeovers like the German influence in the previous decade. The memo was created at the initiative of John Cadman, Senateur Berenger, and Vintilă Brătianu.<sup>79</sup>
2. Oil companies and interests from their own countries have approached the French and British governments. The Governments are prepared to cooperate with the Romanian Government to ensure that the Romanian oil industry is developed along the lines outlined in point 1.
3. The Romanian Government cordially accepts this cooperation.<sup>80</sup>

A transcript of an interview between Dr Marzec and representatives of the French Government, Lieutenant Dupont and Lieutenant Bernard, provides an honest account of the Romanian Government's wishes for its future oil policy. Mrazec informs the Frenchmen that he has been a champion of nationalising Romanian petroleum for over twenty years. In his eyes, nationalisation does not mean the total take-over of all facets of the oil sector. Rather, the ability of the state to control how and by whom their resources are extracted. Proposing a partnership between the Romanian state and large private companies. A solution he also wants to apply to the cereal sector. Imagine that allowing foreign companies to run the extraction,

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<sup>79</sup> POWE 33/72 Part 1: Memo

<sup>80</sup> POWE 33/72 Part 1: Memo

refining and transportation of oil and oil products would lead to rural development. In Mrazec's eyes such an arrangement would not limit the introduction of foreign capital. He also wishes for this agreement between the Romanian state and the Allies to be a permanent policy rather than a superficial or vague short-term deal.<sup>81</sup>

Mrazec explains that Germany attempted to force Romania into a similar arrangement before the war. It was not a system based on loyalty and cooperation, as he envisions now, but rather a system where Romania was a vassal Germany could command. Disconto Gesellschaft, backed up by the Prussian General Staff, attempted to put the system into function. This arrangement was far from ideal, causing Dr Mrazec and the Brătianu to work on nationalising the oil sector. All German-owned companies were sequestered after Romania declared war against the Germans in August of 1916. When the occupation was evident, the Romanian government agreed with the Allied suggestion to destroy products and refineries immediately. Despite the destruction, Germany managed to reorganise the oil plants. It guided the trade currents towards their own markets, effectively creating a German monopoly they intended to continue after the war. This system was imposed on Romania through the Treaty of Bucharest 7<sup>th</sup> of May 1918.<sup>82</sup>

After the Germans were pushed out of Romania, their properties were again put under sequestration and other foreign companies were temporarily under military of-state control. Leading to the perception that the Romanian Government is considering monopolising the industry. Dr Mrazec does believe that he speaks for the Brătianu brothers and the Romanian Government when he says that they do not wish for a monopoly but rather a comprehensive agreement between the Romanian State as the proprietor of land and private companies exploiting said land. Mrazec asked if it would be acceptable for the French Government to consider entering such an agreement, as it would benefit Romania socially, economically and financially.<sup>83</sup>

Lieutenant Dupont explained that he had no objection to such an agreement allowing the sovereign rights over its natural resources to the Romanian state. Petroleum production is vital for all countries and a great source of wealth for Romania; helping Romania realise petroleum potential is France's duty. Dupont agreed with Mrazec that Romania's sovereign right over its resources did not necessitate the state to work the resources themselves. Rather, permitting

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<sup>81</sup> POWE 33/72 Interview with Dr Mrazec pg.2

<sup>82</sup> POWE 33/72 Interview with Dr Mrazec pg.4

<sup>83</sup> POWE 33/72 Interview with Dr Mrazec pg.4

them to coordinate oil extraction by foreign governments or companies. Lt Dupont raised three points of view to Dr Mrazec. 1. The due reparations to be paid to French companies and interests. 2. The compensation France might demand of Romania regarding financial and military settlement of war questions. 3. The industrial, commercial, and financial combinations France and other Allies might arrange with Romania to replace the chaos the German invasion caused. Mrazec agreed that these points covered much of the future of oil in Romania. Both Mrazec and Lt Dupont agreed that the question of reparations was a local one compared to the daunting task of determining how the Romanian state and the Allied governments were to cooperate. Regarding this cooperation, Dupont explained that due to the major role petroleum had played in the war, it was necessary to first establish a firm and definite petroleum policy. Dupont agreed with both Clemenceau and Pichon that in the eastern question (Romania, Galicia, Caucasia and Mesopotamia), it was imperative that France and Great Britain should cooperate with one of the large international petroleum companies. The company in question had shown great loyalty to the Allies during the war, talking of Royal Dutch Shell.<sup>84</sup>

Lt Dupont questioned Dr. Mrazec on the severe interpretation of German ownership that the Romanian Government had used when placing Astra-Romana under sequestering in November of the year prior. Mrazec was surprised to learn that the French capital in Royal Dutch Shell represented around 40% of the total company. Dupont then questioned Mrazec on Steaua-Romana, which was under complete German ownership, reminding him that the company's files had been promised to be sent to Mr Pichon. Mrazec assured that the files would be sent and that looking through them would reveal the spy organisation operated by the Germans through Director Gunther. Dupont added that the Allies would not accept the trade of any petroleum products from Romania to Germany without severe control. As well as the necessity to liquidate all the Boche companies in Romania, replacing them with new companies created in collaboration with France, England, and Royal Dutch Shell.<sup>85</sup>

Mrazec replied that he wanted to inform his government of this point. In reply, Lt Dupont added that he approved of Mrazec conveying their sentiment, adding that the British Government, through John Cadman, had already approached the French with the same sentiments. It was also important that if their governments were able to agree on Romanian Petroleum, the question of Romania receiving monetary loans from the Allies needed to be

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<sup>84</sup> POWE 33/72 Interview with Dr Mrazec pg.6-7

<sup>85</sup> POWE 33/72 Interview with Dr Mrazec pg.8

coordinated. Placing importance on communication across all processes between Allied governments and the Romanian Government, to avoid inconsistencies that could breed uncertainty, ambiguity, or bitterness between the parties. Mrazec agreed with this sentiment, desiring to be sent a memorandum summarising the conversation and its conclusions.<sup>86</sup>

To wrap up the conversation Lt Dupont questioned Dr Mrazec what attitude the United States had towards Romanian petroleum, adding that he had little insight himself. Mrazec replied that Standard Oil had a definite plan for expansion into Romanian petroleum before the War. Planning for concessions, pipelines, tank boats for the Danube, tank storage and refineries. All this was done without concern or cooperation from the Romanian government. Standard Oil's end goal was penetration into German and Austrian markets through transport along the Danube, completing their entry into the German market along the Rhine and at Hamburg. The Romanian Government had been successful in combating Standard Oil's policy. The war showed that the Americans were faithful allies. The Romanians did, however, not forget that Standard Oil had proved difficult to work with in the past. Mrazec added that such questions were up to the Brătianu brothers to decide and invited Lt Dupont to visit him in Romania next May.<sup>87</sup>

In an extract from the Newspaper L'Orient, dated March 23rd, 1919, we get a further view of the Romanian Government's plans for its oil policy. Constantin Hălăuceanu, the mayor of Bucharest, held a conference titled *The Peace of Bucharest and the Question of Oil*. The speaker at the conference, Constantin Hălăuceanu himself, was the Director of Steaua Romana. The extract of the speech goes to length about how the Romanian Government plans to utilise the broken state in which the Germans left the petroleum sector to benefit Romania. The liquidation of German assets will allow the estate to take back control over its land, making it possible to usher in a new system where the state works as the landowner and the private companies lend the land to extract its subsoil resources. The concessions given to private companies will have fixed royalties and systems of profit sharing. In addition to land ownership, the state plans to dominate the oil industry, timing the means of transport and storage of oil, as well as having a monopoly on oil for lamps and power generation.<sup>88</sup>

This monopolisation is necessary to secure Romania's development and sustain its consumption needs. The potential territorial expansion of Romania into Bessarabia, Bukovina,

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<sup>86</sup> POWE 33/72 Interview with Dr Mrazec pg.9

