



Treaty Series No. 25 (1939)

## Protocol

between the Government of the United Kingdom and  
the Roumanian Government

regarding

# Commercial and Economic Relations with Roumania

Bucharest, May 11, 1939

*Presented by the Secretary of State for Foreign Affairs  
to Parliament by Command of His Majesty*

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PROTOCOL BETWEEN THE GOVERNMENT OF THE UNITED  
KINGDOM AND THE ROUMANIAN GOVERNMENT REGARDING  
COMMERCIAL AND ECONOMIC RELATIONS WITH  
ROUMANIA.

*Bucharest, May 11, 1939.*

PROTOCOL.

THE representatives of the Government of the United Kingdom of Great Britain and Northern Ireland and of the Royal Roumanian Government, having met together for the purpose of discussing matters affecting commercial and economic relations between the two countries, have decided to place on record their conclusions as follows:—

1. The two Governments recognise that it is in their common interest to develop the commercial exchanges between the two countries on a sound economic basis and, so far as possible, through the normal commercial channels.

2. The two Governments recognise that the market in the United Kingdom for the principal products of Roumania is, in general, free from import and other restrictions and therefore provides opportunity for the natural development of the Roumanian export trade. In order to maintain and to promote the flow of Roumanian exports to the United Kingdom, the two Governments have agreed upon the arrangements set out in Annex I.

3. The two Governments recognise that one of the main objects to be attained as a result of the development of Roumanian exports to the United Kingdom is an increase in the importation of United Kingdom goods by Roumania. The present exchange conditions render difficult the sale in Roumania of certain classes of United Kingdom manufactures; and a clearing system inevitably impedes the normal functioning of trade credits. It is the common aim of the two Governments to work towards a freer system as and when possible, and, in the meanwhile, they have agreed to make certain alterations in the provisions and working of the Agreement of the 2nd September, 1938<sup>(1)</sup>, on the lines proposed in Annex II.

4. With the object of further promoting the development of trade between the two countries—

- (a) The two Governments propose to encourage the formation of appropriate organisations to be set up by business interests in the United Kingdom and in Roumania respectively, and guarantees may be given by His Majesty's Government in the United Kingdom to facilitate the operations of any organisation which may be set up in the United Kingdom for this purpose.

(1) "Treaty Series No. 57 (1938)," Cmd. 5840.

- (b) Free zones in Roumanian ports shall be granted by the Royal Roumanian Government in accordance with the provisions of the Roumanian law to any United Kingdom trade interests which desire such facilities.
- (c) Any questions which may be raised regarding import or export restrictions in operation in either country which adversely affect Anglo-Roumanian trade may be considered by the Consultative Committee to be set up in accordance with Article 7 below, with a view to recommendations being made by that Committee for their solution.
- (d) The Royal Roumanian Government agree that sterling shall be made available for the transfer of sums due to British shipping companies and that insurance companies shall have the right to purchase sterling remittances at the same rate of exchange as that to which they have to purchase lei.
- (e) In order to improve communications between the two countries, the two Governments will examine the question of establishing direct air and shipping services between the United Kingdom and Roumania.

5. His Majesty's Government in the United Kingdom agree to provide guarantees to enable the Royal Roumanian Government to make payments up to a total of £5,000,000 in respect of the purchase of United Kingdom goods or for the purpose of other agreed expenditure in the United Kingdom. The principles on which these guarantees shall be arranged are set out in Annex III.

6. Any privileges or concessions agreed to for the development of trade between Roumania and other countries shall be available to United Kingdom business trading in Roumania.

7. With a view to maintaining contact between the two Governments and following up the arrangements provided for in the present Protocol, and with a view to finding means for meeting any difficulties which may arise in their execution, the two Governments agree that a Consultative Committee shall be set up consisting of representatives of the two Governments which shall meet from time to time in Roumania or in the United Kingdom as may be found desirable.

8. Arrangements for the carrying into effect of the details of the undertakings recorded in the preceding paragraphs and of the provisions of the Annexes shall form the subject of further agreements between the Governments.

