THE STRATEGIC EFFECTS OF THE RECESSION

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Abstract:
The financial crises are big crisis, crisis of system, with chaotic and unpredictable developments. They are an effect of creation and tendencies to autonomy of a system which goes to become dominant and sovereign, but extremely vulnerable to the condition’s variation. The analysis which we have made on some segments of these crisis’s effects led to the conclusion that their impact is and will be peculiarly strong especially on those major components of the securityIs risk management. The effects generated by the crisis are rolling on in complicated chains which trend to multiple in uncontrollable developments, to became radical and to explode starting economic, social and military collapses which multiplies the challenges, the defiance, the dangers and threats, amplify the vulnerabilities to these and increase, in a significant way, the risk level, crossing a lot over the strategic security level. It is unlikely that such crisis to evolve to a maximum of conflict called war, as it happened with 1929-1933 crisis which generated, mostly, the World War II, but we can not exclude that these effects could still generated another king of war, more complicated and more subtle. The effects of present crisis are still looming and it is hard to predict how they will develop in the future. NATO is on its way to elaborate the strategic concept while EU already applies the Lisbon Treaty. Both documents, with essential political and strategic value, are elaborated and finalized during a profound crisis which has effects on all levels, especially in the economic, social and military fields and also regarding the geopolitical and geostrategic reconfigurations, which are in a new dynamic of the interdependent sovereign, within a new power unbalance and against a new possible intensification of the battle for resources and markets.

Key-words: crisis, impact, strategic, effect, regions, cash/coin

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INTRODUCTION

The mankind is passing through a new crisis of which effects felt and felt again on all levels, mainly on the strategic level. The crisis affects the power, not only doesn’t reduce neither the gaps nor the differences, but, furthermore, emphasis and submit them to some unpredictable evolutions. Following the Wall Street effects, the American Government, as many other governments, intervened through huge salvation plans, granting to the insolvent banks and assurance societies big aids. The vertiginous decrease of the consumption expenses and the moratoria over the loans put on the block even the strongest companies what impose, on the part of the states, again, new interventions, new plans and other huge expenses tranches. But just the consumption credits with high risk level – imposed, generally, by the encouragement measures of the consumption credits, most of them in the guise of under-bonuses (1), with high risk level, taken, maintained and even secured by states in favor of poor stratum – result in the impossibility of their reimbursement and to the bankruptcy of some of the largest banks and assurance societies from the world. John B. Taylor – showed that, in fact, “the actions and the Government’s interventions, and also some weakness of the private environment caused, extended and aggravated in a radical manner the crisis” (2). Many people request the establishment of inquiry committee regarding this crisis similar to the committee established to analyze the causes of 9/11 events.

The classic explanation of the recession consists in the cash flow’s excesses which turnoff a boom and an unavoidable crash bank. This is how it happened these days. The real estates bubble and then the property crash caused the explosion of the real estate loans and of the assets based on those and after that the collapse.
There are, of course, other opinions regarding this recession’s philosophy and physiognomy with its causes and effects. Some opinions, for example, endorses not only the non-overwrought and even hasted intervention of the state in favor of poor stratum and support of disadvantageous credits, but also the bank’s greedy, the granting without limit of some consumption credits with high risk level and the inadequacy of present financial system to the real economy demands, of the market and life represent the true cause of this disaster. The state, in their opinion, didn’t make anything else than interfere for the protection of a system which he, obviously, also created.

It seems like, in the train of this recession, the American economy gives up to the Milton Friedman Model (3) and starts to flirts with the Intervention Theory (4). The ideas of Intervention of James Tobin, laureate of Nobel Premium, start to fall into place and get support. In other words, John Maynard Keynes come back to present. The American President Barak Obama signed a plan for economic stimulations costing 787 billions dollars.

This recession proves one more time that, in troublous time, the rigid doctrines are not the most suitable ones. It is requested flexibility. In the moment when the reference interest comes close to zero are requested, according to some experts, the options of USA Federal Reserve or of American Central Bank (Fed) for economy’s stimulation. The optimal employment rate, affirms James Tobin, is zero. As John Maynard Keynes, he claims that it is necessary that the Government to interfere in economy in order to maintain the employment rate to the free and must be made a very strict control of the money pumped over in economy. Those who follow the Tobin’s line believe that the Government must interfere in economy, inclusive through the stimulation packages of expenses. Of course, the influence of Tobin’s ideas is very large at Washington, but not as large as its follower wishes. Richard Levin, president of Yale University, affirms that, within the fiscal stimulation program of Obama Administration, it is desired to be as less possible taxes reduction and a stronger implication in creation of new jobs. That means the opposite of what John. B. Taylor claims.

