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The Economy of Romanian Naval Transports during interwar period (1919 – 1939)

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Abstract. This article analyses, in the unitary conception, the forming and evolution of the most important elements of naval infrastructure which laid the base of The Economy of the Romanian Naval Transports, during the inter-war period: 1919 – 1939.

Also, this article attempts to determine the total value of assets on the main components of the system infrastructure, following the next issues:

- Sea lines of Communication;
- Maritime and Riverine Harbors;
- Naval Industry;
- National Civilian Fleet- river, maritime and oceanic fishing fleet.

We mention that our analysis base on statistical data that was published in different sources, archives data and own calculation for the main economic and technical indicators. The first section in your paper

Keywords: Naval transport, riverine fleet, maritime fleet, naval industry.

1. Introduction

The development and the modernization of the means of communications and the means of transport have always been an essential condition for national economic development as well as of international development as a whole, in order to introduce in the economical circuit of material and human resources from the furthest places on earth and in order to perfect the territorial and international division of labor. The production can stagnate without these additional activities and the economical cooperation inside the activity of production, of circulation and trade, of supplying with raw materials and other supplies, traveling and developing international economical relationships would be impossible without a proper development of transport and communication infrastructure.

Romanian, bordered at the South by the Danube and at the East by the shores of the Black Sea, has succeeded to found in the 20th century a Modern System of Maritime Transportation, investing a lot of capital in its infrastructure along the years.

Our study, will be structured in 4 articles, and will try to approach from a wholesome view, the forming and the evolution of the most important elements of infrastructure which laid the base of the Modern System of Maritime Transport of the past century and reveal, based on existent statistics, the value of the Fleet during for periods of reference: **1900-1914; 1919-1939; 1950-1990; 1990-2000.**

On the other hand the beginning of this kind of research is necessary and justified, because in the Romanian maritime history there still doesn't exist a study for the entire 20th century period, regarding in all the maritime transport, and which to have as object of study not only historic facts but also determining and evaluating the Romanian Fleet in its most important steps of forming and accumulating within the System.

2. Romanian Naval Transports during interwar period

Table 1. The Naval Transportation System in Romania,
its components during 1919-1939

No.	Components	million dollars
		1919-1939
1	Harbors and inland waterways including navigation channels	11,87
2	Harbors and sea lines of communication	21,32
3	Naval industry	0,36
4	Riverine fleet	3,61
5	Maritime fleet	5,50
6	Fishing fleet	0,36
7	Naval radio-communication system	-
ACTIVES		43,03

Source: *Calculated based on:*

1. Arhivele Nationale .Galati, fond direcția Doc. Galați, Dosar 2/1939, pg.3-5;
2. C. Atanasiu, “*Problema Suveranității României la Dunăre și NFR*” - (1919-1945), pg.158;
3. C. Mihailopol, “*Porturile față de Economia Generală a Țării, în Viața României pe Mare și pe Dunăre*”, București 1935, pg.167-169;
4. Dare de seamă asupra activității Camerei de Comerț Constanța, 1932-1933, pg.96-98;
5. *Enciclopedia României*, vol. IV, Imprimeria Națională, Buc. 1943, pg. 95-106;
6. Grigore Vasilescu, “*Dunărea internațională și transporturile*”, *Academia de Înalte Studii Comerciale și Industriale, București, 1931*, pg. 44;
7. Marea Noastră, nr. 5 / 1938;
8. P. Covacev, “*Portul Constanța - portul lui Anghel Saligny*”, Constanța, 2004, pg. 258-266;
9. Ștefan Nicolae, “*Problema porturilor maritime Galați, Brăila și Constanța*”, Camera de Comerț și Industrie Constanța, 1936, pg.51-53;
10. V. Ciorbea, “*Portul Constanța de la antichitate la mileniul III*”, Editura Europolis, Constanța, pg.245;
11. V. Axenciuc, “*Avuția Națională a României*”, Editura Expert, București, 2000, pg.239.

Between 1919 and 1939, in the general economic context, the evolution of the Romanian Naval Transportation System was determined by the consequences of the First World War, with its massive material and human destruction, which then provoked economic, monetary and financial crises spread in the economy with a destructive virulence, slow return to the pre-war economic level, weak and fragile start-up undermined by the three economic crises, 1920-1921, 1929-1933, 1937-1938, products of varying intensity in different countries and preparations for the Second War World [1].

