

# ASIA MONTHLY

## May 2026

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## Topics *India's "emerging-economy model" for AI policy*

The Indian government's AI policy is characterized by the goal of using the technology to address the country's numerous, multilayered, and diverse social challenges and to pursue inclusive economic growth, such that no one is left behind, and this approach can be characterized as an emerging-economy model.

### ■ AI utilization to resolve social challenges

Since the latter half of the 2010s, countries around the world have been moving in earnest to formulate AI policies. The questions of how to utilize AI and draw out its benefits to the maximum extent, and, on the other hand, how to suppress the potential negative effects that AI may bring, have become common policy themes across nations. Ultimately, every country aims to use AI to boost its own economic growth and improve the welfare of its citizens.

To achieve such objectives, many governments in developed countries place emphasis on improving corporate productivity and strengthening international competitiveness. Furthermore, the governments of the U.S. and China are engaging in AI development competition as part of their broader battle for global dominance. By contrast, a distinctive feature of the approach of the Indian government is that while declaring its intention to make the country an "AI Powerhouse," it aims to do so in a different sense from the U.S. and China. India seeks to become an AI Powerhouse by leveraging AI to address social challenges and achieve inclusive growth, or in other words, economic growth that leaves no one behind.

Low productivity, particularly in agriculture, is an issue for India, but even more serious are the numerous, multilayered, and diverse social challenges it faces. Although India is achieving rapid economic growth, as of 2024 its nominal GDP per capita was still just \$2,695, less than one-tenth of Japan's \$32,487, and it remains classified by the World Bank as a "lower-middle income country." The Indian government believes that its social challenges are what are weighing on growth, and that resolving them through AI will lead to inclusive growth. A situation where social problem-solving is prioritized over productivity improvement is not unique to India. It is shared by other emerging and developing countries to varying degrees, and the Indian government's aspirations for AI utilization can be characterized as an "emerging-economy model" that differs from that of developed countries.

### ■ The goal is "AI for All"

In 2018, NITI Aayog, the government's policy think tank, unveiled India's first national strategy on AI, the "National Strategy for Artificial Intelligence #AIforAll" (hereinafter referred to as "AI National Strategy"). As conveyed by the hashtag "#AIforAll" (i.e., AI for all people), the strategy calls for the utilization of AI for economic growth and improvements in quality of life, and is aimed at ensuring that the benefits reach the general population. The strategy identified five focus areas, namely 1) healthcare, 2) agriculture, 3) education, 4) smart cities and infrastructure, and 5) smart mobility and transportation, with various AI use cases proposed for each.

Some of these have already been implemented. In the agricultural sector, one example is the "National Pest Surveillance System," an AI-based pest monitoring system introduced in 2024. Users take a photograph with a mobile phone of a pest or of a crop affected by disease and upload it using a dedicated app. The AI identifies the pest or disease and immediately suggests scientifically supported remedies. The system is expected to improve crop growth and reduce over-dependence on insecticides and pesticides.

The Indian government is also focusing on AI-powered multilingual support, and has been making progress with gathering data on local languages and enabling translation in and out of them. In addition to the 22 languages classified as "scheduled languages" in the Constitution, India has 121 local languages each spoken by more than 10,000 people. Multilingualism is a symbol of India's social diversity, but makes communication across regions difficult. Many of the socially and economically vulnerable groups whom the Indian government particularly wants to reach, such as low-income people, live in rural areas and often the local language of that region is the only language they have mastered. AI is thus attracting attention as a tool to address the negative aspects of multilingualism, while still respecting India's multilingual nature. It is hoped that once language barriers are removed, it will become possible to provide more finely tailored administrative services that match individual circumstances.

### ■ Strong R&D capabilities not required

Although India has an abundance of IT and AI talent, the number of researchers with the advanced knowledge and skills necessary to create cutting-edge AI models is limited, and in that sense, it is hard to argue that the country's R&D capabilities in the AI field are strong. However, when using AI to address

<India's Main Social Challenges and Proposed AI Use Cases for Addressing Them>

	Challenge	Proposed AI Use Cases for Addressing Challenges
Healthcare	Shortage of healthcare workers; regions with poor access to medical care; high out-of-pocket medical expenses	Diagnostics; imaging diagnostics; personalized treatment; early identification of potential pandemics
Agriculture	Low productivity; inefficient value chains; declining sustainability (land degradation, rapidly falling groundwater levels, declining effectiveness of pesticides, increasing extreme weather events, etc.)	Real-time advice for farmers; early pest detection; crop price forecasting
Education	High dropout rates even at the primary school level and poor learning outcomes due to issues with the number and quality of teachers	Personalized learning tailored to each student's comprehension level; automation of administrative tasks; predictive identification of students at risk of dropping out to enable timely intervention
Smart Cities and Infrastructure	Unplanned urbanization giving rise to overcrowding, severe pollution, high crime rates, low living standards, etc.	Traffic control to ease congestion; crowd management
Smart Mobility and Transportation	Inefficient transport systems; frequent traffic congestion and road accidents; inadequate public transportation	Autonomous driving for ride-sharing; semi-autonomous driving assistance; autonomous trucks; automated delivery; engine monitoring; road traffic surveillance