<sup>87</sup> POWE 33/72 Interview with Dr Mrazec pg.10

<sup>88</sup> POWE 33/72 Extract from L'Orient

and Transylvania will bring coal and hydropower resources to the country and allow greater quantities of oil goods for export. The oil refineries in Romania will be distributed to companies involved in oil extraction, granting the Romanian state control over what types of petroleum products will be produced. The Romanian Government will consider the economic and political interests of its allies. Ultimately transforming the petroleum industry in Romania nationally to further Romanian wealth to benefit Romania and its people. What will the reactions of our political friends be? The strengthening of the Romanian state and its transformation into a competent partner in furthering progress in Europe will benefit them. Additionally, their large investment in the companies exporting Romanian oil will please their economic and political wishes. It is also evident that the national oil transformation needs capital, mostly outside of Romania.<sup>89</sup>

The newspaper extract had been sent to Sénateur Berenger, the *Commissaire général aux Essences et Combustibles* (the Commissioner General for Gasoline and Combustibles) on the 3<sup>rd</sup> of April 1919 via the director of the French-owned *Aquila Franco Romano*. The director reacted to the article, explaining that he was anxious about the trends expressed by the Romanian Government. Explaining that the proposed system where the Romanian state controls how much oil is being exported would discourage foreign investors and personnel from investing in Romania.<sup>90</sup> The letter seemed to stir in both the French and British delegations, especially since they were meeting in Paris on the same date the newspaper excerpt was forwarded to Sénateur Berenger on the 3<sup>rd</sup> of April 1919. This is evident in a series of letters sent between the British Petroleum Executive and the French *Essences et Combustibles*. In this series of letters sent between the 16<sup>th</sup> of April and the 6<sup>th</sup> of June 1919, first to send a copy of the correspondence to the British and then to summon Dr Mrazec to London to explain the intentions of the Romanian Government. This request was sent via Sénateur Berenger, who was hard to get a hold of, finally getting the conformation that Berenger had telephoned Dr Mrazec the same day of his letter being sent on the 25<sup>th</sup> of June 1919. Mrazec informed Berenger that he would arrive in Bucharest in the evening and was going to receive instructions from Prime Minister Brătianu the following morning.<sup>91</sup>

In the same series of correspondence, we can find writings from the meeting that took place in Paris on April 3, 1919. One of these documents is labelled *British Delegation, Paris*. The

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<sup>89</sup> POWE 33/72 Extract from L'Orient

<sup>90</sup> POWE 33/72 Letter form Aquilla Franco Romana 28.03.1919

<sup>91</sup> POWE 33/72 Letters 16.04-06.06.1919



document outlines the points that the Romanian, British and French governments agreed upon for the future of oil in Romania should be organised. The three agree to the establishment of one or multiple companies to take control over the sequestered companies of the former enemy, as well as the properties of the Romanian state. It is agreed upon that the creation of such a company or companies. The former companies of the enemy shall be based on a shared valuation made by experts from both sides of the agreement, the Romanian and the Anglo-French sides. The Romanian Government and interests have the right to take as much of the share capital in these new companies as they desire, the rest will be divided among French and British interests according to a mutual arrangement between the two. The consumption of petroleum products within Romania shall have first rights to determine the production of these companies.<sup>92</sup>

The control of these companies will be vested in a Board of Directors that shall be appointed in proportion to the capital ownership of the company. However, the Romanian interests will always have one-third of the directors on the Board. Additionally, the Romanian State will have the right to a proportion of the profits of the Company according to a scale that will increase after the fair return has been paid to the share capital owners. The Romanian government will also have the right to nominate a government director on the board of companies, who has the right to veto any question that affects the interests of the State of Romania. In the document, Dr Mrazec, who represented the Romanian Government at the discussions, compiled a seven-point list containing the ideal scheme for state control of the oil industry. 1. To maximise output and minimise labour waste, it is necessary to establish central control in each region. In a single region, only one company should deal with each type of oil product. The extraction of petroleum should be done according to local geological conditions. 2. To not waste natural gas and make its usage compulsory when extracted. 3. A general transport organisation. 4. The refineries must specialise in one type of crude oil. 5. Centralise the boring and drilling. 6. Internal markets are to be a state monopoly. 7. Export trade to be a separate organisation.<sup>93</sup>

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<sup>92</sup> POWE 33/72 British Delegation, Paris

<sup>93</sup> POWE 33/72 British Delegation, Paris

### 3.5: Concluding remarks

In the preceding text, I have provided excerpts of the early communications between the Romanian Government and its representatives, and various interests and governmental bodies from the United Kingdom and the Republic of France. It is probable that earlier correspondence exists in British or Romanian archives. Nevertheless, the documents I have examined serve as a significant starting point for an inquiry into the relationship that developed between the British and the Romanians.

One of the earliest documents in my possession originated from John Cadman, Director of the Petroleum Executive. His inquiry on behalf of the British-Romanian Corporation Ltd. is a crucial document, as it indicates that private British companies were closely monitoring developments in Romania and were eager to take advantage of any opportunities that arose. It is worth noting that the British-Romanian Corporation was a part of the larger oil company, S Pearson & Son, which, along with Royal Dutch Shell and the Anglo-Persian Oil Company, signed an agreement for the cooperation of British oil interests in Romania.<sup>94</sup> This demonstrates that major oil companies and the British government were interested in and aware of the opportunities presented in Romania. The interest shown by the Anglo-Persian Oil Company as early as 1918 further supports the idea that large companies were closely monitoring Romania from the outset, as evidenced by their decision to enlist the help of John Cadman and the Petroleum Executive to achieve their objectives. Cadman's early contacts with the Board of Trade and the Foreign Affairs Office further emphasize this point.<sup>95</sup>

My research shows that the British government was keen on British investments being made in Romania at the time. However, they do also seem apprehensive, not wanting to tread too hastily into the ordeal for fear of a misstep. Likewise, the Romanian government seemed unsure of what path they wanted to take. It is reasonable to assume that the Romanians had much on their plate in the months after the armistice was called. Having sequestered the German assets in Romania, as well as companies that the Germans had overtaken during their occupation. We know that the Romanian Government was weary of the possible resurgence of German influence on their economy. Furthermore, the Romanian Government was aware of the shortcomings of the Romanian capital, leading them to cleverly realise that they had to choose what powers they wanted to cooperate with.

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<sup>94</sup> POWE 33/66 Letter from A. G. Morrish. 13.02.1919

<sup>95</sup> POWE 33/57 Letter from J. Cadman, 22.11.1918

Cooperation with the Germans was quite clearly off the table due to their prior attempt at overtaking the petroleum sector. The major oil companies in Romania were Astra-Romana, Romana-Americana and Steaua Romana. The latter was under sequester and previously owned by German interests. Romana-Americana was a subsidiary of the Standard Oil Company of New Jersey, and Astra-Romana was of the Royal Dutch Shell. Leaving the Romanians to choose between cooperation with the Dutch or the Americans, neatly mirroring the situation most markets found themselves in. Through my research, I discovered that the Romanians were sceptical of Standard Oil due to prior activities in Romania. It is my understanding that the French and British in Romania were aware of the Romanian distrust of Standard Oil, or at least hoping for it to be the case. A point that was made clearer when Lt. Dupont interviewed Dr Mrazec. The distrust of Standard Oil meant that the Romanians were essentially only left with one choice: cooperation with Royal Dutch Shell, which was closely linked to the Allies.<sup>96</sup>

The destruction caused by the request of the Allies that Romania destroy oil stockpiles, extraction equipment, and refineries is central to the relationship between Romania, France and the UK.<sup>97</sup> The guarantee of reparations does, in many ways, force the three states to establish a working relationship. It also represents a point that could be discussed: did the French and British have to repay Romania for the damage? I think this is a meaningful point of discussion, as we could assume that there would be little backlash internationally if the British and French denied the existence of such a request for destruction ever existed. There would be complaints from capital owners from the UK, France, and other allied countries, but not from any government or power with influences in the region. This argument is hard to prove or disprove without any documentation pointing to it ever being discussed. I would, however, argue that it points to the Allies (France and the UK) having the additional motivation to go through with the reparations other than saving face internationally and the opinion of capital interests.

