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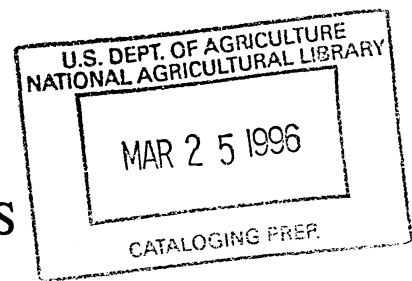
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PROSPECTS FOR POLICY AND TRADE REFORMS IN THE REPUBLIC OF SOUTH AFRICA

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The trade sanctions imposed by the US, EC, Japan and others placed critical limits on RSA's capacity to respond to world conditions and attract foreign capital. Much debate centers around the actual trade effects of international sanctions. Pro-sanction observers argue that the short term costs of sanctions are necessary for long-term gains of a freer society. RSA is particularly vulnerable to world petroleum and gold prices.

The current regime has made attempts to reform some of the more restraining interventions and to improve race relations. The international community has been reluctant to accept these initial reforms as sufficient to totally remove trade sanctions. Yet, the sanctions do not seem as restrictive as before the last elections. Intervention in agriculture has been great but some changes have been made to lessen restraints in an effort to meet GATT rules. At present, the Directorate administers 21 agricultural control boards. These control schemes manage the marketing of about 80 percent of the gross value of agricultural products. The commodity board is the basic entity for policy administration. Much of the credit and marketing infrastructure subsidies are channeled through each commodity board.

The three commodities of corn, wheat and sugar which are considered in this study are potentially important export commodities, although wheat is frequently imported. The specific types of government interventions for wheat and corn on the producer side include transportation, fertilizer, credit, price support and foreign exchange regulations. On the consumer side, price supports at the producer and consumer levels and foreign exchange subsidies and grants were considered. Sugar is marketed through cooperatives but government intervention affects both producers and consumers of sugar. Credit, foreign exchange and licensing of production were considered on the producer side. Licensing and foreign exchange effects were evaluated on the consumer side.

This study identifies and attempts to measure the costs and benefits of government interventions related to macroeconomic, agricultural and trade policies on consumers, taxpayers, and producers of selected agricultural commodities in RSA. Producer and consumer subsidy equivalent measures are used to determine the costs and benefits of regulating the RSA agricultural sector. Analyses of costs and benefits of government policy interventions provide information about both the level and distribution of policy effects. Trade-offs from recent policy reforms in South Africa have been substantial for the three products. Wheat and sugar producers have lost subsidies and have been taxed heavily the last two years. Corn producers are still being subsidized but at lower levels. The effects on consumers are mixed--more subsidies for wheat and sugar with little change for corn consumers.