

# INFLUENCES OF AUSTRO-GERMAN CUSTOMS UNION UPON EUROPEAN INTEGRATION: REAPPRAISAL

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Abstract

*The end of WWI marked the beginning of discussions concerning the renewal of European interstate economic integration, which had been suspended because of military action and economic nationalism between rival countries. Among the intellectual elite of that time, it was generally understood that tariff barriers and other obstacles, which hampered interstate trade, had to be removed, before the integration process could be resumed. But, the majority of European governments were not ready to abandon their protectionist economic policies. They were more concerned about guarding their independent national markets, than about creating a single European market. In the course of these events, some governments decided to act independently, by pursuing closer economic alliances with neighboring countries.*

*This article is devoted to the Austro-German customs union – the economic alliance project – which was never fulfilled. Suffice to say, in March 1931, Austria and Germany finalized the establishment of a customs union. At the same time, this project met with strong resistance from other European states, especially France, which effectively blocked the Austro-German initiative. It is worth noting, that France was not ready to accept any alienation of Austrian economic sovereignty on behalf of Germany, because France feared that Austria's political independence could later be jeopardized.*

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## 1. INTRODUCTION

In Europe, in the aftermath of World War I, lively discussions were devoted to finding ways of intensifying economic cooperation within the continent.

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This was because World War I had had terrible economic and political consequences for further development in the whole of Europe, such as: demographic crisis, reduced production, very high unemployment, and a sharp drop in the level of personal incomes.

At the same time, WWI caused a process of disintegration of several European empires, which resulted in the emergence of twenty new states. The most prominent example of this process was Austro-Hungarian Empire. According to the Hungarian Professor O. Jaszi, the Austro-Hungarian state, in case if it was converted to the federation in advance, could have solved the most fundamental problem of that time Europe, which was latter the problem of the League of Nations – how it is possible to unite national individualities of very divergent ideals and traditions in such a way that each of them can continue its own particular life, while at the same time limiting its national sovereignty enough to make a peaceful and effective international cooperation possible<sup>1</sup>.

The British scientist, S. Pollard, noticed that ‘...in contrast with the newly created nation-state of the nineteenth century, which enlarged the economic area and operated in the direction of expansion and progress, the newly created nation-state of the twentieth century became a fetter on efficiency and progress, and lent its power to the turning back of the wheels of history...’<sup>2</sup>.

It is well-known fact that the preparation of: economic, legal, and political projects, for the rapprochement of European states, took place at both civil and official levels. Suffice to say, that at civil level, a very important role was played by the Pan-European Union (PEU), which consisted of politicians, professionals, and other parties, who were interested in a unified Europe. The PEU was founded by Count Coudenhove Kalergi, in 1923, as an informal body, for reviewing the development of Britain and continental Europe. At the same time, at an official level, the leading institution which had the necessary competence to deal with the reconciliation of European states was the League of Nations, which emerged as a result of post-WWI peace treaties. According to Art. 23 (e) of its Covenant: ‘...member states are responsible for making provisions to secure and maintain the freedom of communications and of the transit and equitable treatment for the commerce of all members of the League...’<sup>3</sup>

Such diversity in views was explicitly shown during the World Economic Conference, which took place in Geneva in May 1927, under the auspices of the League of Nations. Representatives of 50 countries brought together 194

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<sup>1</sup> Jaszi O., *The Dissolution of The Habsburg Monarchy*, Chacago, 1929, p. 4

<sup>2</sup> Pollard S., *European Economic Integration 1815-1970*, London, 1974, p. 132.

<sup>3</sup> [http://avalon.law.yale.edu/20th\\_century/leagcov.asp](http://avalon.law.yale.edu/20th_century/leagcov.asp), last accessed on 01/12/2015.

experts, including: merchants, financiers, industrialists, economists, agriculturalists, officials with experience of commercial policy, and representatives of workers and consumers organizations. Despite such wide geographical participation, Professor Clavin of Britain noted the fact that, despite its title, the Conference concentrated mainly on the problem of European protectionism<sup>4</sup>. During the Conference, the political and expert elite did not have a unitary point of view concerning the mechanisms of solving the above mentioned problem. Some experts believed it appropriate to return to the practice of providing 'most favored nation treatment' in interstate trade relationships, in order to facilitate the liberalization of trade barriers. A second group of experts considered the establishing of international cross-border iron and steel cartels, and a fairer share of European markets as an essential approach to creating conditions, under which European states would not be encouraged to maintain existing or erect new, barriers in interstate trade. At the same time, a third group of experts thought that effective economic cooperation could be achieved only through preferential trade agreements, including economic and customs unions, which would anticipate a simultaneous elimination of all tariff and quantitative trade restrictions, together with a gradual liberalization of the movement of workers, capital, and services.