The Allies decision to go through with the repayments allowed them to establish the Anglo-French Petroleum Commission. This, in turn, gave the Allies a plausible excuse to conduct a highly detailed and thorough categorisation of the whole petroleum sector in Romania, including that of other foreign-owned companies, under the guise of diligently wanting to fulfil their guarantee of reparations for damages done. The Commission was granted

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<sup>96</sup> POWE 33/72 Interview with Dr Mrazec pg.10

<sup>97</sup> POWE 33/2658 Letter by G. Barclay 05.12.1916.

unprecedented access to all facets of the petroleum sector, including extraction, refining, transportation and storage. Additionally, due to wanting to repay for loss of income due to the destruction, the Commission was granted access to the financials and other documentation of the various oil operations in Romania. This was done mainly to establish a benchmark for the company's output before the war. It also gave the French and British a detailed overview of the inner workings of the whole sector.

A counterargument could be that the Allied governments were weary of the ongoing Russian revolution. Fearing that if they failed to fulfil their promise to help rebuild, Romanian oil would lead the Romanians down a path towards socialism. This argument can be strengthened when considering that the majority of the known oil deposits in Europe were in the Russian Empire; if the whites lost the revolution, access to that oil would likely be lost. Likewise, the already strong American presence in Romania through Romana-Americana could be seen as unfavourable to France and the UK, which were keen on establishing themselves as a counterweight to Standard Oil and Royal Dutch Shell. A Standard Oil take-over of Romanian oil could make it more difficult to retain control over the oil-rich Near East.

The conditions for receiving reparation stipulate that the British and French Governments would not pay for damages done to companies owned by their enemies during the war.<sup>98</sup> Thus, the Romanian Government was presented with a unique opportunity: rooting out a difficult foreign capital owner, replacing the capital with "friendlier" owners interested in developing the Romanian state, and the possibility of expanding the capital share of Romanian owners. We can, therefore, understand why the Brătianu government was willing to allow the entrance of Allied capital into the Romanian petroleum sector. It would be too simple to assume that the British and French wanted to ensure the development of the Romanian state. There were obvious benefits of establishing a stable and prosperous ally in southeastern Europe. This reason is insufficient to justify the investments the Allies were preparing to invest in the region. The signs point towards the desire to exploit the potential riches of Romanian petroleum, helping to secure a wider presence in the petroleum world that, due to its proximity to their territorial gains in the Middle East, would present little extra transport infrastructure. A point supported by the Anglo-Persian Petroleum Companies interests in establishing itself in Romania at the end of the war.

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<sup>98</sup> POWE 33/2656 Romanian Commission.

In response to the research question posed in this chapter, "*What motivated the British to show interest in Romanian petroleum, and did the Romanian Government play a role in their involvement?*" we can infer that Britain's decision to expand its presence in Romania was driven by a variety of factors. This expansion was undoubtedly influenced by the desires and aspirations of British companies, such as the Anglo-Persian Oil Company, Messrs S. Pearson, and Royal Dutch Shell (partially owned by British and French Capital), which identified Romania as a promising market for expansion. These companies sought to gain as much insight as possible into the Romanian industry and actively lobbied the British Government to assist them in acquiring shares or ownership of assets previously under German control. Additionally, it can be assumed that the government recognized the potential benefits of gaining control over assets previously owned by Germany. This move could have deprived Germany of access to Romanian oil resources and constrained their ability to import these resources. This assumption is bolstered by the joint French and British ultimatum, which demanded severe restrictions on exports to Germany.<sup>99</sup> One could also argue that Britain's recent acquisition of oil-rich territories in the Middle East made expansion into a neighbouring market, like Romania, a strategically sound decision. This allowed Britain to secure additional supply and profits without significant additional investment in shipping routes.

The Romanians essentially invited the British to take over the former German assets. While the Romanian government would have preferred to retain control of the assets, they lacked the economic capability to repair the war damages themselves. Faced with the prospect of the assets falling into the hands of a hostile nation, they chose to invite their wartime allies, France and the UK. This decision was likely the better of many evils, as they had almost lost control of the petroleum sector to the Germans during the war and Standard Oil in the preceding decade. If the French and British had not been invited, it is plausible that Standard Oil, together with Royal Dutch Shell, would have been contenders to purchase the German assets.

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<sup>99</sup> POWE 33/72 Interview with Dr Mrazec pg.8

## Chapter 4: Road to the 1924 mining law

### 4.1: Introduction and research question:

In the previous chapter, we delved into the collaborative efforts of the United Kingdom, France, and Romania, which laid the groundwork for their working relationship. The upcoming chapter will provide a closer examination of the evolution of this partnership. It will trace the progression of Romanian oil policy leading up to a crucial juncture, the Mining Law of 1924. This law marked a pivotal moment in Romania's endeavour to assert control over its most valuable natural resource, oil. It set the stage for the gradual nationalisation of the sector. In this chapter, nationalisation is broadly defined based on the documents referenced throughout, often pertaining to the enforced incorporation of Romanian influence into the operations of petroleum companies in Romania through requirements related to capital ownership and the composition of company boards, among other criteria.

This chapter explores the extent of the political, economic, and other forms of influence that the United Kingdom exerted over Romania. At the time, the British and French shareholders did not control a predominant share of Romanian petroleum. The three largest companies, namely Astra-Romana, Romana-Americana and Steaua Romana, were all foreign-owned, with Royal Dutch Shell, Standard Oil of New Jersey, and French and British shareholders as the major stakeholders. The majority stake in Steaua Romana was essentially held by French and British shareholders, a position that would later prove precarious. Throughout the chapter, we will explore the immediate reactions of the UK and France to the Romanian Government's attempt to weaken their position. The Romanian Liberal Party became emboldened and sought to exert power through the Mining Law. The chapter will highlight their efforts to use the Mining Law to gain the upper hand in the petroleum sector.

In this chapter, I pose the following research question: *How did the British government respond to the 1924 mining bill and subsequent Mining Law, and what measures did they take to influence the law before its enactment?* This research question aligns with my overall thesis, as it sheds light on the limits of British influence in shaping Romanian legislation to align with the interests of the government and British stakeholders at that time. Additionally, by examining foreign reactions to the finalised law, we gain insight into the priorities of the Romanian Government and discern where they drew the line in accommodating foreign governments and companies.

## 4.2: The bill for the mining law takes shape

An article written by the Council of Ministers was posted in the *Monitorul Oficial al României*, the official publication of the Romanian State, on December 18, 1923. On December 19, a translated copy, labelled Decisions of the Council of Ministers regarding the Freedom of Export of Petroleum Products, was sent from the H. M. Commercial Secretary of the British Legation in Bucharest by Alexander Adams on December 15<sup>th</sup>, 1923, to the Secretary of State for Foreign Affairs.

The meeting was held on the 15<sup>th</sup> of December 1923 after considering a report from the Minister of Industry and Commerce on internal trade and export of petroleum products. It showed that the intensification of the production of petroleum products for internal usage was necessary. In the report, as well as a royal decree from the 15<sup>th</sup> of September 1920 and the 6<sup>th</sup> of October 1920, the Council of Ministers decided on the following articles:

Article I: To approve the conclusion of the above-mentioned report.

Article II of the Proclamation permits the freedom of trade of petroleum products under five conditions (a-e). a) the export of crude oil is prohibited. b) export of petroleum products is free if the export tax is paid. Light and heavy benzine will pay 0,80 lei per kilogram; other products will pay the current tax level. c) Petroleum companies are obliged to provide residue (fuel oil) to the C.F.R. (State Railway), N.F.R. (State River-Navigation Department), and S.M.R. (Maritime Service) at the price of 1,50 Lei per kilogram. At the same time, they are striving to improve the quality of their oil products. d) Internal consumption shall be given priority. A Government Commissioner will supervise the domestic distribution of petroleum products until the Government establishes an organisation for the distribution of petroleum. The commissioner shall establish contact with the refineries to prioritise product production for internal usage. e) these conditions should allow the prices of petroleum products for domestic use to be at most equal to the international price of the product. To obtain the sale prices for the various parts of the country, the following expenses shall be added to the price from the factory: transport, wastage rent of tanks, communal taxes, and storage plus 15% of the basis price as profit for the distribution. Article III: To authorise the Ministers of Industry and Finance to make the provision of the present decision a reality. <sup>100</sup>

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<sup>100</sup> POWE 33/179 Freedom of Export of Petroleum, 15.12.1923

