



THE ALASKA-CANADA CONNECTION

Big business: Canada
Alaska's third largest export market.

BY GREG WOLF



Greg Wolf
Executive Director
World Trade Center Alaska

There is a 1,500-mile-plus land border that connects Alaska and its next-door neighbor, Canada. As one of Alaska's most important international partners, there are significant shared interests, including a wide variety of commercial and cultural ties that drive this long-standing, multi-faceted relationship. There is extensive cross-border trade and, in recent years, Alaskans and Canadians have teamed up to pursue a number of business ventures and to jointly promote tourism.

Canada's role in Alaska's economy is substantial and takes place on a number of levels. Canada is a major trading partner of Alaska, and Canadian firms have made significant investments in the state. Canadians themselves travel to the state in large numbers and several Canadian port cities play a key role in Alaska's cruise ship tourism.

This investment and business activity support an estimated 8,500 direct and indirect jobs across the state, according to a newly updated study by the McDowell Group that details Canada's impact on Alaska's economy. Payroll associated with these jobs was approximately \$430 million, according to the report.

TOP THREE

For the past several decades, Canada has typically been Alaska's third largest export market. In 2008, they

maintained that ranking, with only Japan and China being larger customers. Exports from Alaska to Canada totaled \$370 million in 2008, representing just more than 10 percent of the state's total overseas commodity exports. Minerals were the top export category, making up 57 percent of the total, followed by seafood (23 percent), and petroleum products (9 percent).

The trade flows in both directions and is relatively balanced: in 2008, according to Government of Canada statistics, Canadian firms shipped goods worth \$441 million to Alaska. The two largest categories were refined fuel products, followed by mining and oil/gas field equipment.

MINING RULES

Canadian companies are not just customers of Alaskan resource export; they are, in many cases, investors in the very projects that produce the exports, whether they are destined for Canada or for other markets around the world. Alaska's mining industry, in particular, has attracted considerable Canadian participation, both in terms of exploration and mine development.

According to the McDowell report, in 2008, there were 38 Canadian companies involved with exploration or mine development in the state. The same report indicates that since 1981, Canadian mining firms have invested

and spent some \$3.9 billion on mine development and exploration. Traditionally, Canadian firms have been the most prolific explorers for minerals and metals in the state, and 2008 was no exception. According to the 2008 Alaska Mineral Industry Report, a staggering 90 percent of the \$347 million spent on exploration during that year was derived from Canadian sources. Canadian firms engaged in exploration included Nova Gold Resources, Northern Dynasty Minerals, Fire River Gold, and Millrock Resources.

Teck Resources Ltd., a Canadian firm, operates Red Dog Mine, one of the world's largest producers of zinc concentrates, located about 90 miles from Kotzebue in Northwest Alaska. To date, the company has invested more than \$700 million in facilities at the mine. The

company employs some 550 workers and more than half of these are shareholders of NANA Regional Corp., an Alaska Native corporation that is the landholder where the mine is located. According to the McDowell report, between 1982 and 2008, Teck Resources paid \$412 million in royalties to NANA.

A world-class copper and gold mining prospect, the Pebble Project in Southwestern Alaska, has significant Canadian involvement. The project is being pursued by a joint-venture partnership of Vancouver-based Northern Dynasty Minerals and London-based Anglo American. To date, the partners have invested more than \$420 million on exploration and other project-related costs.

Another mining project with enormous potential is Donlin Creek, located 280 miles west of Anchorage on Calista Native Corp. lands. Estimates confirm a combined measured, indicated, and inferred resource of more than 29 million ounces of gold. It is considered one of the few mining projects in the world that has the potential for producing more than 1 million ounces on an annual basis. Donlin Creek LLC, a 50-50 percent joint-venture between Nova Gold Resources Alaska and Barrick Gold U.S. Inc., both Canadian owned firms, is advancing the project.

THEN THERE'S GAS!

