

Press Release

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South African Institute of Race Relations

The power of ideas

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GDP numbers show that South Africans are paying a ‘terrible economic price’ for EWC push

The Institute of Race Relations (IRR) has said that the government’s push for expropriation without compensation (EWC) is making South Africans poorer.

According to the IRR, the disastrous economic growth numbers released today by Statistics South Africa (Stats SA), the country’s official statistical agency, reflect a number of factors including investor fears that the South African government wishes to persist with plans to seize property and not pay for it.

According to data released by Stats SA the economy contracted by 0.7% in the second quarter of the year after contracting by 2.6% in the first quarter. The sector which saw the biggest decline was agriculture, forestry, and fishing, which declined by nearly 30% in the second quarter.

By comparison, emerging markets are expected to average economic growth rates of around 5% this year.

IRR CEO, Dr Frans Cronje, said: “Unemployment is the single greatest driver of poverty in South Africa and South Africa’s unemployment rate is a multiple of emerging market norms. Short of economic growth rates approaching 5%, South Africa has little prospect of lowering the unemployment rate. Hence anything that undermines economic growth keeps people

poor. Far from empowering anyone or righting any historical wrongs EWC is exacerbating – and will continue to exacerbate – poverty, and worsen prospects for poor people.”

Investor fears that the government was committed to push ahead with its expropriation policy explained much of the weakening in the rand which has given up over 25% of its value since the beginning of the year, the IRR said.

According to Dr Cronje, “While emerging market contagion has battered several emerging market currencies, South African policymakers have worsened the vulnerability of the rand.

When the rand weakens then living costs rise as South Africans must pay more for imported goods. Between the job-killing effects of the proposed EWC policy and the effects of rising living costs, poor South Africans are paying a terrible price for EWC – and they have become its primary victims.”

The IRR has led a global and domestic lobby against EWC in order to put pressure on the South African government to abandon its expropriation plans.

“At the IRR, we came to the conclusion that the government would not change its mind on EWC – it is now too far down that road. However, we understood that under sufficient pressure it might change its perception of the balance of forces and pull back. Certainly such pressure would play into the hands of the dwindling number of ANC reformers.

“Hence we have briefed over one hundred foreign and domestic audiences this year from banks, mining houses, and chambers of commerce to foreign governments, political parties, and South African policymakers on the need to abandon EWC due to the damage it would do to the country. Behind the scenes, we have yet to come across a single serious investor or CEO who in private believes that EWC is a good idea. But the damage our country is suffering is not only economic. Property rights anchor civil rights in all free and open societies and, as just one example, countries that don’t respect property rights also tend to persecute journalists, civil society groups, and rights activists. It worries us that very few commentators seem to understand these implications,” said Dr Cronje

He added: “All South Africans who want to live in a free and prosperous South Africa need to join us in taking a stand against EWC. EWC is not a policy of empowerment and poverty alleviation but as we have seen today, one that will lead to disempowerment and poverty exacerbation.

On the question of land itself, the IRR has long advocated for emerging farmers to be provided with title deeds, soft loans, grants, and proper extension services. But the government seems unwilling to go this route. It appears at times that it is afraid of a class on new emerging farmers – perhaps because of the political influence that a class of black rural property owners would wield.”

Ends.