

# THE NEW ASIAN MIDDLE CLASS

IMPACT ON CANADA  
AND THE WORLD



## SUMMARY REPORT

On March 20-21 2019, Global Affairs Canada (GAC), the International Development Research Centre (IDRC), and the China Institute of the University of Alberta (CIUA) convened a conference on the emergence of the Asian middle class and its impact on Canada and beyond. The conference engaged some 80 private and public sector experts as well as the academic, research and advocacy communities of East, South, and Southeast Asia, as well as the US, the UK and Canada.

The discussion focused first on the macro picture – the extent of the social transformation playing out in Asia and the broad implications for addressing the challenge of sustainability. Later in the program, participants examined specific aspects of the middle class expansion – consumption growth, social mobility, political attitudes, the future of work, the adoption of new technologies and the handling of data, and gender equality.

These are key points made by participants:

- The extent of the middle-class expansion in Asia is a matter of debate. While there is agreement that the middle classes in the region are growing rapidly, the actual size of the expansion depends on how the term “middle class” is defined – whether by numbers above a poverty line, by disposable household income, or by spending.

- The economic models that have succeeded in pulling up hundreds of millions of people in Asia out of poverty and into the middle class and stoked their consumption habits is not environmentally sustainable. To address this problem will require consideration of different approaches to the management of resources and social and political governance.

- The emergence of middle classes does not necessarily lead to greater social and political activism or the expansion of democratic space. Middle class people tend to value outcomes, appreciating the conditions, governance approaches and stability that allowed them to gain greater wealth.

- The middle-class phenomenon in Asia can be viewed through different lenses. It is a process of unprecedented urbanization, which is placing strains on both hard and soft infrastructure. It is reshaping local, regional and global supply chains. It is changing the nature of work – how people earn a living and the skills they require. It is propelling the emergence of the digital economy. It is accelerating communications and people-to-people exchanges within Asia and between the region and the rest of the world. It is challenging established social norms in some economies (e.g. youth culture, marriage), while entrenching them in others (e.g. the status of women in South Asia).

- The adoption of Fourth Industrial Revolution technologies, which the growth of the middle class is accelerating, is a many-faceted trend. Technology may be a powerful catalyst for the promotion of democracy and inclusion, but it can also be used as a tool for social and political control. In Asia, middle-class attitudes towards data ownership and privacy tend to be different from those in liberal Western countries.

- Asia's middle-class social transformation is reflected in Canada through the diaspora communities, the region being the biggest source of new Canadians. Canada faces the same critical challenge as Asian countries – how to ensure that middle-class citizens do not “slip back” into poverty.

- For Canada, the Asian middle-class expansion means that relations with the region are becoming more complex and engagement therefore has to be wide-ranging and multi-disciplinary, not just focused on trade and investment. It is important to understand the different perspectives and models developing in Asia and appreciate how pragmatism – the value of achieving results – tends to be preferred over objectives prized in liberal Western societies. This means that to foster relationships effectively will require new ways of exchange and interaction different from existing state-to-state channels.

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A welcome reception on March 20 at Global Affairs Canada featured a comprehensive keynote address by Mr Chandran Nair, the founder of the Hong Kong-based think tank Global Institute for Tomorrow (GIFT) and the author of *Consumptionomics* and *The Sustainable State*. Mr Chandran challenged the very economic model that gave birth to today's middle classes and their consumption aspirations. That model – where resource consumption is a vaunted metric of prosperity – is simply not environmentally sustainable, he argued. What is needed is a strong state capable of putting a price on inputs and their environmental consequences. The experience of China – whose command economy and rigid society achieved the greatest reduction of poverty in history – offers important lessons. Asians recognize and respect that achievement and understand the costs, he said.

The full conference program followed on March 21. In her welcome remarks, Ms Dominique Charron, Vice President, Programs and Partnerships, IDRC noted the social mobilization involved in the emergence of middle classes, observing the potential of civil society partnerships in securing good outcomes for people, if they are given “seats at the table” and if “relevant knowledge” is made available for the right purposes. Dr Donald Bobiash, Assistant Deputy Minister, Asia Pacific, Global Affairs Canada, emphasized the scale of the Asian middle-class phenomenon and its global importance in both economic and social terms – from poverty reduction to market diversity for industry everywhere, playing a broad role in driving global economic growth and shaping technology development and dissemination.

Following a scene-setting session aimed at establishing a more clear description of the nature of the *Asian Middle-Class Phenomenon*, including the advantage of more precise definitions, conference panels considered five sub-themes. These included the imperatives of moving *Beyond Consumption Culture* to understand the full scope of the economic, social and political dimensions of the middle class's arrival. With the digital world as a critical driver and reflector of the Asian middle class and its development and impact in business, culture and society, participants looked at *Technology's Fourth Industrial Revolution* and considered a range of questions relating to the emergence and convergence of new technologies such as artificial intelligence (AI) and the proliferation of data. Panelists also considered the realities of continuing social divides and inequities with a closer look at the *Mobility of People and Ideas*. A luncheon discussion of *The Impact of the Rising Middle Class on Gender Inclusion* raised questions about the gender aspects of the phenomenon – developments that do not always promote greater inclusion.

