How BRICS Became Co-Dependent Upon Eco-Financial Imperialism

By Prof. Patrick Bond
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Contrary to rumour, the Brazil-Russia-India-China-South Africa alliance confirmed it would avoid challenging the unfair, chaotic world financial system at the Fortaleza summit on July 15.

The BRICS "are actually meeting Western demands," as *China Daily* bragged, "to finance development of developing nations and stabilize the global financial market."

If BRICS subservience continues, remarked financier Ousmène Jacques Mandeng *of Pramerica Investment Management in a Financial Timesblog, "*it would help overcome the main constraints of the global financial architecture. It may well be the piece missing to promote actual financial globalisation."

Fawning to finance reminds us of the term Brazilian political economist Ruy Mauro Marini coined a half-century ago, 'sub-imperialism': i.e., "collaborating actively with imperialist expansion, assuming in this expansion the position of a key nation."

Marini described Brazil's 'deputy sheriff' role in Latin America, but the concept also applies to the global-scale imperialist project. As part of the civil society counter-summitry, we launched a collection on this theme in the Fortaleza journal *Tensoes Mundiais-World Tensions*, co-edited with Rio de Janeiro political economist Ana Garcia. Two dozen writers including Elmar Altvater, Omar Bonilla, Virginia Fontes, Sam Moyo, Leo Panitch, James Petras, William Robinson, Arundhati Roy and Immanuel Wallerstein grappled with the BRICS' contradictory geopolitical location.

By all accounts, the two overarching problems of our time – as the most recent Pew global public opinion survey confirms – are climate change and systemic financial instability. In both, the BRICS suffer what in psychology is termed 'co-dependency.' The word "comes directly out of Alcoholics Anonymous, part of a dawning realization that the problem was not solely the addict, but also the family and friends who constitute a network for the alcoholic," according to Lennard Davis in his 2008 book *Obsession.*

BRICS are friendly-family *enablers* of Western capitalists who are fatally addicted to speculative-centric, carbon-intensive accumulation. Suffering what increasingly appears to be the neurological impairment of a junkie, officials in Washington, London, Brussels, Frankfurt and Tokyo continue helter-skelter pumping of zero-interest dollars, euros and yen into the world economy. This is a hopeless drug-addict's fix: maintaining policies of economic liberalization that lower national economic barriers and generate new asset bubbles.

Another fatal Western obsession facilitated by the BRICS is emission of greenhouse gases at whatever level maximizes corporate profits – future generations be damned to burn. (The last time the world's 1 percent seriously kicked the habit – and momentarily succeeded – was in 1987 when the Montreal Protocol was signed and CFCs banned so as to halt ozone hole expansion. But since that successful Cold Turkey episode, neoliberal and neoconservative fetishes took hold. Half-hearted efforts at the UN and other multilaterals to address global-scale environmental, economic and geopolitical disasters have conspicuously failed.)

BRICS elites are *not* enemies of the Western economic hedonists, as revealed in the Fortaleza declaration's exceedingly gentle advice: "Monetary policy settings in some advanced economies may bring renewed stress and volatility to financial markets and changes in monetary stance need to be carefully calibrated and clearly communicated in order to minimize negative spillovers." (This refers to currency crashes suffered by most BRICS when the West began reducing 'Quantitative Easing' money-printing in May 2013 – yet another example of co-dependency.)

The BRICS repeatedly enable the West's most self-destructive habits during times of acute eco-financial crisis:

> * the April 2009 G20 bailout of Western banks via consensus on a $750 billion IMF global liquidity infusion;
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> * the December 2009 Copenhagen Accord in which four of the five BRICS did a deal to continue emitting unabated (they "wrecked the UN," according to Bill Mckibben of 350.org);
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> * the 2011-12 acquiescence to the (s)election of new European and US chief executives for the Bretton Woods Institutions, for despite a little whinging, the BRICS couldn't even decide on joint candidates; and
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> * the 2012 agreement to pay over another $75 billion to the IMF even though it was apparent Washington wasn't going to change its undemocratic ways (the US Congress has refused to allocate the BRICS a higher IMF voting share).

Washington's co-dependents in Delhi and Pretoria are the most blindly loyal. *Bharatiya Janata Party (BJP) reactionaries* and African National Congress (ANC) neoliberals have regular economic, political and even military dalliances with Washington, and the BJP is so irretrievably backward that it won't countenance even a parliamentary debate about Israel's Gaza terrorism.

Playing the role of a frosty, distant relative, the other BRICS elites in Moscow, Brasilia and Beijing occasionally fulminate against Washington's internet snoopery and the Pentagon's propensity to bomb random Middle Eastern targets. To their credit last September at the G20 summit, they pulled Barack Obama's itchy trigger finger back after the Syrian regime apparently used chemical warfare against civilians. Vladimir Putin instead cajoled Assad's chemical-weapon disarmament. And thank goodness the US whistle-blower spy Edward Snowden is at least safe in Russia. But it's likely that BRICS promises to establish new internet connectivity safe from US National Security Agency data-thieves will be broken.