In the letter sent from the Bucharest Legation, there was a translation of the article opinions on its articles. For the first time since the Armistice, freedom of internal and export trade has been proclaimed as the principle for the future. The change likely comes from the recent ministerial reshuffle in the Liberal Party government, with the addition of *Tancred Constantinescu* and others. The proclamation of freedom also washed away the complicated restrictions put on the refineries in Romania. Removing the stipulations of percentages of each petroleum product to be produced possibly leads to improved quality of the refined products and greater variation in yield. Additionally, there were several other proclamations relating to the freedom of trade. The ban on exporting crude oil will remain, ensuring that all crude oil must pass through the refineries to be exported, helping the industry to grow domestically.<sup>101</sup>

Petroleum products can be exported free of charge if taxes have been paid, but petroleum residue is prohibited. This prohibition secures Railroads, river navigation companies, and the Romanian Maritime Service access to oil fuel. It also secures fuel at lower prices than the international market charges for factories and industrial establishments that use oil fuel. A measure was implemented to secure low domestic prices and security against international price hikes on fuel oil. All petroleum companies must supply the railroad, river navigation and the Romanian maritime service with oil fuel at 1.5 Lei per kilogram. Representatives of the petroleum industry have been consulted on these matters. Although the industry wants further freedom and the abolishment of all restrictions, they will still react positively to the removal of the suggested restrictions, ultimately creating far less restrictive legislation. The current export tax of 80 Bani (cents) per kilogramme for heavy and light benzine is far lower than the general export tax of 22%. A similarly low export tax could be implemented on all petroleum products as compensation for the forced price of oil fuel for domestic use.<sup>102</sup>

Paragraph D in the article has raised a few eyebrows among the petroleum companies. Their reaction is not publicly discussed; however, they fear that the Romanian Government is laying the groundwork for a domestic monopoly on the sale of petroleum products. This notion is based on a report by the Minister of Industry, outlining that the State must continue purchasing petroleum products at market prices. Until a future organisation for petroleum distribution in the country has been established.

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<sup>101</sup> POWE 33/179 Letter to Commercial Secretary 19.12.1923 pg. 1

<sup>102</sup> POWE 33/179 Letter to Commercial Secretary 19.12.1923 pg. 2



A letter sent by E. Millington Drake from the British Legation in Bucharest to Curzon of Kedleston on the 22<sup>nd</sup> of December 1923 picks up the tread from the preceding letter and adds further contemplation. The broad principle of freedom of internal and export trade must be considered a notable step forward by the Liberal government of Romania. The maintained restrictions include that prices of oil products for domestic use shall not exceed the international price. In addition to export taxes, there was a ban on crude oil exports and an obligation to supply the Romanian railway with oil residue, among others. These restrictions are thought to foreshadow an eventual Government monopoly for the domestic distribution and sale of petroleum products, causing objections to be made by the oil companies against the decisions of the Romanian Government.<sup>103</sup>

Alexander Adams had stated that one company was considering the proposed system difficult. The company in question was Astra-Romana, owned by Royal Dutch Shell. Millington Drake informs that he interviewed the company's general manager, Mr. Guest, asking him to draft a memorandum containing his objections to the proposed system. Important among them was a miscalculation done by the Romanians, where the prose comparison with Oil from the Gulf of Mexico was calculated using a conversion of 4,5 l per gallon rather than the American standard of 3,78 l per gallon. Other companies have complained about the proposed reduced price for fuel to the Romanian Railway due to the railway owing a considerable debt of 342 000 000 Lei. The Romanian government issued the department to the various oil companies for supplies. Additionally, the railway administration had insistently been demanding receipts of communal taxes before accepting transport, interfering with the destination of shipments, and regularly reporting "accidents" to tank cars at certain stations. The current Director of Railways, *Monsieur Pretorian*, who recently succeeded *Tancred Constantinescu*, has promised to look into the matter, knowing little of it then.<sup>104</sup>

A letter from E. Millington Drake, dated December 20, 1923, provides an overview of the preparations for the draft of the upcoming mining law. He translated an article published in the financial paper *Plutus* on December 16, supposedly giving substance to the future draft, coming from "a person in a position to know". Millington Drake draws attention to two points in the article. 1) The concessions which the Ministry has not yet approved and contracts for oil leases would have to be examined by a Commission established under the law. If correct, there would be little hope of expedient examination and approval. 2) Vintilă Brătianu does not

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<sup>103</sup> POWE 33/179 Letter to Curzon of Kedleston, 22.12.1923

<sup>104</sup> POWE 33/179 Letter to Curzon of Kedleston, 22.12.1923

intend for perimeters to be given in exchange for loans, as he considers existing companies that have incurred risks and expenses to have better claims to them than new undertakings. This would seem yet another nail in the coffin of the O.P.Q Syndicate's proposals.<sup>105</sup>

The article sent in the letter is an abbreviated form of another article from the *Monitorul Oficial al României*. Nationalisation of the sub-soil: all the sub-soil belonging to the State will be under the orders of a single authority and granted concessions. It mentions that the State at present holds all the mineral sub-soil rights. The new law will be of economic character rather than a fiscal one. The state wishes to assure great advantages to the national economy; the exploiters of the sub-soil will be given every facility, whether they are the landowners or concessionaires, so that the exploitation of the sub-soil might be as systematic and rational as possible and ensure that the maximum profit might be obtained not only to the extractor but also for the use of the country. The law intends to put the whole mining industry under the authorities' control. In connection with the fundamental provisions of the constitution, a new and exact inventory of the concessions in force at the present time will be made. This work will be carried out by a Commission to be named. However, so that complete impartiality may be assured, the commission will be composed of members of the Court of Cassation and specialists nominated by the Government. This transformative measure is intended to smooth the transition to the new regime.<sup>106</sup>

The Economic Commission will examine concessions the Ministry has not yet approved to ensure no one is wronged. Small areas now available for exploitation will be joined to ensure more efficient land use and extraction potential. Future concessions the State grants will no longer consider boundary lines on the surface property. Surveys of new and old concessions will have to be done. Mineral surfaces will be divided based on scientific advice in areas known to be petroliferous. No new lands will be given for competitive applications unless the concessionaire carries out exploratory work at the same time. Vintilă Brătianu will not grant concessions of new land in exchange for loans. This decision is made because of reasons of the State, as well as being unfair to existing enterprises who have invested risk and capital to carry out petroleum exploration, giving them first right to profit from the petroleum they have discovered. This will make it more attractive for the smaller petroleum companies in Romania to form more powerful syndicates to be able to get a hold of new concessions.<sup>107</sup>

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<sup>105</sup> POWE 33/77 179 Letter to Curzon of Kedleston, 20.12.1923

<sup>106</sup> POWE 33/77 179 Article in Plutus, 16.12.1923

<sup>107</sup> POWE 33/77 179 Article in Plutus, 16.12.1923

A document from the 27th of December 1923, labelled further observations on the new “liberty of commerce” as applied to the Romanian petroleum industry, provides more context. The new proposition from the Romanian Council of Ministers recognises the international price in producing countries as the standard price gauge for internal prices in Romania and fixing the standard to f.o.b. prices from the Mexican Gulf. They make this decision based on the belief that Romania's people and industries deserve conditions like those of other oil-producing countries. This measure is also meant to prevent the Romanian oil price from rising beyond the international pricing, hindering the prospect of Romanian companies and individuals importing cheaper petroleum goods from elsewhere. This means that the price that will be operated internally in Romania would be the international production price plus the transport cost to Romania.<sup>108</sup>

This concept seems far-fetched. However, considering it from the Romanian point of view reveals that twenty years prior, Standard Oil of New Jersey nearly secured a nationwide monopoly on petroleum exploitation in Romania. They still want to realise this scheme, waiting for an opportune moment. At present, the extraction of Romanian petroleum practically comes from three companies. 1) Romana-Americana, a subsidiary of Standard Oil; 2) Astra Romana, a subsidiary of Royal Dutch Shell; and 3) Steaua Romana, connected to the French and British petroleum circles. Around 70% of 1919 and 75% of 1920 production came from these three companies; similar percentages remain today. Astra and Romana Americana are owned entirely by foreigners, none other than the two largest petroleum organisations in the world. 51% of Steaua Romana is in the hands of the British and French. Romania provides a petroleum market of 18 million people. The fear behind these policy moves by the Romanian Government is that foreigners own the three large companies. Even the narrow foreign-owned majority within Steaua Romana is furthered by the fact that the remaining 49% of capital ownership is currently mortgaged to French and British groups for advance payments made.<sup>109</sup>