Done at Bucharest, the 11th May, 1939, in English and Roumanian.

On behalf of the Government of  
the United Kingdom of Great  
Britain and Northern Ireland :

R. H. HOARE.  
F. W. LEITH-ROSS.

On behalf of the Royal  
Roumanian Government :

GR. GAFENCU.  
I. E. BUJOIU.

## ANNEX I.

1. *Oil.*

(a) The Royal Roumanian Government recognise that it is to the interest of Roumanian economy that existing oil companies in Roumania should be encouraged to extend their operations with a view to increasing the production of oil and to improving the quality of that oil by the use of modern refining machinery. They therefore propose to accord most-favoured-nation treatment to oil companies in which there is a substantial British financial interest in the matter of the grant of permits for exploration and exploitation of new lands and in all matters concerned with the grant and operation of concessions and with the production of oil.

(b) Moreover, the Royal Roumanian Government declare their intention to bring into effect, as soon as possible, legal conditions which it is hoped will lead to an expansion of the oil industry, and to take early action to simplify machinery of export control with a view to stimulating the exportation of oil products.

(c) The Royal Roumanian Government also agree to examine the freight charges and export taxes with a view to lightening the burdens falling on the oil industry.

2. *Cereals.*

(a) His Majesty's Government in the United Kingdom will be prepared to purchase for Government stocks up to 200,000 tons of Roumanian wheat from the next harvest, if available at world prices.

(b) With a view to facilitating the storage and improving the marketing of cereal exports from Roumania, part of the guarantee facilities to be made available to the Royal Roumanian Government by His Majesty's Government in the United Kingdom under Article 5 of the Protocol will be set aside for financing the equipment of silos.

3. *Timber.*

The Roumanian Government will take action to simplify the machinery of export control so as to facilitate the export of timber to the United Kingdom.

4. *Marketing.*

In connection with the efforts to improve the system of marketing and grading of Roumanian export goods, the United Kingdom Government will give such assistance as it can to the Roumanian authorities to secure the advice of experts in regard to the best methods of meeting the requirements of the United Kingdom market.

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ANNEX II.

1. In order to ensure that trade between the two countries shall be conducted on a sound economic basis, the rates of exchange between the leu and sterling should be such as to attract exports to the United Kingdom from Roumania without making the cost of United Kingdom goods too high for the Roumanian market.

2. The sterling resulting from Roumanian exports to the United Kingdom (other than exports of oil and compensation trade exports) is at present allocated to the accounts of the Anglo-Roumanian Clearing Office as follows:—

- (a) 20 per cent. to the General United Kingdom Account for utilisation in accordance with Article 11 of the Anglo-Roumanian Payments Agreement.
- (b) 40 per cent. to the United Kingdom Goods Account for utilisation in accordance with Article 12 of the Payments Agreement.
- (c) 40 per cent. of the Special Account for utilisation in accordance with Article 4 of the Payments Agreement.

The sterling allotted to the accounts referred to in (a) and (b) is negotiable at market rates while the sterling referred to in (c) is surrendered at the official rate plus premium.

3. The two Governments recognise that the wide fluctuations in the rates at which sterling has been dealt in on the different accounts have tended to create difficulties for trade and they propose to make arrangements with a view to keeping these fluctuations, if possible, within narrower limits.

4. In order to attain this object the two Governments agree that the sterling paid into the United Kingdom Goods Account and the General United Kingdom Account should be used as rapidly as possible for the purposes laid down in the Payments Agreements, and the Royal Roumanian Government have accordingly arranged that permits for the purchase and sale of the sterling must be utilised within certain time limits. Regulations to achieve this object have already been issued by the Roumanian authorities and the possibility of further improvements will be examined by the Consultative Committee referred to in Article 7 of the Protocol.

5. If these arrangements fail to secure the appropriate development of trade between the two countries, the percentages set out in paragraph 2 above may be altered by agreement between the Clearing Office and the Roumanian authorities. Details of such arrangements shall be settled by the Consultative Committee.

