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BY PATRICK BOND

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The G7 Prepares a Divide-and-Conquer Trap, as BRICS Countries Try to Reconstitute



Image by [Christian Lue](#).

On Friday June 24, a hasty one-day virtual summit of the Brazil-Russia-India-China-South Africa will occur, hosted by Xi Jinping. The date is important because on Monday June 26, two of the three intrinsically pro-Western leaders from the bloc – Narendra Modi from New Delhi and Cyril Ramaphosa from Pretoria – travel in person to Germany, to be hosted at the G7 summit by Olaf Scholz.

Xi announced the meeting at the end of May, just after German Chancellor Olaf Scholz visited Pretoria. The earlier ambition was to have a post-Covid in-person BRICS summit,

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which logically would have been in September. That was the case in 2017, in Xiamen, the last time the BRICS met in China.

But in recent weeks, a sense of panic must have arisen in Beijing – and perhaps Moscow – as the realization dawned that two BRICS could well be wheeled and dealt by the G7. The two could thus continue “spalling”; the construction-industry terminology refers to a process (spalling) in which – mainly due to the freezing-thawing cycle – a wall’s masonry and bricks crack, crumble, flake, and even pop out of the wall.

After all, a sleazy deal with the West was struck in Geneva on June 17, when imperialist powers at the World Trade Organization wrecked a vision expressed *rhetorically* by both Modi and Ramaphosa that waivers would be allowed on Intellectual Property for Covid-19 medicines. But the unity of imperialist states whose leaders have been captured by Big Pharma – openly led by the British, Germans, Swiss and Norwegian and behind the scenes supported by the U.S., French, Canadians and Japanese – mean the subimperial Indians and South Africans could be brought back within the fold.

So on June 24, the BRICS’ line of march may be established, after a period of drift, division and decay within the group. The third western-wayward BRICS capital is Brasilia, thanks to Brazil’s highly unreliable, Trumpian president Jair Bolsonaro, though he should be replaced by former president Lula da Silva (2003-10) if current polls hold firm until the October 2 election.

The stakes are highest for Putin, who on June 22 complained to the (virtual) BRICS Business Forum, “Businessmen of our countries are forced to develop their business under difficult conditions where Western partners neglect the basic principles of market economy, free trade, as well as the inviolability of private property.”

Note his complaint that imperialism has gone rogue, which is also reflected in the way more than \$300 billion of Russian state assets kept in Western banks were frozen. (If Russia is doing weekly physical damage of \$4.5 billion to Ukraine, those frozen funds would obviously be useful for reparations – but then Putin will have yet more weaponry to accuse the West of hypocrisy when applying sanctions, and after all, with soaring energy prices his oil and gas export revenues are at record highs.)

As a result, said Putin, Russia is “actively redirecting its trade flows and external economic contacts towards reliable international partners, above all the BRICS countries.” And beyond trade, there are monetary opportunities to de-dollarize: “Together with BRICS partners, we are developing reliable alternative mechanisms for international

settlements. We are exploring the possibility of creating an international reserve currency based on the basket of BRICS currencies.”

Cynics would quickly point out that over the past eight years, two other international financial initiatives – the never-used “Contingent Reserve Arrangement” supposedly providing \$100 billion in the five countries’ hard currency stocks as an alternative lender to the IMF, and a BRICS credit ratings agency – were merely hot air.

The “talk left, walk right” of BRICS’ role in global finance is seen not only in its vigorous financial support for the International Monetary Fund during the 2010s, but more recently in the decision by the BRICS New Development Bank – supposedly an alternative to the World Bank – to declare a freeze on its Russian portfolio in early March, since otherwise it would not have retained its Western credit rating of AA+.

Within that status, however, Fitch soon downgraded the bank’s prospects, reporting, “The Negative Outlook on NDB’s rating is primarily driven by the risk that in the context of the Russia-Ukraine war, the presence and role of Russia as a large shareholder in NDB (19% of capital as of end-2021) leads to a downward revision... [and] in addition, NDB’s country exposure to Russia (13% of loans as of end-2021, 70% of which is to the sovereign) poses downside risks to the bank’s credit risk profile and solvency.