The threshold of petroleum prices was instituted by the Romanian government despite the companies wishing for domestic free trade. Additionally, asking the companies to provide oil residue for fuel for various governmental companies at prices lower than the production cost, is similarly unpopular. However, Vintilă Brătianu assures the companies by saying that this demand is only being made for the year 1924. The sale and distribution of petroleum to the

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<sup>108</sup> POWE 33/179 Memorandum by H.M. Commercial Secretary, Bucharest, 27.12.1923

<sup>109</sup> POWE 33/179 Memorandum by H.M. Commercial Secretary, Bucharest, 27.12.1923

state will be free in the future, a departure from the current heavy fines currently levied on the sale and transport of these goods. At the same time, to counteract the losses the petroleum companies might suffer here, the export tax on petroleum will remain low.<sup>110</sup>

J.C. Clarke, director of the Petroleum Department at the Board of Trade, received a letter on the 3rd of January 1924 informing him that the Romanian Chamber had voted to increase the Mining Tax from 1% to 2%. The mining tax is levied on all petroleum-producing companies based on their crude oil production. The increase represents a significant burden in addition to the already heavy burden the Romanian oil companies felt. A calculation from the *Monitorul Oficial al României*, claims that this burden equates to around 45 million Lei extra per year.<sup>111</sup> An attached letter from H. Dering in Bucharest claims that credit of 100,000,000 francs has been secured with the government's revenues and royalty from state lands as security.<sup>112</sup>

In reply to the letter from January 3<sup>rd</sup>, Clarke wrote thanking for the information and remarking on the large proportional increase. I am inquiring if it would be possible to lodge a diplomatic protest. He also remarked that the Romanian Government would likely reply to a diplomatic protest by saying that to increase taxes is well within their sovereign rights. Also, note that 2% is not by any means excessive; however, acknowledging that it represents a substantial portion of the company's profits. The increased tax's effect on profits is closely tied to the effect of the removed regulations.<sup>113</sup> J. B. A. Kessler replied on the 30<sup>th</sup> of January, agreeing that it was within the sovereign rights of Romania to increase the Mining tax and concurring that it would represent a large proportional increase. He explained that the conditions in Romania were moving in a negative direction. Even though the government was removing some restrictions, they often were replaced with two. Domestic prices increased, prompting the government to contemplate the domestic sales monopoly again. Previously, refineries only had to supply 33% of their crude oil as fuel for domestic consumption; they now had to supply the Railways and other government services. The Government had also rigged the sales tax on petroleum exports so that if the international prices increased, so did the sales tax. This caused the domestic prices to decrease in comparison to the international prices. The Government partook in these practices while still claiming not to manipulate

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<sup>110</sup> POWE 33/179 Memorandum by H.M. Commercial Secretary, Bucharest, 27.12.1923

<sup>111</sup> POWE 33/179 Letter to J.C. Clarke, 03.01.1924

<sup>112</sup> POWE 33/179 Letter from H. Dering, 01.01.1924

<sup>113</sup> POWE 33/179 Letter to J. B. A. Kessler, 11.01.1924

domestic prices, making it hard for Kessler to believe in the idea of freedom of trade in Romania.<sup>114</sup>

The official changes to the Mining law implementing the increase of the mining tax and an increase of the royalty cost for concessions to 60 Lei per hectare for petroleum and 30 Lei per hectare for other mining extraction were decreed on the 31<sup>st</sup> of December 1923. Alexander Adams of the Bucharest Legation sent a translation of the revised articles 94, 95 and 96 in the mining law to the Secretary of State for Foreign Affairs alongside a letter discussing the changes.

Decree of the 31<sup>st</sup> of December 1923:

Article I: as of the 1<sup>st</sup> of January 1924, articles 94, 95, and 96 of the mining law shall be modified as follows.

94: the fixed tax shall be established according to the area or perimeter of the concession, for petroleum 60 Lei per hectare, and for other products 40 Lei per hectare.

95. The proportional tax shall be 2% of the gross production in petroleum exploitations (crude oil) and 1% of the gross production for other minerals.

96. The fixed tax shall be collected as a direct tax (contribution). The proportional tax of 2% of the gross production in petroleum exploitations shall be collected either in kind or in money; the Ministry of Industry & Commerce shall settle, by a Ministerial Decision, before the 15<sup>th</sup> Jan. of each year whether it is intended to collect this tax in kind or in money.

Article II: The sums resulting from the collection of money for these taxes, as well as those realised from the sale of the crude oil collected in kind, shall be paid into the state revenues.

This law was put to the vote at the meeting of deputies on the 29<sup>th</sup> of December 1923 and was passed by a majority of ninety-nine votes to one.<sup>115</sup>

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<sup>114</sup> POWE 33/179 Letter from J. B. A. Kessler, 30.01.1924

<sup>115</sup> POWE 33/179 Decree of the 31.12.1923

A memo from the British Legation in Bucharest on February 18, 1924, again raised the concern for a governmental monopoly. The prospect of a government Monopoly for the domestic sale of petroleum was first aired almost 20 years ago. The idea was that the producing companies would hand over their products at prices fixed by the Government, and then the Monopoly would, as in the case of salt, tobacco, matches, etc., place the product on sale in various parts of the country. The idea did, however, achieve much traction in Romania, although an attempt was made by the *Averescu Government* in 1920. They had proposed to give a newly formed Romanian concern the sole right for the internal sale of petroleum; it was met with much resistance, and the right was quickly withdrawn and compensated with state oil lands.<sup>116</sup>

Referring to Millington Drake's letter from the 22<sup>nd</sup> December 1923, the memo discusses how the Anglo-Saxon Petroleum Company fears that the current government is planning to revive the idea of a state monopoly.<sup>117</sup> They base their fears on the appointment of a commissioner to oversee the organisation of the distribution of petroleum in Romania. Based on this, as well as a memorandum by Mr Guest of Astra-Romana, there is ground to support the idea that the current Romanian Government was considering, as all Governments in the last 20 years had done, to establish a monopoly on the sale of petroleum domestically.<sup>118</sup>

A letter from the British Legation in Bucharest shed further light on the future rendition of the mining law. They forwarded a newspaper article in French summarising the new bill presented by Tancred Constantinescu to the Parliamentary Commission. First, among its many interesting points, it talks of the role of foreign capital investments in oil and other mining industries in Romania. In the bill, 60% of the capital a company is applying for a mining concession must be Romanian. Two-thirds of such a company board and the general manager must be Romanian. All shares are to be nominative, and to prevent undue influence by powerful interests; no shareholder can have more than one hundred votes in the General Meeting. The principles and restrictions applied in the case of Reshita Steel Works and Domains Company will now be given wider application, meaning all mining companies.<sup>119</sup>

Concessions will be limited to fifty years, and land perimeters cannot exceed 15 hectares, to be divided equally between the Romanian State, a Romanian company, and a foreign

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<sup>116</sup> POWE 33/179 Memo on State monopoly, 18.02.1924

<sup>117</sup> POWE 33/179 Letter to Curzon of Kedleston, 22.12.1923

<sup>118</sup> POWE 33/179 Memo on State monopoly, 18.02.1924

<sup>119</sup> POWE 33/179 Letter from H. G. Dering, 28.02.1924

company. The latter are to be nationalised within five years. No definition of *nationalisation* is given, but it must be assumed that it will rearrange the company's capital and management. The distribution of oil in Romania will not be a state monopoly. An existing concession can only be terminated if the concessionaire abandons its concession, if the land is exhausted of the specific mineral or if the concession expires.<sup>120</sup> A memorandum written by S. A. Guest, manager of Astra-Romana, sheds light on the bill. The law, I fear, is intended to have far-reaching effects on the oil industry. The provisions Guest wants to draw special attention to are the following:

The state enterprises of an economic character will function according to rules established under the present law.

