

Exports of *caribou* to the EU, which were exempted from BSE-related trade restrictions due to the geographical isolation of the herds and distinctive product status, face a tariff of up to 18%, although the precise rate seems to depend on the point of entry. This product competes with Northern European reindeer, which enters the European Union duty-free. In addition, changing European certification and packaging requirements increase costs, further disadvantaging Nunavut's exports.

Exporting to the U.S. market is made more difficult by unclear customs rules relating to how game meat is classified, complicated regulations and food handling requirements and comprehensive record keeping requirements.

THE NORTHWEST TERRITORIES

Overview

The Northwest Territories (NWT) comprises almost 1.2 million square kilometres, an area approximately the size of Alberta and Saskatchewan combined. A small population of approximately 41,000, 50% of which is aboriginal, call the territory home. The territory has a rich and diversified resource base, which provides the foundation for a thriving economy.

The Government of the Northwest Territories has built on this base by promoting diversified resource development and value added processing. The Government of the Northwest Territories is focused on the continued development of the region's non-renewable resources, local businesses, tourism and its population's skills and abilities, with a view to realizing the full potential of the NWT's resource endowments so as to ensure that the territory is a prosperous and secure place to live in the years to come.

The NWT's gross domestic product (GDP) increased by approximately 9% in 2003, due in large part to the start of production at the Diavik diamond mine. In 2002, the Northwest Territories had the highest per capita GDP in Canada at approximately \$75,000 per person. The NWT also had the highest average income in Canada at around \$51,000 per taxable return (2000 tax year) and, at 71%, the highest employment participation rate in Canada at the end of 2003.

After the large increase in GDP in 2003, the economy is forecast to continue to grow rapidly over the next few years: 7.4% in 2004, 10.4% in 2005 and 14.4% in 2006. These projections are based on the Diavik mine entering full production, significant investment in the Snap Lake diamond mine and the start of pipeline and field development work on the Mackenzie Valley pipeline. The Snap Lake mine construction is anticipated to begin in 2005 with full production occurring in 2007. The construction of the pipeline is expected to commence in 2006, with the flow of gas beginning in 2009. The anticipated capital cost of the project is projected to be between \$4 and \$5 billion. Development of the gas fields to support the pipeline will have an aggregate capital cost comparatively similar to the capital cost of the pipeline. In addition, construction costs related to the development of highways are expected to exceed \$300 million. Preliminary studies show that the NWT has the potential to generate more hydropower than James Bay or Churchill Falls using modern run-of-the-river technology that will limit environmental impacts.

Mining is the Northwest Territories' largest industry with diamond production from the Ekati and Diavik mines reaching \$1 billion in 2003. This represents 12% of total global diamond production, which places the Northwest Territories ahead of South Africa (11%) in production by value. A third diamond mine, the De Beers' Snap Lake project, is in the regulatory review phase. A secondary industry has evolved in diamond sorting and manufacturing. In April 1998, BHP Billiton agreed to build a sorting and valuation facility in Yellowknife. BHP Billiton then agreed to sell rough diamonds, at world prices, to three manufacturers in the territory as part of an understanding between the territorial government and the company to promote and support value-added activity in the Northwest Territories. The three facilities will employ approximately 90 cutters at full capacity.

Historically, gold has been the mainstay of the territory's mining industry, playing such an important role that the gold billets on the territorial flag represent this natural resource along with the bright prospects for the future of the territory. In 2002, gold shipments were approximately \$52 million.