Therefore, the final report of the conference proposed a comprehensive programme of economic rapprochement of European states<sup>5</sup>. Thus, it was stressed that harmful effects upon production and trade were the result of high and constant changing of tariffs, and inequalities in trading conditions. Taking this into account, the conference decided to put an end to the increase in tariffs and to move in the opposite direction<sup>6</sup>. In order to reach this ambitious goal, the Conference recommended that nations should take steps forthwith to remove or diminish those barriers that gravely hampered trade, starting with those which had been imposed to counteract the effects of disturbances arising out of the war by:

- 1) abandoning the practice of putting into force, in advance of negotiations, excessive duties established for the purpose of bargaining, whether by means of 'tariffs de combat' or by means of general tariffs;
- 2) proceeding to the conclusion of long-term commercial treaties securing equality of treatment;

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<sup>4</sup> Clavin P., *Securing the World Economy: The Reinvention of the League of Nations*, New York, 2013, p. 42.

<sup>5</sup> Report of the conference, *The Economic consequences of the League: collection of the articles*, London, 1928, p. 160.

<sup>6</sup> *Ibid.*, p. 180.

- 3) giving the widest and most unconditional interpretation to the 'most-favored-nation clause'. States should grant each other unconditional most-favored-nation treatment as regards customs duties and conditions of trading.
- 4) considering the desirability of providing commercial treaties for the reference of disputed questions, as to the interpretation or carrying out of the treaties to arbitration or preferably Permanent Court of International Justice.

According to the final report of the conference, the insertion into any particular treaty of special provisions 'to meet local needs' was not inconsistent with MFN obligations, so long as such provisions are clearly expressed and do not injure the interests of other states. In other word, the report allowed the states to be engaged in special relations (presumably such as a customs union), if it could be justified by local needs and did not represent a threat to other states.

During the interwar period, attempts were made among several European countries to switch from purely theoretical discussions, to the realization of definite schemes regarding economic integration. However, political factors frequently prevented the successful implementation of integration projects. One such example in 1931 concerned the project of the Austro-German customs union. Despite the fact that it was never implemented, historical analysis of this document seems relevant to today, because it can facilitate a better understanding of the nature and history of XX century European interstate economic integration.

## **2. AUSTRIAN ECONOMIC INTEGRATION WITH NEIGHBORING COUNTRIES**

Throughout most of the XIX century, Prussia and Austria were struggling for economic and political hegemony in Germany. Despite Prussian success in the emergence of the German empire, many Germans and Austrians regarded this fact as temporary and felt sure of the future destiny of the two states. Negotiations about the creation of a single economic area for both empires continued even during WWI. However, because of strong opposition expressed by non-German peoples within the Austria-Hungarian Empire, and German industrialists, the scheme failed. The defeat of the Axis forces in WWI, together with the collapse of old empirical regimes seemed to draw these two states even closer.

The first official step towards creating a union of German Austria with Germany was taken on November 12, by the Provisional Assembly of German Austria, when it adopted a resolution which declared that: '...German Austria

is a democratic Republic. All public authority is instituted by the People.... German Austria is a constituent part of the German Republic....' On November 13, a telegram was sent to the German government, requesting its support for German Austria in its attempt to join Germany and to enter into negotiations with the Austrian government 'concerning participation in the law-making and administration of the German Reich'<sup>7</sup>. The reaction on behalf of Germany was formulated in the opening address of Chancellor Ebert, and the elected President of the German National Constituent Assembly, Dr. David, both of whom expressed their heartfelt desire for the union<sup>8</sup>.

In the mid 1920s, Austria started diplomatic negotiations concerning the creation of an economic union among states in the Danube region, including Hungary, and Czechoslovakia. Nevertheless, all efforts were in vain, because those neighboring states did not want to forsake even the smallest part of recently obtained national sovereignties, despite the economic gains which could have been brought by the implementation of this project. Owing to this situation, Austrian foreign policy was redirected towards encouraging Germany to create a customs union, and the Austrian bourgeoisie supported the move, because they were unconcerned about the subjugation of Austria by 'German imperialism'. In turn, Germany pursued an open free trade policy, and was not interested in concluding agreements which would have been discriminatory to other countries. The reluctance of Germany to enter into a customs union with Austria can also be explained for purely pragmatic reasons, because Austria occupied twelfth place in its exports to Germany, and only twentieth in respect of German imports. Towards the end of World War I, negotiations concerning economic unification between Austria and Germany were in progress, yet both parties limited themselves to creating a free trade area which excluded certain groups of goods.

