Current developments in mining and energy tend to overshadow the importance and buoyancy of the agriculture sector, which has traditionally been the pillar of the Australian economy and remains Australia's main source of export income. With good prices and generally good crops, the Australian rural sector has been operating at a high level. Gross farm product in 1978-79 equaled $8.6 billion, or 6.5 per cent of GDP. Rural exports accounted for 41 per cent of the total value of merchandise exports. Beef, wool and grains showed record returns, a trend that continued into 1980. Farm incomes rose by 20 per cent in 1978 and 11.5 per cent in 1979, and are expected to be high in 1980-81. Longer-term prospects in agriculture are difficult to measure in view of its vulnerability to fluctuations in climate and external demand. They look at the least favourable, however. Other sectors whose development may have significant implications for Canadian exporters are forestry and fisheries.

Given the strength of developments in all the above sectors, Australia's medium-term economic outlook is highly encouraging. The extent to which those real opportunities are translated into economic growth, however, will depend largely on government policy and management. First, projects necessitate large inflows of debt and equity capital requiring a certain flexibility on the part of the government in administering existing foreign investment guidelines. At the development stage, those guidelines seek 50 per cent Australian equity in resource projects. Also, projects may be approved with a lesser degree of Australian participation if it cannot be achieved on reasonable terms and the foreign investor undertakes a commitment to reach 51 per cent local equity. In most other sectors, on the other hand, there are no equity limitations on foreign investment. Indeed, investment is welcomed. There is a second issue, however: the effect on inflation of increased demand arising from mining and energy projects. Project investment will increase the demand for labor, particularly skilled labor, giving rise to the risk of wage inflation and domestically generated cost-price distortions. Those pressures may be eased by immigration and an increase in the number of people being trained, but it is expected that the government will have no alternative other than maintaining its tight fiscal and monetary policies. Third, the government's intention to reduce protection of domestic production, and its trade and external policies in general, will bear directly on the ability of the economy to constrain inflation and enjoy continued growth.