In Alaska's energy sector, TransCanada, a leading Canadian resource company, made headline news in August 2008 when the Alaska State Legislature approved the company as the licensee under the Alaska Gas Line Inducement Act (AGIA) to develop a pipeline project to move Alaska's estimated 36 trillion cubic feet of natural gas from the North Slope to markets in the United States. In June 2009, it was announced that ExxonMobil was joining with TransCanada to work together on an Alaska gas pipeline. A formal "open season" for shippers to indicate their intentions for using the pipeline is expected to commence at the end of April 2010.

SEAFOOD, TOO

Canada is a player in Alaska's seafood industry, both as a processor and as an export destination. Alaska General Foods, owned by the Jim Pattison Group,

Canada's third largest privately owned company, has seafood-processing operations in Alaska. The Vancouver-based company produces canned salmon and salmon roe products from its plants in Ketchikan, Naknek and Egegik. During the peak season, the company's employment is estimated at approximately 600 workers. As an export destination, seafood shipments from Alaska totaled \$85 million in 2008, a combination of both processed and unprocessed product.

RETAIL ON THE RISE

Canadian retailers are expanding their presence in Alaska. Liquor Stores Income Fund, a publicly traded Canadian income trust, purchased one of Alaska's oldest and best-known liquor store chains in late 2008. Nineteen Brown Jug liquor outlets were purchased by the trust. Another Canadian firm, Northwest Company International, operates more than 30 retail outlets in rural Alaska operating as the Alaska Commercial Co. With more than 900 employees, the company is one of the largest employers in rural Alaska.

TOURISM HOLDS

Alaska is a popular tourist destination for Canadian travelers. More than 100,000 Canadians visit the state each year. As with most other travelers to Alaska, these visits occur predominantly during the summer months. Spending by these visitors is estimated to exceed \$91 million. In addition, Alaska and Canada have partnered to cooperatively promote tourism. A successful example is the joint effort to promote tourism along the Alaska-Canada Highway. The "North to Alaska" partnership program includes direct mail packages, printed brochures, a Web site, and e-mail marketing and research activities. Along with Alaska, the Yukon, Alberta and British Columbia provinces, provide funding for the program.

Canada plays a key role in the Alaska cruise ship market. Virtually all of the 1 million-plus cruise passengers who make their way to Alaska either begin or end their journey with a stop in Vancouver, Victoria or Prince Rupert. Due to a U.S. law that prohibits foreign-flagged vessels from traveling directly between two U.S. ports, ships leaving Seattle, for example, must first stop at a "foreign" port, in this case Victoria

or Prince Rupert, before stopping next at an Alaska port of call. More than half of cruise ship passengers sailing to Alaska use Vancouver as their point of embarkation.

CULTURAL TIES

The relationship between Alaska and Canada is defined not only by strong commercial ties but also by the many and varied cultural linkages that provide depth to the overall relationship. In the field of education, as an example, the University of Alaska Anchorage offers programs and scholarships for students seeking to study about Canada, or to actually study abroad at a campus in Canada. The Elizabeth Tower Endowment for Canadian Studies provides funding to raise the visibility of the school's Canadian courses and makes possible scholarships for students seeking to study in Canada. Last fall, the university offered four classes as part of their "Canada track" in International Studies.

Through the National Student Exchange Program, Alaska students can study at a variety of universities across Canada. Some students utilize the program to do a French language immersion course. As with many aspects of the Alaska-Canada relationship, education is another area where activity flows in both directions. Last fall, several dozen students of Canadian nationality were enrolled at the University of Alaska Anchorage.

There are, of course, many other areas of cultural exchange, including sports and music. In addition, as strong and important allies, there is considerable coordination between American and Canadian military forces that include a prominent role for Alaska.

Looking forward, prospects are solid for continued growth of this sizeable, mutually beneficial, partnership. Alaska's and Canada's past and future are closely linked. Soon, a pipeline that enables the state to commercialize its vast natural gas resources may also connect Alaska and Canada, leading to an exciting new chapter of shared prosperity. □

About the Author:

Greg Wolf is executive director of World Trade Center Alaska and a consultant to the U.S. Department of Commerce.