Source: Prepared by JRI based on NITI Aayog [2018] *National Strategy for Artificial Intelligence #AIforAll*  
 Note: Challenges and proposed use cases for addressing them presented in *National Strategy for Artificial Intelligence #AIforAll*.

social challenges, strong R&D capabilities are not necessarily required. What is more important is understanding India's on-the-ground realities and taking measures that reflect them. India's personal identification number system Aadhaar and cashless payment platform UPI (Unified Payment Interface), which have both attracted global attention, were not developed using cutting-edge technologies. Instead, they were designed to accurately address India-specific problems, such as difficulty in identity verification and reliance on cash, and were therefore widely accepted by the public.

A concept that encapsulates India's innovation is *jugaad*. It refers to a willingness to attempt to solve problems flexibly by ingeniously making use of limited available resources. With a *jugaad* approach, it will not be easy to independently develop cutting-edge AI, but the approach is sufficient for generating AI use cases aimed at addressing social challenges. And from among such initiatives, innovative solutions that are attractive to other emerging and developing countries may emerge.

If India-native AI solutions for addressing social challenges are adopted as model examples among emerging and developing countries, this will contribute to enhancing India's presence in the Global South. We can thus envision a future in which India expands its global influence in the AI field through establishing a position distinct from the U.S. and China.

(Kaori Iwasaki)

## Topics *China's new plan to become a manufacturing powerhouse*

China's new Five-Year Plan, implementation of which begins this year, positions becoming a manufacturing powerhouse as the top-priority goal. While the country's manufacturing sector is expected to become stronger, there are concerns that the issues of excess supply and insufficient demand could be further exacerbated.

### ■ Implementation of the new Five-Year Plan gets underway

In March, China's National People's Congress adopted the new 15th Five-Year Plan (2026–2030), execution of which has now begun in earnest. The Five-Year Plan is China's most important medium-term plan. It is comprehensive, encompassing a policy blueprint for economic and social development, goals to be achieved during the period of the plan, and major initiatives. Based on the Five-Year Plan, sector-specific five-year plans and annual economic and social development plans are formulated and implemented. The question of what kind of national administration the Chinese government intends to pursue based on this new Five-Year Plan is examined below:

### ■ No numerical economic growth target presented

This latest Five-Year Plan lists twenty major numerical targets divided into five categories. Three points warrant attention: 1) no numerical economic growth target was presented, 2) emphasis is placed on improving living standards, and 3) promotion of R&D investment will continue.

The absence of a numerical growth target for the next five years appears intended to allow the government to set annual targets in response to changes in economic conditions amid rising domestic and external uncertainty, while "maintaining growth within a reasonable range" over the five-year period. In other words, flexibility in medium-term macroeconomic management has been prioritized.

Examples of the emphasis on improving living standards include goals for the growth rate of per-capita disposable income and the urban unemployment rate. A goal of increasing disposable income at the same pace as GDP growth has been set, but this can be regarded as the minimum level the government wishes to achieve, given its goal of doubling per-capita GDP by 2035 compared with 2020 and making China a "mid-level high-income country." A goal of keeping the surveyed urban unemployment rate at 5.5% or below has also been set, but this is higher than the actual figure in 2025 of 5.2%. However, considering the increasingly severe employment situation and the government's policy of raising labor remuneration, this should actually be viewed as a challenging target.

Another goal is to increase R&D investment by an annual average of 7.0% or more, and this strongly reflects the government's intention to expand and strengthen all domestic industries through innovation. Furthermore, the government has announced a policy of actively directing investment not only toward applied research but also toward basic research, which entails uncertainty in terms of outcomes but can lead to fundamental technological breakthroughs.

### ■ Becoming a manufacturing powerhouse made the highest priority

On the economic policy front, two developments stand out: The first is that making the country a manufacturing powerhouse is positioned as the top-priority goal. China's manufacturing sector already has a strong presence in the global economy, but the government, recognizing that a powerful manufacturing industry is the foundation of comprehensive national strength, including the economy, is seeking to further boost manufacturing competitiveness.

