

[Northwest Passage Reopens Shipping Routes With Global Economic Impact](#)

Posted by [Chris Mayer](#) on Oct 10th, 2007

It started with a Russian expedition planting the Russian flag in a polar seabed. Though largely symbolic, it touched off a scramble among a handful of nations, all trying to lay claim to the Arctic. Among these claimants: the U.S., Canada, Russia and Denmark.

Why the sudden interest in the Arctic? There are two big reasons. First, thanks to global warming, deposits of natural resources once layered over in impenetrable ice are now easier to get at. Second, thanks to melting ice, some previously icebound shipping lanes like the **Northwest Passage** are opening up.

The available resources are still a long way from being developed. The climate is incredibly harsh, and easier-to-get-at resources still exist on the fringes of the Arctic. As an oil and gas story, this one has a long fuse.

The Arctic thaw's more immediate and bigger impact will be as a shipping lane. Since Aug. 21, the Northwest Passage has been open to navigation and free of ice for the first time. "Analysts... confirm that the passage is almost completely clear and that the region is more open than it has ever been since the advent of routine monitoring in 1972," reports the U.S. National Snow and Ice Data Center.

The fabled passage through the Arctic Ocean connects the Pacific and Atlantic oceans along the northern coast of North America. To pass through here from China on your way to Europe is about 5,000 miles shorter than going through the Panama or Suez canals.

As the Financial Times observes, "A ship traveling at 21 knots between Rotterdam and Yokohama takes 29 days if it goes via the Cape of Good Hope, 22 days via the Suez Canal and just 15 days if it goes across the Arctic Ocean."

An oil tanker could make the trip from the Russian port city of Murmansk to the east coast of Canada in a week by crossing the Arctic Ocean. That is about half the time it takes to get an oil tanker from Abu Dhabi to Galveston, Texas.

In the early 1900s, it took the famed Norwegian explorer Roald Amundsen and his team nearly two years to pick their way through the ice and narrow waterways. Now the Northwest Passage could revolutionize shipping.

More than 90% of all goods in the world, measured by tonnage, make their way by sea. And as I've noted in the past, the rapid surge in trade with China and India is putting a lot of strain on ports around the world. In recent years, the volume of container shipments has grown 5-7% annually - basically, doubling every 10-15 years.

The ships carrying those containers are getting bigger, and the old canals can't hold these new seafaring beasts of burden as they once did. The Suez Canal can still handle the largest current container ships, but not the next generation.

The Panama Canal is even smaller. It's too small for ships that are now common on longer shipping routes. Panama plans to deepen its channels and make them wider. But even so, the new Panama Canal won't be able to service the next generation of ships.

So it looks like the world will have a new navigable ocean with the Northwest Passage. The effects on trade could be immense. Much shorter shipping distances and quicker shipping times will lower the cost of doing business. It could lead to big increases in trade and, certainly, a major shift in sea lanes.

A freer-flowing Arctic Ocean would also bring fish stocks north - with fishing fleets not far behind. It could mean a new boom in fishing for salmon, cod, herring and smelt. It could also mean that sleepy old ports could become important new hubs in international trade.

As the Financial Times recently wrote, "Leading world powers have an unprecedented chance to win navigation rights and ownership of resources in the Arctic seabed untouched since its emergence during the twilight of the dinosaurs." The U.S. alone could lay claim to more than 200,000 square miles of additional undersea territory.

The specific investment implications of this are still too early to say. But the cracking open of new trade routes or reopening of old ones - and their impact on global trade - always has ripple effects across financial markets. As for the Arctic, the Northwest Passage has got to be one of the most important new developments on that front in a long time.

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