

The BRICS—An Involuntary Contender Bloc Under Attack

Os BRICS – Um bloco competidor involuntário sob ataque

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ABSTRACT:

In this piece I look at the BRICS bloc (Brazil, Russia, India, China, and South Africa) as rivals of the West, united more by circumstance than by intent. It emerged as a seemingly innocuous banker's gimmick referring to the 'emerging market' potential of the countries thus thrown together, but due to the aggressive Western response to independent policies, the BRICS have slowly moved towards solidifying their cohesion.

Keywords: BRICS; Emerging markets; Emerging powers; Imperialism; Post Cold War World

RESUMO:

Nesse artigo eu olho para o bloco BRICS (Brasil, Rússia, Índia, China e África do Sul) como rivais do Ocidente, unidos mais pelas circunstâncias do que pela intenção. O bloco emergiu como um chamariz de banqueiro aparentemente inócuo referindo ao potencial de “mercados emergentes” dos países então colocados juntos, mas devido à agressiva resposta ocidental às políticas independentes, os BRICS têm se movido lentamente rumo à solidificação da sua coesão.

Palavras-chave: BRICS; Mercados emergentes; Potências emergentes; Imperialismo; Mundo Pós Guerra Fria.

2. This piece takes further a paper presented at the *Regional Perspectives for China and its Neighbours*, conference, Confucius Institute, Leiden University, 5-6 January 2017 and reworked for a publication on that topic (Lexington Books, forthcoming).

In this piece² I look at the BRICS bloc (Brazil, Russia, India, China, and South Africa) as rivals of the West, united more by circumstance than by intent. It emerged as a seemingly innocuous banker's gimmick referring to the 'emerging market' potential of the countries thus thrown together, but due to the aggressive Western response to independent policies, the BRICS have slowly moved towards solidifying their cohesion. Comprising half the world's population, the bloc on the eve of the financial crisis of 2008 was closing in on the West. In Purchasing Power Parity (PPP) terms, China's GDP was three-quarters the size of the US economy, and India no. 4 behind Japan, whilst Brazil and Russia were catching up with the main EU states (ARMIJO, 2007, p. 12). The 2008 financial collapse in the West contracted China's export markets and speculation that the BRICS were passé, was rife (SHARMA, 2012, p. 6). However, China and India soon recovered, surpassing the US and Japan, respectively, whilst Russia and Brazil are trailing just behind Germany (WORLD BANK, 2016).

This (uneven) recovery of the BRICS bloc in turn has provoked an even less benevolent response, increasingly amounting to a straightforward confrontation policy. My argument is that once the crisis forced China, the bloc's locomotive, to slow down and the global commodity boom ended, a Western strategy of isolating it from the other BRICS ensued. This is most obvious in the case of the NATO siege on Russia.

The BRICS Contender Bloc Facing a Capitalist Heartland.....

The BRICS bloc is best understood in the framework of a struggle of state-oligarchic rivals to the liberal West, or *contender states*. The Western, liberal political economy historically crystallised in the First British Empire and has retained its North Atlantic geopolitical and -economic centre ever since. Here for the first time, the diverse elements of a capitalist social order (long-distance trade for profit, notably the slave trade; the privatisation of feudal land expelling a surplus humanity as free labour power; various financial practices) were synthesised into a single process. In the English Civil War, a class compromise was forged between the commercialising landlord class and the ascendant bourgeoisie no longer dependent on royal monopolies, sealed in the Glorious Revolution of 1688. John Locke in the *Two Treatises of Government* provided the ideological justification of this compromise. Thus, the first state-society configuration centring on the protection of private property was created, defining the role of the state in the British Isles and the North American colonies. Henceforth a transatlantic 'Lockean heartland' came to occupy the commanding heights of the global political economy. On the basis of the free circulation of capital within its own confines, this enabled the industrial revolution that made Britain the workshop of the world until the late 19th century, before passing on the leading role to the United States in the 20th (VAN DER PIJL, 1998; 2006).

Historically only a limited number of states and social formations have been able to hold their own against liberal Western pre-

eminence. In these contender states, the social roles of a propertied ruling class, fractions of capital and managerial and governing cadre, and the organisation of military power are condensed into a single *state class*. The term highlights the subsumption of these social categories under the state apparatus, rather than being distributed around it as in the Lockean setting with a distinct, hereditary ruling class in command. France in the long 18th century, Germany and Japan from their unification and accelerated modernisation from the late 19th through the first half of the 20th century, are the main examples of contender states; the state socialism of the Soviet Union represents its ultimate historical form. In the slipstream of the primary contenders, which to varying degrees relied on a strong state confiscating its social sphere, a long tail of other states have borrowed aspects of this state/society-complex. This would include Turkey and Iran, the large states of Latin America, and in a sense all Third World states until the late 1970s.

The BRICS Countries' Historical Contender Experiences

Individually (not of course as a bloc), the BRICS countries all passed through illiberal contender experiences to varying degrees. This is important because it leaves behind, in each country, certain structural preconditions in terms of institutions and tested practices, as well as a collective mindset equating general welfare with an activist, independent state role; both in the directive class and in the population at large. In such social formations the expectations of what the state is entitled to and may be asked to do, combined with a wariness of entrusting social reproduction to free market forces, will linger over the generations.

Brazil. Here a weak contender state by comparison, the state developed by gradually expanding the imperial bureaucracy into what came close to 'a Hobbesian construction' in the course of the 19th century (LAMOUNIER, 1989, p. 116). Vargas' 1930s 'semi-revolution from above' was a response to the dramatic weakening of the Lockean heartland due to the Depression and the Second World War, which in turn weakened the agrarian and commercial export interests in Brazil. The state class of the semi-fascist *Estado Novo* under Vargas presided over an industrial import-substitution that grew between 50 and 60 per cent over the period of his rule although it never reached the stage where the old agrarian-commercial oligarchies were dispossessed and a complementary revolution on the land was inaugurated. The political basis of the state was broadened through class compromises with organised labour, although populism meant that workers were kept in a passive role (EVANS, 1979, p. 39). Even when the Brazilian generals seized power in 1964 and substituted dictatorship for class compromise, 'state power [remained] the principal structure and real dynamo of bourgeois power' (F. FERNANDES apud EVANS, 1979, p. 42; FRANK, 1981, p. 206; 203-204).