Ironically, Putin succeeded in abiding by international financial rules, aside from shifting contract terms for payment of Russian exports of oil and gas (which he insisted be made in roubles, to raise the Russian currency’s value). That aside, while acting as a rogue subimperialist when it came to the savage invasion of (West-leaning) Ukraine, Putin (unlike his predecessor Boris Yeltsin) has always been a loyal subimperialist when respecting Russia’s foreign debt repayment obligations.

BRICS expansion and global implosion?

The BRICS have been spalling and indeed falling, when compared with high expectations expressed for the bloc a decade ago. If they attempt to reconstitute on June 24 or in subsequent weeks, how might that take shape?

Assume a revived, coherent project of Putin protection or a restated multipolarity is not possible given the inexcusability of Russia’ blatant militarism (when the BRICS have always postured about peaceful resolution of conflict), there is an alternative to rebuilding the wall: expansion. Given the chaos in the bloc, a curious fluidity exists in ideological adherence, such that Beijing announced two potential new BRICS members: centre-left (but IMF-occupied and protest-rich) Argentina and Saudi Arabia, led by the notorious

Mohammed Bin Salmon, whose family has for decades been a close ally of Washington – thus giving us BRICSASA?

And if Joe Biden’s U-turn on Saudi Arabia pulls MBS back to the West, then waiting in the wings, according to Chinese officials, are Egypt, Indonesia, Kazakhstan, United Arab Emirates (UAE), Nigeria, Senegal and Thailand. In 2021, the BRICS Bank already approved new members UAE, Bangladesh, Egypt and Uruguay – no matter how unlikely the combination. So the discussion of expansion could result in an ideological and functional member-mishmash beyond any logical comprehension.

Last month at the BRICS foreign ministers’ meeting, Xi made the main opening speech, and he didn’t mention Russia’s invasion of Ukraine. With that sort of top-down signalling, plus no mention whatsoever of Ukraine in a “BRICS Think Tank” conference in late April (true to form), the ministers offered this milquetoast statement on the main topic of immediate concern to the world:

“The Ministers recalled their national positions concerning the situation in Ukraine as expressed at the appropriate fora, namely the UNSC and UNGA. They supported talks between Russia and Ukraine. They also discussed their concerns over the humanitarian situation in and around Ukraine and expressed their support to efforts of the UN Secretary-General, UN Agencies and ICRC to provide humanitarian aid in accordance with UN General Assembly resolution 46/182.”

As Washington, London, Berlin and other Western regimes wave around more billions of dollars worth of sophisticated armaments headed for use to defend eastern Ukraine from further Russian annexation, Foreign Minister Sergey Lavrov announced, “the situation has deteriorated to the point where there is a real and serious threat” of escalation into a nuclear holocaust, which would kill 90 million people in a few hours – reminds Scientific American – through the use of tactical nukes by either Putin or wannabe-muscular NATO leaders. One is Boris Johnson, who still may desperately need to avoid eviction from 10 Downing Street in coming months by appearing tough on Ukraine. But another is Biden who off-the-cuff last month in an Asian summit press conference radically changed Washington’s long-standing “strategic ambiguity” policy on One China so as to commit to a U.S. military defense of Taiwan against Beijing’s ongoing threats (though such rhetorical moves are often dismissed as gaffes).

But that’s one of just two potential ways the West+BRICS might well push the human race to extinction, with the other being a climate holocaust, given that Putin’s main Cape Town-based exploration ship last November discovered what it claims are 500 billion

barrels of oil and gas offshore Antarctica. So if the Russians really do explore, extract and combust those fossil fuels against new international treaty talks hosted and led by Germany, which we can anticipate Putin will hold in low regard, such a large “carbon bomb” would mean extinction for most life on Planet Earth within coming decades. What better way to advance that agenda than Russia bringing the other four BICS into a new fossil-energy alliance – yet another of Putin’s desperation search for economic allies during this era of intense sanctions.

