

Pathways to Prosperity

Discussion Brief

DRAFT

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Economic Context

The Yukon stands poised to enter a new economic era with the alignment of several key factors on the global economic stage. *Freer global trade*, the result of reductions in tariffs and non-tariff trade barriers are quickly bringing a unified world market closer to reality. Indeed, growth in global trade on a month-over-month basis averaged 12.3% during the first six months of 2005.¹

The fruits of increased specialization enabled by freer global trade are being borne out by recent *growth in global economic output*, most notably in emerging markets² where real gross domestic product (GDP) was estimated to have grown by 6.5% percent between 2004 and 2005.³ Real GDP in emerging markets is forecast to grow by a further 6.0% in 2006.⁴ Economic growth in emerging markets is being led by expansion in China and India where real GDP is forecast to grow in 2006 by 8.2% and 6.3%, respectively.

Increases in global economic output are in turn leading to *increased demand for consumer goods and services* by an ever-growing world population, as evidenced by growth in private consumption. Month-over-month growth in global private consumption averaged 4.5% during the first six months of 2005 while growth in private consumption in emerging markets averaged 7.0% over the same time period.

In commodity markets, *world commodity prices* have posted a stunning 26% increase during the first three quarters of 2005 with almost a third of that increase fuelled by natural disaster-related increases in crude oil and natural gas prices in September.⁵ While higher commodity prices are expected to stem global consumption in the year ahead, it is possible that prices will merely subside rather than crash due in part to "...ongoing rapid growth in the resource-gobbling economies of the developing world..."⁶

Growth in the world economy and commodity price increases have spawned an increase in *demand for mineral and energy inputs*. Evidence of the increase in demand can be found at the global as well as Yukon levels. Worldwide exploration spending on non-ferrous metals increased by an estimated 58% between 2003 and 2004 before growing by an additional 34% between 2004 and 2005. [n.b. Yukon exploration spending for 2005 to be announced at the Yukon Geoscience Forum November 20-23]. The increase in exploration activity points to the Yukon's mineral resources having become more economic.

The supply of Yukon resources to emerging Asian markets will benefit from the *Yukon's proximity to Asian ports* relative to other Canadian ports. For example, the shipping time between Skagway, Alaska and Shanghai, China is fully two days less than the shipping time between Prince Rupert and Shanghai. For this reason, the Government of Yukon is working to secure port access on reasonable terms in Skagway and Haines, Alaska.

Closer to home, key factors have also been aligning in the Yukon economy. The Government of Yukon has been working to capitalize on the devolution of responsibility for the *management of minerals, forests and federal Crown lands*. The focus of the work has been to modernize the Yukon's resource management regime so that development of the Yukon's natural resources may occur at a pace more suited to the dynamics of world resource markets.

With the recent ratification of the Carcross-Tagish land claim, *eleven of fourteen Yukon's First Nations are now, or will soon be, self-governing*. The Government of Yukon looks forward to becoming full economic partners with all Yukon First Nations in the development of the Yukon's economy. The federal government confirmed its commitment to the development of Canada's north with the delivery of \$90 million in *Northern Strategy* funding for Canada's three northern territories over five years. An additional \$40 million has been earmarked for the Yukon to invest in projects to build capacity and stimulate economic development over the next three years.

Our Economic Vision for Prosperity

In the year 2015, measures describing the Yukon economy will demonstrate:

- That growth in economic activity in the Yukon was robust and stable over the 2005 to 2010 time period. Employment levels will have steadily increased. Overall economic output will be higher on a year-over-year basis – boom and bust swings in output will have been avoided.
- That the Yukon economy has become highly diversified during the previous ten years. Diversification will have occurred on both an inter-sectoral basis as well as within sectors. Thus, not only will a diverse variety of sectors – minerals, oil & gas, forestry, tourism, knowledge-based and cultural – all be making significant contributions to the Yukon's economic output, each sector on its own will demonstrate diversity. For example, minerals sector activity will involve a mixture of base and precious metals and forest sector activity will include valued-added production in addition to logging.
- An improved stock of human capital as well as diversity in employment and self-employment choices, especially for our young people. The skills, knowledge, training and education levels of Yukoners will be well-matched to our diverse economy. Young Yukoners returning to the Yukon after pursuing studies in the south will have a variety of career avenues open to them in both the public and private sectors.
- A regulatory regime recognized by industry proponents as an effective and efficient solution to the proactive balancing of the environmental, economic and social aspects of natural resource development. This recognition combined with our demonstrated political stability will lead to the Yukon being seen as the circumpolar north's "go-to" region for resource development.