Still, in our opinion, the recession proves one again that the financial ventures, the implementation of rigid theories, the chaotic liberalization of market, the excessive increase of consumption, the lack of balanced economic and social policies can go to dramatic developments, to spectacular crashes of economic and financial power and disequilibrium hard to be managed, with multiple, complex and hard to remove effects, inclusive over to the national and international security. The recession’s effects are numerous, but the most dramatic are those at strategic level. These creates power’s unbalance and impose, on one side, new policies, unbearable, of relocation and rebalance of the ratios between the great strategic policy makers, with effects within the globalization and fragmentation process and, on the other side, an excessive and confliction fragmentation of the geopolitical congruence areas and a proliferation of the power’s asymmetry.

THE POWER AND THE POWER CRISIS

The strategic balance reshaped after the end of Cold War is a restless, asymmetric and even chaotic one. The American Superpower – which remain still dominant in strategic level – doesn’t necessary need an effective support, but just only by pivots, and a fitting strategic concept. The security projected and wished by the Americans is one with variable geometry within the 3 components of Power – political, economic-financial and military – interact dynamic, meaning that the effects of one of the components can be found in the other’s effects, in an interactive manner. USA represents, still, a geopolitical nucleus of stability and management of conflicts, despite the fact that the principle is of the force - through the economic and financial power, but also through the military power. USA represents the vital centre of world military power. The Americans invest in defense over 4 % from a huge GDP, meaning twice more than the rest of the world.

The present recession started between in the period 2007-2008 and at the beginning of 2009 on Wall Street, affects in a substantial way, all three components of American power. The most affected is just the
vital center of this power – Airpower – the most dynamic and most important component in force projection which, in fact, means the power projection.

Airpower is made from a forces and devices system which ensures the domination of entire American strategic interested space of the planet. The American Airpower is made, generally, from the USA Air Forces (USAF), Naval Forces (US Navy), the air component Naval Infantry, the air component of Land Forces (US Army), the American Intelligence Systems, Intelligences, Surveillance, Reconnaissance (I2SR), meaning the satellites, networks, reconnaissance devices, sensor system and other elements which assure the rapid action and the force projection. USA, where she is placed today, is mostly, due to its airpower. Airpower consists of USAF (3542 fighters, 180 bombardiers (5) and a lot of transport, air-refueling aircrafts, battle and transport helicopters), 13 carriers which dominate the world oceans, and Naval Infantry realized as an expeditionary corp. At this huge and dynamic power should be added the strategic nuclear forces. How the recession affects this huge American power?

The Swiss Military Magazine (6) realize an interesting analysis in this direction, after a very laborious study elaborated on November 21st 2008 by Karim Lakjaa (7). Airpower is not only the vital center of the greatest world military power but also the harder, flexible and most responsible core for the strategic stability of the planet. The air park of Airpower is twice larger than the air parks of all other countries together.

The recession limits (even stops for long time) the modernization programs of USA Airpower, and its effects consist of ageing the aircrafts park and considerable increasing of maintenance costs.

USA injected in their bank establishments, although, on the first stage, the Congress opposes, almost 700 billions dollars (8). This amount come close to the costs of global war against terrorism, initiated after 9/11, of 824 billions dollars (653 for Iraq war and 171 those in Afghanistan) (9), meaning 1584 billions dollars! And the American budgetary deficit is 2000 billions dollars.

The recession affects the USA Airpower through at least 3 complementary effects: the impossibility to maintain an air capacity always to a constant level; the significant depreciation of existent air capacity; the creation of a too big gap between the scientific and technologic research through which were already realized a new generation aircrafts and the effective reality of Airpower.

