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BRICS banking and the debate over sub-imperialism

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ABSTRACT

Funded at \$100 billion each, the BRICS Contingent Reserve Arrangement (CRA) and New Development Bank (NDB) represent 'sub-imperial' finance, insofar as, by all indications, they fit into – instead of providing alternatives to – the prevailing world systems of sovereign debt and project credits. Balance of payments constraints for BRICS members will not be relieved by the CRA, which requires an IMF intervention after just 30% of the quota is borrowed. In this context the NDB would appear close to the Bretton Woods Institution model, promoting frenetic extractivist calculations based on US dollar financing and hence more pressure to export.

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When theorising imperialism just over a century ago, Rosa Luxemburg considered how the process of capitalist crisis 'spurs capital on to a continual extension of the market', today called 'globalisation'. Where it landed, she continued, 'only the continuous and progressive disintegration of non-capitalist organization makes accumulation of capital possible'.¹ Evidence from South Africa, Namibia and the Democratic Republic of Congo (DRC) proved exceptionally helpful.² After the era of colonial power relations that facilitated this relationship, amplified in South Africa by apartheid,³ a new set of multilateral and inter-state relations emerged for what were considered more efficient and legitimate modes of imperial accumulation, especially through the Bretton Woods Institutions. A half century ago the concept of 'sub-imperialism' allowed Ruy Mauro Marini to explain the Brazilian case.⁴ Over the past decade the renewal of this process – crisis, extension of the market, amplified super-exploitative relations between capitalist and non-capitalist spheres, financialised economies, a commodity super-cycle and geopolitical rearrangements requiring collaboration with emerging powers – has required an understanding of a 'new imperialism'. This phenomenon emanates not just from Northern capital cities; rather 'what might be called "sub-imperialisms" arose' in recent years, according to David Harvey, once 'each developing centre of capital accumulation sought out systematic spatio-temporal fixes for its own surplus capital by defining territorial spheres of influence'.⁵

Such surplus capital needs outlets. By mid-2015, with a half-trillion dollars departing China over the previous 15 months notwithstanding firm exchange controls, overall capital

outflows from (Brazil, Russia, India, China and South Africa (BRICS) had become exceptional. The Chinese stock market bubble's subsequent bursting quickly erased \$3.5 trillion. The Brazilian, Russian and South African economic crises, though of different origins, were accompanied by similar problems of capital flight. In each case, as well as Indian capital abroad, the objective has been to draw out further surpluses and return them, at least temporarily, to the home headquarters.

Within Africa, South Africa's interests are in defining the sub-continent ('sub-Saharan Africa') as the territorial sphere of influence into which to channel these flows. Projects such as the 2001 New Partnership for Africa's Development and the 2005 African Peer Review Mechanism reflected an earlier dedication to this effort.⁶ But they suffered such huge contradictions and setbacks that, today, much more explicit financial channels are needed to direct the surpluses into potentially profitable long-term outlets, including the 2012 Programme for Infrastructure Development in Africa (PIDA). Africa's neo-colonial accumulation agenda resembles colonialism's in many respects, and to ensure that commodities move from plantation or mine to smelter to port, PIDA offers roads, railways, bridges, harbours, pipelines and especially energy transmission infrastructure.

The amounts of funding being discussed in the African Union (AU) and UN are substantial, and include the \$80 billion Inga Hydropower Project on the Congo River, which will, if all phases are complete, supply more than 42,000 megawatts of power (three times the capacity of China's Three Gorges dam). Mining and smelting are the logical beneficiaries, as is currently the case as a result of Inga's early stages under the Mobutu regime. This is only the largest mega-project in what PIDA anticipates could be \$93 billion worth of annual infrastructure investments.

To seed many of these projects, South Africa's Development Bank of Southern Africa (DBSA) was given an additional \$2 billion in capital in 2013–14 to enhance its cross-border expansion. The largest single infrastructure loan that the World Bank has ever made, for \$3.75 billion, went to South Africa's Eskom parastatal in several tranches, starting in 2010, in order to pay for a 4800 megawatt coal-fired power plant whose cost escalation raised consumer prices dramatically, in turn causing countless community riots. Meanwhile, as a result of apartheid-era sweetheart deals renewed after 1994, the world's largest mining house, BHP Billiton, continued to receive the world's cheapest electricity (\$0.01/kWh) from Eskom, a tenth of what consumers paid.⁷

And yet, even before the post-2008 commodities price crash – which began in 2011 and worsened dramatically in 2014 – debt repayment terms and returns on investment in Africa were not sustainable. This was a function of volatile world markets, to be sure, but also a result of extreme overhyping of Africa's growth prospects. Those establishment voices promoting 'Africa Rising' as a means of re-legitimizing the export-led primary-commodity economic model failed to consider that, while incomes were rising in the range of 6% per annum, *so too was Africa's wealth decreasing by an equivalent amount* (as measured by the World Bank) for a simple reason: GDP measures extraction of non-renewable minerals as a credit and doesn't count 'natural capital depletion' as a debit.⁸ By following the 2012 Gaborone Declaration (a natural capital accounting endorsement by 10 African states, the World Bank and Conservation International), a more accurate recounting of Africa's economic well-being would reveal systemic, large-scale looting. In the Bank's language, 'aggregate gross savings and formation of human capital are not sufficient to compensate for depreciation of produced capital, depletion of natural capital and population growth. The result: the region is

wealth depleting.⁹ Only 12% of sub-Saharan African countries surveyed were *not* losing net wealth, at a time they were meant to be 'rising'. The period of the 2002–08 commodity price super-cycle boom was only the most pronounced moment of natural capital depletion.

