NEOLIBERALISM WITH SOUTHERN CHARACTERISTICS

The Rise of the BRICS

By Vijay Prashad
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Published by the Rosa Luxemburg Stiftung, New York Office, May 2013

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Locomotives of the South?

For centuries, the nations of the Global South have struggled to assert themselves politically. This assertion originally took the form of myriad struggles against colonialism, and as the European empires collapsed, new nation states came into being across Africa and Asia.

In 1955, the leaders of these newly emerging, optimistic nations came together in Bandung, Indonesia, to advance their struggles in the international arena. The “Spirit of Bandung” would subsequently inform institutions such as the Non-Aligned Movement (NAM) and the G77, its group within the UN. In economic matters, this perspective found expression in the United Nations Conference on Trade and Development (UNCTAD), while the United Nations Educational, Scientific, and Cultural Organization (UNESCO) advanced an alternative cultural agenda. These bodies were the institutional expression of the Third World Project, the collective dream of billions of people for another world, one characterized by peace, cooperation, and shared prosperity.

By the 1980s, this project, already imperiled by its inherent contradictions, collapsed under the weight of North Atlantic neoliberalism. The Third World Project had assumed a national unity across class lines that broke down as local elites more brazenly aligned themselves with the interests of international capital, and liquidity crises opened the door to the International Monetary Fund’s (IMF) “structural adjustment” programs that deprived these nations of adequate capacity to shape their economic futures. For the next several decades, neoliberalism would continue its triumphal and destructive march across the planet—until the worst economic crisis since the Great Depression exposed the hollowness of this ideology.

Even before the outbreak of the financial crisis, Brazil, Russia, India, China, and—eventually—South Africa had started working together in what came to be known as the BRICS bloc. In contrast to the leading countries of the Global North, these “locomotives of the South” enjoy high growth rates, boast extensive natural resources, and have large, young, and educated populations. How do their economic ascendancy and mutual cooperation affect global power relations and geopolitics? Is the dominance of the North coming to an end?

In this report, Vijay Prashad, Professor of South Asian History at Trinity College Connecticut and author of The Poorer Nations: A Possible History of the Global South (Verso 2013), sets out to answer these questions. According to him, while there is a partial connection between the “Spirit of Bandung” and the BRICS, their project is by no means revolutionary. Economic growth in these countries has come at the expense of ordinary working people and the environment, and the BRICS elites are not seeking to overturn the existing system of global governance, but merely to join it. Still, the BRICS are gaining economic strength, finding their political voice, and effectively asserting themselves on the global stage, challenging the Global North’s arrogant dominance of world affairs. Prashad concludes that because of the rise of the BRICS, we in fact already live in a multi-polar world.

Stefanie Ehmsen and Albert Scharenberg
Co-Directors of New York Office, May 2013
Neoliberalism with Southern Characteristics

The Rise of the BRICS

By Vijay Prashad

While Indian Prime Minister Manmohan Singh was the Secretary General of the South Commission, he was detained by two facts: the catastrophic debt crisis that had hampered the ability of African, Asian, and Latin American states to create any economic growth; and the intellectual property regime pushed by the North that had shut these states off from any scientific and technological improvements. The Global South seemed fated for millennia of poverty and wretchedness. The problem before the South was not simply its internal shortcomings. It was, Singh argued, the rules set largely by the North on its behalf that constrained the ability of the South to breathe.

At a press conference in Geneva, Switzerland, on July 18, 1988, Singh concentrated his attention at the appalling debt overhang that shrouded the Third World. New ways to deal with this debt crisis had to be imagined. “This is the harsh reality,” he said, “and unless you organize publically, unless the collective views of the Third World can be articulated in meaningful dialogue, no amount of mere technical solutions will solve the problem of debt.” Taking the point further, Secretary General Singh said, “What we in the Third World need is global perestroika, restructuring of international economic relations which would take into account the legitimate aspirations of the four-fifths of humanity that lives in the Third World, for better life for their peoples.”

The use of the term “perestroika” was cheeky. It had become well known the previous year when Mikhail Gorbachev had used it to refer to the restructuring of the Soviet Union. Singh used it to refer to the need for the reformation of global institutions like the International Monetary Fund (IMF), World Bank, and United Nations Security Council. But in 1988 there was little hope that the views of the South would be taken seriously. Between the late 1980s and the mid-2000s, there was no movement on the process of Global Perestroika.

The first important fillip for such an enhanced restructuring was the emergence of the Brazil, Russia, India, China, and South Africa (BRICS) bloc. In September 2006, the foreign ministers of Brazil, Russia, India, and China met in New York City to discuss the creation of an institutional space to discuss various issues. A series of meetings followed, punctuated by the gravity of the credit crisis from 2007 onwards, when the Global North began to call upon the Global South to help bail the world economy out of what appeared to be a permanent crisis. On May 16, 2008, in Yekaterinburg, Russia, the four countries formed the BRIC bloc. Two years later, in December 2010, South Africa was admitted into the group, making it the BRICS bloc.

The first major BRIC summit, in June 2009, took place during the dark days of the credit crisis. This is why the first joint statement’s character was marked by the financial crisis and its solutions through the G20 framework and through
reforms of the international financial system. All the other elements of the BRIC (and later BRICS) policy direction were already evident—multi-polar regionalism, an affirmation of the Rio agenda on climate change, technological cooperation, and the importance of dialogue over the use of force. The heads of governments of the BRICS states have met annually for its summits. Thus far the BRICS countries have held five summits: BRIC no. 1 in Yekaterinburg, Russia, on June 16, 2009; BRIC no. 2 in Brasilia, Brazil, on April 16, 2010; BRICS no. 3 in Sanya, China, on April 14, 2011; BRICS no. 4 in New Delhi, India, on March 29, 2012; and BRICS no. 5 in Durban, South Africa, on March 26-27, 2013.

