

2013 CANADA-JAPAN TRADE SYMPOSIUM

REMARKS

FOR

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PRESIDENT AND CHIEF EXECUTIVE OFFICER

“JAPAN’S OPPORTUNITY FOR CANADIANS”

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AS DELIVERED

Thank you, Milos for that kind introduction.

Kon-ni-chi-wa. Good afternoon.

Nihon no mina-san

Ambassadors, consul-general, consul, distinguished guests. Sensei.

I am honoured and pleased to take part in this important discussion about trade between Canada and Japan.

You have heard from Ed Fast, Canadian minister of international trade, and he is someone Manulife sees frequently in the 11 countries and territories where we operate in Asia. His tireless work on behalf of Canada and Canadian businesses has been invaluable.

When it comes to Asia in general, Manulife has a longer story, but our modern history in Japan began in 1998. It was an important decision for Manulife and it led to our substantial presence that we enjoy today in the country.

As Milos said, it was also an important event for me personally as I was leading the business development team at the time.

As a result of that role, and during the ensuing years, I get to spend a lot of time in Japan. In fact, I was there earlier this month where I met with a number of our staff and local Canadian and Japanese officials, as well as clients.

Before I say anything more I should probably address some of the myths that constantly crop up in many discussions about Japan.

Japan has some challenges. Slow growth, the earthquake, strengthening Yen, but these “headline issues” cause too many people to miss the bigger picture of Japan.

For one thing, despite the hurdles it has faced over the past 20 years, Japan has sustained a huge economy.

At \$5.8 trillion in GDP, Japan is a market you ignore at your peril. Therefore Canadian companies should logically explore the opportunities it provides.

Today, some people are now trying to reduce the discussion to Japan versus China.

In my opinion, this is a mistake.

First of all, one doesn't have to choose – they are both great markets and trading partners.

Secondly, people forget that Japan is producing the machines, technology, critical components, applied research and development, engineering, and other critical factors of production that allows China and other Asian economies to prosper.

As we say about the gold rush, those who made the picks and shovels thrived. That is analogous to the role Japan plays in pan-Asian economies.

Third, you can seldom predict the future by simply drawing a line along the immediate past and projecting it forward.

It is no secret that the last two decades have been difficult for Japan, and that the demographics are challenging.

Guess what? Those two facts are already priced in.

What is new and different about Japan is the bold steps being taken by Prime Minister Abe and the Bank of Japan, and how much they have served as a catalyst for fresh new optimism of the Japanese people.

For many years, it seemed to me the greatest challenge faced by Japan was the lack of optimism and self-confidence of its people.

In my opinion, this lack of confidence was never warranted – what other country could recover from an event as devastating as the Great Eastern Earthquake, and be back on its feet barely nine months later?

But there is fresh new optimism in Japan, and it is happily, quite pervasive.

Japan is also enhancing its status as a trading nation, as it relates to Canada, by pursuing an economic partnership agreement, but also joining in the broader Trans-Pacific partnership discussions.

Both developments facilitated by, and encouraged by, Minister Fast and his colleagues.

Still, there are not enough Canadian companies neither taking advantage of the existing opportunities in Japan nor preparing themselves for future opportunities.

Having said that, we understand the trepidation that Canadian companies may feel when approaching this culturally different and complex country.

No question. It can be intimidating to enter a market where you do not speak the language or even recognize the alphabet.

In fact, you could be forgiven for thinking there are more differences than similarities between Japan and Canada.

Japan has a large population living in a small area. While in Canada, we have a small population living in a large area.

Japan is an ancient nation. Canada is not yet 150 years old.

The Japanese sporting obsession is sumo wrestling, while ours is hockey.