At the end of the 1920s, under the influence of external and internal politics, German attitudes towards possible economic integration with Austria had started to change. First, Germany faced severe economic crisis, which were partly the result of the loss of American investment capital because of the financial crisis in the USA, and second, public opinion started to incline towards support for the German Nazi party. So, according to German historian, A. Dorpalen, '....for the government of that time, it was very important to gain a victory on a 'foreign-policy front', which would strengthen its position within the country....'<sup>9</sup>.

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<sup>7</sup> Ball M., *Post-war German-Austrian relations. The Anschluss movement, 1918-1936*, California, 1937, p. 8.

<sup>8</sup> *Ibid.*, p. 15.

<sup>9</sup> Dorpalen A., *Germania na zare fawisma*, Moskva, 2008, s. 218.

Between 1929 and 1931, the governments of Austria and Germany were secretly conducting negotiations in order to establish a prospective ‘customs union’, or some kind of customs and economic alliance. In analyzing the progress of negotiations, we can conclude that, unlike Austria, which would receive considerable economic and financial dividends from this venture, Germany would be a ‘political beneficiary’, and therefore Germany considered a customs union as a mechanism that could be used to effectively influence Austria, even with regard to it possibly joining Germany. This question was also touched upon by J. Verner, who concluded that, ‘...the case of Austria in 1931 would appear to be the only modern case where any country valuing its independence has nevertheless shown readiness to risk that independence for economic reasons, but Austria was acting from economic despair’<sup>10</sup>.

The situation was even more complicated, because negotiations had to be kept secret, especially from France, Great Britain, and Czechoslovakia, who were strongly opposed to any ‘*Anschluss*’ between Austria and Germany.

### **3. POLITICAL AND LEGAL OBSTACLES TO THE AUSTRO-GERMAN UNIFICATION**

In 1919, during the Treaty of Versailles,<sup>11</sup> negotiations between the Allies and Germany, the president of France, G. Clemenceau, insisted on strict terms and obligations for Germany in respect of its foreign affairs and external trade policy. According to Art. 80 of this Treaty, Germany should ‘...acknowledge and respect strictly the independence of Austria...’ and agree that ‘...Austrian independence is inalienable...’. There are similar provisions in the Treaty of Saint-Germain-en-Laye (SGT)<sup>12</sup>, which was concluded between the Allies and Austria, at the outbreak of WWI. Pursuant to art. 88 of this Treaty, Austria undertook an obligation to refrain from any activities which can ‘...directly or indirectly compromise its independence’.

Both treaties also contained specific provisions regarding the prohibition of trade discrimination. For instance, Art. 264 of the Treaty of Versailles, forbade goods from one of the Allied or Associated countries being subjected to higher duties, charges, or quantitative restrictions, in comparison to other countries (Art. 217 SGT equivalent).

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<sup>10</sup> Viner J., *Customs Union issues*, New York, 2014, p. 131.

<sup>11</sup> [http://avalon.law.yale.edu/subject\\_menus/versailles\\_menu.asp](http://avalon.law.yale.edu/subject_menus/versailles_menu.asp), last accessed on 01/12/2015.

<sup>12</sup> [https://archive.org/stream/peacetreaties00alli/peacetreaties00alli\\_djvu.txt](https://archive.org/stream/peacetreaties00alli/peacetreaties00alli_djvu.txt), last accessed on 01/12/2015.

The Treaty of Versailles also dealt with measures equivalent to quantitative restrictions, in particular, it was prohibited to impose any 'discriminative regimes' concerning the importation or exportation in interstate trade with Allied countries by introducing new customs regulations or procedures, methods of verification, an analysis of the conditions of payment of duties, tariff classification or interpretation, or the operation of monopolies (Art. 218 SGT equivalent). One safeguarding provision, which was intended to exclude Germany from any preferential trade regime, was contained in art. 267, which stressed that '...every favor, immunity or privilege in regard to the importation, exportation or transit of goods granted by Germany to any Allied or Associated country or to any other foreign country whatever, shall simultaneously and unconditionally, without request and without compensation, be extended to all Allied or Associated countries (Art 220 SGT equivalent). Thus, we can conclude that both the above mentioned treaties allowed Germany and Austria to liberalize their interstate trade by using 'most favored nation regime' which should automatically have delivered economic benefits to all most favored nations.

