



RESEARCH FAX

THE NEW CABINET

Following the script

We have consistently said Pres. Thabo Mbeki would pursue three objectives: sound economic policies; strong transformation; and a moral revival. Two of these were played out in his cabinet changes.

The good news of the shuffle is the strong economic team he has put in place. The transformation is evident in the numbers: Considerably more Black appointments, visibly fewer Indians, Dullah Omar as the only Afrikaans-speaker.

The good news

Not only is the economics team left intact, it is also considerably stronger:

- Valli Moosa at Environmental Affairs and Tourism (he wanted the job back in 1994) means this much neglected portfolio could now start playing the economic and job-creation role it should. (Both the previous minister, Pallo Jordan, and his deputy, Peter Mokaba - he of the "kill the farmer, kill the Boer" slogan - were simply dropped from cabinet.)
- The new minister of Mineral and Energy Affairs, Phumzile Mlambo-Ngcuka, was Alec Erwin's deputy at Trade and Industry. She will almost certainly do better than Penuell Maduna.
- Labour minister Membathisi Mdladlana retains his job; that enhances the chances of some reform of the labour laws.

Although not in strictly economic portfolios, two of the appointments might prove to be significant for overall economic policy. Both involve "tough" politicians who are also very close to the President and will not doubt do his bidding:

- Geraldine Fraser-Moleketi moves to the civil service, where the current wage dispute and the need to right-size are awaiting her. She did quite well at Welfare, facing Cosatu down on the social grants issue and achieving much to clean up corruption by outsourcing. Expect to see action on a reduced civil service.
- Jeff Radebe, who transformed Public Works through outsourcing and downsizing, is taking Public Enterprises. Expect to see action on accelerated privatisation.

The bad news

Criminal justice is in the hands of new faces, but will they perform any better? Neither Maduna at Justice nor Steve Tshwete at Police have inspired in their previous portfolios (respectively Mineral and Energy Affairs and Sport and Recreation).

- Tshwete will be good for transformation in the police service. Expect to see Commissioner George Fivaz going quite soon. Tshwete could also crack down on discipline and training. But the acid test remains: Will the police catch more criminals? Will the service see consolidation of the work done by Meyer Kahn?
- Maduna was a fumbler at Mineral and Energy Affairs; will he perform any better now? I have my doubts.

What happened to the populists?

- The populists were seen as Winnie Mandela, Bantu Holomisa and Peter Mokaba. Now they are all gone.
- Intriguingly, it is the members of the Communist Party who are helping to hold the line on economic policy: Erwin at Trade and Industry; Radebe to push privatisation at Public Enterprises, after he outsourced virtually the entire Public Works; Fraser-Moleketi ... Somehow being a communist is not what it used to be ...

This is my final communication before leaving BoE Securities to become editor of Finansies & Tegniek and Finance Week. Thank you for a very stimulating experience and good luck!

B•O•E Securities (Pty) Limited (Reg. No. 96/15589/07)
A member of The Johannesburg Stock Exchange, The Bond Exchange
and the SA Futures Exchange

Johannesburg
187 Rivonia Road, Morningside, Sandton, 2057
P O Box 1007, Johannesburg 2000
Telephone: +27 11 302 1111; Fax: +27 11 302 1233

This publication has been issued by B•O•E Securities (Pty) Limited. It is confidential and issued for the information of clients only. It shall not be reproduced in whole or in part without our permission. The information contained herein has been obtained from sources which and persons whom we believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. All opinions expressed and recommendations made are subject to change without notice. No information contained herein, no opinion expressed and no recommendation made constitutes a representation by us or a solicitation for the purchase of any of the securities mentioned herein and we have no responsibility whatsoever arising herefrom or in consequence hereof. The inventories of B•O•E Securities (Pty) Ltd may from time to time include securities mentioned herein.