Russia. In contrast to the weak contender state in Brazil, the Soviet Union represents the contender posture pushed to its logical extreme, a

state socialism with a command economy. Under Stalin's revolution from above in the late 1920s, to cite Moshe Lewin,

The state engaged in a hectic, hasty, and compulsive shaping of the social structure, forcing its groups and classes into a mould where the administrative-and-coercive machinery retained its superiority and autonomy. Instead of "serving" its basis, the state, using the powerful means at its disposal (central planning, modern communications and controlling mechanisms, monopoly of information, freedom to use coercion at will), was able to press the social body into service under its own diktat (LEWIN, 1985, p. 265).

This needs no further elaboration here. After 1964, the Soviet state/society complex became ossified as the state class proved unable to rejuvenate itself in the absence of directive impulses coming from society. Nikita Khrushchev experimented with what in hindsight might be considered an early 'Perestroika', but his often erratic initiatives failed too often. Gorbachev came at least a decade too late and was unable to constitutionally preserve the state property of the means of production in the process of allowing political space for the articulation of different interests as recommended by the Polish thinker, Włodzimierz Brus, in the early 1970s (BRUS, 1975).

India. An Indian state class, embodied in the Congress Party, formed under British rule by combining industrialisation and opportunities for limited self-rule from 1935. After independence it resorted to central planning to wrest itself free from foreign control, at the behest of the key indigenous financial dynasties (the Tata-Birla Plan of 1944). This worked to sustain state-led accumulation in India, culminating in highly restrictive regulation of foreign capital in the 1970s, after which neoliberalism began to slowly erode the country's contender posture and a new transnational fraction of capital encroached on state class prerogatives (ROY, 1994, p. 13-14; 18).

China. The contender profile of China, for all the differences, resembles the Soviet-Russian trajectory both in terms of the original revolutionary state and the converted state-oligarchic formation. Communist China adopted Soviet planning after the conquest of power until the failure of the Great Leap forward in 1958-59 and the subsequent internal struggle against Liu Shao-chi and the Sino-Soviet split; after that Mao Zedong's radical, peasant-based departure from the Soviet model charted a different course without abandoning the directive role of the state class. Following the capitalist restoration in the 1980s, a state-oligarchic ruling class, comparable to Russia's, retains power (WANG, 2009, p. xxviii).

South Africa. Finally, and most briefly, a South African state class formed through a class compromise with white labour, and expanded the state sector in the 1960s and 70s, when the public sector had a larger share of fixed capital stock than the private economy (SEIDMAN, SEIDMAN MAKGETLA, 1980, p. 59;67).

For our purposes this should suffice to indicate that long before anyone had heard of the BRICS, the states in the acronym had each passed through significant episodes of state class formation as part of a contender posture, from weak (Brazil) to very strong (Soviet-era Russia and China) and leaving behind various structural and ideological legacies. So what re-activated this legacy after the turn of the new century?

The New Imperialism of the West

The inherent logic of capital is to become global (PRADELLA, 2015). Hence, the state system, the system of multiple sovereignties, clashes with the immanent, overarching sovereignty of capital (if we take sovereignty to mean that a sovereign entity recognises no authority above itself).

Capital is not global yet, if it ever will be. The comprehensive treaties intended to codify its sovereignty, such as TTIP, TPP, CETA, etc. are best understood as attempts to constitutionalise that sovereignty, in a complete reversal of the 1970s attempt to establish collective state sovereignty under a New International Economic Order in the framework of the United Nations (KRASNER, 1985). Hence capital is necessarily *transnational*, respectful of existing state sovereignty but objectively and instrumentally working to subvert it to a mere formality.

Even in the original, Anglophone heartland, capital was bound to the different ‘nationalities’ that come about through the uneven outcomes of class struggles and structures. Cumulative class compromises give rise to different political cultures (the US from Britain, Canada from the US, etc.), even though they share the same, property-centred, Lockean constitutionality.

Outside the Atlantic West, sovereign ‘nationality’ (in the civic, not the ethnic sense—most states are ethnically multi-national) is even more pronounced because Lockean constitutionality is weaker or absent, subordinate to the priorities of the state class. Hence, in the process of capitalist globalisation, the political-economic power of the Western states must be mobilised to ensure the ‘Open Door’. This produces imperialism, the competitive effort of opening up all states for commodification and exploitation, in order to ‘introduce and intensify ... “the silent compulsion of the market” across political jurisdictions sheltered from the complete instantiation of market imperatives’ (DI MUZIO, 2007, p. 519). Regime change is the ultimate consequence of this imperative. For even though the profits made in the newly opened world economy continue to flow overwhelmingly to the West (STARRS, 2014), this cannot be taken for granted as long as state sovereignty persists. Hence, in the words of Claude Serfati, ‘the defence of “globalisation” against those who would threaten it should ... be placed, along with military threats properly speaking, at the top of the security agenda’ (SERFATI, 2001, p. 12).

Contender states epitomise *the defence of state sovereignty against the sovereignty of transnational capital championed by the West*. After the state-capitalist turn in China and collapse of the Soviet bloc and the USSR, the BRICS represent the key contender formation today, albeit a fractious and involuntary one, since the oligarchic-capitalist strand that must still pay homage to the state class wants nothing more than being included into the Atlantic ruling class and rule through its own retainers.

The ‘Defence of Globalisation’ Against the BRICS Contender Bloc

When China made its turn to (state) capitalism and the Soviet Union collapsed, the ideological motif of the Cold War (the fight against

communism as illiberal, undemocratic, godless, etc.) evaporated and the defence of globalisation had to be formulated anew to justify forcibly opening up states and subordinate their sovereignty to that of transnational capital. 'The defence of globalisation' in other words required express articulation. Hence, right from 1991, several strategic doctrines were being formulated to cover the largely unexpected ideological void.