Another Fortaleza let-down: the refusal by Moscow and Beijing to support the other three BRICS' ascension to the UN Security Council in spite of their repeated requests for UN democratisation, because that would lead to dilution of Russian and Chinese power.

The greatest heartbreak, however, will be the passing of sub-imperialism's financial costs to BRICS citizenries and hinterlands. Before the Fortaleza summit, economic-justice activists hoped the BRICS would decisively weaken and then break dollar hegemony, especially given the inevitability of rising Chinese yuan convertibility and the Moscow-Beijing (non-$) energy deal a few weeks ago.

But revealingly, both the New Development Bank (NDB) and '[Contingent Reserve Arrangement]' (CRA) announced have this feature: "The Requesting Party's [borrower's] central bank shall sell the Requesting Party Currency to the Providing Parties' central banks and purchase US$ from them by means of a spot transaction, with a simultaneous agreement by the Requesting Party's central bank to sell US$ and to repurchase the Requesting Party Currency from the Providing Parties' central banks on the maturity date." That's techie talk for ongoing $-addiction: *a retox not detox.*

The dollar is an inappropriate crutch in so many ways, but aside from an excellent article by University of London radical economist [John Weeks], few analysts acknowledge that genuinely "inclusive sustainable development" finance would not require much US$ (or any foreign-currency denominated) credits.

Hard currency isn't needed if BRICS countries – or even future hinterland borrowers – want to address most of their vast infrastructure deficits in basic-needs housing, school construction and teacher pay, water and sanitation piping, road building, agriculture support, and the like. The US$ financing hints at huge import bills for future mega-project White Elephant infrastructure entailing multinational corporate technology. (Like most of our 2010 World Cup stadiums.)

Weeks continues, "The suspicion uppermost in my mind is that the purpose of the BRICS bank, as a project funding bank, is to link the finance offered, to the construction firms and materials suppliers located in the BRICS themselves. Certainly, the Chinese Government is notorious [for doing this]." (For example, a $5 billion loan from the China Development Bank to the South African transport parastatal Transnet announced at Durban's 2013 BRICS Summit resulted in $4.8 billion worth of locomotive orders from Chinese joint ventures a year later.)

As Weeks also observes, "the voting proposal for the BRICS bank follows the IMF/World Bank model: money votes with shares, reflecting each government's financial contribution. [The largest voting share goes to China], whose record on investments in Africa is nothing short of appalling… [The warm endorsement] of the NDB by the president of the World Bank suggests enthusiasm rather than tension."

But isn't the CRA a $100 billion 'replacement' for the IMF, as was widely advertised? No, it *amplifies* IMF power. If a BRICS borrower wants access to the final 70 percent of its credit quota, the [founding documents]insist, that loan can only come *contingent* on "evidence of the existence of an on-track arrangement between the IMF and the Requesting Party that involves a commitment of the IMF to provide financing to the Requesting Party based on conditionality, and the compliance of the Requesting Party with the terms and conditions of the arrangement."

The neoliberal BRICS bureaucrats who laboured over that stilted language – and over the (self-obfuscating) name of the CRA – may or may not have a sense of how close global finance is to another meltdown, in part because of relentless IMF austerity conditionality. But it does reveal their intrinsic commitment to "sound banking" mentality, by limiting their own liabilities to each other. Current quotas are in the range of $18-20 billion for the four larger BRICS and $10 billion for South Africa (though the latter will only contribute $5 billion, and China $41 billion).

Will it matter? According to Sao Paolo-based geopolitical analyst Oliver Stuenkel, "arrangements similar to the BRICS CRA already exist and have not undermined the IMF. The BRICS' CRA is closely modeled on the Chiang Mai Initiative signed between the Association of Southeastern Asian Nations countries as well as China, Japan and South Korea in May 2000." The initiative is useless, Stuenkel observes, for no one has borrowed from it since. Likewise, he tells me, "The CRA is fully embedded in the IMF system!"

What might that mean in future? The last BRICS-country default managed by Washington was when Boris Yeltsin's Russia – with $150 billion in foreign debt – required a $23 billion emergency loan in 1998. Fifteen years later, four of the five BRICS suffered currency crashes when the US Federal Reserve announced monetary policy changes, and with higher interest rates, hot money flooded back to New York.

