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THE BRICS AND GLOBAL CAPITALISM

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BRICS, as is well known, was a name coined by Goldman Sachs analyst Jim O'Neill to refer to promising emerging markets for finance capital that would extend the boom of the global economy in the first decade of the 21st century. But one can say that even if O'Neill had not invented the name, the BRICS would have emerged as a conscious formation of big, rapidly developing countries with an ambivalent relationship to the traditional centre economies of Europe and the United States.

THE CREATION OF A COLLECTIVE CONSCIOUSNESS

Perhaps the key arena where "BRIC consciousness" was forged was in the World Trade Organization. Barely had the WTO been established in 1995, than the United States and the Europe Union wanted more trade concessions from the developing countries. India and Brazil emerged as the key actors in a defensive strategy that resulted in the formation of the Group of 20. This formation emerged as the most formidable opposition to the unequal trade liberalisation that the North was foisting on the South, and was instrumental in bringing about the collapse of the Fifth Ministerial Meeting of the WTO in Cancun in September 2003. The Group, led by Brazil, India, and South Africa and fortified with the accession of China, played the key role not only in halting the Euro-American drive for greater liberalisation in the agriculture, manufacturing, and services sectors of developing countries, but in stopping the North's effort to expand the WTO's authority into the areas of investment, competition policy, government procurement, and trade facilitation.

The agendas of the BRICS in the WTO were not always the same. For instance, in agriculture, Brazil was more interested in opening up export markets for its soybeans and other plantation products in Europe and the United States, while India put the emphasis on protecting its small-peasant agriculture. But they were willing to subordinate their differences to a common comprehensive anti-liberalisation and pro-development agenda that helped bring the Doha Round of negotiations to a standstill.

The coordination achieved in the WTO was translated into cooperation in the other Group of 20, the group of governments that came together in response to the eruption of the global financial crisis in 2008, and in the global climate negotiations, where China and India essentially set the agenda for the Group of 77 and China.

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THE *BRICS* AND THE GLOBAL FINANCIAL CRISIS

In 2001, O'Neill identified the BRICS as the "drivers of global growth."[1] The next few years appeared to prove him right, as their performance on all key indicators, like the GDP growth rate, per capita income growth rate, and rates of return on investment, surpassed those of the US and other economies in the North. When the global financial crisis broke out, the BRICS at first seemed to be dragged down by the collapse of their markets in the North, with their growth rates slowing down significantly in 2008. However, recovery was swift, triggered in some countries by countercyclical stimulus programs. In China, for instance, a $586 billion stimulus program that was, in relation to the size of the economy, bigger than Obama's $787 billion stimulus in the US, reversed the economic contraction not only in China but also in neighbouring economies that had become greatly dependent on the Chinese economy to absorb their products.

It was this context of recovery in 2009 and 2010 that Nobel Prize laureate Michael Spence predicted in his book *The Next Convergence* that the BRICS would replace the US and Europe as the key engines of the world economy. In a decade, Spence confidently predicted, the BRICS share of global GDP would pass the 50 per cent mark. Much of this growth would stem from "endogenous growth drivers in emerging economies anchored by an expanding middle class."[2] Moreover, as trade among the BRICS increased, "the future of emerging economies is one of reduced dependence on industrial-country demand."[3]

Hardly had Spence's book come out when the performance of the BRICS put paid to his rosy predictions. Beginning in 2012, the stagnation of the global economy engulfed the BRICS in earnest, revealing the stimulus-triggered recovery of 2009 to be a short-term affair rather than a sustained passing of the baton of global growth from Europe and the US to the BRICS. Brazil's growth rate dropped from 5.3 per cent in 2010 to 1.5 per cent in 2012, India's from 8.2 to 3 per cent, Russia from 4.9 to 2.5 per cent, and China from 9.8 to 7.2 per cent. The near simultaneous slowing down of the BRICS' growth was accompanied by foreign capital outflows, plunging currency values, rising inflation, and growing inequality.