This centrally concerned the Wolfowitz Doctrine, named after Paul Wolfowitz, under secretary of defence in the Bush Sr. administration. Wolfowitz signed for the *Defence Planning Guidance for Fiscal 1994-'99* of 1992, which proclaims the United States the world's sole superpower. The US should remain ahead of all possible contenders in terms of arms technology and no longer accept a situation of military parity, as with the USSR during the original Cold War (in fact, two Cold Wars: the first ending in 1970s détente, the second launched by the Reagan administration and ended with the Soviet demise, HALLIDAY, 1986). To rein in the new-found self-confidence of the European Union after 1991, it too was obliquely warned that the US alone would handle global policing (MANN, 2004, p. 209-215; *Defence Planning Guidance, FY 1994-1999*, 16 April 1992).

The Clinton administration did not take exception to the assumptions of the Wolfowitz Doctrine, including the principle of 'unilateral use of force' (VAN APELDOORN, DE GRAAFF, 2016, p. 133). Yet the blatant reference to the US as the one 'indispensable nation' (a phrase attributed to Clinton's second secretary of state, Madeleine Albright) would not be sufficient in the longer run. The fundamental principle of the Wolfowitz Doctrine, which remains the bottom line of the West's global strategy under US leadership, was elaborated into at least four further doctrines. These each in their own way advocate opening up other states by subverting non-pliant governments, waging war including economic warfare, and providing the ideological cover for it. In this respect Fukuyama's *End of History* thesis, whilst gaining wide resonance as a celebration of the West's victory in the Cold War, provided little in the way of justifying further intervention in illiberal capitalist state/society complexes, apart from declaring them illegitimate (FUKUYAMA, 1989).

The other doctrines, then, are:

1. *The Abramowitz Doctrine*. Former US ambassador Morton Abramowitz, the president of the Carnegie Endowment for International Peace, at the time of the Soviet collapse assembled a working group to study regime change and/or war in the new circumstances. It recommended framing US intervention as intended to support 'groups within states... staking claims to independence, greater autonomy, or the overthrow of an existing government' and who by doing so, risk becoming exposed to 'humanitarian calamities' (cited in JOHNSTONE, 2016, p. 43-44). The Abramowitz report was published in 1992 as *Self-Determination in the New World Order* and provides a moral justification for 'humanitarian intervention'. It would be applied in Yugoslavia and remains in reserve for future regime changes, certainly in the former Soviet space. One of the members of the Abramowitz team, the investment banker and diplomat, Richard Holbrooke, was entrusted with the

Yugoslavia portfolio in the State Department. In a 1995 article in *Foreign Affairs*, entitled ‘America, a European Power’, he argued the rationale of US intervention in shaping the post-Soviet order when he wrote, ‘the West must expand to central Europe as fast as possible in fact as well as in spirit, and the United States is ready to lead the way’ (HOLBROOKE, 1995, p. 42).

2. *The ‘War on Terror’ Doctrine.* We tend to associate this notion with the attacks on the Twin Towers on September 11, 2001. In fact, the concept was elaborated already in a series of conferences between 1979 and 1984 at the initiative of Israeli Likud politicians, and with high-level Anglo-American neoconservatives in attendance. The restriction of civil liberties at home and ‘going after terrorists’ in ‘countries supporting terror’ are all elaborated on at length in the printed papers (e.g., Netanyahu 1986). Intended to make Israel’s occupation policy of Palestine and the incursion into Lebanon of 1982 part of the Reagan Cold War drive, the unexpected demise of the USSR temporarily eclipsed the concept. However, Samuel Huntington in his *Clash of Civilizations* argument of 1993 revived its key theses. It provides a narrative both for a War on Terror (as a substitute for Third World counterinsurgency) and for Western military pre-eminence in the post-Soviet inter-state arena. By placing Russia and China outside the boundary of Western civilisation along with ‘Islam’, Huntington restores a comprehensive ‘logic of encounter’ to the overly optimistic End of History thesis (HUNTINGTON, 1993; COWARD, 2005, p. 868) and warrants regime change to protect against terrorists possessing weapons of mass destruction.

3. *The Brzezinski Doctrine.* Zbigniew Brzezinski in *The Grand Chessboard* of 1997 gave a new version of the classical thesis of Eurasia becoming the dominant ‘world island’ marginalising the Anglophone insular outer ring (including also, Japan). This was first formulated when Tsarist Russia was threatening the British Empire in south Asia in ‘the Great Game’ (MACKINDER, 1904). Brzezinski in the 1997 work is not content with the break-up of the USSR into fifteen separate states; he also proposes to cut up Russia proper into three separate republics (BRZEZINSKI, 1997, p. 202). In addition he proposed to combine France, Germany, his native Poland, and Ukraine into a ‘critical core of European security’ to overcome the advantage of strategic depth that allowed Russia and the USSR to absorb foreign invasions by Napoleon and Hitler (Ibid.: 84-5). In an update for the Obama administration Brzezinski added the aspect of actual intervention, reminding his readers how he himself, as Carter’s National Security Adviser, in the late 1970s had proposed to organise covert support for the aspirations of the non-Russian nationalities in the USSR, just as he had recommended luring Moscow into Afghanistan by supporting the Islamist *mujahedeen* resistance against the communist regime in Kabul (BRZEZINSKI, 2008, p. 60-61; TRIPATHI, 2013,

p. 44-45). The ultimate aim was to cut off Russia from Europe, so that it would become 'Asianised' (BRZEZINSKI, 1997, p. 113).

4. *The Krasner-Pascual Doctrine.* The doctrine associated with Stanford International Relations scholar Stephen Krasner and the Cuban-American career diplomat, Carlos Pascual, formerly US ambassador in Kiev, was formulated in 2005. In the wake of the Iraq invasion of 2003 Bush's secretary of state, Condoleezza Rice, wanted a more aggressive doctrine of regime change. Krasner, a long-time critic of the (ab)uses of sovereignty by weak states (such as their joining forces in the UN to achieve a New International Economic Order in the 1970s, KRASNER, 1985) was now made policy planning director. With Pascual (credited with having convinced Kiev to join in the Iraq invasion, and appointed as Coordinator for Reconstruction and Stabilization) he elaborated a doctrine of preventive intervention in weak states ('weakness' including ethnic or religious divisions), to be followed by the introduction of a stabilization and reconstruction rulebook prescribing 'market democracy'. Here the subsumption of state sovereignty to the sovereignty of capital is made explicit. A list of countries liable to breaking up (something Pascual argued might be precipitated to allow market democracy to be introduced more effectively; cited in KLEIN, 2005) was drawn up. The new authorities in 'failed states', reconstructed along lines dictated by the US and IMF, would then be invited to sign contracts in which elements of their sovereignty would be alienated, 'shared' (KRASNER, 2005; KRASNER, PASCUAL, 2005).