The first effect is materialized through the ageing of aircraft, the significant increasing of maintenance costs and decreasing of operational potential. The cost of a flight hour with F-15 and other 14 aircraft categories – notices The Swiss Military Magazine – doubled in the last ten years. They grew and still grow the production costs. The cost of a bombadier B-2B grew with 300%, while, for an aircraft F-22 Raptor, conceived to assure the domination of the air space, U.S.A.F. must pay 200 millions dollars. This aircraft was expensive even before the recession (near 120 millions dollars). A few years ago, in USA, started a competition among main aircraft manufacturers in order to realize a cheap aircraft, with vertical take-off, especially for U.S.A.F. and U.S. Navy. Remain in competition 2 large manufacturers – Lockheed Martin and Boeing and won Lockheed Martin, which produces the F-35. But this aircraft costs already 90 millions dollars. These 2 super-aircrafts – F-22 Raptor and F-35 – should replace almost entire fighters park but the recession doesn’t allow the discharge of these huge costs, which tantamount to the amount which the Americans expended to stop the recession’s effects. U.S.A.F. must purchase 750 fighters F-22. The too large costs of this aircraft imposed the decreasing of the amount to 183. Furthermore, USAF will purchase only 20 pieces on year. From here result that U.S.A.F. will have a full capacity (diminished from 750 to 183) in 9 years and if it this aircraft must replace all 441 F-15 from USAF it would be necessary 26 years. From this results that 177 F-15 aircrafts must be maintained on duty till 2025. F-35, an aircraft with vertical take-off, comes to accouter both U.S.A.F. and the 10 U.S. Navy carriers and 3 Naval Infantry carriers. But there are not enough money to purchase him and its production goes pretty slowly. From this reason, the aircraft F-18 resource will be prolonged with another 6,000 hours (to cover the period necessary to implement the F-35 aircraft).

U.S.A.F. done, in Afghanistan, 12,600 raids pay out 7,000 bombs and other ammunition. In both operation fields – Iraq and Afghanistan –, USAF planned and executed 130,000 missions of air aid which consumed 375,000 flight hours. In Iraq where 300 reconnaissance, surveillance, troops air-transportation,
fight and also for other usage aircrafts. The firmly domination of air space by USA is one of the characteristics of both operation fields. Without this air and informational domination it wouldn’t be possible the mission’s fulfillment in these operation fields. These missions will continue till 2017 and even till 2020, although, partially, the army will be redraw due to the fact that these areas are considered dangerous.

Preserving proportions the same thing is happening with the Romanian Air Forces (FAR). Despite the fact it was realized an hole air space surveillance integrated system and a part of the existent aircrafts were upgraded, the delay, due to the recession, of implementation of the procurement programs (for entire Armed Forces and not only for FAR) generates the most alarmgly effects. MiG 21 Lancer – a solution for 2 decades – comes to the resource’s exhaustion and the new aircraft, although it was chosen, it wasn’t yet purchased. Of course, it would be wonderful if the Romanian Aeronautic Industry could contribute, at least partially, to the new aircraft realization which FAR needed but such option was long time ago abandoned. Probably the political and strategically decision makers from our country will analyze and the possibility of resurg – of course in Romania Armed Forces benefit – of the Aeronautic Industry, as it used to be long time ago or how it could be sometime in future… The recessions passes but the projects, the realizations and realities remain for long time.

THE DEPRESION, THE NUCLEARE POWERS AND THE EMERGENTE POWERS

The general manager of the China Popular Bank considers that the faults of the international monetary system can be repaired, in a certain measure, through the creation of a new coin of world reserve. This is a controversial idea which generated many debates.

In the next years China will endow, probably, with its first carrier. It is for the first time after Ming dynasty (10) when China will send warships to protect its commercial lines. So, recently, were sent 2 destroyers and a supplying navy in a sector located off the Somalia coast.

The BRIC countries (Brazil, Russia, India, and China) run, no long time ago, their first summit. China is a kind of pillar of this organization which constitutes a good discussions platform with USA and European Union about the main issues of the world, as peace, stability, durable development, climate changes and global warming. This is another strategic mutation through which can be created structures and potentials for conflict status improvement, for dialog and international balance. The China’s priority is not the battle for global supremacy but finding and applying the best solutions for its durable development and for regional stability.

The China’s relations with USA are becoming closer. Nolens volens, China will continue to “buy” the American debt meaning that she must “help” USA in order to help herself. Even if China is looking other quotes, presently, neither Yen nor Euro is capable to replace the dollar.