At the same time, Germany and Austria were forbidden to establish any kind of preferential trade regime (like customs union), even despite the fact that at that time 'full customs unions' were generally allowed and were subject to exemption from MFN obligations, if they completely satisfied the main criteria, such as: the complete elimination of tariffs between member territories; the establishment of a uniform tariff on imports from outside the union, and the apportionment of customs revenue between the members in accordance with an agreed formula. If all these criteria were fulfilled, this economic entity could be regarded as a full customs union, and participating states could be excluded from obligations which arose under the MFN clause, but if one of its criteria was not fulfilled, then that state had to adhere to its international commercial obligations, under the MFN clause.

Such negligence of Allied countries regarding established international custom can be explained as a fear that eventually any 'integration economic schemes' which involve Germany, and a weaker neighbor, would lead to political integration, especially taking into account the experience of German 'Zollverein' in the XIX century. A contemporary of those events, American Professor Robert C. Binkley expressed the viewpoint, that in case Austro-German customs union would lead to the annexation to Germany, this result would follow, not from the customs union itself, but from the nationalist sentiment which favored equally both a customs union and 'Anschluss'<sup>13</sup>.

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<sup>13</sup> Binkley Robert C., *Europe Faces the Customs Union*, Virginia Quarterly Review, Vol. 7 (3) 1931, last accessed on 01/12/2015.

Therefore, it should be stressed that Austrian obligation not to enter into any union with Germany was also reflected in other international documents, such as protocol signed under the auspice of League of Nations in 1922, by which the Austrian government again undertook an obligation to refrain from entering in special union relations with other countries. Since Austria was experiencing a disastrous economic situation, she needed substantial financial resources to stabilize its budget and monetary system. As British scientist, W. Henderson, pointed out, it was quiet understandable that the problems of reconstruction were beyond the resources of the Austrian government and it was clear that assistance from outside was essential<sup>14</sup>. In October 1922, Britain, France, Italy, and Czechoslovakia, agreed to underwrite a loan of 25 million pounds Sterling to Austria on the security of revenues derived from the customs and tobacco monopoly. A commissioner general, nominated by the League, was appointed to supervise the carrying out of various reforms which the Austrian government promised to introduce so as to balance the next budget. According to Protocol No. 1, signed between Great Britain, France, Italy, Czechoslovakia, and Austria<sup>15</sup>, in October 1922, the government of the Federal Republic of Austria undertook in accordance with the terms of Article 88 of the Treaty of St. Germain, not to alienate its independence and to abstain from any negotiations or from any economic and financial engagement, calculated directly or indirectly to compromise this independence. Nevertheless, Austria still had the opportunity to realize its freedom in the matter of customs tariffs and commercial relations, provided that she would not violate her economic independence by granting to any state, a special regime, or exclusive advantage, calculated to threaten this independence.

In this harsh political and legal situation, Germany and Austria together had to search for opportunities to bypass obstacles, which arose from the tough obligations of international agreements.

#### **4. AUSTRO-GERMAN PROTOCOL CONCERNING THE CREATION OF THE CUSTOMS UNION AND ITS CHARACTERISTICS**

On 18-19 March 1931, during closed meetings between the German and Austrian governments, a preliminary agreement in the form of protocol concerning the creation of the customs union was adopted<sup>16</sup>. The main task of the de-

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<sup>14</sup> Henderson W., *The Genesis of the Common Market*, London, 1962, p. 118.

<sup>15</sup> <http://libraryresources.unog.ch/leagueofnationsarchives>, last accessed on 01/12/2015.

