

Expropriation without compensation: The road ahead

ERNEST PRINGLE*

In 2018, South Africa is poised at the edge of an abyss because of the suicidal idea of changing the property clause of the Constitution (Section 25) to allow for expropriation of land without compensation. This policy decision, taken by the ANC Congress during December 2017, was clearly not given proper thought – probably because the delegates were too distracted by the power struggle that had taken place during the previous days within the party.

There is still a lengthy process to be followed between a policy decision and a law: a constitutional amendment will have to be drawn up, commented on, taken from a White Paper to a Draft Bill, placed before the National Council of Provinces, then Parliament, where it must be passed with a two thirds majority, and finally signed into law by the president. This is likely to take upwards of two years to complete, during which time everyone will become very familiar with its contents and ramifications.

Should it reach this point, the ramifications are likely to be enormous. The commercial farming sector is heavily indebted to the banking sector, which stands to lose the security on their loans. So even during the period when the proposed law is under deliberation, the banks are likely to react by calling in long-term loans and by cutting production loans drastically. Once it becomes law, the banks are unlikely to accept land as security at all. This in turn will have a drastic effect on agricultural production, with a domino effect on employment in agriculture, and food security for our cities. It should not be forgotten that agriculture is the largest employer of unskilled labour in South Africa, and accounts for 25% of GDP, if all the linkages are taken into account. This would quickly impact on the non-agricultural sector, and be followed by other unforeseen consequences: undermining property rights through these measures would shake

investor confidence to its core, and this would not be confined to the agricultural sector. South Africa would be plunged into deep depression. Furthermore, because the Constitutional amendment violates not only Article 17 of the United Nations Universal Declaration of Human Rights, but also all the rules acceptable to the World Bank and the International Monetary Fund, overseas investment in our economy would simply evaporate. Junk status would quickly become a reality. In turn, this would impact on our democracy, with massive unemployment and escalating inflation. Because the commercial agricultural sector accounts for a sizable proportion of South Africa's exports, a shortage of foreign exchange and a collapse of the exchange rate would coincide with a time when large quantities of food would need to be imported. Ironically, the logical next victim of this process would be the ANC government itself, which would then only be able to retain power by brute force and chicanery.

Does this all sound unrealistic? Clearly it is not, because this is precisely what happened to our northern neighbour, Zimbabwe. Once the Mugabe government encouraged land seizures, the economy unravelled. Thereafter, ZANU-PF could only retain power through brute force and dishonesty, having lost its democratic mandate way back in 2001. Today, that country does not even have its own currency anymore, and it will take many decades of intelligent and benign rule to restore

confidence in its economy or its democracy. Not in our lifetime, as a well-known politician once said.

Perhaps the most tragic part of all this is the fact that, by undermining property rights, the ANC government will have done away with any chance of establishing an emergent black commercial farming sector, or even successful black smallholder farmers in South Africa. All our farmers would automatically be reduced to subsistence farming levels, which in turn would mean very little surplus production to feed our cities – may God help them.

The supreme irony of all this is that it has been brought about through the inability of the present government to implement a workable land reform programme. From the start, this was not adequately budgeted for, and badly mismanaged – at the same time as government was stridently and repeatedly calling for its acceleration. The commercial farming sector, whose role in this whole process was always kept to a minimum, was repeatedly blamed for its slow progress. There is something Machiavellian about this. If the ANC decision is executed, it may well take us over the edge of the abyss; one can only hope that good people, both inside and outside government, will stand up and stop them. What is encouraging, is the preconditions provided for in the ANC resolution, that a decision to go ahead with expropriation without compensation, may not endanger food security or harm the economy. We trust that sanity will prevail. ☐

*Ernest Pringle is the chair of Agri SA's centre of excellence on land