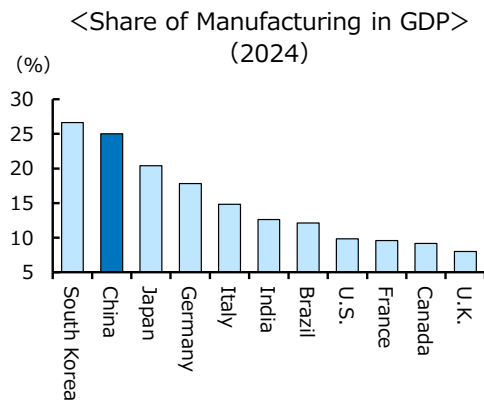
In line with this, the new Five-Year Plan includes around a hundred priority projects, of which 28 relate

<Main Goals to Be Achieved by 2030>

Category	Indicator	Goal
Economic Development	GDP Growth Rate	Maintain Growth within A Reasonable Range
Living Standards	Rate of Increase in Per-capita Disposable Income	Same Pace as GDP Growth
Living Standards	Urban Unemployment Rate	Annual Average of 5.5% or Less
Innovation	Rate of Increase in R&D Investment	Annual Average of 7.0% or More

Source: Prepared by JRI based on Government of China, "15th Five-Year Plan"

to the development of "new quality productive forces," such as AI and high-end new materials, the largest number among all the categories. New quality productive forces refer to efforts to upgrade manufacturing, particularly in advanced sectors, through technological innovation. To this end, the government has come up with the concept of "self-reliance and strength," i.e., accelerating indigenization without reliance on foreign countries by achieving breakthroughs in core technologies such as integrated circuits and machine tools. The cultivation of emerging industries (robots, biopharmaceuticals, etc.) and future industries (quantum technology, 6G, etc.), as well as human resource development, can also be regarded as part of the efforts to make China a manufacturing powerhouse.



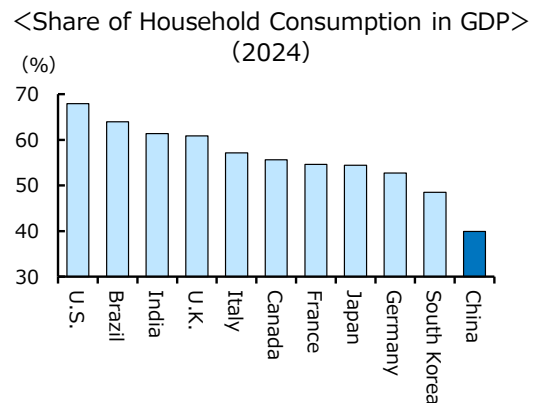
Source: Prepared by JRI based on data from the United Nations

<Priority Projects for Period of Plan>

Field and Number	Main Projects
Develop New Quality Productive Forces (28 Projects)	• AI
	• High-end New Materials
Build Infrastructure Systems (23 Projects)	• Transportation Networks
	• Information/Communication Networks
Promote Urban and Rural Development (9 Projects)	• Improvement of Living Infrastructure in Rural Areas
	• Reconstruction of Aged Infrastructure in Urban Areas
Secure and Improve Living Standards (25 Projects)	• Expansion of Higher Education and Vocational Education
	• Expansion of Support for The Elderly and Children
Promote Green and Low-carbon Transition (18 Projects)	• Carbon Reduction and Carbon Neutrality
	• Stricter Management of Waste and Pollutants
Increase National Security (6 Projects)	• Food Stockpiling
	• Oil and Gas Development and Stockpiling

Source: Prepared by JRI based on Government of China, "15th Five-Year Plan"

The second development is transformation of the economic structure on both the demand and supply sides. On the demand side, the government's policy is to expand domestic demand (consumption and investment) and improve the quality of foreign trade and investment. In particular, since the share of household consumption in GDP is smaller than in other major countries, the government has explicitly stated its intention to increase it. Until now, short-term consumption-stimulus measures such as subsidies for durable goods purchases have been employed, but the new Five-Year Plan emphasizes boosting consumer confidence, which is depressed.



Source: Prepared by JRI based on data from the United Nations

On the supply side, the government has articulated a policy of raising total factor productivity through measures such as anti-involution policies (i.e., measures

to prevent excessive competition among companies and curb excessive preferential treatment of certain firms by local governments), financial support for companies to improve productivity, and fair distribution.

■ **Future outlook and challenges**

As the new Five-Year Plan is implemented, competitiveness on the supply side is expected to be strengthened further, particularly in certain high-tech manufacturing sectors. On the other hand, because the plan lacks concrete measures to stimulate consumption, concerns remain that the issues of insufficient demand and excess supply will worsen, making it more difficult for China to escape deflation.

**(Junya Sano)**