In between these summits, cabinet ministers have also met, sometimes (as sherpas) to set up the agenda for the summits, and other times on issues that required development (such as meetings of finance ministers toward the BRICS Development Bank). These meetings have not resulted in the creation of a BRICS Secretariat, something to parallel the G8 or the OECD (Organization for Economic Cooperation and Development), both institutional secretariats of the North Atlantic and Japanese bloc. The BRICS, in other words, have set up a structure to establish a new policy space, new policy initiatives, and new coordination mechanisms. This is a modest beginning.

**BRICS as a Powerhouse**

The BRICS bloc is a demographic powerhouse. It constitutes 40 percent of the world’s population and sprawls over 25 percent of the world’s landmass. Of the total world Gross Domestic Product, the BRICS produce a quarter. The five countries in the bloc are divided by culture—language, religion, and social mores. They are also differentiated by their economic trajectories—some of the states are governed by the logic of export-oriented industrial production, while others are reliant upon raw material export.

Such differences, however, do not reduce the political value of the bloc. In conventional terms, these are not minor states—three of the five are declared nuclear powers, two hold permanent seats on the UN Security Council, and two others are aspirants for such seats. They have created, thus far, a multilateral platform. Their ambition is to use their combined weight as a counter-balance to the habit of Northern primacy and as a forum to raise issues and analyses that have not been able to rise to the surface. Assertion in the realm of intractable political arenas (even the Palestine-Israel conflict) and into the debate on financial reform as well as development strategy marks the BRICS’ attempt to make its presence felt on the world stage as a political platform. But this level of assertion is constrained by hesitancy among the leadership of the BRICS states—led by China, they are uneasy with any challenge to the North. They prefer to operate passively, building trade relations among their countries and, with the potential BRICS Bank, forging a development program for the South that will rotate around their own growth agendas. There is no frontal challenge to Northern institutional hegemony or to the neoliberal policy framework. BRICS, as of now, is a conservative attempt by the Southern powerhouses to earn themselves what they see as their rightful place on the world stage.

Nonetheless, the North has been taken aback by the emergence of the BRICS states. During the dark days of the credit crisis, the G8 at-
tempted to absorb the surplus-holding countries of the South to their agenda; the G20 was resuscitated for just this purpose—it held its first summit in 2008 in Washington, D.C., under the tutelage of U.S. President George W. Bush. Matters seemed so grave that in 2009 and 2010 the G20 met twice each year, with the London and Pittsburg summits of 2009 held to persuade the South to recycle its surplus to the ailing North. There was considerable talk of the emerging BRICS states as partners. In January 2008, at a meeting in Delhi, French President Nicolas Sarkozy told business leaders that he would like to see “the next G8 summit be converted into a G13 summit.”

These public declarations came to naught. A more truthful assessment came from U.S. Ambassador to France Craig R. Stapleton, who told the former French Prime Minister Michel Rocard in October 2010,

*We need a vehicle where we can find solutions for these challenges [the growth of India and China]—so when these monsters arrive in 10 years, we will be able to deal with them.*

**The Emergence of the BRICS**

To understand the BRICS, one has to go back to the period in the 1980s when the development agenda collapsed along with the defeat of the Third World Project.

It was on the backs of that defeat, and the catastrophic policies of the neoliberal policy era, that the new formation arises. If you do not see it in this context, you might simply expect the BRICS to be a set of countries that, for opportunistic reasons, have gathered together at a point of Northern weakness (because of the financial crisis and the overextension through the wars of the 2000s). In fact, the BRICS derives its agenda not from opportunism but from the IBSA Dialogue (IBSA for India, Brazil, South Africa), which in turn comes out of a Southern push evidenced in Latin America and in the “locomotives of the South.” It is this historical trajectory that best explains the kind of dynamism that is apparent in the BRICS, as well as its limitations. The prehistory of BRICS needs to be located in two related processes: a) the defeat of the Third World Project; and b) the rise of Northern-led neoliberalism.

**The Defeat of the Third World Project**

The Third World Project (1928-1983) was an ideological and institutional thrust from the new nations of the formerly colonized world. The project was grounded in the ideas of political non-alignment from both the West’s Atlantic bloc and the Soviet Union (located institutionally in the Non-Aligned Movement—NAM), of economic dirigisme and policies of import-substitution (located institutionally in the UN Conference on Trade and Development—UNCTAD), and of social and cultural connections against racist hierarchy (located institutionally in UN bodies such as UNESCO). The countries of the Third World Project built their own institutional bases through the UN, in particular UNCTAD; through their bloc in the UN, the G77; through their own multilateral platform, the NAM; and through a variety of other regular forums and organizations. It was through these institutions that the Third World Project was able to assert its own ideological and policy view—against the colonial habits of political and economic seigniorage by the North.
The Third World Project developed a wide-ranging agenda to tackle the legacy of colonial rule and the inequality engendered by it in the new world of the 1950s and 1960s. Economic transformation was a central part of the Project. The colonial habit of making their territories into one-crop producers left many of the smaller new states prone to the world market, where prices for their one crop was set. That is the main reason why the Project pushed for the creation of commodity cartels, the most successful of which was the Organization of Petroleum Exporting Countries (OPEC). Due to fluctuations in commodity prices, the Project advanced an agenda in the UNCTAD to secure a stabilization fund to flatten out the highs and lows. This was a sensible policy suggestion that was squashed under the weight of the North.

Politically, the Project constituted itself around the theory of non-alignment, which in practice meant an antipathy to the logic of the Cold War. When the new nations joined the camp of one or the other superpower, it became incumbent upon them to build up their military capacity, an expenditure that drained their ability to conduct a development agenda. The pressure from the superpowers was, however, too great for the NAM to make its agenda hegemonic.