At the end of the First World War, Romania is largely ruined, disorganized and scrapped by material and human resources; the industry destroyed and decomposed up to 60%; poor agriculture - more than 350,000 soldiers died, 30 % disorganized and destroyed railways; high inflation, with a depreciation of the national currency 6 times; increased escalation of population impoverishment. In order to ensure food in 1919, cereals were imported, the economic resources being diminished, the country no longer exported [2].

As a general economic effect on the Naval Transport System in particular, in the 20-year interwar period, a more sustained accumulation of capital will occur in just one decade. Thus, between

1919 and 30th June 1930, fixed capital investments of about 170 million RON [3] were made in the infrastructure of the system, when the value of the System's heritage was valued at about 3,004,998 million RON [4], and between 1930 and 31st March In 1938, the volume of investments made amounted to about 1,228,857 mil. RON [5], the accumulation ratio between the two inter-war decades being about 1: 7. After the post-war reconstruction years, the investments in the system are 77.15% channeled in the development of the Harbors and Waterways Communication Infrastructure and about 20% in the provision of water transport and modernization of the existing fleet.

Between 1919 and 1939, the capital accumulated in the Harbours and Waterways Infrastructure amounted to 4,647.42 million RON (approximately \$ 33.20 million), of which Harbors and Inland Waterways accounted for approximately 1.071 million RON, and Harbors and Sea lines of communication for approximately 2985.28 million RON. Among the most important works performed in this field, during the analyzed period we mention: the execution of the mechanical installation at the third silo storage in Constanta port, which cost about 102.766 million RON, the corn drier around 56.625 million, the construction of the new mall - 76,286 million RON, the construction of the Constanta port - 25,180 million RON, the building of the Balchik port - 20,951 million RON, the silo cleaner in the port of Galati - 12,676 million RON, 3 maize driers and the cleaning facility in the port of Brăila - 14,310 million RON, the increase of the depths at the entrance to the port of Constanța - 21,784 million RON, etc . [6]

For the same period, the capital stock in the Naval Industry amounted to about 51.09 million RON (about 0.36 million US dollars), and the capital accumulated by the National Merchant Fleet amounted to 1.325 million RON (approx. 9.46 million US dollars), out of which:

- Riverine Fleet-505 million RON (approximately \$ 3,61 million);
- Maritime Fleet-770 million RON (approximately \$ 5,50 million);
- Fishing fleet-50 mil RON (approximately \$ 0,36 million).

Of the more important fixed capital investments made for Fleet's endowment, we refer to the acquisition of the Ardeal, Peles, Alba Iulia and Suceava cargoes with the amount of about 71,511 million RON , of the two Basarabia and Transylvania motorvessels with the amount of 254,054 million RON, the construction of the King Carol II vessel - 55,969 million RON, payment rates from the cost of 10 barges commissioned for the NFR, refurbishment and transformation works at the SMR, King Carol I, Romania, Suceava and Peleş - 12,684 million RON, transformation and renovation works of NFR's fleet of ships - \$ 77,500 million, etc.

Cumulating the data presented above, for the end of the period we refer to, we estimate the value of the capital accumulated within the Romanian Naval Transportation System at about 6,023.51 million RON, representing approximately 43.03 million US dollars, being structured as follows:

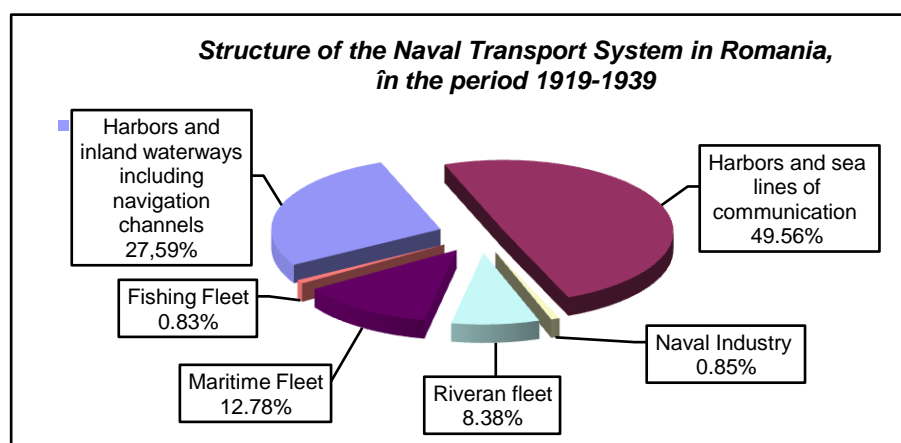


Figure 1. Drawn based on data in Table 1.