Imperial Germany visits subimperial South Africa

But a different energy relationship is also in play, at least in South Africa, as Europe tries to seduce South Africa. German Chancellor Olaf Scholz met President Cyril Ramaphosa in Pretoria in late May – mainly to lobby for a pro-West stance on the Russia-Ukraine conflict – following brief stopovers in Dakar, Senegal and Abuja, Nigeria. West Africa possesses major fossil fuel deposits which Scholz wants, since he needs to halt methane gas imports from Russia’s Nordstream pipeline as soon as possible.

Berlin’s vulnerability to Moscow gyrations worsened dramatically once Western sanctions started to bite. Scholz’s predecessor Angela Merkel had profoundly misjudged Putin, encouraging more trade, investment and finance hoping not only for gas supplies, but a tighter Russia-European alliance. It was a vain, naïve fantasy, given not only the easily-triggered Putin’s expansionary ambitions – backed by nuclear weapons – but also his fury over a blatantly-broken promise made to Mikhail Gorbachev and Boris Yeltsin in the early 1990s by her predecessor Helmut Kohl and U.S. leaders George H.W. Bush and Bill Clinton: that the North Atlantic Treaty Organization would not expand east of Germany.

Now, due to Berlin’s increasingly urgent need for replacement gas sources, industrial Germany’s fossil addiction will result in massive infrastructure capital costs to accommodate new demand. This will, in turn, benefit mainly Western oil companies operating in West Africa, especially France’s Total and UK-Dutch firm Shell. But it will leave the continent with “stranded assets” that could later in the 2020s result in “Carbon Border Adjustment Mechanism” climate sanctions (as South Africa, especially, faces from Europe).

There is no major German oil firm, but to illustrate pressures imposed on Africa to expand self-destructive fossil infrastructure, Frankfurt-based HMS Bergbau last year bought a majority stake in Botswana coal company Maatla. Its CEO Jacques Badenhorst then lobbied Transnet CEO Portia Derby to complete a major coal rail-line extension to the Botswana border. Originally, the cost of rehabilitating the tracks was a whopping \$50

billion, when it was the first Strategic Integrated Project priority of the Presidential Infrastructure Coordinating Commission (PICC) in the 2012 National Development Plan. Transnet tried purchasing 1040 locomotives to pull the three-kilometre long coal trains.

But the notorious Gupta brothers' corruption of the transport parastatal included ill-advised vendor China South Rail (chosen by Derby's predecessors Siyabonga Gama and Brian Molefe). Reversing the unjustified mark-up – costing tens of billions of rands – is now, Derby says, “the most critical underestimation” she made in arresting her firm's decline. The PICC #1 project appeared derailed, not because climate-change considerations prevailed, but instead due to Transnet's operational troubles and cable theft. So rather than 80 million tonnes of coal exported from Richards Bay annually, as projected, the current level is below 60 million.

HMS Bergbau's interest remains for Botswana to export its coal – an estimated 220 billion tonnes (five times South Africa's reserves and a so-called “carbon bomb” in the making) – including, now, to Germany. Currently only a few thousand tonnes make their way weekly from Botswana to the Maputo port over a creaky 1400km route via Zimbabwe, instead of the more logical 850km to Richards Bay.

This is where Scholz remains a pernicious ally, for as he explained during the press briefing to Ramaphosa (himself formerly a coal tycoon), the West's anti-Russian sanctions – strenuously opposed by Pretoria – will prevent Europe's import of Putin's coal starting in September: “This will work because there are a lot of suppliers all over the globe that are willing and ready to sell their coal to those countries that have got them so far from Russia and obviously there are some as South Africa for instance where we will do so.” (Scholz and Ramaphosa smiled gratefully to each other.)

