

Press Release

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What a truly 'radical' SONA would sound like

Today's State of the Nation Address will be a critical indicator of the prospects of the optimism generated by Cyril Ramaphosa's ascendancy being turned into real improvements in the lives of people. The key issue is what SONA will reveal about the policy direction that South Africa will take.

This is particularly important in respect of the proposals for introducing a regime of Expropriation without Compensation.

The leadership change in the ruling party and the government has generally been welcomed by the local and international business communities as an opportunity to put South Africa on a high-growth and developmentally oriented course. However, this sentiment is likely to prove fickle if the government commits to a course of action that will undermine the economic foundations of the country.

This is precisely what Expropriation without Compensation would do. In the agricultural sector, production is only possible by borrowing against assets on hand – primarily land. Such debts amount to over R160 billion. The threat of seizure by the state would be a significant disincentive to lending. It would effectively destroy the capital base of the sector.

Government, its finances already strained, would not be able to step in and provide the finances required to keep the sector operating. Indeed, the economic damage done to the agricultural sector would have severe knock-on effects throughout the economy. These include damaging (if not wiping out) the country's agro-processing industries, reducing the tax take, and setting in motion an unresolvable balance of payments crisis as agricultural exports plummet and imports are required in ever larger volumes.

The social consequences created by this situation would be equally dire. South Africans can look to any number of other examples, from Sudan to Venezuela, to see the discontent and outright violence that accompanies food shortages and rapid inflation. There is no reason to believe this would not be South Africa's fate.

Perhaps most ironically, as things stand, Expropriation without Compensation would not even achieve a redistribution of assets among South Africa's people. Current policy on redistribution envisages beneficiaries becoming tenants of the state, not landowners.

The current moment certainly provides an opportunity to step back, and to reconsider the direction that policy towards land has taken. Truly bold action is required: to rethink the way in which land reform has been conceived.

Above all, a new regime should recognise the importance of property rights to a healthy, prosperous society. They are essential for the business activities both of emergent and established farmers. And they are an important element of a human rights framework.

If this is the message to come out of the SONA, it would be radical and transformative indeed.

Ends.