economic development is an absolute right for all of East Asia, but also because it is in our own interest to build a new "Iron Silk Road" linking Europe to Asia, in order to restore just economic growth for our populations.

On July 6, 2001, Foreign Minister Hubert Védrine received South Korean Foreign Minister Han Seung-soo in Paris, and expressed "his conviction and his support" for South Korea's "Sunshine Policy" of opening relations with North Korea. Earlier, Prime Minister Lionel Jospin, in a toast during a luncheon for President Kim, said on March 7, 2000: "France, as well as its European partners, supports and approves the clear-headed policy of engagement which you have toward North Korea. . . . You have embarked upon a rapprochement with your neighbors, China and Japan. You have thus opted for cooperation and the future, in spite of the wounds and the misunderstandings of the past."

Frenchmen and Europeans, the time has now come to put deeds behind these nice-sounding words. Last Fall, North Korea suspended the fourth session of the Inter-Korean Meetings because of the world military crisis, and in particular due to the war-time state of alert on which the 37,000 American troops in South Korea have been put. American Ambassador to Seoul Thomas Hubbard furthermore stated on Oct. 26, 2001, that South Korea must "reform its structures" by stopping public aid for South Korean companies in financial difficulty, as has been demanded by the International Monetary Fund, which will severely damage the domestic economy. Mr. Hubbard indicated that Washington might limit imports of South Korean steel if Seoul did not comply.

Europe, together with Russia, should therefore make clear that we fully support South Korea's infrastructure and industrial efforts, by organizing long-term, low-interest credits for those projects which will draw North Korea into the overall drive for Eurasian development. As President Kim has repeatedly made clear, only 14 kilometers of rail line need to be built to establish a rail link between the two Koreas and Europe, which would enable the Trans-Korean Railway (between North and South Korea) to reach the Russian Trans-Siberian, the Trans-Chinese, and the Trans-Mongolian Railways.

On a more ambitious level, by building the new Iron Silk Road and the new fiber-optic and other high-technology links outlined in Strasbourg by President Kim, Asia and Europe would progressively become a unified continental development zone.

President Kim has also taken leadership to create a true East Asian development organization from the countries of Southeast Asia [the Association of Southeast Asian Nations], and South Korea, Japan, and China in Northeast Asia, the ASEAN+3. The East Asian Vision Group of Advisers to these 13 nations' heads of state, submitted a report for the nations to form an East Asian Community, laying the basis for understanding and cooperation among Asian countries, on Nov. 5-6 at the Brunei summit of the 13 heads of state. North Korea has also been invited to participate. President Kim Dae-jung is also aware that this is not enough, and that Russia and Western Europe are indispensable in order to give this perspective sufficient breadth and extension.

European countries, which should be calling for a New Bretton Woods monetary system, for a new international order reorienting credit to infrastructure development, production, and labor, should also include this East Asian cooperation with Russia and Western Europe in the proposal.

At the time when the two Koreas are willing to accept a Peace of Westphalia or an Edict of Nantes, we must provide them with an extension into Europe and Asia. Our *EIR Special Report* on the Eurasian Land-Bridge and New Silk Road ["The Eurasian Land-Bridge: The 'New Silk Road'—Locomotive for Worldwide Economic Development"; see also, "Eurasian Land-Bridge: Build Our Way Out of the World Depression," *EIR*, Nov. 2, 2001] has been circulating in Asia since 1997. Now is the time to act.

What are our political leaders waiting for? What are our major corporations waiting for? We, as Frenchmen, have no excuse: Isn't Korea the Asian country where French is spoken most? We, as Europeans, have no excuse. Wasn't Korea a pioneer in the development of the printing press in the 8th Century? Didn't Korea invent the first armored ships during the European Renaissance? General de Gaulle used to speak of a Europe from the Atlantic to the Urals; the hour has now struck, for a Eurasia from the Atlantic to the China Sea.

Euro Is a Disaster, As EIR Predicted

by Rainer Apel

The introduction on Jan. 1, of the European Union's (EU) new single currency, the euro, for daily use by citizens, has already borne out *EIR*'s forecast of ten years ago, that the EU's Maastricht Treaty, with its stringent budget-cutting criteria for membership in the European Monetary System, or "euro-zone," would be a catastrophic failure for the national economies involved. By the end of January, the euro had already lost 6% in value, hovering at around 85-86¢. The economic situation is worsening in all of the EU member-countries, notably in the 12 states that belong to the euro-zone (EU members Britain, Sweden, and Denmark have stayed out, so far).