Meanwhile, another kind of looting – 'illicit financial flows' from Africa – was confirmed at a minimum of \$50 billion per annum, minimum, using a very conservative methodology, by the High Level Panel on Illicit Financial Flows.¹⁰ The Panel was commissioned in 2012 by the AU and the UN Economic Commission on Africa (ECA), and was led by former South African president Thabo Mbeki. There are numerous ways that transfer pricing, mis-invoicing and other modes of corrupt repatriation of profits occur, many of which Mbeki decried. But these should not blind us to the 'licit' financial flows – profits and dividends – due to foreign direct investment (FDI). According to the South African Reserve Bank, the period of 2009–14 reflected dividend receipts only 20–50% as high as dividend outflows to transnational corporations operating in South Africa.¹¹ (The ratio for countries rich in corporate headquarters like the USA and The Netherlands was typically above 200% in the same period.) The rest of the continent was far worse afflicted, since South African firms drew substantive profits from Africa as their main way of offsetting flows to the London, New York and Melbourne headquarters of the country's largest firms.

BRICS and the sub-imperial financial stance

While outflows of capital from Africa – including the main economic powerhouses of South Africa, Nigeria and Egypt – grew worse since the commodity boom began in 2002, quite substantial countervailing flows of surplus capital were directed into Africa in search of both FDI and 'portfolio' (financial sector) investments. These will soon be even more observable through an institutional arrangement not as excessively influenced by the West and its conditionalities. Starting in 2016 the BRICS bloc will be lending through both a BRICS New Development Bank (NDB) headquartered in Shanghai and a Contingent Reserve Arrangement (CRA) for liquidity. Both were capitalised at \$100 billion notionally, although the NDB has only \$25 billion in immediate capital injections (\$5 billion each) and the rest 'callable', with the CRA simply moving forex reserves into a notional bail-out fund. Deliberations on the institutions were highlights of the March 2012 New Delhi, 2013 Durban, 2014 Fortaleza and 2015 Ufa summits of BRICS leaders.

At those summits, and in between at many Bretton Woods Institutions annual meetings and G20 summits, BRICS finance ministers regularly expressed dissatisfaction with the IMF's governance, notwithstanding having collectively spent \$75 billion on the organisations recapitalisation in 2012. To the surprise and disappointment of many BRICS supporters, however, the CRA actually empowers the IMF because, if a member country is in need of more than 30% of its borrowing quota, it must first go to the IMF for a structural adjustment loan and conditionality before accessing more from the CRA. For South Africa, whose foreign debt rose from around \$30 billion in 2003 to \$150 billion a dozen years later – ie more than 40% of GDP, which puts it in the debt-crisis danger zone – this would mean that only \$3 billion is available from the CRA before recourse to the IMF would be necessary. (In 1985, the last time this debt ratio was hit, the then leader of apartheid South Africa found it necessary to default on \$13 billion in short-term debt payments coming due, to close the stock exchange and to impose exchange controls.)

Moreover, both the CRA and NDB are US dollar-denominated lenders, instead of establishing a fusion mechanism for their own monies: the real, ruble, rupee, renmimbi and rand. Such BRICS subservience would, remarked financier Ousmène Jacques Mandeng of Pramerica Investment Management in a *Financial Times* blog, 'help overcome the main constraints of the global financial architecture. It may well be the piece missing to promote actual financial globalisation.'¹² As Brazil's Ministry of Finance reminded people in July 2015, the CRA 'will contribute to promoting international financial stability, as it will complement the current global network of financial protection. It will also reinforce the world's economic and financial agents' trust.'¹³

Nevertheless, a great deal of the BRICS bloc's credibility among progressive international political commentators rests upon aggressive rhetoric about potential global financial interventions. According to Horace Campbell, 'Ultimately, in the context of the present currency wars, the CRA will replace the IMF as the provider of resources for BRICS members and other poor societies when there are balance of payments difficulties.'¹⁴ Mark Weisbrot argued that the CRA 'has the potential to break the pattern not only of US–EU global dominance but also of the harmful conditions typically attached to balance of payments support.'¹⁵ According to Walden Bello, both the CRA and NDB 'aim to break the global North's chokehold on finance and development.'¹⁶ Radhika Desai argues: 'The BRICS are building a challenge to western economic supremacy.'¹⁷ And after the Ufa summit, according to Mike Whitney of *CounterPunch*, 'The dollar is toast. The IMF is toast. The US debt market (US Treasuries) is toast... Ufa marks a fundamental change in thinking, a fundamental change in approach, and a fundamental change in strategic orientation.'¹⁸

This wishful thinking is unfortunate not only because of the CRA's provision that once the 30% quota on lending is breached an IMF agreement is required, thus providing a means of empowering and re-legitimising the IMF. Moreover, only CRA members (not other countries) get CRA access. Hence applause for the supposedly 'alternative' BRICS financial initiatives came logically from both Jim Yong Kim at the World Bank and Christine Lagarde at the IMF. Likewise in 2015 more than 40 countries – including several from Europe, including the UK – became founder-members of China's Asian Infrastructure Investment Bank, and it received endorsement from Kim, in the process foiling Barack Obama's sabotage diplomacy.¹⁹

In these respects, following Marini, the BRICS are 'collaborating actively with imperialist expansion, assuming in this expansion the position of a key' bloc, whose own interests also rest in sub-imperialist stabilisation of international financial power relations, for the advancement of their own regional domination strategies. If this was not the case, it would have been logical for the BRICS to instead have supported the Banco del Sur (Bank of the South). Founded by the late Venezuelan president Hugo Chavez in 2007 and supported by Argentina, Bolivia, Brazil, Ecuador, Paraguay and Uruguay, Banco del Sur already had \$7 billion in capital by 2013.²⁰ It offered a more profound development finance challenge to the Washington Consensus, especially after Ecuadoran radical economists led by Pedro Paez improved the design. Instead, it was repeatedly sabotaged by more conservative Brazilian bureaucrats and likewise opposed by Pretoria, which refused to join it during the Mbeki era.

Yet flaws in the global financial architecture remain vividly apparent and another world financial crisis is looming, given how much unjustified liquidity the USA, UK, EU and Japan have pumped into the world's banks, with so little new direct investment to show for it. The BRICS strategy – especially in relation to the expedited extraction of Africa's minerals, petroleum, gas and cash crops – raises questions about how different its pro-corporate economic growth model

will be, compared to the West's, and whether its role in world capitalism is limited to assimilation rather than what is needed: a rupture from existing orthodox models, such as a radically new approach to development finance. Nowhere is this more true than in Africa.

