



Asian Development Bank's Key Indicators for Asia and the Pacific 2010  
The Rise of Asia's Middle Class  
Dissemination Event  
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Welcome Remarks  
by  
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Distinguished guests, ladies and gentlemen, good morning. I am delighted to welcome you to the dissemination event on the Asian Development Bank's *Key Indicators for Asia and the Pacific 2010*. *Key Indicators* is ADB's flagship annual statistical publication and presents the latest available economic, financial, environmental, and Millennium Development Goals' indicators for ADB's 48 regional members. It also includes a special chapter on an important topic, which this year is *The Rise of Asia's Middle Class*.

There is no doubt that the emergence, or, I should say, re-emergence, of Asia as the world's most important economic region is one of the key developments of the second half of the 20<sup>th</sup> century and of the 21<sup>st</sup> century. Moreover, Asia is the world's fastest growing region, and this development has become even more marked since the global financial crisis. According to the latest International Monetary Fund projections in July for GDP growth this year, global output will rise 4.6%, but output in emerging and developing economies will rise 6.8%, and output in developing Asia will rise 9.2%, led by the People's Republic of China and India.

The rise of Asia's middle class has been even more remarkable. As will be described today, according to ADB's estimates, developing Asia's middle class has grown dramatically relative to other world regions in the last two decades. Most significantly, in 2008 the size of the middle class market in terms of total income hit nearly US\$3.3 trillion in purchasing power parity terms in constant 2005 dollars, a compound annual

growth rate of almost 9% since 1990, and reaching about 15% of global income. This is truly a world class market, and is on its way to becoming much larger.

Therefore, it is quite fitting that this year's *Key Indicators* special report is devoted to Asia's rising middle class. The chapter addresses the implications of Asia's growing middle class for the global economy and for social progress in the region. In particular, it argues that the middle class may hold the key to a rebalancing of economies toward consumption and away from a heavy reliance on external demand, as well as to more efficient inclusive growth. Essentially, the middle class in emerging Asia will be an important driver of Asia's autonomous, endogenous economic growth.

In the aftermath of the global financial crisis of 2007-2009, it is clear that the Asian model of export-led growth needs to be changed. Now that the short-term goal of economic recovery has been achieved, Asian policymakers need to focus on measures to sustain long-term economic growth. This means growth that is consistent with smaller current account surpluses, relies more on domestic and regional demand, and is more socially inclusive and environmentally sustainable.

First, the traditional major export markets for Asia—the US and Europe—will likely remain sluggish for some years to come, as they go through a painful process of deleveraging. Second, export-led growth was accompanied by large trade surpluses that contributed to the global imbalance in the pre-crisis period. I believe that the main causes of the global financial crisis were the development of asset market bubbles and excessive financial risk-taking created by the relevant domestic monetary and financial policies, rather than the persistent global imbalance per se. Nonetheless, prudence suggests that reducing the global imbalance can contribute to supporting global economic growth. Third, export-led growth was accompanied by widening income gaps and worsening environmental degradation.

In this regard, Asia's rising middle class has great potential to become a key pole of regional and domestic demand in Asia. Therefore, Asian policymakers need to adopt measures to maximize the potential of Asia's middle class for supporting growth in the region. This includes: investment in urban infrastructure such as transport, water, sanitation, and housing; investment in human capital and skills; investment in social protection including health, education, and social safety nets; promotion of efficient energy use and green growth; support of small and medium-sized enterprises;

deepening and increased inclusiveness of financial services; and promotion of economic and financial stability.

Ladies and gentlemen, I think you will agree that it is vital to understand the implications of Asia's rising middle class. In today's session, we will begin with a presentation of key findings of the report by Dr. Douglas Brooks, Assistant Chief Economist, and Mr. Kaushal Joshi, Statistician, of ADB. We will then have a panel discussion on the implications of the report, including Professor Yukio Ikemoto, of Pan Asian Studies, the Institute for Advanced Studies on Asia, the University of Tokyo; Mr. Keisuke Sadamori, Deputy Director-General for Trade Policy, Ministry of Economy, Trade and Industry; Mr. Koji Sako, Senior Economist, Mizuho Research Institute; Dr. Chad Steinberg, Senior Economist, Regional Office for Asia and the Pacific, the International Monetary Fund; and Dr. Douglas Brooks. I will moderate the panel. We will conclude with remarks by Mr. Kuniki Nakamori, Resident Director General, Japan Representative Office, Asian Development Bank.

I look forward to a very fruitful discussion.

Thank you very much.