The exports are the China’s development engine and the main markets for the Chinese products are in USA, Japan and European Union. The weakness of these markets, due to recession, could have a serious impact over the Chinese trade. This impact already exists. As a result of recession, the China’s foreign trade knew already, in May 2009, a diminution with 25.9 % comparing with same period in 2008. From this reason, over 20 millions people lost their jobs.

The 3 fundamental questions which China asked herself during this period contain 3 important fields: stimulation of internal consumption; creation of new jobs for the unemployed people; maintenance of durable development around the limit of 8 % from GDP. Shortly, the problems seem to be solved. Not on long term meaning at strategic level because today the strategic level is determined not the domination levels but the interdependences level.

Nor in Russia the recession’s effects can be ignored. The Russian stock markets is at the lowest level from the last period. Furthermore, if we take into consideration that the Russian economy still depends on hydrocarbons export, the decreasing of oil barrel price brings serious problems. Probably the
strategic investors will not avoid Russia, but, contrary, will look after her. The recent negotiation with European Union and main European countries proves this think.

The intervention in Georgia and also the firmly attitude during the gas crisis period from January 2009, the provenience of similar situation in 2010, the same firmly reaction toward the implementation in Europe of some elements of American anti-missile system, the trenchant conception and offensive and active position regarding the exploitation of Arctic energetic resources, the contraposition expressed pretty directly regarding the NATO and EU enlargement, the competition and, simultaneously, the complementary solutions regarding the new European architecture of the energetic resources – we are talking about the projects North Stream and South Stream, but also about the other European projects through is trying to be reduced the dependence by Russia and at which, obviously, Russia reacts pretty consistent – are elements of a certain type of firmly implication in geopolitical reshape of Euro-Asia space on power and partnership support. The NATO-Russia Council, the strategic partnerships between Russia and USA, Russia and China, Russia and India so, and also the one which is still negotiating between Russia and EU, are part of a new construction through which it is expected to dilute as much as possible the conflict within the relations and to stress the collaboration and cooperation.

The NATO General Secretary, Anders Fogh Rasmussen, made 3 concrete proposals in order to consolidate the NATO-Russia partnership, serious affected after the Georgia’s war from August 2008. Those 3 proposals are: the examination of the possibilities to consolidate the cooperation in all common interest fields (fight against terrorism, the Mass Destruction Weapons proliferation and Afghanistan’s stabilization); rehabilitation of the damaged trust due to the serious divergences regarding the NATO enlargement and resuscitation of “NATO-Russia Council”, advisory body between the Nord-Atlantic Alliance and Russia, with main purpose to approach all subjects without prejudices; reviewing the entirety new security challenges of XXI century. Also, the NATO General Secretary considers that is comes the moment that Moscow, Washington and other European leaders must reunite their anti-missile systems. The old American project of defense system against long-range missile predicted the installation of strong radars and interceptive missile systems in California, Alaska, Poland and Czech Republic, forcing the security strategic environment – already to storm-beaten by numerous crisis and armed conflicts – and looking to realize an accomplished fact.

In February 2009, President Obama announced President Medvedev that he intends to give up to this program in exchange of Russia collaboration on stopping the nuclear Iranian program, similar with the 1962 “missile crisis” from Caribbean Sea. During that time, the Russians turned around the missiles which had to be deployed in Cuba with the condition that the Americans will give up to deploy similar missile in Turkey.

But, after these new tide turns within the relations between Washington and Moscow, it seems that the exit from the Cold War’s effects and reshape of a strategic environment in which the World Powers to become Power of World for World’s protection and security represents the only escape from a conflict status and a complete change of security and defense philosophy and physiognomy.