<sup>16</sup> *Text of Protocol of Vienna of 1931*, London, 1932, pp. 3-6.



signers of this protocol was to minimize the effect it could provoke in Western European capitals, especially Prague, and Paris. That's why in the provision 1.1. of this protocol, it was outlined that the treaty is designated to 'mark the beginning of a new order of European economic conditions on lines of regional agreements'. Suffice to say, that by 1929, the French Minister of Foreign Affairs, A. Briand, proposed the creation of a common market for a 'rational organisation and commodity circulation' in the framework of a European Federal Union project, by means of progressive liberalization and methodological simplification of the movement of goods, capital, and people'.<sup>17</sup> Also, in its memorandum, A. Briand underlined the necessity of counter-proposals from European states for the effective realization of this project. So, it is quite evident, that Austria and Germany wanted to present their integrative economic plan in the form of a general integration movement in Europe and as a concrete step in the general process of 'tariff disarmament'. The confirmation of this viewpoint it to be found in provision 1.2. of the protocol: 'more especially both parties will in the treaty declare their willingness to enter into negotiations for a similar agreement with any other country expressing such a desire'. According to Professor Robert C. Binkley, this article pointed toward the formation of a Danubian customs union. Taking into account that the proposed unified Austro-German area was industrialized, and that the lower Danubian countries were chiefly agrarian, this meant that the farmers of Romania, Bulgaria, Hungary, and Yugoslavia would have privileged markets, and not have to compete against Russian, American, and Argentinian wheat growers. From this standpoint, the customs union arrangement seemed mutually beneficial to all potential parties concerned<sup>18</sup>.

The most important achievement of this protocol was the agreement to gradually introduce unified customs legislation, and to harmonize tariffs (art. 2.) The exchange of goods between the two parties was not subject to any import or export duties (art.3). Also, it was forbidden to introduce: import, export, or transit, prohibitions. However, the parties reserved the right to introduce certain restrictions, if they were thought necessary for reasons of: public security, public health, or similar grounds, but any restrictions had to be specified as clearly as possible in the future treaty (art. 7). In order to avoid strong resistance in France and Czechoslovakia, the parties agreed to maintain their customs administrations independent of each other, but nevertheless the parties had to 'assure by special measures of a technical character the uniform

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<sup>17</sup> Briand A., Memorandum on the organisation of a system of European Federal Union, New York, 1997, p. 33.

<sup>18</sup> Binkley Robert C., Europe Faces the Customs Union, Virginia Quarterly Review, Vol. 7 (3) 1931, last accessed on 01/12/2015.

execution of the tariff law, the customs tariff, and other tariff regulations (art. 5). Also, in provisions 9-10 of the protocol 'all commercial relations with third countries are left in the sovereign domain of members of the union, however, the interests of other member-state had not to be violated'. Protocol dictated that the customs union had to be in force for three years. According to art. 10, the abovementioned states took responsibility to harmonize with one another, and with the contents and object of the treaty, and, the existing commercial treaties concluded by them with third states so far as they might impair the execution of the existing import and export prohibitions and other regulations on the exchange of goods. Any disagreements had to be solved by the Arbitral Committee which consisted of representatives, on parity basis, from Austria and Germany (art.11).

## **5. OBJECTIONS OF THE OTHER PARTIES**

Despite all assurances, the prospect of the creation of a customs union between Austria and Germany was perceived by France as an attempt by Germany to return to its expansionist policy, and was thus blocked by the French. According to German Professor Rosenberg, an essential principle of French policy in this period had been to encourage Czechoslovakia, Poland, Romania, and Yugoslavia, to form a dam against any German 'Drang nach Osten'. The objections raised against the project, particularly in Paris and Prague, insisted that an economic union between Austria and Germany would be followed by political union, and that Czechoslovakia would thus be isolated, while Hungary, Bulgaria, Yugoslavia, and Romania, would perhaps be subject to German influence, and, as a result, European stability endangered<sup>19</sup>. Moreover, the Czechoslovakian government might be forced to consider the possibility of a joining a 'German-dominated block'. The political price for this choice, according to the British Professor M. Newman, would be exceedingly high: Czechoslovakia would have certainly been asked to drop her alliance with France, which the former regarded as a guarantee for her independence. And, it was generally acknowledged, that inside a German-dominated bloc, the Sudeten Germans, perhaps supported by the German government, would demand secession<sup>20</sup>.

Was it realistic to escape such a scenario, or was the 'move of history' irreversible? Professor Rosenberg thought that it might have been possible to prevent

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<sup>19</sup> Rosenberg G., *The struggle for a German-Austrian Customs Union 1815-1931*, *The Slavonic and East European Review*, Vol. 14 (41) 1946, p. 341.

<sup>20</sup> Newman M. *Britain and the German-Austrian Customs Union Proposal of 1931*, *European Studies Review*, N° 6 1976, p. 453.

such negative reactions from other European countries, but they were not sufficiently organized diplomatically.