The cultural policy of the Project is identical to the post-colonial cultural view that there is no requirement for the new nations to secure their cultural well-being only from their former colonial power. New cultural linkages across the new nations was promoted through cultural organizations and the exchange of cultural products. Ideas of Pan-Africanism, Pan-Asianism, Afro-Asianism, Latin Americanism, and of course Third Worldism are central to this aspect of the Project. Only parts of these ideas survived the collapse of the Third World Project in the 1980s.

The debt crisis of the early 1980s, manufactured by the Volcker shock of 1979, shattered the basis of the Third World Project. Dollar-denominated debt—accumulated for a range of reasons from the aggrandized consumer needs of the new elites, including for arms purchases, to the requirements of foreign capital for infrastructural development—now increased. Simple interest on dollar loans rose by 21 percent. Surplus budgets spiraled into catastrophic deficits, as countries were no longer able to meet their most basic financial commitments. It was then that the project of Third World unity collapsed. Money did not permit the Third World to put forward a united front against their lenders. This is what Fidel Castro had proposed at the NAM meeting in New Delhi in 1983. It was listened to gravely and then disregarded. The Paris Club (of official country lenders) and the London Club (of commercial lenders) met the indebted states one by one, all in the name of confidentiality and commercialism. Each country was given its dose of reforms, mostly under the name of Structural Adjustment—what this meant of course was that no longer could a short term balance-of-payments problem be dealt with as a liquidity problem; it was turned into a problem of political and economic choices and values, and it meant that the International Monetary Fund (IMF) and its various organizations could now come in and determine the path for a country.

The Rise of Northern-led Neoliberalism

Out of the ruins of the Third World Project rose the ideological and institutional hegemony of neoliberalism. Neoliberalism, the emergent policy platform, enters the world on the back of the debt or liquidity crisis of the 1980s.

The basic tenet of neoliberalism is that the state should have no operative role in the economic and social life of countries. With the collapse of the Third World Project and of European social democracy in the 1980s, margin-
al neoliberal ideas came to the forefront. The institutions dominated by the North and the global financial sector pushed for a decrease in the role of the state in social life and for a constrained sovereignty of states in general. One way to accomplish this objective was for the IMF, for instance, to move a policy agenda that called for the state to cut back on social spending for the people's needs and, in the name of efficiency, to turn that over to the private (corporate) sector. Privatization, in other words, was the rapier of the neoliberal policy agenda. The policy recommendations did not come dressed in political or ideological garb, in other words as the outcome of neoliberal logic. Rather, the IMF and its allied organizations urged Third World countries to no longer treat economics as a political or ideological set of practices. They were asked to submit to “efficiency,” in other words to a putatively technocratic approach to public policy. Neoliberalism came masked as technocratic rather than as ideological or political.

The policy agenda of neoliberalism came alongside a new architecture for global production and trade—namely, globalization. In the North, for a variety of reasons, wages were vastly higher than in the South, particularly in East Asia where similarly skilled labor as in the North commanded a much lower base rate. Firms were eager to relocate to these new spaces, but in order to do so two processes had to be established: new technologies that enabled this re-location of production lines and new legal regimes to protect the property of the firms. Computers, container ships, and secure communications networks enabled firms to disarticulate their production lines along places such as the Pacific Rim and into the Caribbean and Central America. This technology allowed firms to break up the production process and locate parts of a factory line in different countries. What this meant was that states could no longer exercise control over the production process. If a country nationalized its part of the commodity chain, it would remain at the mercy of the multi-national firm, whose final control of the entire chain of production made it impossible for the nationalizing state to exert any control in the interaction. Globalization weakened not only the state's ability to determine its own policy, but it narrowed the kinds of policy options (such as nationalization) available to states to enhance their national economies.

A new international property order was developed, with intellectual property rights enshrined as its crown jewel. This new regime was called Trade Related Intellectual Property Rights (TRIPS), the main outcome of the Uruguay Round of the General Agreement on Trade and Tariffs. What TRIPS did was no longer patent the process of a commodity, which allowed competitors to find new routes to the same end product via reverse engineering or independent advances. Now patents were on the product itself, a crucial means for multi-national firms based in the North to locate their production sites overseas and maintain control of products being produced on foreign shores. No longer could states exercise control over these firms, whose writ was now enshrined in law and in the power of the North. This was the magic of globalization.

During the era of the Third World Project, Southern states attempted to frame commercial and political relations across national boundaries to foster well-being and solidarity, the basis of their Project. Now these states were to turn to the IMF headquarters and take orders from there. These economic orders came parallel to a new political dispensation. Just as all eyes looked to Washington's IMF headquarters, as the Soviet Union's power base declined, all political ears were to turn also to Washington, this time to get their marching orders on security grounds.

The “hub and spokes” system began in the 1980s and persists, now grounded in theories
of counter-terrorism. The United States was to be the hub, with its clients as the spokes holding back the forces of disorder (the tire). As part of this strategy, the U.S. military base model and its extra-territorial jurisdiction became de rigeur. Military alliances with the West were forged and joint military exercises put into motion. The U.S. Pentagon crafted the theory of “inter-operability” in which its armed forces would be synched with those of its allies and friends. Their training exercises allowed the U.S. armed forces to harmonize the operations of military forces around the world to its uses. Military bases from the Cold War era were bolstered with Cooperative Security Locations, “unobtrusive bases,” as then U.S. Ambassador to NATO Victoria Nuland put it, run by a “retired American non-combatant” who would outsource or subcontract the base maintenance work. Threats of terrorism and piracy allowed the United States to privilege its agenda over those of the regions in which it operated, culminating in the War on Terror of the 2000s when the United States attempted to subordinate the security agenda of the planet to its agenda. This was the highpoint of U.S. primacy.

