

the withdrawal in June 1987 of the Rev. Leon Sullivan from the code of conduct system bearing his name, coupled with his public appeal for disinvestment. While the current account remained in surplus, it was down at year's end. Both exports and imports were under pressure, the former from sanctions and the soft U.S. dollar (in which a majority of South Africa's exports are denominated) and the latter from constraints aimed at keeping imports down to generate a surplus and facilitate repayment of foreign debt. 1987 was South Africa's worst year to date in terms of lost production from strikes and other work stoppages.

The general election in May 1987 brought a rightward shift on the political spectrum. While the President's National Party retained a solid majority, the right wing Conservative Party became the official opposition at the expense of the more liberally minded Progressive Federal Party. Since then the PFP has suffered further embarrassment from defections and internal bickering and has demonstrated its inability to join forces with its logical allies, the National Democratic Party led by Wynand Malan or the Independent Party led by Denis Worrall. President Botha gave no indication of instituting the modest reforms he had spoken of a year or two earlier and seemed more inclined to devote his energies to countering his opponents on the right. Under the renewed State of Emergency the disturbances in the townships were subdued and only factional fighting (UDF/ANC versus Inkatha - largely Zulu on both sides) around Pietermaritzburg marred the apparent calm throughout the rest of the country. Many South Africans fear this relative calm will be short-lived, given that most of the fundamental political problems remain to be addressed.

1988

The first four months of 1988 have signalled the likely course of events in the days ahead. In February, the Government banned political activity on the part of some seventeen organizations and individuals opposed to apartheid. Press censorship, tightened last September, has been followed by official warnings to half a dozen newspapers. One, the New Nation, was closed by the Government in March for three months. The universities and trade unions have been put on notice by impending legislation designed to constrain anti-apartheid /anti-Government activities. The Labour Relations Act is to be amended to ban sympathy strikes, give the Minister of Labour an open-ended authority to define unfair labour practices and allow management or labour to sue for loss of income from illegal strikes or lockouts. The last is regarded by the trade unions as a transparent means to sue the unions out of business. Other draft legislation is aimed at controlling foreign funding of civil rights, Church, labour and other groups seen by the Government to be promoting revolution. All these measures are designed to tighten control over potential opposition to the Government and to provide it with breathing space to implement its economic and political strategy. With respect to the former, President Botha in February outlined the Government's plans to institute privatization of state enterprises, tax reform, subsidy reduction and a pay freeze. The Minister of Finance in his March budget statement filled in some of the details justifying,

among other things, the Government's decision against a general pay increase on the grounds of avoiding: (1) the use of bank credit to create money and, with it, inflation; (2) resort to long term loans to finance current expenditure; (3) an exceptionally large deficit, with consequences in terms of upward pressure on interest rates. Although the President's strategic priorities have placed the economy first and political reform last, in April he proposed the inclusion of Blacks in the process of selection of the President and in Ministerial decision taking. He failed to indicate the means by which these ends would be achieved and, in the end, his proposals do not address the basic question of genuine power sharing with the majority of South Africans.

Early in the year the country was given a lift by heavy rainfall which, as in 1987, was a mix of blessing and damage to the rural economy. On balance, however, it boosted the farmers' confidence and already this has been translated into increasing sales of agricultural equipment. Similarly, the return to moderate economic growth and the decline in inflation have boosted business confidence in the short run. The long run remains uncertain, given the near intractable problems of apartheid which the Government seems loathe to address by democratic means. Instead, the disarray of the liberal parties, the growth of the Conservative Party, the general trend toward right wing politics, mounting unemployment and frustration in the Black community all seem to point in the direction of continuing conflict and long run economic decline.