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THE ENTENTE, THE TRIPLE ALLIANCE AND THE COMPETITION TO “CONQUER” THE BALKANS AT THE BEGINNING OF THE 20th CENTURY

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АНТАНТАТА, ТРОЙНИЯТ СЪЮЗ И НАДПРЕВАРАТА ЗА „ЗАВЛАДЯВАНЕТО” НА БАЛКАНИТЕ В НАЧАЛОТО НА ХХ ВЕК

This paper discusses the place and role of the Balkans in the context of a possible confrontation between the two political-military alliances, the Entente and the Triple Alliance, and ways of attracting the countries in the area. Our approach takes into account only economic and financial aspects. Of these, the latter had a special role and proved much more practical, persuasive and having more chances of success. In this context, high finance, and subsequently capital played a special role. In the early twentieth century, capital gained an important and unprecedented influence.

Keywords: the Entente, the Triple Alliance, competition, South-East Europe, the beginning of the 20th century, western finance, investments.

The assassination in Sarajevo on June 28, 1914 of the Archduke Franz Ferdinand, admittedly represented the pretext to initiate a war, that mankind had never known before. The real causes are complex, profound and multiple and are related to the events of the last five decades. Our approach is intended as a basis to discuss the place and the role of South-Eastern Europe in the plans of the two political-military alliances in anticipation of a confrontation and the ways to attract the states in this area on one side or another and takes into consideration only the economic-financial aspects, the last being of particular importance as they proved to be more practical, persuasive and with many more chances of success.

A particular role in this context devolved on the big finance and implicitly on the capital, which had acquired unprecedented importance in the early twentieth century. Without being the prerogative of either of the parties, capital gradually became the most important weapon in attracting new members or in maintaining the already existing ones, employed by the strongest partners. Thus, the economic, financial, commercial and monetary relations formed an increasingly branched and complex network between states, societies, individuals, which the politicians had to take into consideration. As long as the objectives of the big finance were accomplished, that is to provide security and the expected efficiency, there were no policy or ideology

related preconceptions. On the other hand, the risk of a conflict and an uncertain political situation were putting into question the security and implicitly the efficiency of the placement and, in the vast majority of the cases, resulted in the denial of the request. This explains the denial to credit Greece in 1896 for example, when the Crete insurgence and the disturbances in the territories with predominantly Greek population in the Ottoman Empire, supported by Athens, have led to the initiation of the Grec-Turkish war (1897), as well as the reluctance of the French bankers to respond positively to an application to fund a loan advanced by Russia in 1905.

On the eve of World War I, the South European countries benefited of 14% of the total amount of foreign investments in Europe. While English finance constantly decreased its participation in Europe, amounting to approximately one billion francs of which the greatest part was directed to the Ottoman Empire, French finance constantly increased its investments reaching over 3 billion francs in 1914¹. The Ottoman Empire absorbed 6-7% of the foreign placements of France (Girault 1974: 79). At that time, 43% of the French capital invested on the continent was intended for Russia, 30% for the western countries, 17% for the Balkan countries and 10% for Austria-Hungary (Cameron 1985: 381). The economic and political offensive of Germany and Austria-Hungary in the Balkans determined France to proceed to a more active policy in the area and, after 1912, to permanently abandon the *status quo* maintenance policy in the Balkans.

As regards Germany, it had already imposed itself since the last years of the nineteenth century as the second big creditor of South-East Europe, after France. For German finance, South-East Europe had great importance also given the interest for the economic, political and military evolution of the young states. In this context, capital was the main weapon due to the various placement areas: state loans, the financing of certain bank institutions, certain domestic industry branches, public utility works, infrastructure and not the amount of liquidities, significantly lower compared to France. While in 1900, German capital amounted to 1,1 billion marks (Revue Commerciale du Levant 1902: 31-34), at the end of the first decade of the twentieth century, it amounted to 2 billion marks, that is 11% (approximately one fifth) of all the German investments in Europe (See Deutsche Geschichte 1967: 740; Latimer 1938: 469-470), and on the eve of World War I recorded 3,5 billion marks of which 1,8 billion marks in the Ottoman Empire and 1,7 billion marks in the other countries in the area (Poidevin 1969: 52). For an accurate evaluation, we should not omit the indirect participation, through the Austro-Hungarian capital largely generated from the German market.