Through much of the agenda, it was clear that experiences within Asia are not always similar to those in the West. Differences in the management of supply chains, consumption patterns, and technology use demonstrate these dissimilarities – and the importance of understanding them. For instance, the development of artificial intelligence in Asia highlights the role (and social acceptance) of big data collection in contrast to its compartmentalized use (and social discomfort) in the West.

One key difference is definitional. The marker for middle-class accession used by international financial institutions is as low as \$5,000 per annum. The idea that the Asian middle class – which is expected to increase to 3.5 billion people, or 65 percent of the world's population, by 2030, up from 1.4 billion in 2015 (according to Brookings Institution estimates) – possesses enormous spending power on discretionary goods and services can therefore be exaggerated. Also challenged was the expectation that the size of the middle class and its level of prosperity will necessarily raise all boats. In fact, inequality in some Asian societies is deepening. Moreover, these definitions may obscure vulnerabilities new middle-class entrants face as economies and labour force need rapidly shift.

Another difference is global scope. A case was made that Asian middle classes are more global in perspective than in those in the West, placing a premium on being able to connect and engage with global supply chains rather than refit them to promote reform at home or change the planet beyond. This ability is seen as instrumental in sustaining prosperity and avoiding or mitigating vulnerabilities – a characteristic not part of the Western experience.

Also important to the picture is the role of cities. Urbanization in Asia – from 50% today to 68% by 2030 – is clearly part of the middle-class experience. The needs and productive potential that urbanization brings figure largely in the global shift of economic gravity to Asia – with these urban middle classes as a force for connectivity in today's world whether in technology, commerce or culture.

The assumption that a growing middle class is a harbinger of progressive politics has often proven not to be the case, however. China is perhaps the most dramatic and recent case but not the only one. With most Asian societies retaining not-too-distant memories of poverty, the ability of governments to meet expectations of economic security and welfare gain is more important to many than weaknesses of democracy or rule of law (as defined in the West). Popular resistance, when it occurs, often focuses on local questions such as property grabs or corruption rather than on systemic political reform.

Another assumption put under the magnifying glass was the role of digital communications in social and political change. As beneficial as the digital economy has been for many Asian economies, the idea that technology and digital platforms are by

their very nature a force for levelling and inclusion has not been substantiated. In fact, amid cultural and social constraints, as well as business structures and practices, digital divides persist and, even when access is available, transitions in attitudes and the local realities that sustain them is far from automatic. In a similar vein, the assumption that middle classes will adopt more demanding restrictions on matters of privacy or technology associated with AI or robotics needs re-examining. A major test in this regard may be how China's facial recognition-based social credit system is accepted as an avenue of reward and advance as opposed to a more traditional form of oppression or social control. Clearly, these issues are sensitive in the West (including Canada and notably among Canadian public-sector workers) but arguably no less so elsewhere. The contending values and signals involved lead to debate on appropriate policy and regulation setting. For Asian middle classes, the central issues are more how technology deployments are scaled and how public policy benefits are clarified over time, rather than their existence. How can net benefits be judged? Does it ensure more and fairer access to capital or informed marketing decisions for small business, for instance? Concern with authoritarian practices is, so far, either less apparent or less concerning.

Likewise, it cannot be assumed that more "liberal" social views will attach to the middle-class experience – views regarding the role of women at home or in the workplace, the acceptance of ethnic diversity, or LGBTQ rights. The experience in South Asia, for example, is that higher incomes and levels of education do not necessarily lead to changes in gender roles or to women's higher participation in the labour force. Weaknesses in the quality of education, together with asymmetries of social and political power, can and do impair social and labour mobility, and therefore impede access to the shared gains of middle class accession. Professor Sonalde Desai of the University of Maryland said in her luncheon talk. This gendered phenomenon will require thoughtful, inclusive public policy responses to remedy.

On environmental matters, however, there is data to illustrate that Asian middle classes are more aware of and receptive to environmental concerns such as clean tech and clean energy, at least at the local level. Many protests are backyard, i.e. over local and immediate issues of public health, clean water, or food safety, rather than the more intangible effects of climate change.

In his luncheon remarks, Senator Yuen Pau Woo brought the conversation directly to Canada. Senator Woo focussed on Asian middle classes as a fact of Canadian life rather than a phenomenon that is “out there”. The domestic Canadian challenge, he argued, is not retail sales or housing prices, but how middle-class success is sustained without “slip-backs” and how integration is achieved and places at leadership tables generated, commensurate with the new realities on this side of the Pacific.

In the concluding session on *Tying the Threads: Implications for Canada*, panelists and audience members looked at the significance of what is happening for North Americans. Observations were made on the limits of an overly economic or trade-led approach to responding to the middle-class phenomenon, highlighting issues of governance, human rights, gender and inequality in China and elsewhere.

The task of understanding those implications is intrinsically interdisciplinary, one that must take into account “enabling environments” and national realities, rather than transplanted models from outside or elsewhere within Asia. “Modernization” and its association to the middle class will take place under different models as Asian societies cope with the economic and social challenges of aging and health care in East Asia, for example, or the explosion of youth in the labour forces in parts of Southeast Asia. New dialogue mechanisms that are less government-centric will be important for basic understanding, policy development purposes, and building common approaches. The ongoing middle-class phenomenon in Asia is a powerful demographic transformation of global reach. It is of profound, visible impact in Canada, as in other countries, and demands thoughtful approaches.

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