

# Customs Union: from Zollverein to irrelevance

By Ian Milne

## ***Preamble***

Orwell's *Nineteen Eight Four* came out in 1948, less than a decade before the official birth of the European Community. In Orwell's vision, three totalitarian super-states, Oceania, Eurasia and Eastasia, were perpetually at war.

The European Community was – is – merely the latest version of the chimera of a single European state that had been pursued in the nineteenth century by writers such as Victor Hugo, by Continental tyrants such as Napoleon, and, in the twentieth century, by German governments led in 1914 by Bethmann-Hollweg and from 1933 to 1945 by Hitler.

Consciously or not, the European Union was built on similar assumptions: that the post-war world would consist of huge “blocs”, competing for resources & markets, and that European states were destined to amalgamate into a single state. In the Eurocrats' *weltanschauung* – world-view – North America constituted one bloc, Europe another, while to the East, (the Soviet Union, its first candidate, having failed) China would exercise hegemony over the Asian land-mass.

## ***The EU Customs Union***

Since its accession to the “Common Market”, “British Trade Policy is not to have a British Trade Policy”. The UK hasn't been in control of its own trade policy since 1973. What the UK has had since 1973 is being trapped – for the first time in its history – inside a customs union – the EU Customs Union.

The EU Customs Union, the only one in the developed world, is

a relic from the “Fifties” – the 1850s. This is how it came about.

In German & French “received wisdom”, customs unions are (still !) a peculiar obsession. The 19th century German customs union – “Zollverein” – was the mechanism associated in the German collective consciousness with the Bismarckian creation of Prussia & then the German Empire.

On 4th September 1914, a few weeks after the outbreak of the First World War, Chancellor Bethmann-Hollweg issued his letter setting out German war aims. War aim number four<sup>1</sup> was to “*create a central European economic association through common customs treaties.....*”. (A *Figaro* journalist, Eric Zemmour, describes this as a plan for the “*vassalisation économique*” of France through the mechanism of a customs union<sup>2</sup>.)

Two years later, in 1916, when the war wasn’t going too well for Germany, Berlin offered a separate peace to the Belgian Government (then in exile in Le Havre<sup>3</sup>), involving the evacuation of German occupying forces from Belgium & the signing of a bi-lateral Belgian-German customs union<sup>4</sup>. This was turned down by the Allies.

In early 1917, when a compromise peace with Britain, France and Russia might just have been possible, German aims were for a “German peace” with a customs union led by Germany and with the involvement of Austro-Hungary and Romania, thereby solidifying Germany’s hold over its supposed allies and converting them to a *de facto* part of the peacetime German economy, no different from Alsace-Lorraine and a large slice of Belgium which Germany also proposed to retain.

In the next war, in 1942, when Germany still believed it would win, the Reichsbank organised a conference<sup>5</sup> in Berlin to plan how Germany would run the European economy afterwards. This involved a European Customs Union – *Zollverein* – very similar

to the one we have today. (It also involved a single currency with – believe it or not – an opt-out for the UK).

Almost two centuries on, in 2016, with average customs duties worldwide (including in the UK) down to a little over one per cent<sup>6</sup>, customs unions have lost whatever economic *raison d'être* they ever had.

The EU is likely to experience a significant decline as an important trading partner in the future due to demographic issues. These two Global Britain briefing notes (here and here) list the projections for population growth and decline within and outside the EU. It is particularly interesting to see the very different projections for France and Germany.

Ian Milne

**1                    *The full text (translated) is: "We must create a central European economic association through common customs treaties, to include France, Belgium, Holland, Denmark, Austria-Hungary, Poland "sic", and perhaps Italy, Sweden, and Norway."***

**2                    *Eric Zemmour, Figaro, 29.9.16***

**3                    *The building which housed the Belgian government in exile between 1914 & 1918 survived the 1944 bombing & still stands in Saint-Adresse, a suburb of Le Havre.***

**4                    *Georges-Henri Soutou, La Grande Illusion, 1914-1920, pp 75.***

**5                    *The title of the 1942 conference was "Europäische Wirtschaftsgemeinschaft"***

**6                    *In 2013, 82 % by value of all UK imports of goods from outside the EU bore zero customs duties. The***

***remaining 18% of such imports bore an average rate of EU-mandated customs duties of 8%. That 8% average is likely to be lower now.***

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