Indeed, as a result of turbulence in financial markets in 2013 (affecting four out of five BRICS) and rapidly falling mineral and oil prices from 2011 and especially 2014 (hurting especially Brazil, Russia and South Africa), not to mention the 2014–15 financial squeeze on Russia for geopolitical reasons, the risks of commodity export strategies and global money markets were unveiled. The \$100 billion CRA would quickly be exhausted in the event of a more serious financial meltdown. Perhaps those sums can be increased in coming years, because at present they are incapable of warding off emerging-market financial melting of the sort witnessed since the mid-1990s, when numerous countries have needed a \$50 billion package overnight so as to halt financial disinvestment in the form of herd-instinct runs, including Russia's record mid-1998 \$57 billion bailout.²¹

There are obvious geopolitical roles played by the BRICS in tension with imperialism, such as Moscow's halting Washington's bombing of Syria in September 2013 (at the G20 meeting in St Petersburg where Putin received BRICS' backing) and two years later propping up the Assad regime by bombing rebels (including moderates opposed to both Assad and the Islamic State). Vladimir Putin aggressively promotes Russia's geostrategic interests in relation to Ukraine, as does Xi Jinping in the South China Sea. Yet, aside from Putin's safe haven for Edward Snowden, the BRICS leaders have so far failed to address the world's deeper geopolitical power imbalance, much less its economic and ecological crises. To illustrate, the Russians and Chinese formerly oppose the ascension of other BRICS countries to UN Security Council permanent membership, because their veto would dilute their own power.

And within the IMF, to further illustrate, Chinese voting power has risen substantially but left no genuine change in the institution's agenda. Were they to be implemented, the 2010 IMF reforms would lower the voting clout of the poorest states substantially. As for the World Bank, its presidency was taken by Obama's nominee Kim in 2012 without a united response from the BRICS nations.²² Yet still there were and are expectations that two new BRICS financial institutions will provide an alternative, one with anti-imperialist potential.

Sub-imperial financiers

Since Karl Marx prefaced *Das Kapital* with a concern that 'Individuals are dealt with here only in so far as they are the personifications of economic categories, the bearers of particular class-relations and interest', we might consider biographies of such men as a useful exercise. Re-legitimisation of world financial order was, after all, explicitly reflected in Pretoria's two new appointees to NDB leadership in July 2015:

- NDB vice president Leslie Maasdorp was the main privatiser of South Africa's state assets and also worked in the local leadership of Bank of America and Barclays – both charged with currency manipulation worth billions of dollars.
- NDB board director Tito Mboweni, who in 2001 was *Euromoney's* 'Central Bank Governor of the Year', regularly bragged of learning from the US Federal Reserve's notorious free-marketeer and financial liberaliser, Alan Greenspan. From 1999 to 2009 Mboweni was the most conservative central banker in modern South African history. He not only loosened exchange controls dozens of times, but as a result then had to push interest rates to painful highs while local bank profits soared to among the world's highest rates.

The two South Africans deployed to the NDB have long enjoyed leadership and key advisory roles in the Johannesburg office of Goldman Sachs, the New York investment bank partly responsible for the 2007–09 global financial meltdown, thanks to rampantly illegal lending practices. Its managers first got bail-outs and then faced multi-billion dollar fines but were spared criminal prosecution thanks to carefully cultivated revolving-door relationships in Washington, Pretoria and many other capitals. Goldman's lead strategist, Jim O'Neill, had coined the 'BRIC' meme in 2001 to argue that imperialism in the form of the G7 should incorporate the emerging powers. In South Africa Goldman's local chief executive, Colin Coleman, regularly articulates a pro-government stance, for example writing in the *Financial Times*: 'As one of the five BRICS, South Africa will play a decisive role in global economic development in the coming decades'.²³ According to Maasdorp, 'decisive' is actually ameliorative, given his desire to work with neoliberal financiers: 'We will and should benefit from the long years and decades of experience of these institutions'. He continued, 'As international adviser of Goldman Sachs from 2002, I played a leading role in expanding the reach of the firm into new market segments including the public sector and the rest of the continent'.²⁴

Maasdorp also witnessed the highest-profile corruption in African infrastructure finance, not only because his South African big business allies are considered to be the 'world champs' of money-laundering, bribery and corruption, procurement fraud, asset misappropriation and cybercrime. 'I served for example as chairman of TransCaledon Tunnel Authority (TCTA), which is a state-owned enterprise with a mandate to finance and implement bulk raw water infrastructure projects in South Africa, and played an oversight role from a governance perspective for seven years of large infrastructure projects'.²⁵ TCTA pipes run from Africa's highest dams in Lesotho to Johannesburg; the project led to what was the world's most infamous case of construction company bribery in World Bank lending history. More than \$2 million flowed from a 'dirty dozen' multinational corporations to the Swiss accounts of the leading Lesotho dam official, Masupha Sole, who served nine years in jail but was then, to everyone's astonishment, reinstated thanks to his political influence. Although the World Bank debarred some of the most corrupt companies, thus catalysing the bankruptcy of Canada's once formidable civil engineering firm Acres International, nothing was done to punish the firms by Pretoria officials, including Maasdorp at the TCTA. Several then reappeared in a construction collusion case involving white-elephant World Cup 2010 stadiums and other mega-projects in which billions of dollars were ripped off.