The most worrisome developments are reported from Germany, the biggest economy in Europe, and the importer of last resort for the rest of the EU, absorbing 20%, 30%, or even more, of entire categories of goods produced in the other

EU economies. In November 2001, which is the latest figure published officially, German imports from the other EU countries had declined 20% compared to the previous year. German exports to the rest of the EU dropped by "only" 7.3%, in the same period. This promptly led to an additional half-million jobless in Germany during December and January. That, after a half-million jobs had already been wiped out during 2001, in the productive *Mittelstand* sector—the small and medium-sized firms that account for 50% of all industrial or other productive investments, 60% of generated product value, 70% of all jobs, and more than 80% of all apprentice jobs. As the association of savings banks in Germany, the DSGV, reported on Jan. 28, the *Mittelstand* lost almost 34,000 firms in 2001 and 31% of the sector's firms do not earn a single cent in profits. Joblessness, which is at an official level of 4.3 million (to which 3-4 million "hidden" jobless have to be added) for January 2002, is certain to reach the 5 million mark, soon. Without state intervention, unprecedented investment incentives for the *Mittelstand*, and big infrastructure projects to create many new jobs at once, the German labor market is doomed, and with it, the prime export market for the rest of Europe.

'Early Warning' to Germany

But, the German government is trying to be the star pupil of the Maastricht system, as it intends to strictly implement the budget restrictions of the treaty, which outlaw such state interventions. Instead of campaigning to abolish the entire system and replace it with a system of coordinated, sovereign national economies—or, at least, to ease the restrictions on national budgets—the German Finance Ministry continues manipulating its data, in order to keep the aura of Maastricht intact. This is in vain, however, as Germany has been inching closer and closer to a state budget deficit exceeding the 3% of Gross Domestic Product limit set by Maastricht. Despite all its tricks, Germany is at 2.7% now, which makes it a candidate for an "early warning" by the watchdogs at the EU Commission in Brussels. That warning is the first stage of a procedure at the end of which will be sanctions—a penalty that Germany must pay for "violating the criteria." That penalty, to be paid to the Commission, will be in the range of 4-5 billion euros, for the next fiscal year.

On Jan. 30, the EU Commission issued the "early warning" to German Finance Minister Hans Eichel.

This was the second setback for Eichel in two days: On Jan. 29, the government luckily escaped a Supreme Court ruling over a delicate budget issue: the unsecured funding of the EU's joint project for building a new, large aircraft for military air transport, the A400 M (a military version of the Airbus 400 model). By treaty with the other EU partners in that project, notably France and Britain, Germany is bound to purchase 73 of these aircraft for the sum of 8.6 billion euros. But in order to keep expenses down in the FY 2002 budget, and therefore avoid exceeding the 3% deficit limit, Eichel and Defense Minister Rudolf Scharping designed a complicated scheme according to which Germany would assign only 5.1 billion euros for the aircraft this fiscal year, and the remaining 3.5 billion in FY 2003. But then, the British government forced Germany to stop being vague about the future of the 3.5 billion, and sign a "side letter" on Dec. 18, agreeing to put the entire 8.6 billion on the table by no later than Jan. 31.

Boxed in, Berlin organized its parliamentary majority to pass a resolution in favor of the Eichel-Scharping scheme on Jan. 24, claiming that this was official enough to meet the Jan. 31 deadline. The parliamentary opposition of Christian Democrats and Free Democrats promptly filed a legal action against the government before the Supreme Court, which is expected to force the government to respect the budget laws, which outlaw detailed pre-determination of expenses in a budget (FY 2003, that is) that has not yet been passed by parliament.

The entire A400 M affair just illustrates the many pains that Berlin is suffering, in its desperate attempts to keep the aura of Maastricht intact.

Other Problems

But there are other problems faced by the Minister of Finance. For example, corporate tax revenue, one of two main sources of revenue from the corporate sector (the other being the sales tax), is showing a disastrous trend, under the combined impact of pro-globalization tax cuts and the declining ability of firms to pay taxes because of depression-related reduced output. Whereas in FY 2000, the government still collected 23.6 billion deutschemarks in corporate taxes, it was hit with a net loss of DM 0.5 billion in 2001—which is a difference of DM 24.1 billion, or almost 12.4 billion euros.

In one year, therefore, corporate tax revenues collapsed by 102%, a figure not recorded in German fiscal history since the Great Depression. The Maastricht house of cards is collapsing in Germany. The only way out of the troubles caused by the collapse of Maastricht, is its replacement by a European sub-variant of a New Bretton Woods reorganization of the global financial-economic system, as has been proposed by the LaRouche movement.

This alternative has been addressed prominently in an official challenge issued in mid-January by Helga Zepp-LaRouche, national chairwoman of the German BüSo (Civil Rights Movement Solidarity) party, to incumbent Chancellor Gerhard Schröder and his Christian Democratic challenger, Bavarian Governor Edmund Stoiber (see *EIR*, Feb. 1, 2002). She called on both politicians to stop propitiating Maastricht. Instead, she said, they should face the necessity of declaring that system null and void, and acknowledge the urgency of fighting the deepening economic depression with proven methods of physical national economics that favor investments in production, as the fundament on which full employment and sound tax revenue generation could be based.