How, then, have these doctrines affected actual Western policy?

Alternating Emphases in the Western Advance into the Post-Cold War World

Although the West has consistently sought to occupy new space in the post-Cold War world along the lines of the Wolfowitz Doctrine, in terms of emphasis, it would appear that Democratic administrations have focussed primarily on Europe, seeking to push back Russia (in the spirit of Brzezinski), whilst Republicans primarily sought to confront the rise of China and 'Islamic terrorism' (between quotation marks because the response largely preceded the emergence of a real threat).

First, the anti-Russian policy under Clinton. The collapse of the USSR left NATO without a mission, as no credible threat existed any longer. Secretary of State James Baker promised to Gorbachev that the eastern part of Germany would not become militarised after a united Germany would join NATO, and that once Russia pulled out its 24 divisions from the east, the alliance would not advance *one inch* (this and comparable assurances cited in *House of Lords* 2015, p. 44-45). However, this was soon reneged on. Already in November 1991, NATO countries signed up to the principle of out-of-area operations (FOUSKAS, GÖKAY, 2005, p. 61-62). French proposals to revive the idea of a European defence

in mid-1991, as well as the precipitate recognition by Germany of the secession from federal Yugoslavia of Croatia and Slovenia, were aggressively responded to by the United States (S. WOODWARD, 1995, p. 174, 159-160, respectively). The First Gulf War to expel Iraq from Kuwait, still in 1991, in addition signalled that Washington no longer considered the Middle East an area where its influence was matched by the USSR's, let alone Russia's.

In January 1994, the North Atlantic Council in Brussels took the decision to expand the alliance to include Poland, Hungary and the Czech Republic, and in the break-up of Yugoslavia NATO undertook its first actual out-of-area operation against the Bosnian Serbs later in the year. Probing deeper into the former USSR, NATO invited Ukraine and other former Soviet republics in the same year to join the Partnership for Peace, the newly created waiting room for NATO membership. In 1997, jointly with Georgia, Azerbaijan, and Moldova, Ukraine joined a low-key organisation of former Soviet republics (after the initials, GUAM) under the auspices of the US, the UK and Turkey. To quell Russian concerns, the NATO-Russia Founding Act in the same year laid down that no NATO nuclear weapons and permanent troop deployments would take place in the new member states. The United States democracy promotion apparatus meanwhile was seeking to capitalise on the new Atlantic bond by sponsoring 'colour revolutions' that brought pro-Western governments to power, 'Rose' in Georgia in 2003 and 'Orange' in Ukraine in 2004. Uzbekistan, which had joined the GUAM group in 1999, adding one U to the acronym, actually left again in 2005 in the wake of a colour revolution that failed (NAZEMROAYA, 2012, p. 166). During the NATO intervention over Kosovo in 1999, the GUAM states demonstrated their new Atlantic loyalty by preventing Russia from supplying the Serbian army and even Russia's own peacekeeping units at Priština airport (VAN DER PIJL, 2006, p. 281).

The West treated Russia as a defeated country, Yeltsin sold out its riches and only under Putin has some sort of directive state been restored. This once again responds to the complex of expectations that equates state initiative and protection left behind by the Soviet contender experience. Like the other post-Soviet formations, however, the Russian state is preyed on by oligarchs and Putin is perhaps best understood as a Bonapartist leader balancing city and countryside, the superrich and the security apparatus, and so on (PAVLOVSKY, 2014).

The main axis of Western expansion then shifted. In 2000, the first intelligence memo to president-elect George W. Bush, Jr., identified three strategic threats: 1) al-Qaeda terrorism, 2) the proliferation of weapons of mass destruction, and 3) the rise of China as a military power—but third only because it still 'was 5 to 15 or more years away.' Yet Paul Wolfowitz also stated that 'over the long run the Chinese political system is going to have to change', an echo of the statements on the USSR made by Richard Pipes and others in Reagan's days (cited in B. WOODWARD, 2004, p. 12). The September 11 attacks on the Twin Towers in 2001 then led to the proclamation of the War on Terror; NATO was enlisted in the invasion of Afghanistan. Russia showed its readiness to facilitate the Afghan inter-

vention, but the United States in 2002 nevertheless withdrew, over Moscow's objections, from the Anti-Ballistic Missile Treaty to allow a missile defence system to be deployed in new and prospective NATO member states, the Czech Republic, Poland, and Rumania (VAN APELDOORN, DE GRAAFF, 2016, p. 179-180). The Anglo-American invasion of Iraq in 2003 then saw the first stirrings of discontent among large countries not willing to submit to the whims of the United States and Britain, with France and Germany (briefly, as it turned out) siding with Russia and China against the invasion.

Under Obama, the US would redirect the thrust of expansion against Russia again. Moscow was superficially cultivated by a 're-set' under Obama's first-term secretary of state, Hillary Clinton. In one of her last statements as Secretary of State, however, she called Russia's Eurasian development plans an attempt to re-'Sovietise' the region, which the US should try to slow down or better, prevent altogether (cited in CLOVER, 2012). By 2012, the hopes pinned on Dmitry Medvedev as caretaker president proved unfounded except that under the former chairman of Gazprom, the EU's dependence on Russian gas had in fact deepened (LYNE, 2015, p. 9). In July, the first meeting of the 'Friends of Syria' followed on the refusal of Russia and China to allow the UN Security Council to mandate another regime change operation as in Libya. Hillary Clinton warned them that they were going to pay a price for their obstinacy (cited in JOHNSTONE, 2016, p. 75).