At the request of the French and British governments, the question of the Austro-German Customs union project and its compatibility with Austria's international obligations, was considered by the Council of the League of Nations and then referred for an advisory opinion to the Permanent Court of International Justice. In court, Austria tried to prove that the customs union with Germany was a matter of life or death for the country, and argued that political domination of economic conditions by the Allied powers was responsible for economic stagnation in Europe. On the other hand, France and Czechoslovakia aggressively argued that the proposed customs union was the first step toward carrying out Germany's 'Mittel-Europea project', which had been blocked by the defeat of the Central powers in WWI.

Moreover, France proposed a 'Constructive memorandum dealing with the special situation in Austria'<sup>21</sup>. According to the provisions of this memorandum, France offered to create some kind of 'donor club' to help Austria overcome economic and financial difficulties. The proposed implementation of the memorandum, which would vary in each individual case, was that one country might grant tariff reductions on certain articles, and another in respect of transport, etc. This assistance would be provided on a provisional basis. Any departure from MFN obligations had to be strictly limited as regard the period of time, and the items which fall under its scope. At the same time, the French government stressed the necessity of providing such assistance to Austria, not by bilateral agreements, but by joint negotiations between the various states concerned and Austria<sup>22</sup>. The controversial character of this question can be illustrated by the voting results of deliberations within the Permanent Court of International Justice. Eight judges to seven declared the proposed customs union project incompatible with Austria's treaty obligations<sup>23</sup>.

Two days before the Court's opinion was delivered, on September 3 1931, the Austrian Chancellor, Dr. Schroeber, and the German Foreign Minister, Dr. Curtius, made announcements abandoning on behalf of their respective countries the customs union project.

One very important event was the bankruptcy of one of Austria's biggest banks – Credit-Anstalt bank. Under the pressure of foreign creditors, the Austrian

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<sup>21</sup> Extract from French Constructive Memorandum dealing with the special situation of Austria of 1931, London, 1932, p. 6.

<sup>22</sup> Ibid., p. 7.

<sup>23</sup> Advisory opinion delivered by the Permanent Court of International justice of 1931, London, 1932. p. 15.

government was forced to underwrite all holdings which were at the bank's disposal, which caused a worsening of the general economic situation in the country. It is necessary to mention that a substantial role in the restoration of financial soundness of Credit-Anstalt bank was through French bankers, who used their influence to bring pressure to bear on Austria. So, on 16 June 1931, a representative of the French bank consortium notified the Austrian Finance Ministry that the necessary credit could only be granted if Austria refused a union with Germany.

It is worth to mention that on 15 July, 1932, there was signed the additional protocol between Austria on one side, and Belgium, Great Britain, France and Italy on the other<sup>24</sup>. According to preamble of this document, above mentioned countries agreed to assist Austria financially on the basis of the Protocol 1 from 1922 (reaffirmation of sole obligation to abstain from any alienation of its independence). The loan was granted for a term of twenty years (Art. 2 /iv/). The Austrian government undertook to take all necessary steps to restore without delay and to maintain complete equilibrium between the revenue and expenditure of the state, and in particular, to carry out the programme of budgetary and financial reforms (Art. 4). Finally, the Austrian monetary policy had to lie in direction of the progressive removal of the control over exchange transactions and the resulting obstructions to international trade (Art. 5).

## **6. CONCLUSION**

In summing up, it should be noted that despite the political calculations of Germany, the attempt to create an Austro-German customs union had great economic implications, because it was an endeavor to return to European economic cooperation and integration, which had developed, over previous centuries, prior to the outbreak of WWI.

The failure of this venture showed the deep distrust and antagonism which existed in interstate relations within Europe at that time. Nevertheless, even this prospect of creating a customs union was a further important step towards the restoration of European interstate economic integration.

The history of the Customs Union project also showed that in spite of the many declarations made, European states were not willing to abandon their protectionist policies, and instead were preferring to maintain the economic discordance, which existed in Europe at that time. This situation also raised

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<sup>24</sup> Austrian Protocol N° 3118, League of Nations Treaty series. Vol. 135, pp. 286-299.

the question of the compatibility of the customs unions and the obligations which states took upon themselves under the MFN clause.

Taking into consideration the tendencies which persisted at that time, we can say for certain that the idea of universalism vested in the League of Nations prevailed over the idea of an eventual fully-integrated Europe.

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