For the sake of future generations' very survival and continental solidarity, Ramaphosa should now be closing South Africa's coal mines and offering workers and communities “Just Transition” compensation. After all, Germany is supposedly financing such a strategy via an \$8.5 billion (concessional, below-market) loan to decarbonize Eskom. But, as cynics point out, Eskom CEO Andre de Ruyter plans to use 44% of such funding for new infrastructure based on importing so-called Mozambican “Blood Methane,” even though that would release CH₄ emissions (via leakage) that over the next twenty years will be 85 times more potent a greenhouse gas than CO₂ from burning coal.

Scholz's closest European colleague, French President Emmanuel Macron, visited Ramaphosa a year ago to persuade him that Total's methane-gas processing plant in Cabo Delgado required thousands of South African (and Rwandan) troops for protection against

further Islamic guerrilla attacks. Then the world's fourth-largest methane-gas field might soon supply the Eskom grid. But the Climate Justice Charter Movement now calls for a European reversal of the Eskom deal, and NGOs groundWork and the South Durban Community Environmental Alliance are fighting De Ruyter's proposed 3000MW Richards Bay methane-gas power plant in the courts.

Cynics also remind that on April 14, Ramaphosa visited Durban after flooding killed 500 people. He sounded genuinely ready to U-turn South Africa's own fossil addiction: "This disaster is part of climate change. It is telling us that climate change is serious, it is here. We no longer can postpone what we need to do, and the measures we need to take to deal with climate change." In effect, though, Scholz is fighting that logic. To win Ramaphosa over, he invited him to join the G7 annual summit, at a former Nazi-linked castle in Germany's Bavarian Alps on June 26-28.

There, Scholz and Johnson will continue refusing requests by Ramaphosa and Modi for a waiver of Intellectual Property on Covid-19 vaccines and treatment. The G7 will continue stalling on vitally-necessary greenhouse gas emissions cuts. The West's role in the war against Ukraine will intensify, leading to yet higher fossil fuel prices, gifting Big Oil even higher profits.

The underlying imperial-subimperial tension

This conjuncture, especially in relation to BRICS' tug-of-war between rogue and loyal subimperialists, reminds of Brazilian dependencia analyst Ruy Mauro Marini. During the 1960s–1970s, he described the "antagonistic cooperation" of Brazilian elites in relation to the United States, as a subimperial-imperial division of labor. Brasilia was the region's deputy sheriff, protecting both globalizing and home-based corporations. For Africa's leading political economist (prior to his 2018 death), Samir Amin, Marini's theory "addresses a very real problem raised here: that of inequality in peripheral development."

But as noted above, the BRICS' mortar is obviously crumbling, e.g. in bizarre Sino-Indian Himalayan border battles since 2017. Xi's 2015 speech at the BRICS summit in Ufa, Russia, included promises to boost "the centripetal force of BRICS nations, tap their respective advantages and potentials and carry out cooperation in innovation and production capacity." But the centrifugal forces of the world economy took over, as the spinning globe left the bloc ever less connected. Even the hallmark of BRICS economics – rising intra-BRICS and international trade as a share of GDP – suddenly reversed from the 2008 peak, falling steadily before the 2020 crash.

Recall, too, that Indian and Brazilian elections in 2014 – won by rightwing Hindu nationalist Modi – and 2018 – by the far-right “Trump of the Tropics” Bolsonaro – contributed to the spalling. In 2019, the latter’s foreign minister even suggested to his BRICS counterparts that they should engage in punitive sanctions against Venezuela. Another reflection of the unseemly descent into political incoherence was also evident in Brasilia in 2022, where just as Russia began the Ukraine invasion, the country’s vice president (military leader Hamilton Mourão) appealed for a counter-invasion: “If the West simply lets Ukraine fall, Moldova will be next, then the Baltic states, just like Hitler’s Germany did in the late 1930s.” Bolsonaro scolded him, because the week before during a Moscow visit, he expressed his government’s solidarity with Putin.