These Enterprises are of two classes, viz: (A) Enterprises of a general interest called to fulfil important public services on which depends the progress of the national economy, or the enterprises which are a state monopoly, as well as those which specially concern national defence. (B) Enterprises of a purely commercial character, the subject matter of which is State property, but which do not constitute an exclusive monopoly of the state.<sup>121</sup>

The bill mentioned "*droit regalien*", *royal rights* when referring to the governmental monopoly on domestic petroleum trade. S. A. Guest comments on this idea, denying the possibility outright. Claiming that the proposed provisions are enacted, the establishment of such a monopoly would be unconstitutional or an attempt to modify the constitution unconstitutionally if the law courts of Romania were independent, which they are not. Two independent sources that Guest deemed trustworthy meant that Vintilă Brătianu placed great importance on establishing the monopoly as a *droit regalien* and hoped it would go unnoticed among the other changes being made to the mining law. Guest suggested that the Government intends to use this to put pressure on the foreign shareholders of Steaua Romana. Attempting to create better terms and larger control for the Romanian Banking Groups, who have taken up shares in the company without being able to pay for them. However, this may be an unintentional advantage, and Guest is convinced it may be the main underlying motive.<sup>122</sup>

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<sup>120</sup> POWE 33/179 Letter from H. G. Dering, 28.02.1924

<sup>121</sup> POWE 33/179 Memo by S. A. Guest, 04.03.1924

<sup>122</sup> POWE 33/179 Memo by S. A. Guest, 04.03.1924

### 4.3: Reactions to the passing of the mining law

A short telegram from H. Dering of the British legation in Bucharest to Ramsay MacDonald on June 26, 1924, informed that the Romanian Chamber of Deputies had finished their debate on the new mining law and would proceed to vote on the bill, clause by clause. The Senate president had stated that the Senate would continue its session on July 1. Dering had sent an urgent note to the Romanian Government correcting multiple errors concerning the mining regulations used in the British Empire.<sup>123</sup> Another letter from the British legation dated 20.06.1924 informed that the legation had contacted his French and American colleagues and the Minister of Foreign Affairs about the mining law. Mr Guest of Astra-Romana was in an anxious and apprehensive state. Persuading the author of the letter to write a letter to the Romanian Government airing his concerns with the Bill or to unify with the French and Americans to issue a verbal protest to the Minister for Foreign Affairs. Mr Guest's colleague at Standard Oil (Romano-Americana) told him that Mr Jay was planning to send yet another complaint, urging the author to do the same as he is the more senior colleague.

The author had contacted his colleagues at the American legation to verify if they had sent another complaint; they had not and were not planning to do so unless it seemed helpful. They agreed to bring up the issue of mining law in an upcoming meeting with Monsieur Duca. He also contacted the French legation; they reported that the French oil companies were philosophically interpreting the bill. The author managed to catch Mr Duca after a cabinet meeting at the Foreign Office, informing him that the British government had instructed him to make a formal protest against the mining laws' provision affecting the foreign capital. Adding that the amendments introduced do not appear satisfactory and that article 35 regarding nationalisation remained unaltered. He was urged to inform the rest of the government how badly the bill had been received in Great Britain. Duca replied that the amendments that had been made were substantial and suggested taking the issue to the Minister of Commerce. Duca was asked to send the finalised amendments in text to be sent to the legation.<sup>124</sup>

The newest version presented to the Romanian Senate was sent to the legation, which could not find any meaningful change concerning foreign interests. Mr Duca had confidentially, during their discussion, admitted that the Romanian Government would be willing to change

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<sup>123</sup> POWE 33/348 Telegram from H. Dering, 26.06.1924

<sup>124</sup> POWE 33/348 Telegram to J.R. MacDonald, 20.06.1924



the mining law if the British government changed their own mining laws in the colonies. Foreign capital was never permitted in the colonies and could not be comparable. The foreign capital owners in Romania were invited by the Romanian Government, who had welcomed their establishment. The bill, in its current form, would do nothing but discourage further activity in Romania and destroy what had already been established. Duca asked to keep this part of the conversation confidential, even though it represented his opinions. The bill was passed in the Romanian Senate on the 18<sup>th</sup> of June, 88 votes to 3, and would be up for vote in the Chamber of Deputies the following Monday (23.06.1924).<sup>125</sup> The argument that Great Britain should not instruct Romania to have a mining policy open to foreign capital while excluding it in its own colonies is also mentioned in a letter from S. A. Guest of Astra-Romana from the 19<sup>th</sup> of June 1924. He argued that Duca, the Romanian Foreign Minister, used this argument to weaken the British position in Romania severely. Also, commenting on how the new law would seriously weaken the ability of British owners to have solid representation on the boards of the companies they have invested in. Requesting that the legation inform the British Government of the jeopardy British companies in Romania will find themselves in.<sup>126</sup>

Tancred Constantinescu, who in 1923 onwards was the Minister of Industry, gave a speech to the Romanian Senate on the 18<sup>th</sup> of June 1924 defending the mining bill. The speech awoke reactions from the representatives of the United Kingdom, France and the United States. The main points of speech were forwarded to the prime minister of the United Kingdom, James Ramsay MacDonald, on the 18<sup>th</sup> of June. Constantinescu started by outlining the world struggle against the large trusts, Standard Oil and Royal Dutch Shell. Romana-Americana (Standard Oil) had, since its initial investment of half a million Lei at its establishment in 1904, made over 500 million Lei in profits. Astra-Romana (Royal Dutch Shell) had initially invested 60 million Lei; its current valuation has reached 750 million Lei. Constantinescu argued that such large profits cannot be permitted, adding that they do not want to hinder foreign capital. Romania wants to partake on a much larger scale.<sup>127</sup>

According to Constantinescu, the restrictions imposed on foreign companies had been greatly exaggerated, and exploitation by foreign companies was not becoming illegal. Foreign capital had to adapt and cooperate with Romanian capital to exploit state-owned land. Foreign

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<sup>125</sup> POWE 33/348 Telegram to J.R. MacDonald, 20.06.1924

<sup>126</sup> POWE 33/348 Letter from S. A. Guest, 19.06.1924

<sup>127</sup> POWE 33/348 Telegram to J.R. MacDonald, 18.06.1924

companies were to be given a ten-year grace period to fulfil the restrictions of the new mining law. Meaning that if they wished to continue to exploit state-owned land after ten years, they had to nationalise. Constantinescu had declared that foreign companies held 25,000 hectares of reserve lands at the time, constituting most of the known oil-bearing land in Romania. If they wanted to expand into additional state-owned land in the future, they had to accept to become nationalised. However, the sale of privately owned land would remain legal without the condition of having to nationalise.<sup>128</sup>

The Americans were worried about the consequences, which was evident in a letter from the American Ambassador to Romania, Peter Augustus Jay, to the Foreign Affairs minister, I.G. Duca. It was Jay's belief that the Minister sincerely desired to promote cordial and helpful relations between the two countries. Hoping that his desire might motivate him to help alter the mining bill. Romana-Americana (Standard Oil) were, at the time, exploiting less than 1000 hectares of oil land in Romania, which was likely to be exhausted within eight to ten years. Approximately 90% of the remaining land leased by the company was known not to be oil-bearing. It is often cited that the British Empire did not allow foreign capital in its petroleum endeavours throughout the Empire. The Standard Oil Company of New Jersey operated extraction and distribution facilities in Canada, as well as petroleum distribution in other parts of the Empire and within the United Kingdom itself. On this basis, Jay argued that it was unreasonable to diminish the possibilities of foreign-owned companies in Romania and that the proposed measures would punish American companies more than any others.<sup>129</sup> A letter from Herbert Dering, British Minister to Romania (Ambassador) to Prime Minister James Ramsay MacDonald, shows that the British planned with French and American legations to correct the Romanian Government's use of the British Empire laws on foreign-owned companies as an excuse to nationalise themselves. As well as pointing out that their presence in Romania was due to the invitation of the Romanian Government.<sup>130</sup>

The same letter also gives insight into Ferdinand I of Romania's views on the mining bill, showing keen interest in the arguments against the bill. According to the letter, Ferdinand had invested most of his personal savings in oil company shares, meaning that he was invested in the outcome of the companies he had invested in. The queen, Marie, was also receiving updates from the foreign ministers of the affected countries, hoping for her to use her

