Minerals Bill – a form of Zim land grab?

Over the past few days proceedings inside and outside Parliament on the Minerals Bill have upset investors and others. The Democratic Alliance called it an “assault on property rights”, implicating shades of Zimbabwe.

The debate came down to a white/black divide, as last seen when affirmative action legislation came before Parliament in the mid-Nineties.

The two opposing forces here are economic efficiency and redistributive justice. Are they reconcilable?

Supporters of redistributive justice argue that the Bill will, in fact, lead to more economic efficiency. They argue that it will encourage more investment and more openness because the stranglehold of the mining houses on mineral rights will be broken. Small players and foreigners may now enter and make new investments.

Opponents argue that it will lead to economic inefficiencies, i.e. less investment, loss of confidence and uncertainty over property rights.

Only time will tell who is right.

In the meantime the Bill should go to the Constitutional Court for final approval. Whichever way the Court rules, this should help to lay to rest fears of a Zim-like grab.

A threat to an open economy?

For me the bigger issue is whether this Bill compromises SA’s progress towards an open economy.

In the same week the Bill was debated in Parliament, the following also happened:

- Government appointed a new board of directors for Aventura, with the specific mandate to sell all remaining assets and wind up the company before 2004. Not a big deal in money terms, but indicative of how the political wind is blowing.
- The telecommunications regulator, Icasa, flexed its muscles and ruled against Telkom in two cases where Telkom claimed monopoly powers. One of these rulings was in favour of the US

telecoms giant AT&T. This is a huge boost for the Value-Added Network Industry and concomitant internet technologies. It has critical implications for infrastructure development, needed in the new economy.

- The Governor of the Reserve Bank appeared before a Parliamentary committee and lambasted Government and parastatals for not doing enough to keep inflation on target. He could not have done this if:
  - There was no open, transparent and politically approved inflation targeting in operation;
  - The Reserve Bank was not sufficiently independent from Government (can you imagine the central bank in Zimbabwe doing such a thing).

And more is happening

Two weeks ago a Government Gazette was published, containing an agreement signed between the government as employer and the majority of the civil service unions – providing for simpler and easier civil service retrenchments. This will lead to, at least, a rebalancing of the civil service: fewer civil servants in provinces with former homelands, and more police officers and maths teachers. A more focused and smaller civil service, which is a critical component of an open economy.

In our presentations for clients since May, we have discussed in detail the real extent of privatisation. If everything is added together, the conclusion is overwhelming: the economy is steadily becoming more open, despite the Minerals Bill.

Living with ambiguities

The fundamental SA dilemma remains: on the one hand we need action to create a more equal society (redistributive justice) and on the other hand we need to develop a more open and competitive economy (economic efficiency). SA can only work if we do both. And it will fail if one of the two horns of this particular dilemma outgrows the other.

Maybe the Minerals Bill does go too far. We shall see when we reach implementation. But in the meantime the move towards a more open economy continues. And that is where investors will make money.

So call it what you like, but let's remain clear on the facts: what's currently happening in SA is nothing like Zimbabwe.

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