When one looks more closely, however, Japan and Canada have many important things in common:

- We both share the same form of government: parliamentary democracy with constitutional monarchs.
- Both countries have long life expectancy averaging 82.5 years.
- We both have national health care systems.
- The education rate in both is very high, for all citizens not just the elite.
- We are peaceful nations, with civil societies, where people live safely at home and abroad.
- We willingly pay our taxes.
- The rule of law is not only observed but enforced.
- We are the only countries to have hosted one summer and two winter Olympics.
- There are maple trees both in Japan and Canada and
- We are both Pacific countries, in both senses of the word.

And, significantly for today's discussion, we have a long history of doing business together. In terms of trade, Canada's exports to Japan are almost double its imports.

Let me give you some other examples of our strong relationship.

The story of Sony in Canada is one of my favourites. Akio Morita found success selling Sony's first transistor radio through the Eaton's department store in Canada.

The man who made the sale was a Canadian, Albert Cohen. Out of gratitude Akio Morita honoured that relationship by selling every single Sony consumer product in Canada through Albert's company for over 50 years.

And despite having its own highly competitive life insurance company, Sony helped Manulife establish its entry into Japan in 1998

In 2003, Toyota honoured Canada with the first Lexus production facility outside of Japan. And I'm the happy owner of a few of these fine vehicles.

In other words we are good friends and durable partners.

I am frequently asked about the best way to expand into Japan.

My first piece of advice is to seek out the assistance of the Canadian government.

The Canadian Department of Foreign Affairs and International Trade; the Export Development Corporation; the Department of Finance; ambassadors, consuls general and economic attachés around the world, have encouraged us, and welcomed us in each of the countries we have ended up establishing businesses. They can help other Canadian enterprises too.

What can success look like when operating in Japan?

We entered in 1998, not that long ago. With respect to insurance, in 2012, Manulife sold more insurance in Japan than in any other country where we operate. More than Canada, our John Hancock subsidiary in the United States, China, Hong Kong, Indonesia, Singapore, Vietnam, Malaysia, Thailand or any other country where we operate.

Over the last five years, we had an eight-fold increase in insurance sales, or a compound annual growth rate of 52 per cent. If we had that kind of growth in all of Manulife's businesses around the world, we would be very happy indeed. So much for a slow-growth economy!

In terms of wealth management sales: another very compelling story.

We launched a mutual fund in November of last year – the Manulife strategic income fund – that achieved \$1 billion in sales in its first few months. And our total institutional and retail wealth and asset management sales last year were over \$7.4 billion that is almost 25 per cent of the annual sales of the entire Canadian mutual fund industry.

Today, we have more than 1,300 employees; more than 3,000 agents, and more than one million policies in force. And we enjoy great relationships with many fine partners in Japan, including Mitsubishi UFJ, SMBC, Chiba, Daiwa, Nomura and Nikko. Our assets under management exceed \$27.8 billion.

We are making money, and growing nicely. We enjoyed unfettered access to the market, and our only barrier to trade is our own competence and ingenuity.

My only wish is that more Canadian companies would see this opportunity, take up the challenge, and enjoy the kind of success Manulife is experiencing.

If fact, we at Manulife believe so strongly in the opportunities that Japan, and other countries in Asia provide, that we have established the: “Manulife: Entry into Asia Challenge.”

This is a one-time-only competition for business school undergraduate and graduate students from across Canada to partner with, and develop a business plan for, an existing small or medium-sized enterprise to enter any Asian market.

There will be a first prize of \$100,000, a second prize of \$50,000, and third prize of \$20,000. The prizes will be handed out next month.

The competition provides business students the opportunity to work with small and/or medium-sized enterprises. These are the largest job creators in Canada, and account for roughly 28 per cent of Canada's GDP.

So, both the students and companies will benefit. Most importantly, it gets Canadians thinking about doing business in the very large Asian markets, and Japan stands front and centre in terms of that opportunity.

I firmly believe that Canadian companies should seek opportunities in Japan, and they will be welcomed with open arms.

Japan is a great place to do business.

I believe the EPA and TPP will strengthen our already strong ties with Japan will benefit both of our countries and provide even more opportunities.

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