Obama did not go along with calls to intervene in Syria, but the mood against Russia hardened further after his re-election in November, especially once Putin returned to the Kremlin. In December 2012, work began on the compressor station at the Russian end of South Stream, a new pipeline across the Black Sea to supply gas to Bulgaria and on to Austria. No wonder Hillary Clinton in hindsight considered the re-set with Moscow a sign of weakness, as Russia was not only deepening energy links with the EU, but also 'worked to expand its own military footprint across Central Asia.... *It was like a modern-day version of the "Great Game"*' (cited in JOHNSTONE, 2016, p. 133, emphasis added). In the Clinton state department, Victoria Nuland, the Assistant Secretary of State for European and Eurasian Affairs, would take it upon herself to execute such a policy in line with the neoconservative agenda drawn up by Krasner and Pascual, Wolfowitz, et al. She stayed on when John Kerry became secretary of state in Obama's second term. Signs are that a Trump presidency, although far from a regular Republican administration, will shift the emphasis back against China and notably, Iran, which plays an important part in the contender posture of the BRICS bloc (SIT et al., 2017, p. 37-38).

The Defence of Globalisation in the Crisis.....

Globalising capital is not an unchanging phenomenon. The task of 'introducing and intensifying the silent compulsion of the market', as Di Muzio phrases it, falls on changing constellations of capitalist interests. Capital is composed of different 'fractions' (productive, money, or commercial capital, mainly), and is subject to recurrent reconfigurations, af-

fecting the direction of state policy at home and abroad. Thus we often hear that here or there, a new ‘Marshall Plan’ would be desirable. But the particular composition of the capitalist class that from 1947 directed the industrial reconstruction of Western Europe to bolster a mass consumption capitalism against Soviet state socialism, has long since dissolved. At the time, productive capital was the dominant fraction, money capital was still repressed under the New Deal regime imposed by the 1933 Glass-Steagall act, in line with the recommendations of J.M. Keynes for a ‘euthanasia of the *rentier*, the functionless investor’ (KEYNES, 1970, p. 376).

It took until the 1970s before this regime was rescinded and finance was allowed to becoming the directive fraction again, inaugurating the process of a global redistribution of production. First, this occurred under inflationary conditions following the abandoning of the Bretton Woods gold-dollar standard and fixed exchange rates. From 1979, with the ‘Volcker shock’, real interest rates forced the discipline of capital back on credit-financed industrialisation programmes of the Third World and the Soviet bloc, including Yugoslavia. Indebted countries found themselves forced to export to the West to earn the hard currency for debt service henceforth. Initially the money capital perspective guiding the West in the assault on class compromise in production, state socialism, and national liberation, was ‘systemic’, i.e., aimed a restructuring a global capitalist productive economy (GREIDER, 1989, p. 75, 101). But with the lifting of the repressive Keynesian regime, a second form of money capital, ‘money-dealing capital’ also resurfaced (i.e., the ‘rentier’ variety Keynes had railed against). Especially after the collapse of state socialism, this particular form of money capital, actually a form of commercial capital, began to sideline the systemic guidance of global restructuring and replace it with a quest for short-term profit opportunities (NAYLOR, 1987, p. 13).

Unlike investment money with its systemic view of the accumulation cycle (the Volcker perspective of 1979), money-dealing capital, or in contemporary lingo, ‘trade in financial services’, has no long-term vision of a social order. It is only marginally connected to the production of surplus value, on which it preys from the outside, via the profit distribution process. As a result, issues other than buying cheap and selling dear (such as research and development, long-term investment, and the social stability required for it to mature) are secondary to its mode of operation and class perspective. Peter Gowan captures the shift when he writes that ‘trading activity here does not mean long-term investment... in this or that security, but buying and selling financial and real assets to *exploit—not least by generating—price differences and price shifts*’ (‘speculative arbitrage’) (GOWAN, 2009: emphasis added).

Hence, the raids on companies, pension funds, etc. and the use of credit derivatives as collateral for increased borrowing. Banks, increasingly submerged in a universe of ‘shadow banking’ outside the regulatory authority of central banks, gained ever-greater leverage on economic and social policy. ‘Proprietary trading’ (speculating not just on commission but also with a bank’s own or leveraged money and deposit base) was pioneered by John Meriwether at Salomon Brothers. In 1994, Meriwether set up his own hedge fund, Long Term Capital Management (LTCM), with

two 'Nobel' (Swedish central bank) laureates in economics, supposedly a failsafe operation based on hard science (GOWAN, 2009). Risk-taking and manipulating the chances of coming out on top by complex insurance schemes are at the heart of the mental and moral universe this fraction of money capital inhabits and the values it propagates. State classes wary of this type of operations, and unwilling to be the target of them as 'emerging markets', on the other hand were less and less willing to exposed their societies to such speculative practices.

As in every reconfiguration of the fraction structure of capital, a key moment for the ascendant bloc is the capture of the state. Only thus can it subordinate public policy to its logic and interests. So when Meriwether's LTCM crashed in 1998, it was bailed out by the head of the Federal Reserve, former JP Morgan banker Alan Greenspan, with \$3.6 billion; a pattern to be repeated in the across-the-board banking crisis of 2008, also precipitated by the 'trading desks' (JOHNSON, 2002, p. 216). Amidst the high-velocity movement of funds, flowing through offshore jurisdictions, asset bubbles became a regular feature of post-1990s capitalism. The predatory raid on Asian 'emerging markets' in 1997-98 had momentous consequences for the countries affected (South Korea, Thailand, and Indonesia, notably). China was able to shield itself from the ravages of the Asian crisis, but Russia, which defaulted on its \$183 billion foreign debt in 1998, and Brazil in the same year, were jolted around by short-term capital movements (NESVETAILOVA, 2002). The lesson the state classes in these countries learned was that the defence of sovereignty cannot be taken for granted. Yet soon after, a new round of investment opportunities in 'emerging markets' led bankers in Goldman Sachs, one of the pivots of this sort of speculative operations, to coin the notion of the BRICs (initially still without South Africa, ARMIJO, 2007, p. 10-11). As long as the Anglophone centres of finance were in charge, the handling of these crises only 'allowed the financial turmoil to transmute into yet another stock market/housing bubble' (RUDE, 2008, p. 211).