THE *BRICS* AS CAPITALIST REGIMES

Before we move to a closer examination of the causes of the crisis of the BRICS, it would be helpful to analyse the class character of these formations. Perhaps the most illuminating development in this regard has been the spread of high profile social conflicts, especially during the last decade.

The most explosive problem faced by the BRICS is the pent-up conflicts that had built up in the drive to develop. In Brazil, which has one of the highest rates of inequality in Latin America, with a Gini coefficient of 51.9, the payback came in the form of riots throughout the country in 2013. These were triggered by an explosive combination of transportation fare increases, deteriorating public services, and displacements of urban residents and corruption connected with the construction of infrastructure for the 2013 Confederations Cup and the 2014 FIFA World Cup. In South Africa, the illusion of BRICdom fostered by the 2010 FIFA World Cup was shaken by the protests of miners that climaxed with the infamous Marikana massacre, where troops fired on strikers and killed 44 in August 2012. Marikana exposed to the world a country where a developed country infrastructure coexisted with one of the world's most unequal income structures, with South Africa's Gini index standing at 63.1.

In China, "mass incidents"—the euphemism for protests—doubled between 2006 and 2010, rising to 180,000, according to the Chinese Academy of Governance.[4] The causes were varied, ranging from land grabs to official corruption to environmental degradation. Protests against pollution and other forms of ecological destabilisation appeared to be particularly numerous and underlined the authorities' subordinating the quality of life to the altar of high growth. In China and the other BRICS as well the notion appeared to reign that there was a trade-off between environmental protection and development.

In 2010, however, a successful strike for higher wages by workers of a Honda plant in Nanhai, Guangdong Province, inaugurated a new era of resistance, this time led by the workers that served as the backbone of export-oriented manufacturing. In June 2011, it was the turn of thousands of poorly paid garment workers in Zengcheng, the so-called "Blue Jeans" capital of the world to protest, with riots and strikes. These events were a dress rehearsal for the strikes involving some 30,000 workers in Dongguan, near Guanzhou, that hit the manufacturing subcontractor Yue Yuen, perhaps the largest producer of branded footwear in the world, in April 2014.

The significance of the labour strikes was pointed out in an article in *Jacobin*, the progressive electronic journal:

> More than thirty years into the Communist Party's project of market reform, China is undeniably the epicenter of global labor unrest. While there are no official statistics, it is certain that thousands, if not tens of thousands, of strikes take place each year. All of them are wildcat strikes - there is no such thing as a legal strike in China. So on a typical day, anywhere from half a dozen to several dozen strikes are likely taking place.

More importantly, the assessment continued, "*workers are winning*, with many strikers capturing large wage increases above and beyond any legal requirements. Worker resistance has been a serious problem for the Chinese state and capital and, as in the United States in the 1930s, the central government has found itself forced to pass a raft of labour legislation. Minimum wages are going up by double digits in cities around the country and many workers are receiving social insurance payments for the first time."[5]

The relationship to workers, a great part of whom are migrants from the countryside, is perhaps the key consideration in determining the nature of the character of the ruling regime in China. Though the Communist Party leadership retains its socialist ideological discourse, the reality is that thirty years after Deng Xiaoping's pro-market reforms, China, in the words of the Slovenian philosopher Slavoj Zizek, "is today the ideal capitalist state: freedom for capital, with the state doing the 'dirty job' of controlling the workers. China as the emerging power of the twenty first century…seems to embody a new kind of capitalism: disregard for ecological consequences, disdain for workers' rights, everything subordinated to the ruthless drive to develop and become the new world force."[6]

The other BRICS states may not have the same coercive and extractive power as the Chinese state, and three of them—Brazil, South Africa, and India—are electoral democracies, but all have relatively powerful central bureaucracies that have been the key instrument in the technocratic transformation of their economies. Lula's Brazil, it might be noted, inherited the developmental state forged by the Brazilian military-technocratic elite that produced the so-called "Brazilian Miracle" in the 1960s and 1970s; the African National Congress stepped into a centralised state apparatus that had been honed not only for repression but for extractive exploitation by the apartheid regime; and, of course, Putin's Russia inherited the old super-centralised Soviet state.

