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**THE EURASEC CUSTOMS UNION  
AND THE GERMAN CUSTOMS UNION:  
THE USE AND LIMITS OF ANALOGIES**

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**ТАМОЖЕННЫЙ СОЮЗ ЕВРАЗЭС  
И ГЕРМАНСКИЙ ТАМОЖЕННЫЙ СОЮЗ:  
ПОЛЬЗА И ГРАНИЦЫ АНАЛОГИЙ**

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The German Customs Union established in 1834 was the first-of-its-kind integration structure in Europe. Nowadays Belarus, Kazakhstan and Russia are trying to create the first post-Soviet customs union. They intend to deepen their economic ties in order to form a single market in the near future. A comparison of the two customs unions can highlight the main issues that arise during the initial stages of economic integration.

POST-SOVIET INTEGRATION. CUSTOMS UNION. CUSTOMS UNION THEORY. GERMAN CUSTOMS UNION. INTEGRATION THEORY.

Основанный в 1834 году Германский таможенный союз был первой интеграционной структурой такого рода в Европе. Сейчас Беларусь, Казахстан и Украина пытаются создать первый постсоветский таможенный союз. Они намереваются углубить экономические связи друг с другом до такой степени, чтобы сформировать единый рынок в ближайшем будущем. Сравнение двух таможенных союзов может высветить основные проблемы, возникающие на начальных стадиях экономической интеграции.

ПОСТСОВЕТСКАЯ ИНТЕГРАЦИЯ. ТАМОЖЕННЫЙ СОЮЗ. ТЕОРИЯ ТАМОЖЕННОГО СОЮЗА. ГЕРМАНСКИЙ ТАМОЖЕННЫЙ СОЮЗ. ТЕОРИЯ ИНТЕГРАЦИИ.

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The Customs Union of Russia, Belarus and Kazakhstan exists for two years and it is seen by many researchers as «the most impressive achievement to date in the post-Soviet integration» [1]. The Customs Union, in fact, is the backbone of all new integration initiatives in the post-Soviet space, such as the Eurasian Union and the Common Economic Space.

Therefore, a question emerges: what is the future outlook of the post-Soviet or «Eurasian» integration? Historical examples can point to certain complex issues, which appearance is highly conceivable during the creation and further development of customs unions. The first one of these samples is the German Customs Union established in 1834.

Then the German Customs Union (hereinafter referred to as GCU) consolidated 18 states of fragmented Germany with a total population of 23 million; they adopted a common customs line and unified customs tariff. It was the first-of-its-kind structure in modern Europe, and thus, it has traditionally attracted attention of researchers, who often compared it to the European Economic Community [2]. What conclusions can be drawn from the comparative similarities between the GCU and the EurAsEC Customs Union?

1. Integration area. The GCU was originally created as a part of the German national paradigm, even if it has not always been a conscious intention of its creators). Only German states inhabited mainly by Germans became

members of the GCU). Luxembourg joined the GCU in 1842, but it could be hardly seen as an exception to the rule. This small duchy was a part of the German Confederation – amorphous and inefficient structure created after the Congress of Vienna to replace the Holy Roman Empire of the German Nation. From time to time there were suggestions to include in the GCU Belgium or the Netherlands, but they have not been implemented. We can say that the GCU succeeded in the scope of so-called «closed regionalism», which, above all, is characterized by the pre-defined boundaries of an integration area. Generally, these boundaries are set up by certain ideological motives or existing (preexisting) forms of spatial organization. In the case of the GCU we are talking about an idea of German unity (especially important in the later stages of the Customs Union) and the German Confederation, the territorial limits of which the GCU has never broken).

In principle, you can see some similarities with the post-Soviet integration, which is also based both on the idea of the post-Soviet space and on the structure of the Commonwealth of Independent States. The CIS, like the German Confederation, has not proved its effectiveness, but certainly was an institution that provided an institutional framework and spatial conditions for the formation of the EurAsEC Customs Union. For the time being, the post-Soviet / Eurasian integration projects also fit into the concept of the «closed regionalism» recruiting participants only from the CIS member states – the former Soviet republics. Some experts consider a transition to the «open regionalism» and suggest that the post-Soviet customs union shouldn't shut the door on the states that did not belong to the Soviet Union. Because of the short history of the EurAsEC Customs Union, it is difficult to predict which path the newly created organization will choose – whether it remains limited to the «post-Soviet space,» or moves up to the construction of a new («Eurasian») integration region.

2. Integration of hegemony. Primarily, the GCU was the result of the Prussian policy. Prussia was a state that at the time possessed the largest economic, demographic and financial resources in Germany, as well as the largest territory. None of the other states of the German Confederation with exception of Austria (which was left out of the Union) could compete with Prussia. Prussian

hegemony, however, played a dual role. On the one hand, greater economic and political power often allowed Prussia to determine the rate of customs integration on its own and the Berlin officials continued to guide their colleagues in other countries. On the other hand, the advantage of one state created anxiety of smaller states; they feared of a Prussian threat for their sovereignty. In some cases, this led to a conscious resistance to the integration project. Spatial development of the GCU was repeatedly suspended for a long time because of the struggle with the Prussian hegemony. Another important consequence was a creation of alternative customs unions and free trade areas in Germany, which in the end could not stand the Prussian competition.