Mboweni had a central role in the IMF's 1993 financing deal, one of South Africa's historic capitulations to neoliberalism. As Mboweni explained, he knew that 'the apartheid government was trying to lock us into an IMF structural adjustment programme via the back door, thereby tying the hands of the future democratic government... We did not sell out!'²⁶ But the \$850 million loan came with severe economic policy and even personnel conditions attached. Former ANC Minister of Intelligence Ronnie Kasrils termed this deal 'the fatal turning point. I will call it our Faustian moment when we became entrapped – some today crying out that we "sold our people down the river"'.²⁷

Then, as South African Reserve Bank governor, Mboweni braved similar controversy to the IMF's repeated applause, especially with extreme interest rate increases. As he left, the only major economy with higher rates was Russia's, and shortly after that, the only one among South Africa's trading partners where capital cost more was Greece. Keeping inflation low – since banks hate the devaluation of their main asset, money – was the main reason for Mboweni's policies. Yet, self-interestedly, on the eve of the 2008 world financial

meltdown he rewarded himself a 28% personal pay raise at a time when his institution had declared a 6% maximum inflation target. Remarked business e-zine *Moneyweb* (normally fans of neoliberalism): 'The high-living governor already has a reputation for excessive ego, after attempting to censor what pictures of him are released into the public domain.'²⁸ The reference is to Mboweni banning photographers from the Reserve Bank because they were 'taking pictures when I was wiping off my sweat'.

Mboweni joined an elite group of IMF reform advisors in 2006, including Greenspan, and simply shifted some of the deckchairs (as noted, China thus got more voting power and African countries less – and no penalty was imposed on the sole member able to sabotage, the USA). Ironically, at the time Durban hosted the BRICS summit in early 2013, Mboweni used a speech to regional business elites to attack the NDB as 'very costly. I would rather take that money and build the Coega Petro SA oil refinery here in Port Elizabeth.'²⁹ Mboweni also chairs a local oil company. And, as for the NDB's alleged commitment to 'sustainable' infrastructure, the BRICS Business Council's South Africa project wish-list has since 2014 included new coal-fired generators, off-shore oil drilling and Durban's \$25 billion new port, all hotly contested by environmentalists.³⁰ As Mboweni told Bloomberg, a proposed \$100 billion Russia–South African nuclear deal 'falls squarely within the mandate of the NDB'.³¹

At the NDB Maasdorp and Mboweni are not realistically anticipated to fight poverty, ecological destruction and climate change, privatisation and corruption, illicit financial flows or the resource cursing associated with current global lending; instead they will amplify these features. One danger is the BRICS' role in renewed carbon market strategies to address climate change, an explicit case of sub-imperialism.³² Given the South African BRICS bankers' backgrounds, it is reasonable to ask whether Pretoria was ever serious about challenging the Bretton Woods system, dollar hegemony and other structures of global power.

The main evidence of continuities not change is China's ongoing financing of Washington's massive trade deficit by continuing to hold more than \$1.5 trillion of US Treasury bills (T-bills). Indeed, at the very time the Federal Reserve's monetary policy signalling was helping to tear apart the BRICS grouping in mid-2013, China was increasing its T-bill holdings at a record rate. In the first half of 2015 there were a few indications of deleveraging based on the forced sales of US T-bills of about \$100 billion (out of \$3.7 trillion in Chinese foreign exchange reserves), as well as 600 tonnes of gold purchases over the course of a month.³³ This was, however, a consequence of dramatic capital outflows, amounting to \$280 billion in the first half of 2015 and to \$520 billion going back a further three quarters. As the ZeroHedge blogger 'Durden' remarked:

A capital exodus of that pace and magnitude would suggest that something is very, very wrong with not only China's economy, but its capital markets, and last but not least, its capital controls, which prohibit any substantial outbound capital flight (at least for ordinary people)...China is forced to liquidate US Treasury paper even though it does not want to, merely to fund a capital outflow unlike anything it has seen in history³⁴

Notwithstanding rhetoric about increasing use of BRICS currencies or barter trade, not much more is being done to end the destructive system in which the US dollar has world seigniorage – ie it is the world's reserve currency, no matter how badly Washington officials abuse that power. If China really wants the renminbi to one day take its place, the pace at which this is happening is agonisingly slow, with only a 2014 energy deal between Russia and China hinting at future post-dollar trade. Even if the renmimbi is assimilated with the dollar, euro,

yen and pound as an IMF-approved world currency, in the meantime, as mid-2013 financial chaos showed, the other BRICS countries' economies have paid the price.

The BRICS experiment won't stand or fall on narrow grounds of development finance. But the most critical aspects of the world economy operate through finance, for after all, financiers still pull the strings in most national contexts, including in South Africa. Given the extreme need to change world financial power, it is worth examining South Africa's particular stance. Its own record is spectacular, having dramatically moved from one kind of sub-imperialist power – a rogue regime hated by all civilised people – to another kind, one with enormous legitimacy in 1994. And Africa's people and natural environment are among the primary victims of the routing of development finance to the continent through South Africa.

Sub-imperial South Africa in Africa

As argued earlier in *Third World Quarterly*, the broader economic context for South African sub-imperialism is crucial because Johannesburg firms' expansion into African markets was a logical aspect of geopolitics.³⁵ Put simply but accurately by the Texas intelligence firm Stratfor in an internal memo (as revealed by WikiLeaks in 2013):

South Africa's history is driven by the interplay of competition and cohabitation between domestic and foreign interests exploiting the country's mineral resources. Despite being led by a democratically-elected government, the core imperatives of South Africa remain the maintenance of a liberal regime that permits the free flow of labor and capital to and from the southern Africa region, as well as the maintenance of a superior security capability able to project into south-central Africa.³⁶

Stratfor correctly argues that 'the ANC government knows that it can bring its influence to bear to present South African companies favorably to gain mining concessions.'³⁷ Expressed more colourfully by Nairobi-based journalist Charles Onyango-Obbo, after 1994,

South Africa put on its suit, picked up its fat briefcase, and stepped out into the continent. Imperial expeditions have not changed over the ages. They always require that the generals, princelings, and businessmen earn some silver and gold from it, if they are to continue cultivating elite and ruling class support for it back home. Places like the DRC, where there is plenty of silver and gold will therefore always be the logical and rational destination – whether the imperialist is Asian, European, American, or African.³⁸

With capital pushed and pulled to and from the region, the 'silver and gold' earned were increasingly important to shore up South African firms' balance sheets. The earlier opening of South Africa to the world economy was a vital prerequisite, however, introducing its own intense contradictions. In late 1993 as apartheid walls tumbled, Mandela authorised agreements binding on the first democratic government to repay apartheid-era debt, to give the South African Reserve Bank insulation from democracy and to take up an IMF loan with standard structural-adjustment conditions. In 1994 South Africa acceded to what became the World Trade Organization (WTO), at great cost to its uncompetitive manufacturing industries and their workers, and in 1995 the financial rand-exchange-control system was entirely lifted, thus allowing wealthy South Africans permission to export a much greater share of their apartheid-era wealth.