By the early 1990s, the countries of the former Third World Project were no longer in a position to assert their sovereignty. They were constrained by the North and its institutions (including, increasingly, the UN and many of its bodies). By the end of the decade, the countries of Africa, Asia, and Latin America found themselves in the position of clientage, with very little room to maneuver for their own needs. The Bush agenda of the 2000s not only clarified the muted position of these three continents, but it also celebrated it in vulgar displays of Americanism. A 2004 BBC poll asked residents of 21 countries what they thought of the potential re-election of President George W. Bush, who had come to embody the jubilancy of the North. A majority of people in 16 countries and a plurality in two others believed that his re-election would be detrimental for world peace and security. That Bush was then re-elected did not help the general sense that the rest of the world needed to find a mechanism to come out from under the weight of U.S., in fact Northern, primacy.

**Anemic Northern Power**

The glimmers of such a collective Southern platform would emerge in the early 2000s, brought forward with help from several simultaneous dynamics. When the United States opened its two fronts in the War on Terror, against Afghanistan and Iraq, it allowed the major social and political developments in Latin America and the Caribbean a relatively free hand. Elections in Venezuela had already brought to power the government of Hugo Chávez (1999), who was soon to be given regional support by the elections of left-leaning governments in Chile (2000), Brazil (2003), Argentina (2003), Uruguay (2005), Bolivia (2006), Honduras (2006), Ecuador (2007), Nicaragua (2007), Paraguay (2008), El Salvador (2009), and Peru (2011). An attempted U.S.-backed coup against Chávez in 2002 failed, and despite the success of the U.S.-backed coups in Honduras in 2009 and in Paraguay in 2012, the dynamic of what would be called Bolivarianism claimed ascendency over the region.

A weakened Northern economy and its thinned military power allowed the countries of Latin America to convert these electoral victories into an open challenge against Northern hegemony. Venezuela led the move to scuttle the U.S.-pushed neoliberal Free Trade Area of the Americas (2005) and replaced that momentum with the Bolivarian Alliance for the Peoples of Our America (ALBA)—this would build on the petro-diplomacy of Venezuela (through Petrócaribe and Petrosur) and the trade alliance forged between Venezuela and Cuba (2004). ALBA was to lead to modest monetary linkages, through BancoSur and the virtual curren-
cy, the Sucre. The Chávez regime promoted a cultural agenda, through a regional television channel (TeleSur) and exchanges across the hemisphere, to build close people-to-people ties as the human face of the economic arrangements. By 2010, the unity of the hemisphere culminated in the creation of the Community of Latin American and Caribbean States (CELAC), which, unlike the Organization of American States (1948), no longer had the United States as a member. ALBA and CELAC underlined the end of U.S. primacy in the region, a consequence of Chávez’s Bolivarian agenda. Even the main U.S. client in the region, Colombia, had to join CELAC, much to the chagrin of Washington. South America was the first region to exit from the rigid policy framework of neoliberalism.

Anemic Northern power enabled the Latin American breakthrough. There was not much introspection about the weakness of the North until the credit crisis of 2007, although the signs of it were apparent in the economic fundamentals and in the political breakthrough effected by the Latin Americans. The North, despite intellectual property protections, began to see that the export of jobs had enriched their multi-national corporations and their 1% but had hollowed out their own economies. These were now founded on credit-induced consumerism, real estate speculation, and financial speculation, with credit-card debt, housing debt, and pension plans often being used as the kitty for the bets. Before the 2007 credit crunch, reports from IMF policy experts began to warn about the “global imbalances.” As Raghuram Rajan, the head of the IMF’s Research Department put it in 2005: the United States needs to slow down its debt-driven consumerism and China needs to enhance the capacity of its own population to consume more.

Lack of acknowledgment of the North Atlantic states’ financial problems translated into a brash political posture against the rest of the world in both the military and political spheres. An aggressive posture, defended by human rights interventionism, began to mark the North’s maneuvers in international bodies. This posture, decidedly real in the realm of military affairs, was illusionary in economic debates. This arrogance began to run afoul of the newly emergent Southern countries, which felt that their demographic and economic prowess was insufficiently acknowledged on the world stage. In 2003, the NAM chair, South Africa’s Thabo Mbeki, attempted to create a peaceful solution against the U.S. rush to war against Iraq. Massive street protests across the South (and in the North) seemed to be on the side of a peaceful settlement. The United States pressured South Africa to expel Iraq’s ambassador but ultimately failed. It did, however, go to war, disregarding the word from the street and from the NAM. The U.S. move into Iraq raised the alarm about an out-of-control world system that allowed one state to use any means necessary to dispatch its adversaries. Endless warfare, starting in 2001 in Afghanistan and intensifying in 2003 in Iraq—as well as a costly expansion of military power across the Pacific, into the Indian Ocean, and over Africa—led to the concomitant decrease in U.S. power projection. The country was simply spread too thin and had spent too much of its treasure on militarism (the bill for the first ten years of the War on Terror amounted to $7.6 trillion).

The North, mired in wars and with its financial system on the verge of collapse, saw that the demographically significant countries of the South, such as China and India, had slowly pursued their own version of neoliberalism to lift their growth rates. The massive industrial powerhouse of China and India’s emergence as a service provider suggested that these countries were now prepared to either assist the North in the management of the planet or else to supplant it. The former seemed more realistic and closer to the temperament of the South’s leadership, which is why they acceded
to the proposal to use the G20 as the mechanism for planetary management. The South’s emergence was founded, however, on high commodity prices and low wage rates, on the contradictions of globalization that now favored states of the South even as they did not favor their populations.