Meanwhile in South Africa, the presidency of the classically-populist (talk-left walk-right) Jacob Zuma ended in early 2018. He had repeatedly claimed Pretoria’s ascent to BRICS membership in 2010 was the reason the West arranged to have him replaced by his deputy president, Cyril Ramaphosa (even by poisoning, he regularly claimed). The switch – a palace coup within the ruling party – occurred five months before South Africa hosted the BRICS leadership. One sign of residual hopes there, was the summit promise that a BRICS Vaccine Center would be set up in Johannesburg (possessing a high-functioning pharmaceutical industry and extensive generic-drugs production capacity). As Covid-19 hit, no such facility had been established, through China and Russia were extremely quick to market their own vaccines – but not willing to share Intellectual Property with Brazil, India or South Africa, or to join the WTO lobby.

Indeed if the BRICS were meant to genuinely challenge Western domination of multilateralism, how was it that during the 2010s, everything they tried failed? In 2011–2012, an even more neoliberal leader was imposed by the European Union at the International Monetary Fund (Christine Lagarde replacing Dominique Strauss-Kahn) and at the World Bank, the United States replaced a notorious neocon (Robert Zoellick) with a jejune neolib (Jim Yong Kim) – in both cases, without a unified BRICS posing alternative candidates. In 2015 the IMF’s recapitalization did indeed give the BRICS a much greater share of the vote, just short of the 15 percent required to veto the institution’s policies and loans (a share held traditionally only by the United States). But when China’s IMF voting share increased by 37 percent, Brazil’s by 23 percent, India’s by 11 percent, and Russia’s by eight percent, this was not mainly at the West’s expense. Those countries that lost vast shares included Nigeria and Venezuela (41 percent each) and even South Africa (21 percent).

Were there not meant to be alternative institutions, especially to challenge Western domination of financial multilaterals and credit rating systems? From the BRICS Fortaleza meeting in 2014, the Contingent Reserve Arrangement (CRA) would have provided short-term emergency funding, but it turned out, first, that it gave the IMF even more leverage (because only 30% of the borrower's CRA quota could be accessed before getting an IMF structural adjustment package). Second, in the hour of greatest need, mid-2020 when South Africa's leaders felt compelled to take a \$4.3 billion IMF loan in spite of hard-wired austerity conditionality that reversed the fiscal stimulus, there was no sign of the CRA.

One BRICS institution did emerge (with Western credit rating agency approval): the NDB. It was initiated to finance infrastructure with greater potential environmental sensibilities, but never achieved the lofty goals of becoming a green bank set by two early consultants who had both been World Bank chief economists, Joseph Stiglitz and Nicholas Stern. In its South African portfolio, indeed, there was not a single NDB loan in the period 2016-22 that could be considered free from corruption.

Most importantly, there was no ideological deviation from predatory, neoliberal financial capitalism when BRICS' delegations entered the Bretton Woods Institutions. As Xi himself explained his own country's approach at the World Economic Forum in 2017, "Any attempt to cut off the flow of capital, technologies, products, industries and people between economies, and channel the waters in the ocean back into isolated lakes and creeks is simply not possible... We must remain committed to developing global free trade and investment, promote trade and investment liberalization."

Pushing the flow of capital back into the lakes and creeks?

The subimperial BRICS' extremely contradictory modes of antagonistic cooperation within global capitalism, as witnessed in the run-up to the 2022 explosion, certainly do not excuse the impulses of the imperialist powers to establish NATO military capacity on Russia's immediate borders. But the dynamics of such geopolitics do correlate to the uneven development of the global system as a whole.

An overarching problem for the likes of Putin, is his own capitalist class reaching limits to the accumulation of capital, as typically happens in a semi-peripheral economy based on export of raw materials suffering highly-volatile prices. Marx's general theory of uneven development, updated especially by City University of New York scholar David Harvey, accounts for geopolitical tensions during a 'devaluation' process in which excess capital exposed to global capital flows must either be defended – or left to collapse due to uncompetitiveness.