State capture by speculative finance also includes securing the leading role of the United States in neoliberal global governance. Thus, in the midst of the storm, Japanese financial authorities proposed an Asian Monetary Fund to stabilise the situation (not unlike the currency fund of the BRICS Bank signed off on 16 July 2014). However, the United States immediately vetoed the idea, and the proposal was killed off so that 'the IMF [remained] at the forefront of the bailout' (*Financial Times* cited in VAN DER PIJL, 2006, p. 319-320). This apparently technical financial governance, as Christopher Rude comments, is 'as important in maintaining global capitalism under US domination as the role played by ...the US military in Kosovo, Afghanistan, Iraq and elsewhere' (RUDE, 2008, p. 199). With the crisis of 2008, actual violence would again move into the foreground and the BRICS by then had become the target of Western aggression.

The Crisis of Predatory Globalisation and the Turn to Violent Confrontation.....

The crisis of 2007-08 was the result of speculative capital movements having completely run out of control, and economic predation

gave way to outright violence. All attempts by Western governments to cover their eroding domestic legitimacy by throwing money into the breaches now had come to an end (STREECK, 2013). But a crisis of capital is always the crisis of a particular social order created by the primacy of a particular fraction, and unless that fraction is defeated in ensuing class struggles, as happened in the 1930s, it will dictate the terms of a way out. Thus it may well be that the incoming Obama administration contemplated ing American apitalism on an ecologically sustainable basis, and the bankruptcy of General Motors might have been an excellent opportunity to do just that. In fact, Obama was compelled to instruct Larry Fink, the founder of an up-and-coming investment company, BlackRock, to organise the recapitalisation of financial institutions bankrupted by speculative defaults, thus bolstering the very sort of companies that had caused the crisis (RÜGEMER, 2016, p. 75; FICHTNER et al., 2016).

The fact that the management of the economy, and of social and international relations as a whole, since the 1990s had increasingly been conducted from the perspective of this particular fraction of capital, also preordained the response to the crisis (MIROWSKI, 2013). But speculative risk-taking characteristic of the mindset of money-dealing capital is not confined to predatory raiding, it also translates into political risk-taking (NEDERVEEN PIETERSE, 2007). Michael Williams thus describes the shift in the posture of NATO in terms of a spirit arising from ‘a new kind of capitalism’, ‘rampant globalization’. ‘Since 1989 the Alliance has attempted to institutionalize a new set of norms and to create a new identity... NATO today is working to create a new “social reality”—this time a reality that reinforces the *Zeitgeist* of the risk society’ (WILLIAMS, 2009, p. 25. cf. 5, 11). Indeed, given the exhaustion of economic alternatives from within the capitalist fraction structure and the fact that the United States’ centrality as the destination of the world’s surpluses of money and products has been reduced to a haven for flight capital (VAROUFAKIS, 2013), the recourse to violence becomes a substitute for economic globalization, with extreme risk-taking the corollary of the speculative mind-set nurtured by decades of predatory neoliberalism. In that sense 2008 marks an epochal rupture, without a ‘moderate’ way out. In the circumstances, global governance by the West became increasingly dependent on force, the ‘defence of globalisation’.

Obviously the Western solution to the crisis through refinancing speculative capital was unpalatable to the BRICS economies. As state-oligarchic capitalist formations, they rely on finance in a qualitatively different way from the liberal heartland. Unlike Western finance (or the patrimonial sovereign wealth funds of the Gulf monarchies), they continue to mobilise money capital for infrastructural development first, as the investment banks in late-industrialising contender states such as France or Germany did in the past (SCHWARTZ, 2012, p. 523-524). Private finance for infrastructure fell sharply after the crisis and banks’ lending capacity was reduced (and further diminished by Basle III capital requirements), whilst sovereign wealth funds and pension funds spend relatively little on infrastructure (CHIN, 2014, p. 367-368). So in response to the bailing out of the banks and supplying them with new money (‘quantitative easing’)

to resume the predatory financial practices that had caused the crisis, the BRICS accelerated their plans for a common investment bank.

The blueprint for a BRICS bank was worked out at meetings in Delhi and Durban in 2012-13, prompting Radhika Desai to write that 'Not since the days of the Non-Aligned Movement and its demand for a New International Economic Order in the 1970s has the world seen such a co-ordinated challenge to western supremacy in the world economy from developing countries' (DESAI, 2013). However, this only intensified the Western offensive against the BRICS challenge, increasingly, it would seem today, to isolate China. I conclude this paper by focusing on how this attempt took shape with regards to Russia.

Target Russia.....

Right in 2008, the US moved to capitalise on its political investments in, notably, Georgia and Ukraine (through the colour revolutions of 2003 and 2004, respectively), by telling these two countries they were candidates for NATO membership. However, at the Bucharest summit in April 2008, French and German objections prevented the Bush administration from initiating the actual membership process (SAKWA, 2015, p. 55). This did not deter Washington from encouraging the Saakashvili government in Tbilisi to ignore Russia's warning it would no longer tolerate NATO adventures on its borders. After the colour revolution of 2003 Georgia had been armed by Israel on US account, partly in exchange for the use of airfields by Israel for a possible attack on Iran. In the second half of July 2008, US military conducted joint war games with the Georgian army; an assistant of Vice-President Dick Cheney visited Tbilisi briefly before the attack, for which the opening day of the Beijing Olympics, 8 August, had been chosen. However, the attempt to recapture the breakaway province of South Ossetia by force ended in a humiliating defeat (DEBORCHGRAVE, 2008; HYLAND, MARSDEN, 2008).

Moscow, meanwhile, viewed Western support for Georgia and also the provision of shelter for Chechen terror suspects by the West as aimed at 'the destruction of Russia and the filling of its huge area with numerous dysfunctional quasi-state formations' (VLADISLAV SURKOV apud LYNE, 2015, p. 6). In an interview with CNN on 28 August, president Putin accused the outgoing Bush administration of having instigated the Georgian adventure with an eye to stirring up an international crisis intended to pay off for John McCain ('create a competitive advantage for one of the candidates fighting for the post of US president'). (HYLAND, MARSDEN, 2008).