An emergency bailout may soon be necessary here in South Africa, where foreign indebtedness has risen to $140 billion, up from $25 billion in 1994 when Nelson Mandela's ANC inherited apartheid debt and, tragically, agreed to repay. Measured in terms of GDP, foreign debt is up to 39 percent and even the neoliberal SA Reserve Bank warns that we are fast approaching "the high of 41 percent registered at the time of the debt standstill in 1985."

That crisis and an accompanying $13 billion default split the white ruling class, compelling English-speaking big business representatives to visit Zambia to meet the exiled liberation movement. Less than nine years later, capital had ditched the racist Afrikaner regime, in favour of bedding down with the ANC in what Mandela's key military strategist Ronnie Kasrils termed the 'Faustian Pact'.

SA Finance Minister Nonhlanhla Nene predicted that the first NDB borrowers would be African, to "complement the efforts of existing international financial institutions." But since Nene's own Development Bank of Southern Africa is rife with self-confessed corruption and incompetence, and the two largest NDB precedents – the China Development Bank and Brazil's National Bank for Economic and Social Development – epitomize destructive extractivism, is this really to be welcomed?

After all, the largest single World Bank project loan ever ($3.75 billion) was just four years ago, to abet Pretoria's madcap emergency financing of the biggest coal-fired power plant anywhere in the world now under construction, Medupi, which will emit more greenhouse gases (35 million tonnes/year) than do 115 individual countries. A year ago, as Medupi came under intense pressure from community, labour and environmental activists (thus setting back the completion two years behind schedule), World Bank president Jim Yong Kim could no longer justify such climate-frying loans. He pledged withdrawal from the Bank's dirtiest fossil fuel projects.

That's potentially the gap for an NDB: to carry on filthy-finance once BRICS countries issue securities for dirty mega-projects and can't find Western lenders. For in even the most backward site of struggle, the United States, a growing activist movement is rapidly compelling disinvestment from oil and coal firms and projects. (Here in South Durban, Transnet's eight-fold expansion of the port-petrochemical complex is one such target of 'BRICS-from-below' activists, especially the 2014 Goldman Environmental Prize winner for Africa, Desmond D'Sa.)

Of course there is a need for a genuinely inclusive and sustainable financial alternative, such as the early version, prior to Brazilian sabotage, of the Banco del Sur that was catalysed by the late Venezuelan president Hugo Chavez. Launched a year ago in Caracas with $7 billion in capital, it has an entirely different mandate and can still be maneuvered not to 'stabilize' world finance but instead to offer a just alternative.

To help BRICS elites stop jonesing for the Western model of exclusionary, unsustainable capitalism, a revamped 12-step program will be necessary. The first two steps of the classic Alcoholic Anonymous program are obvious enough: "*We admitted we were powerless over alcohol, that our lives had become unmanageable [and] came to believe that a Power greater than ourselves could restore us to sanity.*"

The cleansing power of political-economic sanity absent in the BRICS elites comes from only one place: below, i.e., social activism. For example, just like any rational South African who loved the World Cup and hated its Swiss Mafiosi organizers from Fifa, Brazilian society remains furious about Sepp Blatter's politically-destructive relationship with Workers Party president Dilma Rousseff. That and other neoliberal tendencies – such as raising public transport prices beyond affordability – mobilised millions of critics, which in turn was met by vicious police repression.

In Russia, activist challenges come as a result not only of Putin's expansion into Ukraine, but attacks on protesters. Civil society has been courageous in that authoritarian context: a democracy movement in late 2011, a freedom of expression battle involving a risque rock band in 2012, gay rights in 2013 and at the Winter Olympics, and anti-war protests in March and May 2014.

In India, activists shook the power structure over corruption in 2011-12, a high-profile rape-murder in late 2012, and a municipal electoral surprise by a left-populist anti-establishment political party in late 2013.

In China, protesters hit the streets an estimated 150 000 times annually, at roughly equivalent rates in urban and rural settings, especially because of pollution, such as the early April 2014 protest throughoutGuandong against a Paraxylene factory. But just as important are labour struggles, such as ongoing strikes against Nike and Adidas.

In South Africa, multiple resource curses help explain what may be the world's highest protest rate. Certainly the labour movement deserves its World Economic Forum rating as the world's most militant working class the last two years. But South Africa's diverse activists, including those who on 1882 occasions in 2013 turned violent (according to the police), still fail to link up and establish a democratic movement (though the metalworkers union seeks to change this through its United Front initiative).

In this extraordinary context, critics are opening up two crucial debates: first, is BRICS *anti-imperialist* as advertised, or *potentially inter-imperialist* as the Ukraine battleground portends, or *merely sub-imperialist* where it counts most: in the ongoing global financial and climate meltdowns?

Second, how can BRICS-from-below struggles intensify and link? The detox of our corrupted politics, a sober reassessment of our economies and fortification our ecologies – all catalysed by re-energized civil societies – rely upon clear, confident answers to both.

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