In his book *The Limits to Capital*, Harvey explained, “Under threat of devaluation, each regional alliance seeks to use others as a means to alleviate its internal problems. The struggle over devaluation takes a regional turn. But the regional differentiations are rendered unstable thereby.” The core problem for leaders, then, is that “Regional alliances founder on the rock of international competition and the impulsion to equalize the rate of profit.”

The semi-periphery becomes the layer of the global power structure which first takes these problems on the chin. Again, Harvey described how not only would northern rust-belt deindustrialization suffer from recessions and broader downturns, so too would emerging economies with more instability. This was especially in the wake of 1990s-era Washington Consensus liberalizations: “The opening up of global markets in both commodities and capital created openings for other states to insert themselves into the global economy, first as absorbers but then as producers of surplus capitals.”

Russia’s rise up the commodity super-cycle from 2002-14 – before the 2015 oil and minerals price crash – reflected a shift from 1990s-era capital flight by oligarchs, to Russia’s hosting fully-fledged overaccumulated capital. It was at that point in the 2010s, predicted Harvey back in 2003, that such economies “then became competitors on the world stage,” albeit in the form of “what might be called ‘subimperialisms’... [in which] each developing centre of capital accumulation sought out systematic spatio-temporal fixes for its own surplus capital by defining territorial spheres of influence.”

To deal with economic crisis at home, it’s logical then that Putin seeks more active territorial expansion options. The last time (2021) the IMF published a review of the overaccumulation of Russian capital – which is termed the “output gap,” reflecting “excess capacity” – its economists were blunt:

“Assessing the amount of spare capacity in the economy is critical for economic policymaking, particularly in a crisis where there is an urgent need for supportive macroeconomic policies. Spare capacity, as measured by the gap between actual and potential output (the output gap), gives policymakers an indication of the extent to which fiscal policy can be used to stimulate the economy... The ‘lockdown’ supply shock is estimated to have reduced potential GDP by nearly 2¾% in 2020. In 2021 potential real GDP rebounds as the lockdown is lifted but is weighed down by the impact of the decline in investment during the crisis on the productive capital stock. Sensitivity analysis suggests the finding of a large and persistent output gap... The results suggest that the (negative)

output gap in 2020 is likely to be in the range of 2–3 percent, and is likely to be as large, if not larger, in 2021.”

Making it clear that such excess capacity and resulting devaluation in the Ukraine is on his mind, Putin himself remarked on the Kiev economy in his invasion announcement speech. He included choice words about devalued capital, especially since the 2014 coup:

“Sectors including machine building, instrument engineering, electronics, ship and aircraft building have been undermined or destroyed altogether. There was a time, however, when not only Ukraine, but the entire Soviet Union took pride in these companies. In 2021, the Black Sea Shipyard in Nikolayev went out of business. Its first docks date back to Catherine the Great. Antonov, the famous manufacturer, has not made a single commercial aircraft since 2016, while Yuzhmash, a factory specializing in missile and space equipment, is nearly bankrupt. The Kremenchug Steel Plant is in a similar situation. This sad list goes on and on.”

Neither the BRICS nor the G7 offer an alternative to a system where, driven by overaccumulation of capital (mostly derived from China’s extremely productive east-coast factories), territorial tensions to accept or reject such devaluation only worsen.

A wide variety of historical and political features are typically cited to ‘explain’ why Russia’s trajectory of regional expansion represents a major threat. But those won’t be complete with contemplating the dynamics of uneven development, especially because they aren’t a matter, just, of Putin’s rogue subimperial stance. They are hard-wired into the world-system, and the BRICS and other semi-peripheral sites are just some of the more extreme cases.

Patrick Bond is professor of sociology at the University of Johannesburg in South Africa.

He can be reached at: pbond@mail.ngo.za

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