While there might be healthy discussion on whether all of these regimes might be called neoliberal, there can be no doubt that they are capitalist regimes, prioritising profits over welfare goals, loosening prior restraints on market forces, spearheading the integration of the domestic to the global economy, following conservative fiscal and monetary policies, exhibiting a close cooperation between the state elite and dominant forces in the economy, and, most importantly, relying on the super-exploitation of their working classes as the engine of rapid growth.

THE *BRICS* AND THE CENTRE ECONOMIES

It is arguable that the BRICS have been the main beneficiaries of globalisation. However, their integration into the world economy has been a process marked by complementarities and contradictions with the traditional centre economies of Europe and the United States. As noted at the beginning of this essay, they emerged as a conscious collective formation defending a protectionist trade agenda in the World Trade Organization.

True, some of them, particularly China, have developed investment regimes extremely hospitable to foreign capital, as Zizek has pointed out, but all have also manipulated foreign capital to accumulate technological and management expertise to eventually wean them off their dependence on the latter. Even as they have developed as dynamic centres of accumulation that energised or reenergised global capitalism as a whole, they have followed what might be termed as nationalist goals of enhancing their geopolitical and geoeconomic power vis-a-vis the traditional centres of global economic, political, and military power.

Their dialectical relationship to the dominant capitalist economies is what is missed by analysts who insist that the BRICS are being merely subordinates of the United States and do not see their rise as threatening the global economic hegemony of the United States and Europe. Complementarity and contradiction are the dialectical aspects of their relationship to the dominant powers, and this is exhibited most sharply in the relationship of China to the United States. China is, for instance, increasingly challenging the hegemony of the US dollar as the global means of exchange, even as it is in the process of supplanting the United States as the main investor and trading partner of many countries in Latin America, the US's so-called "backyard."

If competition is pronounced at the economic level, it is even fiercer at the geopolitical level since there is a greater degree of "relative autonomy" between the political relations among states than the economic relations among countries. Reductionist analysis of the BRICS fails to fully appreciate the phenomenon of geopolitical rivalry. In recent years, for instance, Beijing has moved from its policy of "peaceful rise" on the global stage to overtly challenging the military power of the United States and Japan, two economies to which China is deeply integrated, in the Western Pacific.[7] At the same time, ties between Russia and Europe and the United States, two blocs to which Moscow has developed significant ties, especially when it comes to finance and energy, have deteriorated as the Putin government has pushed back against NATO's expansion right onto Russia's doorstep in the wake of the collapse of the Soviet Union.[8]

THE *BRICS* AND GLOBALIZATION

One cannot fully understand the rise of the BRICS without considering the crisis of the global economy in the 1970s, when the so-called "Golden Age of Capitalism" driven by post-war consumer demand, the reconstruction of Europe, US military spending, and rapid economic development in the decolonised world came to an end in the twin crises of stagnation and inflation that, according to orthodox economic theory, were not supposed to occur simultaneously. "Stagflation," however, was but a symptom of a deeper problem: the reconstruction of Germany and Japan and the rapid growth of industrialising economies such as Taiwan and South Korea had added tremendous new productive capacity and increased global competition, but continuing social inequalities within countries and between countries worldwide limited the growth of purchasing power and demand. This contradiction eroded profitability.

But while economists of the then reigning Keynesian school were puzzled by stagflation, to progressive analysts, this phenomenon was a symptom of the classic capitalist crisis of overproduction or overaccumulation, which Marx had described thus: "The real barrier of capitalist production is capital itself…The means—unconditional development of the productive forces—comes continually into conflict with the limited purpose, the self-expansion of existing capital."[9]

In response to the crisis of profitability spawned by overproduction, capital evolved three escape routes: neoliberal restructuring, financialisation, and globalisation.

