

The future of oil and gas in the Northwest Territories appears bright with demand for energy products in North America expected to continue to increase. The Western Canada Sedimentary Basin, which covers a large portion of Alberta, extends into the Northwest Territories. This is one of the richest deposits of oil and natural gas in the world. In addition, the Mackenzie Delta/Beaufort Sea area has 9 trillion cubic feet of proven reserves of natural gas and a potential for up to 64 trillion cubic feet. Based on a conservatively estimated price of US\$4 per mcf, total project revenues could reach \$50 billion.

The construction industry has had to develop innovative solutions for "arctic" conditions. As such, Northwest Territory companies have exported their expertise to Russia and other polar regions. Overall, the construction industry contributed \$412 million to the territory's gross domestic product in 2002, making it the second largest industry in the NWT.

The Northwest Territories has many tourism attractions, including four national parks, and the NWT industry is beginning to tap into the rapidly growing global market for "adventure travel" to remote and pristine wilderness areas, particularly those with aboriginal cultures. The tourism season extends over most of the year.

Other sectors of the NWT economy include a small but growing manufacturing industry, and relatively tiny commercial fishing, muskox harvesting and agricultural industries. Resource harvesting and the fur industry play a key role in the traditional economy of many small remote communities.

International Trade

The mining and resource extraction industries continue to account for almost all of the territory's exports. Major exports from the NWT include diamonds, oil, natural gas and gold. In 2002, \$801 million worth of diamonds were exported from the NWT. Oil exports from the NWT for the same period were valued at \$289 million, while natural gas shipments were \$108 million. Exports of gold, once the backbone of the resource economy, were \$52 million.

The NWT will continue its efforts to capture more of the processing and value-added activity related to the mining and resource-extraction industries, with a view to diversifying its economy and its export base.

Market Access Issues

The products of key export interest to the Northwest Territories currently face few market access barriers as they are generally imported as raw materials for further production.

THE YUKON

Overview

The Yukon is the smallest territory in terms of land mass, encompassing 480 thousand square kilometres or about 5% of Canada's total land area. The territory has a small population of approximately 30,000 people, 25% of whom are aboriginal; since 1997, the Yukon's population has declined by about 10%.

The Yukon has a small economy with a GDP of approximately \$1 billion per annum. As a result of recent declines in mining activity, the Yukon's economic growth has been largely stagnant in real terms since 1997. The territory's GDP growth rate has underperformed relative to the national growth rate in five of the last six years. The Yukon's economy expanded 5.1% in real terms between 1997 and 2002, compared to Canada's 21.7%. Total employment in the Yukon dropped 3.6% over the 1997–2002 period.

Mining and minerals continue to be important to the Yukon economy, contributing \$79 million in 2002. In 2002, gold accounted for 89% of the value of the Yukon's mineral production (excluding oil wells). However, declining activity in the resource sectors has led to increasing Yukon economic dependence on government spending during the 1997–2002 period. The public sector's contribution to GDP has risen to over 37%, more than double the national rate. Government now directly employs over one-third of the workforce.

The Government of the Yukon, having recognized that the territorial economy needed to move in a new direction if the territory was to achieve its potential, released on January 30, 2004, a policy paper entitled: "New Direction: Building a Sustainable and Competitive Yukon Economy" (www.economicdevelopment.gov.yk.ca/general/ecd_direction.html).

The government's goal is to develop a sustainable, competitive Yukon economy that is capable of sound