Repeated exchange-control relaxation by the South Africa Reserve Bank subsequently prioritised South African corporate investment in the Africa region. But by 2000 the financial headquarters of what were formerly Johannesburg- and Cape Town-based corporations – Anglo American Corporation, DeBeers, Gencor (later BHP Billiton), Old Mutual and Liberty Life insurance, South African Breweries (later merged with Miller), Investec bank, Dimension

Data IT, Mondi paper, etc – escaped the continent entirely. These largest of South African firms are now primarily listed in London, New York and Melbourne. The resulting outflows of profits, dividends and interest after 2000 are the main reason South Africa has had a persistent current account deficit that has left credit ratings agencies to repeatedly downgrade the sovereign rating to very near junk level. And in order to cover the hard currency required to facilitate the vast capital flight, which apparently peaked at 23.4% of GDP in 2007, massive new foreign-debt obligations were taken on.³⁹

During this period of increasing economic desperation the regional hinterland was shifting, especially because of the commodity super-cycle from 2002 to 2011. The African continent expanded its rate of trading with the major emerging economies – especially China – from around 5% to 20% of all commerce in the post-apartheid era (1994–2012). By 2009 China had overtaken the USA as Africa's main trading partner. Soon after that, rationalising and facilitating tighter continental economic relationships with BRICS countries became one of Pretoria's leading objectives. As Foreign Minister Maite Nkoana-Mashabane observed, 'In 2012, South Africa invested in the rest of Africa more than any other country in the world'.⁴⁰ In 2010 17 out of Africa's top 20 companies were South African, even after the capital flight a decade earlier.⁴¹ As Ernst & Young's *Africa Attractiveness Survey* recorded, thanks to predictable mining houses and MTN cellphone service, Standard Bank, Shoprite retail, and Sanlam insurance, South Africa's FDI in the rest of Africa had risen by 57% from 2007 to 2012.⁴²

The results were mixed, however. Central African Republic (CAR) investments, for example, followed the forging of close ties between several individuals at the top level of the ANC and its Chancellor House investment arm, in search of a diamond monopoly. In 2006 these deals were codified by presidential-level relations involving Mbeki. But contradictions emerged and intensified as France dropped its traditional support for the CAR's dictator Francois Bozizé. He then visited Pretoria to request urgent military support.⁴³ Conditions worsened, so in January 2013 President Zuma sent hundreds more South African National Defence Force (SANDF) troops to Bangui for a five-year commitment. The cost was officially estimated at R1.28 billion, justified because 'We have assets there that need protection,' according to Deputy Foreign Minister Ebrahim Ebrahim.⁴⁴ Tragically, the day before BRICS dignitaries arrived for the 2013 Durban summit, more than a dozen corpses of South African soldiers were recovered in Bangui after a two-day battle in which around 1000 local fighters and bystanders were killed. Two hundred SANDF troops were apparently trying to *guard the South African assets* against the Chad-backed Seleka rebel movement. Bozizé fled to safety and Seleka invaded his presidential compound, taking state power that day in spite of resistance from the NDF men they labelled 'mercenaries'. Two *Sunday Times* reporters offer quotations from interviews with SANDF troops who made it back alive:

Our men were deployed to various parts of the city, *protecting belongings of South Africans*. They were the first to be attacked. Everyone thought it was those who were ambushed, but it was the guys outside *the different buildings – the ones which belong to businesses in Jo'burg...* We were lied to straight out.⁴⁵

This tragic episode could potentially have led to the 'Vietnam syndrome', in which, after a humiliating military experience, popular support waned for other US government attempts to protect its corporate allies' assets. Zuma approached the quandary with fortitude, however, calling for 'decisive intervention: an African Standby Force for rapid deployment in crisis areas'.⁴⁶ A few weeks later he sent another 1350 SANDF troops to the resource-rich eastern DRC, making up nearly one-half of a UN force, alongside Tanzanian and Malawian troops. It

was the first known UN peace-keeping mission that was authorised to go on the offensive, and immediately after South Africa's formidable helicopter firepower (three Rooivalks and five Oryx) had flown five sorties, the M23 rebel movement surrendered in October 2013.⁴⁷ Observing that the helicopter was originally designed to fight Cuban troops who in the 1970s were defending Angola from apartheid, industry analyst Simon Shear ruefully remarked, 'we should not forget that the Rooivalk, as with so many of the country's advanced weapons, was conceived and designed in the service of brutal wars fought by an illegitimate regime.'⁴⁸ The DRC battlefield was, notably, not far from where Zuma's nephew Khulubuse had bought into a \$10 billion oil-extraction project at Lake Albert, with the apparent assistance of Pretoria, as DRC president Joseph Kabila personally approved the concessions for the 'Zuma family'.⁴⁹

The hubris of renewed sub-imperial ambitions and capabilities was reflected in Nkoana-Mashabane's call to do business up-continent:

The new South Africa is 19 years old, but we're always confronted with this history of the 101-year-old political movement [ANC]. The 101-year-old grandfather wants to go around making peace everywhere. The 19-year-old has got to look at every aspect of a relationship, needs to be impatient, and say: 'Hey, we need to make our people get the peace dividends'... *South African companies need to be more aggressive, but we can do better if we are co-ordinated.* This 19-year-old who's beginning to discover that there's no place overseas where we can go and make money, but that *we can make money in our own neighborhood*, needs to move faster.⁵⁰

A few weeks before, Zuma himself had made a public appeal to South African corporations to become more active on the continent: 'It is always good to get there first. And if we don't get there as African business then people from far away get there first, then we complain later to say they are interfering with us.'⁵¹ South African capital's drive to accumulate up-continent was already moving at a rapid rate, as Johannesburg business sought out new opportunities, especially in mining, retail, banking, breweries, construction, services and tourism. The largest South African corporations benefited from the African financial liberalisation that Pretoria strongly promoted, so they could repatriate profits with increasing ease. However, most of the money did not stop in Johannesburg, as was the case before 2000. The financial flight went mainly to London, as noted above.