As long as the financial interests were converging, the collaboration between French capital and German capital worked at all levels. Thus, of the 12 loans obtained by Romania during 1890–1914, all on the German market, the French finance

¹ 800 million francs in Serbia, 780 million francs in Romania, 700 million francs in Greece, 512 million francs in Bulgaria.

participation was always present with one exception² and increased from 22% in 1899, to 33% in 1910. However, it has never honoured the loan in whole, but in partnership with German finance. Although German finance took priority throughout this period, French finance attempted to break the monopoly and to strengthen its position on the Romanian market, encouraged by the political realities. However, each time, the conditions, terms, engagements, lack of trust and even the uncertainty of the placement prevented its success. In all cases, Romania was the one who made the first steps. A first attempt took place in 1899 when the circumstances generated by the financial crisis on the European market and the state of Romania's finances determined the French banks consortium to deny the unilateral honouring of the loan. The French banks participating in originating the loan were not willing „to absorb material of some significance” and, as such, the postponement of the request was in order (Desbaterile Adunării Deputaţilor 1900: 1159). The French finance approach was dictated not only by the financial crisis of which it had to take full advantage but especially by the Romanian-German political and economic relations. The acceptance of a substantial loan was only possible following direct negotiations with the Parisian banks related to the military industry and was subjected to firm orders accompanied by a series of profitable concessions (Documents Diplomatiques Français 1930: 69, 637), which would have basically meant the political and economic reorientation of Romania towards France. It is also true that the German banks group around “Diskonto Gesellschaft” was not willing to abandon the Romanian market and the less was Germany willing to give up its position as the main economic partner. What was envisaged was to obtain liquidities from French finance and a Stock Exchange listing in Paris.

As a matter of fact, until the eve of World War I outbreak French bankers were circumspect towards Romania and especially towards its foreign policy. In the opinion of a French official, the Romanians could not prevail due to the presence of German capital favoured by the country's obvious inclinations towards the Triple

² In September 1913, after initially accepting to honour a loan in whole, the French bankers changed their decision, claiming the inability to obtain the entire amount (they were offering 175 million francs of the 300 million francs requested). In fact, they were unhappy that part of the loan was intended to cover a recent debt to Germany (around 70 million francs were to be reimbursed for the 150 million loan of February 1913, intended to purchase armament and munition from “Krupp”). Despite the pressures made by the French government with the big banks, which went up to requesting the punishment of the ones opposing it, the loan was still made on the German market. For the first time since 1890 French banks did not participate and the loan was honoured in the percentage of 45,22% by “Disconto Gesellscahft” of Berlin, by the Frankfurt branch (7,09%), by the National Bank of Romania (30,15%) and the Romanian General Bank (6,34%). Of the 250 million francs, only 217 million francs went to Romania. The amount had to be reimbursed within 40 years and the interest was 4,5% (To this regard, see Dobrovici 1934: 209-212, 214; Popa 1969: 102-103; Vesa 1975: 14-15).

Alliance. Therefore, not the financial considerations invoked so many times when refusing the participation in unanimity or in majority to a loan and its listing in the Paris Stock Exchange, but the political considerations. A change of perspective in French finance regarding the importance of the South-East Europe and Romania is seen on the occasion of the loan of February 23 / March 8, 1910, granted to Romania by the German-French banking syndicate controlled by “Disconto Gesellschaft” and “Bleichröder” in the amount of 120 million lei in annuities with a 4% interest, when the participation of the French counterpart increased from 22%, as provided by the terms of the agreement between German and French bankers, to 33% (Cioriceanu 1927: 195). Two years later, in February 1912, the “Creusot” French armouries signed the first agreement from the beginning of the century with Bucharest on the delivery of armament and war materials in the amount of 2.418.326 francs (Vesa: 18-19; Poidevin: 39). As we approach 1914, the attempts of France to force Romania out of the alliance with Germany and Austria-Hungary and to limit their economic influence became increasingly clear.

An important aspect in the competition to “conquer” the Balkans is represented by the conditioning of the loans with armament orders. As French finance held the most liquidity, it was the first to condition the granting of loans with armament orders. German finance has done the same. A delimitation of the placement areas, observed by mutual agreement, worked for a while. The exacerbation of the divergences of interest between the armament companies of France and Germany³, preoccupied to obtain as many orders as possible based on loans contracted in Paris or Berlin, excluded at the beginning of the second decade of the twentieth century an arrangement between “Schneider-Creusot” and “Krupp”, seen for a while as a compromise solution. An example to this regard is represented by the state loans of Bulgaria and Greece of 1907, finalized with armament orders exclusively for French industry, although Berlin had insistently required part of it to be conferred to German industry.

In the summer of 1914, the competition to attract the states of South-East Europe seemed completed. Theoretically, the Triple Alliance had on its side, except Romania, Bulgaria and the Ottoman Empire and the Entente had Serbia and Greece. Practically however, the mission of the powers was not over, as evidenced with the starting of the war.

³ The competition between the two groups came to light after 1870 and was fueled by France’s defeat at Sedan and especially by the assignation of Alsace and Lorraine through the Peace of Frankfurt. In 1872, Paris government asked “Schneider et Co”, whose main factory was in Creusot, to manufacture a type of cannon steel that would rival with or, if possible, exceed the one used by “Krupp”. The law on the free trade of arms and munitions was adopted in 1885, thus simplifying the mission of the manufacturers who had only to search for customers.

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