The intellectual property framework and rigid trade rules began to rub against the limits of what was possible from the South. HIV/AIDS drugs provided the test, as did cotton subsidies in the Global North. The North refused to honestly discuss development and trade. They insisted that subsidies to Northern agriculture did not violate their own free trade nostrums. This incensed the South at the Cancún meeting of the World Trade Organization (WTO). Brazil, China, India, South Africa, the group of the Least Developed Countries (LDCs), and the African, Caribbean, and Pacific (ACP) bloc resisted pressure from WTO Commissioner Pascal Lamy to “steer” the organization to a “compromise,” which would mean victory to the North. The South prevailed, and Lamy lamented, “The WTO remains a medieval organization,” which meant that it was not pliable to Northern direction. Even the compliant states of the South, such as China and India, could not see eye-to-eye with the North because the habits of primacy prevented a genuine partnership within the G20. Divergences of national interests on the axis of North-South relations meant that the G20 was fated to fail.

The IBSA Dialogue

This was the context in which the foreign ministers of Brazil, India, and South Africa met in June 2003 in Evian, France. Celso Amorim (Brazil), Yashwant Sinha (India), and Nkosazana Dlamini-Zuma (South Africa) formulated a protocol for the creation of a new organization. The three met again in Brazil, where they released the Brasilia Declaration. Out of these discussions emerged the India-Brazil-South Africa Dialogue (IBSA), which has since held annual meetings as well as sponsored a host of working groups. The Brasilia Declaration is modest, a summary of the kinds of initiatives backed by the three countries over the years. The idea of the new union had been proposed earlier, as a kind of G7 of the South, or as a South African trade document from 2001 put it, a G-South. Nothing in the manner or the words of the newly created IBSA hinted at a revision of the world order. IBSA began cautiously, upholding the principles of the world order as it was and only asking for the order to be widened so as to allow these three countries’ entry into the leadership. Given the context of the Iraq War and the emergence of Washington’s primacy, it is no wonder that IBSA’s most prominent principle was for the world to uphold the rule of law. Early in their communiqué, the foreign ministers advocated for “the importance of respecting the rule of International Law, strengthening the United Nations and the Security Council, and prioritizing the exercise of diplomacy as a means to maintain international peace and security.” Rather than argue for a reconstruction of the international institutions, IBSA wanted to see them widened, to allow for more democratic functioning. In concrete terms, this meant that the IBSA members wanted to have a permanent seat on the UN Security Council and a greater voice in the IMF and the World Bank.

It is important to note that the idea of multi-polarity or multilateral diplomacy appeared in the 1990s to describe the moves by countries outside the orbit of U.S. primacy. When the Chinese initiated the Shanghai Cooperation Organization to deal with the problem of the Taliban in Afghanistan (1996), they spoke of the need for a multi-polar and regional solution to its threat. After 9/11, Chinese premier Hu Jintao told a European audience, “Multipolarity constitutes an important base for world peace and the democratization of international rela-
tions is an essential guarantee for that peace.” In a communiqué signed by the Chinese and Indian governments in January 2005 they argued, “That the current international situation characterized by globalization presented an opportunity as well as posed a challenge.” This situation requires that international relations be democratic and therefore multi-polar. In December 2004, the South American countries gathered in Cusco, Peru, to craft the South American Community of Nations, whose principle of international relations was “based on the affirmation of the effective exercise of multilateralism that link up economic and social development firmly and effectively on the world agenda.” These strands of multi-polar regionalism would find their way into IBSA, first, and then eventually BRICS.

The second major principle of IBSA was to “maximize the benefits of globalization and to ensure that it becomes a positive force for sustained economic growth in all developing countries.” The idea of “sustained growth” alongside globalization indicates that the IBSA is comfortable with the idea that export-driven growth (“globalization”) is not itself responsible for the unsustainable social crises that inflame the planet. There is no major alternative breakthrough away from the neoliberal policy space proposed by the North in the late 1980s—the new efflorescence is to be seen within the confines of a policy that favors the private sector over the public sector, financial capital over industrial capital and certainly over workers, and credit-fueled consumption rather than the production of a social good.

These two principles anchored IBSA. Three countries, however significant, cannot make an impact on a world constrained by the power of the North Atlantic powers. At the September 2006 NAM meeting in Havana, Cuba, Mbeki pointed out that the “masses of people always urge us to speak with a unified voice” and that therefore, “the strengthening of South-South cooperation has helped create a stronger voice for the developing countries in multilateral forums.” IBSA, from 2003, claimed to speak for the South, as a subset of the NAM.

The IBSA, like the BRICS subsequently, did not construct a confrontational agenda against the Global North. The basic assessment was that unfair practices by the North on matters of trade rules, subsidies, technology transfer, and finance rules hampered the South’s ability to grow. At Cancún (2003), the problem was subsidies and trade rules; at the various climate meetings, the problem was technology transfer; and at the margins of the G8 meetings, the problem was a lack of aid and of the capriciousness of foreign direct investment. Because of the obduracy of the North on many of these issues, the IBSA adopted the phrase “South-South Cooperation” to indicate the need for trade within the South, between their three states in particular, as a way to circumvent what they saw as the unfair geography of trade produced by the North.

At Cancún and Copenhagen, the Chinese entered the conversation and provided heft to IBSA and its Southern constellation. It was a unique occurrence. At the Hong Kong ministerial meeting of the WTO in 2005, China had been cautious. China’s diplomatic instinct since it joined the WTO in 2001 was to “help to balance the dominance” of the United States, Japan, the European Union, and Canada (the Quad). A few years into the 21st century, matters changed a little bit. The vast Chinese trade surplus against the Europeans and United States, as well as China’s emergence as the second largest economy in the world (after the United States) provided considerable confidence that it could act to shape international relations in its interests. No longer was China’s foreign policy trapped around the question of Taiwan’s role in the world. Beijing now began to act in these world forums as a modest leader of the South. An enervated NAM had tried
to push itself forward through the G15, whose failure engendered IBSA. It became apparent that IBSA’s principal successes took place when China backed it. “China is the muscle of the group,” as one analyst put it, “They are the ones with the big reserves. They are the biggest potential market.”