How would BRICS affect these relations? Among things, there would be even more intense competitive pressures transmitted through trade, finance and investment. These became so severe in mid-2013 in relation to the import of chickens from Brazil, as one example, that South African trade minister Rob Davies imposed an 82% import tariff, throwing into question whether in reality BRICS was a genuine bloc of like-minded allies. By 2015 the additional problem of BRICS interpersonal exchanges was being raised again when South Africa's extreme new restrictions on immigrants and visitors alike (and complicated, privatised processing procedures) dramatically reduced Chinese and Indian tourism to South Africa. Indeed, South African Airways (SAA) ran such high losses on the routes from Johannesburg to Beijing and Mumbai that both direct intra-BRICS flights were summarily cancelled in 2015. To fly to Russia on SAA requires a stopover in Frankfurt or London, leaving only the decades-old Johannesburg–Sao Paulo run as a direct reflection of BRICS air traffic as seen from South Africa.

Sub-imperial development finance for the hinterland

There are two exceptions to the overall story of over-hyped intra-BRICS collaboration: the utilisation of South Africa as a base for African investment – thanks to the 2014 introduction

of new intra-BRICS elite business visas lasting 10 years – and the prospects for greater flows of infrastructure finance reaching the continent via South Africa. Yet, in some respects, South Africa was out of step with the other BRICS countries when it came to global finance. Deputy South African Reserve Bank governor Daniel Mminele acknowledged in November 2012 that Pretoria stood alongside Washington in *opposing global regulation* such as the ‘Robin Hood tax’ on financial transactions that was supported by more enlightened countries, including those from Europe being roiled by global financiers.⁵² The squeeze of poorer countries through South Africa’s financing power has been a long-standing problem, as Johannesburg’s Sandton district became the continent’s premier hot-money centre.⁵³

This was a problem already by 2012, when Mbeki – expelled from the presidency in Zuma’s 2008 palace coup – was reinventing himself as a leading critic of illicit capital flight from Africa.⁵⁴ In 2015 he issued the AU–ECA report entitled *Track it! Stop it! Get it!* The High Level Panel on Illicit Financial Flows bottom line was: ‘Currently, Africa is estimated to be losing more than \$50 billion annually in IFFs. But these estimates...often exclude some forms of IFFs that by nature are secret and cannot be properly estimated, such as proceeds of bribery and trafficking of drugs, people and firearms.’⁵⁵ Or such as secret deals in minerals and oil: South Africa’s ruling party (under Mbeki’s leadership) made dodgy payments to shady characters in Nigeria, Texas and Saddam-era Iraq. Or tax giveaways by politicians: Mbeki’s 14 years as South Africa’s deputy president (1994–99) and president (1998–2008) witnessed the primary corporate tax rate falling from 48% to 28%. Or exchange controls against capital outflows: Pretoria dropped its main exchange control mechanism – the financial rand in 1995 – and let the largest Johannesburg firms relocate to London in 1999, causing a massive increase in South Africa’s current account deficit due to ‘licit’ offshoring of profits. These are unmentionables in Zuma’s report.

Also rarely considered in proper detail is the question of whether South Africa’s DBSA is equipped to serve as a model for a BRICS bank operating in Africa, since Johannesburg will in 2016 become the NDB’s first formal branch outside the Shanghai headquarters. One reason is the distinct gap between the DBSA and the Southern African Development Community (SADC), as acknowledged in the 2012 National Development Plan: ‘South Africa is critically under-represented in organizations like the African Development Bank and SADC. The latter is critical as South Africa is a major funder of the group...To fulfill South Africa’s obligations in the BRICS and in the region, the DBSA should be strengthened institutionally.’⁵⁶ The strengthening took the form of a \$2 billion recapitalisation of the DBSA in 2013–14. But SADC deputy executive secretary João Samuel Caholo expressed resentment: ‘SADC has no say in what the DBSA does.’⁵⁷

At the same time that the DBSA was deployed to become Pretoria’s core representative in BRICS NDB design, the bank recorded more than \$40 million in net losses in 2011–12 as a result of dubious investments. Around 14% of its assets were in the region outside South Africa, with future SADC lending anticipated at \$2.3 billion, of which \$400 million would be in semi-privatised infrastructure. In late 2012 the DBSA’s new leader, Patrick Dlamini (with no banking experience), announced a ‘new restructuring process, staff would be retrenched [from 750 to 300] and corruption would not be tolerated. We can no longer allow the DBSA to be associated with shoddy work [sic].’⁵⁸ But a year later reporter Chris Barron observed ‘the departure of staff members with valuable information technology, project management and other skills.’⁵⁹ As Barron pointed out, one money-losing investment of \$320 million, or 7% of the DBSA portfolio, went into Sol Kerzner’s ultra-luxurious One&Only hotel in Cape Town: ‘It

lost a fortune on five-star luxury hotels, platinum jewellery and other such projects instead of investing it in boring things like water-treatment plants, roads, schools and hospitals.⁶⁰ Such basic-needs project lending became harder once Dlamini fired the entire social and environmental division, including leadership of an important fund to promote employment.⁶¹

One who was not fired, since he had political protection from President Jacob Zuma, was Pretoria's former lead intelligence official, Mo Shaik, who trained as an optometrist but became the DBSA's main foreign lender in 2012 after a brief Harvard executive course.⁶² He was infamous not only because of family corruption scandals involving Zuma but also as victim of an embarrassing revelation: he passed political secrets to US embassy officials, which in turn were written up as State Department cables and then published by WikiLeaks.⁶³ By early 2015 Shaik was disarmingly open about the limitations of his DBSA brief. In a talk to the main strategic leadership of South Africa's foreign ministry (at which this author took notes), he conceded that, in the rest of the continent, he sometimes 'felt like an economic hit man... [selling] projects they don't need and they can never pay for, but my job is to sell them these projects'. He ran through a list of the main failures he was witnessing at the time:

- Growth in Africa was not translating into deeper and better quality of life.
- Big problems are facing Inga [hydropower project] – who would invest \$80 billion in the DRC?
- Projects in Ghana, Kenya and Senegal are failing and DBSA suspended finance for a pipeline in Ghana when double-deficit problems emerged.
- Gulf countries sent rebels the weapons to topple Gaddafi but though we applauded that in terms of the Arab Spring, the weapons now went through Mali and Niger over to Boko Haram, leaving an African crescent of 'catastrophic convergence'.
- In southern Africa Mozambique disbursements didn't happen – elections were contested – while progress in Namibia was slow. In Zimbabwe there are continued governance concerns. And the DRC–Zambia border project suffered a \$20 million [DBSA] investment that needs to be resolved, while in Tanzania a drought made the hydro-energy strategy vulnerable, which in turn led to an investment in 300 MW from gas, but then a corruption scandal broke out, with five ministers leaving, and in the DRC, the main Inga borrower (SNEL) has insufficient institutional capacity.
- As for oil exploration investments, the price is unsustainably low.
- In West Africa a huge investment track was suspended because of Ebola.
- Those are my problems. I didn't predict them in the beginning of the financial year. That speaks to how things happen in our continent. There is unpredictability of deep risk that can pop up without warning.⁶⁴

Conclusion

The warning recently offered by William Robinson in *Third World Quarterly* is worth reiterating:

Global integration and transnational capitalist class formation have advanced significantly in the BRICS. BRICS protagonism is aimed less at challenging the prevailing international order than at opening up space in the global system for more extensive integration and a less asymmetric global capitalism... By misreading the BRICS, critical scholars and the global left run the risk of becoming cheerleaders for repressive states and transnational capitalists in the South. We would be better off by a denouement of the BRICS states and siding with 'BRICS from below' struggles of popular and working class forces.⁶⁵

Given the NDB and CRA positioning and personnel discussed above, it is foolish and perhaps dangerous to invest hope in the BRICS 'alternative' to Bretton Woods. A genuine replacement of imperialist finance would be based upon:

- the sort of default on unpayable, unjustifiable debt that Argentina managed to accomplish in 2002;
- exchange controls that countries like Malaysia (in 1998) and Venezuela (in 2003) imposed on their elites (as did Cyprus in 2013 and Greece in 2015);
- new regional currency arrangements such as Ecuador's proposed sucre;
- solidarity financing for South governments resisting imperialism, as was cruelly suggested (by Russia's deputy finance minister) might be available to Greece in July 2015 but then never transpired;
- socially and ecologically conscious financing strategies tied to compatible trade (like ALBA) such as were once proposed and seed-funded by Chavez in the stillborn Bank of the South.

For the most part the BRICS eschew these until it is too late, as witnessed in China's desperation regulation of its stock market in July 2015, only after more than \$3 trillion had evaporated. The need for dramatic changes to global financial governance is more than obvious, yet the gumption to make these changes has not been generated from political movements either from above or below. The dangers of world finance are obvious enough from the vantage point of South Africa, one of the 'fragile five' emerging markets that began suffering sharp currency crashes in mid-2013 as the US Federal Reserve's Quantitative Easing was tapered. Yet, in its 2013 world public-opinion survey, the Pew Research Center's Global Attitudes Project found that only one-third of South Africans identified 'international financial instability' as a major threat (third highest, after climate change and Chinese economic competition) compared to 52% of those polled across the world (for whom it was a close second, after climate change at 54%).⁶⁶ Two years later the level of South African awareness about global economic instability was the same, with slightly lower consciousness registered on climate change. This ongoing ignorance is a shame, because since South African freedom was won in 1994, the rand has collapsed seven times by more than 15% within a few weeks. The crash from 2011 to 2015 was more than half against the US dollar. (The other laggard on public consciousness in 2015 was China, with only 16% of those polled ranking economic instability a major concern in the months before the mid-2015 crash of the main stock markets by more than \$3 trillion in just three weeks.)

In the context of the world elites' neoliberalism, so seductive to men like former finance minister Trevor Manuel (who moved to Rothschild Bank in 2014), Mboweni and Maasdorp, I wrote in *Third World Quarterly* in 2013 about the dangers that BRICS would:

- prop up the IMF's pro-austerity financing and catalyse a renewed round of WTO attacks;
- launch a BRICS Development Bank to exacerbate World Bank human, ecological and economic messes;
- make Africa a new battleground for internecine conflicts between sub-imperialists intent on rapid minerals and oil extraction (as is common in central Africa);
- join the US to sabotage climate negotiations or to try offsetting emissions through (ineffective) carbon markets;
- promote home corporations' exploitation of hinterlands.⁶⁷

These dangers are even more intense today. The task of 'building a bottom-up, counter-hegemonic network and then movement against both imperialism and BRICS sub-imperialism has never been more important'. But since then the co-optation problem associated with BRICS-from-the-middle NGOs and intellectuals has grown more serious. As noted at the outset, normally critical commentators (Bello, Campbell, Desai, Weisbrot and Whitney) have endorsed the new BRICS financial institutions without trying to confront the contradictions. In contrast, former South Centre director Yash Tandon did engage, alleging that 'Bond and his colleagues are inventing a category that simply does not exist. It is a distraction from real issues of concern to progressive forces everywhere.'⁶⁸ (Slightly less critical is Bill Martin.⁶⁹) Worse, according to Vladimir Shubin: 'The criticisms of BRICS from the left come from those who occupy a "perfectionist" stance.'⁷⁰

In civil (and 'civilised') society there is similar angst about our critique of sub-imperialism. A collection of several dozen 'BRICS-from-the-middle' NGOs and even BRICS-from-below social movements fail to take seriously the dangers. After two counter-summits highly critical of BRICS were held by civil society groups in Durban (2013) and Fortaleza (2014), a Moscow 'Civil-BRICS' (2015) conference was convened through official catalysts with the explicit aim of granting legitimacy to BRICS elites at the same time as those same governments were clamping down on dissidents internally. Ironically, at the same time, a different BRICS-from-below project – tourism – was being foiled. Official hostility was revealed in Pretoria in mid-2015 through new South African visa requirements (a privatised service requiring an in-person visit to a consular office) which are applied especially vigorously in China and India. Chinese tourist routings to South Africa fell from 2014 levels by one-third in the first half of 2015, with Indians not far behind.⁷¹ At the same time South African Airways cancelled its non-stop flights from Johannesburg to Beijing and Mumbai. In contrast to these mundane relations between BRICS citizenries, the BRICS-from-above business leaders lobbied successfully for a 10-year multiple entry visa to facilitate contact.

