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No. 61.

Rome, November 2, 1936.

Subject: Italo-German trade agreement regarding
Danubian States.

CONFIDENTIAL

The Honorable

The Secretary of State,

Washington, D.C.

Sir:

I have the honor to inform the Department that during a recent conversation with Count Ciano, the Minister for Foreign Affairs, I asked him whether, during his recent conferences in Germany he had discussed the question of Italian trade possibilities in the Danubian States. I was led to ask this question because the German Ambassador, Mr. Ulrich von Hassell, who accompanied Ciano during his trip, had informed me that it was very important for Germany and Italy to avoid commercial competition in those regions, and especially important inasmuch as they were the only Powers outside of Central Europe

which

which had important economic interests there. He also reminded me that Italy was Germany's third best customer.

Count Ciano told me confidentially that this entire subject had been very carefully explored and that an agreement had been arrived at between the two Governments looking to a proper division of Danubian trade, including that with Austria, and that this division would take two forms: 1) zones of especial interest; 2) according to the particular articles in which each country was more especially concerned. He added that he himself was completely satisfied with the contemplated arrangement, and said that there would be a meeting of experts in the near future to assist in reaching a formal undertaking. From other sources I understand that the experts are expected to meet towards the latter part of this month and will have the following subjects under consideration:

- 1) The exchange situation between the two Governments resulting from the devaluation of the lira;
- 2) German and Italian trade in the Danubian States;
- 3) The extension to Ethiopia of the Italian German treaty of commerce.

Respectfully yours,

William Phillips.

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