The entry of China and Russia into the IBSA discussions in 2005 began the process toward the creation of the BRICS.

Goldman Sachs

By the early 2000s, the research analysts at Goldman Sachs, the major investment bank, began to pay attention to the new Southern bloc. In 2001, one of its leading analysts, Jim O’Neill, coined the term BRIC: Brazil, Russia, India, and China. O’Neill had no sense of the politics; he was interested only in the economics. To Goldman’s analysts, size mattered: the BRIC states covered vast amounts of territory inhabited by very large populations, and these people had now begun to produce enormous amounts of goods and services. Brazil and Russia supplied raw materials to India and China, who in turn supplied manufactured goods and services in trade. The transit between these giants had the potential to take place absent Europe, Japan, and the United States, which had hitherto been the broker for most world trade. Not only would the BRICs emerge as major entities on the planet, but the analysts also felt that the BRICs had the potential to supplant the North. In 2003, the Goldman team wrote that the BRICs would become the main “engine of new demand growth and spending power,” which could “offset the impact of graying populations and slower growth in the advanced industrial economies.” Goldman Sachs hoped that the BRIC states’ potential would rescue the North from the crises of deindustrialization and financial instability.

Finally, a zone of the world had appeared to absorb excess finance and to buy multitudinous commodities. Goldman proposed in 2004 that the BRIC states would double their annual income and so become consumers for the North. China would lead, then India, with about 500 million of the BRIC population able to aspire to G7 rates of per capita income. Inequality would continue, but this was not germane to Goldman. It saw the BRIC (or emerging markets) as an investment. “If BRICs potential is fulfilled, then local stock markets will probably continue to be good investments in the long haul,” a Goldman paper noted in 2005.

For Goldman Sachs, the BRIC states only had an economic role. This was to utterly miss the dynamic that stretches from the G15 to the IBSA to the IBSA+C (also called BASIC). These groupings have as much a political will as an economic potential, but the growing economic size of these countries had not resulted in comparable political heft. It was the contradiction between their new economic power and their weak political role that provided that space for the creation first of IBSA, then BASIC, and eventually BRICS.

The BRICS Agenda

The IMF’s 2011 report suggests that by 2016 the United States will no longer be the largest economy in the world. This is, to borrow a phrase from historian Fernand Braudel, the
"sign of autumn" for Atlantic hegemony. Signals of decline are visible in the Atlantic states’ fragile economic fundamentals, with the red light of caution burning bright over the dominance of finance in the economy and the increase in military spending. Since 2001, the United States alone has spent $7.6 trillion on its wars and its national security apparatus. This comes alongside massive cuts in social spending and in tax breaks to the rich. When it became clear that the United Kingdom’s autumn was at hand by 1925, Winston Churchill proclaimed, “I would rather see finance less proud and industry more content.” These words would apply to the domination of the Wall Street, the City of London, and other stock exchanges over the lifeblood of social economy.

By IMF projections, China will be the largest economy in 2016, but it does not appear to wish to assert itself alone. China seems content to share the stage with the BRICS states and to push for multi-polarity and economic diversity. In fact, the Chinese make clear as often as possible that they are invested neither in an era of Beijing Primacy nor in using the various multilateral platforms to push for a BRICS or Beijing Consensus. What they suggest is that there is an imbalance of power that favors the North and that this imbalance must be corrected, little more than that.

The most comprehensive statement of BRICS principles thus far has been the Delhi Declaration (2012). Many of the elements already in place in 2009 have had their fullest articulation here.

1. Financial Reform

The financial crisis since 2007 remains an important overhang for the BRICS states. Their growth model, premised upon exports to the North and to each other, has suffered from the slow-down in demand from the North. It therefore behooves the BRICS states to work out an agenda to either break free of their dependence on Northern demand or to help find a way to revive Northern demand. Thus far, the BRICS have moved on both fronts, with the primary short-term focus being on the revival of Northern demand.

There has been a slow attrition from the wholesale support for the IMF-driven neoliberal policy framework. In the Delhi Declaration, the BRICS states urged the North to follow “responsible macroeconomic and financial policies” and to undertake stricter reforms of their financial system. The view that the North no longer has a monopoly on good ideas on financial policy has led to a call for an institutional shift of control from the North to a North-South partnership—to make the G20 the premier forum to forge a plan for global action, to diversify the leadership in the IMF and World Bank (including at the highest level), and to strengthen the UN Conference on Trade and Development, a global body with a view on policy that has often been critical of the neoliberal consensus.

UNCTAD’s 2011 report produced a carefully argued analysis of the power and influence of finance capital. In the chapter on commodity markets, UNCTAD argues that the commodity boom cannot be explained by rising demand from the BRICS states. Instead, the culprit can be found among the index investors, the speculators whose commodity trades are motivated by “factors totally unrelated to commodity price fundamentals.” What explains the rise in commodity prices, including food and oil, is, the greater presence of financial investors, who consider commodity futures as an alternative to financial assets in their portfolio management decisions. While these market participants have no interest in the physical commodity, and do not trade on the basis of fundamental supply and demand relationships, they may hold—individually or as a group—very large positions in commodity markets, and can thereby exert considerable influence on the functioning of these markets.
There can be no development agenda without a serious consideration of financial reform.