Also known as Reaganism and Thatcherism in the North and structural adjustment in the South, the aim of neoliberal restructuring was essentially to invigorate capital accumulation, and this was to be done by removing state constraints on the growth, use, and flow of capital and wealth, including geographic barriers; tearing up the "class compromise" between Big Capital and Big Labour that was the central social feature of the Keynesian state; and revising tax laws to favour the rich on the theory that the rich would then be motivated to invest and reignite economic growth.

The second escape route was "financialisation," or the increasing reliance of capital on investment in the "financial economy," in contrast to the "real economy," to maintain profitability. To use Marxist terminology, this was squeezing more value out of already created value. It was the explosion of unregulated, uncontrolled, non-transparent speculative activity that served as the trigger of the current global economic crisis.

The third escape route global capital took to counter stagnation was "extensive accumulation" or globalisation, or the rapid integration of semi-capitalist, non-capitalist, or pre-capitalist areas into the global market economy. This is the phenomenon of greatest interest to us since the rise of the BRICS was tied to globalisation.

To understand this link between globalisation and the BRICS, Rosa Luxemburg's *Accumulation of Capital* would be helpful. In that work, Luxemburg argued that to survive, capital needed a periphery in order to keep up the rate of profit by creating new markets, new supplies of cheap labour, and new sources of raw materials. In one of her most pithy assertions, Luxemburg wrote:

> Capital needs the means of production and the labour power of the whole globe for untrammelled accumulation; it cannot manage without the natural resources and the labour power of all territories. Seeing that the overwhelming majority of resources and labour power is in fact still in the orbit of pre-capitalist production—this being the historical milieu of accumulation—capital must go out and obtain ascendancy over these territories and social organisations…[I]n fact, primitive conditions allow of a greater drive and of far more ruthless measures than could be tolerated under purely capitalist conditions.[10]

Further, capitalism "needs non-capitalist social organisations for its development…[and] proceeds by assimilating the very conditions which alone can ensure its own existence."[11]

China is, of course, the most prominent case of a non-capitalist area to be integrated into the global capitalist economy over the past 25 years, but the numbers of workers and regions that the process of globalisation incorporated into the international economy in the last few decades to serve as cheap labour to offset the falling rate of profit encompassed much more than China and Chinese workers. As John Bellamy Foster, Robert McChesney, and R. Jamil Jonna note:

> This continuous search for low-cost position and higher profit margins led, beginning with the expansion of foreign direct investment in the 1960s, to the "offshoring" of a considerable portion of production. This, however, required the successful tapping of huge potential pools of labor in the third world to create a vast low-wage workforce. The expansion of the global labor force available to capital in recent decades has occurred mainly as a result of two factors: (1) the depeasantization of a large portion of the global periphery by means of agribusiness—removing peasants from the land, with the resulting expansion of the population of urban slums; and (2) the integration of the workforce of the former "actually existing socialist" countries into the world Capitalist economy. Between 1980 and 2007 the global laboru force, according to the International Labor Organization (ILO), grew from 1.9 billion to 3.1 billion, a rise of 63 per cent —with 73 per cent of the labuor force located in the developing world, and 40 per cent in China and India alone.[12]

CRISIS OF A MODEL

Export-oriented growth based on the incorporation and exploitation the of hundreds of millions of the global reserve army of labor from non-capitalist, semi-capitalist, or pre-capitalist societies was the mode of integration of most of the BRICS and some other developing and "transitional" economies into the global economy. This strategy focused priorities, incentives, and resources on the export sector, depressing demand and creating dislocations in the domestic market.

It is this regime of production that has come into crisis. And it has entered into crisis because instead of alleviating the crisis of overproduction to which globalisation was a response, it has deepened the crisis of global overproduction.

In this regard, it might be worthwhile to briefly explain why the escape routes from the crisis of accumulation in the 1970s-the triad of neoliberal restructuring, financialisation, and globalisation that we referred to earlier-ultimately failed to save global capitalism from stagnation.

