

Special Report on Canada: Opportunities Next Door

Welcome to World Trade Center Alaska's Passport to Profit series of special reports. Published periodically, they are designed to provide members and community partners with a timely overview of a particular export market or trade opportunity. This edition is focused on Canada, one of the state's major trading partners. We hope you find these reports to be an informative tool as you explore and pursue international business opportunities.

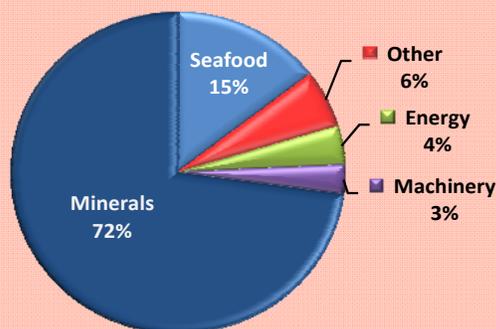
Neighbors and Partners

Alaska's relationship with its next-door neighbor, Canada, is one of the state's most important international partnerships. Approximately 1,500 miles of common border and many shared interests drive this long-standing, multi-dimensional connection. This report is focused primarily on the extensive commercial ties that exist between Alaska and Canada; however, there are also many cultural exchanges that provide depth to the overall relationship. Several aspects of these ties are noted in the report as well.

Alaska's 4th Largest Export Market

Trailing only Japan and South Korea, Canada has traditionally been the state's third largest export market. Two years ago, it fell to the fourth position as Alaska's business with a rapidly developing China propelled that country into the third ranking. In 2006, shipments from Alaska to Canada totaled \$445 million, a dramatic 100 percent increase over the previous year. This represents 11 percent of the state's total worldwide commodity exports. The increase was fueled primarily by the higher prices received for minerals exports rather than a substantial increase in quantities shipped. Last year, minerals accounted for 72 percent of the state's exports to Canada. The two other major export categories were seafood at 15 percent and energy products at 4 percent.

Alaska's Exports to Canada by Product, 2006
\$445 Million



Source: US Census Bureau

Not Only Customers, Investors Too

Canadian companies are not only customers of Alaskan resource exports, they are, in many cases, investors in the very projects that produce the exports, whether they are ultimately destined for Canada or markets elsewhere around the world. Alaska's mining industry, in particular, has attracted considerable Canadian participation.

There is sizable Canadian investment in the state's minerals and metals sector. Teck Cominco, Ltd., a Canadian firm, owns Red Dog Mine, the world's largest producer of zinc concentrate, located near Kotzebue in Northwest Alaska. To date, the company has invested more than \$700 million in facilities at the mine. The company employs nearly 500

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Fort Knox, Photo Courtesy of the Government of Canada

workers, and more than half of these are shareholders of NANA Regional Corp., the landholder where the mine is located.

Toronto-based Kinross Corp. owns Fort Knox, a gold mine just north of Fairbanks. The Fort Knox Mine operates year-round and employs some 425 workers. Another example is the Canadian-Japanese joint venture development of the Pogo Gold Mine. A partnership between Teck Cominco and Sumitomo Metal Mining, the mine poured its first gold in February last year and production is expected to average 400,000 ounces per year.

In addition to owning and operating mines, Canadian companies are leaders in the exploration of new mineral and metal deposits in Alaska. In a recent McDowell Group study of the economic impact of Alaska's mining industry, it was noted that since 1981 mining and exploration companies have spent \$1 billion on mineral exploration programs. The bulk of these expenditures can be attributed to Canadian firms. In 2005, for example, 72% of the record \$103 million in exploration spending was derived from Canadian sources. Canadian firms engaged in exploration programs included Nova Gold Resources,

Northern Dynasty and St. Andrews Gold Fields, Ltd.

More Than Mining

It is not just mining that has brought Canadian enterprises to Alaska. Calgary-based Agrium Inc. bought the former Unocal fertilizer plant in Nikiski on the Kenai Peninsula in 2000. The plant produces urea and ammonia for agricultural and industrial customers. The company then exports these products to buyers in Asia, Mexico, and the Lower 48. In the state's oil and gas sector, the Canadians also have a presence. Petro-Canada, one of the country's largest oil and gas companies, and Talisman Energy, through its Alaska subsidiary FEX, are actively exploring for oil in the National Petroleum Reserve. In May, Talisman announced that they had struck oil during a series of exploratory wells located on the federal lands about 60 miles southeast of Barrow.

Canada is a sizeable participant in Alaska's seafood industry both as a processor and as an export destination. In 2006, seafood exports from Alaska to Canada totaled \$67 million. Alaska General Seafoods, owned by the Jim Pattison Group, Canada's third-largest privately owned company, is one of the larger seafood processing firms in Alaska. The Vancouver-based company produces canned salmon and salmon roe products from its plants in Naknek, Ketchikan and Egegik. During the peak season, the company employs more than 600 workers.