NEW SUPPORTS FOR A REVOLUTION OF STRATEGIC THINKING

One March 18th, the USA Central Bank (Fed) bought from the market the treasury bills. Giiles Bonafi compares this day with “Black Thursday” (1929’s recession) because she mark the dollar’s end (11). Paul Jorion announced the “capitalism’s end” and the analysts from Standard Chartered Bank defined this day as “dollar death day”. This huge recession with its strategic implications was defined by Alan Ruskin, analyst at RBS as … “Rome’s fall”. Many from those who analyzed or analyze still this recession phenomenon framed, in the first trimester of 2009, the idea that Europe and USA risk the implosion. Meanwhile, the great continental poles (ASEAN, CEI, and North American Union) – claims Bonafi – are in expansion. Even if such phenomenon seems contradictory and paradoxical, it seems that we are coming close to the nation’s end or, at least, to the end of nation’s age and of appearance of “great ensembles which will have, as administrative echelons, regions” (12). In 1997, Herbert Marshall Mc
Luhan published the paper «War and Peace in the global Village», which proposes a new concept: glocal (13). This mean a world turn upside down by the new technologies. The strategic mutation is obvious. The town shake itself free more and more by its productive function, exchange function and Intelligence refinement function (which sends in cyberspace) and concentrates on new organization’s forms on local level, giving the impression that he didn’t need other structures that are managing, guarding and exploiting him; nor even the state. In other words, we are coming back to the ancient cities-states.

The information has an essential role and a great responsibility in starting and developing the present recession because contribute to the dangerous acceleration of the financial cash flow at the entire planet level. The adverse reaction was to put this information under control, looking to solve the crisis inclusive through the consolidation of FMI role. But FMI is not pleased by anyone due to the fact that imposes conditions and restrictions. The network activate this flux, the savings coming out from rigid national system frameworks and become a sort of systems of systems, accelerating and metamorphosing the substance, energy and information exchange within an oversaturated strategic environment, intoxicated and extremely fragile and vulnerable, in which is liberated a new, cultivated and courted dimension today in Europe – the regional one.

Bernard Lietaer and Margrit Kennedy published a book called “Regional Coins. New ways to a durable prosperity” (14) through which analyses such delicate and controversial subject. From the beginning, the authors underline that: “The recession started in 2008 has amplitude and a complexity without precedent. The announced recession promises to be long, hard and most difficult since 1930. During that time, we managed ineffectual the economic situation and the social and political degradations. That situation drove to a fascism wave which climaxed with the Second World War”.

The present recession points up a regional dimension and a sort of end of absolute sovereignty of national states. For the time being the states are sovereign and nobody makes an attempt to their sovereignty. The agreements, understandings and international institutions are not targeting the diminution of sovereignty, but just its right exercise within the new conditions generated by the interdependences increasing.

There is a kind of European consensus regarding the regions importance in the development politics. This thing is underlined in Eduard Balladur’s rapport called “It comes the time to decide”, advanced within the Committee for the local collectivities reform from France, whereby are made 20 proposals, mostly of them being adopted unanimously. It is the same thing with the establishment and function of the 8 regions from Romania. The Balladur’s rapport shows: “The regional echelon is considerate by the Committee being the best adapted to the new competitive conditions, turning out that there is an European consensus regarding the importance of regional level within the development politics”. The articles 2 and 3 from The European Charta of the local autonomy underlines that “the local autonomy must be recognized in internal legislation”, this autonomy being defined as “the right and effective capacity of the local collectivities to adjust and generate, within the law framework, under its own responsibility and for their people’s profit, an effective part of public problems”. Unfortunately, some local communities understands by this regional policy a support for ethnic separatism, when, in fact, the European Charta of local autonomy targets a new architecture through which must be assured, both, even out the left behind regions to European level and creation of a greater flexibility which allows a better resilience to crisis and conflicts. That’s mean exactly vice versa of what promoting the ethnic separatists.

For the crisis situation’s prevention is necessary to come out from this huge system which generates chaotic unpredictable evolutions. For that purpose, Bernard Lietaer, former member of Rome Club, shows that “an important decision behind the governments should be to allow to the cities and local authorities to choose themselves the complementary coins that seems to be appealing in order to encourage and to accept them for the payment of city or state taxes” (15). So, according to this vision, the cities and regions could choose the coins which are convenient for them and even to create complementary coins. Although, for some people, this thing seems impossible, such experiences existed during the history. Furthermore, such practices exist even today in Switzerland (WIR) and Germany (Chiemagauer). Gilles Bonafi gives such an example and from outside the European continent. The mayor of Curitiba (Brasilia) created a coin
with jetton shape which the citizens earns cleaning the town’s misery. In this way, Curitiba became one of the most cleanest and prosperous city in Brazil and the citizens are enjoying by the advantages of such coin. There is also the example of collaborative activities such those used for the elaboration, on Internet, of a popular encyclopedia.

