Press Release
For immediate release
17 April 2018

South African Institute of Race Relations
The power of ideas

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Expropriation without Compensation puts investment envoys in impossible position

President Cyril Ramaphosa's plan to dispatch a team of respected envoys to promote investment in South Africa is warmly to be welcomed. But it stands to face constant frustration in light of the government's plans to institute a policy of expropriation without compensation.

It is common cause that South Africa's future prospects hinge on being able to shift its economy to a high-growth trajectory. Since 2008, real annual GDP growth has never exceeded 3.3% – and, since 2014, it has failed to reach 2%. The South African Reserve Bank expects little improvement, with growth for 2018 predicted at some 1.7%.

This is radically short of the 5.4% envisaged by South Africa's National Development Plan (NDP), and even further from the 8% that the World Bank now calculates will be needed if the NDP's goals are to be achieved. All of this implies serious real-world consequences for South Africa's people, not least those who are unemployed and poor.

Attracting investment – particularly fixed, productive investment – into South Africa is one hope that we as a country have of turning this sad state of affairs around. President Ramaphosa is to be supported in this.

However, this invitation to foreign investment is contradicted by the government's commitment to expropriation without compensation. This sends out a strong message that investments are vulnerable to government seizure. This is already a serious consideration for investors. Last month, it was reported that an investment roadshow under finance minister Nhlanhla Nene to showcase South Africa abroad was dogged by concerns about this turn of policy.

This echoes the IRR's experience – among both local and foreign businesspeople – about the issue. Expropriation without compensation would, after all, strike at the heart of a non-negotiable condition for investors: the security of their investments.

Government has not helped its own cause by the enthusiasm shown for this plan by many of its officials. More importantly, over the past decade – in a number of attempted policy and legal changes – it has repeatedly signalled an intention to abridge property rights. Foreign investors, for their part, have been concerned about the repeal of the country's bilateral investment treaties, and what this could imply for them.

South Africa's prospects for a prosperous future depend significantly on establishing a policy environment which is conducive to the creation of wealth and the operation of business, both local and domestic.

Expropriation without compensation stands in flat contradiction to this. It will place President Ramaphosa's team in a difficult if not untenable position.

Ends.