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<sup>128</sup> POWE 33/348 Telegram to J.R. MacDonald, 18.06.1924

<sup>129</sup> POWE 33/348 Telegram to I. G. Duca, 27.06.1924

<sup>130</sup> POWE 33/348 Telegram to J.R. MacDonald, 27.06.1924

influence. An informant to the Ambassador, former prime minister and president of the Senate from the Peoples Party, Constantin Coandă. He had frequent meetings with Ferdinand at the time and informed the ambassador that the Romanian Government was seeking forms from the courts in case the King refused to sign the bill into law. Dering added that it seemed they had successfully spread an uneasy feeling surrounding the bill, although unlikely to cause it to be rejected in the Parliament.<sup>131</sup>

A letter from the Dering to Prime Minister MacDonald on June 30 shows relief that the pressures of the various foreign interests in Romania have borne fruit. The letter confirms that the amended bill had passed in both the Chamber of Deputies and the Senate without further amendments. It is now awaiting royal assent, which is expected on the same day. Guest of Astra-Romana was pleased with changes made to articles 34 and 77, inspired by his suggestions. The rights of the explorer over his allotted territories were secured, and the future of technical employees of foreign companies had been safeguarded. The principle of nationalisation, from Article 33, had been slightly altered but remained.<sup>132</sup>

A letter to J. C. Clarke further points to the success of the diplomatic pressures levied against the Romanian Government. Commenting on Article 33 and the scheme to nationalise foreign-owned companies, the article originally called for nationalising these companies within five years. In the ratified version of the mining law, the period had been extended to ten years. Article 33 also contained a clause stating that concessions already given to a company could be made void if the company failed to nationalise within the allotted time. This creates a potential loophole that a hostile Romanian government could exploit to strip foreign-owned companies of the lands conceded to them, regardless of whether the necessary Romanian capital is available to nationalise the company. The Liberal party has deliberately adopted the doctrine of nationalisation, meaning that, as proven from this process, diplomacy has shown little efficacy in changing the party's minds. The nationalisation of the petroleum sector follows a pattern seen in river navigation, explosives manufacturing, and the Resita works.<sup>133</sup>

The deal negotiated by Albert Stern for the majority block of Steaua Romana was thought to be an arrangement the Liberal Party and Vintilă Brătianu were satisfied with. Romanian ownership of 51% of the shares and a Romanian general manager alongside representatives on the board were believed to be a working system. Dering admitted that he had issued

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<sup>131</sup> POWE 33/348 Telegram to J.R. MacDonald, 27.06.1924

<sup>132</sup> POWE 33/348 Telegram to J.R. MacDonald, 30.06.1924

<sup>133</sup> POWE 33/348 Telegram to J. C. Clarke, 09.07.1924

concerns to Stern that the deal might not safeguard from further Romanian encroachments in the future. Stern had been too concerned with ensuring that the deal went through; in hindsight, the situation of Steaua Romana probably emboldened the liberal party, ensuring them that their doctrine would succeed.<sup>134</sup>

The British Legation in Bucharest reported a noticeable fall in the valuation of the Lei in a letter from July 5<sup>th</sup>. Likely caused by international reactions to the Mining law, before the fall, the conversion was 1000 Lei per pound sterling; when sending the letter, it was 1065 per British pound. The financial newspaper, *the Orient*, reported that Tancred Constantinescu would travel to Paris and London to reassure financial and commercial circles. According to the newspaper, there were fears that Constantinescu, who was far less supple and composed than Vintilă Brătianu, might ruin the little credit Romania might still hold in such circles.<sup>135</sup>

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<sup>134</sup> POWE 33/348 Telegram to J. C. Clarke, 09.07.1924

<sup>135</sup> POWE 33/348 Telegram to J.R. MacDonald, 05.07.1924

## 4.4: Concluding Remarks

In this chapter, we examine the communication between British representatives in Romania and the UK government, as well as the internal correspondence among various foreign legations and oil companies in Romania. It is evident from the reactions to the mining law that it posed a concerning prospect for all foreign entities in Romania and their respective governments. The early rumours about its content were met with unease, as reflected in the correspondence from the British Legation, which expressed concerns about the potential impact of the law on British companies.

The Romanian government seemed to attempt to lessen the impact of the coming bill by introducing changes to the rules concerning the export of petroleum goods. By banning the export of crude oil, obligating companies to provide cheap fuel to government-owned services and guarantee the lowest possible price on petroleum goods domestically. These are all clever incentives to secure the future development of the Romanian economy, safeguarding against price hikes caused by the international market. While guaranteed cheap fuel costs benefit domestic industry, they are not preferable for petroleum goods producers, especially foreign ones looking to maximise their shareholders' profits. It seems that Tancred Constantinescu, the Ministry of Industry, had hoped that removing certain rules and regulations put upon the petroleum industry, like quotas for each petroleum product and "free" petroleum export, would be received positively. While met with positive reactions, it did not entirely persuade the sceptics to applaud the new legislation.<sup>136</sup>

The government's emphasis on domestic consumption and the creation of a supervisory commission for petroleum distribution in Romania suggests a potential desire to establish a domestic monopoly on petroleum sales in the future. Astra-Romana's response indicates their resistance to the notion of a state monopoly, expressing a preference for the government to uphold its commitment to free trade. They also highlighted calculation errors and expressed concern about the impact of the proposed mining law measures for countering escalating international prices. Foreign companies perceived these proposed changes as a significant threat to their profit margins in Romania.<sup>137</sup>

Vintilă Brătianu has recommended changes to the regulations regarding the allocation of new concessions. Two notable changes include the discontinuation of granting concessions in

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<sup>136</sup> POWE 33/179 Letter to Commercial Secretary 19.12.1923

<sup>137</sup> POWE 33/179 Letter to Curzon of Kedleston, 22.12.1923

exchange for loans to the Romanian government and the prioritization of established companies when awarding concessions. Although the motives behind these changes were not explicitly outlined in Brătianu's speech, he cited *reasons of state* as the main driver. However, it is plausible to assume that these alterations were aligned with the Romanian Government's strategy at the time, which aimed to gradually nationalize the economy and the petroleum sector. By making it more challenging for new foreign companies to acquire land concessions and favouring established companies, the government facilitated the process of nationalizing foreign-owned companies by reducing their numbers.<sup>138</sup> It can be inferred that the established companies supported, or at least did not oppose this policy. This is evident from the absence of any mention of them in the correspondence from the general manager of Astra-Romana, as the change potentially reduced competition for new concessions.<sup>139</sup>

The Romanian government's primary objective was to expand Romanian capital's influence throughout the petroleum industry. In 1920, three major foreign companies - Astra-Romana, Romana-Americana, and Steaua Romana - collectively controlled approximately 75% of the industry's production. Despite nominal Romanian majority ownership of Steaua-Romana, the shares were effectively owned and managed by French and British investors, who had made advance payments on them.<sup>140</sup> Understanding this context, it becomes clear why the Romanian government was motivated to increase domestic capital's presence in this crucial industry. This was not only to ensure affordable access to fuel for industrial and commercial growth but also to capitalise on potential wealth growth that Romanian investors were missing out on while also reducing the gap between Romanian and foreign capital.

An intriguing development involved the Romanian Government's decision to increase the mining tax from 1% to 2%. The correspondence regarding this adjustment offers an insightful glimpse into the partnership between the British Government and capital interests. The Romanian government made this move to ensure revenue and utilised it as collateral for an immediate loan of 100,000,000 francs, although subsequent sources never verified this.<sup>141</sup>

In the discussions regarding the tax hike, it is evident that both the private stakeholders and the UK government acknowledge that the increase is modest and falls well within the Romanian government's sovereign authority. Nonetheless, a doubling of the tax rate would

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<sup>138</sup> POWE 33/77 179 Article in Plutus, 16.12.1923

<sup>139</sup> POWE 33/179 Letter to Curzon of Kedleston, 22.12.1923

<sup>140</sup> POWE 33/179 Memorandum by H.M. Commercial Secretary, Bucharest, 27.12.1923

<sup>141</sup> POWE 33/179 Letter from H. Dering, 01.01.1924

significantly impact the profit margin of the petroleum companies in Romania. Arguments were made that even though the foreign-owned companies welcomed the decrease in restrictions levied on the petroleum industry, fears were that the increased tax, as well as the obligation to provide state services with cheap fuel, would severely affect profits as well as deter further investments in Romanian petroleum.<sup>142</sup> An interesting anecdote is that these correspondences between J.C. Clarke of the Board of Trade were sent to and answered by J. B. A. Kessler, the former chief executive of Royal Dutch Shell who had died in 1900. Meaning that his letterhead and signature were used by some subsidiary of the company in Romania, likely Astra-Romana. Nonetheless, the reservations expressed by the private interests led the board of trade to investigate if a formal diplomatic protest could be lodged.