Starting from this example and from many others, Lietaer proposes the creation of B-B systems (Business-to-Business) at the enterprises level. A Russian business man – German Sterligov –invested millions dollars (in London, Paris, Bruxelles and Hong Kong) to realize some anti-crisis center which allows to enterprises to organize barter payments. He specified that is not just a barter but a new payment system, a new compatibility, within the money, credits, interest disappear …

Some specialists advocate that the mutations produced during these possible reshapes could genera armed conflicts and even wars. Generally, it is asserting the territories reorganization and region’s number contraction, simultaneously with their emphatic autonomisation. First proposal from Balladur’s rapport, assimilated unanimously by the members of the Committee for the local collectivities reform from France refers to the “bias region’s voluntary reshuffle and modification of their territorial limits in order to reduce their number to 15”.

Today, France is a unitary state composed from 26 administrative regions which have no kind of legislative or other type of autonomy. These proposals as those 20 contained in Balladur’s rapport can be found everywhere in Europe.

The Region’s European Policy to gain momentum and seems to become benefic for the rising of some left behind regions but, as it can be deduced from all above mentioned, at strategic level, it could have more complex effects, even contradictory to the initial purpose.

CONCLUSIONS

The crisis is interconnected. The recessions are strong connected with financial, social, ecological, energetic one, with the raw material crisis, food crisis and even by the political and military crisis. You can not be analyses one without the other because one’s effects are or could be causes for the others and even for its evolution. That’s why, Gilles Bonafi, same as other authors, considers that the crisis issues must be analyzed, both global and on levels, among these most important being the followings: financial level; monetary system which has as pillar the dollar (considered to be, during the recession, but also after that, failing); adaptation of economic system to the new information technologies which destroy millions jobs; energy (it considers that the traditional energy sources are going to end and no viable alternative sources weren’t found yet; actually, except the fact that, according to a theory which is confirming more and more every day – the a biotic theory of oil –, the oil is forming from primary elements, deep in the Earth, at very high temperatures and pressures, and comes out in the guise of cold eruptions, is developing, thenceforth, nuclear technologies which bring the people’s world in the inexhaustible universe of atomic energy, the Universe energy); the dangers which lurks the democracies and freedom, due to the fact that the real power is detained by a hand of people through capital accumulation (it proves the John Kenneth Galbraith warnings who underlined, in an interview published by Nouvel Observateur in 04.11.2005, that it are necessary only a “few enough strong and convincing salesmen in order to determine what people must buy, eat and drink”; the eco-genocide (the act of destruction of an ecosystem, especially through its excessive exploitation) caused by the present economic system.

These levels are interacting, interpenetrating and tries to settle little within the vulnerabilities identification and risk management, especially of the extreme risk. The reality shows that the extreme risk is not consisting in the danger represented by the nuclear weapon which, out of control, can destroy the world, or in unpredictable, bloody and villainous actions of terrorists, but mainly in the calamitous effects generated by the recession which itself is, in fact, an effect of effects.

Beyond its disastrous effects – which, unfortunately, are not drained –, the recent crisis forces the strategic thinking to vivify and imposes new reflections for finding some solutions to cope with giant strategic mutations, featuring the human, environment and World security and reducing the risk’s level.
REFERENCES/ENDNOTES

1 Under-bonuses are risk credits with high interest (in order to cover the risk rate).

2 http://www.contrepoints.org/Comment-le-gouvernement-a-cree-la.html (opened on 12.09.2009)

3 Milton Friedman elaborated a theory of permanent income, through which he advocates that the temporary incomes increase, as opposed to permanent accretions, are not starting a significant increase of consumption.


6 http://www.revuemilitairesuisse.ch/node/503 (opened on 19.09.2010).


8 This amount was injected to the bank institutions till November 2008. Barak Obama signed an economic stimulation plan in which is forecasted the amount of 787 billions dollars, subsequent injected.


10 Dynasty Ming (1368-1644) removed the Mongolian dynasty Yuan (1279-1368), established by Gingis Han grandson, realized the Great Chinese Wall and brought to China prosperity and stability.

11 Gilles Bonafi, Crise systemique – Les solutions (nr.4 : regions et monaies complementaires), Mondialisation, 30 avril 2009.


13 Glocal – sort of mixture between global and local, which defines an architecture of new global order, on one side being located continents and, on the other side being located regions and great urban agglomerates. After that the continents will not count anymore.