As in the pre-war period (1900-1914), it is noticeable that between 1919-1939, the capital invested in the Infrastructure of Harbors and Inland Waterways holds the largest share, followed by the capital invested in the Naval Transportation Fleet - Riverine and Maritime.

However, comparing the total value of the capital accumulated within the System in the two analyzed periods, contrary to expectations, we find that the capital accumulation in the interwar period is below the level of the period 1900-1914 [7], being at a difference of about 6.14 million US dollars. The causes of this situation are primarily due to the direct destruction of the System infrastructure caused by the war, which, according to our calculations, amounted to about 60% of the pre-war and indirect value due to the economic and monetary imbalances subsequently induced by it in the national economy. The war affected the entire infrastructure through major damage primarily to port and port facilities, the sinking of ships, the damage and the degradation of the cargos leased to the Russian government for the transport of supplies, military equipment and equipment, and passenger ships which, following changes, were converted into light cruisers by the installation of artillery cannons and installations. Following the occupation of the Constanta harbor by the enemy, all the goods found will be captured, considered prey to war and divided between Germans, Bulgarians and Turks. Vessels and other port facilities have been severely damaged or destroyed, and the dwellings and port buildings have been converted into stables and barracks.

First World War did not only affect the Romanian Naval System, but the entire World Fleet, the total losses of the World Trade Fleet from 1914 to 1918 were valued at 15.2 million tbps, which is about 34 percent of the world fleet tonnage recorded in 1914. Of all the participating states, England suffered the biggest tonnage losses, which together with its Dominions reached about 9,230,000 trb, about 60.6 percent of the total worldwide losses, followed by Italy with 876,854 trb, France - 815,989 trb, US - 596,686 trb, Greece - 455,408 trb and Japan about 306,948 trb.

Moreover, in almost all belligerent countries the inflationary process has been intensified, the currency chaos worsened, the budget deficits increased, and in the countries that have been military operations, industrial and agricultural production has been reduced by increasing demand for imports, with the exception of some capitalist countries such as the US and Japan, which, far from being the focal point of the conflagration, have increased their production and volume of foreign trade in parallel with the expansion of the Trade Fleet; Japan has increased its tonnage from 1.70 million barrels in 1914 to 3 million barrels in 1920 and US for the same period from 4.28 million barrels. to 13.84 mil.

In the interwar period, the volume of international trade recorded oscillations of increases and decreases as a result of the overproduction crisis of 1920/1921, 1929-1933 and 1937/1938, the crisis of '29 -'33, being the strongest one to take off the world's maritime market at about 4,6 million barrels, between 1932 and 1935.

In the framework of the Naval Transportation System in our country, due to the budget deficits registered by the Romanian Maritime Service, amplified by the economic crisis of 1929-1933, the government was about to dismantle the Maritime Fleet of the country, but thanks to people with broad views that supported the economic necessity of the existence of the SMR, it receives a subsidy from the state of about 41.249 million RON, with which it will manage to overcome the effects of the crisis. Facing the same problems, the lack of capital for investments in the development and modernization of the fleet of vessels, coupled with the aggressive competition of foreign companies, our Naval Transportation Fleet continues to be restricted, taking over 8% in the case of the Maritime Fleet and 25% in the case of Riverine Fleet, considering that more than 80% of the volume of our foreign trade continues to be transported by water [9].

At the Conference held in the Romanian Naval League in January 1940, the Minister of Air and Navy, General Paul Teodorescu, showed that 92% of the foreign flag cost Romania about 10 billion RON in convertible currency, about \$ 15 million, at the exchange rate of that time, of about 640.83 RON for one US dollar [10].

Taking into account the volume of our foreign trade in 1939, amounting to \$ 114.62 million [11], we find that the freight paid by the Romanian state for the transport of goods by water represents about 13% of the value of our foreign trade [12].

Between 1919 and 1939, the Maritime Fleet of the country transported over 4,174 thousand tons of freight and about 509 thousand passengers, registering a total income of about 2.782 million RON, the expenses made only up to 1933 being about 2.375 million RON, and the River Fleet transported over 7,126 thousand tons of cargo and about 14,164 thousand passengers with a total income of about 1552.5 million RON [13].

3. Conclusions

In conclusion, if the First World War had not been triggered, the overall trend of the Naval Transportation System would have been a development with a higher accumulation rate than the prewar period.