Earlier in the US election campaign, the fiercely anti-Russian government of Poland, with the support of Sweden, temporarily moved into the forefront of thwarting Moscow's Eurasian economic project by offering an 'Eastern Partnership' to Ukraine, Georgia, and other post-Soviet states not yet incorporated into NATO and the EU that would reward their Atlantic aspirations by EU association (KOROSTELEVA, 2016). If the Bush policy towards Georgia is best understood in light of the Brzezinski doctrine, EU Association along with a Deep and Comprehensive Free Trade Agreement

(DCFTA), is a ‘market democracy’ contract in the sense of the Krasner-Pascual Doctrine. Under the Lisbon Treaty of 2007, the two strategies had become more closely imbricated as new EU countries were asked to align their defence and foreign policy orientation with NATO’s. In the EU association agreement offered to Ukraine, the main prize given its economic weight and linkages to Russia, articles 4, 7 and 10 prescribed a reorientation of the country’s military-political position towards the West.

By 2012, Ukraine’s president, Viktor Yanukovich, came under pressure from both the EU and neoconservative elements in the Obama administration to sign the EU association agreement, but in late 2013 Yanukovich withheld his signature for fear of the economic consequences of opening up the Ukrainian economy to the EU’s and instead accepted a Russian counteroffer. This provoked demonstrations against the kleptocracy that had distributed the country’s wealth among themselves and of which Yanukovich’s family were the latest recruits. The demonstrations profited from support of Western NGO’s and embassies but otherwise lacked clear political demands, allowing far right Ukrainian nationalists to seize power in February 2014. Their armed coup, which the US supported after having been left out of the agreement EU foreign ministers concluded with Yanukovich and the opposition, provoked resistance in Crimea and the southern and eastern, Russia-oriented parts of Ukraine. For the West, however, it meant that major blow had been dealt to the BRICS contender bloc: ‘Had Ukraine joined, the Eurasian Union would have extended westwards right up to the EU’s borders. But this key element—and probably the whole enterprise—is stalled at best because the Ukrainians have created new facts on the ground’ (NIXEY, 2014, p. 36).

The connection with the BRICS, and China in particular, was even more clearly brought out in the e-mail correspondence of the circle around NATO commander General Philip Breedlove that was hacked by the website, *DCLeaks*. After the resistance to the ultra-nationalist coup in Kiev had led to separatist movements in Crimea and the east of Ukraine, Breedlove’s predecessor at the time of the Yugoslavia intervention in 1999, Wesley Clark, in various e-mails urged the State Department and NATO to make the imminent break-up of Ukraine a test-case of Western willingness to confront Russia and China militarily. Ukraine according to Clark, was to be ‘held’ because ‘Putin has read US inaction in Georgia and Syria as US “weakness”,’ and after the secession of Crimea through which Russia also secured its crucial Sebastopol naval base, things could only get worse.

China is watching closely. China will have four aircraft carriers and airspace dominance in the Western Pacific within 5 years, if current trends continue. And if we let Ukraine slide away, it definitely raises the risks of conflict in the Pacific. For, China will ask, would the US then assert itself for Japan, Korea, Taiwan, the Philippines, the South China Sea? ...*If Russia takes Ukraine, Belarus will join the Eurasian Union, and, presto, the Soviet Union (in another name) will be back. ...* Neither the Baltics nor the Balkans will easily resist the political disruptions empowered by a resurgent Russia. And what good is a NATO “security guarantee” against internal subversion?... And then the US will face a much stronger Russia, a crumbling NATO, and [a] major challenge in the Western Pacific. *Far easier to [hold] the line now, in Ukraine than elsewhere, later* (Clark e-mail to Breedlove, 13 April 2014, emphasis added).

In other words, seizing on the opportunities offered by a civil conflict in Ukraine would served the broader strategy of derailing the emerging Eurasian/BRICS contender bloc. The civil war broke out in earnest in mid-April, followed by massacres by ultra-nationalists in Odessa and Mariupol in early May. A large-scale military offensive to recapture the insurgent eastern provinces, coordinated with NATO manoeuvres in the Black Sea, began on 1 July. Events then took a dramatic turn when a Malaysian Airlines Boeing en route from Amsterdam to Kuala Lumpur was brought down on 17 July, in the midst of heavy fighting. Although many thousands of casualties had been made and more than a million refugees had sought a safe haven notably in Russia, this incident, in which all on board perished, was seized on to intensify the anti-Putin campaign in the West.

There was a subtext to the incident, less often noted, and related to developments surrounding the establishment of the BRICS bank at a meeting in Fortaleza, Brazil, in mid-July. The 'long-term implications for global order and development' were not lost on those watching this event. The intended creation of an equivalent of the World Bank with a capital of \$100 billion, with a reserve currency pool of the same size (an equivalent of the IMF), was meant to lay the groundwork of a contender pole in the global political economy challenging the West's austerity regime frontally (CHEN, 2014; PILLING, 2014).

Today, with little realised of the project so far, we may dismiss the project as bluff. But on 16 July 2014, the day the BRICS leaders met in Fortaleza, the United States, in a sign of real concern about a challenge far bigger than the Japanese-sponsored AMF in 1998, imposed new, biting sanctions on Russia for aiding the Donbass revolt. These sanctions were all the more hurtful to the EU because they were aimed at disrupting energy dependence on Russian gas, and more specifically, prevent the Black Sea pipeline, South Stream, from being realised (STRATFOR 2015; VENTURINI, 2015). The EU, certainly the large continental EU member states, had an urgent interest in settling the Ukrainian conflict; if only to secure their gas supply, which still for the greater part passed through Ukraine. With German Chancellor Merkel, who happened to be in Brazil for the world football championship finals, Putin agreed to work for a comprehensive solution that would grant federalism to the Russia-oriented provinces and legitimate the return of Crimea into the Russian Federation, in exchange for a massive economic rehabilitation plan including a rebate on the gas price for Ukraine ('Land for gas', PAGANO, 2014). All this went down with Malaysia Airlines Flight MH17—the EU dropped its hesitations concerning the new round of sanctions, and the Land for gas negotiations were suspended indefinitely. Who actually shot down the Boeing may be obscured by the propaganda war that followed, but there is no doubt about the consequences of the event in the context of the confrontation with the BRICS bloc.