2. Development Agenda

Since the effective paralysis of the development agenda of Cancún (2003), if not Seattle (2000), there has been little movement on the core questions of social development. Talk of the Millennium Development Goals (MDGs) has proven to be the smokescreen for insufficient action on the global stage. The MDGs are targets that individual states are charged to meet, not a substitute in any way for a comprehensive agreement on commodity pricing, subsidies, development financing, and technology transfer. There has been no substantive discussion of these issues since the 1970s, when UNCTAD meetings were a central location for such talks. As UNCTAD’s role has been marginalized, the South has lost its seat at the table. Consequently, there has been less development dialogue and more a development monologue with the IMF and World Bank’s structural adjustment agenda masquerading as a development agenda.

The BRICS states now call for a revived discussion on development, including the creation of a new Development Bank (a BRICS Bank), the revival of the Doha Round in a multilateral fashion, the inculcation of a spirit of technology transfer outside the rigorous intellectual property regimes of TRIPS, and cooperation on important matters such as health care and agricultural production and productivity.

Unable to move an agenda within the World Bank, the BRICS bloc will now create a BRICS Development Bank with start-up capital of roughly $50 billion. Chinese surpluses will use the Bank as a recycling mechanism to build up infrastructure, not only in the rest of the BRICS states (India and South Africa being the main examples) but also in the rest of the South. It is estimated that within the BRICS states themselves the bill for infrastructural development will be about $15 trillion. The World Bank is not only unenthusiastic about such an outlay but is also not in tune with the kind of developmental vision outlined by the BRICS states in their domestic realms and on the international platform.

3. Multi-polar regionalism

Finally, the BRICS states have begun to indicate that they will no longer allow the North, with the United States in the lead, to dominate international affairs. Since the late 1980s, the North has taken charge of decision-making in the United Nations (through the Security Council) and has attempted to sequester most of the nominally multilateral bodies to its agenda. The “hub and spokes” system to manage world affairs emerged in the 1990s. U.S. bases and extra-territorial jurisdiction, justified by human rights interventionism, formed the new architecture of the global order (the “New World Order” of George H. W. Bush). With U.S. power at its limit and with regional entities now seeking to insert themselves into the management of regional conflicts, the system has unraveled.

The BRICS states have now backed the idea of UN reform, with an agenda that includes limiting the authority of the permanent members of the Security Council. They have also supported the idea of “multilateral diplomacy” instead of U.S. primacy. This is a significant departure from the generally quiescent BRICS states, notably China, which have been uncomfortable asserting themselves into conflicts outside their boundaries.

These three points—financial reform, a development agenda, and multi-polar regionalism—are the core elements of the BRICS agenda.
Summit Politics

The 2013 Fifth BRICS Summit ended in Durban, South Africa, with minimal fanfare. Brazil, Russia, India, China, and South Africa did not launch any major initiative. Even the much-anticipated BRICS Development Bank (point 9 of the summit’s eThekwini Declaration) was announced in a muted way: “We have agreed to establish the New Development Bank.” This seems the style of the BRICS: a sort of shy entrance onto the world stage with no major policy alternatives and no major PR campaign. One of the reasons for this coyness is that the BRICS do not have a substantially new approach to world affairs, constrained as they are by the general adoption of neoliberal policies in their own countries and trapped as they are by a satanic cycle of low-cost production for the credit-fueled enclaves of the Global North. The moist language of “sustainable growth” and “poverty alleviation” came alongside the same old bromides about the need to increase foreign direct investment, “support growth and foster financial stability.” The good intentions of ending poverty are undermined by the mantra of growth, given the emergent consensus view that the kind of growth strategies pursued in these states increase inequality rather than diminish poverty.

The BRICS bloc wants to translate its new economic gains into political power, particularly in terms of asserting itself as a leader for a new development dialogue. Indications of an alternative approach to the free market fundamentalism of the North have been evident at the BRICS forums and in the 2013 eThekwini Declaration. For example, the BRICS bloc does not obsessively put the good of the private sector above that of the public, with an acknowledgement of the “important role that State Owned Companies (SOCs) play in the economy.” It is of course no longer the case that the public sector works entirely for the people’s good either, with SOCs sometimes the hobbyhorse of rich elites. Nevertheless, the public sector is a crucial avenue for social development in sectors such as education, health care, and job creation. The State, as well, is necessary as a bulwark against speculative traders in commodity and currency markets, where the vicissitudes of nature are often manipulated for short-term financial gain rather than as insurance for the producers. The BRICS bloc has created a $100 billion Contingency Reserve Arrangement to protect Southern states from short-term illiquidity, a condition often used by the IMF to then demand that the cash strapped countries adopt neoliberal policies (“conditionalities”). It is also the reason why the BRICS bloc has set up its Development Bank, although this was put on mute because the Indians and the Russians wanted more investigation of the Bank’s potential impact. Part of the discussion around the Bank and the Contingency Fund has been the move to create a Southern Ratings Agency to sideline the Rating Agencies of the North, such as Moody’s and Standard & Poor’s.

The creation of its own institutions—the Contingency Reserve Arrangement and the BRICS Bank—are not a substitute for the BRICS states’ own ambitions to take charge of the older institutions. Reform in the IMF and the WTO has come to mean a greater voting share for the Southern states, and, in the case of the WTO, the BRICS bloc indicates that it will lead a coalition of the South to anoint a representative of the South as its next Director-General. Last year, in Doha, the North, led by the Swiss, attempted to scuttle the mandate of the UNCTAD, pushing it to set aside its own views on financial sector reform. The BRICS, in the Delhi Declaration (2012) and in the eThekwini Declaration (2013), reaffirm the work of UNCTAD on the “interrelated issues of trade, investment, finance, and technology from a development perspective.” The crucial words here are “interrelated” and “finance,” indications of the verdict of UNCTAD’s Trade and Development Report 2011 which pointed out that it is the specula-
tive power of global finance that has not only created economic dustbowls in the North but also hindered any development project for the South.