First, let us consider the impact of neoliberal restructuring. Restructuring amounted to a redistribution of income from the poor and the middle classes to the rich, and figures are eloquent on this: the top one per cent of the population in the US cornered nearly 30 per cent of the national income in 2007, up from 10 per cent in 1957.[13] The problem with this solution to overproduction was that it gutted the incomes of the poor and middle classes, thus restricting demand, while not necessarily inducing the rich to invest more in production. In fact, what the rich did was to channel a large part of their redistributed wealth to speculation.

The truth is neoliberal restructuring, which was generalised in the North and South during the 1980s and '90s, had a poor record in terms of growth. Angus Maddison's statistical work—regarded as the most reliable—showed that the annual rate of growth of global GDP fell from 4.9 per cent in 1950-73 to 3 per cent in 1973-99, a drop of 39 per cent.[14] The United Nations confirmed this trend, estimating that world GDP grew at an annual rate of 5.4 per cent in the 1960s, 4.1 per cent in the 1970s, 3 per cent in the 1980s, and 2.3 per cent in the 1990s.[15] Neoliberal restructuring could not shake off stagnation.

On the second escape route, financialisation, this was an illusory solution because it involved investing not in the productive economy but in the financial economy, that is, in squeezing value or profits out of already created value, not creating new value. This was a fundamentally unstable process that rested on the creation of bubble or speculative mania where prices diverged from real values in the short term, providing the opportunity for profit making, but eventually crashed back to reality, wiping out billions of dollars of paper wealth and triggering downturns or recessions.

Profitability being dependent on speculative coups, it is not surprising that the financial sector has lurched from one bubble to another, or from one speculative mania to another.

Because it is driven by speculative mania, finance-driven capitalism has experienced about 14 major financial crises since capital markets were deregulated and liberalised in the 1980s, the latest of which was the collapse of the real estate bubble in the US that triggered the current global downturn.

Third, the problem with globalisation as an escape route is that it exacerbated the problem of overproduction because it added to productive capacity. To counter their declining profits, a sizable number of the Fortune 500 corporations moved a significant part of their operations to China to take advantage of the so-called “China Price” — the cost advantage deriving from China’s seemingly inexhaustible cheap labour. By the middle of the first decade of the 21st century, roughly 40-50 per cent of the profits of US corporations were derived from their operations and sales abroad, especially in China.[16] At the same time, a lot of Chinese productive capacity came on-stream, with the result that idle capacity in key industries such as steel, automobile, cement, aluminium, and real estate soared.

A tremendous amount of manufacturing capacity has been added in China and globally over the past 25 years, and this has had a depressing effect on prices and profits. Not surprisingly, by around 1997, the profits of US corporations stopped growing. According to another index, presented by economist Philip O’Hara, the profit rate of the Fortune 500 went from 7.15 in 1960-69 to 5.30 in 1980-90 to 2.29 in 1990-99 to 1.32 in 2000-02. [17] As for Chinese enterprises, government statistics revealed that the annual average annual profit growth rate of all major enterprises had plunged by half by 2005.[18]

It was consumption in the North that fed overinvestment in China and, to some extent, in the other BRICS, and when this collapsed owing to the outbreak of the global financial crisis in 2008--which translated immediately into a severe recession in the United States and much of Europe--the perils and limits of export-oriented production were brutally exposed.

THE EXPORT-LED TRAP

China’s crisis illustrates the difficulty of breaking away from the model of export-oriented production. As noted earlier, in 2008, in response to the crisis, China launched a $585 billion stimulus program to enable the domestic market to make up for the loss of export demand. Under the leadership of President Hu Jintao and Prime Minister Wen Jiabao, this was meant to be a strategic transition to a new domestic-demand centred economy. Achieving some success at first, China, however, reverted back to export-led growth oriented towards the US and European markets. The reason for the retreat was explained by Yu Yongding, one of Beijing's most influential economists.

