INSIDE PARLIAMENT

Marcus's surprise Sasria coup

Gill Marcus, the deputy minister of finance, pulled off a remarkable coup last week when, by fair means or foul, she managed to persuade the South African Special Risks Insurance Association (Sasria) to withdraw its objection to its conversion into a public company.

This was particularly surprising, given the vehemence of that objection; but then Marcus can also be pretty vehement about things she wants. In this case, she and Trevor Manuel, the minister, wanted to access Sasria's R10 billion or so in reserves to redeem some of the country's substantial debt.

Sasria withdrew its objections after Cyril Ramaphosa and Brian Molefe were appointed to the board as government nominees, and after changes were made to the Conversion of Sasria Bill to ensure that the short-term insurance industry was closely consulted about the conversion and eventual privatisation of Sasria.

These moves might have been enough to make Sasria change its mind, but many MPs wondered what else had been used as leverage.

Marcus assured the national assembly on Friday that the government had no plans to remain involved in the insurance business but said she could not give any timeframe yet for Sasria's privatisation.

Ken Andrew, the Democratic Party finance spokesman, said he hoped that Sasria would not be used as a cash cow. For example, he said, the fuel levy had initially been imposed to improve roads but had soon become a useful source of income for all sorts of things.

TREFWOORDE

1 Business Rep
2 Loxton Lynda
3 Rubrieke
4 Marcus Gill
5 Suksesse
6 Sasria
7 Verandering
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9 Wetgewing
10 Globalisation

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The national assembly finished its year in a mad rush of voting last week, but the national council of provinces (NCOP) will sit again this week to mop up the remaining bills on its order paper.

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It remains to be seen how many of the bills passed in the past few weeks will face a Constitutional Court challenge, but opposition parties and some provinces have already signalled readiness to take action in a bid to try and block some of the more contentious ones.

To what extent this is due to real concerns on constitutional grounds, or to political grandstanding ahead of the elections, is debatable.

The national assembly's portfolio committees on finance and trade and industry spent some time last week worrying about the effects of the liberalisation of financial markets and whether South Africa should succumb to the pressures of globalisation.

Francois Jooste, the legal adviser of the Financial Services Board (FSB), was adamant, however, that globalisation was a reality South Africa could not escape. South Africa, he said, had no choice but to open up its financial services sector to the rest of the world. But this was not the main issue at stake.

"It is not a question of whether we can avoid it, but a question of whether we can control it," he said.

He had been briefing the committees on the World Trade Organisation's General Agreement of Trade in Services.

Many ANC members had expressed concern about globalisation and opening up the economy to large international financial institutions.

Jooste said he was assured there were enough controls over the current rash of acquisitions and mergers involving local and foreign players in the financial sector to prevent any adverse effects.

In a briefing document to the committees, parliamentary researcher Samantha Anderson warned that regulations currently protecting the financial sector should be smoothly phased out.

If this was not done, she said, the result could be more damaging than globalisation to the long-term sustainability and competitiveness of domestic institutions.

In response to globalisation, the FSB has introduced several bills this year to protect South African investors from unscrupulous foreign institutions, while also levelling the playing field for foreign and domestic financial institutions.

Anderson said it was important also to ensure that local financial institutions were not hindered by local regulations from becoming more internationally competitive.

A common concern about globalisation is that it could lead to the wholesale flight of capital from South Africa. This is not yet possible because some foreign exchange controls are still in place but these are expected to be lifted gradually.

Anderson believes the debate should no longer focus on whether capital flight would take place, but on how South Africa can attract capital and increased domestic investment.

As global competition intensified, Anderson predicted that South African financial institutions would have turn to electronic banking services.

It is expected that employment in the financial services sector will decline substantially in coming years as institutions turn increasingly to the use of ATMs and the Internet.