6. Further, with a view to enabling traders to rely on the rate of exchange at which a contract will be carried through, the Roumanian authorities will make arrangements to establish a market for forward exchange dealings in the sterling in the United Kingdom Goods and General United Kingdom Accounts.

7. In order to enable the normal system of trade credits to operate within the framework of the Clearing, the two Governments agree to amend the Payments Agreement so as to provide for the transfer through the Clearing Accounts of advance payments made by United Kingdom importers in respect of contracts for the importation of Roumanian goods. The procedure for this purpose has been agreed so that it can be brought into force as soon as the Payments Agreement has been amended.

8. The two Governments have agreed that 5 per cent. shall be added to the percentages laid down in the Annex to the Payments Agreement for the sterling proceeds of compensation transactions to be surrendered to the National Bank.

9.—(a) The present arrangement in regard to the utilisation of the sterling proceeds of exports of oil to the United Kingdom will in general be maintained unaltered. The two Governments agree, however, that the sums credited to the Repayments Account, namely 30 per cent. of the proceeds of the export of oil to the United Kingdom, can be used by the Companies concerned without prior authorisation to meet their own requirements as specified in subparagraph (b), the Companies being under the obligation to furnish evidence of the use to which these amounts have been put within a period of three months from the date on which each payment is effected.

(b) The sterling credited to the Repayments Account may be used in the United Kingdom and any other free exchange countries for payments in respect of:—

- (i) Materials imported for the Companies' own requirements, cost of transport, insurance and handling of materials and other similar expenses;
- (ii) Royalties on production and for the use of patents and licences and other similar charges;
- (iii) Contributions to research laboratories, technical consultations, registration of patents and other similar expenses;
- (iv) Salaries and pensions, provident funds, contributions to pension funds;
- (v) Insurance of plant and of materials of all kinds;
- (vi) Costs of travelling, living and representation expenses;
- (vii) Current expenses of administration, fees due to foreign members of Boards of Directors and other similar charges;
- (viii) Interest, commissions;
- (ix) Subsidies;
- (x) Dividends.

(c) Any balances not used up to the 31st December of each year will be carried forward to the following year, the Companies having the right to use them under the conditions set out above.

(d) Special requests for authorisation may be made for the use of such funds for the acquisition for holdings or investments abroad with a view to directly assisting Roumanian exports.

(e) Notwithstanding any modification that may be agreed at any time regarding the transfer of payments in respect of oil exported to the United Kingdom, the aforementioned rights shall remain in force in respect of all amounts derived from exports effected up to the date of publication of such modification.

10. The amendments which the two Governments propose to make in the Payments Agreement in order to give effect to the arrangements described above and to those stipulated in paragraph 5 of Annex III and any further amendments which may be found to be advisable shall be embodied in an agreement to be concluded as soon as possible in London; and the working of the Agreement shall be reviewed from time to time by the Consultative Committee referred to in Article 7 of the Protocol.

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ANNEX III.

An agreement shall be negotiated between the Roumanian Legation in London and the Export Credits Guarantee Department which should provide, *inter alia*, for the following:—

1. His Majesty's Government in the United Kingdom to give guarantees to a total value of £5 millions in connection with the purchase by the Royal Roumanian Government for export to Roumania of goods manufactured in the United Kingdom and with other approved expenditure in the United Kingdom.
2. The nature of the goods or other expenditure which may be covered by the guarantees to be agreed between the two Governments, and also the conditions under which it may be practicable to provide for the carriage of the goods in British vessels.
3. The Royal Roumanian Government to issue sterling Notes of a sufficient value to pay for the expenditure in question, and the guarantee of His Majesty's Government to take the form of a guarantee of these notes.
4. The Notes to bear interest at 5 per cent. per annum and their maturities to be arranged according to an agreed schedule in such a way that the whole amount shall be repaid by equal annuities covering capital and interest over 20 years.
5. The income of Sub-Account D of the Anglo-Roumanian Clearing, after paying off the existing claims upon the Sub-Account, to be devoted so far as necessary to the service of the Notes.