

## Faults of BEE concealed

Trade & industry minister Ebrahim Patel's contention that Pepsico's purchase of Pioneer Foods illustrates that empowerment demands are not a hindrance to investment seems rather like doggedly seeing a silver lining where storm clouds are looming large ("PepsiCo deal shows BEE does not faze investors, says Ebrahim Patel", March 9).

Welcome though it is, this investment needs to be seen in the context of SA's failure to attract anything like the scale of investment it needs. SA's shortcomings are illustrated by what it is failing to attract, and what it is losing. In 2019 SA saw a net sale of R114.2bn in equities and R22.1bn in bonds by foreigners. In 2018 the equivalent outflows were R53bn and R108.6bn, respectively.

Empowerment requirements are costly, burdensome and unsettling for investors. A 2018 study of European firms found BEE to be the single largest disincentive to doing business in SA.

"Investors are mainly concerned about instability and the political and macroeconomic environment. They are concerned about the protection of property rights," Patel said. By stunting investment and undermining growth, empowerment policy is contributing to instability. As for property rights, these are under threat from multiple policy thrusts. The minister is correct that many companies see Africa as a lucrative frontier. Whether SA will take advantage is the question.

The time for rethinking BEE is long overdue.

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