In the EurAsEC Customs Union one of the states (Russian Federation) also has a much larger economic and political weight than the other two partners (Belarus and Kazakhstan). At the initial stages of contemporary customs integration this disproportion appears as an inhibiting circumstance, particularly by attracting of new members. However, a possible success of the EurAsEC Customs Union depends on the massive domestic market of Russia (the Russian share in a mutual trade between the member-states of the customs union was 66.9 per cent in the first quarter of 2012 [3]).

3. Institutions. Even considering the time of its creation, the structure of the GCU was characterized by simplicity. There were only two administrative authorities. The main body was the General Congress, which actually held a meeting every two years and consisted of representatives of all the GCU states. Solutions at the General Congress were possible only by consensus; it means that each state had the right to veto. In Berlin there was a seat of so-called «Central Office», which was in charge of statistics. Customs duties are levied on the borders of the GCU by customs administrations of the participating states in accordance with the general tariff. Such a structure was the result of many compromises; it had to overcome doubts of small and medium-sized German states that Prussia could be a reliable GCU leader. Another insightful experience was made by the South German governments, which unsuccessfully tried to create a supranational governing body in a proposed separate South-German customs union for eight years (1820–1828, the concept of «Third Germany»). For these



reasons, the GCU was completely devoid of any complex supranational structures.

On the contrary, the EurAsEC Customs Union has been created as a part of a supranational organization, the Eurasian Economic Community. Additionally, the political will to make a rapid progress in the post-Soviet integration has led to creation of the Single Economic Space (SES), which should form a single market between Belarus, Kazakhstan, Russia (and possibly Kyrgyzstan and Tajikistan) in 2015. The hierarchy between these three structures is complicated and not consistently defined. In November 2011 the Commission of the Customs Union was transformed into the «Eurasian Economic Commission», which should be responsible both for the Customs Union and the Single Economic Space. The Eurasian Economic Commission consists of a «council» and a «collegium». The first one is designed for the communication with the «High Eurasian Economic Council», which embodies the political leadership of the post-Soviet integration project. The «collegium» is an executive body, similar to the European Commission in the EU.

The simplicity of institutions was a big advantage of the GCU. Of course, in 2012, you cannot create a management structure that was effective in 1834. But if the modern supranational («EU-like») complex institutions will not be able to prove their efficiency in the EurAsEC, then all further development of the post-Soviet integration will be at risk.

4. Public support. Both the EurAsEC Customs Union and the GCU were projects of the relevant governments rather than products of a broad public demand. In case of the GCU we could remember the All-German Union of Merchants and Manufacturers, headed by Friedrich List. This non-governmental organization took over the role of spokesman for the interests of all stakeholders in the industry and trade. However, the ideas of List had been quite different from the shape that the GCU took in 1834. The liberals from the West and South of Germany always treated the GCU very suspiciously because of the autocratic Prussian state behind it. The revolution of 1848 couldn't change this situation, and till the time of Bismarck the GCU had been suffered from a lack of democratic legitimacy.

The Eurasian customs integration does not have anything that could be compared with the

List's Union. There are no significant civil initiatives backing the idea of the EurAsEC Customs Union. Moreover, there are no demands for greater transparency or discussions about «a democratic deficit» as we know it from the European Union. Nonetheless, the opinion polls in 2012 have shown that the majority of citizens in the participating countries have a positive attitude to the customs union (nearly 80 per cent in Kazakhstan, 76 per cent in Russia and 60 in Belarus [4]). Unfortunately there have not been a great number of studies on the views of a private business. In 2011 61.5 per cent of SME representatives in Belarus rated the accession to the customs union positively [5]. However, only 39 per cent believed that they could effectively compete in the single market of the customs union. Nearly three-quarters have said that the internal market of Belarus was more important for them than the markets of Kazakhstan and Russia.

5. Economic prospects and conclusion. The GCU was a success primarily because of its financial benefits. The net profit from the customs duties doubled between 1834 and 1845 [6]. The impact on the industrial revolution and the general economic development is also not in doubt. The market has grown, the competition has become harder, the need for adaptation mechanisms such as railways and innovations in production processes has led to the «economies of scale» and to the industrial «take-off». A harmonization of tax laws and a monetary union with a creation of a new currency unit were inevitable next steps.

But the GCU was not the only factor that led to economic growth and national unity of Germany. A policy decision-making has always played a role in all relevant matters, regardless of all financial and economic benefits of the GCU. Obviously, it is too early for any conclusions about the EurAsEC customs union. Now the customs duties are not so important for the country's financial system as it was in the 19th century. Dynamic effects of a customs union (trade-creation) are much more significant, but it is not possible to analyze them now, two years after foundation of the EurAsEC customs union. However, the old German experience has showed that the customs union could be an effective instrument of the initial economic integration, able to further spillovers, but depending on political considerations and regional reservations.

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