**Limits of the BRICS Platform**

The BRICS platform is limited in several ways. First, the domestic policies of the BRICS states follow the general tenor of what one might consider Neoliberalism with Southern Characteristics—with sales of commodities and low wages to workers alongside the recycled surplus turned over as credit to the North as the livelihood of the vast majority of its own citizens remains flat. For example, the Indian people experience high levels of poverty and hunger, and yet its growth rate is steadily increasing. Rather than turn over the social wealth in transfer payments or in the creation of a more robust social wage, the country seems to follow World Bank president Robert Zoellick's advice to turn over its surplus to “help the global economy recover from the crisis.” There is something obscene about making the “locomotives from the South” pull the wagons of the North (particularly given the North’s own reticence to use its own surplus to provide relief during the debt crisis of the 1980s).

Second, the BRICS alliance has not been able to create a new institutional foundation for its emergent authority. It continues to plead for a more democratic United Nations and for more democracy at the IMF and the World Bank. These pleas have made little headway. During the height of the financial crisis, the G8 promised to disband and to use the G20 for its purposes; that is now forgotten. Anemic increases in the voting shares at the IMF did not enable the South to put forward a joint candidate to become its Executive in summer 2011.

Third, the BRICS formation has not endorsed an ideological alternative to neoliberalism. There are many proposals for the creation of a more sustainable economic order, but these are left to the margins. The Rio formula for “separate and differential treatment” allows the South to make demands for concessions from universal policies that the North refuses to endorse (not the least of which is on climate change). This is a defensive stand. There is no positive alternative that has been taken forward as yet. It might emerge out of the convulsions from below, where there is no appetite for tinkering with a system that many, if not most people see as fundamentally broken.

Finally, the BRICS project has no ability to sequester the military dominance of the United States and NATO. When the UN votes to allow “members states to use all necessary measures,” as it did in Resolution 1973 on Libya, it essentially gives carte blanche to the Atlantic world to act with military force. There are no regional alternatives that have the capacity to operate. The force projection of the United States remains planetary—with bases on every continent and with the ability to strike almost anywhere. Regional mechanisms for peace and conflict resolution are weakened by this global presence of NATO and the United States. Overwhelming military power translates into political power.

Regionalism and multi-polarity are at the heart of recent discussions. Side deals enhanced regional economic development and provided the basis for regional political alliances absent U.S. primacy. For example, on the sidelines of the sixteenth NAM Summit, Afghanistan, India,
and Iran began a process to shore up their mutual linkages through the southeastern Iranian port of Chabahar. U.S.-occupied Afghanistan imports 50 percent of its oil from Iran, despite U.S. and European sanctions. U.S. aims to isolate Tehran are simply not feasible in a multi-polar world.

The emergent politics of NAM, encouraged by the BRICS, is no longer for non-alignment but for regionalism and multi-polarity. Debt crises in the North and austerity solutions will equally put pressure on its ability to foist its military power across the planet. The Chinese, who will have the largest economy, are committed to multi-polarity. This is why the new intellectual orientation of the BRICS (regionalism and multi-polarity) is actually much more realistic than a re-assertion of Northern domination. There will not be another American Century. We are at the dawn of a new multi-polar experiment.

The BRICS project is not Uhuru (freedom) for the South. Nevertheless, oxygen has once more begun to flow into the policy framework. The IBSA Dialogue and the BRICS platform provide ballast to older ideas of South-South cooperation—concepts in danger of being rendered anachronistic in the 1990s and 2000s. Then, the tire’s rim and spokes had to go through the hub (U.S. primacy and the Global North) to make contact with each other. It is like trying to fly from Bamako to Niamey and finding that the only way to do so is to use Air France via Paris; or for a Hindi reader trying to read Swahili fiction and finding that it only goes through English. We now have new institutional platforms that could be shaped with a much more capacious imagination.

**Where will the BRICS go?**

The current leaderships in the individual BRICS states do not offer any indication that the BRICS agenda will move in a deeply progressive direction. Since the 1990s, an imbalance did occur, with the North moving the needle of policy and power firmly along the grain of its interests and those of its firms. The BRICS dynamic simply seeks to pull the needle toward their own interests, so that their development agendas can break out of the shadow of debt crises and intellectual property rights regimes, and that their own firms can now compete against Northern-based transnational firms using concepts of “South-South cooperation” as an argument for preferential treatment. Brazil’s attempt to constrain the progressive agenda of the Latin American Bank of the South (Banco-Sur) is an indicator of the limits of the regimes in the BRICS states. If the current regimes remain in power in the BRICS states one should not assume that the dynamic of the BRICS would be any different than we have already seen.

If, on the other hand, progressive governments come to power in the BRICS countries, as has happened in Latin America over the past fifteen years, then other uses of the BRICS bloc are possible. An aggressive move to transfer the surpluses of the South to their own populations alongside shifts in the growth model of the individual states would have an immediate impact on the possibilities of such an institution as the BRICS Bank. A new foundation for domestic economic arrangements could also be founded on genuine South-South trade, using mechanisms of pricing that benefit both producers and consumers without allowing private capital to absorb the lion’s share of trade. Such a progressive agenda could enable...
the countries of the South, and the BRICS in particular, not to be dependent on the North economically (for its markets and technology, for instance) and so to break its political dependence on Washington.

This is a possible history of the South. It is, however, not the most likely outcome of the BRICS bloc given the current class configuration of the leadership in the BRICS states. What we have in the present is simply a readjustment of power relations, not a transformation of them. That is the utility of the BRICS bloc at the present, and within its kernel, its promise as well.

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