from 16 to 20%. Reserve Bank figures indicate an average increase across the economy of 15.1% in the first half of 1989, down from 15.8% in 1988.

All was not gloomy in 1989, for agriculture, mining, manufacturing, foreign trade and the Johannesburg Stock Exchange all recorded excellent results. Agriculture had its best year in the past decade. The maize crop at 11 million tons, while not a record, was of bumper proportions. Wheat production did not come up to 1988's record but was still good enough to permit substantial exports valued at R 360 million. Spending by the agricultural industry on capital and intermediate goods was up and interest payments were down. Gross farm income for the year to June, 1989, was a record R 15.4 billion. Of the 2.1% increase in South Africa's GDP in 1989 approximately half was contributed by agriculture.

For gold, 1989 was a disappointing year when production fell by more than 2% to 606 tons from 619 in 1988. The average price for the year was down 13% to US $380 per ounce (US$437 in 1988). The high cost of production from inefficient mines continues to be a worry. Nevertheless, the continuing importance of gold to the economy is reflected in the total value of sales at R 20 billion in 1989. After gold, coal remained the next largest earner of foreign exchange from the export of some 44 million tons, slightly below the record of 45 million tons set in 1986. With the dollar price 20% higher, 1989 was an excellent year for the industry. The rarer minerals: platinum, manganese, chrome, vanadium continued to perform well and diamond production was up 6.5%, though total sales value was down slightly from 1988. Total South African mineral sales at R37.7 billion represented an 11.1% increase over 1988. Manufacturing, after three good years of growth between 1986 and 1988, fell in volume terms for the first time since 1985.

Over the year 1989, the Rand fell against all the major currencies, suffering most against the U.S. dollar with a drop of 15.4%. The final quarter brought a substantial recovery following a return of confidence induced by South Africa's debt rescheduling and a firmer price for gold late in the year. The rescheduling agreement with foreign bank creditors, reached in October, comes into effect on July 1, 1990. This requires repayment of some US $1.5 billion by the end of 1993 from a total outstanding of US $8 billion. An additional US $12 billion in external debt is also outstanding and will need repayments amounting to US $6 to $8 billion over the four years 1990-1993. These obligations will require maintenance of a substantial current account surplus in the balance of payments, thus limiting the capacity for growth and job creation. The current account surplus rose to R4.1 billion in 1989 compared with R2.9 billion the year before and was just sufficient to service foreign debt repayments amounting to about US $1.5 billion. Nevertheless, according to the Minister of Finance, the net capital outflow of R5.6 billion in 1989 resulted in a continuing fall in net foreign exchange reserves.

South Africa's ability to service its foreign debt relies heavily on maintaining a surplus on current account and, especially, on its foreign trade component. Sanctions notwithstanding, exports performed well in 1989. This was due to market diversification and to the fact that close to 70% of merchandise exports originate from mining, an area largely immune to sanctions by virtue of the relative scarcity and essential nature of the minerals concerned. Along with wheat and maize, wool, sugar and fruit did well and agricultural exports grossed between R4 and R5 billion in 1989. At the same time, import constraints in the form of import surcharges, a weak Rand and high interest rates, contributed also to the favourable current account balance.

The Johannesburg Stock Exchange boomed in 1989 and, with a 66% growth in prices, outperformed all the world's major exchanges except those of Mexico and Austria. This was a result of a general increase in optimism, high domestic liquidity and a jump in the price of gold in the latter part of the year.

If there was ever any doubt about the depressing effect of sanctions and disinvestment on the South African economy, it was dispelled by a number of statements and studies issued recently in South Africa. In his budget statement on 14 March 1990, the Minister of Finance likened South Africa to the third world countries whose development had depended on international capital which now had to be repaid. He said the consequent outflow of capital was aggravated by disinvestment and, unlike the developing countries, South Africa for political reasons had been cut off from normal international banking facilities such as those of the IMF. This, according to the Minister, had complicated management of the balance of payments and forced South Africa to maintain a surplus on current account which had adversely affected the growth capacity of the economy.

A report of the Trust Bank of South Africa was more specific. It estimated the impact of international sanctions since 1985 in the following terms: loss of output of R80 billion (C $40 billion); losses from reduced exports and capital outflows of R40 billion (C $20 billion); GDP in real terms reduced by 10%; employment reduced by 500,000 (an official report put this figure at 1,000,000); real consumer spending reduced by 15%.

Late in the year, the South African Broadcasting Corporation, reflecting official opinion, acknowledged that sanctions could not be brushed aside or easily overcome and that they had a serious effect on the economy. Beyond their strictly economic effects, they had adversely affected social conditions, job creation, unemployment and standards of living. Further, social and economic reform must go hand in hand, economic adjustments would have to be made in response to sanctions and these adjustments "must be underpinned by positive and dynamic progress in social and constitutional reform". It seems clear that the realities reflected in these statements have contributed to the South African Government's decision to reverse forty years of National Party and Government policies on apartheid and launch out in a new direction.