The months ahead can be expected to see a process as dramatic as that during these past 18 months and, even with a realized dream of a non-racial democratic South Africa, much commitment on the part of all South Africans and on the part of friends of her people will be needed to expunge the legacy of apartheid.

The South African economy has been in recession since mid-1989 with little evidence that the end is in sight, although some analysts predict an upswing in early 1992. Real growth in domestic product (GDP) declined by 0.9% in 1990 and per capita GDP by 3.2%. While figures are not yet available for 1991 to date, estimates are for low or no growth with the culprits, again, lower than expected prices for gold and other minerals and, due to drought, a decline in agricultural output. With population growth at 2.3%, this projection would result in another year of decline in per capita living standards for a significant proportion of the 40 million South Africans.

This contraction has also had an understandably serious impact on employment which, with a labour force expanding by 1,000 per day, can be expected to have significant political implications in both the short and longer term. The formal sector has historically provided jobs for about 12% of new labour force entrants; on that projection, unemployment is growing at a rate of 300,000 per year and some estimates suggest 40% of the Black work force may now be unemployed. Of the current estimated labour force of 12 million, only 8 million are in the formal sector with the remainder in the informal or subsistence sectors. Despite the slower growth in employment, and massive unemployment, nominal wages and salaries continue to rise at unexpectedly high rates. In many cases, these real wage gains, particularly for unionized labour groups, continue at the same time as income disparities widen.

The current account surplus for 1990 was nearly 6 billion rand, achieved through a significant rise of non-gold exports which allowed the Reserve Bank to repay more than R 2 million of short-term borrowings from other central banks and R 3 billion in other foreign debt. The Government is predicting a surplus of at least R 3 million for 1991 which, if achieved (and it was running at a rate of 4.6 million by mid-year), will allow repayment of further obligations. Inflation fell early in 1990, but due to the pressure on oil prices associated with the Gulf War, fluctuated at around 15.3% through to the first quarter of 1991 and finished the year at about 14%. Both the Governor of the Bank and the Finance Minister are forecasting inflation rates for 1991 in the range of 12-12.5%. Foreign reserves increased by R 3 billion in the period due to an increase in short-term capital inflows, the financial rand facility, and high interest rates; but this represents only about two months import cover.

The 1991-92 Budget announced this March has been criticized for allocating little real increase to social spending and for being both regressive and for shifting the tax burden from business to individuals, as well as from capital investment to labour. One observer suggests that it "showed unwillingness to promote the interests of the poor at the

expense of the better-off" and commented on the small increase in the deficit (from 2.8% in 1990-91 to 3.4% of GDP in 1991-92) suggesting it, or revenues, projected at 25% of GDP, might be increased to provide a larger base for social spending as is the case in many other industrialized economies. This argument is unlikely to attract Government support when it is so clearly committed to fighting inflation and bringing down interest rates. Government strategy is made absolutely clear in its lowering of the tax burden on investments, introduction of a VAT on most food items (but not on capital or intermediate goods), and reduction in import surcharge and corporate taxes. Whether this strategy will encourage desperately-needed foreign investment and technology in current world conditions remains to be seen. Regardless of its future composition, a major dilemma of any future Government -- and the internal debate -- will be over finding the appropriate balance between incremental social spending and the commitment of resources to investment and industrialization.