> With China's trade-to-GDP ratio and exports-to-GDP ratio already respectively exceeding 60 per cent and 30 per cent, the economy cannot continue to depend on external demand to sustain growth. Unfortunately, with a large export sector that employs scores of millions of workers, this dependence has become structural. That means reducing China's trade dependency and trade surplus is much more than a matter of adjusting macroeconomic policy.[19]

Indeed, not only was the problem structural in nature. The retreat back to export-led growth reflected the powerful influence a set of forces from the reform period that, as Yu put it, "have morphed into vested interests, which are fighting hard to protect what they have."[20] The export lobby, which brings together private entrepreneurs, state enterprise managers, foreign investors, and government technocrats, remains the strongest lobby in Beijing.

Staying with the export-oriented model was a dead end according to Yu since China's "growth pattern has now almost exhausted its potential."[21] The economy that most successfully rode the globalisation wave, China "has reached a crucial juncture: without painful structural adjustments, the momentum of its economic growth could suddenly be lost. China's rapid growth has been achieved at an extremely high cost. Only future generations will know the true price."[22]

The new leadership of President Xi Jinping realizes the challenge that confronts China, but whether it will be able to succeed where Hu Jintao failed remains to be seen. There is a race against time especially when it comes to heading off the impact of the worsening income distribution occasioned by neoliberal and export-oriented policies that prioritised the interests of investors, management, elite and middle class, and the export sector.

THE FUTURE OF THE *BRICS*

With export-oriented production and globalisation entering into crisis, the question that emerges is what is the future of the BRICS?

That the BRICS will not move to break with their current paradigm of growth is certainly a possibility. However, there are serious discussions in ruling circles about ways to surmount the current crisis.

One option is for the BRICS to become more integrated with each other and with other developing country economies, along the lines of the strategy of "South-South Trade" or "South-South Cooperation" that has long been propounded by many progressive economists. Further integration is one of the key topics in the BRICS summits that now take place annually. There is, however, one problem with this solution, and it is that the fruits of integration would be limited if it involved highly unequal societies with restricted demand since large parts of the population are left out of the market.

The other solution, which the BRICS elites are not too enthusiastic about, is for the BRICS to adopt policies aimed at radically reducing income inequalities and thus creating vibrant domestic markets. The reason for the strong hesitations of the BRICS leaderships in taking this path is that it will involve no less than promoting a social revolution in these countries, since in South Africa, Brazil, India, and China, there are powerful interest groups that have congealed around the current economic regimes marked by conservative macroeconomic policies centred on export-oriented growth strategies. An even more fundamental question is, assuming that they can break with export-led growth, can the pursuit of policies promoting greater equality be undertaken within these countries' current capitalist frameworks, where raising the levels of profitability remains the elites' central concern?

The elites in the BRICS are dealing with the challenge of transformation in diverse ways. In India, the new BJP government of Narendra Modi seeks to revitalise the Indian economy by opening it up more fully to foreign investors and radically cutting down the budget deficit *a la* Tea Party partisans in the United States. This seems to be a prescription for continuing and deepening the past 25 years conservative neoliberal policies and thus is unlikely to succeed in surmounting the country's stagnation.

Perhaps in this area, the bellwether among the BRICS is again China, where the current leadership is very much aware of the consequences of the previous leadership's failure to make the break with the export-led growth model and make the transition to one based on a domestic market invigorated by radical asset and income redistribution. Whether Xi Jinping succeeds where Hu Jintao failed remains to be seen.

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The economic rise of China, India, Brazil and others has been met by most analysts in the North with a mixture of breathless excitement or fear. But what does the rise of these nations mean for local and international social movements committed to economic, social and environmental justice?

Does the emergence of a multipolar global order open up policy space for alternative economic visions and pose a necessary challenge to a US and Northern-dominated global order? Or might it instead reinvigorate capitalism and exploitation by a new constellation of corporate elites? How should social movements respond in a way that embraces needed changes to the post-colonial status quo yet supports communities struggles against the impacts of land grabbing, environmental destruction and rising inequality, this time perpetuated by emerging economy governments?

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