The next step in the economic warfare programme unleashed by the West was the strategic lowering of the oil price, to hit Russia directly. Of course the end of the commodity boom had a depressing effect on all raw material prices, but there was also a strategic aspect to it that kicked in later in 2014. As argued in a *World Economic Forum* report of January

2015, ‘the US and EU in recent months have come up with new forms of sanctions (e.g. the Treasury Department’s Sectoral Sanctions Identifications or “SSI” list)’. The authors suggest Washington sees sanctions ‘as the drones of the future – highly targeted weapons that can be deployed to devastating effect.’ (BHATIA, TRENIN, 2015, p. 5; CROZET, HINZ, 2016, p. 8-9). Oil prices dropped from \$115 a barrel in June 2014 to around \$60 by December, although the excess of supply over demand was small (LEVI, 2015).

One reason for this, and one that fits into the primacy of money-dealing capital in the West, is offered by investment banks speculating against the oil price on the basis of their own (oil) reserves. As Eric Draitser has reported, a US Senate hearing in July 2013 revealed that major Wall Street banks were holding physical oil assets giving them the ability to manipulate oil prices. In a Senate report focusing on Morgan Stanley, it was noted that by 2012 this bank alone had ‘operating leases on over 100 oil storage tank fields with 58 million barrels of storage capacity globally’ (cited in DRAITSER, 2016).

Since the price collapse was not remotely proportional to the market situation, the banks obviously had moved into the geopolitical domain in line with US foreign policy. The reason they and other large business would do this is what Karan Bhatia and Dmitri Trenin call, the process of ‘de-globalization’. This means that ‘companies are increasingly forced to think of themselves as tied to their home governments’ (BHATIA, TRENIN, 2015, p. 5). After the US government has defined Russia and the loose contender bloc it is part of, as the enemy, the banks too have aligned themselves on this policy. This would be another example of how risk-seeking foreign policy and speculative capital have become entwined. Surveillance by heartland intelligence, the ‘Five Eyes’ (NSA, GCHQ, etc.) specifically targets certain BRICS embassies and companies such as Gazprom or Aeroflot, or Brazil’s Petrobras (Canada’s CSEC targets the Brazilian ministry of Mines and Energy (GREENWALD, 2014, p. 119, 135). As Draitser concludes,

Russia is the target of a multi-faceted, asymmetric campaign of destabilization that has employed economic, political, and psychological forms of warfare, each of which has been specifically designed to inflict maximum damage on the Kremlin. While the results of this multi-pronged assault have been mixed, and their ultimate effect being the subject of much debate, *Moscow is, without a doubt, ground zero in a global assault against the BRICS nations* (DRAITSER, 2016, emphasis added).

The EU meanwhile is paying a heavy price for its Atlantic loyalty. Of the overall costs of Western sanctions and Russian countermeasures to mid 2015 of around \$60 billion, 76.7 percent was incurred by EU countries, with Poland, Lithuania, Germany and the Netherlands hit hardest (CROZET, HINZ, 2016, p. 3, 5; KYSELCHUK, 2015, p. 10).

At this point the fragility of the Eurasian alternative revealed itself when Russia’s closest partners, Belarus and Kazakhstan, did not wish to join Moscow’s retaliatory import ban of food imports from countries sanctioning Russia. The ensuing trade frictions to prevent disguised EU food imports entering Russia highlight to what extent the contender bloc of Eurasian Union, BRICS and SCO, is an involuntary response to West-

ern pressure. Neither do the BRICS offer the prospect of a replacement market any time soon. To China, Russia only exports 10 percent of the total, one-fifth of trade with the EU (SAKWA, 2016, p. 13; MARIONI, 2015, p. 18).

A full account of the violent turn that Western policies took after the 2008 financial collapse exhausted the opportunities for speculative raiding would require a detailed analysis of how relations with the other BRICS countries have developed. But even a cursory glance makes clear that the formation of this loose contender bloc has been met with continuous counterstrategies from the United States. In these other cases, the EU is not as closely linked to North American policy via NATO, just as events in the BRICS countries also have their own, internal origins. Thus the parliamentary putsch by the Brazilian PMDB, the judiciary and the media which in August 2015 led to the removal from office of president Dilma Rousseff within a year of her election, did not require active US intervention apart from having the right diplomatic representative in place, able to provide support for the incoming coup president, with whom Washington had long-standing relations anyway (VIEIRA SANTANA, 2016; RUSSIA TODAY, 2016). Far from an attack on supposed corruption of PT officials and its alleged condoning by the president, the group that took power itself is under suspicion of serious corruption. But since the contender state tradition, to the extent it persists in Brazil, rests on two pillars: the right plus the army, and the PT party plus Petrobras, removing the latter from power represents a major blow to the directive state role (ASSANGE, 2017; SCHUTTE, 2014).

Meanwhile South Africa was rocked by a corruption scandal involving another signatory to the BRICS bank enterprise, president Jacob Zuma, whilst India under prime minister Narendra Modi was being courted by the United States with arms and other deals. Thus between 2014 and 2017, it would seem that the Eurasian/BRICS contender bloc has been effectively reduced to China's continuing ascent as the main challenger of Western neoliberal pre-eminence. The Asian Infrastructure Investment Bank (AIIB) and the One Belt, One Road project (OBOR) in the process have largely eclipsed the BRICS bank as a consequence (SIT et al., 2017).

Given the epochal crisis in which Western capitalism has become stuck, foregrounding its military and intelligence means of power and influence in world affairs, there is no way of predicting how this contest for global primacy will end. Nor can we presage whether it will be concluded peacefully—if that term is appropriate at all in light of proliferating violence the world over. However, recognising the different political-economic orders behind the two main blocs facing each other, will at least prevent us from harbouring illusions about a straightforward negotiated outcome.

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