Indeed, starting from the pre-war value of about \$ 49.17 million, taking into account the assessment of the heritage of June 30th, 1930, of about \$ 17.994 million, and the investments made in the period 1919-30th June 1930 of about \$ 1,214 million, it appears that the System's heritage value at the end of the war was approx. \$ 16.779 million, which represents 34.12% of the pre-war value of the Naval Transportation System.

On the other hand, the comparison between the two analyzed periods, from the point of view of capital accumulation, must be realized through the inflationary processes that have crushed the interwar period and which produced only until the 1929 stabilization a monetary depreciation of about 32 times the of the prewar period.

Until the outbreak of the First World War, the national currency maintains its intrinsic value as well as the ratio with other currencies, during which time the convertibility of the RON - known in the economic literature as the golden lion - was in force. During the war, but especially in the post-war period, a strong inflation depreciated the RON, reducing its purchasing power to 1/40 compared to prewar. In 1929, the monetary stabilization fixes the value of the leu to 1/32 - part of the prewar period, and the golden kilogram with the title 900% to 111.111,11 RON, the theoretical parity against the US dollar being of 167,19 RON. The period that followed - the economic crisis of 1929-1932, the years of the Second World War, and especially the interval 1944-1947 - produced an unprecedented depreciation of the national currency, the retail price level rising over 8,365 times of 1938.

During the analyzed periods, the average RON-US dollar exchange rate recorded the following values: 1900 - 5,41 RON gold, 1914 - 5,18 RON gold, 1919 - 16 RON, 1920 - 54,81 RON, 1926 - 220,08 RON, 1938 - 140 RON [14].

The same calculations, expressed in national currency, using for the period to which we have referred the previously mentioned monetary depreciation factor, lead us to a system value of the System in 1919 of about 88, 23 mil. RON gold representing about 34.65 % of the accumulated capital until 1914. Comparing the two values obtained, a system damage value of about 65% of the prewar value results.

4. References

- [1] Victor Axenciuc, *National Wealth of Romania, Comparative Historical Research*, Expert Publishing House, Bucharest, 2000, p.275
- [2] Victor Axenciuc, *Introduction in the Economic History of Romania*, Bucharest, 1997, p. 222.
- [3] *Marea noastra*, nr.5-1938.
- [4] Enciclopedia Romaniei, op.cit., p.95
- [5] *Ibidem* (Note¹The value includes the two Bessarabia and Transylvania motorbikes entered into service until the end of 1938, with a price of 230,000 pounds, about 127,027 million RON / ship, at an average rate of 1104,58 RON for a pound sterling)

- [6] PhD. eng. Dumitru Corduneanu, *The System of the Naval Transport from Romania in the XX century*, CTEA Publishing House, Bucharest 2010, p. 274
- [7] **Note²**In the period 1900-1914 the value of the total invested capital within the *Naval Transport System of Romania* raises to about 254.68 million lei gold, which exchanged into forte currency represent about 49.17 million dollars. (See Dr. ing. Dumitru CORDUNEANU, *op. cit.*, p. 271)
- [8] Paul Teodorescu, *Rostul Marinei în viața Națiunii*, 1940, p.11
- [9] V. Axenciuc, *Economic Evolution of Romania, Statistical-Historical Research*, Romanian Academy Publishing House, București, 2000, p.35
- [10] *Ibidem*, p. 362
- [11] **Note³**We consider it useful to note, for information purposes, some statistical data made public at the Conference by the same Minister of Air and Marine. Thus, Gl. Paul Teodorescu asserting the role and importance of shipping in the national economy showed that a 5,700 tdw carriage was the equivalent of 570 wagons constituting 12 train seals, with purchase prices of 200 million RON in the first case and approx. 500 million RON in the second. On the other hand, the freight cost paid for a grain carriage transported from Vancouver to Europe was equal to the cost of transporting the same wagon from Galați to Oradea by rail, and the cost of transporting an iron wagon from Vienna to Galați was 4,000 RON on water and approx. 40,000 RON on the railway.
- [12] PhD. eng. Dumitru Corduneanu, *op. cit.*, p.278.
- [13] *Ibidem*, p. 278
- [14] *Ibidem*, p. 339
- [15] Romeo Boșneagu, *International relations development strategies from the perspective of maritime freight transport development*, Analele Universității Maritime Constanța, 2016, vol. 17 Issue 25.