A genuine BRICS-from-below strategy is possible but not yet in place. Because of the way that, as Rosa Luxemburg pointed out, capitalism needs to 'eat up' pre-capitalist relations, such resistances will necessarily build on the myriad of anti-extractivist politics emerging across Africa. The African social protests recorded by Agence France Press (for the African Development Bank) have soared since 2010 and what might have been a 2011 blip was in fact succeeded in 2012 and 2013 by even higher levels of protest, with a slight decline in 2014.⁷² The protests cover a variety of socioeconomic grievances but what may be of use in future is more attention to the ways that the combination of global capitalist crisis – especially fast-falling commodity prices – and bottom-up resistance make it less profitable for transnational corporations of whatever origin to operate on the continent.

With greater protest aimed at reasserting the logics of poor and working people's needs, the BRICS project could indeed have much to recommend it. But the balance of forces would have to shift so dramatically that the alternative strategies for financing spelled out above might see the light of day, for example. Without such a shift, if the governments of Dilma, Putin, Modi, Xi and Zuma continue, as seems likely, for at least several years ahead, and if the BRICS corporations and financiers address their over-accumulation crises by exporting capital in much the same manner that imperialists have always done (since Luxemburg pointed out the relationship to imperialism a century ago), then the BRICS will deserve to be considered a sub-imperialist bloc.

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Notes

1. Luxemburg, *The Accumulation of Capital*, 397.
2. Bond et al., *The Accumulation of Capital*.
3. Wolpe, *The Articulation of Modes of Production*.
4. Marini, "Brazilian Interdependence," 22.
5. Harvey, *The New Imperialism*, 185–186.
6. Bond, *Fanon's Warning*; and Bond, "Removing Neocolonialism's APRM Mask."
7. Bond, *Elite Transition*.
8. World Bank, *The Changing Wealth of Nations*.
9. World Bank, *The Little Green Data Book*, v–vi.
10. High Level Panel on Illicit Financial Flows, *Track it!*
11. South African Reserve Bank, *Quarterly Bulletin*, 39.
12. Mandeng, "Does the World really need a Brics Bank?"
13. "\$100bn BRICS Monetary Fund to be Operational in 30 Days."
14. Campbell, "BRICS Bank Challenges."
15. Weisbrot, "BRICS' New Financial Institutions."
16. Bello, "The BRICS."
17. Desai, "The BRICS are building a Challenge."
18. Whitney, "Putin leads BRICS Uprising."
19. "World Bank welcomes China-led Infrastructure Bank."
20. "The Banco del Sur initiates Operations."
21. Bond, *Against Global Apartheid*.
22. Fry, "Kim crowned World Bank President."
23. Coleman, "South Africa's Chance."
24. Mnyandu, "BRICS will play a Profound Role."
25. Ibid.
26. Mboweni, "BMF Corporate Update Gala Dinner."
27. Kasrils, "The ANC's Faustian Moment."
28. Cobbett, "Mboweni's Pay Increase."
29. Matavire, "Mboweni."
30. BRICS Business Council, *The Energy and Green Economy Working Group*.
31. "\$100 billion BRICS Lender."
32. Böhm et al., "Greening Capitalism?"
33. Durden, "China's Record Dumping."

34. Ibid.
35. Bond, "Sub-imperialism."
36. Stratfor, "Monography for Comment."
37. Ibid.
38. Onyango-Obbo, "Return to Crisis."
39. Mohammed, "The State of the South African Economy."
40. Mataboge, "Nkoana-Mashabane."
41. Lavery, "Globalization in Emerging Markets."
42. Ernst & Young, *Africa Attractiveness Survey*.
43. Amabhungane, "Is this what our Soldiers died For?"
44. Patel, "Analysis."
45. Hosken and Mahlangu, "We were Killing Kids," (emphasis added), 1.
46. Msimang, "Will the Real Superpower?"
47. Heitman, "Rooivalk Attack Helo makes Combat Debut."
48. Shear, "A Brief (Brutal) History of the Rooivalk."
49. Pauw, "Khulubuse Zuma's R100 billion Oil Deal."
50. Nkoana-Mashabane, "Speech by the Minister of International Relations and Cooperation" (emphasis added).
51. De Wet, "Zuma to Business."
52. Mminele, "South Africa and the G20."
53. Kganyago, "South Africa as a Financial Centre."
54. Mbeki, "Tackling Illicit Capital Flows."
55. The High Level Panel on Illicit Financial Flows, *Track It!*
56. National Planning Commission, "Positioning South Africa."
57. "SADC Banks on own Development Bank."
58. Mungadze, "DBSA to cut Equity Investments."
59. Barron, "Development Bank of Southern Africa."
60. Ibid.
61. Paton, "Are the Right People leaving DBSA?"
62. Molatlhwa, "DBSA not backing Down."
63. Rademeyer, "WikiLeaks exposes SA Spy Boss."
64. These are the precise notes I typed at that meeting.
65. Robinson, "The Transnational State and the BRICS"
66. Pew Research Global Attitudes Project, "Climate Change."
67. Bond, "Sub-imperialism."
68. Tandon, "On Sub-imperialism."
69. Martin, "South Africa."
70. Shubin, "BRICS viewed from Russia."
71. Maqutu, "New Visa Rules a Danger."
72. ABD et al., *African Economic Outlook 2015*. For more on these potentials, see Bond and Garcia, *BRICS*.

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