Alaskan Companies in Canada

It should be noted that the flow of investment and business is not entirely in one direction. A growing number of Alaskan firms have set up shop in Canada, including

Alaska's Top 10 Export Partners

Rank as of 2006	Country	U.S. Dollar			%Change 2006/2005
		2004	2005	2006	
1	Japan	\$1,189,666,446 (1)	\$1,180,644,227 (1)	\$1,095,869,530	-7.18
2	Korea	\$579,610,263 (2)	\$683,537,334 (2)	\$725,681,530	6.17
3	China	\$241,501,571 (4)	\$337,214,518 (3)	\$474,279,855	40.65
4	Canada	\$246,566,510 (3)	\$221,523,947 (4)	\$444,904,161	100.84
5	Germany	\$146,530,789 (5)	\$180,080,321 (5)	\$241,527,683	34.12
6	Spain	\$69,978,834 (9)	\$71,446,569 (9)	\$143,748,487	101.2
7	Mexico	\$107,664,717 (6)	\$165,705,611 (6)	\$128,983,380	-22.16
8	Netherlands	\$92,385,427 (8)	\$114,298,057 (7)	\$124,533,651	8.96
9	Switzerland	\$92,647,515 (7)	\$103,405,853 (8)	\$115,152,768	11.36
10	Belgium	\$52,826,636 (10)	\$38,347,651 (11)	\$94,202,870	145.65

() Number in parentheses indicates rank in given year

Source: US Census Bureau



those that are pursuing opportunities in the booming energy and mining sectors. VECO, an Anchorage-based company engaged in construction, project management, and oil and gas field services, has established a regional office in Calgary. Another example is Lynden International, a diversified transportation and logistics solutions provider. The company maintains offices in Toronto and Vancouver.

Visitors from Canada

Alaska also benefits from the growing number of Canadians who visit the state each year. It is estimated that nearly 100,000 Canadians travel to Alaska each year. As with most other travelers to the state, these visits occur predominantly during the summer months. In terms of the overall summer visitor market, Canadians accounted for 6 percent last year. Looking at just the international visitors, Canadians made up nearly 40 percent of those traveling to Alaska during the 2006 summer season.

Alaska and Canada have partnered to cooperatively promote tourism. There are, for example, two important Alaska/Canada Highway promotions jointly funded by Alaska and several Canadian provinces. The “North to Alaska” partnership program includes brochures, direct mail packages, e-mail campaigns and a special website. The Yukon, British Columbia and Alberta provinces, along with Alaska, fund the program jointly. Another partnership is the Alaska/Yukon Joint Marketing Program. This program seeks to expand the number of high-way vacationers on both sides of the border.

Cultural Links

The relationship between Alaska and Canada is defined not only by strong commercial ties but also by the many and varied cultural connections that provide depth to the

overall relationship. In the field of education, for example, the University of Alaska Anchorage offers programs and scholarship opportunities for students



seeking to study about or actually study abroad in Canada as part of their overall educational experience. The Elizabeth Tower Endowment for Canadian Studies provides funding support to raise the visibility of the school’s Canadian course and makes possible scholarships to students seeking to study in Canada. Through the National Student Exchange Program, Alaskan students can study at a variety of universities across Canada. Some students utilize the program to do French language immersion courses.

There are, of course, many other areas of cultural exchange, including music and sports. In addition, as strong allies, there is considerable coordination and teamwork between American and Canadian military forces. The North American Aerospace Defense Command (NORAD), established in 1958, is an example of this close cooperation. The richness of the Alaska – Canada relationship is celebrated each year in Anchorage during the Canada Day Picnic & Celebration.





Canada: Opportunities Next Door is a new trade development program of World Trade Center Alaska that is focused on expanding business opportunities between Alaska and Canada—seeking to build upon the already strong foundation of cross-border commercial ties that have kept Canada one of the state's top trading partners for decades. This new program also serves to highlight the importance of Canada to Alaska's international trade economy, particularly relating to natural resource industries while helping Alaskans to pursue business opportunities in Canada. Canadian companies are not only customers of Alaskan resource exports—they are, in many cases, investors in the very projects that produce the exports, whether they are destined for Canada or elsewhere in the world.

Resources to Provide Assistance

World Trade Center Alaska and a number of other organizations and agencies stand ready to assist you in learning more about Alaska-Canada business opportunities. Please see the box on the right that lists a number of these organizations and provides contact information and website addresses. One or more of these can furnish you with the information and assistance needed to initiate or expand business activities.



LOOK FOR WORLD TRADE CENTER ALASKA'S SPECIAL RESEARCH REPORT ON CANADA, AVAILABLE IN SUMMER 2007

Trade Mission to Canada

In September 2007, World Trade Center Alaska, in cooperation with the U.S. Commercial Service offices in Anchorage and Calgary, will conduct a trade mission to Edmonton and Calgary. The timing of the mission coincides with a major oil sands tradeshow and conference. Mission participants will have the opportunity to attend the conference and take part in a guided tour of the Fort McMurray oil sands development. There will also be meetings and briefings in Calgary. The mission is an excellent venue to learn about new business opportunities and make valuable contacts.

For more information, contact WTCAL at 278-7233 or by e-mail: info@wtcak.org

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