The political moves made by the Romanian Government leading up to the mining law showed an emboldened stance, especially after Tancred Constantinescu took over as Minister of Industry. The measures that were implemented affected the foreign companies noticeably, which is evident in their protests. Supported by the cooperation between both the companies and Legations of the United States, France and the UK cooperating to protest the mining bill when it was made public.<sup>143</sup> The fact that the British Legation was directly reporting the unfolding events to the Prime Minister of the UK further supports the extent of their worries about the bills passing. The correspondence between the Romanian Foreign Minister *I.G. Duca* and the legations of both France and the UK also points to an emboldened Romanian Government. Especially when directly, although asking to keep it confidential, told the head of the British legation that since the British did not allow foreign investors in their own petroleum enterprises in the British Empire, Romania should not be punished for following their lead. A point the British government used considerable effort to combat, even telling both the French and Americans to combat the claim in their talks and protests the bill.

Tancred Constantinescu's boldness in confronting both Standard Oil and Royal Dutch Shell for overstating the obstacles to their operations in Romania serves as further evidence that the Romanian people were empowered. Additionally, during the same address to the Romanian Senate, Constantinescu transparently exposed the profitability of the trust's subsidiaries in Romania, asserting that it was only just for Romania to receive a greater share of the profits.<sup>144</sup>

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<sup>142</sup> POWE 33/179 Letter from J. B. A. Kessler, 30.01.1924

<sup>143</sup> POWE 33/348 Telegram to J.R. MacDonald, 20.06.1924

<sup>144</sup> POWE 33/348 Telegram to J.R. MacDonald, 18.06.1924

The combined efforts of foreign companies and representatives in Romania managed to change the Mining law, which was passed on June 30, 1924. The most notable change was increasing companies' nationalisation period from 5 to 10 years. However, it could not be counted as a victory for foreign capital in Romania. On the contrary, the laws passed must be counted as a victory for PNL's nationalisation policy.

This chapter will conclude by addressing the research question: *“How did the British government respond to the 1924 mining bill and subsequent Mining Law, and what measures did they take to influence the law before its enactment?”* It can be argued that the British government did not react favourably to the mining bill or its passage into law, perceiving it as a threat to the government's interests and the profitability of British companies and shareholders. The government and the British Legation in Bucharest conducted an active and swift campaign to soften the nationalistic tendencies of the bill. Despite significant efforts and close collaboration with representatives from the French and American governments, the actual changes made to the bill and law were minimal compared to the effort invested. The emboldened Romanians managed to uphold their vision and principles and ratified the significant Mining Law of 1924, marking a victory for their policy and the pursuit of national control over petroleum and mining resources.



## Chapter 5: Main Conclusion

### 5.1: The Early Relationship 1918-1920

In chapter three I posed the following research question: “*What motivated the British to show interest in Romanian petroleum, and did the Romanian Government play a role in their involvement?*” In the chapter conclusion I argued that there were multiple reasons as to why the British chose to establish themselves as a force in Romanian Petroleum. It was done partly due to the pressures of British companies who wanted to take advantage of the German exit from the industry. Exemplified by the early correspondence from among others, the Anglo-Persian Oil Company and Messrs S. Pearson. The British entry into Romanian oil can also be explained through their motivation to keep control over European deposits of oil, to hinder the ability of Germany to resurge as a military threat on the continent. An argument can be made that the latter reason fits more neatly into the primary motivating factors of France. There is also an argument to be made when seeing the oil assets of Romania in tandem with the British and French plans for expansion into the areas of the Middle East over which they had gained control.

The Romanians actively contributed to the events that led to British involvement in the Romanian petroleum industry. It can be argued that their actions stemmed from necessity rather than preference. Due to previous strained relations with the Germans and Standard Oil, there were few alternatives to fill the gap left by German capital investments. Consequently, the Romanian government sought support from their powerful allies, the United Kingdom and France. This decision was prompted by the realisation that the required capital to advance the petroleum industry could not be readily obtained within Romania or in the near future.

This chapter explains why the British became influential in Romanian politics, highlighting some of the events that led to the British and French governments establishing a close relationship with the Romanian Government. It connects the fourth chapter of the thesis to the fifth chapter and helps to clarify the British position before the events that led to the Mining Law of 1924. As well as helping to build too the answer to the main research question of the thesis.

## 5.2: The Relationship Matures 1923-1924

In chapter five I posed the following research question: “*How did the British government react to the 1924 mining bill and subsequent Mining Law, and what steps did they take to influence the law before its implementation?*” It is clear that the Mining Law of 1924 marks a change in the relationship between the governments of the United Kingdom and Romania. The British government were not pleased with the suggested changes that the Romanian government presented in the proposed mining bill in early 1924. Working actively to gather the reactions of British shareholders and companies to determine what changes needed to be made to safeguard British interests. Enlisting the help of the equally appalled French and American representatives in Romania to make a jointed effort to soften the nationalistic and anti-foreign capital clauses of the bill.

The pleasure amounted to changing minor parts of the law, softening it somewhat. However, the overall goals of the emboldened Romanian government remained. Showing that the political sway the British had enjoyed in 1918-1920 had faded. This chapter neatly helps to answer the main research question of the thesis. Showing that although the British had managed to project political and financial power over the Romanian state in the early years of the interwar period, this ability had already faded by 1924.

### 5.3: Conclusion and further research

In this thesis, our main focus has been on exploring the central research question: *What were the key factors that enabled the British to establish themselves in the Romanian petroleum sector following the First World War, and how did they utilize this position to shape Romanian politics in alignment with British interests?* The third chapter of the thesis provides the necessary context to understand why the British became interested in Romanian oil and the events that led to their involvement. The void left by the expulsion of German companies from Romania, combined with the lack of capital in Romania, was a significant factor. Furthermore, the desire of private interests in the United Kingdom to operate in Romania acted as a catalyst for the British government to engage with their counterparts in Romania, along with the French. As a result of the thorough work of the Anglo-French Petroleum Commission, they had comprehensive information on all aspects of the industry in Romania. The additional benefit of being able to offset the damages caused by the Allies' command to equipment and machinery used in the petroleum sector through investing in Romanian petroleum meant that the British entry was also an economically sound decision, especially when considering the British plans for their territories in the Middle East. My research also showed that the British were actively involved in shaping the post-war oil policy of Romania, helping to increase the influence the British were able to sway in Romania, allowing the UK to some degree shape Romanian oil in a way that benefited their own interests and that of British companies and shareholders.

The fifth chapter does however show that their influence was relatively short lived. Clearly supported by their inability to stop the Romanian governments plans to nationalise their industries through the Mining Law of 1924. Although they collaborated closely with the companies partly owned by British capital as well as the representatives of both the French and American governments. Showing that the Romanian Government had been emboldened since the beginning of their relationship with the British and felt that the time was right to attempt to secure greater control over Romanian natural resources and of their future.

The research presented in my thesis has made a substantial contribution to the in-depth understanding of the intricate relationship that emerged in the turbulent aftermath of World War I. Although it was known that the British assumed control of certain German-owned assets in the Romanian Petroleum industry, the specific events that led to British involvement were not clearly delineated. Undoubtedly, further study is necessary on this topic, particularly given that many of the alterations introduced in the 1924 Mining Law were partially reversed in the Mining Law of 1929. To continue this research, it would be beneficial, in my opinion, to explore French and Romanian sources similar to those utilized as primary sources for this thesis. Additionally, investigating the archives of major oil companies operating in Romania during that period, such as Royal Dutch Shell, British Petroleum, and Standard Oil, would be highly valuable.

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