- Its essential contribution to healthy communities. With an improved stock of human capital, high employment levels and diverse employment choices, the Yukon will feature an enviable quality of life and safe, strong communities.

Strategic Outcomes

Clearly, the achievement of the Government of Yukon's economic vision will require focused efforts by all Government of Yukon departments and agencies. Those efforts must be made in close partnership with other governments (federal, First Nation and municipal), industry associations, community-based organizations and Yukon businesses. In short, efforts made in pursuit of our economic vision must be strategic.

At the same time, it must be recognized that the potential scale of natural resource demands from the world's emerging economies could serve to diminish the Yukon's quality of life for future generations. In consequence, strategic efforts to achieve our economic vision must pass through a lens of sustainability if a truly prosperous pathway is to be found.

Strategic outcomes to be pursued by the Government of Yukon to achieve its 2015 vision of economic prosperity include:

- The restoration of investor confidence through the establishment of a resource industry operating environment which features:
 - *certainty* (rules are set then left alone);
 - *transparency* (all rules and expectations made clear to all parties);
 - and,
 - *clearly defined timelines* (to facilitate project management and northern logistics).
- A territorial government focused on the coordinated development of infrastructure which has broadly-based public benefits – highways, roads, bridges, port access, pipelines, railways and electricity generation.
- Communities positioned to effectively maximize the positive effects and minimize the negative effects of resource development through industrial benefits planning.
- Cooperative development of joint economic infrastructure ventures with First Nations governments and businesses.
- Identification of weak or missing links in industry value chains and the development of strategies to address the strengthening of those links.
- A skilled, talented and adaptable labour force with core competencies suited to a variety of industries and occupations.

Linkages

Achievement of the Government of Yukon's economic vision for 2015 through the pursuit of the strategic outcomes identified will require the close coordination of efforts between all Government of Yukon departments and agencies. The table below identifies the lead and linking department for each strategic outcome.

Strategic outcome	Lead Department	Linking Department/Agency
<i>Investor confidence</i>	Energy, Mines and Resources	Economic Development
<i>Infrastructure development</i>	Highways and Public Works	Economic Development, Yukon Energy Corporation
<i>Community preparation</i>	Economic Development	Energy, Mines and Resources; Education
<i>First Nation ventures</i>	Economic Development	Land Claims Secretariat
<i>Value chain assessment</i>	Economic Development	Energy, Mines and Resources
<i>Labour force development</i>	Education	Yukon College

Next Steps

In terms of next steps, for each of the strategic outcomes identified, lead departments will:

- identify the key initiatives and associated activities needed to achieve the strategic outcome by 2015;
- in consultation with linking departments and agencies, determine their roles in the achievement of the strategic outcome; and,
- estimate the resource requirements for key initiatives and associated activities.

Endnotes

¹ International Monetary Fund, *World Economic Outlook*, September 2005, Figure 1.2 source data.

² Emerging markets include Argentina, Brazil, Bulgaria, Chile, China, Colombia, Czech Republic, Estonia, Hong Kong SAR, Hungary, India, Indonesia, Israel, Korea, Latvia, Lithuania, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Romania, Russia, Singapore, Slovak Republic, Slovenia, South Africa, Taiwan Province of China, Thailand, Turkey, Ukraine, and Venezuela.

³ International Monetary Fund, *World Economic Outlook*, September 2005, Figure 1.8 source data.

⁴ International Monetary Fund, *World Economic Outlook*, September 2005, Figure 1.8 source data.

⁵ Toronto Dominion Bank of Canada, *TD Commodity Price Report*, October 12, 2005, page 1.

⁶ Toronto Dominion Bank of Canada, *TD Commodity Price Report*, October 12, 2005, page 2.